pymwymic

Sustainability Disclosures

PYMWYMIC HEALTHY FOOD SYSTEMS IMPACT FUND II

Summary

Pymwymic Healthy Food Systems Impact Fund I ('**PymHfs**', 'the **Fund**') is a venture capital fund that invests in impact-driven companies predominantly focused in Europe, that seek to transition our global food system while generating an attractive financial return. By investing equity (or quasi-equity), its key focus area is companies which contribute to the creation of a more sustainable food systems. By investing in disruptive, innovative, and technology-based business models, it aims to achieve biodiversity preservation and restoration, reduction of Greenhouse Gas ('**GHG**') emissions, and improve human health and wellbeing across the food value chain. The sustainable investment objective of PymHfs is to meet the environmental objective of 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation'.

As the Fund's investment strategy is aimed to create positive change, the Fund is neither permitted to, nor proceeds to make investments that would significantly harm the sustainable investment objectives. Investments in sectors or companies that would impede these objectives are not and cannot be considered. Compliance to the PymHfs investment strategy is ensured throughout the screening, due diligence and investment period as impact (both 'Do No Harm' and 'Drive Positive Change) have been included in the standard investment procedures, methods and tools as described in our Impact Report 2020 and Impact Report 2021.

The Pymwymic Investment Management B.V. ('**PIM'**) is currently assessing sustainability Principle Adverse Impact ('**PAI**') indicators to prepare for its PAI statement for the first reference period (i.e., 1 January 2022 until 31 December 2022) ahead of the reporting deadline of 30 June 2023. In this process, the Manager keeps track of measures, scoping, and estimates made and will report on the methodology and data sources used in this upcoming disclosure.

No significant harm to the sustainable investment objective

There are a few ways in which PymHfs 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 transition our global food system. Therefore, the Manager only selects companies who are inherently impact driven. For each investment opportunity, and 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 PymHfs, the Fund uses the principle of proportionality in abiding with the OECD Guidelines for Multinational Enterprises, UN Guiding Principles 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.

Last, part of the screening phase is to assess potential impact risks. 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 PAI 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.

Sustainable investment objective of the financial product

PymHfs invests in impact enterprises seeking to transition our global food system. The Fund focuses on the agriculture and food systems sector, which has 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.

PymHfs 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.

PymHfs 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 'Sustainable Use and Protection of Water and Marine Resources'. Besides making a contribution to environmental objectives, PymHfs 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'.

Investment strategy

PymHfs is a venture capital fund that invests in impact-driven companies that seek to transition our global food system 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 biodiversity preservation and restoration, reduction of Greenhouse Gas emissions, and improve human health and wellbeing across the food value chain.

Whilst the scope of the investment thesis of PymHfs is to create healthy ecosystems, the majority of investments took place within the food system. 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 was developed to support the transition to a more sustainable food systems. 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. For each of these pillars PIM has defined a set of KPIs to ensure progress on these targets are being measured.

The Manager has developed an analysis called the 'Food System Plotting' together with WUR, with the objective to ensure the Fund is supporting systemic change. Portfolio companies are supported in understanding their role not only in the 'transition system' (e.g. input reduction), but also in the 'new system' (e.g. regenerative farming practices). Based on these insights, a tailor-made impact strategy (a so-called 'Theory of Change') is designed. This is the basis of setting impact metrics and four-year targets which are managed and measured throughout the investment period. For each portfolio company, alignment is sought to how its impact strategy and metrics are contributing to the overarching healthy food system pillars. This supports the Manager in measuring the contribution it is making to its sustainable investment objective.

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 PymHfs'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 renumeration 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.

Proportion of investments

In line with its investment strategy, 100% of PymHfs investments contribute to the objectives of 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation', and do no significantly harm to the remaining environmental objectives as identified in Article 9 of the EU Taxonomy Regulation. There are no investments in the 'Other' category as only investments that qualify as sustainable investments are undertaken.

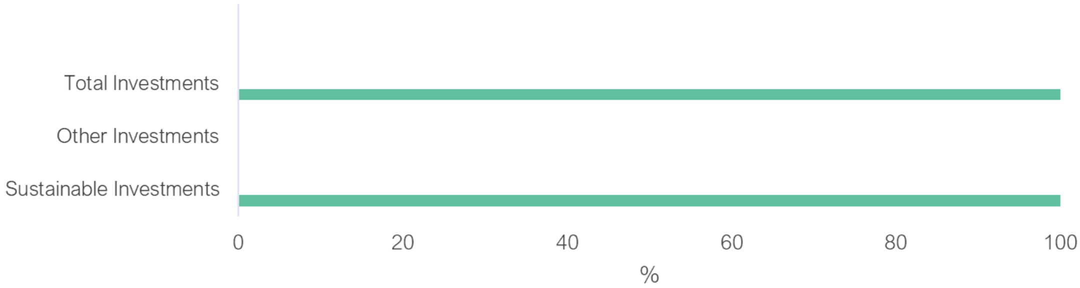

Figure 1 - PymHfs Proportion of Investments

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 are 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.

