



Product Level SFDR Disclosure

Product Name: NZYME FUND I, F.C.R.E.

March 2023

Website disclosures pursuant to Article 10 of Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“**SFDR**”) and Articles 25 to 36 of Commission Delegated Regulation (EU) 2022/1288 complementing SFDR.

This document covers the following areas:

- a) Summary
- b) Non sustainable investment objective
- c) Environmental or social characteristics
- d) Investment strategy
- e) Proportion of investments
- f) Monitoring of environmental or social characteristics
- g) Methodologies
- h) Data sources and processing
- i) Limitations to methodologies and data
- j) Due diligence
- k) Engagement policies

a) Summary

a) **No sustainable investment objective:** This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investments.

b) **Environmental or social characteristics:** NZYME FUND I, F.C.R.E. (the “Fund”) is an article 8 fund that promotes responsible management practices among its portfolio companies through the exercise of its political rights, primarily by acquiring significant shareholdings. To achieve this, the Fund incorporates Environmental, Social, and Governance (ESG) considerations into its investment processes to assess ESG risks and opportunities, with a goal of contributing to the United Nations' Sustainable Development Goals (SDGs), in specific SDGs 4, 5, 8, 12 and 13.

c) **Investment strategy:** The Fund endeavors to promote the improvement of the responsible management of portfolio companies by incorporating ESG considerations, with a specific focus on contributing to the United Nations' Sustainable Development Goals 4, 5, 8, 12 and 13.

The Fund's investment strategy involves acquiring significant shareholdings with the goal of exerting control over its portfolio companies and enhancing their ESG performance.

d) **Proportion of investments:** 51% of the Fund's investments promote environmental and social characteristics in accordance with Article 8 of the SFDR, without having among its objectives to make sustainable investments under SFDR.

e) **Monitoring of environmental or social characteristics.** The indicators used to meet the environmental or social characteristics are measured at company level at least once a year and are as follows:

i. **Environmental:**

1. % of portfolio companies that have reduced their carbon footprint
2. % of portfolio companies with progress in waste reduction

ii. **Social:**

1. % of portfolio companies with employee development plans
2. % of portfolio companies with equality plans

iii. **Governance:**

1. % of portfolio companies in which progress has been made towards parity in management positions
2. % average ESG score obtained in all portfolio companies based on an internal questionnaire
3. % of portfolio companies with a board of directors
4. % of portfolio companies with independent board members
5. Investment channelled towards digital / technological conversion

f) **Methodologies:** The process of improving ESG performance through the exercise of political rights in portfolio companies by the Fund is as follows:

- **Pre-investment phase:**

- **Negative screening:** To ensure adherence to the Responsible Investment Policy of Kibo Ventures Partners, SGEIC, S.A., the Fund does not invest in any activities described in the list of exclusions detailed in our [Responsible Investment Policy](#).

- **Internal due diligence:** The ESG Team conducts an internal due diligence to assess ESG risks and opportunities by using a questionnaire based on Global Reporting Initiative (GRI) and SDG methodologies taking into consideration the financial materiality concept.

- **Independent expert Due Diligence:** In cases where ESG performance of a portfolio company raises questions, the Fund would engage an independent expert to perform due diligence, and the results would be incorporated into the investment decision-making process.

- **Investment phase:**

- **Action Plan:** Based on the findings of the internal and, as applicable, expert due diligence, the Fund prepares an Action Plan to mitigate ESG risks and promote positive ESG performance in each portfolio company. This Plan outlines recommendations for improvement and a roadmap for implementation.

Once a company enters the Fund's portfolio and the ESG Action Plan has been triggered, they are required to report on an annual basis, on the KPIs indicated above, where feasible (see "(g) Data sources and processing").

g) **Data sources and processing:** Kibo Ventures, in collaboration with sustainability experts and an ESG contact person appointed internally within each portfolio company, measures the ESG KPIs and reports back on progress on an annual basis.

h) **Limitations to methodologies and data:** there are inherent limitations of ESG methodologies and data points and calculations including lack of consistency, comparability, periodicity, and reliability, from individual companies as well as standard-setting organizations. To address such potential limitations, the ESG Team digests and verifies the accuracy of data provided. As mentioned above, estimations are always clearly indicated to avoid misrepresentation and data that is not available will also be clearly indicated.

i) **Due diligence:** The due diligence process consists of two phases: internal due diligence performed by the ESG Team and external due diligence, which will be done only in specific cases. The due diligence process allows the Fund to identify, in the pre-investment phase, ESG risks and opportunities of the potential investment. This is complementary to the other due diligences carried out before an investment decision is made (legal, labor, commercial, etc.)

