Collateral Good Ventures Investment Policy

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Introduction

The investment policy (hereafter referred to as “Policy”) describes the overall investment strategy and approach of Collateral Good Ventures Group (hereafter referred to as “CGV”) at entity-level. This is further supplemented with product-specific disclosures for each of CGV’s funds, which can be accessed here. (link to website disclosure)

Investment strategy

Doing “collateral good” is at the heart of CGV’s investment strategy, and the foundation of the name “Collateral Good Ventures”. CGV was created to help solving the challenges of the current food system by supporting and enabling solutions that have a positive impact on the planet.

CGV’s overall investment objective is the transformation towards a sustainable food system through investments in mainly early-stage companies, with a preference for pre-seed to series A investments. Every fund managed by CGV contributes to this objective within its specific focus areas. Further details on the fund-specific focus and impact can be found in the individual product disclosures (link to Website Disclosure).

CGV is fully compliant with the requirements set forth in the Sustainable Finance Disclosure Regulation (“SFDR”). Furthermore, CGV adheres to the Operating Principles for Impact Management (“OPIM”).

Policies on integration of sustainability risks in investment decision-making process

CGV’s investments are directed at addressing and solving some of the primary sustainability challenges emerging in the food industry. For this reason, many of the classical sustainability risks such as resource scarcity, regulatory, economic, and technological conditions are translated into opportunities for CGV’s investments.

However, there naturally may be sustainability risks that can constitute financial risks for CGV’s investments. For this reason, CGV always considers those risks as an integral part of the pre-investment phase for all investment cases. Sustainability risks are divided into Environmental (E), Social (S), and Governance (G) risks, and assessed on a red-yellow-green scale. This is summarized into an overall sustainability risk assessment that feeds into the Investment Committee’s ("IC") final investment decision.

Considerations of Principal Adverse Impacts of investment decisions

CGV considers Principal Adverse Impacts (“PAI”) of investment decisions.

The PAI indicators are an integral part of the pre-investment assessment. This is done by evaluating the investee company's impact on the 14 mandatory PAI indicators set out in table 1, indicator 14 in table 2, and indicator 4 in table 3 in Annex 1[1] of the EU Commission’s Regulatory Technical Standard ("RTS"), supplementing the Regulation (EU) 2019/2088. If any additional indicators from table 2 and 3 are deemed material, these are also included in the analysis. The indicators are assessed in terms of whether the investee company has a significant negative impact on the indicator, and whether mitigating actions are in place. If the investee company is lacking sufficient mitigating actions, this is listed as a yellow flag and correction will be a focus area during ownership. In case of any identified red flags[2], CGV will not proceed with the investment, unless the red flag can be corrected prior to closing. As data availability in CGV’s investment space is generally limited, CGV always conducts a qualitative assessment which is supplemented with quantitative data if available.

CGV reports on the PAI indicators of investment decisions. Portfolio Company ("PC") reporting of data on the PAI indicators is a CGV's ownership requirement for PCs that had above 1 million EUR round size in the latest financing round in which CGV has invested. For less mature PCs,[3] data is estimated by CGV. For PCs acquired shortly before the reporting deadline, data may also be estimated by CGV in the first reporting year, depending on the PC‘sresources availability.

Transparency of renumeration policies in relation to the integration of sustainability risks

CGV has linked it's renumeration policies, specifically the carried interest of the fund(s), to the achievement of the fund-wide impact indicators, based on the performance of the fund's PCs on those. Targets for the impact KPIs are set for each PC during ownership, in close collaboration with the PC's management. In case there is any unearned carried interest, CGV will donate or invest the respective amount in grant support to a cause in line with CGV’s impact objective.

Promotion of sound and effective risk management with respect to sustainability risks is an integral part of CGV’s portfolio management.

How CGV works with sustainability

CGV invests in companies with impact as a core strategy element, that comply with the SFDR’s definition of a sustainable investment at the pre-investment stage, and who are willing to work ambitiously on improving its sustainability impact in line with CGV’s requirements in the ownership phase.

