

## Pre-Contractual Disclosure for an Article 8 Fund

Faber Blue Pioneers I

V1.0 14/11/2023

V2.0. 02/10/2024

### PRE-CONTRACTUAL DISCLOSURE FOR THE FINANCIAL PRODUCTS REFERRED TO IN ARTICLE 8, PARAGRAPHS 1, 2 AND 2A, OF REGULATION (EU) 2019/2088 AND ARTICLE 6, FIRST PARAGRAPH, OF REGULATION (EU) 2020/852

**Product name:** Faber Blue Pioneers I, Fundo Capital de Risco Fechado

**Legal entity identifier:** 9845009DCRF936840A53

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_\_%

No

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 80% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

Faber Blue Pioneers I, Fundo de Capital de Risco Fechado (hereinafter “Fund”) is a venture capital fund, managed by Faber Capital SCR, S.A. (hereinafter “Faber” or “Management Company”). The Fund pursues impact and economic return to its investors.

The main investment focus of the Fund is on innovative applications of deep technology to achieve a high positive impact on ocean sustainability, ocean health, and decarbonization, which includes technology focus on:

- i. blue biotech - new tech solutions from sustainably sourced marine biological resources for industrial applications in medical, cosmetics, nutraceuticals, packaging, bio-materials, antifouling and textiles;
- ii. food & feed – innovative solutions for new food and feed and enabling technologies for aquaculture;
- iii. decarbonization & plastics – solutions towards the “greening” and decarbonization of multiple industries, plastics and litter collection and management with impact in ocean health;
- iv. ocean intelligence – next generation of AI & digital solutions in fields of robotics, remote sensing and navigation to support emerging and established industries in their transition to sustainability.

The Fund may also seek to invest in other technologies with a positive impact on the environment, for example in the following:

- i. desalination & fresh water: new enabling technologies for more energy efficient and decentralized technologies for desalination and freshwater generation, filtration, treatment, usage and recycling;
- ii. clean energy: new enabling technologies addressing the needs for higher efficiency, durability/longevity and lower environmental impact of renewables and their infrastructures.

The investee companies shall have a clear alignment with the United Nations Sustainable Development Goals (“SDG”), 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*”) with a business model that the growth of the company is dependent to the contribution of the SDGs.

The Fund has developed a (i) qualitative and (ii) quantitative approach based on the assessment of investee companies’ contribution to the achievement of the identified UN SDG’s.

### Qualitative approach

Regarding the qualitative approach, the Fund assesses the portfolio companies’ positive contributions to environmental objectives, namely to the UN SDGs identified above. In-depth analysis allows to classify companies into SDG-aligned and detractors, which are excluded from investment.

Given the Fund’s investment strategy and objectives, the 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 into 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.

The Fund applies an Exclusion Policy which safeguards certain environmental concerns - e.g.: the Fund will not invest in companies who pursue activities related to coal mining or that have CO2

emissions above the Emissions Performance Standard, among other exclusions available here: [Sustainable Finance Disclosures Regulation Statement](#)

## Quantitative approach and data sources

Most SDGs can be addressed through solutions developed by the investee companies. The Fund primarily collects data through collaboration with its portfolio companies and then uses external benchmarks and/or frameworks to align its reporting with standardised frameworks. Faber works directly with investee companies to understand the type of data they can collect and then builds a measurement framework. This means that the portfolio companies provide the main third-party data source reviewed by the Investment Manager to assess whether an investment is aligned with sustainability indicators.

However, the Investment Manager may also review other third-party data and/or research to determine whether and investment meets the required sustainability indicators.

Data retrieved is processed by the Management Company and to check for quality and consistency, if required, it may be compared against (i) data sourced from external vendors or analysts; (ii) data retrieved from other companies/peers or (iii) data which the company reported in previous years.

Early-stage companies (many times pre-revenue at the time of 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. The Fund works closely with each portfolio company to help it iterate and finetune the impact measuring process over time.

