

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

Gullspång Re:food II Invest AB (559328-3467)

Summary

Gullspång Re:food II Invest AB (559328-3467) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Gullspång Re:food II Invest AB (Re:food).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2024.

The Fund considers principal adverse impacts (PAI) for all its investments. All portfolio companies are evaluated based on environmental and social criteria defined by the Re:food circle. This includes any potential risk for long-term adverse impact at scale and existing mitigation plans. The Fund also considers the mandatory indicators and four voluntary indicators defined by the Sustainable Finance Disclosure Regulation (SFDR). Information on these indicators is collected from the portfolio companies, subject to data availability. As part of the Fund's active ownership practices, support is provided to the portfolio companies in various ways, for instance, in collecting and assessing data related to the PAI indicators to increase data coverage and reduce the adverse impact over time.

Some challenges have been encountered in collecting data for the PAI indicators from the portfolio companies due to their size and sustainability maturity. The Fund expects increased data coverage in the coming years.

Description of the principal adverse impacts on sustainability factors

Table 1: Indicators applicable to investments in investee companies

Adverse Sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas emissions	1. GhG emissions	Scope 1 GhG emissions	70.80 tCO2e	15.46 tCO2e	18.65 tCO2e	The data covers 66% of the invested value.	Given the limited coverage of GHG emissions, the Fund will encourage and support companies to collect and report this data in the upcoming year. Additionally, not all of our portfolio companies produce Scope 1 Greenhouse Gas Emissions due to the nature of their operations.
		Scope 2 GhG emissions	282.30 tCO2e	330.21 tCO2e	31.13 tCO2e	The data covers 87% of the invested value.	
		Scope 3 GhG emissions	4,361.89 tCO2e	918.21 tCO2e	NA	The data covers 51% of the invested value.	
		Total GhG emissions	4,714.99 tCO2e	1,263.88 tCO2e	49.78 tCO2e	The data covers 51% of the invested value.	
	2. Carbon footprint	Carbon footprint	3.04 tCO2e / MSEK invested	0.83 tCO2e / MSEK invested	0.04 tCO2e / MSEK invested		
	3. GhG intensity of investee companies	GHG intensity of investee companies	45.20 tCO2e / MSEK revenue	10.97 tCO2e / MSEK revenue	0.29 tCO2e / MSEK revenue	This includes data from companies representing 51% of the invested value.	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	0%	None of the Fund's investments are exposed to companies active in the fossil fuel sector.		
5. Share of	Share of non-renewable energy	71.28%	47.44%	56.71%	The data covers 88%	The Fund will encourage and	

Adverse Sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period	
	non-renewable energy consumption and production	consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources				of the invested value.	support companies to identify opportunities for shifting towards renewable energy sources whenever possible and increase data coverage.
	6. Energy consumption intensity per high impact climate sector (Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector)	Sector A	0.0511	0.02	0.002		
		Sector C	0.0023	0.07	0.119		
		Sector E	0.0003	0.05	-		
		Sector G	0.0011	0.01	0.002		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	0%	0%	None of the Fund's portfolio companies have sites/operations located in/near biodiversity-sensitive areas.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MSEK	0 t/MSEK	0 t/MSEK	None of the Fund's portfolio companies produce direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the	

Adverse Sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period	
					European Parliament and the Council and direct emissions of nitrates, phosphates, and pesticides.		
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.00	0.01	0.0000089		The Fund followed up with the companies on the disposal of this hazardous waste. For 2024 no hazardous waste was disposed of.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	0%	None of the portfolio companies violate UN Global Compact/OECD guidelines for multinational companies.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	100%	78.42%	99.9%	The data covers 92% of the invested value.	The Fund will encourage and support its portfolio companies to draft and implement this policy document in the upcoming year.

Adverse Sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	17.73%	12.42%	9.09%	The data covers 85% of the invested value.	The Fund will encourage and support the companies with the highest unadjusted gender pay gap to understand and address the underlying cause.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	19.50%	21.89%	19.45%	The data covers 92% of the invested value.	The Fund will encourage and support the companies with the lowest Board gender diversity to understand and address the underlying cause.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	0%	None of the Fund's investments are exposed to companies active in the controversial weapons sector.	

Other indicators for principal adverse impacts on sustainability factors

Table 2: Additional climate and other environment-related indicators

Adverse sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period	
Emissions	2-4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	90.42%	88.55%	89.50%	The data covers 92% of the invested value.	The Fund will encourage and support the companies without emissions reduction initiatives to adopt such initiatives, if appropriate for the industry and stage of the company

Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability Indicator	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken, actions planned, and targets set for the next reference period	
Social and employee matters	3-4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	26.64%	27.35%	41.81%	The data covers 92% of the invested value.	The Fund will encourage and support the companies without a supplier code of conduct to adopt and implement one
Human rights	3-9. Lack of a human rights policy	Share of investments in entities without a human rights policy	56.1%	67.59%	68.50%	The data covers 92% of the invested value.	The Fund will encourage and support the companies without a human rights policy to adopt and implement one
	3-10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	97.36%	83.77%	69.827%	The data covers 92% of the invested value.	The Fund will encourage and support the companies without a human rights due diligence policy to adopt and implement one

In addition to the Sustainability indicators defined by SFDR and reported above, the Fund also considers the sustainability of each portfolio company in relation to the Re:food circle framework and the overall mission of the Fund. The Re:food circle consists of seven planetary boundaries, as described by Stockholm Resilience Center and the EAT-Lancet Commission, plus four ethical foundations that are sub-goals of the UN Sustainable Development Goals and the Farm Animal Welfare Council's Five Freedoms:

Planetary Boundaries: Greenhouse gas emissions, Cropland use, Water use, Nitrogen application, Phosphorus application, Biodiversity loss, Ocean use

Ethical Foundations: No hunger, Nutritious diets, Decent work, Animal welfare

Portfolio companies contribute meaningfully to reducing the food system's impact on one or more of these Re:food circle areas, thereby contributing to the overall mission of the Fund to transform the global food system so that it meets the needs of all people while operating within our planetary boundaries.

