Sustainable Finance Disclosures Regulation Statement

Faber Blue Pioneers I FCR

V1.0 31/03/2023

1. Introduction

Faber Blue Pioneers I ("Fund") is considered an "Article 8" fund type product under the Sustainable Finance Disclosures Regulation ("SFDR"). This financial product promotes environmental characteristics and while it does not have sustainable investment as its objective, it will partially make sustainable investments in companies with good governance practices.

2. Sustainable Investment Disclosures

Investment Strategy

Faber Blue Pioneers I is a venture capital fund, managed by Faber Capital SCR, SA ("Faber" or "Management Company"), which focuses on investing in early-stage technology companies from all sectors, with innovation capacity and growth potential that qualify as SMEs at the time of the first investment and that are developing technology solutions for climate action or for fostering sustainable Blue Economy Activities, and with a clear alignment with the UN SDGs, namely SDG 13 ("Take urgent action to combat climate change and its impacts") and SDG 14 ("Conserve and sustainably use the oceans, seas and marine resources for sustainable development").

The Fund's main investment focus is on innovative applications of deep technology to achieve high positive impact on ocean sustainability, ocean health and decarbonization, including themes such as Blue Biotech, Food & Feed, Decarbonization & Plastics and Ocean Intelligence. The Fund may also seek to invest in other technologies for positive impact in the Desalination & Fresh Water and Clean Energy areas.

The Fund shall exclusively target investments in SMEs, under the form of equity investments and / or Hybrid Debt / Equity Investments.

The Fund integrates sustainability risks as part of its investment decision-making and monitoring processes, as detailed below.

Objectives

The Fund's investment strategy promotes environmental characteristics, while seeking to maximize the proportion of capital allocated to impact investments that meet the Fund's definition for both impact and sustainability, in line with SFDR's Article 2 (17), by pursuing one of the following environmental objectives:

- Climate change mitigation
- Climate change adaptation

- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

To be considered an impact investment by the Fund, the economic activity of an investee is assessed in terms of sustainability based on the following criteria:

- The economic activity contributes to one of the six environmental objectives above;
- The economic activity does 'no significant harm' (DNSH) to any of the six environmental objectives;
- The economic activity applies good governance practices, which shall be assessed by Faber with respect to the management structure, employee remuneration, compliance with tax and social security obligations, and additional relevant information on a case by case basis.

Given the Fund's investment strategy and objectives, impact must be a core and intrinsic part of the portfolio company's business model and theory of change. This means that the contribution to the SDGs must be incorporated in the business model in such a way that when the company grows (depending on the stage of the company, this can be through revenue, cost, or personnel growth) the contribution to the SDGs must also grow.

Because the Fund invests in companies that aim to have a positive impact on the environment, some of the Fund's investments have economic activities that are within the scope of the EU Taxonomy (Regulation (EU) 2020/852). However, this is not a criterion for investment, and the sustainable investments in the Fund may or may not be aligned with the EU Taxonomy. However, our ambition is to invest as much as possible in economic activities eligible within the Taxonomy, and support investments to become Taxonomy aligned.

Monitoring environmental and/or social characteristics

In accordance with Faber Capital SCR, SA Responsible investment Policy, Faber Blue Pioneers I is committed to incorporating sustainability considerations into all investment analysis and decision-making processes, during all investment management activities (pre-investment, post investment and exit).

In addition to the processes established across funds (management entity level), Faber Blue Pioneers I also applies the Theory of Change to the high potential opportunities, positively screens and identifies the relevant SDGs, targets relevant impact indicator(s) of the company based on its activity and estimates the potential impact of the company together with its founders/ management.

To pursue the impact strategy, the Fund defines one to five climate and environmental, social and/or societal impact indicators ("Impact KPI") per portfolio company.

Impact KPIs are to be designed interactively between the Fund and the entrepreneur(s) at the time of investment due diligence and should seek to consist of a range of outputs, outcomes, and impact indicators where possible.

They are meant to express the Theory of Change pursued by the impact-driven enterprise and by the Fund with its investment and consider both the 'depth' and 'breadth' of impact generated.

The impact objective pursued against each of these Impact KPIs is to be expressed in quantified targets (the "Target") on each Impact KPI. These are to be defined and set by the Fund and the entrepreneur according to the base case business model, and presented to the Fund's Investment Committee ("IC") for consideration before an investment is approved and afterwards validated by the Advisory Board.

All Targets should be clearly communicated and defined to avoid ambiguity about how these should be measured once the investment has been approved. Where possible, the Fund will seek to reflect the impact generated over the investment's life using cumulative figures.

Whenever appropriate, the Fund uses relevant frameworks to target investments and assess the sustainability of blue economy activities, such as the Ocean Impact Navigator, developed by 1000 Ocean Startups, the Sustainability Criteria for the Blue Economy and Methodology for GHG Emission Avoidance Calculation, both published by the European Commission.

Faber Blue Pioneers I has been using the Ocean Impact Navigator to help identify the most impactful startups:

- A new open-source impact KPI framework, designed to simplify, harmonize and strengthen impact measurement and reporting for the Ocean Impact Innovation ecosystem;
- The framework consists of 30 KPIs spanning six impact areas aligned with our investment thesis.

Besides adopting the KPI framework, Faber is also a member of the Ocean Impact Navigator Working Group of 1000 Ocean Startups Coalition, focused on further researching and developing the methodology.

