

## SFDR Fund Disclosure

### SHIFT Invest III Coöperatief UA

This fund, launched in February 2020 and currently actively investing, is classified as an **Article 9-fund** under SFDR and has the following sustainability objectives:

#### **A) Sustainable investment objectives**

The goal of this financial product is to invest in innovative solutions that address climate change, biodiversity loss, and/or the depletion of natural resources. This product *actively* and *exclusively* invests in start- and scale-ups that have a net-positive environmental impact on one or more of the aforementioned components. As such, it contains 100% investments with a sustainable environmental objective. To realise this, the fund invests in the following four themes, with associated sustainability objectives:

1. the energy transition, including but not limited to:
  - a. replacing high-emission intensive energy sources with those that have a lower emission-intensity (CO<sub>2</sub>e/MJ)
  - b. maximising the generation of energy from renewable sources (MWh)
  - c. minimising the energy-intensity of the built environment (e.g. decarbonising heating)
2. green industries, including but not limited to:
  - a. minimising pollution to air and waterways
  - b. minimising the depletion of (natural) resources including, e.g. rare earth metals and water (through circular design, reuse, recycling, upcycling, etc.)
  - c. minimising the energy-intensity of the production chain (MJ/product)
3. smart food and agriculture, including but not limited to:
  - a. minimising the spatial footprint of the food system (ha/t)
  - b. minimising the emission-intensity of food (CO<sub>2</sub>e/nutritional value)
  - c. minimising the use of pesticides (g/ha)
  - d. maximising ecosystem stability and the amount/richness of biodiversity
  - e. minimising food and packaging waste (t)
4. sustainable transport and logistics, including but not limited to:
  - a. promoting a modal shift to modes of transport with lower emission-intensities (CO<sub>2</sub>e/km)
  - b. minimising the energy intensity of the modes of transport, including associated infrastructure (MJ/km)
  - c. minimising the emission intensity of fuels (CO<sub>2</sub>e/MJ)

An investment is considered to contribute to one of the aforementioned objectives when its impact is material and measurable. The fund uses global such as international NGOs like the UN), European and national targets to gauge the potential impact of portfolio companies, including the Sustainable Development Goals (SDGs). In the future, the EU Taxonomy will be used as a reference to determine whether a product is sustainable, once 'Technical Screening Standards' have been established and approved for all environmental objectives.

## **B) Impact methodology**

For all potential investment, an impact assessment is carried out upfront. This is reviewed by an independent Impact Committee consisting of 5-6 members. This is an independent group of experts from various sectors like university, sustainable business, and NGOs. The Impact Committee helps to ensure our investments make a material and measurable contribution to the impact objectives of our fund. The impact assessment consists of the following components:

1. a theory of change outlining the logical structure and (external) substantiation of the impact potential of the investment, including:
  - a. the importance and magnitude of the environmental problem the company is targeting
  - b. the (economic) activities the company undertakes
  - c. the outcome of the activities
  - d. the impact of this outcome that is realised for the environment
2. key performance indicators (KPIs) that can be used to measure and monitor this impact
3. targets per KPI
4. the additionality of the solution provided by this company
5. the potential sustainability risks and trade-offs the company may face

The impact results for the sustainability objectives (emissions, energy, spatial footprint, etc.) are validated as far as possible by pilots and other data from the company, scientific research, and through generally accepted methodologies such as life cycle analysis (according to international standards ISO 14040 and ISO 14044, amongst others).

The fund also identifies relevant 'Sustainable Development Goals' for each holding, which are used to benchmark their contribution to environmental objectives. In addition, KPIs used by SHIFT III are based on IRIS (as advised by the Global Impact Investing Network) as indicators to measure the environmental performance of its holdings, which are theme and company specific and as such vary through the Fund's portfolio. For example, kg CO<sub>2</sub>e emissions per kilometres travelled is a widely accepted metric to measure the contribution of a low-emission mobility technology to the climate change objective.

The KPIs are monitored annually and reported in SHIFT's annual Impact Report. These results are discussed with the Impact Committee and shared with investors in the fund. Upon investment, each company agrees to SHIFT's Code of Conduct. The obligation to provide annual environmental data is included in the shareholder agreement. The carried interest of the fund manager (20%) is partially (50%) based on this impact performance.

During our shareholding period, we actively ensure that impact remains a top priority at portfolio companies. We help companies to formally integrate impact in policy and decision making where they have not already and exercise caution when selecting follow-on investors.

### **C) Realised impact**

During our shareholding period, we actively ensure that impact remains a top priority at portfolio companies. We help companies to formally integrate impact in policy and decision making where they have not already and exercise caution when selecting follow-on investors.

SHIFT III measures the realised impact of portfolio companies annually by means of a questionnaire on impact and production data which is requested from the companies. Outcomes are derived based on our own research, assumptions, additional data from the company and possible LCAs.

Example calculation for CO<sub>2</sub>(e) emission reduction (kt):

CO<sub>2</sub> footprint product X - CO<sub>2</sub> footprint product Y = CO<sub>2</sub> savings company per product sold by company Y

CO<sub>2</sub> savings company Y per product \* products sold 2021 = CO<sub>2</sub> saved by company Y in 2021

Example calculation CO<sub>2</sub>(e) emission reduction (kt) at service-based companies:

CO<sub>2</sub> footprint company X - (CO<sub>2</sub> footprint company X \* Y% savings realised by company Y) = CO<sub>2</sub> savings company Y per customer

CO<sub>2</sub> savings of company Y per customer \* customers 2021 = CO<sub>2</sub> saved by company Y in 2021

Results of this assessment are captured by our annual impact report, which publicly reports aggregate performance (published on our website) and internally discloses realised impact on a per-company basis. The results of this report are also discussed with our Investment Advisory and Impact Committees to check-in on progress and flag any potential areas of concern or improvement.