

Sustainability-related disclosures

1. Summary

The Fund promotes environmental characteristics but does not have as its objective sustainable investment.

The Fund intends to invest in nature-based solution project development platforms and nature positive supply chain solutions (**Nature Solutions**) and Nature Solutions Enabling Technologies that underpin Nature Solutions delivering protection, conservation or restoration of biodiversity, on land and water (**Nature Solutions Enabling Technology**). The objective of the sustainable investments is the protection and restoration of biodiversity and ecosystems within the meaning of Article 15 of Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate Sustainable Investment, and amending SFDR, as amended and/or supplemented from time to time (the **EU Taxonomy**).

The Fund will make investments that promote the following environmental characteristics (the **Environmental Characteristics**):

- Conserve and/or restore natural habitats; and
- Mitigate climate change and the impact of climate change.

In addition, the Fund seeks to engage and align with local communities.

The investment strategy of the Fund is to invest in nature-focused projects, technologies and solutions that are seeking to secure their long-term positive impacts on nature and biodiversity by pursuing aligned, commercially-based business models.

The binding elements of the investment strategy used to select the investments are set out below:

- For investments in Nature Solutions, development companies that are: seeking to establish projects with commercially-based revenue streams; at development stage, pilot stage or implementation stage of maturity. Nature solutions also includes companies that solve a nature problem that is industry significant across select marine and terrestrial supply chains. All opportunities will be located in developed, emerging and developing countries
- For investments in Nature Solutions Enabling Technology, companies that are: developing nature-focused technologies and solutions; at the Seed stage, Series A stage or Series B stage of maturity; and located in OECD countries.

The Fund will target investments in Nature Solutions and Nature Solutions Enabling Technology that are seeking to establish commercial revenue streams in order to secure sustainable, long-term nature and biodiversity outcomes as well as provide financial returns to investors.

The Fund seeks to ensure that good corporate governance practices are present in the projects and companies during the entirety of the investment process. Good governance is assessed under the

four pillars described in the SFDR – sound management structures, employee remuneration, employee relations and tax compliance.

Monitoring of environmental or social characteristics will be implemented through an Impact and ESG Plan for each investment. The methodologies applied take account of the policy framework, impact assessment processes and ESG risk management processes. Data is obtained from investee projects and companies via third-party surveys, completed (to the extent practicable). Certain limitations may apply particularly in relation to data availability from early-stage companies and in cases of nature impact assessments (where methodologies continue to evolve).

At least 95% of the Fund's assets shall promote the Fund's environmental characteristics.

The Fund also intends to target sustainable investments with an environmental objective and a minimum of 25% of the Fund's investments will be sustainable investments.

All investment opportunities must undergo a comprehensive Impact and ESG assessment and due diligence as articulated in the Fund's ESG Framework.

The Fund will fall under the FundRock LIS S.A. engagement policy in its capacity as AIFM. The Fund adopts an active ownership approach to all its investments.

No index has been designated as a reference benchmark for the Fund, as no reference benchmarks currently exist to measure the attainment of environmental objectives for nature.

2. No Sustainable Investment Objective

This financial product promotes environmental characteristics but does not have as its objective sustainable investment. The Fund is being established as a practical and scalable response to catalyse nature investing with reference to the Global Biodiversity Framework. The Fund intends to invest in nature-based solution project development platforms and nature positive supply chain solutions (**Nature Solutions**) and Nature Solutions Enabling Technologies that underpin Nature Solutions delivering protection, conservation or restoration of biodiversity, on land and water (**Nature Solutions Enabling Technology**).

The objective of the sustainable investments of the Fund is the protection and restoration of biodiversity and ecosystems within the meaning of Article 15 of the EU Taxonomy.

The objectives of the sustainable investments in NBS Solutions are accelerating:

- Regeneration across managed lands and waters;
- Restoration of natural habitats; and/or
- Conservation and protection from nature and biodiversity loss.

The objectives of the sustainable investments in Nature Solutions Enabling Technology are:

- Address nature loss drivers; and/or
- Enable and support nature-based projects and biodiversity markets.

Sustainable investments will be assessed for no significant harm using the following:

- Excluded activities list that the Fund will not invest in;
- Due diligence on each of the ESG factors defined by the Sustainability Accounting Standards Board (**SASB**);
- Assessment against the mandatory and the relevant optional Principal Adverse Impact indicators (**PAIs**) defined in the Regulatory Technical Standards (**RTS**) of the Sustainable Finance Disclosure Regulation (**SFDR**); and
- Implementation of an Impact and ESG Plan for the investment that includes ESG metrics and targets, minimum safeguards and actions to monitor, manage and report on ESG risks.

The Fund considers the relevant indicators for adverse impacts in Table 1 of Annex I of the RTS and any relevant indicators in Tables 2 and 3 of Annex I of the RTS, having regard to their materiality for the investment and/or the Fund. The Fund collects data, where available and on a best efforts basis, on investments with respect to each relevant indicator and has a process for reviewing the data and identifying mitigation steps that could be taken to reduce adverse impacts. This process is carried out at least annually.

