

pymwymic

# Pre-contractual Disclosures

PYMWYMIC HEALTHY ECOSYSTEMS IMPACT FUND I



# Sustainable Investment Objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="checkbox"/> Yes	
It will make a minimum of <b>sustainable investments with an environmental objective: 100%</b>	
<input type="checkbox"/>	in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/>	in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
It will make a minimum of <b>sustainable investments with a social objective: 0%</b>	

## What is the sustainable investment objective of this financial product?

PymHeif invests in impact enterprises seeking to restore and conserve our ecosystems, with a focus on healthy food systems. Our current food system is the single biggest driver of climate change, the largest consumer of fresh water, the number one cause of observed biodiversity loss and the direct reason for 80% of deforestation. In close cooperation with our partner Wageningen University and Research ('WUR') and on the basis of their Food System Approach, an investment thesis has been developed to create more sustainable food systems. The Pymwymic Investment Management B.V. ('PIM') believes there are four things that are needed to create this: (1) a food system that is fair for farmers, (2) is able to secure food for a growing population, (3) built on a nature-positive approach towards food production and (4) ensures safe and healthy diets.

Since the Fund focuses predominantly on the agriculture and food systems sector, there is a clear link to the objectives of 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation' as identified in Article 9 of the EU Taxonomy.

PymHeif aims to contribute to the following sub-categories of Protection and Restoration of Biodiversity and Ecosystems:

1. Sustainable land use and management, including adequate protection of soil biodiversity, land degradation neutrality and the remediation of contaminated sites; and
2. Sustainable agricultural practices, including those that contribute to enhancing biodiversity or to halting or preventing the degradation of soils and other ecosystems, deforestation, and habitat loss.

PymHeif aims to contribute to the following sub-categories of Climate Change Mitigation:

1. Strengthening land carbon sinks, including through avoiding deforestation and forest degradation, restoration of forests, sustainable management and restoration of croplands, grasslands and wetlands, afforestation, and regenerative agriculture; and
2. Enabling the activities listed above.

The Fund aims to create systemic change through its investments and therefore expects to have indirect positive effects on other environmental objectives of the EU Taxonomy, such as 'Transition to a Circular

Economy', and 'Sustainable Use and Protection of Water and Marine Resources'. Besides making a contribution to environmental objectives, PymHeif aims to make a direct contribution to the social objectives of 'bettering human health and wellbeing for end-users' and 'inclusive and sustainable communities and societies'.

### What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The sustainable investment strategy of PymHeif is aimed at creating healthy ecosystems, thereby mainly contributing to 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation'. The EU Taxonomy activities applicable for PymHeif's portfolio companies are not yet available.

The Fund applies a tailor made approach specifically relevant to its portfolio companies. Since each portfolio company has its own impact objectives, they all have their own impact metrics, which they report on a quarterly basis. In addition, for the companies acting in the food system, the Manager has developed a Theory of Change for its role in transitioning the food system. This impact indicator framework has been based on a scientific framework of WUR, the [Food System Approach](#) and demonstrates the Fund 'substantial contribution' to the environmental and social objectives as set out by the EU Taxonomy. Six indicators have been defined in close conjunction with WUR experts:

1. Food security for a growing population (*biodiversity & climate change mitigation*)
  - a. #ha land treated with less (chemical) inputs
  - b. #kg food waste prevented or reused
2. A nature-positive food system (*biodiversity & climate change mitigation*)
  - a. #ha land with improved biodiversity practices
  - b. # kg carbon avoided / sequestered
3. Safe and healthy diets (*biodiversity*)
  - a. #kg healthy & safe food more accessible
4. Fair socio-economics for farmers (*social*)
  - a. #farmers with better socio-economic conditions

### How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

There are three ways in which PymHeif safeguards that no harm is being caused to the sustainable investment objectives.

First, the Fund's impact thesis is to invest in impact-driven companies that seek to conserve and restore our ecosystems. Therefore, the Manager only selects companies who are inherently impact driven. For each investment opportunity, an impact estimate is conducted, to assess how it contributes to driving positive change, including any risk of unintended consequences.

