

Gullspång Re:food II Invest AB (Re:food II)

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## Summary

### No significant harm

To ensure investments do not cause significant harm to any of the sustainable investment objectives, Re:food II collects data on Principal Adverse Impact (PAI) indicators from its portfolio companies. The first year for which data was collected was 2022. As of September 2022, Re:food II also began collecting PAI data before investing in a company to avoid backing one that is causing significant harm. Re:food II 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 in accordance with the OECD Guidelines for Multinational Enterprises.

### Sustainable investment objective

The objective of Re:food II 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 to long-term value creation: Sustainable Proteins & Fats, Healthy Soils, Sustainable Supply Chains, and Healthy Diets. 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 and addressing malnutrition and undernutrition.

### Investment strategy and proportion of investments

Re:food II makes equity investments in early- and growth-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 II has chosen to prioritize, and the company's financial potential. Re:food II 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 II'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

Re:food II monitors sustainable investment through active ownership, PAI indicators, and relevant ESG data collected via SustainLab. Regular assessment confirms alignment with the sustainable investment objective, utilizing both qualitative and quantitative data. While limitations like data estimation and comparability exist, Re:food II ensures the sustainable objective is met via robust selection (screening and due diligence) and ongoing, transparent monitoring through active ownership.

## Due diligence and engagement

Re:food II's due diligence for new investments assesses a company's exposure to excluded industries, sustainability policies, performance on PAI indicators, and contribution to the Fund's sustainable objectives. We engage with the company on its sustainable mission, goals, positive impact, and potential adverse impacts (including mitigations) related to the Re:food circle. This information is supplemented by research and expert dialogue, and integrated with financial, legal, and other due diligence. Post-investment, Re:food II is an active, engaged, long-term minority shareholder, ensuring portfolio companies progress on ESG, operate responsibly (financially, environmentally, socially), and comply with international conventions (e.g., UN Global Compact), national law, and the Fund's investor criteria.

## Attainment of the sustainable investment objective

Post-investment, Re:food II supports its portfolio companies in growing their operations to increase their positive impact on our food system and thereby achieve the Fund's sustainable investment objective. Re:food II also works with its portfolio companies on 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 CO<sub>2</sub> 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.

# No significant harm to the sustainable investment objective

As part of the due diligence process, Re:food II 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 an internal discussion 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 not to be a fit for the Re:food II strategy.

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

Re:food II 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 Re:food II 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, Healthy Soils, Supply Chains, and Healthy Diets.

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 Chains** 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 II makes equity investments in early- and growth-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 II 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 are 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 II 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 II 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 II 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 II seeks to invest in companies that will have a significant or transformative impact on our food system across 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 II's existing investments and the areas of expertise of team members. Re:food II has a Sourcing Process that categorizes companies by theme and segment and eliminates those 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 in accordance with 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 II also excludes agreed sectors in the screening process and makes no investments in companies that are on the Council on Ethics list of "Excluded companies". 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 II 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 II 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 II 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 of 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 of a violation of a tax law

Regarding the topic of human rights (including workers' rights), Re:food II 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 that have been convicted of violations can fulfill Re:food II's good governance criteria if they have taken action to ensure that such violations are not repeated. Signs of sufficient action taken can include submitting a new policy to the Board or issuing a public statement describing actions taken to reduce the likelihood of repeat violations, among other possible actions.

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

## Proportion of investments

Re:food II's objective is to invest 100% of its capital in sustainable investments. As of December 31, 2024, 99.4% of the total assets are invested in companies that Re:food II deems to be aligned with its sustainable investment objective. The remaining 0.6% is a legacy investment that has been assessed as posing no significant harm to the fund's sustainable investment objective. 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 II 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 December 31, 2024, approximately 78.4% of the portfolio was allocated to companies with environmental objectives, and 21.0% to investments with social objectives.

## Direct vs. other types of exposure

Re:food II 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. Re:food II considers these to be "infrastructure investments" and an important part of supporting the transformation of the food system, as well as a potential source of investment. Re:food II 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 II 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 II'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, it has been deemed to support a sustainable investment objective, and Re:food II expects its contribution to the sustainable investment objective to grow as the company's operations expand. However, as Re:food II invests in early-stage companies, the business strategy may shift over time as the company grows, potentially leading it to deviate from its sustainable investment objective. Therefore, ongoing monitoring of active investments is necessary. Re:food II 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 II. Should the company pursue multiple business lines, Re:food II 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 the collection of ESG data on PAI indicators, as well as other qualitative and quantitative indicators that Re:food II and the company agree are relevant to the company's sustainability and impact.

