



Key terms and conditions of the PFR Otwarte Innowacje programme (“Term Sheet”) – draft made available for the purposes of market consultations

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| <p>1. Source of financing for the PFR Otwarte Innowacje programme (“PFR Otwarte Innowacje”)</p> | <p>Funds from the European Regional Development Fund under the European Funds for Modern Economy 2021-2027 Programme under Measure no. 2.30 – Capital Instruments.</p> |
| <p>2. Strategic objective of PFR Otwarte Innowacje</p> | <p>The strategic objective of PFR Otwarte Innowacje is as follows:</p> <ul style="list-style-type: none"> a) increasing the innovation of Polish economy; b) providing financing, through venture capital funds, to micro, small and medium-sized enterprises (“SMEs”), implementing the R+D+I component, both at an early stage and at further stages of development (expansion, growth) in order to support the transfer of technology to the economy through financing of R&D in order to implement it or to enable the acceleration of already completed/acquired R&D; c) development of the venture capital market, including the construction of new venture capital management teams specializing in investments at early or later stages of development and the application of the best standards on the venture capital market in Poland; d) attracting private investors and encouraging long term engagement in the venture capital market; e) building new management teams. |
| <p>3. Private Investor</p> | <p>A Private Investor is an entity that:</p> <ul style="list-style-type: none"> (i) makes a contribution to the VC Fund from its own funds, which do not constitute public funds within the meaning of the Public Finance Act of 27 August 2009; (ii) is independent of the Managing Entity; (iii) at the time of initial Investment, is independent of the Portfolio Company, i.e., it is not its shareholder; (iv) bears the full risk related to the Investments. <p>Where a contribution is made through an investment vehicle, the term “Private Investor” is also deemed to include (i) an entity that exercises ultimate control (i.e., ultimate beneficial owner) over such investment vehicle and (ii) all intermediate entities in the structure of that investment vehicle.</p> <p>Entities such as Bank Gospodarstwa Krajowego, the European Investment</p> |



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| | Fund, the European Investment Bank will not be treated as private investors. |
| 4. Co-investor | <p>A Co-investor is an entity that:</p> <ul style="list-style-type: none"> (i) under a Co-investment Agreement makes a contribution to the Portfolio Company from its own funds, which do not constitute public funds within the meaning of the Public Finance Act of 27 August 2009; (ii) is independent of the Managing Entity; (iii) on making the initial Investment, is independent of the Portfolio Company, i.e., it is not its shareholder; (iv) bears the full risk related to the Investments. <p>Where a contribution is made through an investment vehicle, the term “Co-investor” is also deemed to include (i) an entity that exercises ultimate control (i.e., ultimate beneficial owner) over such investment vehicle and (ii) all intermediate entities in the structure of that investment vehicle.</p> <p>Entities such as Bank Gospodarstwa Krajowego, the European Investment Fund, the European Investment Bank will not be treated as Co-investors.</p> |
| 5. PFR Otwarte Innowacje Investment Committee | As part of PFR Otwarte Innowacje, an investment committee will operate in an advisory capacity, consisting mostly of individuals independent of PFR Otwarte Innowacje and with experience in PE/VC capital funds. Its role will be opining key decisions of PFR Otwarte Innowacje, such as making an investment in a VC Fund or dismissing the Managing Entity. |
| 6. Portfolio Company | <p>The VC Fund will invest in Portfolio Companies, i.e., capital companies or limited joint-stock partnerships (and with respect to Portfolio Companies with their registered office outside of Poland – capital companies within the meaning of Article 2(1) of Council Directive 2008/7/EC of 12 February 2008), which:</p> <ul style="list-style-type: none"> a) meet the conditions for SMEs of Annex I to the GBER; b) on disbursement of funds from the VC Fund's Investment - they are not listed on the stock exchange (e.g., WSE, NewConnect). |
| 7. Place of business of the Portfolio Company | <p>The VC Fund may only make investments in Portfolio Companies which, on disbursement of funds from the VC Fund's Investment:</p> <ul style="list-style-type: none"> a) have their registered office in Poland and conduct business activity in Poland (at least 85% of the VC Fund's portfolio value at purchase prices), or b) have their registered office outside of Poland, but only if the following conditions are met (maximum 15% of the VC Fund's portfolio value at purchase prices): <ul style="list-style-type: none"> (i) they carry out a significant part of their business activity in Poland both prior to the Investment (if they have previously carried out a business activity) and in the course thereof; significance will be assessed, among others, through: |



