SevenGen Investment Partners B.V. | Pre-Investment disclosure

Summary

We, at SevenGen, have a strong commitment to sustainable investments and the assessment of our impact. Our primary focus is on natural capital regeneration, and we employ the Impact Money multiple (IMM) approach for impact measurement. This approach involves selecting the most material impacts to assess, aligning with international guidelines such as the OECD and UN principles.

In terms of our investment strategy, we have adopted a broad 'theory of change,' concentrating on sectors in Northwest Europe related to reducing greenhouse gases, Recovery or avoided use of natural resources (materials and water), Biodiversity increase, Healthier soil, -air and -water. Our key objective is to demonstrate the regeneration of natural capital, and the IMM approach is integral to this demonstration. Notably, we have made a significant portion of our performance payments contingent on reaching an Impact Multiple of Money IMM of 2.0x. The Impact Multiple of Money (IMM) is the ratio between the annual Societal Value generated by a Portfolio Company at exit and the annual Societal Value generated by a Portfolio Company at entry

Societal Value is the economic, social and environmental effects resulting from the action of organisations. Societal Value can be used to describe the value that is created or reduced as a result of the activities of a company.
Our policies are designed to align with international standards for sustainability and governance, and we encourage portfolio companies to adhere to relevant corporate governance codes.

It’s important to note that all our investments are sustainable, although they may not be fully aligned with the EU taxonomy. Our impact assessment methodology involves the use of the Integrated Profit & Loss Assessment Methodology (IAM).

When it comes to data requirements, we carefully consider both primary and secondary data sources and assign confidence scores to ensure data accuracy and validation.

Before making any investments, we conduct impact due diligence and annually review and sign off on Impact Multiple of Money results. In case of disputes, we are prepared to appoint an external validator.

Our sustainable investment goal is measured through the Impact Multiple of Money (IMM), (not via a benchmark) and we aim to achieve an IMM of at least 2.0x.

No significant harm to the sustainable investment objectives

The fund has natural capital regeneration via sustainable investment as its objective. This means that SevenGen will:

- exclude companies that are active in sectors or working in technology areas that we consider inherently unsustainable, meaning that the associated adverse impact is unmanageable and cannot be compensated by the positive impact that is foreseen.
- exclusively invest in companies that (seek to) contribute to a long-term solution to natural capital regeneration

Exclusion
Through our standard list of restricted sectors & exclusion criteria, we exclude a number of industries and activities from our investment portfolio because, by definition, they do not comply with international agreements or treaties or because they do not comply with our ethical standards. The exclusion criteria are part of the investment guidelines for each of our funds.
More generally, SevenGen excludes companies that are active in sectors or working in areas that we consider inherently unsustainable, meaning that their technology comes with sustainability risks or adverse impacts that are unmanageable and cannot be compensated by the positive impact that is foreseen. This is including but not limited to:

- companies active in the production of fossil fuel
- companies with disproportional (expected) greenhouse gas emissions or (product/process) energy requirements compared to their peers
- companies negatively affecting biodiversity-sensitive areas
- companies involved in manufacturing or selling weapons and ammunition

Positive screening
SevenGen is explicit for each investment about the Societal Value that is created or broken down. As investing in natural capital is the key objective of the Fund, it is essential to have a way of demonstrating that natural capital are indeed being regenerated. The 'IMM' approach to impact measurement lends itself to this.
We select the 2 to 3 most material impacts to be assessed. So we do not measure all indicators of table 1 in the PAI statements. We do this through the following process:

1. List all impacts and give them a materiality rating
2. Choose impacts to assess, based on materiality and the Theory of Change of the Portfolio Company
3. Measure marginal and absolute impact
4. Calculate the Impact Multiple of Money (IMM)

Absolute impact is the impact in which the activities of the organisation under consideration are compared to a reference scenario in which no activities occur. It is therefore calculated by taking the situation in which the activities of the organisation under consideration are not replaced by any other companies as the reference scenario.

Marginal impact is calculated by taking the situation in which the company is not active, and its activities are replaced by other companies as the reference scenario, for example, competitors stepping in.

In the context of impact investing, absolute impact is mostly important for negative impacts. If an investment gives rise to material negative impacts, such as contribution to climate change, pollution and breaches of human rights, it should be considered whether the investment deserves the label of impact investment. This is even true if the negative impacts are associated with its alternatives (i.e., if their negative marginal impact would be small or zero).

Marginal impact is of particular interest when focusing on the effect of supporting an innovative company changing the market or experiencing accelerated growth (rather than describing the impact of a set of companies in a 'steady state'). If the market entrant is innovative in an impact sense, they might create large positive impacts themselves and/or reduce the negative impact of other organisations.

The Impact Multiple of Money (IMM) is the ratio between the annual Societal Value generated by a Portfolio Company at exit and the annual Societal Value generated by a Portfolio Company at entry.

References to international standards

Our approach of the IMM and creation of Societal Value is based upon the reference below.

