Appendix 7: Key terms and conditions of the CVC Programme ("Term Sheet")

1. Source of financing for the CVC Programme ("PFR CVC")	Funds from the European Regional Development Fund under the European Funds for Modern Economy 2021-2027 Programme under Measure 2.30 – Capital Instruments.
2. Strategic objective of PFR CVC	The strategic objective of PFR CVC is as follows: a) increasing the innovation of Polish economy; b) providing financing, through venture capital funds, to micro, small and medium-sized enterprises ("**SMEs**") at an early or later stage of development, which are implementing or intend to implement or develop innovative (product, service, process, organizational and marketing) solutions, which due to the high risk associated with the early stage of development, require high-risk financing (venture capital) with a *smart money* component (corporations), which is to support them in achieving commercial success; 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 implementation of the best standards on the venture capital market in Poland; d) attracting corporate investors and encouraging them to invest in the venture capital market and then keeping them on the financial market as providers of capital in subsequent periods.
3. Private Investor	A Private Investor is an entity that: (i) makes a capital 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) 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; and (v) meets the conditions for holding the right/title to participate in the VC Fund specified in the Act on Investment Funds and Alternative Investment Funds Management. Where a capital 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. Entities such as Bank Gospodarstwa Krajowego, the European Investment Fund, the European Investment Bank and international financial institutions in which a Member State of the European Union holds shares

	or stocks, or a legal person engaged in professional financial activities entrusted by a Member State of the European Union or an authority of a Member State, at central, regional or local level, with the conduct of development or promotional activities (national promotional bank or another promotional institution) will not be treated as Private Investors.
4. Corporate Investor	A Private Investor who is not a natural person and meets the conditions for being regarded as a *cornerstone investor* in funds which, in accordance with international market practice, are considered to operate in the form of *corporate venture capital funds*.
5. PFR CVC Investment Committee	As part of PFR CVC, an investment committee will operate in an advisory capacity, consisting mostly of individuals independent of PFR CVC and with experience in PE/VC capital funds. Its role will be opining key decisions of PFR CVC, such as, e.g., making an investment in a VC Fund or dismissing the Managing Entity.
6. Portfolio Company	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: a) meet the conditions for SMEs of Annex I to the GBER; b) on disbursement of funds from VC Fund's Investment - they are not listed on the stock exchange (e.g., WSE, NewConnect).
7. Place of business of the Portfolio Company	The VC Fund may only make investments in Portfolio Companies which, on disbursement of funds from the VC Fund's Investment: a) have their registered office in Poland and conduct business activity in Poland (at least 60% of the VC Fund's portfolio value at purchase prices); or b) have their registered office outside of Poland (in the territory of the European Union, the European Free Trade Association, a country belonging to the European Economic Area, the United Kingdom, US), but only if the following conditions are met (maximum 40% of the VC Fund's portfolio value at purchase prices): (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; • 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. (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 indicate that a substantial part of the Portfolio Company's operations will be conducted in Poland, and that 100% of the funds from the Investment will be allocated, to the development of the

	operations of a subsidiary or branch of the Portfolio Company in Poland; (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 proceeds from the Investment; (iv) carry out a business activity or finance the commencement of an Innovative Activity in Poland; and (v) the obligation set out in items ii)-iv) will be included in the investment agreement between the VC Fund and the Portfolio Company.
8. Basic principles of investing in Portfolio Companies	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. The permissible form of financing of the Portfolio Companies is equity or quasi-equity financing (including but not limited to convertible loans). The VC Fund will be able to acquire (repurchase) shares from the existing shareholders of the Portfolio Company only up to a limit of **50%** of the value of the Investment. The following division of Portfolio Companies is made: (i) **Group A Portfolio Company** - does not operate on any market; (ii) **Group B Portfolio Company** - has been operating on any market for 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. The value of the Investment in one Portfolio Company may amount 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 state aid limit referred to in the last paragraph of this section. It is possible to make Follow-on Investments in Portfolio Companies. No more than **60%** of the Investment Budget will be invested in Follow-on Investments. The investment in the Portfolio Company 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**.
9. Investment exclusions in	A VC Fund may not make an Investment in Portfolio Companies: a) In difficulty within the meaning of the GBER;