Second, a negative screening is being applied. In this phase, reasonable efforts to be compliant with the ten principles of the UN Global Compact is verified. Taking into consideration the size of the portfolio companies of PymHeif, the Fund uses the principle of proportionality in abiding with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles for Multinational Enterprises ('**UNGPs**'). Compliance with these principles for each portfolio company is verified annually by the Manager, which has also been integrated in the Manager's PAI framework.

Second, part of the screening phase is to assess whether any unintended consequences take place. For this purpose, an in-depth review on the EU Taxonomy is performed to investigate no harm is being caused to any of the environmental objectives. Any investment that could cause significant harm to any of these objectives would lead to direct declination of the company. With the adoption of the Principle Adverse Impact ('**PAI**') indicator framework, adverse impacts on the environment that may be caused by a portfolio company will be tracked on an annual basis. This will be reviewed and where relevant, action plans will be set up to

mitigate any (significant) adverse impacts or unintended consequences that are being caused with the company’s activities.

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

The Manager is taking necessary preparations to report on PAIs for its portfolio companies. The 14 mandatory indicators and two optional ones are considered for each portfolio company. The PAIs are not only considered on product-level but also on entity-level to determine if ‘Do No Significant Harm’ and ‘Minimum Social Safeguards’ are met. The following PAIs are considered:

Sustainable investment objective	PAI indicator(s)
Climate Change Mitigation	Scope 1 Greenhouse Gas (‘GHG’) emissions Scope 2 GHG emissions
Climate Change Adaptation	Climate Risk Assessment (no indicator)
Sustainable Use and Protection of Water and Marine Resources	Emissions to water
Transition to a Circular Economy	Non-recycled waste ratio
Pollution Prevention and Control	Hazardous waste ratio
Minimum Social Safeguards	Violations of UN Guiding Principles (‘UNGC’) and Organisation for Economic Cooperation and Development (‘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

How are the sustainable investment aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

PymHeif applies reasonable efforts to comply with the ten principles of UN Global Compact for all portfolio companies. Taking into consideration the growth phase of the portfolio companies of PymHeif, the Fund uses the principle of proportionality in abiding with the OECD Guidelines for Multinational Enterprises, UNGPs, Declaration of the International Labour Organisation on Fundamental Principles, and Rights at Work and the International Bill of Human Rights. The ten principles of the UN Global Compact are in part based on the above frameworks, as well as additional declarations on environment and corruption. Compliance with the principles for each portfolio company is verified annually by the Manager, which has also been integrated in the Manager’s PAI framework.

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

Yes

No



# What investment strategy does this financial product follow?

PymHeif is a venture capital fund that invests in impact-driven companies that seek to conserve and restore our ecosystems while generating an attractive financial return. By investing equity (or quasi-equity), its key focus area is European companies which contribute to the creation of more sustainable food systems. By investing in disruptive, innovative, and technology-based business models, it aims to achieve restored soil, resilient and transparent food supply chains, and circular economies.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

PIM has developed a tailor-made approach to include impact into each step of its due diligence process, for which 5 tools have been developed. By going through these steps, the Manager ensures that all investments contribute to its sustainable investment objective.

