

pymwymmic

# Sustainability Disclosures

PYMWYMIC HEALTHY ECOSYSTEMS IMPACT FUND I

*Last reviewed: August 2023*



## Summary

Pymwymic Healthy Ecosystems Impact Fund I ('PymHeif', 'the Fund') is a venture capital fund that invests in European 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 companies which contribute to the creation of a more sustainable food system. 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. The sustainable investment objective of PymHeif 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 PymHeif 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 2022](#).

The Pymwymic Investment Management B.V. ('PIM') assesses sustainability Principle Adverse Impact ('PAI') of its portfolio companies on an annual basis. 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. Annual periodic disclosures can be found on our [website](#).

## No significant harm to the sustainable investment objective

There are a few 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, 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 PymHeif, 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

PymHeif invests in impact enterprises seeking to restore and conserve our ecosystems. The Fund focuses predominantly 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.

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'.

## Investment strategy

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.

Whilst the scope of the investment thesis of PymHeif 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. In case a portfolio company is active in the food system, 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 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 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 PymHeif 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.

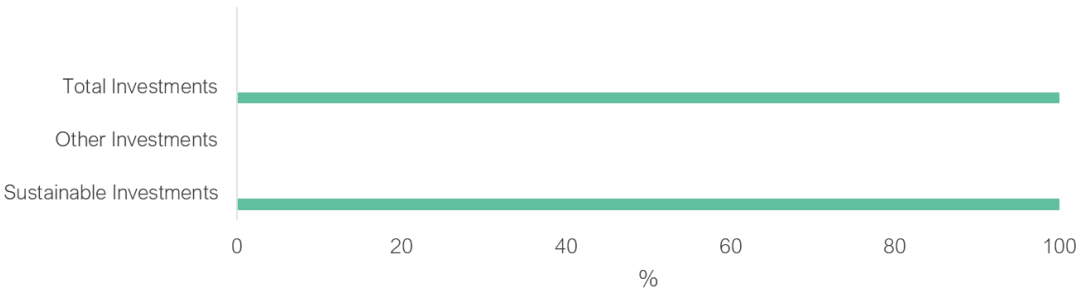


Figure 1 - PymHeif Proportion of Investments

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 PymHeif 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 PymHeif's 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 PymHeif 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 PymHeif 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 is 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 will annually be preparing for data collection, monitoring and reporting on the PAIs within the identified time period.

## Methodologies

To demonstrate PymHeif 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.

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' greenhouse gas ('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 'hazardous substances'.

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 PymHeif 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 UNGCs 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, PymHeif 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

PymHeif 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 PymHeif 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 (and if feasible, scope 3) 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 PymHeif 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 PymHeif.

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, PymHeif 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 & engagement policies

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

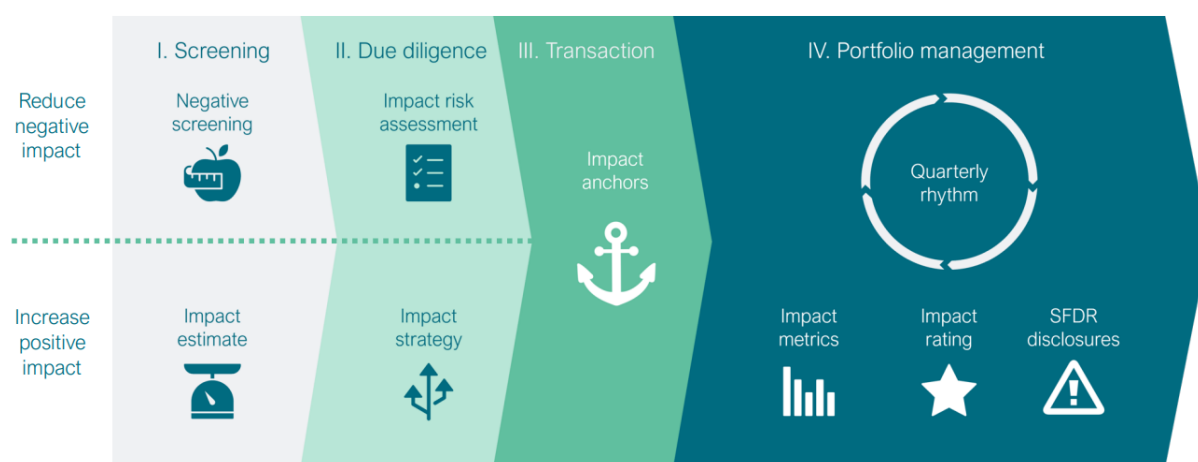


Figure 2 – Impact due diligence & management overview

1. Screening. The Manager excludes certain industries (e.g. gambling, GMO, drugs) as well as make an outside-in judgement of the intended positive impact with our impact radar. This tool looks at items such as the degree to which management is committed to impact, potential unintended consequences, or the scale of the impact. The impact radar has been inspired, amongst others, by the work of Impact Measurement Project and it's five principles of impact.
2. Due Diligence. During our due diligence, the Manager performs a qualitative assessment on potential impact risks (e.g. looking at supply chain, HR procedures) and supports a company in the development of an impact strategy. The latter is considered to be the backbone of a company's impact and follows the structure of the Logic Model - Theory of Change - which leads to an impact mission, strategy, and metrics for which a baseline and four-year targets are set.
3. Transaction. When closing a transaction, there are various matters which the Manager aims to anchor in the company's corporate documents to ensure long-term safeguarding of impact. Some examples include adding the impact mission to the articles of association, ensuring impact reporting, agreeing on an annual review and refinement of the impact strategy, and including reporting obligations on violations to the impact mission.
4. Portfolio management. This consists of an annual review of Principle Adverse Impact disclosures under the SFDR as well as quarterly reporting on impact metrics. Our impact rating is our prime tool which we use to challenge ourselves on whether or not we are actually on the right track as impact guardian in encouraging and challenging a company to embed impact further into its DNA. More information on our impact rating can be found in our [Impact Report 2022](#).

