



Mustard Seed MAZE Social Entrepreneurship Fund I
Statement on Principal Adverse Impacts - 2023

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Date: 31st December 2023

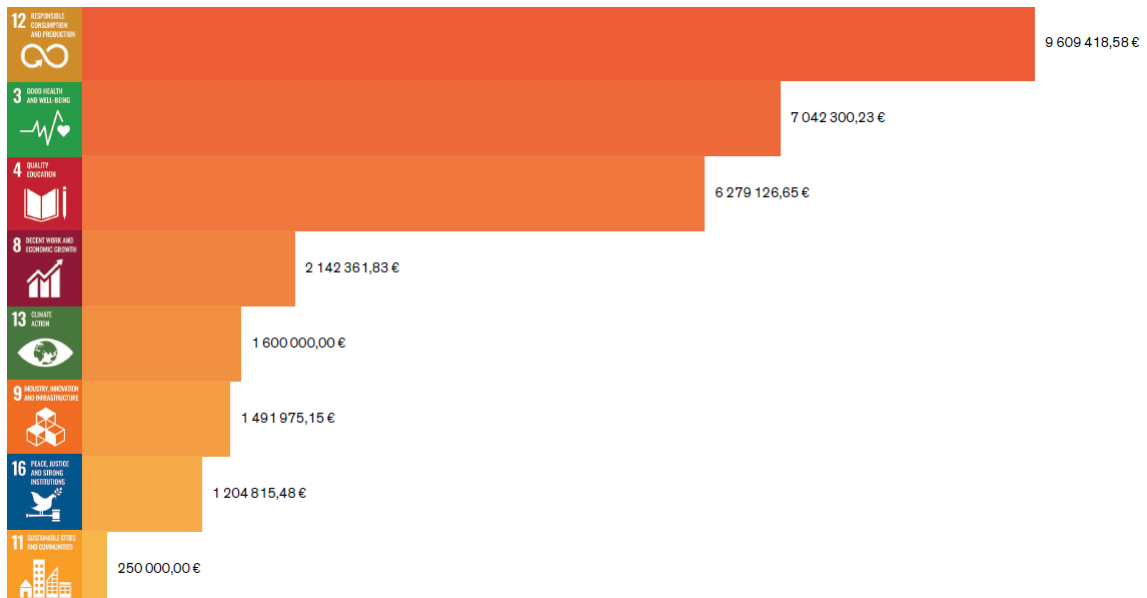
Product name: Mustard Seed MAZE Social Entrepreneurship Fund I

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 2023, the MSM Fund allocated **58% to sustainable investments with a social objective**, and **42% 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 2023, the amount invested per SDG was the following:



Graphic 1 – MSM Fund investments per SDG, as of 31st December 2023.

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 2023, as well as impacts 4, and 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 2023 to 31 December 2023.

Disclaimer: This statement reflects the data that was reported by **100%** of our portfolio companies who replied to our questionnaire.

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Table 1

Adverse sustainability indicator	Metric	Impact in 2023	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	0,01 tCO ₂ e	17,32 tCO ₂ e	<p>Since the inception of the Fund, MSM does an onboarding session post-investment with each of the portfolio companies. 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. This is an important moment to sensitise our founders – who are, by the nature of their businesses, greatly aligned with MSM’s impact – to the importance of accurate measurement and reporting of impact.</p> <p>The MSM Fund has updated its legal investment documents to ensure that compliance with SFDR is part of the reporting requirements from our portfolio companies.</p>
		Scope 2 GHG emissions	0,44 tCO ₂ e	11,18 tCO ₂ e	
		Scope 3 GHG emissions	10,18 tCO ₂ e	107,75 tCO ₂ e	
		Total GHG emissions	10,64 tCO ₂ e	136,26 tCO ₂ e	
		2. Carbon footprint	Carbon footprint	2,51 tCO ₂ e	
	3. GHG intensity of investee companies	GHG intensity of investee companies	75 240,72 tCO ₂ e	176,85 tCO ₂ e	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0,00%	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	19,87%	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	121,65 MWh/€m	30,00 MWh/€m	
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%	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/€	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/€	0 t/€	

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY 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%	0,00%	Same as above.
Social and employee matters	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	67,35%	58,40%	Same as above.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12,34%	8,39%	Raised internally for further investigation with ApiDay on results per company, so we can address directly with them.