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| | <ul style="list-style-type: none"> • the share of existing and planned employees employed in Poland in the total number of employees, or • the share of existing and planned non-current assets located in Poland in the total non-current assets. <p>(ii) are planning to allocate the proceeds from the Investment for the conduct and further development of business activity in Poland in such a manner that the planned utilization of such funds will be included in the business plan of the Investment concerned, developed by the Portfolio Company, and the business plan will show that 100% proceeds from the Investment will be allocated to the development of the Portfolio Company in Poland;</p> <p>(iii) the business plan will include measurable result indicators planned to be achieved as part of the development of the business activity in Poland using the funds from the VC Fund;</p> <p>(iv) carry out R+D+I activities in Poland or commence R+D+I activities in Poland in connection with the Investment;</p> <p>(v) the obligation set out in items ii)-iv) will be included in the investment agreement between the VC Fund and the Portfolio Company and the Co-investors.</p> |
| <p>8. Basic principles of investing in Portfolio Companies</p> | <p>The First Investment (i.e., the VC Fund's first investment obligation towards the company concerned) and Follow-on Investments may be made in a single payment or in tranches. First Investments may only be made during the Investment Period.</p> <p>The permissible form of financing of the Portfolio Companies is equity or quasi-equity financing (including, but not limited to convertible loans).</p> <p>Acquisition of shares from the existing shareholders of the Portfolio Company under the Investment will only be possible up to the limit of 20% of the value of the Investment in Group A Companies, up to the limit of 33.(3)% of the value of the Investment in Group B Companies and up to the limit of 50% of the value of the Investment in Group C Companies.</p> <p>The following division of Portfolio Companies is made:</p> <ul style="list-style-type: none"> (i) Group A Portfolio Company - does not operate on any market (has not made its first commercial sale yet); (ii) Group B Portfolio Company - has been operating on any market for: <ul style="list-style-type: none"> a. less than 7 years from the first commercial sale; or b. less than 10 years from registration; (iii) Group C Portfolio Company – does not meet the criteria indicated for Group A Portfolio Company and Group B Portfolio Company and requires financing of the Investment that exceeds 50% of its average annual turnover in the previous 5 years in order to start a new business activity. <p>The value of the Investment in one Portfolio Company may range from PLN 5 million up to no more than 15% of the Investment Budget (the total limit for the First Investment and the Follow-on Investment), provided that less than 50% of the Portfolio Company's shareholding rights are acquired as part of the First Investment and subject to the</p> |