The Fund shall determine how an investment will contribute to promoting environmental or social characteristics or contribute to a sustainable investment objective, by using performance indicators and thresholds to demonstrate the impact/contribution it can have. In this sense, Impact Key Performance Indicators ("**Impact KPIs**") will be used which consist of one to five climate and environmental, social and/or societal impact indicators used to determine the possible outcomes of the investment. Each Impact KPI will also have targets that will be used to determine the impact the investment had ("**Targets**").

The Management Company can engage actively with the portfolio companies as well as with other stakeholders to drive improvements in their transparency regarding ESG matters as well as ESG performance overall.

A reference benchmark is not used for the purpose of attaining the environmental characteristics promoted by the Fund. Given the early stage and dynamic nature of the Fund's venture capital investments, Faber developed its own impact framework to identify investments that qualify within the sustainable objectives, and monitor the attainment of their impact goals on an annual basis.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

To assess the Impact we of each potential investee company we apply the Theory of Change, identifying the relevant SDGs, targets and relevant impact indicator(s) (reduction of Co2 emissions, m3 of freshwater production, among others) which are a condition to execute the investment. .

We use the Ocean Impact Navigator and other frameworks when appropriate like the Sustainability Criteria for the Blue Economy and Methodology for GHG Emission Avoidance Calculation, both published by the European Commission.

Regarding the Ocean Impact Navigator: Developed by 1000 Ocean Startups, Faber has been using the Ocean Impact Navigator to help identify the most impactful startups:

- A recent 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.
- Faber is a member of the Ocean Impact Navigator Working Group of the 1000 Ocean Startups Coalition.

Fund will also establish with the company one to five climate and environmental, social and/or societal impact indicators (reduction of Co2 emissions, m3 of freshwater production, among others) which are a condition to execute the investment. Considering that the Fund mainly seeks to make investments with a positive impact on the oceans, these Impact KPIs will allow to better determine how much of an impact an investment had in the environment.

Impact KPIs are to be designed interactively between the Management Company and the entrepreneur(s) at the time of investment due diligence, and validated by the Advisory Board post investment, and should seek to consist of a range of outputs, outcome 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 on each Impact KPI. These are to be defined and set by the Management Company and the entrepreneur according to the base case business model.

All Targets should be clearly communicated and defined to avoid ambiguity as to how these should be measured once the investment has been approved. Where possible, the Fund should seek to reflect the impact generated over the investment’s life using cumulative figures (e.g. cumulative tonnes of CO2e emissions avoided) or averages over a number of years as appropriate (e.g. average % reduction in polluting by-product vs. state of the art baseline level).

The comparison between the realised value on each Impact KPI and the quantified Target is called the impact multiple (“**Impact Multiple**” or “**IM**”). If more than one Impact KPI per investment is defined then the individual Impact Multiples are aggregated at portfolio company level by determining the average of all Impact Multiples defined per investment, resulting in the overall multiple for a portfolio company (“**Company Impact Multiple**”). It is admissible to assign different weights ( $w_i$ ) to individual Impact Multiples reflecting the importance or the priority of individual indicators. In such cases the Company Impact Multiple will be the weighted average of all Impact Multiples per investment taking into account the weighting assigned to each of these Impact Multiples.

One unique Target (“**Unique Target**”) for each Impact KPI value is to be defined and taken as the “Target Impact” value for each Impact KPI to be achieved over the lifetime of the investment. Should an investment be sold or otherwise exited prior to the expiry of the first three years of holding period, then the sub-target values per KPI indicatively forecasted for the years 1, 2 or 3 (“Early-exit scenario”) will be applied as the reference value to set the Target for calculating an individual Impact Multiple as well as the Company Impact Multiple. Where the investment is sold or otherwise exited intra-year, the year of reference will be taken to be the next full year other than in exceptional circumstances as determined by the Advisory Board (e.g. an investment is exited the month after the end of the financial year).