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- <u>Exclusion Policy:</u>

The Fund shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

(a) whose business activity consists of an Illegal Economic Activity; or

(b) which substantially focus on:

(i) The production of and trade in tobacco and distilled alcoholic beverages and related products;

(ii) The financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;

(iii) Casinos and equivalent enterprises;

(iv) The research, development or technical applications relating to electronic data programmes or solutions, which:

(1) aim specifically at:

a. supporting any activity referred to under paragraphs (a) and (b), subparagraphs (i) to (iii), above;

b. internet gambling and online casinos; or

c. pornography;

or which

(2) are intended to enable to illegally:

a. enter into electronic data networks; or

b. download electronic data.

(v) Fossil fuel-based energy production and related activities, as follows:

(1) Coal mining, processing, transport and storage;

(2) Oil exploration & production, refining, transport, distribution and storage;

(3) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;

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(4) Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO2e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs;

(vi) Energy-intensive and/or high CO2-emitting industries, as follows:

(1) Manufacture of other inorganic basic chemicals (NACE 20.13);

(2) Manufacture of other organic basic chemicals (NACE 20.14);

(3) Manufacture of fertilizers and nitrogen compounds (NACE 20.15);

(4) Manufacture of plastics in primary forms (NACE 20.16);

(5) Manufacture of cement (NACE 23.51);

(6) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10);

(7) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20);

(8) Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34);

(9) Aluminum production (NACE 24.42);

(10) Manufacture of conventionally fuelled aircraft and related machinery (sub-activity of NACE 30.30);

(11) Conventionally fuelled air transport and airports and service activities incidental to conventionally fuelled air transportation (sub-activities of NACE 51.10, 51.21and 52.23).

Notwithstanding the above, investments in sectors mentioned in subparagraph (vi), items (1) to (11) included, shall be allowed if the Management Company confirms that the specific final recipient transaction either (i) qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively), or (ii) is eligible under EIF’s Climate Action & Environmental Sustainability (CA&ES) criteria for green financing. (c) that cannot benefit directly or indirectly from financing supported by EGF as a result of the application of the Guidelines on the EIF Restricted Sectors as amended from time to time.

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes, or (ii) genetically modified organisms, the Management Company shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or genetically modified organisms.

Methodologies and data processing

The methodology for measuring the impact generated by each portfolio company is established during the pre-investment stage.

The impact KPIs are defined for each investment, which should be directly attributable to the intended change in outcome as defined in the theory of change. These should be closely linked to the business and to the identified SDG, and can be designed to either capture scale or depth of impact, or key milestones, if the business is very early on its impact journey.

Post investment, the portfolio companies must report their Impact KPI's on an annual basis.

Limitations to the methodologies and data processing

All ESG related information, including, if applicable, the data to attain a sustainable investment objective are mainly provided by the portfolio company.

Although this information is verified and complemented with internal research (when needed), it cannot be ruled out completely that certain false information may sometimes remain undetected.

In addition, early stage companies (many times pre-revenue at the time of our first investment) often use innovative technologies to generate impact, and therefore pre-established methodologies and/or historical data for measuring positive impact are many times hard to obtain.

This may originate some degree of deviation between actual and estimated impact; however, the Fund believes that in most cases, the results will still be directionally right, and we work closely with each portfolio company to help it iterate and finetune the impact measuring process over time.

Engagement policies

Should Faber on behalf of the Fund determine any potential risks relating the environmental or social characteristics, it will engage the portfolio company's manager in discussions with a view to resolving, reducing or mitigating such effects, provided that such efforts will always remain within a scope considered by Faber in its absolute discretion to be proportionate in light of the size and strategic importance of the respective investment in the portfolio companies and shall take into account the respective bargaining positions and transactional context.

Attainment of the partial sustainable investment objective(s)

A reference benchmark for attaining the partial sustainable investment objectives of the Fund has not been designated. Given the early stage and dynamic nature of the Fund's venture capital investments, we have developed our own impact framework as outlined above, which enables us to identify investments that qualify within the sustainable objectives, and monitor the attainment of their impact goals on an annual basis.

3. Do Not Significantly Harm ("DNSH")

The Fund's investment strategy for promoting environmental characteristics shall seek to not significantly harm said environmental objectives, as stated above. For this purpose, each portfolio company will use its reasonable efforts to engage in not significantly harming any of its environmental objectives (at least one of the objectives being climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control or protection and restoration of biodiversity and ecosystems).

In identifying whether any relevant indicators "significantly harms" any sustainable investment objective, the Fund will determine the severity of the potential harm and whether the Fund can address the potential harm during its period of ownership. This may result in the Fund seeking changes to practices at the portfolio company or not proceeding with the investment.

The DNSH principle applies only to those investments of the Fund that take into account the EU criteria for environmentally sustainable economic activities.

All of the Fund's investments will comply with the above stated sector exclusion policy.

4. Principal Adverse Impact Statement

Principal adverse impact indicators are metrics that measure the negative effects on environmental and social matters. As of today, Faber Blue Pioneers I is committed to assessing and measuring the positive impact, as well as potential negative externalities, of its investees. However, the Fund does not currently consider the principal adverse impacts of its investment decisions on sustainability factors as set out under the SFDR, since the majority of our first investments is done at very early stage (pre-seed and seed stage startups) and we cannot currently ensure the obtention or measurement of all the data that would need to be reported under the SFDR.

As soon as conditions are met, the Fund intends to promptly comply with the relevant requirements by developing processes to gather information on the sustainability impact of its portfolio companies and by undertaking a full principal adverse impact assessment.