# SFDR Article 10: Website Disclosures

Gullspång Re:food II Invest AB

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## Summary

### No significant harm

In order to ensure that investments are not causing significant harm to any of the sustainable investment objectives, Re:food collects data on Principal Adverse Impact (PAI) indicators from its portfolio companies. The first year for which data will be collected is 2022. As of September 2022, Re:food has also begun collecting qualitative data on PAI indicators prior to investment in a company, in order to avoid investing in a company that is causing significant harm. Re:food also assesses the positive impacts and potential adverse impacts of potential investments in relation to the Re:food circle, as described in Food is Solvable. Governance practices of potential investments are assessed during the due diligence process with reference to the OECD Guidelines for Multinational Practices.

### Sustainable investment objective

The objective of Gullspång Re:food II Invest AB (Re:food) is to invest in companies that will contribute to a more sustainable food system, address climate change, and promote healthy diets. Re:food has identified four thematic areas that it believes are essential to these objectives and that are of the utmost importance for building long-term value creation. These thematic areas are: Sustainable Proteins & Fats, Sustainable Supply Chains, Healthy Diets, and Healthy Soils. Re:food believes that these thematic areas correspond to a number of sustainable objectives, including: reducing greenhouse gas emissions, reducing the impact of food production on biodiversity, improving the efficient use of water and land, contributing to a circular economy, more efficient use of raw materials, reducing the production of waste, and achieving social health objectives through increased access to healthy foods, personalized nutrition, and addressing malnutrition and undernutrition.

### Investment strategy and proportion of investments

Re:food pursues a venture capital investment strategy and makes equity investments in early stage privately traded companies that it believes will have a significant or transformative positive impact on our food system in one of the four thematic areas stated above. Investments are made based on their alignment with one of the four thematic areas, the segments in each theme that Re:food has chosen to prioritize, and the company's financial potential. Re:food aims to invest 100% of its capital in sustainable investments, and has not set target allocations to each theme or to environmental vs. social objectives. The majority of Re:food's investments will be direct, but the fund will also occasionally invest in other venture capital funds investing at an earlier stage but with the same sustainable food system focus. Therefore, some percentage of the fund's exposure to sustainable investments will be indirect.

### Monitoring, methodologies, data sources and processing, and limitations

Monitoring of the sustainable investment objectives is performed through active ownership practices and collection of ESG data on PAI indicators as well as other qualitative and quantitative indicators that Re:food and the company agree are relevant to the company's sustainability and impact. On a regular basis Re:food assesses the growth of each portfolio company and its alignment with its stated strategy and mission at the time of investment, and incorporates any sustainability information published by the company and the PAI indicators into an analysis of whether the company is still helping to achieve the sustainable investment objective. Data on PAI indicators is collected directly from portfolio companies using a third-party platform called SustainLab, which assists with data quality assessment and processing of data. Some proportion of the data will be estimated, and the assessment will depend on both qualitative and quantitative data. Comparability may be limited due to the differences between companies in terms of industry and stage. Despite these limitations, Re:food believes that the attainment of the sustainable objective will not be affected because the investment strategy, screening, and due diligence that Re:food uses to select investments is robust and will eliminate from consideration any companies that would not help achieve one of the sustainable objectives. Additionally, due to Re:food's active ownership practices, the fund has a high degree of transparency into the operations of its portfolio companies which enables ongoing and timely monitoring.

## Due diligence and engagement

Re:food's due diligence process for potential new investments includes a consideration of the company's exposure to excluded industries and activities, its sustainability policies and practices, and its performance related to PAI indicators for which it already collects data. In addition, Re:food engages in dialogue with the company to understand its mission related to sustainable objectives, its own sustainability goals, and its positive impact and potential adverse impacts on the areas of the Re:food circle, as well as any potential mitigations for the potential adverse impacts. Information from the company is supplemented by desktop research and dialogue with experts where necessary. This sustainability due diligence is incorporated along with financial, commercial, legal, governance and other due diligence areas deemed relevant. Following investment, Re:food is an active owner and an engaged long-term minority shareholder. In this capacity, Re:food engages its portfolio companies in ESG progress and integration, and ensures that they operate in a financially, environmentally, and socially responsible manner, including remaining in compliance with international conventions, the UN Global Compact, and the national legislation of the countries where they operate, as well as with the Fund's investors' criteria.