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

In addition to investments promoting environmental characteristics, the Fund shall make sustainable investments that contribute to the following objectives foreseen in article 9 of Regulation (EU) 2020/852:

- i.* climate change mitigation;
- ii.* climate change adaptation;
- iii.* the sustainable use and protection of water and marine resources;
- iv.* the transition to a circular economy;
- v.* pollution prevention and control;
- vi.* the protection and restoration of biodiversity and ecosystems.

Regarding sustainable investment, the Fund shall invest in companies that:

- i.* use its reasonable efforts to engage in not significantly harming any of its environmental objectives; and
- ii.* apply good governance practices.

In addition, the Fund may also invest, whenever possible, in companies with an economic activity eligible within the scope of the EU Taxonomy (Regulation 2020/852).

When investing in companies with an economic activity outside of the EU Taxonomy, the Fund shall determine how the investment will contribute to a sustainable investment objective, by using performance indicators and thresholds to demonstrate the impact/contribution it can have. In this sense, as referred above, Impact KPIs (with Targets) will be used to determine the possible outcomes of the investment.

Sustainable investments shall intend to generate measurable positive environmental impact to one or more of the above identified environmental objectives, by considering strategies for key performance indicators to reach environmental impact targets set according to science-based criteria. In addition to such intended impact, these investments shall seek to not significantly harm any environmental objectives (in particular, the abovementioned environmental objectives) nor any social objectives (in particular, social objectives with regards to inequality or social cohesion, social integration and labour relations, human capital, or economically or socially disadvantaged communities).

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

To ensure sustainable investments do no significant harm any environmental or social sustainable investment objective the following measures are applicable:

- i.* each investee 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); and
- ii.* in identifying whether any relevant indicators “significantly harms” any sustainable investment objective, the Fund will determine the severity of the potential harm and whether it (the Fund) can address the potential harm during its period of ownership. This may result in seeking changes to practices at the portfolio company or not proceeding with the investment.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

How have the indicators for adverse impacts on sustainability factors been taken into account?

Prior to making any investment, due diligence is carried out in relation to each potential investee company and its activities, which covers not only financial and operational aspects, but also aspects relating to the impact of the company and its activities on environmental and social objectives, on the one hand, and the impact of environmental and social factors on the company and its activities (double materiality).

As part of the due diligence process, indicators for adverse impacts on sustainability factors, whether material or likely to be material, are identified as regards the sustainable investment not causing significant harm to any environmental objectives nor any social objectives. Such exercise considers the indicators in the SFDR and its regulatory technical standards (as may be relevant for the investment at stake and which may include one or more of these indicators, namely, just to name a few and without limitation, GHG related metrics, activities negatively affecting biodiversity sensitive areas, exposure to companies active in the fossil fuel sector, board gender diversity or hazardous waste ratio), as well as indicators present in the EU Taxonomy and its delegated acts for no significant harm (if available and pertinent according to a logic of proportionality).

Such indicators for adverse impacts on sustainability factors, as well as available information in this regard, are considered as part of the investment decision and the action plan for the investee company, with a view to the investment not causing significant harm to any environmental or social objective.

### **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

The Fund will evaluate the level of compliance of investee companies with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

If the investee fails to meet its fundamental responsibilities in the areas of human rights, labour, environmental and anti-corruption as aligned with international norms identified above it shall not be considered to meet the sustainable investments requirements.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.*



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No



What investment strategy does this financial product follow?