Indicators for principal adverse impacts are taken into account through:

- Investment selection and approval – includes an assessment of ESG risks and impacts for all sustainable investments;
- Asset management – including relevant adverse impacts in the Impact and ESG Plan for each sustainable investment; and
- Monitoring and reporting – including status and management of relevant adverse impacts.

The 14 mandatory and relevant optional PAIs are considered for any investment that is classified as a sustainable investment. The selection of optional indicators will depend on the type of investments and may change over time.

All sustainable investments shall seek alignment 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. This is achieved through screening of all investment opportunities for ESG risks and impacts including those outlined within these guidelines and subsequent monitoring and improvement throughout the lifetime of the investment.

3. Environmental or Social Characteristics of the Financial Product

The Fund seeks to promote the following environmental characteristics:

- Conserve and/or restore natural habitats; and
- Mitigate climate change and the impact of climate change.

In addition, the Fund seeks to engage and align with local communities.

4. Investment Strategy

The investment strategy of the Fund is to invest in nature-focused projects, technologies and solutions that are seeking to secure their long-term positive impacts on nature and biodiversity by pursuing aligned, commercially-based business models.

The main elements of the investment process including consideration of sustainability features of investments are as follows:

1. **Sourcing** – investment opportunities are sourced from a broad range of parties. The Pollination team are highly active in the Nature Solutions market and see opportunities regularly. The nature based solutions market includes a number of established parties with portfolios of Nature Solutions, typically part of broader nature or economic development programs. These portfolios are expected to be a source of established projects with the potential to build new commercial revenue streams as their next phase of development. The Fund will also target opportunities with high quality independent project development teams with aligned project pipelines. The fund will develop an RFP, marketing and communications, a web platform and eLearning content designed to maximise the number of high-quality investment opportunities proactively engaging the Fund. The Fund will also source opportunities directly, based on the success factors and selection criteria of the Fund, e.g. projects in areas suited to particular enterprise or ecotourism activities, or jurisdictions with more established credit market frameworks.
2. **Eligibility** – a compliance-focused stage that assesses opportunities for any know-your-client or restricted activities red flags, conflicts of interest, eligibility against the Fund mandate and deal allocation.
3. **Screening** – an initial assessment of nature impact alignment, commercial factors and ESG ‘red flags’, to form an ‘in principle’ view of the investment opportunity and frame downstream assessment work. This is discussed at an initial investment committee
4. **Assessment** – detailed assessment focused on proving up the investment thesis, completing impact and ESG assessments and agreeing valuation, transaction structure and investment terms.

5. **Due diligence and approval** – formal due diligence on all aspects of the investment opportunity and transaction, including input from third-party specialist advisers. Investments are approved by the Fund’s investment committee.
6. **Closing** – documentation and completion of the investment on the approved terms, including satisfaction of conditions precedent, drawdown of funds and transaction execution.
7. **Asset management** – includes active portfolio management by the Fund against the financial, value, impact and ESG drivers developed during the investment process.

The Fund will target investments in Nature Solutions and Nature Solutions Enabling Technology that are seeking to establish commercial revenue streams in order to secure sustainable, long-term nature and biodiversity outcomes as well as provide financial returns to investors.

The binding elements of the investment strategy used to select the investments are set out below:

For investments in Nature Solutions, businesses and projects that are:

- seeking to establish commercially-based revenue streams;
- at development stage, pilot stage or implementation stage of maturity, and
- located in developed, emerging and developing countries.

For investments in Nature Solutions Enabling Technology, companies that are:

- developing nature-focused technologies and solutions;
- at the Seed stage, Series A stage or Series B stage of maturity; and
- located in OECD countries.

The Fund seeks to ensure that good corporate governance practices are present in the projects and companies during the entirety of the investment process. This is to validate confidence that interests are aligned and that robust organisational structures are in place. One of the key ESG criteria is good governance practices that is assessed throughout the investment process from screening, to assessment, to due diligence. Good governance is assessed under the four pillars described in the SFDR – sound management structures, employee remuneration, employee relations and tax compliance.

5. **Proportion of Investments**

At least 95% of the Fund’s assets will directly promote the Fund’s Environmental Characteristics.

The Fund also intends to target sustainable investments with an environmental objective, but does not guarantee that this will be achieved for all of the Fund's investments; therefore, a minimum of 25% of the Fund's investments will be sustainable investments.

The proportion of investments which are not aligned with the environmental characteristics of the Fund may include (i) cash used on an ancillary basis for liquidity management purposes and (ii) derivatives for hedging purposes or efficient portfolio management.

The Fund does not use derivatives to attain the Environmental Characteristics which it promotes.