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| | <p>state aid limit referred to in the last paragraph of this section.</p> <p>In justified cases (e.g., failure to achieve key business indicators in the business plan and, as a result, failure to disburse subsequent investment tranches), the total amount of the Investment in the Portfolio Company may amount to less than PLN 5 million.</p> <p>It is possible to make Follow-on Investments in Portfolio Companies. However, the Follow-on Investment must be provided for in the original business plan for the Investment.</p> <p>No more than 60% of the Investment Budget will be invested in Follow-on Investments.</p> <p>The investment in the Portfolio Company (taking into account the contribution of the Co-Investor(s)) constitutes state aid, and the total amount of state aid for the Portfolio Company in the form of equity, loan and guarantee financing may not exceed EUR 16.5 million.</p> |
| <p>9. Investment exclusions in Portfolio Companies</p> | <p>A VC Fund may not make an Investment in Portfolio Companies:</p> <ul style="list-style-type: none"> a) In difficulty within the meaning of the GBER; b) which are subject to an obligation to repay the aid arising under a previous decision of the European Commission declaring the aid illegal and incompatible with the internal market; c) excluded from access to public funds under the provisions of law or those in which persons authorised to represent them are subject to such an exclusion, <p>Funds from the Investment may not be used for the purpose of:</p> <ul style="list-style-type: none"> a) manufacturing, processing and marketing tobacco and tobacco products, producing or marketing alcoholic beverages, narcotic drugs, psychotropic substances or precursors and new psychoactive substances and their substitutes, as well as devices designed for the consumption of such substances, such as e.g., electronic cigarettes and vaping devices; b) producing or marketing pornographic content; c) trading in explosives, weapons and ammunition; d) gambling, including games of chance, betting, gaming on slot machines and gaming on low-prize machines; e) IT to the extent supporting the activities specified in the items above, i.e., to the extent that applications and other IT solutions are intended to support or facilitate carrying out the business activities specified in the items above; f) decommissioning or construction of nuclear power plants; g) processing and marketing of agricultural products, if they meet the conditions set out in the GBER; h) investments in airport infrastructure; i) investments in landfilling; |



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| | <ul style="list-style-type: none"> j) investments to increase the capacity of residual waste treatment facilities, excluding material recovery technologies for the circular economy; k) investments in the production, processing, transport, distribution, storage or combustion of fossil fuels; l) expenditure supporting the relocation within the meaning of the GBER; m) financial services under which the Portfolio Company incurs/is exposed to risk related to loss or reduction of the value of the entrusted assets (wealth management services, provision of investment services), risk related to granting loans, credit facilities and other forms of financing, risk of conducting insurance business or risk related to the recovery or purchase of receivables (debt collection services, securitization activities); however, for the avoidance of doubt, the provision of services and activities supporting activities in the field of financial services, including in particular activities in the fintech sector, back-office services, etc., do not constitute financial services within the meaning of this section; n) dealing in real estate; o) purchasing land for an amount exceeding 10% of the Investment amount; p) export-related activities, however, financing for the purpose of internationalisation and foreign expansion is permitted, provided that such development is justified under the Investment's business plan; q) payment of interest on debt; r) own contribution to the grant or pre-financing of the grant, i.e., allocating funds as a bridge for the purposes for which the grant has been/will be awarded. |
| <p>10. Allocation of funds from Investments in Portfolio Companies</p> | <p>The objective of the investment should be consistent with the strategic objectives of PFR Otwarte Innowacje. Funds from the Investment should be used to implement the R+D+I component by the Portfolio Companies, both at an early stage and at further stages of development (expansion, growth) in order to implement R&D or to enable the acceleration of already completed/acquired R&D.</p> <p>Funds from the Investment must be used by the Portfolio Companies to conduct Innovative Activities, i.e.:</p> <ul style="list-style-type: none"> a) launching, or carrying out works with a view to launching, a new product or service on the market, or making a significant improvement of existing products or services (product/service innovation); b) applying novel or improved production methods/processes, including with the use of high technology or methods of provision of services (process innovation); or c) implementing novel or significantly modified solutions in the marketing or organisational systems (marketing/organisational |