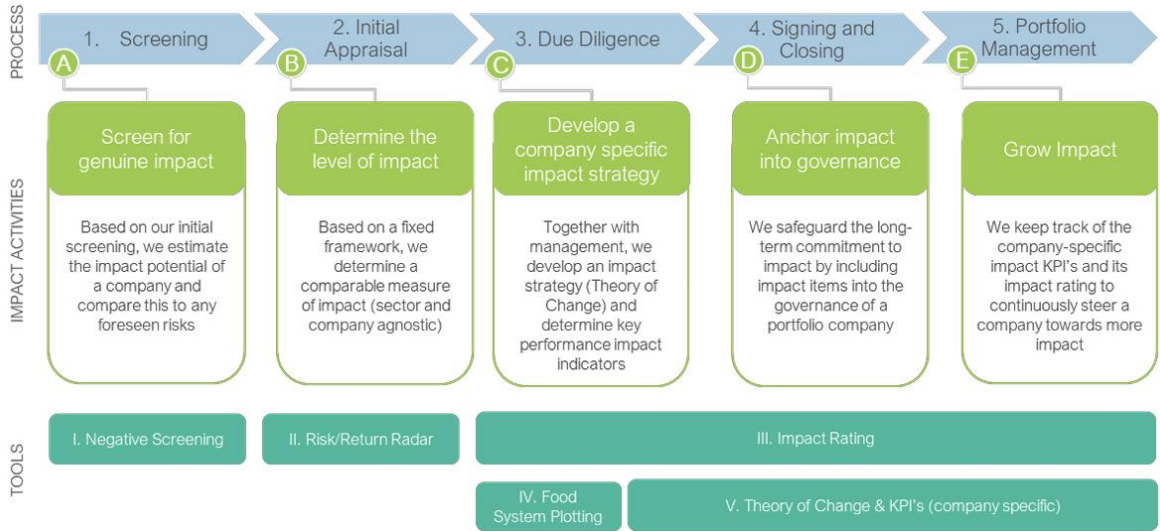


Figure 2 – Impact due diligence overview

1. Negative screening. As a minimum standard, a screening checklist is applied in the initial analysis of potential investments. Guided by the Manager’s own minimum standards and frameworks given by [EUSEF](#) and the UN Global Compact principles, screening takes place on high level ESG standards, the exclusion of human rights violations, anti-corruption procedures, alcohol and tobacco production, gambling, activities, animal testing, hazardous substances use and many more.
2. Impact Risk/Return Radar. To make a first assessment of the impact, a company is scored on nine impact risk & return items. Impact ‘return’ – i.e. the potential positive impact that can be achieved, is estimated by taking into account (i) who is impacted, (ii) what kind of impact (system changer or one-off), (iii) how widespread the impact is, (iv) how unique the impact created by the company is and (v) to what extent our capital and impact knowledge is of unique added value to the company. Impact risk is determined by considering (vi) unintended consequences, (vii) potential mission drift, (viii) the degree of alignment between commercial activities and (ix) impact and (un) favourable industry trends. Each question is scored on a scale from 0 to 3, the results are used to guide internal team discussions.
3. Impact Rating. To measure how well PIM is able to fulfil our role as an impact guardian during our time of investment, the Manager has developed an impact rating. Impact is viewed across 3 dimensions: (i) enterprise impact: the impact created by an organisation’s operations through the products and services; (ii) capital impact: the impact created by providing capital to a company, in comparison to the capital of conventional investors; and (iii) non-monetary impact: impact created by the value a capital provider adds to the company in its role as a shareholder to the organisation.

All items combined, leads to a scoring system ranging between 0 and 100, which translate into ratings ranging from CC to AAA. Where AAA represents the highest possible rating.

4. Food System Plotting. Prior to developing the Theory of Change of a company (see next tool), a session together with the leadership team of the company and experts of WUR is organised. The main purpose for this workshop is to understand the impact and its position of this potential portfolio company in the food system. An academic framework called the Food System Approach (created by WUR) forms the basis of this workshop and includes the positioning within food system activities, (production, processing, retail, etc.), socio-economic drivers (policies, lifestyle trends, technological development, etc.) and environmental drivers (e.g. biodiversity, climate effects, fossil fuels, etc.). The session aims to identify the relevant drivers in the food system that influence the company, determine how the company's interlinks with other activities in the food system and defines which stakeholders can help grow more positive impact.
5. Theory of Change. Several working sessions are organised together with the management of a company to design their impact strategy and make their impact mission measurable through concrete metrics. For this the commonly known Logic Model of a Theory of Change is used as a framework. This model offers a step by step approach to translate a high-level mission into concrete and measurable targets which can be used to steer operations and make day-today decisions. A Theory of Change aligns with the overall business strategy and offers a frame to communicate and track the progress of tangible impact realised by a company.