Portfolio Companies	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, Funds from the Investment may not be used for the purpose of: 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, with the exceptions specified in Regulation 2021/1058; i) investments in landfilling, with the exceptions specified in Regulation 2021/1058; j) investments to increase the capacity of residual waste treatment facilities, excluding material recovery technologies for the circular economy, with the exceptions specified in Regulation 2021/1058; k) investments in the production, processing, transport, distribution, storage or combustion of fossil fuels, with the exceptions specified in Regulation 2021/1058; l) investments aimed at reducing greenhouse gas emissions from the list of activities specified in Annex I to Directive 2003/87/EC m) expenditure supporting the relocation within the meaning of the GBER; n) 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; o) dealing in real estate; p) purchasing land for an amount exceeding 10% of the Investment amount; q) 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; r) payment of interest on debt; s) own contribution to the grantor pre-financing of the grant, i.e., allocating funds as a bridge for the purposes for which the grant has been/will be awarded; t) facilitation of closing down non-competitive coal mines; u) purchase of fixed assets, in particular vehicles and transport infrastructure, in Portfolio Companies from the transport sector, except in cases where such purchases do not exceed 30% of the amount of the Investment.
10. Allocation of funds from Investments in Portfolio Companies	The objective of the investment should be consistent with the strategic objectives of PFR CVC, i.e., providing financing to SMEs at an early or later stage of development that carry out Innovative Activities, by: 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 innovation). The Portfolio Company's innovative projects may not be completed or fully implemented at the time of the VC Fund's investment decision.
11. Legal form of VC Funds and the method of their financing	Preferred legal forms in which VC Funds will be established: limited partnerships, limited joint-stock partnerships or their foreign equivalents[1]. Investors will finance VC Funds only in the form of equity, making cash contributions. 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

[1] If a VC Fund that is a capital company is established, the relevant provisions of the Act on the principles of determining the remuneration of persons managing certain companies of 9 June 2016 (consolidated text: Journal of Laws of 2020, item 1907, as amended) and the Act on the principles of state property management of 16 December 2016 (consolidated text: Journal of Laws of 2023, item 973, as amended) shall apply to such a VC Fund.

	Alternative Investment Fund Managers; with respect to foreign counterparts – an alternative investment fund.
12. Investment Budget and Operating Budget	Financing of VC Funds by Contributions to the Declared Capitalisation of the VC Fund includes: a) an investment budget – specifying the planned financial resources of the VC Fund to be allocated to Investments (the "**Investment Budget**"); 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: (i) costs of preparing the Investment (including, but not limited to due diligence costs of the Portfolio Companies and transaction documentation); (ii) administrative costs of the VC Fund and the Managing Entity, in particular the remuneration of Key Persons.
13. Amount of PFR CVC's contribution to the VC Fund	PFR CVC's contribution as part of the Declared Capitalisation of the VC Fund amounts to **PLN 110 million**, subject to the option of changing PFR CVC's Contribution in justified cases, in accordance with the provisions of section 17 of this document. PFR CVC's share in the VC Fund will not exceed **60%** of the VC Fund's Declared Capitalisation.
14. Amount of Private Contribution (Private Investors and Managing Entity) and models for the provision of a Private Contribution	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. Tenderers will be able to specify their preferences as to the interest in the option to increase the Declared Capitalisation of the VC Fund. 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. Model for the provision of a private capital contribution: 1. The private capital 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. A minimum of **75%** of the private capital contribution must be provided by Corporate Investors. 3. 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 capital contribution of the VC Fund.
15. Milestones	The VC Fund will be obliged to meet the minimum required levels of the Investment Budget ("**Milestones**"), as set out below: a) min. of 15% - by the end of the first year of the Investment Period; b) min. of 30% - by the end of the second year of the Investment Period; c) min. of 45% - by the end of the third year of the Investment Period;