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| | <p>innovation).</p> <p>The Portfolio Company's innovative projects may not be completed or fully implemented at the time of the VC Fund's investment decision.</p> |
| <p>11. Legal form of VC Funds and the method of their financing by the Fund</p> | <p>VC Funds may be established in the following legal forms: limited partnership, limited joint-stock partnership or their foreign equivalents.</p> <p>Investors will finance VC Funds only in the form of equity, making cash contributions.</p> <p>VC funds will have the status of an alternative investment company within the meaning of the Act of 27 May 2004 on Investment Funds and Alternative Investment Fund Managers; with respect to foreign counterparts – an alternative investment fund.</p> |
| <p>12. Investment Budget and Operating Budget</p> | <p>Financing of VC Funds by Contributions to the Declared Capitalisation of the VC Fund includes:</p> <p>a) an investment budget – specifying the planned financial resources of the VC Fund to be allocated to Investments (the “Investment Budget”);</p> <p>b) an operating budget – specifying the planned management fees covering the VC Fund's operating costs and the operating costs of the Managing Entity (the “Operating Budget”), including in particular:</p> <p>(i) costs of preparing the Investment (including, but not limited to due diligence costs of the Portfolio Companies and transaction documentation);</p> <p>(ii) administrative costs of the VC Fund and the Managing Entity, in particular the remuneration of Key Persons.</p> |
| <p>13. Amount of contribution of PFR Otwarte Innowacje to the VC Fund</p> | <p>The contribution of PFR Otwarte Innowacje as part of the Declared Capitalisation of the VC Fund ranges from PLN 45 million to PLN 80 million, subject to the option of increasing the Contribution of PFR Otwarte Innowacje in justified cases, in accordance with the provisions of section 16 of this document.</p> |
| <p>14. Amount of Private Contribution (Co-Investors/ Private Investors and Managing Entity) and models for the provision of a Private Contribution</p> | <p>The declared share of Private Investors and the Managing Entity in the Declared Capitalisation of the VC Fund is determined by the Tenderer in the Tender, also with respect to the interest in the option to increase the Declared Capitalisation.</p> <p>Private Investors and the Managing Entity finance the Operating Budget and the Investment Budget to the extent determined by their share in the Declared Capitalisation of the VC Fund.</p> <p>At the stage of submitting a Tender under the Call, the Tenderer selects the method for the provision of a private contribution from among the following models:</p> |



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| | <p>Model 1</p> <ol style="list-style-type: none"> 1. The private contribution from Private Investors and the Managing Entity in the Declared Capitalisation will not be less than 40% of the Declared Capitalisation of the VC Fund. 2. Key Persons will be required to provide not less than 1% and not more than 20% of the Declared Capitalisation as part of the Managing Entity's contribution. 3. It is permissible to submit a Tender with declarations of Private Investors providing a contribution lower than the target contribution of Private Investors, but not lower than 50% of the target contribution and with the requirement of accession by other Private Investors until the Investment Agreement is signed. <p>Model 2 (Co-investment)</p> <ol style="list-style-type: none"> 1. The private contribution to the Declared Capitalisation will only be required by Key Persons of the Managing Entity and may not be less than 3% and no more than 20% of the total of the VC Fund's Declared Capitalisation. 2. As part of the Investment in the Portfolio Company, the Private Contribution will each time be also made by the Co-Investors. The Co-investors make a contribution to the Portfolio Company directly or indirectly, providing a minimum of 40% of the value of the Investment jointly with the contribution by the Managing Entity. 3. The Managing Entity is obliged to verify the fulfilment of the conditions required for the Co-Investors prior to the Investment and to inform PFR Otwarte Innowacje about the results of the verification. PFR Otwarte Innowacje reserves the right to carry out due diligence of the Co-investors. <p>Prior to the Investment, the Co-investor must be approved by PFR Otwarte Innowacje</p> |
| <p>15. Milestones</p> | <p>The VC Fund will be obliged to meet the minimum required levels of the Investment Budget ("Milestones"), as set out below:</p> <ol style="list-style-type: none"> a) min. of 5% - by the end of the first year of the Investment Period; b) min. of 25% - by the end of the second year of the Investment Period; c) min. of 40% - by the end of the third year of the Investment Period; d) min. of 60% - by the end of the fourth year of the Investment Period; <p>The level of implementation of the Investment Budget is understood as the value of funds transferred by the VC Fund to the Portfolio Companies.</p> |
| <p>16. Option to increase and reduce the Declared Capitali-</p> | <p>PFR Otwarte Innowacje allows for the possibility of increasing the Declared Capitalisation of the VC Fund and the contribution of PFR Otwarte Innowacje (also in excess of PLN 80 million) provided that a significant portion of the Investment Budget is invested.</p> |



