pymwymic

Sustainability Disclosures

PYMWYMIC IMPACT INVESTING COÖPERATIEF U.A.

Last reviewed: August 2023

Summary

Pymwymic Impact Investing Coöperatief U.A. ('**Pymwymic Coop**') is an investment cooperative: a peer-to-peer holding company of mission-aligned investors, consisting of families, family foundations and select individual investors. Pymwymic Coop's mission is to make impact investing common place.

Pymwymic Coop is founded on the principal belief that investing in impact driven companies contributes to deep, sustainable development; contributing positively on the earth and her people. Pymwymic Coop's focus is on the world's most pressing issues as articulated in the United Nations' Sustainable Development Goals ('**SDG**s') and thus on impact funds that invest in portfolio companies that provide innovative solutions to those issues.

By providing risk capital as well as hands-on support to impact funds which invest in impact portfolio companies that are financially sustainable and scalable, Pymwymic Coop aims to create a positive socio-economic and environmental impact. Pymwymic Coop sets up and (jointly with potential co-investors) is a participant in one or more thematically oriented funds ('**Sub-Funds**' or '**Funds**'). The Pymwymic Coop solely invests in Funds that are so-called 'Article 9' as set out by the Sustainable Finance Disclosure Regulation ('**SFDR**') and have a sustainable investment objective. Pymwymic Coop and the Sub-Funds are managed by Pymwymic Investment Management B.V. ('**PIM**', 'the **Manager**'). The Manager is responsible for ensuring Article 9 compliance of the Pymwymic Coop and the Sub-Funds. Described methods and approaches towards realising the sustainable investment objectives are similar across the Funds.

As the Pymwymic Coop investment thesis is aimed to create positive change, Sub-Funds are neither permitted to, nor proceed to make investments that would significantly harm the sustainable investment objectives. Investments in sectors or portfolio companies that would impede these objectives are not and cannot be considered by the Funds. Compliance to the Pymwymic Coop investment thesis is ensured by the Manager throughout the screening, due diligence and investment period as impact (both 'Do No Harm principle' and 'Drive Positive Change') has 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

Pymwymic Coop invests in Article 9 Funds that aim to not cause significant harm to the environment or society. When managing the Funds, there are three ways in which the Manager safeguards that no harm is being caused to the sustainable investment objectives of a Sub-Fund.

First, the Manager only selects portfolio companies for the Sub-Funds 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 for each portfolio company of a Sub-Fund. In this phase, reasonable efforts to be compliant with the ten principles of the UN Global Compact ('**UN GC**') is verified. Taking into consideration the size of the portfolio companies of the Sub-Funds, the Manager uses the principle of proportionality in abiding with the Organisation for Economic Cooperation and Development ('**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 its Principle Adverse Impact ('**PAI**') indicator framework.

Third, part of the screening phase is to assess whether any unintended consequences take place at a portfolio company of a Sub-Fund. 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. An 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 portfolio company's activities.

Sustainable investment objective of the financial product

Pymwymic Coop's focus is on the world's most pressing issues as articulated in the United Nations' SDG's and thus on impact funds that invest in portfolio companies that provide innovative solutions to those issues. By providing risk capital to impact funds that invest in impact driven portfolio companies that are financially sustainable and scalable, Pymwymic Coop aims to ensure a positive socio-economic and environmental impact. Pymwymic Coop sets up and, jointly with potential co-investors, is a participant in one or more thematically oriented Funds. Currently, the Pymwymic Coop invests in two Sub-Funds that are managed by the Manager:

- Pymwymic Healthy Ecosystems Impact Investing Fund ('**PymHeif**') and;
- Pymwymic Healthy Food Systems Impact Fund II ('**PymHfs**').

Both Funds are investing in impact portfolio companies with a product or service to either support our ecosystems or to support the transition of the food chain. The Pymwymic Coop solely invests in Funds are so-called 'Article 9' as set out by the SFDR and have a sustainable investment objective. Pymwymic Coop and the Sub-Funds are managed by PIM, which is responsible for ensuring Article 9 compliance. For each Sub-Fund, detailed disclosures in line with the SFDR guidelines have been set up to describe its sustainable investment objective and how attainment of this objective will be measured. Moreover, each Fund describes its contribution to the objectives as set out by the EU Taxonomy. For more information, see the following disclosures per Fund:

- Pymwymic Healthy Ecosystems Impact Investing Fund:
  - Website level Disclosure PymHeif
  - Pre-contractual Disclosure PymHeif
- Pymwymic Healthy Food Systems Impact Fund II:
  - Website level Disclosure PymHfs
  - Pre-contractual Disclosure PymHfs

Investment strategy

The overarching ambition of Pymwymic Coop is to make impact investing common place. Pymwymic Coop is building proof points of a new industry, where solid financial returns go hand in hand with positive change, while continuously setting new norms of how this can work in practice and aims to influence the wider industry with its learnings and experience - this all being measured by concrete KPIs. The objective is to – through the Sub-Funds – build up a diversified portfolio spread out across key impact sectors and geographies. More information on the investment strategy for each Sub-Fund be found in the SFDR disclosure documents.

In all of its processes, the Manager values good governance practices. To assess and safeguards such practices at portfolio companies of the Sub-Funds 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 of a Sub-Fund has an experienced team with complementary skillsets, and a strong fit with the Manager'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 portfolio companies of a Sub-Fund with unequal renumeration are excluded as investment opportunity in the screening phase. To monitor fair remuneration, the Manager tracks the gender pay gap of portfolio companies of the Sub-Funds 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 of the Sub-Fund must ensure effective exchange of tax information.