## Attainment of the sustainable investment objective

Post-investment, Re:food supports its portfolio companies with growing their operations in order to increase their positive impacts on our food system and thereby achieve the Fund's sustainable investment objective. Re:food also works with its portfolio companies to support them in implementing internal sustainability policies and initiatives. One of the Fund's ambitions is to contribute to a reduction of global carbon emissions; hence portfolio companies will be evaluated in accordance with their performance within this area. No designated EU Climate Transition benchmark or EU Paris-aligned Benchmark has been chosen as a reference benchmark. Data regarding CO2 emissions will be collected from the portfolio companies on an entity level on an annual basis, and calculations will be made in accordance with the TCFD guidelines for asset managers as well as the Sustainable Finance Disclosure Regulation. Through this methodology, the objective will be measured successfully, having the same potential of attainment as would a reference benchmark have been chosen.

## No significant harm to the sustainable investment objective

As part of the due diligence process, Re:food has begun to collect data on potential investee's policies and practices, and any Principal Adverse Impact indicators listed in Table 1 of Annex 1 that the company already collects data on (this has been implemented for all investments made after September 2022). If the company does not yet collect data we engage in dialogue to understand the current limitations on data collection, as well as the estimated impact of the company on each relevant indicator. This covers all indicators in Table 1 of Annex I, along with selected indicators from Tables 2 and 3, which we consider to be material based on our investment strategy and the size of the companies in which we invest:

- T2.4: Investments in companies without carbon emission reduction initiatives
- T3.4: Lack of a supplier code of conduct
- T3.9: Lack of a human rights policy
- T3.10: Lack of due diligence

The analysis of these indicators for adverse impact is largely based on the potential future impact of the company as it grows. Should a company's business model indicate a high potential future negative impact, this would prompt a discussion with the company about mitigation strategies to pursue, and a discussion internally about whether these potential negative impacts are mitigatable, which would influence the ultimate investment decision.

Portfolio companies are also evaluated based on the environmental and social areas defined by the Re:food circle, including any potential risk for long-term adverse impact at scale along with existing mitigation plans. This analysis covers both positive impacts and potential negative impacts on sustainability and social factors. The outcome of this analysis is incorporated into the investment decision, through a consideration of the following questions:

- Will this company have a significant or transformative positive impact on one or more areas of the Re:food circle, and the food system in general?
- Will the company likely be able to mitigate any potential adverse impacts it could have on the Re:food circle as it scales?

If the answer to either question is "no", then the investment is deemed to not be a fit for the Re:food strategy.

Because the companies that Re:food invests in are early-stage startups, they often have a minimal impact today and most of their potential adverse impact on sustainability factors is linked to future growth of the company. Therefore, Re:food's assessment pre-investment focuses on ensuring that companies are proactively identifying potential adverse impacts and making plans to ensure responsible business growth. Post-investment, Re:food continues to monitor the actions of the company through our active engagement procedures, and collects data on PAI indicators.

Re:food is committed to proactively assessing governance practices of potential investments and investee companies during the investment holding period. Governance practices of potential investments are assessed during the due diligence process with reference to the OECD Guidelines for Multinational Practices, with particular reference to the following sections:

- Human Rights (Section IV)
- Employment and Industrial Relations (Section V)
- Combating Bribery, Bribe Solicitation, and Extortion (Section VII)
- Taxation (Section XI)

# Sustainable investment objective of the financial product

The objective of Gullspång Re:food II Invest AB (Re:food) is to invest in companies that will contribute to a more sustainable food system, address climate change, and promote healthy diets. Re:food has identified four thematic areas that it believes are essential to these objectives and that are of the utmost importance for building long-term value creation. These thematic areas are: Sustainable Proteins & Fats, Sustainable Supply Chains, Healthy Diets, and Healthy Soils.

Companies in the **Sustainable Proteins & Fats** theme contribute to reducing greenhouse gas emissions from animal agriculture by replacing animal proteins with sustainable alternatives. Companies in the **Healthy Soils** theme contribute to reducing greenhouse gas emissions from conventional agriculture, reducing the impact of food production on biodiversity, and improving the efficient use of water and land by supporting farmers in transitioning to more sustainable agricultural practices. Companies in the **Sustainable Supply Chain**s theme contribute to the circular economy, more efficient use of raw materials, and reduce the production of waste by creating sustainable packaging alternatives and reducing food waste. Companies in the **Healthy Diets** theme aim to achieve the social objective of reducing the incidence of diet-related health conditions, by increasing access to healthy foods and addressing malnutrition and undernutrition.