| sation | PFR Otwarte Innowacje allows for the possibility of reducing the Declared Capitalisation, in particular in the event of failure to meet the Milestones. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 17. Investment horizon of a VC fund | <p>The VC Fund's Investment Horizon consists of two periods:</p> <p>a) Investment Period: up to 4 years of the entry into force of the Investment Agreement, with an option of extension in justified cases by a maximum of 1 year;</p> <p>b) Divestment Period: up to 4 years (calculated from the end of the Investment Period) with the option of extension in justified cases, while maintaining an investment horizon of no more than 10 years.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18. Management Fee | <p>During the Investment Period, the Management Fee will consist of:</p> <p>a) fixed remuneration (calculated on the Declared Capitalisation) in the amount of:</p> <table border="1" data-bbox="456 748 1310 1003"> <thead> <tr> <th data-bbox="456 748 646 819">Year</th> <th colspan="2" data-bbox="646 748 802 819">1</th> <th colspan="2" data-bbox="802 748 959 819">2</th> <th colspan="2" data-bbox="959 748 1115 819">3</th> <th colspan="2" data-bbox="1115 748 1310 819">4</th> </tr> <tr> <th data-bbox="456 819 646 896">Half-year cumulatively</th> <th data-bbox="646 819 724 896">1</th> <th data-bbox="724 819 802 896">2</th> <th data-bbox="802 819 880 896">3</th> <th data-bbox="880 819 959 896">4</th> <th data-bbox="959 819 1037 896">5</th> <th data-bbox="1037 819 1115 896">6</th> <th data-bbox="1115 819 1193 896">7</th> <th data-bbox="1193 819 1310 896">8</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 896 646 1003">Fixed remuneration (% /year)</td> <td data-bbox="646 896 724 1003">2.8%</td> <td data-bbox="724 896 802 1003">2.4%</td> <td data-bbox="802 896 880 1003">2.0%</td> <td data-bbox="880 896 959 1003">1.6%</td> <td data-bbox="959 896 1037 1003">1.2%</td> <td data-bbox="1037 896 1115 1003">0.8%</td> <td data-bbox="1115 896 1193 1003">0.4%</td> <td data-bbox="1193 896 1310 1003">0.0%</td> </tr> </tbody> </table> <p>b) variable remuneration at the rate of 5% per annum, calculated on the total value of funds paid by the VC Fund into the Portfolio Companies, less the purchase price of completed exits.</p> <p>During the divestment period, the Management Fee will consist exclusively of the variable remuneration of 2.5% per annum, calculated on the total value of funds paid by the VC Fund into the Portfolio Companies, less the purchase price of completed exits.</p> <p>The Management Fee will be paid semi-annually (the fixed part of the remuneration will be payable in advance, while the variable part will be payable in arrears).</p> <p>The total amount of the Management Fees should not exceed 22% of the total contributions of Investors to the VC Fund.</p> <p>In addition, the Management Entity operating under Model 2 may negotiate an additional fee with the Co-Investors to be paid by the Co-Investors (the "Management Fee from Co-Investors") in order to: (i) partially cover the transaction costs (including due diligence costs) of the Portfolio Company being the subject of the Investment and (ii) partially cover the Managing Entity's costs related to the monitoring of the Investment during the period in which the Portfolio Company is part of the VC Fund's portfolio. The exact amount of the Management Fee from the Co-Investors is negotiated on a case-by-case basis between the Co-Investors and the Managing Entity prior to joining the Investment.</p> <p>If the Investment Period or the Divestment Period is extended, the value of the Management Fee during the extended Investment Period or the Divestment Period will not be due, unless the Investors resolve</p> | Year | 1 | | 2 | | 3 | | 4 | | Half-year cumulatively | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Fixed remuneration (% /year) | 2.8% | 2.4% | 2.0% | 1.6% | 1.2% | 0.8% | 0.4% | 0.0% |
| Year | 1 | | 2 | | 3 | | 4 | | | | | | | | | | | | | | | | | | | | | |
| Half-year cumulatively | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | | | | | | | | | | | | | | | | | | |
| Fixed remuneration (% /year) | 2.8% | 2.4% | 2.0% | 1.6% | 1.2% | 0.8% | 0.4% | 0.0% | | | | | | | | | | | | | | | | | | | | |



