# DISCLOSURES PURSUANT TO THE SUSTAINABLE FINANCE DISCLOSURE REGULATION (EU) 2019/2088

**Pirate Impact Fund SCA SICAV-RAIF** is a partnership limited by shares (*société en commandite par actions*) qualifying as a reserved alternative investment fund - investment company with variable share capital (*Société d'Investissement à Capital Variable – Fonds d'Investissement Alternatif Réservé*) under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés*) of Luxembourg under number B 261584, having its registered address at 3, Rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg, acting through and represented by its general partner (*gérant*) **Pirate Impact GP S.à r.l.**, a private limited liability company (*société à responsabilité limitée*) under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés*) of Luxembourg under number B 258815, having its registered address at 3, Rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg

**Summary**

Pirate Impact Fund SCA SICAV-RAIF (the "Fund") invests in venture and growth stage technology companies addressing global environmental or social challenges. The Fund has sustainable investments as its objective. 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 Fund has set up an integrated impact / ESG & business diligence process that takes into account positive and negative outcomes and externalities. Additionally, the Fund's post-investment engagement strategy includes, among other, impact & ESG KPI and target setting.

**No significant harm to the sustainable investment objective**

The Fund's sustainability and impact assessments have two objectives: (1) to assess and validate the net positive outcomes of a potential investment against our impact guidelines and impact investment thresholds and (2) ensure that there are no significant harms and that any potential negative outcomes or externalities are understood, managed and mitigated.

In order to analyze potential negative outcomes, the Fund first conducts an internal theory of change assessment that takes into account impact logic steps, which helps us guide our due diligence efforts. From an impact perspective, the Fund evaluates impact risks and corresponding mitigation strategies. These risks might result from the product, the business model, or the operations of the company, among others. To the extent that a life cycle assessment is key in understanding the positive and negative outcomes of a product or service, the Fund either analyzes peer reviewed scientific studies or actual LCAs.

The Fund also assesses environmental, social and governance risks and opportunities during the investment process through management conversations and a sustainability questionnaire, and integrates this information into the final investment decisions (including the possibility of passing on the investment) and post-investment engagement strategy. These ESG factors include Principal Adverse Impacts that are relevant to the specific company being evaluated.

**Sustainable investment objective of the financial product**

The Fund has set a core set of four sustainability indicators for the Fund that are integrated into the entire value- and process-chain for our investment decision-making and post-investment engagement strategy:

- CO2 equivalent emissions avoided or captured / sequestered;
- Number of people whose wellbeing has been improved (by means of education, empowerment, inclusion);
- Biodiversity: additional land under sustainable conservation or restoration
- Water: increase in water efficiency and quality and / or water stress reduction

Generally, all investments have the objective to contribute to at least one goal of the United Nations Sustainable Development Goals.

**Investment strategy**

First, the Fund’s investment strategy is focused on companies whose products or services inherently contribute towards sustainable investment objectives, alongside the lines of the Fund’s internal. As a first step, every potential investment has to be assessed against our impact guidelines: Intentionality, Impact Logic Model, Interlock, Depth, Breadth & Duration, Additionality, and Impact Measurement & Management.

Second, the Fund’s investment focus is categorized in six high-level clusters, while each of the clusters is subdivided into several sub-clusters that are each guided by a specific investment thesis: Climate & Ecosystems, Energy, Food & Agriculture, Resources & Buildings, Enterprise & Mobility, and Equality & Education.

In each cluster, different technologies are applied to achieve Sustainable Investment objectives. Typically, the product strategies of the Portfolio Company aim to improve, mitigate, or adapt to environmental/climate challenges, to implement circularity in certain industries or for certain resources, to preserve, protect or restore certain resources or ecosystems (including e.g. biodiversity), or to improve lives and livelihoods.

Third, specific impact and ESG assessments regarding the sustainable investment objective are integrated across the entire investment process, governance, and portfolio management of the Fund. The Fund has explicitly excluded investments in harmful industries such as fossil fuels, tobacco, firearms, nuclear weapons, pornography, and alcohol, among others.

**Proportion of investments**

Approximately, 80% of the Fund's portfolio are direct investments into climate startups, while 20% are direct investments into social impact startups. The fund invests from seed to pre-IPO stages, primarily in Europe and the U.S.

**Monitoring of the sustainable investment objective**

As part of our aligned commitment to ensure a substantial contribution to sustainability, the Fund aims to sign an impact & ESG clause with our investees. This clause includes a series of commitments, from carbon accounting to impact management. Whenever possible , the Fund selects impact and ESG performance indicators and annual targets with each investee. Data is collected, at least, on an annual basis, which is used in sustainability engagement conversations with the responsible impact & ESG officer. Based on the assessment, the Fund provides and tailors sustainability resources.