# Investment strategy

## Investment strategy

Re:food makes equity investments in early stage privately traded companies. Building on the Re:food circle and the work of Stockholm Resilience Center and EAT-Lancet, four thematic shifts were identified that Re:food believes will achieve sustainable and social objectives in the food system:

- **The Sustainable Protein & Fat Shift** - shifting away from conventionally produced animal proteins & fats to sustainably produced plant-based and cultivated proteins & fats.
- **The Healthy Soils Shift** - shifting away from practices that emit soil carbon and destroy soil productivity to sustainable and regenerative practices that sequester carbon and restore soils.
- **The Sustainable Supply Chains Shift** - shifting away from linear, wasteful, fossil-fuel based supply chains to sustainable materials, and circular supply chains
- **The Healthy Diets Shift** - shifting away from diets that contribute to health problems and malnutrition to diets that maximize nutrients and prevent diseases

A brief description of each investment theme and its alignment with one or more environmental objectives (as defined by Article 9 of Regulation (EU) 2020/852) or social objectives (as defined by Article 2 (17) of Regulation (EU) 2019/2088) follows:

**Sustainable Proteins & Fats:** The FAO estimates that the production of animal-based proteins and fats for human consumption is responsible for at least 14.5% of anthropogenic greenhouse gas emissions (FAO). At the same time, over 77% of farmland is used for livestock (meat & dairy) production, while only generating 18% of the world's calorie supply and 37% of the protein supply (Our World in Data). As the climate changes and arable land is reduced, dedicating so much land to animal agriculture is inefficient and a risk to food security. Finally, animal agriculture is a leading contributor to deforestation, with significant negative impacts on biodiversity and ecosystems (Our World in Data). By investing in companies producing or enabling the production of plant-based and cultivated proteins & fats, Re:food will contribute to Climate Change Mitigation, Climate Change Adaptation, and Biodiversity and Ecosystems.

**Healthy Soils:** Our soils have the potential to act as a carbon sink, but currently are a net source of carbon emissions due to unsustainable management practices (European Environmental Agency). At the same time, soil degradation and unsustainable usage of phosphorus fertilizers is reducing our future ability to produce food, especially as climate change alters the geographic areas in which food is grown. Agriculture also contributes to pollution of air and water through agrichemicals and nutrient runoff, and to biodiversity loss through land use change. By investing in companies enabling and incentivizing a transition to sustainable and/or regenerative farming practices, Re:food will contribute to Climate Change Mitigation, Climate Change Adaptation, Protection of Water and Marine Resources, Pollution Prevention & Control, and Biodiversity and Ecosystems.

**Sustainable Supply Chains:** Waste is rampant in the food supply chain. An estimated one-third of all food produced is lost or wasted, and the majority of this ends up in landfills where it contributes to an estimated 8-10% of global greenhouse gas emissions (UNEP). Only 2% of phosphorus (a valuable and finite nutrient) is recaptured and recycled from organic waste - the majority contributes to pollution of water systems (FOLU). And hard-to-recycle single-use plastic packaging, which contains high levels of toxic chemicals and has harmful impacts on marine ecosystems, soils, and water sources, is common in the food industry for packaging and transportation. By investing in companies working to reduce and reuse food waste, recycle phosphorus, and create alternatives to single use plastics, Re:food is contributing to Climate Change Mitigation, Protection of Water and Marine Resources, Transition to a Circular Economy, and Pollution Prevention & Control.

**Healthy Diets:** A healthy diet transformation could prevent 1 in 5 deaths globally (The Lancet). However, 2.3 billion people globally live without regular access to a healthy diet (UN SDGs), including roughly 600 million people in upper middle income countries. At the same time, there is a growing awareness of the role of our diets in our health, and the ability for dietary changes to be part of treating health issues. Re:food will therefore invest in companies and technologies that will increase access to healthy foods, work to improve the nutrient density of the foods we consume, and provide deeper and more personalized insights into the impact of specific foods and food choices on an individual's health. Re:food believes that this fits the description of an economic activity that contributes to a social objective as stated in Article 2(17) of Regulation (EU) 2019/2088.