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| | <p>otherwise.</p> <p>PFR Otwarte Innowacje allows for the possibility of reducing the Management Fee in the event of failure to meet the Milestones.</p> |
| <p>19. Rules for accounting for proceeds from exits from Investments</p> | <p>The rules for accounting for proceeds from exits from Investments will depend on the Model under which the VC Fund operates, whereby in each model, Private Investors will be entitled to profit asymmetry (“Asymmetry”) as an Investment incentive, i.e., a preferential share in the VC Fund's profit over the proportions resulting from the share in the VC Fund's capitalisation (under Model 1) or from the share in the co-investment in the company (under Model 2). The product of the profit share, i.e., the level of profit asymmetry, is negotiated between the Managing Entity and the Private Investors/Co-investors.</p> <p>Model 1</p> <ol style="list-style-type: none"> 1) Proceeds are first returned up to the amount of contributions made to the VC Fund by Private Investors, the Managing Entity and PFR Otwarte Innowacje (jointly, the “VC Fund Investors”), in proportion to their share in the VC Fund's Capitalisation – until 100% of their contributions are returned. 2) The remaining funds (the “Surplus”) will be distributed: <ol style="list-style-type: none"> a. to the Managing Entity in the form of Carried Interest; then b. to the VC Fund Investors in the following proportion: <ol style="list-style-type: none"> (i) for the Managing Entity in proportion to its share in the Capitalisation; (ii) for Private Investors – in proportion to their share in the VC Fund's Capitalisation, taking into account the Asymmetry, defined as the product of 1.0-1.5x, but not more than 80% of the amount representing the Surplus less Carried Interest; (iii) for PFR Otwarte Innowacje – in the form of the remaining proceeds. <p>Model 2 (Co-investment)</p> <ol style="list-style-type: none"> 1. Individual Investments in the Companies are first settled (<i>deal by deal</i>) through the return of contributions made towards the Investment between the VC Fund and the Co-Investors. 2. Subsequently, the funds remaining after the return of contributions will be used to distribute profits to the Co-Investors and the VC Fund in the following proportion: <ol style="list-style-type: none"> (i) A share in the profit for the Co-Investors – in proportion to their share in the Investment, taking into account the Asymmetry, defined as the product of 1.0-1.35x; (ii) A share in the profit for the VC Fund – in the form of other proceeds. At the level of the VC Fund level, the |



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| | <p>settlement is made as follows:</p> <ol style="list-style-type: none"> 1. Proceeds are first returned up to the amount of contributions made by the VC Fund's Investors, in proportion to their share in the VC Fund's Capitalisation – until 100% of their contributions are returned. 2. The Surplus will be distributed: <ol style="list-style-type: none"> a. to the Managing Entity in the form of Carried Interest; and subsequently b. to the VC Fund Investors, in proportion to their share in the VC Fund's Capitalisation. |
| <p>20. Carried Interest</p> | <p>If an Investment Surplus is generated on the entire VC Fund, the Managing Entity's Team Members will be entitled to a success fee ("Carried Interest").</p> <p>With respect to the VC Funds operating under Model 1, the amount of Carried Interest will be proposed by the Tenderer, but it should not exceed 30%.</p> <p>With respect to the VC Funds operating under Model 2, when settled at the VC Fund level, Carried Interest will amount to 25%. In addition, the Co-Investors who receive a settlement upon exit from the Investment in a particular Company may allocate part of the profit to Carried Interest for the Managing Entity, which is transferred to a special escrow account and paid to the Managing Entity in full, if the portfolio settlement of the entire VC Fund results in a full return of the contributions made to the VC Fund by the Managing Entity and PFR Otwarte Innowacje. The amount of Carried Interest is negotiated on a case-by-case basis between the Co-investor and the Managing Entity prior to the Investment, and the amount of Carried Interest from the Co-investor should not exceed 30% and should take into account a rational approach to the relationship between the level of Carried Interest and the management fee from the Co-investors.</p> |
| <p>21. Requirements for Key Persons</p> | <p>A minimum of 2 Key Persons is required to declare full¹ commitment (100%/40h per week) to the VC Fund's investment activities until the end of the Investment Period and to act as members of the Management Board of the Managing Entity.</p> <p>Each of the Key Persons must make a contribution as part of the Managing Entity's contribution. The amount of the Key Person's</p> |