<table>
<tr><td></td><td>d) min. of 60% - by the end of the fourth year of the Investment Period;

The level of implementation of the Investment Budget is calculated in relation to the time of transfer of funds by the VC Fund to the Portfolio Companies.</td></tr>
<tr><td>16. Option to increase and reduce the Declared Capitali-sation</td><td>PFR CVC allows for the possibility of increasing the Declared Capitalisation of the VC Fund and the PFR CVC's contribution provided that a significant portion of the Investment Budget is invested, subject to the maximum PFR CVC contribution indicated in point 13.

PFR CVC allows for a possible reduction of the Declared Capitalisation, in particular in the event of failure to meet the Milestones.</td></tr>
<tr><td>17. Investment Horizon of a VC fund</td><td>The VC Fund's Investment Horizon consists of two periods:

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;
b) Divestment Period: up to 5 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 11 years.</td></tr>
<tr><td>18. Management Fee</td><td>During the Investment Period, the Management Fee will consist of:

a) fixed renumeration (calculated on the Declared Capitalisation) in the amount of:

<table>
<tr><td>Year</td><td colspan="2">1</td><td colspan="2">2</td><td colspan="2">3</td><td colspan="2">4</td></tr>
<tr><td>Half-year cumulatively</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td></tr>
<tr><td>Fixed renumeration (5/year)</td><td>2,8%</td><td>2,4%</td><td>2,0%</td><td>1,6%</td><td>1,2%</td><td>0,8%</td><td>0,4%</td><td>0,0%</td></tr>
</table>
b) variable renumeration at the rate of 5% per annum, calculated on the total value of funds paid into the Portfolio Companies, less the purchase price of completed exits.

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 VC Fund to the Portfolio Companies, less the purchase price of completed exits.

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).

The total amount of the Management Fees should not exceed 22% of the total contributions of Investors to the VC Fund.

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 otherwise, subject to the above-mentioned limit.</td></tr>
</table>

	PFR CVC allows for a possible reduction of the Management Fee in the event of failure to meet the Milestones.
19. Minimum Rate of Return ("Hurdle Rate")	1) The minimum rate of return, calculated as the internal rate of return (IRR), for Investors on the investments in a VC Fund, determined by the Tenderer and finally determined in the Investment Agreement, above which the Managing Entity is entitled to Carried Interest. 2) The Hurdle Rate should be determined on an arm's length basis.
20. Rules for accounting for proceeds from exits from Investments	The rules for accounting for proceeds from exits are presented below. As an incentive to invest, Private Investors will be entitled to profit asymmetry ("Asymmetry"), i.e., a preferential share in the VC Fund's profits above the proportions resulting from their share in the VC Fund's Capitalization. The product of the profit share, i.e., the level of profit asymmetry, is negotiated between the Investment Management Entity and the Private Investors. The rules for accounting for proceeds from Investment exits are as follows: 1) Proceeds are first returned up to the amount of capital contributions made to the VC Fund by Private Investors, the Managing Entity and PFR CVC (jointly, the "**VC Fund Investors**"), in proportion to their share in the VC Fund's Capitalisation – until **100%** of their capital contributions are returned. 2) Proceeds will subsequently be returned to the VC Fund Investors up to the amount of the Minimum Rate of Return specified in the Investment Agreement. 3) The remaining funds (the "**Surplus**") will be distributed: a. to the Managing Entity in the form of Carried Interest; then b. to the VC Fund Investors in the following proportion: (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 CVC – in the form of the remaining proceeds.
21. Additional remune-ration of the Managing Entity ("Carried Interest")	The amount of Carried Interest will be proposed by the Tenderer, but it should not be higher than 30%.