The Fund shall exclusively target investments in SMEs, under the form of equity investments and/or Hybrid Debt / Equity Investments, in accordance with its investment policy set forth in Article 5 of the Fund's Management Regulations. The Fund will, notably, invest in SMEs from all sectors with innovation capacity and growth potential, which are developing technology solutions for climate action or for fostering sustainable Blue Economy Activities

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The following are binding elements of the investment strategy, which are:

- The investee must qualify as a SME (small and medium-sized enterprise);
- The investee must develop technology solutions for climate action or for fostering sustainable Blue Economy Activities;
- The investee must be clearly aligned 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 investee must have a business model that its growth is dependent to the contribution of the SDGs;
- The investee is not covered by the Exclusion Policy for Faber Blue Pioneers I, FCR – [Sustainable Finance Disclosures Regulation Statement](#) ;
- The incorporation of sustainability/ESG risks into the investment analysis and decision-making processes by the Management Company, as foreseen in [Faber Capital SCR, SA | Responsible investment Policy](#) that includes the implementation of an ESG Checklist revision in the early stages of the due diligence process.
- Principles regarding ESG matters must be overall reflected in the investment agreements.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

This Fund does not have such commitment.

- *What is the policy to assess good governance practices of the investee companies?*

In order to determine the existence of good governance practices in the investee, the Fund takes into account the management structure, employee remuneration, compliance with tax and social security obligations, and additional relevant information on a case by case basis.

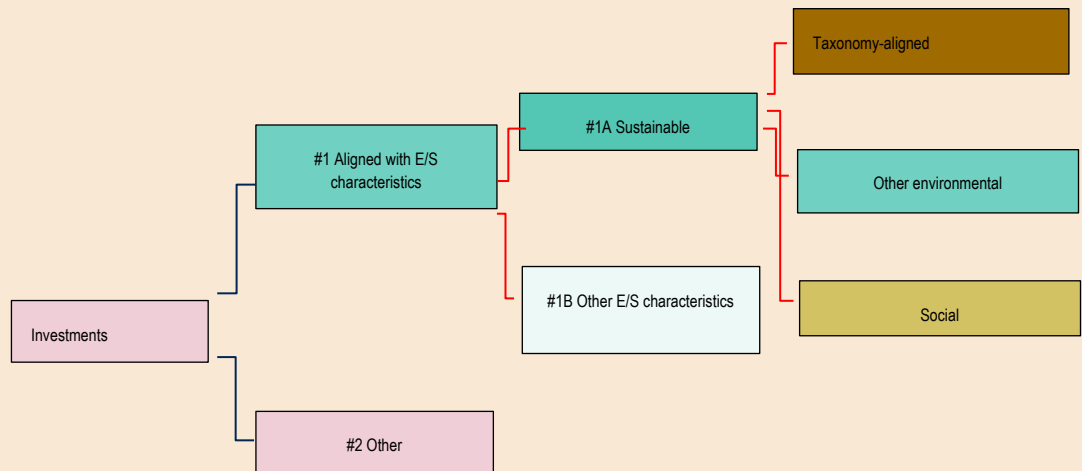


## What is the asset allocation and the minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies



**#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.

**#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.

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

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

The Fund does not use derivatives.



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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. However, (i) this is not a criterion for investment, (ii) the sustainable investments in the Fund may or may not be aligned with the EU Taxonomy and (iii) there is no minimum share of investments required to be aligned with the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities comply with the EU Taxonomy<sup>1</sup>?

Yes:

In fossil gas

In nuclear energy



No

### ● *What is the minimum share of investments in transitional and enabling activities?*

There is no minimum share of investments in transitional and enabling activities.

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<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

There is no minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



**What is the minimum share of sustainable investments with a social objective?**

There is no minimum share of sustainable investments with a social objective.



**What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?**

Not applicable.



**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

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, the Management Company developed its own impact framework as outlined above, which enables it to identify investments that qualify within the sustainable objectives and monitor the attainment of their impact goals on an annual basis.

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

Not applicable.

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable.

- *How does the designated index differ from a relevant broad market index?*

Not applicable.

- *Where can the methodology used for the calculation of the designated index be found?*

Not applicable.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

More product-specific information can be found on the website of the management company of the Fund: Sustainability (faber.vc)