## Strategy Implementation

Re:food seeks to make investments in companies that will have a significant or transformative impact on our food system in one of these four thematic areas. In order to support this work, Re:food has identified prioritized segments within each theme based on a Segment Benchmarking Tool that considers alignment with the Re:food circle and the themes, financial potential of the investment area, and portfolio fit with Re:food's existing investments and the areas of expertise of team members. Re:food has a Sourcing Process which categorizes companies by theme and segment, and eliminates companies that are not aligned with the strategy from the investment process. The sustainability of potential investments is assessed based on: (1) their ability to contribute significantly to sustainable food system transformations over time, (2) whether or not they have a significant net positive impact on one or more of the Re:food circle areas, and (3) their potential to contribute to the achievement of one of the Fund's sustainability objectives. This is done according to the guiding principles in the report Food is Solvable and the environmental and social areas defined in the Re:food circle, and is supported through dialogue with the company. Principal Adverse Impact indicators are assessed through an ESG Due Diligence questionnaire. To ensure compliance with investor requirements, Re:food also excludes agreed sectors in the screening process and makes no investments in companies that are on the Council on Ethics's list of "Excluded companies". Investment decisions are made based in part on the findings and results of the above-described aspects and process steps., e.g., company's alignment with the Re:food circle, ESG screening, Principal Adverse Impact (PAI) considerations, and performed due diligence. This information is included along with due diligence into the financial, commercial, legal, and organizational health and potential of the company, in order to reach a final investment decision.

Re:food monitors active investments on a regular basis through its active ownership practices and collects ESG data on PAI indicators and the fund's sustainability objectives every year. Regarding active ownership practices, Re:food provides support to its portfolio companies in various ways, for instance with guidance concerning ESG strategy, impact in relation to the Re:food circle and the planetary boundaries as well as on how to collect and assess ESG data (e.g. PAI).

### Policy to Assess Good Governance

In order to ensure that Re:food fulfills the exclusion criteria for Minimum Safeguards for SME, outlined in Article 18 of the Taxonomy Regulation, potential investments and investee companies are also screened or assessed in relation to the four established topics of human rights (including workers' rights), bribery/corruption, taxation, and fair competition. Specifically, the following criteria must be met for an investment to be considered:

- Human Rights, including workers' rights: The company has not been convicted for violations of workers' rights or human rights
- Employment and Industrial Relations: The company has not been convicted for violations of a competition law
- Combating Bribery, Bribe Solicitation, and Extortion: The company has not been convicted in court for violations of corruption laws
- Taxation: The company has not been convicted for a violation of a tax law

Regarding the topic human rights (including workers' rights), Re:food also strives to fulfill the criteria of assessing whether potential investees have performed a human rights due diligence (HRDD) or not. However, as it is Re:food's perception that HRDDs are rarely performed by companies today, this ambition lies in the future. Once it becomes more common to perform HRDDs, or if further legal guidance is provided on this criterion by the EU, this section will be reviewed accordingly.

Companies which have been convicted of violations can fulfill Re:food's good governance criteria if they have taken action to ensure that previous violations are not repeated after the violation has occurred. Signs of sufficient action taken can include the submission of a new policy to the Board or a public statement describing actions taken to lessen the likelihood that repeat violations occur, among other possible actions.

Finally, governance practices of portfolio companies are monitored, assessed, and will be made public on an annual basis through Re:food's Principal Adverse Impact statement.

## Proportion of investments

Re:food's objective is to invest 100% of its capital in sustainable investments. As of September 30, 2022, 98.9% of the total assets are invested in companies that Re:food deems to be aligned with its sustainable investment objective. The remaining 1.1% is a legacy investment that has been assessed as doing no significant harm to the sustainable investment objective of the fund. Investments are categorized by Re:food theme, with companies in the Sustainable Proteins & Fats, Sustainable Supply Chains, and Healthy Soils themes achieving environmental objectives and investments in the Healthy Soils theme achieving social objectives. Re:food has not established minimum or maximum allocations for each theme, therefore the percent of the portfolio allocated to investments with social objectives and the percent allocated to investments with environmental objectives will fluctuate over time. As of September 30, 2022, approximately 69% of the portfolio was allocated to companies with environmental objectives, and 30% to investments with social objectives.