¹ It is permissible to deviate – with the consent of PFR Otwarte Innowacje – from the principle of full commitment, to the level of not less than 80%/32 hours per week, in cases where i) a Key Person is involved in the management of a previous VC investment portfolio/VC fund in the divestment period, or ii) other types of ancillary activities of a Key Person are strictly limited in scope, are of a clear synergistic nature and do not generate conflict of interest.



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| | <p>contribution should be adequate to his or her financial capabilities.</p> <p>Each of the Key Persons who has not declared his/her full commitment to the VC Fund's investment activities is obliged to agree with PFR Otwarte Innowacje prior to signing the Investment Agreement on his/her secondary commitments that he/she will be able to pursue during the Investment Period. All Key Persons will be required to submit disclosure letters containing a list of activities carried out after the date of the Investment Agreement or indicating the lack thereof.</p> <p>Key Persons should be key shareholders of the Managing Entity.</p> |
| 22. Investment Decision Making | <p>The VC Fund's investment decisions to make an Investment and exit from the Investment will be made on an arm's length basis in a transparent manner and in accordance with the best practices of the venture capital/private equity market.</p> <p>The VC fund will create an internal body dedicated to making investment decisions - the Investment Committee.</p> <p>The Investment Committee will make investment decisions on a case-by-case basis based on the result of the Due Diligence, the Investment's business plan and other necessary documents.</p> <p>PFR Otwarte Innowacje and/or Private Investors will have the right to appoint 1 observer of the Investment Committee each, with no right to vote. An observer appointed by PFR Otwarte Innowacje has the right to veto an investment decision in the event of non-compliance with the Investment Rules or the provisions of EU or domestic law. In the event of a veto by a PFR Otwarte Innowacje observer, the VC Fund will not be able to make the intended Investment.</p> |
| 23. Principles of Liability of Investors, Managing Entity and Key Persons | <p>The liability of each Investor is limited to his/her contribution to the VC Fund.</p> <p>The Managing Entity and Key Persons – in accordance with international standards on the VC/PE market – shall not be liable for damage caused to the VC Fund or Investors if they exercise due diligence in the management of the VC Fund. Liability will apply in cases such as failure to exercise due diligence, gross negligence or willful misconduct against the VC Fund, and then it is unlimited, subsidiary (in the context of the relationship between the Managing Entity and Key Persons) and joint and several (in the context of the relationship between Key Persons).</p> |
| 24. Adverse Key Person event | <p>An adverse Key Person event is an event in which one of the Key Persons has ceased/ceases to fulfil his/her obligations under the Investment Agreement (due to resignation, lack of full/agreed commitment to the investment activities or other cases specified in detail in the Investment Agreement) and resulting in automatic suspension of the VC Fund's investment activities. Replacement of a Key Person or acceptance of a recovery plan assuming no replacement requires the consent of the Investors. The absence of such consent may result in termination of the Investment Agreement and/or dismissal of the Managing Entity.</p> |
| 25. Dismissal of | <p>The Managing Entity may be dismissed as a result of the Investors'</p> |



