



Mustard Seed MAZE Social Entrepreneurship Fund I
Statement on Principal Adverse Impacts - 2022

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Date: 31st December 2022

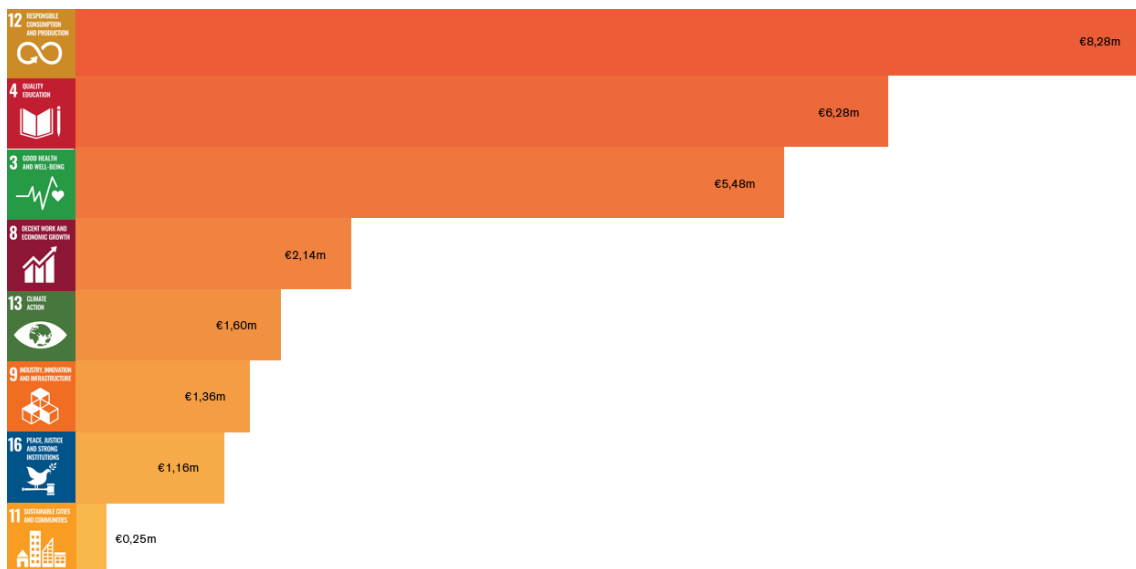
Product name: Mustard Seed MAZE Social Entrepreneurship Fund I

Legal Entity Identifier: 984500E6ECN807M84904

Summary

Mustard Seed MAZE Social Entrepreneurship Fund I (“MSM Fund”) has a sustainable investment objective, therefore qualifying as an **Article 9** fund. The MSM Fund invests in fast-growing European ventures, with global lock-step potential where impact and financial returns are mutually reinforcing. Our portfolio ventures are lockstep in nature, meaning that impact and revenues are mutually reinforcing. In other words, our ventures’ revenues are driven by the impact that they create. As of 31st December 2022, the MSM Fund allocated **55% to sustainable investments with a social objective**, and **45% to non-EU Taxonomy sustainable investments with an environmental objective**.

During the due diligence process for each company, the impact case is thoroughly discussed based on an analysis that the investment team prepares by using the Impact Management Project (“IMP”). This is a set of norms that provide a lens to understand the impact performance of each investment against the United Nations’ Sustainable Development Goals (“UN SDGs”). As of 31st December 2022, the amount invested per SDG was the following:



Graphic 1 – MSM Fund investments per SDG, as of 31st December 2022.

Following the entry into force of Regulation (EU) 2019/2088 (“SFDR”) and Regulation (EU) 2020/852 (“Taxonomy Regulation”), the MSM Fund implemented additional reporting requirements from the Fund’s portfolio companies, so that we can have additional granularity on the PAIs of our existing portfolio. The MSM Fund did not formally consider Principal Adverse Impacts (“PAIs”) on its pre-investment sustainability factors, as it started its operations before the entry into force of SFDR. However, MSM considers overall adverse impacts as part of the IMP analysis of the Fund’s investments.

Several of our sustainable investments have the environmental objective of reducing carbon emissions. Considering the small scale of our companies at the time of first investment, our Impact Policy (available on our website) is not directly aligned with the EU Climate Transition Benchmark or the EU Paris-aligned Benchmark. We focus on defining one or two impact metrics for each investee company, as well as 4-year annual impact targets, which are approved by the MSM Fund’s Advisory Board, comprised of the five main LPs in the fund. The calculation of these metrics is agreed between the Fund’s team and the founders of each company, based on the carbon emissions reduced by their business activity and their respective business plans.

The MSM Fund supports but is not formally associated with the OECD Guidelines for Multinational Enterprises nor the UN Guiding Principles on Business and Human Rights. MSM considers overall adverse impacts, as well as Do No Significant Harm principles, as part of the IMP analysis of the Fund’s investments, as described in the “Impact Risk” section of the Impact Fact Sheets available per company, on our website.

As mentioned above, the MSM Fund aligns its investments with the UN’s Sustainable Development Goals. This means that despite not being formally aligned with the above frameworks, our portfolio companies are expected to do no significant harm to any SDGs, while pursuing a positive contribution to solutions for the SDGs.



