

Article 10 (SFDR)

Website disclosure for an article 8 fund

Kharis | Next Food Capital

1. Document approval

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<u>1.1</u>	<u>19/10/2023</u>	<u>Amended summary and small wording changes.</u>	<u>Laurent Vermer</u>
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A	<u>SUMMARY</u>
	<p>This section provides detailed sustainability-related disclosures regarding Kharis Next Food Capital SCSp (the “Fund” or “KNFC”), a fund managed by IQ EQ Fund Management Luxembourg S.A. in its capacity as alternative investment fund manager (the “AIFM”). The Fund seeks to realize long-term capital appreciation for investors by making investments in innovative food & beverage technology companies, mainly in Europe and Israel.</p> <p>The Fund is categorized as Article 8 under the Sustainable Finance Disclosure Regulation (“SFDR”). The Fund promotes environmental and social characteristics on 100% of its investments, in particular the reduction of climate & carbon footprint, renewable energy consumption, electrification of logistics, waste reduction, efficient water use, packaging sustainability and gender diversity.</p> <p>The Fund will seek to attain such environmental or social characteristics by means of implementation of its rigorous processes during the investment and the holding periods : ESG screening, ESG due diligence, ESG Action planning and monitoring, ESG reporting.</p> <p>Across all stages, the Fund will leverage the B Impact Assessment (BIA) framework to assess the overall ESG performance as well as develop and track ESG action plans. In addition, the Fund will monitor four key sustainability indicators, that will be applicable to and reported for all investments, i.e. GHG emissions, GHG emissions intensity, number of companies committing to and ESG action plan and gender balance to which it will add at least one additional sustainability indicator.</p> <p>The investment team constantly monitors the environmental and social characteristics and performance of the Fund and its portfolio companies, including via periodic meetings with portfolio company management.</p> <p>The Fund will agree an annual monitoring/reporting template with the portfolio companies, containing information on ESG performance and progress made against the ESG Action Plan. One limitation on data collection is that scale-ups are often young companies and do not always measure all required ESG data. Some data may need to be estimated based on accepted benchmarks or proxies.</p> <p>The Fund does not commit to making "sustainable investments" as defined in the Disclosure Regulation and expects to be 0% aligned with the EU Taxonomy.</p> <p>The Fund does not invest by reference to an index and does not intend to do so.</p>
B	<u>NO SUSTAINABLE INVESTMENT OBJECTIVE</u>
	<p>The Fund promotes both environmental and social characteristics (but does not have as its objective sustainable investment).</p>

C	<u>ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT</u>
	<p>The environmental and/or social characteristics the Fund seeks to promote will vary between investments and will include environmental and social characteristics such as climate & carbon footprint, renewable energy consumption, electrification of logistics, waste, water use, packaging sustainability and gender diversity.</p> <p>The Fund will seek to attain such environmental or social characteristics by means of implementation of its rigorous processes during the investment and the holding periods : ESG screening, ESG due diligence, ESG Action planning and monitoring, ESG reporting. The Fund will use, amongst others, the B Impact Assessment framework to assess companies on ESG, and support portfolio company management in designing ESG action plans as well as to monitor the progress on such plans.</p> <p>Inducing portfolio companies to develop an ESG action plan (using B Impact Assessment or another framework) and integrate such plan in these companies' management processes and objectives will be part of the environmental and/or social characteristics that our team will promote.</p> <p>The Fund's exclusion list also prevents any investment in tobacco, casinos and equivalent enterprises, pornography and weapons and ammunition.</p>
D	<u>INVESTMENT STRATEGY</u>
	<p>We believe that food businesses can be a force of change in the face of acute climate, environmental & social challenges. The Fund will support food entrepreneurs who innovate for a healthier, more sustainable and/or more efficient food industry, in order to accelerate their scaling up and maximize their impact</p> <p>The investment strategy of the Fund is to invest in a diversified portfolio of private companies in Europe and Israel, which develop and commercialize innovative products and services in the Food & Beverage and Food Retail industries.</p> <p>The Fund will invest in companies within its investment scope, which are raising capital, typically in series B or series C rounds, to fund their scale-up phase. The Fund will hold predominantly sizeable minority equity stakes or quasi-equity investments.</p> <p>The investment scope of the Fund includes a broad spectrum of verticals, products and technologies, which innovate in the areas of food & beverage production, distribution and consumption, and include amongst others:</p> <ul style="list-style-type: none"> - Innovative food & beverage products and ingredients, which includes plant-based or alternative proteins, functional foods and beverages, food complements, fermentation-based food ingredients, etc. - E-commerce food platforms and digital distribution models, which includes on-line supermarkets, farm-to-fork models, meal kits deliveries, etc. - Innovative foodservice technologies, which includes point-of-sales software, dark kitchens, robotics and other technologies enabling restaurants to increase operational efficiency