Monitoring of sustainable investment objective

The sustainable investment strategy of PymHfs is aimed at creating healthy ecosystems, thereby mainly contributing to 'Protection and Restoration of Biodiversity and Ecosystems' and 'Climate Change Mitigation'. As explained, the EU Taxonomy activities applicable for PymHfs' portfolio companies are not yet available. The Fund uses its own impact indicator framework to demonstrate its 'substantial contribution' to the environmental and social objectives as set out by the EU Taxonomy. This framework has a scientific fundament as it has been based on the Food System Approach of WUR and covers six indicators:

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

As previously explained, these metrics are overarching for PymHfs to demonstrate its substantial contribution to healthy food systems. Since each portfolio company has its own impact objectives, they all have their own impact metrics, in which alignment with the overarching food system metrics of PymHfs is sought. A company's metrics and targets are forecasted over a period of four years and then reported on a quarterly basis.

To demonstrate that portfolio companies meet the do no significant harm ('**DNSH**') requirements and minimum safeguards, the PAI framework as outlined by the SFDR will be used. This data will be collected from the portfolio companies on an annual basis and reviewed by the Manager to ensure accuracy. Moreover, the PAI framework will be used to demonstrate how portfolio companies progress on the indicators year-on-year, to ensure no investments cause significant negative harm during the investment period. The Manager is preparing for data collection, monitoring and reporting on the PAIs within the identified time period.

Methodologies

To demonstrate PymHfs is meeting its sustainable investment objective, the Manager will report on three elements annually: 'substantial contribution', 'do no significant harm' and 'minimum social safeguards'.

First of all, a substantial contribution will be shown by gathering portfolio company information. Each company has an impact strategy, which consists of numerical metrics and targets that is reported on, on a quarterly basis. This input will be aggregated on Fund level annually, to demonstrate overall contribution.

Second, to establish that the investments DNSH any of the remaining five objectives identified in the EU Taxonomy, relevant PAI indicators have been carefully selected:

1. Climate Change Mitigation: meeting the DNSH requirement will be assessed by looking at the Fund's aggregate results of the 'scope 1' and 'scope 2' GHG emissions of each portfolio company. This will be expanded to 'scope 3' emissions next year.
2. Climate Change Adaptation: meeting the DNSH requirement will be ensured by screening each investment through a 'climate risk assessment' tool. Any significant material risks will be included in an adaptation plan per portfolio company.
3. Sustainable use and protection of water and marine resources: meeting the DNSH requirement will be demonstrated by reporting the 'emissions to water' from each portfolio company on an aggregated Fund level.
4. Transition to a Circular Economy: meeting the DNSH requirement will be demonstrated by disclosing the aggregate Fund results of portfolio companies monitoring their 'non-recycled waste ratio'.

5. Preservation and Restoration of Biodiversity and Ecosystems: meeting the DNSH will be assessed and monitored through the Fund's aggregate results from monitoring its investments' 'effects on biodiverse-sensitive areas'.
6. Pollution Prevention and Control: meeting the DNSH requirement will be demonstrated by disclosing the aggregate Fund results of portfolio companies monitoring their 'hazardous substances'.

Third, to prove that PymHfs is meeting the 'Minimum Social Safeguards', two PAI indicators have been selected:

1. The aggregate results of all portfolio companies on the PAI indicator of 'Violations of UNGPs and OECD Guidelines', and
2. The aggregate results on Fund level from companies' answers on the PAI indicator of 'Lack of processes and compliance mechanisms to monitor compliance with UNGC Principles and OECD Guidelines'.

In this assessment, PymHfs applies the principle of proportionality, taking into account its size and leverage which is reflected in the efforts taken to ensure such compliance.

Data sources and processing

PymHfs works directly with its portfolio companies to obtain the data to show the sustainable investment objectives are being met.

Portfolio companies report on their impact indicators on a quarterly basis to demonstrate their substantial contribution to the PymHfs sustainable investment objectives. Annually, a company's impact strategy, metrics and assumptions are revisited by the portfolio company together with the Manager to judge whether or not improvements are necessary.

The Manager has engaged with a trusted third-party service provider (414) to obtain the data necessary for the monitoring of the PAI indicators:

- Data necessary to determine scope 1 and scope 2 GHG emissions are obtained from each portfolio company by looking at the electricity and gas bills and the fuel expenses of each company-owned vehicle;

- All GHG emissions data are determined using the third-party provider framework which aligns with the approach set in the Greenhouse Gas Protocol;

- To quantify the indicators on hazardous waste and emissions to water, data is obtained directly from the portfolio companies concerning the disposal of such substances and their amount of each relevant emission produced annually;

- The climate risk assessment is filled in by PymHfs using information it has directly obtained from its investee companies;

- Data required to respond to the social indicators of the PAI framework is provided by the companies to calculate the proportion of female and male members in various management teams, and employees' salaries for comparison. Each company provides information on which processes/policies are in place to adhere with the minimum safeguards. All results are internally verified by PymHfs.