#### What is the policy to assess good governance practices for the investee companies?

In all of its processes, PIM values good governance practices. To assess and safeguards such practices at portfolio companies throughout the investment period, the following structures are currently in place:

1. Sound management structures & positive employee relations: working with an impact-minded team is important to the Manager. During the screening and due diligence phase, it is therefore reviewed whether a portfolio company has an experienced team with complementary skillsets, and a strong fit with PymHeif's vision. Moreover, compliance with good corporate governance practices is assessed.
2. Fair remuneration of staff: fair remuneration is essential to the Manager, which is why companies with unequal remuneration are excluded as investment opportunity in the screening phase. To monitor fair remuneration, PIM is part of [Fundright](#) (an organisation that aims to create more diverse investment ecosystems) and tracks the gender pay gap of its portfolio companies on an annually as part of the PAI framework.
3. Tax compliance: tax avoidance is part of the negative screening performed. As part of due diligence, an independent tax advisor reviews and assesses tax risk and compliance of a potential portfolio company. Moreover, portfolio companies must ensure effective exchange of tax information.

#### What is the asset allocation and the minimum share of sustainable investments?

The minimum share of sustainable investments for PymHeif is 100% as all investments of the Fund are and must be sustainable. All investments aim to contribute to the environmental objective of 'Protection and Restoration of Biodiversity and Ecosystems' and/or 'Climate Change Mitigation'. At this point in time, the Fund invests in economic activities aiming to meet an objective for which the Regulatory Technical Standards ('RTS') have not yet been published (i.e., regarding activities meeting the objective of 'Protection and Restoration of Biodiversity and Ecosystems') or not yet part of the existing RTS (i.e., for activities seeking to meet the objective of 'Climate Change Mitigation'). When the RTS are not yet available for a Fund's economic activities, the EU Taxonomy regulation has developed an approach to show the sustainable nature of the investments. This entails following a Fund's own impact indicators as well as the PAI indicators, to demonstrate how the sustainable investment objective is achieved. As soon as the remaining RTS come

into force, the economic activities of the portfolio companies will again be assessed against the new standards.



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

The minimum share of sustainable investments with an environmental investment objective aligned with the EU Taxonomy for PymHeif at this point in time is 0%. All investments of the Fund are qualified as 'sustainable' based on PIM's own criteria. Since the EU Taxonomy is still in development, the activities of PymHeif are not yet available (as explained above). The Manager will screen all investments for EU Taxonomy alignment when the new RTS come into force.



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

There is no minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy as 100% of investments of the Fund are qualified as 'sustainable' based on the Manager's own criteria. Since the EU Taxonomy is not yet complete and PymHeif's economic activities are not yet included, the Fund utilizes the EU Taxonomy general framework to prove it is meeting the sustainable investment objective as provided under Article 3 Taxonomy Regulation (EU) 2019/2088. Specifically, the article provides for the following elements:

- i. 'Substantial Contribution' to the objective of 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation' under Article 15 Taxonomy Regulation (EU) 2019/2088
- ii. 'Do No Significant Harm' to the remaining environmental objectives contained in Article 9 Taxonomy Regulation (EU) 2019/2088

- iii. Minimum Social Safeguards identified in Article 18 Taxonomy Regulation (EU) 2019/2088.

#### What is the minimum share of sustainable investments with a social objective?

PymHeif aims to have a positive contribution to the social objectives 'inclusive and sustainable communities and societies' and 'adequate living standards and wellbeing for end-users' as set out by the EU Taxonomy. With its investment in the food system, the Fund. aims to ensure safe and healthy diets and create fair socio-economics for farmers. This is part of the Fund's impact indicator framework. The social objectives often go hand in hand with the environmental objectives and therefore, no specific percentage is set as an ambition for the share of investments with a social objective.

#### What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

There are no investments included under '#2 Not Sustainable'. The Fund will make only investments which actively contribute to the identified environmental objectives.

### Where can I find more product specific information online?

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

- <https://pymwymic.com/healthy-ecosystems/>