- The Guide for Funders to Assess and Value Impact (Impact Institute, 2020).

SevenGen endorses and has aligned its investment practice with:

- The OECD Guidelines for Multinational Enterprises
- The OECD Due Diligence Guidance for Responsible Business Conduct
- The UN Guiding Principles on Business and Human Rights
- The ten principles of the UN Global Compact

Sustainable investment objective

SGIP has one key focus area: Natural Capital regeneration. The outcomes mentioned in the table below serves as indicative examples and are not exhaustive.

Potential outcomes
Taken up or avoided GHG
Recovery or avoided use of natural resources (materials and water)
Biodiversity increase
Healthier soil, air and water

Investment strategy

SGIP will build up a portfolio of impact investments that contribute to a positive climate impact or the 'regeneration of natural capital'. SevenGen has deliberately chosen such a broad 'theory of change'. With a specific focus on companies in Northwest Europe active in energy production, mobility, the build environment, general industries and food. These sectors have been chosen as these sectors are the biggest emitters of greenhouse gases and have the largest potential to reduce greenhouse gases and mitigate climate change.

As investing in natural capital is the key objective of the Fund, it is essential to have a way of demonstrating that natural capital are indeed being regenerated. The 'IMM' approach to impact measurement described in the Impact Assessment Protocol lends itself to this.
The Policies & Procedures Manual of SevenGen has been developed in line with its legal responsibility and relevant international standards and guidelines for sustainability and good governance, including United Nations Global Compact, OECD Guidelines for Multinational Enterprises and OECD Principles of Corporate Governance.

Asset Allocation

The fund will partially invest in activities that qualify as environmentally sustainable following article 3 of Regulation (EU) 2020/852. It is likely that this will in part be investments done with the intent of contributing substantially to one or more of the following environmental objectives by directly enabling other activities to make a contribution to those objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control.

It is ex ante not possible to estimate the proportion of investments that will qualify as sustainable under the EU Taxonomy, as this will be dependent on the investment opportunities presented.

The taxonomy eligibility and alignment of the investments underlying this fund will be monitored over time.

Monitoring of Ecological or Social aspects

Impact due diligence is being conducted in advance of investing in a company. The Investor Advisory Committee (IAC) signs off validated Impact Multiple of Money results annually. Should the annual discussion of the results of the IMM calculation give rise to a dispute between the LPAC and the Fund Manager, resulting in the LPAC refusing to sign off on the IMM calculation and the impact reporting ultimately an(other) external validator may be appointed. Please find below the RACI matrix of the Impact Assessment Protocol.

RACI matrix of the Impact Assessment Protocol

#	Item	Periodicity	IAC[1]	SG	IT	LP	PFC	IV
1.	Understand the selected PFC, formalise its activities into impact pathways, decide on reference scenario and make selection of impacts to include in the assessment	Once Max 180 days after PFC enters Fund	I	A	R		C	
2.	Design assessment and valuation model (Convert impact pathways to calculation model & identify possible correction factors)	Once Max 180 days after PFC enters Fund	I	A	R			C
3.	Collect data for model (including collecting primary data and	Ongoing		A	R		C	

[1] IAC: Investor Advisory Committee, SG: SevenGen Investment Partners, IT: Investment Team, LP: limited Partner, PFC: Portfolio Company, IV: Impact Validator

#	Item	Periodicity	IAC[1]	SG	IT	LP	PFC	IV
	assigning a confidence score to each data point)							
4.	Collect data for model (including collecting secondary data and assigning a confidence score to each data point)	Ongoing		A	R		C	
5.	Formal approval of model for PFC to be used for assessing impact of PFC	Once After first data collection cycle		A	R			
6.	Value the impact of PFC using the assessment and valuation model and data collected. For the impact on PFC level sum the impacts per company	Annually		A	R		I	
7.	Sum the impacts per Portfolio Company to estimate a societal value for the PFC	Annually	I	A	R		I	
8.	After valuing the impact of PFC in scope: calculate IMM at the levels of PFM and SGIP. IAC selects one PFC and SGIP provides a deep-dive insight into the calculations done.	Annually	I	A	R			
9.	Report and validate annual IMM results. Approve, if relevant, retrospective changes to earlier calculations	Annually	A (SO)	R	C			
10.	Report results to broader LP group through SGIP Impact Report	Annually	I	R	C	I		

Methodologies

SevenGen uses for the impact assessment the Integrated Profit & Loss Assessment Methodology (IAM). And the Integrated Profit & Loss Assessment Methodology (IAM): Supplement Impact Contribution

For more information please refer to:

- https://www.impactinstitute.com/ipl-assessment-methodology/
- https://www.impactinstitute.com/wp-content/uploads/2020/03/Impact-Institute-IAM-Supplement-Impact-Contribution-.pdf

Data sources and processing

We have established a framework for collecting and evaluating primary and secondary data for our external impact assessment study. We emphasize the importance of data quality, relevance, and context in assessing the societal impact of the Portfolio Company's activities. Confidence scores are assigned to each data point, and they may be adjusted if data quality changes, with reasons for adjustments recorded.