Proportion of investments

The minimum share of sustainable investments for the Pymwymic Coop is 100% as all its investments are in Article 9 Funds. Sub-Funds aim to contribute to an environmental objective of the EU Taxonomy as set out in the pre-contractual disclosures per Fund. At this point in time, both Funds invest in economic activities aiming to meet an objective for which the Regulatory Technical Standards ('RTS') are not yet available or applicable. 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.

The minimum share of sustainable investments with an environmental investment objective aligned with the EU Taxonomy for the Pymwymic Coop at this point in time is 0%. All investments of the Sub-Funds are qualified as 'sustainable' based on its own criteria. The Manager will screen all investments of the Sub-Funds for EU Taxonomy alignment when the new RTS come into force.

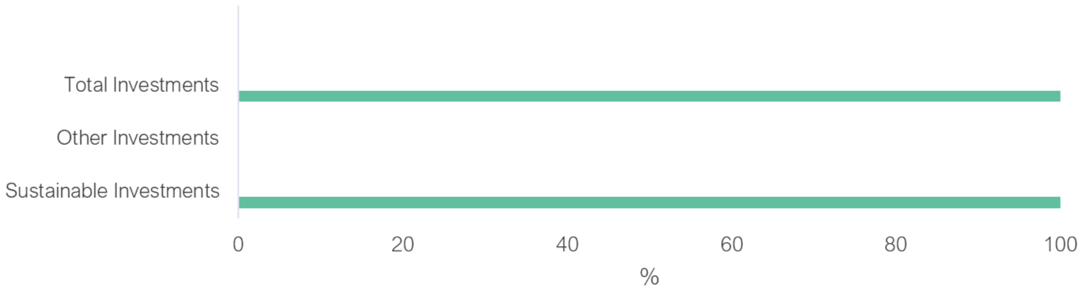

Figure 1 – Pymwymic Coop Proportion of Investments

Monitoring of sustainable investment objective

Each Sub-Fund has set up detailed disclosures to describe how it monitors its sustainable investment objective. As the EU Taxonomy activities applicable for the Sub-Funds are not yet available, its own impact indicator framework is used to demonstrate its 'substantial contribution' to the environmental and social objectives.

To demonstrate that the Sub-Funds meets 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 Sub-Funds are 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 information from the portfolio companies per Sub-Fund. Each portfolio company has an impact strategy, which consists of numerical metrics and targets that is reported on a quarterly basis.

Second, to establish that the investments of the Sub-Funds DNSH to 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 Sub-Fund’s aggregate results of the ‘scope 1’ and ‘scope 2’ greenhouse gas (‘**GHG**’) emissions. This will be expanded to ‘scope 3’ emissions next year.
2. Climate Change Adaptation: meeting the DNSH requirement will be ensured by screening investments of the Sub-Funds 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 aggregated results of the Sub-Funds that reflects portfolio companies monitoring 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 of the Sub-Funds monitoring their ‘hazardous substances’.

Third, to prove that the Sub-Funds are 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, the Manager applies the principle of proportionality, taking into account the size and leverage of portfolio companies of the Sub-Funds in the efforts taken to ensure such compliance.

Data sources and processing

The Manager works directly with portfolio companies of the Sub-Funds 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 Sub-Fund’s sustainable investment objective. 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 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 of the Sub-Funds 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 the Manager using information it has directly obtained from portfolio companies of its Funds;

- Data required to respond to the social indicators of the PAI framework is provided by the portfolio companies of Sub-Funds 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 the Manager.

The Manager 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 of a Sub-Fund has an impact strategy, which consists of numerical metrics and targets that is reported on, on a quarterly basis. Considering that the investments of the Sub-Funds constitute primarily of companies in the venture / 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, the Manager 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.

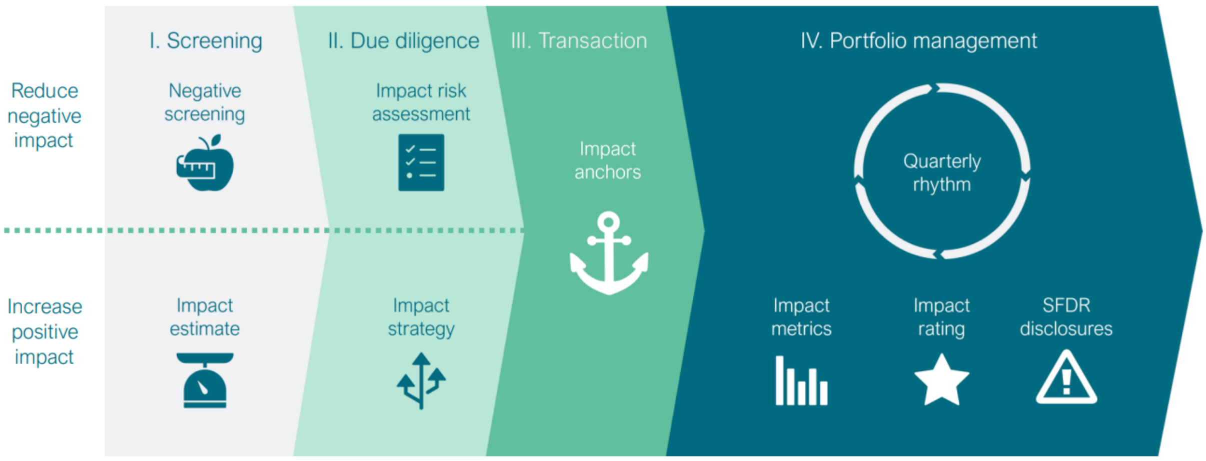

Figure 2 – Impact due diligence & management overview

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.

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