j) **Engagement policies:** Actively engaging with portfolio companies is a fundamental pillar of the Fund's strategy, including through collaboration with company to gather data and measure performance. Portfolio companies are required to report on ESG KPIs where possible and any ESG incidents that may occur.

b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

c) Environmental or social characteristics of the financial product

The Fund prioritizes the integration of Environmental, Social, and Governance (ESG) factors into its investment decision-making process to identify ESG risks and opportunities, with a primary focus on contributing to the advancement of the following United Nations' Sustainable Development Goals (SDG):

- **SDG 4 - Quality Education:**

- The Fund will support the training and development of the employees of its portfolio companies through structured training plans, with a focus on acquiring technical and professional skills that enhance their employability, decent work conditions, and entrepreneurial opportunities (Target 4.3).

- SDG 5 - Gender Equality:
 - The Fund will work towards reducing gender disparities by fostering female entrepreneurship, encouraging women workers to participate in gender equality-focused organizations in the business and entrepreneurial spheres (Target 5.5).
 - Additionally, the Fund will strive to increase women's representation in leadership positions and on boards of directors (Target 5.5).

- SDG 8: Decent Work and Economic Growth
 - The Fund will strive to implement fair and market-driven compensation plans within its portfolio companies (Target 8.1).
 - It will also work towards generating value in the productive market through the analysis and implementation of continuous improvements, with a particular emphasis on modernization and technological innovation (Target 8.2).

- SDG 12: Responsible Production and Consumption
 - The Fund will encourage sustainable resource management and efficient resource utilization among its portfolio companies through the introduction of specific measures, such as environmental policies and responsible sourcing policies as required (Target 12.2).
 - Additionally, the Fund will work towards avoiding waste and promoting circular economy practices within portfolio companies' operations, in line with Target 12.5 through prevention, reduction, recycling, and reuse activities.

- SDG 13: Climate Action
 - The Fund will actively seek to incorporate climate change mitigation and adaptation measures into the policies, strategies, and action plans of its portfolio companies (Target 13.2).

d) Investment Strategy

The Nzyme Fund I, F.C.R.E. aims to enhance responsible management practices among its portfolio companies by considering ESG factors in its investment decision-making and working towards specified Sustainable Development Goals (SDGs 4, 5, 8, 12, and 13). The Fund exerts its influence over portfolio companies through the acquisition of substantial shareholdings, and the exercise of political rights.

A thorough pre-investment analysis is conducted to ensure alignment with the Responsible Investment Policy of Kibo Ventures Partners, SGEIC, S.A. The ESG Team then conducts an internal due diligence of ESG risks and opportunities using a questionnaire based on GRI and SDG methodologies that considers financial materiality. In instances where there are questions surrounding a company's ESG practices, an independent expert would be engaged to carry out a due diligence, providing recommendations for risk mitigation and ESG improvement through the implementation of an Action Plan in the portfolio company.

Binding Elements:

- Negative Screening: The investment team performs an initial evaluation of the company prior to making an investment, taking into account the exclusions outlined in the Responsible Investment Policy. This assessment also considers the potential risks and impacts of the investment on its stakeholders.

- Due Diligence: The evaluation process of a potential investment involves a comprehensive review of commercial, financial, business, and legal aspects, as well as a thorough analysis of sustainability issues. This

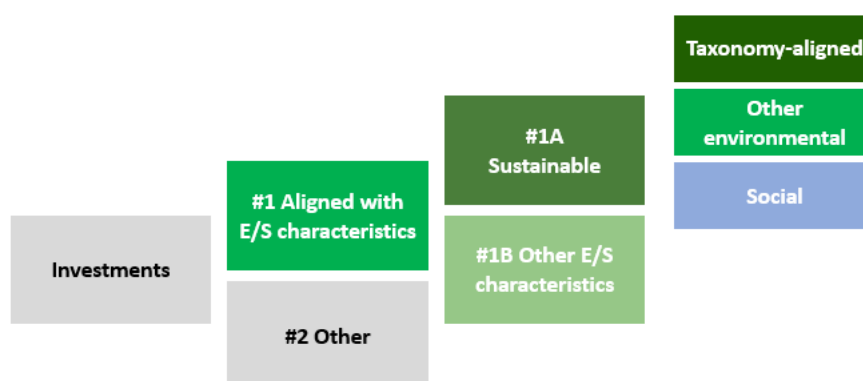
analysis is primarily conducted internally, with external support used in specific cases. The assessment provides insight into the company's key sustainability risks and opportunities and recommends strategies to mitigate risks and capitalize on opportunities.