	<ul style="list-style-type: none"> - Supply chain efficiency and sustainability, which includes supply chain safety and traceability systems, food waste management technologies, sustainable packaging, etc.
E	<u>PROPORTION OF INVESTMENTS</u>
	100% of investments promote environmental and social characteristics.
F	<u>MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS</u>
	<p>The investment team of KNFC constantly monitors the environmental and social characteristics and performance of the Fund and its portfolio companies, a process that is led by the ESG Ambassador, a senior team member, who is further supported by the ESG Senior Advisor.</p> <p>Acting as a minority partner, the ESG Ambassador working with the investment team will hold periodic meetings with portfolio companies on ESG matters to review the progress of ESG action plans as well as, when applicable, specific ESG KPIs. ESG topics, including action plan items, risks and opportunities and KPIs will be brought to the attention of the Board of portfolio companies at least once a year.</p> <p>The Fund will prepare an annual ESG report (which may be a section of the annual report or a separate document) in which it will assess and comment the Fund and its portfolio's ESG-related activities and performance.</p>
G	<u>METHODOLOGIES</u>
	<p>In order to monitor or measure the environmental and/or social characteristics the Fund will seek to promote (cf. supra), the Fund will implement rigorous processes during the investment and the holding periods : ESG screening, ESG due diligence, ESG action planning and monitoring, ESG reporting.</p> <p>Across all stages, the Fund will leverage the B Impact Assessment (BIA) framework to assess the overall ESG performance and, when relevant for portfolio companies, develop and track ESG action plans. BIA has many advantages as a framework. It not only assesses the current impact of businesses but provides an invaluable blueprint to implement future actions and take smart decisions, leveraging a user-friendly platform that proves actionable insights. It has already been used by more than 100'000 companies around the world making it a very interesting proxy to compare the ESG performance of target or portfolio companies with industry peers</p> <p>The Fund will monitor four key sustainability indicators, that will be applicable to and reported for all investments:</p> <ul style="list-style-type: none"> - GHG emissions (tCO₂eq.); - GHG emissions intensity (tCO₂eq./sales revenue (€)); - # companies which commit to defining an action plan regarding the E/S characteristics promoted by the Fund - Gender balance [total number of female/male employees and managers]

	<p>For each investment, the Fund will also monitor at least one (but possibly more) additional sustainability indicator, to be chosen among:</p> <ul style="list-style-type: none"> - Renewable energy in energy mix (kWh); - Food waste or packaging waste reduction (t); - Efficient use of natural resources, e.g. water usage (m3 of water used); - Electrification of logistics (# of companies that have a policy in place); - Gender diversity at Board level (% of female at the board). - # of companies using BIA (B Impact Assessment) to measure their E/S/G performance - # of companies embarking on an action plan to become a B Corp - % of our companies that have a supplier code of conduct <p>Those sustainability indicators will be disclosed in an ESG annual report as well as in the fund's periodic reports.</p>
H	<u>DATA SOURCES AND PROCESSING</u>
	<p>The Fund will agree an annual monitoring/reporting template with the portfolio companies, containing information on ESG performance and progress made against the ESG Action Plan and KPIs which will be adapted to each investment (but aim to include the four key sustainability indicators). KNFC will also encourage the Fund's portfolio companies to produce an annual ESG report and will support them in this effort.</p> <p>Such information will partially generated and or complemented by the output of the B Impact Assessment questionnaires. For companies that embark on a systematic BIA scoring (and possibly a road toward B Corp certification), the involvement of B Lab in the assessment process provides a material degree of independent evaluation of the ESG performance</p> <p>The investment team coordinated by the ESG Ambassador is in charge of analyzing this data and making recommendations on how to improve performance, KPIs and ESG action plan execution moving forward.</p>
I	<u>LIMITATIONS TO METHODOLOGIES AND DATA</u>
	<p>One limitation on data collection is that scale-ups are often young companies and do not always measure all required ESG data. Some data may need to be estimated based on accepted benchmarks or proxies. KNFC, as a minority investor, will work with its portfolio companies to induce them to measure this data over the course of its holding period.</p> <p>However, it cannot be ruled out completely that false or inaccurate information may remain undetected in certain cases. As the Funds' investments are held for several years, KNFC considers it a priority to establish and maintain a trust within a good working relationship with the portfolio company as a safeguard considering the limitations described in this section.</p> <p>The AIFM, in relation to the Fund, expects the Fund's underlying assets and managers, when commercially sensible, to improve data quality and minimize the limitations mentioned above.</p>
J	<u>DUE DILIGENCE</u>