### Direct vs. other types of exposure

Re:food will occasionally make investments in other venture capital funds that also invest with the objective of a sustainable food system, but in earlier stage businesses than Re:food typically invests. Re:food considers these to be "infrastructure investments" and an important part of supporting the transformation of the food system, as well as an important source of potential investments. Re:food therefore has indirect exposure to the investments in the portfolios of these funds. At present, these indirect investments represent less than 2% of the fair value of the Re:food portfolio. These investments are considered to have an environmental objective based on the strategies that each fund pursues.

## Monitoring of sustainable investment objective

Re:food's screening and due diligence process is designed to eliminate companies that do not support the sustainable investment objective from consideration. Once an investment has been made, therefore, it has been deemed to support a sustainable investment objective, and Re:food expects that its contribution to the sustainable investment objective will grow as the company's operations grow. However, as Re:food invests in early stage companies, it is possible for the business strategy to shift over time as the company grows, and this creates the potential for it to deviate from supporting the sustainable investment objective. Therefore, ongoing monitoring of active investments is necessary. Re:food will monitor the company's growth and achievement of financial and commercial KPIs, and any social or environmental KPIs mutually agreed on as material and relevant by the company and Re:food. Should the company pursue multiple business lines, Re:food will also collect data on the share of revenue received from the activities contributing to the relevant investment theme. This monitoring is performed through active ownership practices and collection of ESG data on PAI indicators as well as other qualitative and quantitative indicators that Re:food and the company agree are relevant to the company's sustainability and impact.

## Methodologies

On a regular basis, and at least annually, Re:food assesses the growth of each company and its alignment with its stated strategy and mission at the time of investment. At this time there is no formal process for this assessment - rather, it is performed as part of the normal duties of Re:food as an active investor, through interaction with the company. Re:food also collects ESG data on PAI indicators in compliance with the EU Sustainable Finance Disclosure Regulation and will publish the Principal Adverse Impact of the portfolio in its Annual Report, beginning in 2023. Should the company produce an annual impact report or other sustainability related materials, Re:food incorporates this information into its consideration of whether or not the company is helping to achieve the sustainable investment objective.

## Data sources and processing

### Data sources

The primary source of all ESG and sustainability data, including the PAI indicators, is the company itself. Re:food collects data from companies via a platform called SustainLab. SustainLab assists with calculating the product-level PAI indicators according to the methodologies specified by the EU. Re:food also collects any and all sustainability related materials that a company produces, either in materials for investors, press releases, sustainability reports, or other documents. This material helps Re:food assess the company's alignment with its stated sustainability mission and business strategy at time of investment. Finally, Re:food incorporates financial data on the growth and overall health of the company into the consideration, as the Fund makes investments in companies where it believes the contribution to sustainability objectives will increase as the company grows.

### Measures taken to ensure data quality

SustainLab will review all PAI Indicator data submitted via that platform before incorporating it into calculations. At this time, Re:food does not require third-party verification of data. Data received from companies is deemed to be correct to the best knowledge of that company.

### How data are processed

For the data submitted by companies via SustainLab, additional calculations and data processing will be performed by SustainLab as necessary to calculate the PAI indicators. SustainLab will prepare dashboards consisting of charts and graphs describing the data which Re:food will analyze. As the first year for which data will be collected is 2022, Re:food will seek to understand the baseline adverse impact of each investee and the overall portfolio. In subsequent years, Re:food will review the company and portfolio performance over time.

For financial and other qualitative or quantitative sustainability data, Re:food will review and process the data to pull out key insights related to sustainability and will incorporate these insights into internal discussions about the company and conversations with investors.

### Proportion of data estimated

Re:food's portfolio companies may be limited in their ability to collect sustainability and PAI indicator data. Therefore, it is possible that a company may estimate some data. For example, a company may estimate its Scope 2 emissions based on its energy usage. The exact proportion of data that is estimated is not currently known, as Re:food has not yet collected a full year of PAI data. This section will be updated going forward once the proportion of data estimated is better known.