6. Monitoring

The Adviser will adopt an active approach to ensure the investee delivers on the impact thesis and will support the investee in doing so by relying on its network, expertise and capabilities. In particular,

- **Impact and ESG Plan** – as part of the closing process, an impact and ESG plan is agreed upon with the prospective investee and included with the suite of transaction documents. The impact and ESG plan includes (i) metrics and targets, (ii) key impact delivery and ESG risks and mitigating actions, and (iii) data and reporting requirements. The plan includes the role of the Fund in assisting the prospect in achieving the desired targets. Its purpose is to set expectations and direct the engagement between the investee and the Fund on these issues, to ensure that impact delivery and ESG risks are managed and improved over the lifetime of the investment.
- **Monitoring and management** – the Adviser will require continuous monitoring and reporting by the investee against the impact and ESG plans. The investee's progress in realising the impact thesis that underpinned the investment decision will be considered alongside commercial factors in the context of any follow-on, exit, or other transactions, to ensure the investee retains the best capacity to continuously deliver on the impact thesis and following any exit of the Fund's position.

7. Methodologies

Under the Fund's Impact and ESG Framework (the **Framework**), investments are qualified by their alignment with nature impact outcomes and assessed for ESG risks, alongside commercial, financial and investment considerations.

The Framework comprises three components that are aligned with third-party standards and integrated into the investment and asset management process:

1. **Policy framework** – including Pollination and the AIFM's Responsible Investment Policies, outlining our commitment to making sustainable investments. The

framework has also been developed with reference to third-party standards and norms for impact measurement and management and responsible investment.

2. Impact assessment process – to align investments with specific and targeted impact outcomes. Impact Assessment consists of the following components:

- Screening against minimum nature impact requirements early in the investment selection process;
- Detailed assessment of impact outcomes during due diligence, including the establishment of an impact baseline and assessment of future impact potential; and
- Integration into the investment plan through an Impact and ESG action plan for each investment.

3. ESG risk management process – to effectively identify, avoid, mitigate and manage ESG risks, and enhance the ESG performance of Fund investments during the period of the Fund's investment. As part of the risk assessment, each potential investment is assessed for harmful impacts and dependencies that the project or company's activities may have on a basket of sustainability issues (refer to the table at the end of this section). A risk rating is determined for each issue, as follows:

- **High** – significant adverse impacts and/or risks that are long-term, unprecedented, difficult to mitigate or not reversible, including impact beyond the individual project or company
- **Medium** – potential adverse risks and impacts that are less significant (typically site or company-specific) that can be reversed or mitigated through appropriate measures
- **Low** – No or minor adverse impacts or risks, and the project/company does not require any specific protection, compensation or monitoring measures

The Fund will not invest in opportunities with an identified ESG risk assessed at a 'high' risk rating.

The Framework assesses positive impacts using indicators across three impact categories: Nature, Climate and Community. Nature Solutions must align with at least one of the nature indicators (which may include, but are not limited to, restoration, conservation, agricultural lands, avoided impact and location), at least one of the climate indicators (which may include, but are not limited to, contribution to climate change mitigation and/or to adaptation and resilience measures), and for applicable NBS projects, the community outcomes would need to be appropriately applied (which include engagement with local community, economic value creation at the community level, safeguards to manage community engagement and changing community situations and transparent benefit sharing mechanisms) while Nature Solutions Enabling Technology must align with at least one of the nature indicators and one of the climate change indicators.

Additionally, impact measures are determined for each relevant indicator, future potential impact is quantified and the impact contribution is assessed using a contribution rating system. Potential investments must achieve a contribution rating of 1 or 2 for all relevant indicators, as follows:

- **2** – Delivering impact on the specific metric;
- **1** – Potential to deliver impact on the specific metric; and
- **0** – No potential to deliver impact on the specific metric.

8. Data Sources and Processing

Data is obtained from investee projects and companies via third-party surveys, completed prior to investment and periodically throughout the investment holding period. All data is verified by internal ESG resources with the support of technical experts as necessary. In cases where datapoints may be incomplete or imprecise, Pollination will consider whether or not it is appropriate to provide estimates where it would be reasonable to do so based on best practice.

9. Limitations to Methodologies and Data

No material limitations to the methodologies and data are expected, except for the data availability from early-stage companies that may not be in a position to capture data as of yet. It should also be noted that nature impact assessments are an emerging topic; whilst the Fund's approach is underpinned by leading methodologies and a proprietary system, developments in the sector are likely to occur. As these happen, leading methodologies will be integrated into the Fund's systems.

10. Due Diligence

The Fund operates an Impact and ESG Framework with the purpose to assess, measuring and manage the impact and ESG risks of prospective investments for the Fund. All investment opportunities must undergo a comprehensive Impact and ESG assessment and due diligence as articulated in this Framework.

This occurs over the six phases articulated above:

1. Sourcing
2. Eligibility
3. Screening
4. Assessment
5. Due diligence and approval
6. Closing

11. Engagement Policies

The Fund does not invest in shares that are admitted to trading on a regulated market and therefore does not have a standalone engagement policy (the Fund will fall under the FundRock LIS S.A. engagement policy in its capacity as AIFM). However, the Fund adopts an active ownership approach to all its investments, which it considers critical to managing risks, realising positive environmental and social impacts, and seeking to create return for its investors. Through the Impact and ESG Plan helps to articulate the key objectives of engagement for each of the investments.

12. Designated Reference Benchmark

No index has been designated as a reference benchmark for the Fund, as no reference benchmarks currently exist to measure the attainment of environmental objectives for nature.