- **Investment Decision:** The Investment Committee takes into consideration the findings and recommendations of the due diligence process before making the investment decision.
- **Investment Monitoring:** During the investment holding period, the Fund develops an Action Plan aimed at improving the ESG performance of each portfolio company through engagement with the company's management team and the exercise of political rights. The Action Plan is designed based on the conclusions of due diligence and focuses on enhancing the governance of the portfolio company. The Fund also requests annual information from portfolio companies to monitor their performance.

Policy to assess good governance:

In evaluating the ESG performance of portfolio companies, the following governance-related factors are thoroughly analyzed: board structure and composition, the presence of effective management systems, employee relations, compliance with current regulations regarding staff compensation, and tax compliance.

e) Proportion of Investments



The Fund will allocate 51% of its assets to category 1B: investments that promote social or environmental characteristics but do not qualify as sustainable investments. The Fund does not have as its objective sustainable investment.

#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The category #1 Aligned with E/S characteristics covers:

- The subcategory #1A Sustainable covers environmentally and socially sustainable investments.
- The subcategory #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

f) Monitoring of environmental or social characteristics

In order to properly monitor, measure and control the improvement of the portfolio company's ESG performance, the Fund has set the following ESG indicators:

- i. **Environmental:**
 1. % of portfolio companies that have reduced their carbon footprint
 2. % of portfolio companies with progress in waste reduction
- ii. **Social:**
 1. % of portfolio companies with employee development plans
 2. % of portfolio companies with equality plans
- iii. **Governance:**
 1. % of portfolio companies in which progress has been made towards parity in management positions;
 2. % average ESG score obtained in all portfolio companies based on an internal questionnaire;
 3. % of portfolio companies with a board of directors;
 4. % of portfolio companies with independent board members;
 5. Investment channelled towards digital / technological conversion (€MM)

The Fund seeks to incorporate ESG considerations throughout the entire investment process, from screening to exit, with the objective of improving the ESG performance of its investments and creating sustainable value. To this end, the Fund will activate the following process for the investments alienated with E/S characteristics:

The pre-investment phase:

- **Negative screening:** To ensure adherence to the Responsible Investment Policy of Kibo Ventures Partners, SGEIC, S.A., the Fund does not invest in any activities described in the list of exclusions.
- **Internal due diligence:** The ESG Team conducts an internal due diligence to assess ESG risks and opportunities by using a questionnaire based on GRI and SDG methodologies taking into consideration the financial materiality.
- **Independent expert Due Diligence:** In cases where ESG performance of a portfolio company raises questions, the Fund would engage an independent expert to perform due diligence, and the results would be incorporated into the investment decision-making process.

The investment phase:

- **Action Plan:** Based on the findings of the internal and expert due diligence, the Fund prepares an Action Plan to mitigate ESG risks and promote positive ESG performance in each portfolio company. This plan outlines recommendations for improvement and a roadmap for implementation.

g) Methodologies

Once a company enters the Fund's portfolio, they are required to report on an annual basis, on the KPIs indicated below, where feasible (see "(h) Data sources and processing").

Environmental KPIs:

1. % of portfolio companies that have reduced their carbon footprint: This KPI measures the progress made by portfolio companies in reducing their carbon footprint. In this KPI only carbon footprint scope 1 and 2 will be measured.

To calculate this KPI, the following steps will be taken:

- a) Portfolio companies will calculate their carbon footprint.
- b) The Fund will determine the baseline carbon footprint of each portfolio company.
- c) The Fund will monitor the portfolio companies' carbon footprint reduction efforts annually to track progress.
- d) The Fund will calculate the percentage of portfolio companies that have successfully reduced their carbon footprint.

2. % of portfolio companies with progress in waste reduction: This KPI measures the progress made by portfolio companies in reducing their waste.

To calculate this KPI, the following steps will be taken:

- a) Portfolio companies will calculate their waste generation (Kg/Tn).
- b) The Fund will determine the baseline waste generation of each portfolio company.
- c) The Fund will monitor the portfolio companies' waste reduction efforts annually to track progress.
- d) The Fund will calculate the percentage of portfolio companies with progress in waste reduction.

Social KPIs:

1. % of portfolio companies with employee development plans: This KPI measures the number of portfolio companies that have formal employee development plans in place and will help evaluate the performance of the company in terms of its efforts to promote the professional development of its employees.
2. % of companies with equality plans: This KPI measures the number of portfolio companies that have implemented formal equality plans. This KPI will support the development of a strategic and structured approach to identifying and addressing inequalities, biases and discrimination within the portfolio companies, including diversity, equity and inclusion policies, procedures or practices.
3. % of Investment channelled towards digital/technological conversion (€MM): This KPI measures the amount of investment that has been channelled towards digital/technological conversion by portfolio companies. It is expressed in millions of euros. This KPI will help evaluate the performance of the Fund in terms of its ability to leverage digital technology to drive growth and improve efficiency within its portfolio companies.