## Limitation to methodologies and data

### Limitations

Re:food relies on portfolio companies to directly report data, as there are no or limited public sources of information, given the small size and private nature of the companies that Re:food invests in. The data includes both qualitative and quantitative data, which may involve estimates and subjective assessments. Because of the different industries and stages of the companies, the comparability of metrics between companies may be limited.

### Why the attainment of the sustainable investment objective is not affected

Re:food does not believe that these limitations on methodologies and/or data sources will impact the attainment of the fund's sustainable investment objective to create a more sustainable food system, address climate change, and promote healthy diets. This is because of the investment strategy, screening and due diligence that Re:food uses to carefully select investments that the Fund believes can have a significant or transformative impact related to one or more of the sustainability objectives. Additionally, the transparency that Re:food generally has into its investments, due to the nature of the venture capital asset class and the Fund's active ownership model, will provide safeguards that reduce the impact of any limitations.

## Due Diligence

Re:food's due diligence process on the underlying assets consists of a holistic assessment of the potential investee, including a consideration of its potential positive and negative impacts on Re:food's objective of creating a more sustainable food system. This consideration is supported by two tools:

- An ESG Due Diligence Questionnaire, which potential investees must complete. This questionnaire collects information related to excluded industries, policies and practices, and current data collected on PAI indicators.
- A "Solvable Session" to understand the company's alignment with the guiding principles stated in Food is Solvable and the Re:food circle. During this dialogue with the company, Re:food seeks to better understand the company's mission as it relates to environmental and social sustainability, its potential positive impacts on the Re:food circle areas and the food system in general, and its potential adverse impacts and any mitigation strategies it can implement. This session is supplemented with desktop research into the company's industry.

The output of these two assessments is incorporated into the investment proposal and taken into account during the investment decision. The documents are reviewed by at least two team members during the drafting phase, before being considered by the Investment Committee. Where necessary, external input from the Stockholm Resilience Center and other experts with relevant sustainability knowledge or experience will be incorporated.

In addition to the sustainability due diligence as stated above, Re:food also performs due diligence with regards to other areas including the financial, technical, legal, and governance matters of the potential investee. The due diligence team for any potential investment includes multiple Re:food team members, and may also include external consultants where necessary.

## Engagement policies

When Re:food decides to invest in a company it does so because it believes that company has a mission and business strategy that will help the fund accomplish its sustainable investment objective. However, as Re:food invests in early stage companies, it is possible for the strategy to shift over time as the company grows and scales its operations. Re:food's intention is therefore to be an active owner and an engaged long-term minority shareholder of its portfolio companies. Due to extensive experience and knowledge of the food system transformation and sustainability impact, Re:food can support its portfolio companies in their ESG progress and integration. Further, Re:food ensures that the portfolio companies operate in a financially, environmentally, and socially responsible manner, including remaining in compliance with international conventions, the UN Global Compact, and the national legislation of the countries where they operate, as well as with the Fund's investors' criteria. This responsibility applies regardless of whether the countries in which these entities operate have signed any of these conventions or have weaker legislation. If Re:food suspects material deficiencies in the portfolio companies' adherence to such conventions, national legislation, and/or the UN Global Compact, these investees shall be subject to questioning and further investigation. If no improvements are made within a reasonable time horizon, the Fund might choose to exit the investment.

Incident reporting is expected concerning material events that are likely to pose a reputational risk to Re:food or its investors. Portfolio companies are therefore obliged to report such events to the investment manager within 3 weeks. Re:food also monitors active investments through the collection of ESG data on PAI indicators and the fund's sustainability objectives.

## Attainment of the sustainable investment objective

Post-investment, Re:food supports its portfolio companies with growing their operations in order to increase their positive impacts on our food system and thereby achieve the Fund's sustainable investment objective. One of the Fund's ambitions is to contribute to a reduction of global carbon emissions; hence portfolio companies will be evaluated in accordance with their performance within this area. No designated EU Climate Transition benchmark or EU Paris-aligned Benchmark has been chosen as a reference benchmark. Data regarding CO2 emissions will be collected from the portfolio companies on an entity level on an annual basis, and calculations will be made in accordance with the TCFD guidelines for asset managers as well as the Sustainable Finance Disclosure Regulation. Through this methodology, the objective will be measured successfully, having the same potential of attainment as would a reference benchmark have been chosen.