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| <p>the Managing Entity</p> | <p>decision, with or without stating the cause.</p> <p>The Managing Entity may be dismissed, stating the cause, in particular in the following cases:</p> <ul style="list-style-type: none"> a) failure to comply with material provisions of the Investment Agreement by the Managing Entity, in particular in the form of making an Investment in breach of the investment rules set out in the Investment Agreement, b) a material breach by the VC Fund or the Managing Entity of the provisions of domestic or EU law, c) failure to replace a Key Person after an Adverse Key Person Event occurs. <p>The dismissal of the Managing Entity will require, depending on the nature of the cause, the consent of: i) PFR Otwarte Innowacje or ii) a significant part of the Investors</p> <p>The dismissal of the Managing Entity without stating the cause will require the consent of a significant part of the Investors and will be accompanied by the payment of compensation to the Managing Entity.</p> |
| <p>26. Board of Investors</p> | <p>A Board of Investors will operate as part of the VC Fund established under Model 1, consisting of a representative of PFR Otwarte Innowacje and at least one representative of Private Investors. The number of votes of a particular representative will reflect its share in the Declared Capitalisation.</p> <p>The Board of Investors will hold meetings, to discuss the VC Fund's performance and resolve potential conflicts of interest, among others.</p> <p>The Managing Entity of the VC Fund established under Model 2 will be obliged to organize summary meetings for PFR Otwarte Innowacje and the Co-Investors, in order to discuss the situation in the VC Fund and the Portfolio Companies, in particular the achievement of milestones, conflict of interest situations, and to discuss valuation.</p> |
| <p>27. Compliance and management of conflict of interest</p> | <p>The VC Fund will ensure compliance with the relevant standards (including ESG policy) and legal provisions protecting against money laundering and tax fraud and related to combating terrorism, both at the level of the VC Fund and the Portfolio Companies.</p> <p>The VC fund will not maintain business relations with entities registered in countries that do not cooperate with the European Union in combatting money laundering, tax fraud or terrorism or on which sanctions are imposed by The Office of Foreign Assets Control (OFAC).</p> <p>The VC fund will put in place a procedure for disclosing and managing conflicts of interest.</p> |
| <p>28. Reporting</p> | <p>The VC Fund will be required to periodically report to PFR Otwarte Innowacje in accordance with the scope of data prepared by PFR Otwarte Innowacje and to periodically value the portfolio in line with market standards.</p> |



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| | <p>The VC Fund will be required to monitor and report sustainability factors at the level of both the VC Fund and Portfolio Companies in accordance with the Invest Europe standard². The detailed extent of factors covered by the reporting obligation will be agreed at the level of the Investment Agreement.</p> |
| 29. Monitoring and auditing | <p>The VC Fund will be obliged to make available and transmit all information and documents regarding the expenditure of funds from the PFR Otwarte Innowacje contribution in connection with inspections by authorised domestic and foreign institutions to which PFR Otwarte Innowacje or the VC Fund will be subject with respect to the use of funds from the European Funds for Modern Economy 2021-2027 Operational Programme.</p> <p>The VC fund will ensure that the provisions concerning submission to control and disclosure of information in investment agreements with Portfolio Companies are duly implemented.</p> |
| 30. Legal basis | <p>Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance (the “GBER”)</p> <p>Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.</p> <p>Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund.</p> <p>Regulation of the Minister of Development Funds and Regional Policy of 15 November 2022 on granting public aid and de minimis aid with the participation of Bank Gospodarstwa Krajowego under the “European Funds for Modern Economy 2021–2027” programme.</p> <p>The Term Sheet refers to the essential provisions arising under the above legal acts, but does not constitute a complete catalogue of applicable regulations.</p> |
| 31. Changes in the Term Sheet | <p>The rules and limits set out in the Term Sheet may be subject to change in accordance with the strategic objectives of PFR Otwarte Innowacje, among others, in the event of a significant change in macroeconomic conditions (in particular, the investment ticket may be increased in the course of the programme).</p> |

² <https://www.investeurope.eu/invest-europe-esg-reporting-guidelines/esg-reporting-template/>