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[1] Annex 1 to the RTS

[2] A red flag is defined as an incident or practice that is deemed deficient to an extent that there is a great likelihood of breaches or misalignment with CGV's definition of a sustainable Investment

[3] Defined as the latest financing round (in which CGV has invested) being below 1 million EUR

Pre-investment

CGV always carries out a rigorous screening of substantial contribution, Do No Significant Harm (“DNSH”) criteria, Good Governance and sustainability risks in the pre-investment phase.

Before signing a term sheet, CGV’s deal team assesses the investee company's fit with the fund’s focus areas as well as its potential in terms of substantial contribution measured by the fund’s impact KPIs, acting as knock-out criteria for the investment.

Furthermore, CGV assesses DNSH criteria related to the PAI indicators, Good Governance (incl. policies and management practices within material aspects of the Organization for Economic Co-Operation and Development ("OECD") guidelines), and sustainability risks.

For cases that are eligible as sustainable investments under the EU taxonomy, CGV only consummates with the investments if alignment with the technical screening criteria for the relevant economic activities can be substantiated. In these cases, the documentation of taxonomy alignment, including third party verification of alignment with the technical screening criteria, is a key focus area for CGV during ownership[4].

For cases with a financing round below 1 million EUR as well as for taxonomy eligible cases, CGV’s internal assessment is always supplemented with an external ESG due diligence to substantiate compliance with substantial contribution, DNSH, Good Governance and sustainability risks as well as the technical screening criteria in the EU taxonomy, if relevant.

Ownership

CGV’s requirements for sustainability efforts during ownership are subject to the maturity level of the individual PC which is defined by the size of the latest financing round in which CGV has invested. Furthermore, the requirements are implemented in waves over the course of CGVs ownership period. The ownership requirements are built into the Shareholder Agreement ("SHA") and include:

Size of financing round below 1 million EUR:

1) Development of lifecycle assessments ("LCAs") for relevant products and/or services using the PEF methodology
2) Reporting on the defined impact KPIs of the specific fund on an annual basis[5]

Additional requirements if size of financing round is 1 to 5 million EUR:

3) Reporting on the 14 mandatory and the two selected voluntary PAI indicators[6] on an annual basis
4) Development of policies and/or Codes of Conduct in material areas, if not already in place
5) Documentation of taxonomy-alignment (for eligible activities only)

[4] Ownership requirement for PCs with the latest financing round (in which CGV has invested) above 1 million EUR

[5] Impact KPIs are subject to the specific investment and impact focus of the individual funds

[6] Non-recycled waste ratio and lack of supplier code of conduct

Additional requirements if size of financing round size is above 5 million EUR:

6) Annual sustainability-reporting of targets, efforts, and achievements

If any yellow flags are identified in the pre-Investment phase, these must also be solved during the first year of ownership.

Reporting

CGV is fully compliant with all reporting requirements under SFDR, including reporting on the PAI indicators and fund performance reporting following Annex V.

Performance data on the impact KPIs and the PAI indicators is collected from PCs annually in the first quarter[7].

Governance

CGV's ESG responsible is in charge of anchoring and overseeing the Fund's investment policies and tools. Furthermore, CGV's SFDR reporting responsible supports the Fund's investment managers in collecting data from the PCs and ensures compliance with the SFDR reporting requirements.

Implementation and oversight of the ownership requirements for PCs is the overall responsibility of CGV's partners, with the support of CGV's ESG responsible.

CGV is an active owner who supports its PCs in their sustainability efforts during ownership. In case a PC does not meet CGV's expectations of being a sustainable investment during ownership (e.g. if a taxonomy-eligible PC is or will not be able to comply with the technical screening criteria set forth by the EU taxonomy), such PC has to fulfill the requirements for the classification of a sustainable investment within a period of 24 months. If the PC continues to be non-compliant with the requirements, CGV will do its best effort to sell off the investment. If such sale transaction does not succeed, CGV will not re-invest in subsequent financing rounds.

[7] PCs impact on the PAI indicators is assumed to be evenly distributed throughout the year. CGV's PAI reporting reflects quarterly changes in ownership