## Methodologies

On a regular basis, and at least annually, Re:food II 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 Re:food II's normal duties as an active investor through interaction with the company. Re:food II also collects data on PAI indicators in compliance with the EU Sustainable Finance Disclosure Regulation and publishes the Principal Adverse Impact of the portfolio in its Annual Report. Should the company produce an annual impact report or other sustainability-related materials, Re:food II 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 II collects data from companies via a platform called SustainLab. SustainLab assists in calculating the product-level PAI indicators in accordance with the EU methodologies. Re:food II also collects any sustainability-related materials that a company produces, either in materials for investors, press releases, sustainability reports, or other documents. This material helps Re:food II assess the company's alignment with its stated

sustainability mission and business strategy at time of investment. Finally, Re:food II incorporates financial data on the company's growth and overall health into its analysis, as the Fund invests in companies where it believes the contribution to sustainability objectives will increase as the companies grow.

## 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 II 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 data submitted by companies, SustainLab will perform additional calculations and data processing as necessary to calculate the PAI indicators. SustainLab will prepare dashboards consisting of charts and graphs describing the data that Re:food II will analyze.

For financial and other qualitative or quantitative sustainability data, Re:food II 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 II's portfolio companies may be limited in their ability to collect sustainability and PAI indicator data. Therefore, a company may estimate some data, with the support of SustainLab or another third-party provider.

# Limitation to methodologies and data

## Limitations

Re:food II relies on portfolio companies to report data directly, as there are few or no public sources of information, given the small size and private nature of the companies it invests in. The data includes both qualitative and quantitative data, which may involve estimates and subjective assessments. Because of differences in industry and company stage, the comparability of metrics across companies may be limited.

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

Re:food II 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 II 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 II generally maintains regarding its investments, due to the nature of the venture capital asset class and the Fund's active ownership model, will provide safeguards that mitigate the impact of any limitations.

## Due Diligence

Re:food II'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 II's objective of creating a more sustainable food system. This consideration is supported by:

- An ESG Due Diligence Questionnaire, which potential investees must complete. This questionnaire collects information related to excluded industries, policies and practices, current data on PAI indicators, approaches to material or potentially material sustainability topics, and the company's positive impact within the Re:food circle framework.
- A discussion session to review the information shared in the ESG Due Diligence Questionnaire, with a focus on the company's alignment with the guiding principles stated in Food is Solvable and the Re:food circle.

The output of these assessments is incorporated into the investment proposal and taken into account during the investment decision. The assessment is reviewed by the investment 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 II also performs due diligence with regard 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 II decides to invest in a company, it does so because it believes that the company has a mission and business strategy that will help the fund accomplish its sustainable investment objective. However, as Re:food II invests in early- and growth-stage companies, it is possible for the strategy to shift over time as the company grows and scales its operations. Re:food II's approach is therefore to be an active owner and an engaged long-term minority shareholder of its portfolio companies. With 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 II 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, the national legislation of the countries in which they operate, and 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 II suspects material deficiencies in the portfolio companies' adherence to such conventions, national legislation, and/or the UN Global Compact, these investees will 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 II or its investors. Portfolio companies are obliged to report such events to the investment manager within 3 weeks. Re:food II also monitors active investments by collecting data on PAI indicators and the fund's sustainability objectives.

## Attainment of the sustainable investment objective

Post-investment, Re:food II supports its portfolio companies in growing their operations to increase their positive impact on our food system and thereby achieve the Fund's sustainable investment objective. One of the Fund's ambitions is to contribute to reducing global carbon emissions; hence, portfolio companies will be evaluated on their performance in this area. No designated EU Climate Transition benchmark or EU Paris-aligned Benchmark has been chosen as a reference benchmark. Data on CO<sub>2</sub> emissions will be collected from the portfolio companies at the entity level annually, and calculations will be made in accordance with the TCFD guidelines for asset managers, as well as the Sustainable Finance Disclosure Regulation.