We have outlined the requirements for both primary and secondary data for our impact assessment study. Primary data refers to data collected directly from the Portfolio Company, while secondary data comes from external sources. Our primary data should focus on the company's activities, outputs, and outcomes, preferably in quantitative form. Secondary data serves various purposes, including filling gaps in our primary data, providing reference scenarios, and offering value chain, conversion, and monetization factors.

In our primary data, we categorize data based on two main dimensions: the level of validation and data relevance. We prefer higher validation levels, with third-party measurements and validation being the most reliable, followed by oversight/reporting according to third-party frameworks, self-reported data, and estimates by the Fund Manager. Data relevance is ranked from "outcome" data directly measured as the most preferred, followed by outcome data based on surveys, output data, and operational data, which we consider riskier.

We assign confidence scores to each data point, reflecting its quality and relevance. These scores may be adjusted if data quality changes, with adjustments being documented.

In our secondary data, we evaluate data based on two factors: scope and validation. Scope relates to the similarity of the secondary data to our study's context in terms of product/service, geography, population group, and period. Validation considers the quality and reliability of the data source, with peer-reviewed research papers and RCT results being the most reliable, followed by official statistics, published life-cycle analyses, single studies or research reports, and expert opinions.

We emphasize that for our secondary data, similarity of scope is prioritized over validation because context is crucial for data accuracy. We assign confidence scores to secondary data, taking into account both scope and validation, and they may be adjusted if data quality changes.

Limitation to methodologies and data

The availability of data is one of the most pressing topics of impact management and full compliance with SFDR article 9.

By using a theory of change and the method of marginal impact calculation as described earlier, the governance with a preapproved framework and conducting an impact due diligence in advance of investing we try to limit the impact of the lack of availability of data on our sustainable impact goals.

Due diligence

A high-level analysis of Impact factors guides the sourcing and assessing of deal opportunities. If an actual investment procedure is started, this analysis is followed-up by thorough due diligence. During due diligence, we examine a range of features of the company such as: the market that is currently addressed by the company, potentially accessible markets, location of markets and operations, governance structures of the company and the stage it is in (level of maturity). As described in appendix D of the Impact Assessment Protocol an Impact checklist is used as a template for the identification and assessment of the marginal and absolute impact the company creates.

Decision-making

If the deal is continued, the outcome of due diligence provides valuable input for engagement during the post-investment phase.

Due diligence can also lead to the exclusion of investments that are deemed unsustainable in the long-term (see the section on exclusion).

Engagement policies for the sustainable investment objective

Central to our approach to engagement is the development of a post-investment impact & ESG action plan. We engage with an investee company via three pathways:

- via our seats on the supervisory board;
- via the Investment Team (assisted by the Impact officer) through regular meetings with the company's management; and,
- via the investment manager, on an as-needed basis.

Engagement serves several goals, of which the most important are:

- discussion of relevant developments to assure that the action plan remains up-to-date;
- monitoring of progress;
- inducing action; and,
- providing the company with guidance where needed.

Investment monitoring & engagement

Our Investment monitoring & engagement procedure outlines how SevenGen's commitment to responsible investment is embedded into the practice of active ownership.

Post-investment ESG action plan

Through a company-specific post-investment action plan, we establish the risks that need to be addressed in the short-term and the actions required to improve an investee company's ESG management capacity. In this way, we mitigate material risks and steer its development towards a sustainable and resilient company.

Active ownership

We apply a standard but flexible governance framework for active ownership, which serves to protect and create value. It specifies roles and responsibilities and establishes the yearly engagement cycle. The framework is designed to mitigate sustainability risks as well as avoid or minimalize adverse impact.

One of our employees is appointed a seat on the supervisory board of the company. This employee acts as lead for engaging with the company and monitoring progress. Also central to engagement on ESG factors is our Impact officer. The Impact officer meets regularly (at least once a year) with a key contact person for the company, to discuss relevant developments, provide guidance where needed and collect information to support the monitoring of progress.

Achieving sustainable investment objective

SevenGen uses no external reference benchmark. Yet SevenGen has implemented targets and a large part of the variable remuneration (carried interest) is based linked to achieving based on achieving the targets to ensure constant focus on achieving Natural Capital regeneration. This is specifically achieved by focusing on the Impact Multiple of Money (IMM), the ratio between the annual Societal Value generated by a Portfolio Company at exit and the annual Societal Value generated by a Portfolio Company at entry. SGIP commits itself to achieving an IMM, at an aggregated level, of at least 2.0x.

As SevenGen complies with the Delegated Regulation (EU) 2020/1818. SevenGen has developed a methodology in which we measure and evaluate sustainability risks, reports these risks, have integrated and publicized how integrate sustainability / impact in our investment decisions and publicizes this in pre-contractual information.