22. Requirements for Key Persons	A minimum of 2 Key Persons is required to declare full[2] 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. Each of the Key Persons must make a capital contribution as part of the Managing Entity's contribution. The amount of the Key Person's capital contribution should be adequate to his or her financial capabilities. 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 CVC 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. Key Persons should be key shareholders of the Managing Entity.
23. Investment Decision Making	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. The VC fund will create an internal body dedicated to making investment decisions - the Investment Committee. The Investment Committee will consist of members with voting rights - Key Persons, and persons with no voting rights - observers. Team members other than Key Persons, as well as optional external experts and advisors, will also be able to participate in the Investment Committee's deliberations. 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. PFR CVC and/or Private Investors acting jointly will have the right to appoint 1 observer to the Investment Committee each, with no right to vote. An observer appointed by PFR CVC 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 CVC observer, the VC Fund will not be able to make the intended Investment. The VC Fund will be required to have an investment policy that takes sustainability factors into account as part of the investment analysis/evaluation process.
24. Principles of Liability of Investors,	The liability of each Investor is limited to his/her capital contribution to the VC Fund.

[2] It is permissible to deviate – with the consent of PFR CVC – 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.

Managing Entity and Key Persons	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 wilful 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).
25. Adverse Key Person event	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.
26. Dismissal of the Managing Entity	The Managing Entity may be dismissed as a result of the Investors' decision, with or without stating the cause. The Managing Entity may be dismissed, stating the cause, in particular in the following cases: 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. The dismissal of the Managing Entity will require, depending on the nature of the cause, the consent of: i) PFR CVC or ii) a significant part of the Investors 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.
27. Board of Investors	A Board of Investors will operate as part of the VC Fund established, consisting of a representative of PFR CVC and at least one representative of Private Investors. The number of votes of the PFR CVC representative will reflect its share of the Declared Capitalisation, and the number of votes of the Private Investors' representatives will reflect the Private Investors' and the Management Entity's share of the Declared Capitalization (the Private Investors' voting pool will be divided equally among the Private Investors' representatives sitting on the Board of Investors).

	The Board of Investors will hold meetings, to discuss the VC Fund's performance and resolve potential conflicts of interest, among others.
28. Compliance and management of conflict of interest	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. 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). The VC fund will put in place a procedure for disclosing and managing conflicts of interest.
29. Reporting	The VC Fund will be required to periodically report to PFR CVC in accordance with the scope of data prepared by PFR CVC and to periodically value the portfolio in line with market standards. 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 standard[3]. The detailed extent of factors covered by the reporting obligation will be agreed at the level of the Investment Agreement.
30. Monitoring and auditing	The VC Fund will be obliged to make available and transmit all information and documents regarding the expenditure of funds from the PFR CVC contribution in connection with inspections by authorised domestic and foreign institutions to which PFR CVC 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. 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.
31. Legal basis	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 (the "**GBER"**) 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. 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 ("Regulation 2021/1058"). Regulation of the Minister of Development Funds and Regional Policy of 15.11.2022 on granting financial assistance and de minimis aid with the

[3] https://www.investeurope.eu/invest-europe-esg-reporting-guidelines/esg-reporting-template/

	participation of Bank Gospodarstwa Krajowego under the "European Funds for Modern Economy 2021–2027" programme. Guidelines on the eligibility of expenditure for 2021-2027[4] and the relevant guidelines and positions of the European Commission, to the applicable extent. The Term Sheet refers to the essential provisions arising under the above legal acts but does not constitute a complete catalogue of applicable regulations.
32. Changes in the Term Sheet	The rules and limits set out in the Term Sheet may be subject to change in accordance with PFR CVC's strategic objectives, among others, in the event of a significant change in macroeconomic conditions (in particular, the contribution of the CVC Programme may be increased in the course of the CVC Programme).

[4] Guidelines of the Minister of Development Funds and Regional Policy published at https://www.gov.pl/web/fundusze-regiony/wytyczne-na-lata-2021-2027