	<p>Each investment opportunity will be considered against the Fund's investment strategy and ESG policy. During the investment process, the Fund's due diligence considers ESG factors in a pre-set questionnaire, relying upon the BIA questionnaire, which assesses companies on five dimensions: environment, workers, community, clients and governance. Where relevant and feasible, a full BIA questionnaire will be carried on the B Analytics platform.</p> <p>The due diligence is conducted through direct interviews with the top management, using the proprietary questionnaire and ad-hoc questions following research on the most material ESG topics in the company's subsector.</p> <p>The outcome of the due diligence includes an ESG report containing the due diligence findings, including key ESG risks, impacts and opportunities, and, where feasible, an ESG action plan discussed with company management. The ESG report will systematically be reviewed the ESG Senior Advisor who will provide its own comments or complementary assessment. These elements will guide KNFC's investment decisions.</p>
K	<p><u>ENGAGEMENT POLICIES</u></p>
	<p>Imbedded in the ESG strategy is an active engagement, as minority investor, with portfolio companies to induce the adoption and effective implementation of the environmental and social characteristics promoted by the Fund and enhance their long-term sustainability.</p> <p>We will support portfolio companies in assessing their ESG performance (leveraging our ESG questionnaire, the BIA platform, etc), designing their ESG strategy and action plan and implementing these plans. In addition to periodic meetings, including board-level discussions, this may include additional trainings, introduction to service providers and, possibly, active involvement of our ESG Senior Advisor when relevant.</p> <p>Integration of ESG considerations and initiatives within the organization is paramount to achieve tangible impact, which is a reason for our encouraging the use of BIA as BIA is a very effective framework to align the organization/employees behind ESG targets and the associated action plans.</p>
L	<p><u>DESIGNATED REFERENCE BENCHMARK</u></p>
	<p>The Fund will pursue the investment strategy set out under the heading "Investment Strategy" and does not invest by reference to an index and does not intend to do so.</p>

Article 10 (SFDR)

Publication de l'article 8 d'un fonds sur le site internet

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SYNTHESE

Cette section fournit des informations détaillées concernant la durabilité de Kharis Next Food Capital SCSp (le "**Fonds**" ou "**KNFC**"), un fonds géré par IQ EQ Fund Management Luxembourg S.A. agissant en tant que gestionnaire de fonds d'investissement alternatif (l'"**AIFM**"). Le Fonds vise à réaliser une appréciation de capital à long terme pour les investisseurs, en investissant dans des entreprises d'innovation technologique de l'industrie de la production et distribution agro-alimentaire, principalement situées en Europe et en Israël.

En vertu de la Règlementation sur la Publication d'Informations Financières en matière de Durabilité (« *Sustainable Finance Disclosure Regulation* ») ("**SFDR**"), le Fonds est classé Article 8. Le Fonds promeut des aspects environnementaux et sociaux sur 100 % de ses investissements, notamment par la réduction de l'empreinte carbone et climatique, la consommation d'énergie renouvelable, l'électrification de la logistique, la réduction des déchets, l'utilisation efficace de l'eau, la durabilité de l'emballage et la diversité de genres.

Le Fonds cherchera à promouvoir ces caractéristiques environnementales ou sociales par le biais de procédures rigoureuses durant les périodes d'investissement et de détention : screening des facteurs Environnementaux, Sociaux et de Gouvernance (« *Environmental, Social, and Governance* ») (« **ESG** »), « due diligence » ESG, planification et suivi des actions ESG, reporting ESG.

A toutes les étapes, le Fonds utilisera le cadre d'analyse « *B Impact Assessment* » (« **BIA** ») afin d'évaluer la performance ESG globale ainsi qu'élaborer et suivre les plans d'action ESG. De plus, le Fonds suivra quatre indicateurs clés de durabilité, applicables à et rapportés pour tous les investissements, à savoir les émissions de gaz à effet de serre, l'intensité des émissions de gaz à effet de serre, le nombre d'entreprises s'engageant dans un plan d'action ESG et l'équilibre hommes/femmes, auxquels s'ajoutera au moins un indicateur de durabilité supplémentaire.