Governance KPIs:

1. % of portfolio companies in which progress has been made towards parity in management positions: This KPI is a metric that measures the percentage of portfolio companies that have made progress towards achieving gender parity in management positions. This KPI shows the Fund's commitment to promoting gender diversity and equality within the portfolio companies.

To calculate this KPI, the following steps will be taken:

- a) Portfolio companies will calculate the male-to-female ratio in management positions.
 - b) The Fund will determine the baseline of male-to-female ratio in each portfolio company.
 - c) The Fund will monitor the portfolio companies' male-to-female ratio efforts annually to track progress.
 - d) The Fund will calculate the percentage of portfolio companies with progress in male-to-female ratio.
2. % average ESG score obtained in all portfolio companies based on an internal questionnaire: This KPI measures the average ESG score obtained by portfolio companies based on an internal questionnaire in order to assess overall ESG performance of the portfolio companies.
 3. % of portfolio companies with a board of directors: This KPI measures the number of portfolio companies that have a board of directors.
 4. % of portfolio companies with independent board members: This KPI measures the number of portfolio companies that have independent board members. To calculate this KPI, the portfolio company will identify the independent members of the board and report them to the Fund through the data collection tool.

h) Data sources and processing

Data sources: Information is obtained directly from portfolio companies through the Fund's ESG data gathering process: questionnaires are sent to the management teams of portfolio companies and are then populated with company data. The data is then processed by the ESG Team.

Data quality: All data will be reviewed by the ESG Team and an external advisor will be engaged whenever needed to ensure data quality. In case insufficient data quality is spotted, the ESG Team engages with the portfolio company to iterate the data until it is correct and undertakes an internal validation.

Data processing: The data obtained from portfolio companies is processed by the ESG Team with the help of an external ESG consultant whenever needed. The data is collected in a digital format.

Data estimation: The Fund relies on real data and estimations may be used only where there is a lack of available data. Estimations are always clearly indicated to avoid misrepresentation. Data that is not available is also clearly indicated.

i) Limitations to methodologies and data

Limitations to the methodologies and data referred to in the above sections include, but are not limited to:

- limited capacity to measure or report from the portfolio companies,

- different reporting periods and group perimeters,
- human error in the provision of data,
- data collection done by email and excel, which could lead to human error.

We expect to improve data quality and minimize the limitations mentioned above as we improve the data collection process. In this respect, we engaged with external ESG experts to structure the methodology of the data collection process.

j) Due Diligence

Environmental, Social, and Governance (ESG) due diligence is a critical step in the investment process for the Fund. It helps to assess the potential impact of a company's activities on the environment, society, and the economy, and to determine if the company is aligned with the Fund's ESG values and goals.

The Fund has established two different types of due diligence process:

1. Internal due diligence: The ESG Team conducts an internal due diligence to assess ESG risks and opportunities by using a questionnaire based on GRI and SDG methodologies taking into consideration the financial materiality.

The process in-house is as follows:

- Information Gathering: The ESG Team gathers information about the target company, including its ESG policies, performance data, and relevant reports. The information may come from the company's own ESG reports.
- ESG Assessment & ESG Risk Identification: The ESG Team assesses the company's ESG performance using internal questionnaires, and other relevant information. The ESG Team also identifies potential ESG risks associated with the target company.
- Incorporation into Investment Decision: The ESG due diligence results are incorporated into the investment decision-making process, helping the Investment Committee to determine whether the target company is aligned with their ESG values and goals, and if it represents a sound investment opportunity.

2. Independent expert Due Diligence: In cases where the general ESG performance or specific ESG issues raise concerns at company level, the Fund would engage with an independent expert to perform a detailed or high-level due diligence. The results of these analyses would be incorporated into the investment decision-making process.

k) Engagement Policies

The Fund seeks to engage directly with companies as part of their investment strategy. This includes through collaboration with the portfolio companies' management teams to gather environmental and social data, develop ESG action plans and measure performance over time.

The Fund, being a significant investor in its portfolio companies, would address any sustainability-related controversies that may arise. It will do so by engaging directly with the company's management to investigate the root cause of the issue and identify appropriate remedies to resolve the controversy as soon as possible.

The Fund will also take steps to prevent such situations from happening again in the future. However, in the event that the controversy is severe, cannot be remedied, or involves fraudulent or dishonest behavior by the company, the Fund will consider withdrawing its investment from the company.

I) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by NZYME FUND I, F.C.R.E.