The Fund will only make use of estimations if data is not readily available or efforts to obtain such data would be unreasonable and disproportionate for the company.

Limitations to methodologies and data

Each company has an impact strategy, which consists of numerical metrics and targets that is reported on, on a quarterly basis. Considering that portfolio companies of the Fund constitute primarily of companies in the start-up / scale-up phase, the Manager is aware that information will in some cases be challenging to obtain or not available. In this phase of company development, business models are being tested, products still in development and data systems are often not yet in place. The aim is to improve the methodologies of data collection constantly. For the PAIs, PymHfs gathers data using a third-party provider, in which this is also taken into consideration. More information on limitations on methodologies and data will follow after the first reference period on the PAIs.

Due diligence

PIM has developed a tailor-made approach to include impact into each step of the traditional due diligence process. Five unique tools support in this.

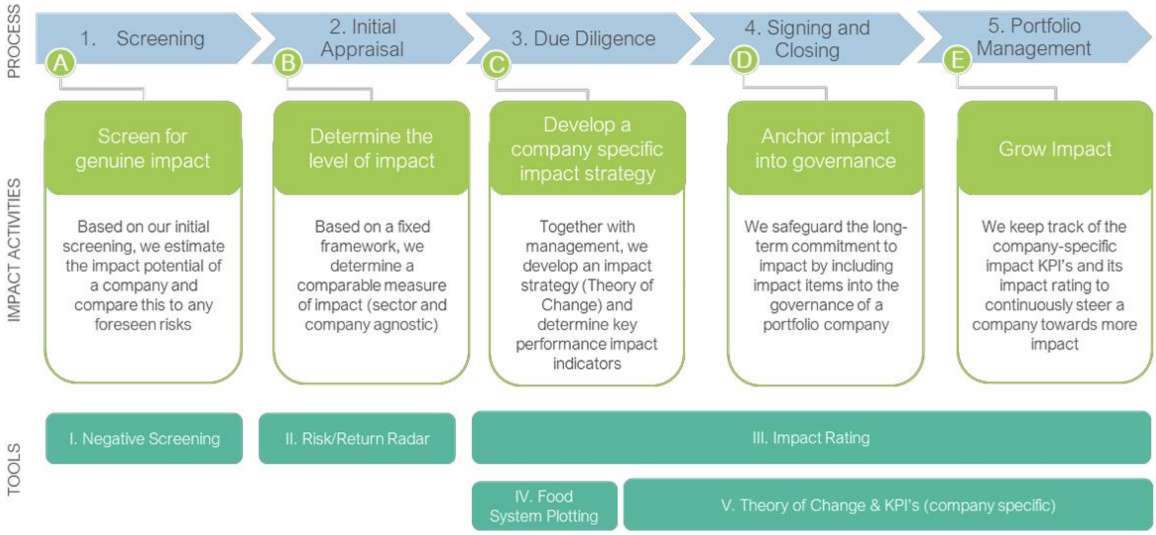

Figure 2 – Impact due diligence overview

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 the 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.

Engagement policies

As an impact investor, PIM selects companies who are inherently impact driven. The goal of the Manager is to support entrepreneurs to become commercially successful while setting ever higher standards of impact within their own industries. To make this happen, a set of tools and an internal impact rhythm of reviews and action planning have been developed. This enables the Manager to act as a true impact guardian to a company, driving the impact agenda and guiding them to be as impactful as possible.

PIM considers it its duty to support companies to fully anchor impact in their daily operations. This can take a few years, but by the time paths split, the objective is to see an organisation which lives and breathes impact as if it is second nature to them. The Manager achieves this through active portfolio management and by setting an internal rhythm to keep debating, reviewing and improving. This ensures a structured schedule across the year, including multiple touchpoints with portfolio companies as well as regular internal reviews to challenge impact direction and achievement. This pushes the Manager to keep driving the debate and have impact top of mind until it is a normal part of building a business. To aid this process, three tools are being used:

1. Impact rating: this measures the degree to which impact has been anchored into the DNA and governance of an organisation, how well the company is reducing its footprint, working with its impact KPIs, running on track with its targets and much more. The impact rating for each company is scored from CC to AAA, with AAA being the highest.

2. Impact metrics: a company's impact strategy – its Theory of Change – consists of numerical metrics and targets which are forecast over a period of four years and then reported on, on a quarterly basis. Annually, the Manager revisits a company's Theory of Change to judge whether or not improvements are necessary.

3. Action plan: this shortlists key areas of attention from the due diligence phase with regards to ESG (do no harm) and impact strategy (drive positive change) to focus the company's day-to-day decision making. Also, any adverse impacts that might arise during PAI reporting will be addressed in this action plan, to ensure this is being mitigated.

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