13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	80,08%	22,47%	Raised internally for further investigation with ApiDay on results per company, so we can address directly with them.
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%	0,00%	Same as comment under Greenhouse gas emissions.

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	15,09%	52,97%	Same as comment under Greenhouse gas emissions.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	63,32%	<i>Not reported.</i>	Same as comment under Greenhouse gas emissions.
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	43,19%	45,99%	Same as comment under Greenhouse gas emissions.

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

The MSM Fund does 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, as described in the “Impact Risk” section of the Impact Fact Sheets available per company, on our website.

In addition, we have been working with our companies towards an accurate collection of data in order to think of strategies through which MSM can help them improve their PAIs, namely through the creation of policies and internal workshops. Also, we have paired with a new ESG platform - ApiDay - that provides consultancy in order to better interpret the PAI results and develop actionable solutions towards improving them. Further detail on our investment strategy can be found on the pre-contractual disclosures, under section 4. Investment Strategy.

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 and the pre-contractual disclosures published on our website.

References to international standards

The 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. As stated in Section 2 of the pre-contractual disclosure published on our website, MSM defines a set of impact metrics and annual performance targets which enable, at any point in time, the calculation of an “impact multiple” of each company according to the target. These metrics include, across the portfolio, savings of CO₂ emissions, incremental utilisation of products fostering circularity, savings of plastic usage, job placements of vulnerable individuals, better health outcomes, educational content produced and accessed, quality of care outcomes, amongst others. The calculation of these metrics is agreed upon between the Fund team and the founders of each company, based on the lockstep impact their businesses generate.

Historical comparison

There are significant discrepancies between the data collected in 2022 and 2023, namely on GHG emissions. In 2022, the portfolio GHG emissions were estimated by Atlas Metrics using an Extended Multi-Regional Input Output (EMRIO) model. This year, they were reported by the founders themselves on ApiDay. We do believe that the 2023 data is closer to reality as it was reported by the companies, and consider that the EMRIO methodology may not be the most accurate for small-scale start-ups. On the other hand, we are also aware that some founders may be less familiarised with their own GHG emissions and wish to sensitise them further before the launch of the 2024 campaign. We are in the process of understanding the GHG intensity with ApiDay, which was not possible before the closing date of this report. The increase on the energy consumption intensity per high impact climate sector is due to a new portfolio company working on the industrial sector, as well as increased operations on other industrial-focused companies. The increase on the PAI for lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises is expected, considering that our portfolio has increased. The increasing PAIs for unadjusted gender pay gap and board gender diversity have been internally raised as a priority for investigation with ApiDay, so that the investment lead can further check with the respective portfolio companies they follow. The decrease on the PAI for investments in companies without carbon emission reduction initiatives is a good result, coinciding with the fact that companies in general are more aware of good environmental practices. The PAI for lack of a supplier code of conduct was first reported this year, as per ApiDay’s advice, and despite the high result is not surprising as these companies are very small in scale and often do not consider these concerns. This will also be brought to their attention.

Table 1 – Statement on principal adverse impacts of investment decisions for 2023, 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 2023, we collected data using **ApiDay**, a renowned ESG platform. For each portfolio company, MSM provided ApiDay with their sector, gross revenue, country of operations and description of activity, as well as the data from 2022 (collected using another ESG platform, Atlas Metrics). ApiDay 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 who report as much information as possible, we received replies from **100%** of our portfolio companies. We are very satisfied with this rate, considering that, in 2022, we had a reply rate of 70%. We executed an informed and thorough campaign with our portfolio companies, by sensitising our founders to the importance of this data, despite understanding that the very small scale of their businesses is sometimes synonym for lack of means to track the adverse impacts of their activities. In addition, we believe that ApiDay provides a more user-friendly platform and more granularity on the clarifications provided per question – which surely contributed for this year’s successful reply rate.

In 2022, the portfolio GHG emissions were estimated by Atlas Metrics using an Extended Multi-Regional Input Output (EMRIO) model. This year, they were reported by the founders themselves. We believe that this year’s numbers are closer to the reality of our companies, as some key data points were not considered under Atlas Metrics methodology (for example, team size).

Published on 1 July 2024.

If you have any questions or comments, please contact us at ops@msm.vc.