Description of the principal adverse impacts on sustainability factors

Following the entry into force of the SFDR regulation and the Commission Delegated Regulation (EU) 2022/1288 (hereinafter the “SFDR RTS”), MSM implemented additional reporting requirements from the Fund’s portfolio companies, so that we can have additional granularity on the PAIs of our existing portfolio. For that purpose, we have collected data referring to the PAIs stated in Table 1¹ of the SFDR RTS for 2022, as well as impacts 4 and 15, respectively of Tables 2 and 3 of the same RTS regulation.

¹ Metrics 15 to 18 not applicable to the MSM Fund.



Statement on principal adverse impacts

The present statement is the consolidated statement on principal adverse impacts of investment decisions on sustainability factors of the MSM Fund I portfolio, covering the reference period of 1 January 2022 to 31 December 2022.

Disclaimer: This statement of principal adverse impacts does not fully encompass the impact of the MSM Fund. It reflects the data that was reported by 70% of our portfolio companies who replied to our questionnaire. We are working on improving the response rates and data collected to better reflect our positive and negative impact.

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Table 1

Adverse sustainability indicator	Metric	Impact in 2022	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 Scope 2 GHG emissions Scope 3 GHG emissions	17,32 tCO₂e 11,18 tCO₂e 107,75 tCO₂e	Since the inception of the Fund, MSM does an onboarding session post-investment with each of the portfolio companies.
	2. Carbon footprint	Total GHG emissions Carbon footprint	136,26 tCO₂e 0 tCO₂e	
	3. GHG intensity of investee companies	GHG intensity of investee companies	176,85 tCO₂e	These sessions include an impact management workshop, which is the moment when the impact metric(s) of the business are defined. These metrics will be tracked throughout the life of the investment in the MSM Fund and are measured against a 4-year impact goal.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0,00%	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy 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	46,28%	
	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	0,03 GWh/€m	The MSM Fund is working on updating our Due Diligence process to include a thorough analysis of PAIs, in addition to the impact risks of the IMP framework.
	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	0,00%
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/€
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 t/€	We are also assessing insightful ways through which we can help our founders create internal policies that are aligned with principles of SFDR - not just from a regulatory perspective, but because we believe these are relevant frameworks to respect at the core of their businesses.

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	0,00%	Same as above.
	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	58,40%	Same as above.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	8,39%	Same as above.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	22,47%	Same as above.
	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	0,00%	Same as above.

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Tables 2 and 3

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative/quantitative)	Metric	Impact in 2022	Actions taken, actions planned, and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Emissions	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	52,97%	Same as above.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	45,99%	Same as above.

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

The MSM Fund did not formally consider Principal Adverse Impacts on its pre-investment sustainability factors, as it started its operations before the entry into force of SFDR. However, MSM considers overall adverse impacts as part of the IMP analysis of the Fund's investments. For more information, please refer to the SFDR section of MSM's website, namely the pre-contractual disclosures and MSM Impact Policy.

Engagement policies

During the Due Diligence process of pre-investment stage, the impact case of each company is thoroughly discussed based on an analysis that the investment team prepares by using the Impact Management Project. This is a set of guidelines which provides a lens to understand the impact performance of each investment against the United Nations' Sustainable Development Goals. For more information, please refer to the MSM Impact Policy.

References to international standards

The MSM Fund does not consider any referenced index to meet its sustainability investment objectives or compare the overall sustainability-related impact of the Fund's investments against the impacts of said index or of a broad market index. The small scale of the Fund's portfolio companies and the nature of their businesses as impact start-ups refutes the existence of such an index at market-level.

Historical comparison

No historical comparison is available, since this is the first PAI statement reported by the MSM Fund.

Table 1 – Statement on principal adverse impacts of investment decisions for 2022, referring to a selection of PAIs from Tables 1, 2 and 3 of Commission Delegated Regulation (EU) 2022/1288.

Data Collection and Methodology

For the year of 2022, we collected data using **Atlas Metrics**, a renowned ESG platform. For each portfolio company, MSM provided Atlas Metrics with their sector, gross revenue, country of operations and description of activity. Atlas Metrics set-up the PAI questionnaires for the portfolio companies, which were then shared with a designated Point of Contact for each portfolio company.

Thanks to the efforts of our founders to report as much information as possible, we received replies from **70%** of our portfolio companies. We believe this is a good rate for the first year of reporting, but one that we want to increase on the next reporting period. We will make a priority of sensitising our founders for the importance of this data, although we understand that the very small scale of their businesses is sometimes synonym for lack of means to track the adverse impacts of their activities.

The portfolio GHG emissions were estimated by Atlas Metrics. These were calculated using an Extended Multi-Regional Input Output (EMRIO) model. EMRIO models are derived by allocating national GHG emissions to given industries or product categories based on economic flows between sectors. The output is typically a region and sector specific average emission factor expressed per economic activity (i.e. tCO₂e/€ of revenue).

This methodology requires as input data the company revenue, the headquarter country and the company sector, which were shared by MSM at the time of onboarding onto the Atlas Metrics platform. The emissions are calculated by multiplying the emissions intensities derived from EMRIO by the gross revenue.

For companies with zero or unknown revenue, the number of employees was used as a suitable proxy for financial indicators. Ratios of employees to total economic output were calculated for each economic sector. Using these ratios and the number of employees for each company, the company's "potential economic output" was determined. This potential economic output was then run through the EMRIO model.

The methodology employed in this analysis aligns with the Greenhouse Gas Protocol and the Global GHG Accounting and Reporting Standard for the Financial Industry.

For additional details on Atlas Metrics methodology, please contact ops@msm.vc.