L'équipe d'investissement suivra en continu les caractéristiques environnementales et sociales aussi bien que la performance du Fonds et de son portefeuille d'entreprises, entre autres via des réunions périodiques avec la direction des entreprises du portefeuille.

Le Fonds conviendra d'un modèle de reporting annuel avec les entreprises en portefeuille, qui contiendra des informations sur la performance ESG et les progrès réalisés par rapport au plan d'action ESG. Cependant, la récolte des données nécessaires dépendra de la capacité des sociétés cibles (souvent jeunes) à mesurer et fournir ces données. Certaines données pourront devoir être estimées sur base d'estimation ou de benchmarks reconnus.

Le Fonds ne s'engage pas à effectuer d'« *investissements durables* » tels que définis dans la Règlementation sur la Publication d'Informations et ne prévoit pas d'alignement avec la Taxonomie de l'Union Européenne.

Le Fonds ne prévoit pas d'investir en référence à un indice.

References & Guiding notes

SFDR Delegated Regulation : [C_2022_1931_1_EN_ACT_part1_v6\(1\).pdf](#)
(europa.eu)

Article 24

Sections of website product disclosure for financial products that promote environmental or social characteristics

For financial products that promote environmental or social characteristics, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of this Regulation in the following order and made up of all of the following sections titled:

- (a) 'Summary';
- (b) 'No sustainable investment objective';
- (c) 'Environmental or social characteristics of the financial product';
- (d) 'Investment strategy';
- (e) 'Proportion of investments';
- (f) 'Monitoring of environmental or social characteristics';
- (g) 'Methodologies';
- (h) 'Data sources and processing';
- (i) 'Limitations to methodologies and data';
- (j) 'Due diligence';
- (k) 'Engagement policies';
- (l) where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'.

Article 25

Website section 'Summary' for financial products that promote environmental or social characteristics

1. In the website section 'Summary' referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.
2. The website section 'Summary' referred to in Article 24, point (a), shall be provided in at least the following languages:

- (a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;
- (b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.

Article 26

Website section ‘No sustainable investment objective’ for financial products that promote environmental or social characteristics

1. In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.”
2. Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:
 - (a) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account;
 - (b) whether the sustainable investment is aligned 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.

Article 27

Website section ‘Environmental or social characteristics of the financial product’ for financial products that promote environmental or social characteristics

In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.

Article 28

Website section ‘Investment strategy’ for financial products that promote environmental or social characteristics

In the website section ‘Investment strategy’ referred to in Article 24, point (d), financial market participants shall describe all of the following:

- (a) the investment strategy used to meet the environmental or social characteristics promoted by the financial product;

- (b) the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Article 29

Website section ‘Proportion of investments’ for financial products that promote environmental or social characteristics

In the website section ‘Proportion of investments’ referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.

Article 30

Website section ‘Monitoring of environmental or social characteristics’ for financial products that promote environmental or social characteristics

In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.

Article 31

Website section ‘Methodologies for environmental or social characteristics’ for financial products that promote environmental or social characteristics

In the website section ‘Methodologies for environmental or social characteristics’ referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.

Article 32

Website section ‘Data sources and processing’ for financial products that promote environmental or social characteristics

In the website section ‘Data sources and processing’ referred to in Article 24, point (h), financial market participants shall describe all of the following:

- (a) the data sources used to attain each of the environmental or social characteristics promoted by the financial product;
- (b) the measures taken to ensure data quality;
- (c) how data are processed;
- (d) the proportion of data that are estimated.

Article 33

Website section ‘Limitations to methodologies and data’ for financial products that promote environmental or social characteristics

In the website section ‘Limitations to methodologies and data’ referred to in Article 24, point (i), financial market participants shall describe all of the following:

- (a) any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);
- (b) how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.

Article 34

Website section ‘Due diligence’ for financial products that promote environmental or social characteristics

In the website section ‘Due diligence’ referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

Article 35

Website section ‘Engagement policies’ for financial products that promote environmental or social characteristics

In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.

Article 36

Website section ‘Designated reference benchmark’ for financial products that promote environmental or social characteristics

1. In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.

2. Where part or all of the information referred to in paragraph 1 is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information.