In order to be eligible for investment, a company must also not violate any of the Fund's exclusion criteria, and must also meet Good Governance criteria to ensure that Re:food fulfills the criteria for Minimum Safeguards for SMEs, outlined in Article 18 of the Taxonomy Regulation. Portfolio companies are regularly screened or assessed in relation to the four established topics of human rights, bribery & corruption, taxation, and fair competition. Thus far, no Re:food portfolio companies have been found to be in violation of laws in any of these areas.

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

ESG Policy

The Fund is guided by an ESG Policy that was approved and adopted most recently on February 27, 2023, and that will be reviewed and updated as needed on an annual basis. This policy describes Re:food's commitment to integrating ESG factors in the management of the portfolio, the sustainable objectives of Re:food, and the Re:food investment processes and ownership practices.

It is the responsibility of the COO to enforce and ensure the content, accuracy, and relevance of the Policy. The Investment Managers are responsible for daily operationalizing the policy in managing assets and portfolio companies. In this regard, the Investment Managers shall report their activities and the progress towards implementing the Policy to the COO, who shall report to the CEO and Board.

Selection of Indicators

The food system is a primary driver of numerous negative environmental impacts and social harms, so by investing in innovations solving root cause problems in the system, the Fund accomplishes its mission to create a transformative positive impact in one or more areas of the food system. Portfolio companies are categorized into one or more investment themes that correspond to major shifts or transformations needed to make the food system more sustainable: Healthy Soils, Healthy Diets, Sustainable Supply Chains, and Sustainable Proteins & Fats. The Fund defines a Theory of Change for all new investment opportunities related to these themes and regularly considers the company's continued alignment with that Theory of Change post-investment.

In addition to considering the company's positive impact on the food system, the Fund also considers its potential adverse impacts and the extent to which it avoids causing significant harm to other environmental and social objectives. The indicators to assess this are the mandatory SFDR Principal Adverse Impact indicators, along with the areas of the Re:food circle. The Fund also considers the Good Governance criteria and the four voluntary SFDR PAI indicators, both described above. The voluntary indicators were selected because they were determined to be material at the industry level for most or all of the Fund's existing portfolio companies.

Identification and assessment of principal adverse impact

In order to be considered for investment, a portfolio company must first align with one of Re:food's prioritized segments within its investment themes. During the due diligence process, the Investment Team develops a logical Theory of Change for the company that aligns with the Fund's mission. This is informed by a structured assessment process that considers the company's strategy, likelihood of success, and alignment with the areas of the Re:food circle, along with potential adverse impacts and mitigation strategies in relation to the Re:food circle.

During due diligence, the Fund also collects available sustainability data from the company. This sustainability data includes information about activities in excluded industries, violations of the Good Governance criteria, and the PAI indicators. The Fund considers four aspects from an ESG risk and mitigation perspective: risk, probability, consequences, and mitigation strategy. Each ESG risk is assessed based on probability, long-term environmental and social impacts, and a qualitative assessment of existing or future mitigation plans. Companies that pass these screens are eligible for investment.

Post-investment, the Fund continues to monitor the company's positive and negative impacts. The companies that the Fund invests in are SMEs, and some are pre-revenue. Therefore, their principal adverse impact today is often small. The Fund's priority is to collect information on the principal adverse impacts of the company to support the company in scaling in such a way as to reduce harm in the future. Given the early stage of many of these investments, quantitative information about the severity of these potential adverse impacts and the probability of occurrence may be limited. The Fund relies on qualitative assessments and estimates when necessary.

Data sources

The primary source of data for the SFDR PAI indicators is the Fund's portfolio companies. The Fund has retained a third-party platform, Sustainlab, to facilitate data collection and processing. Sustainlab and Re:food both apply various measures to control data quality. When a portfolio company is not able to provide primary data on a PAI indicator, the Fund may use estimated data provided by Sustainlab or other third-party data providers. As part of the Fund's active ownership practices, support is provided to the portfolio companies in various ways, for instance, in collecting and assessing data related to the PAI indicators to increase data coverage and reduce the adverse impact over time.

Engagement policies

Re:food is an active owner and an engaged long-term minority shareholder in all its portfolio companies. Due to extensive experience and knowledge of food system transformation and sustainability, the Fund 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. Re:food has developed an "ESG Roadmap" to support the companies in establishing stage-appropriate measures to reduce adverse impacts and material ESG risks and create benefit for key stakeholders.

References to international standards

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 concerning the OECD Guidelines for Multinational Enterprises. Particularly, the due diligence process shall assess governance practices with reference to the following OECD Guidelines sections.

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

Companies are required to alert Re:food of any prior or current convictions for violations related to these four sections, under applicable governing laws. Companies that have been convicted of violations can remain compliant with Re:food's good governance criteria by taking action to ensure that previous violations are not repeated after the violation has occurred. Signs of sufficient action taken can include

submitting a new policy to the Board or a public statement describing actions taken to lessen the likelihood of repeat violations, among other possible activities. At this time, no companies in the Re:food portfolio are in violation of these OECD Guidelines.

Paris Agreement

Re:food believes that its investment strategy is aligned with the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, because it builds on the planetary boundary work done by the Stockholm Resilience Center and the EAT-Lancet Commission. The Fund does not invest in companies active in the fossil fuel sector or that will increase the amount of greenhouse gases produced by the food system. The Fund has not set a Net Zero target or a carbon emissions reduction initiative.