Note: ESG & impact measurement / management and the Impact Clause can only be guaranteed to be implemented at those portfolio companies where the Fund is leading/co-leading the investment round or has sufficient influence over the company’s other investors and management.

**Methodologies**

For the investment process and in the analysis of a Portfolio Company before the investment, a clear understanding of impact market size, impact unit economics, and impact projections is necessary. Additionally, an analysis of alternative products or levers is considered to understand the efficiency and efficacy of the impact. An impact risk framework is included in every investment process to capture the full range of externalities and potential impact drifts.

**Data sources and processing**

For the theory of change analysis, data is gathered directly from the startup or through peer reviewed scientific studies. All information received from the startup is corroborated and validated. For the impact guidelines assessment, the Fund consults the startup and requests specific documentation as needed. For the quantitative impact & ESG assessment, the Fund might receive life cycle assessments (or proxies), impact unit economics and other operational data linked to the company's impact, as well as operational and financial projections. This information is supplemented by the Fund's own research in each cluster / subcluster. When external research is conducted, the Fund uses peer reviewed scientific sources and technical expert references whenever possible. The data is stored in the Fund's data warehouse.

The Fund aims to receive full data transparency, and minimize any estimated data sources. Depending on the stage of the company, a proportion of the impact & ESG data might be estimated. Data requests are proportionate to the resources and capabilities of the potential investee. Additionally, data transparency can only be guaranteed when the Fund is leading/co-leading the investment round or has sufficient influence over the company's other investors and management.

**Limitations to methodologies and data**

Although the Fund aims to use a scientific approach to its impact measurement and evaluation, there are a few limitations to its approach:

- Company stage: when the company is at an early stage, data might be limited or non-existent.
- Management influence: in companies where there is no significant shareholding, the Fund might receive limited or incomplete information, or might not conduct a full technical and data analysis of the technology.
- Technology stage: breakthrough or new technologies might not yet have been assessed by the scientific community, and limited or no information can be gathered about the effectiveness and efficiency of the solution.

In all these cases, the Fund will use peer reviewed proxies or estimates, conduct technical references or leverage the technical diligence of the lead investor, and set specific impact KPIs to be monitored on a regular basis. All these steps will ensure the attainment of the sustainable investment objective.

**Due diligence**

The Fund's due diligence process integrates both impact / ESG and traditional commercial aspects, and it's broken down by investment stage:

- Screening: impact alignment and potential, investment focus alignment, team setup and investment model
- Meet the founders: more in depth analysis of the business, impact screening and validation
- Pre diligence: detailed impact and systems analysis (impact unit economics, impact projects, impact risks and more), detailed commercial and market analysis, reference calls
- Due diligence: legal, IP & technology diligence, impact & sustainability diligence, further reference calls

**Engagement policies**

Our ultimate goal is to shift our societies from a destructive financial capitalist system into a system that ensures sustainable and inclusive growth, real opportunities, and paradigm shift: impact capitalism. In order to achieve this, the Fund's overall engagement strategy follows our impact strategy: we aim not only to influence our portfolio companies, but also the venture capital and financial system at large: from founders to limited partners, from corporates to policy-makers. First and foremost, we take a pragmatic and collaborative approach: we share our learnings, methodologies and best practices, and actively engage with stakeholders outside of the traditional venture capital ecosystem to broaden our impact horizon.

At the portfolio level, our engagement strategy is based on impact & ESG value creation. Although we always start by gathering useful and actionable information needed to understand and assess a company's positive and negative impacts, we commit to go beyond measuring and actively engage with our companies to iterate and manage their impact. To reflect this commitment, we sign an Impact & ESG clause, run onboarding workshops, and provide tailored resources that address a company's core needs and challenges.

Note: ESG & impact measurement / management and the Impact Clause can only be guaranteed to be implemented at those portfolio companies where the Fund is leading/co-leading the investment round or has sufficient influence over the company’s other investors and management.

**Attainment of the sustainable investment objective**

One of the Fund's primary objectives in GHG reduction ($CO_2$ equivalent emissions avoided or captured / sequestered) in line with the objectives of the Paris Agreement. We have a rigorous methodology to evaluate climate mitigation and adaptation, and follow the EU taxonomy guidelines on substantial contribution to environmental objectives for transitional, own contribution, and enabling technologies, whenever applicable. We leverage scientific output, including the IPCC (Intergovernmental Panel on Climate Change) working groups' research, to assess and validate every potential investment. For specific subsectors, we benchmark various climate-related technologies across GHG reduction potential and our other primary and secondary impact goals.

Our climate methodology not only includes GHG emission assessment, but also other environmental or social impacts of the product or service. Our companies commit to net zero by 2050 through the Impact & ESG clause (whenever applicable). After setting impact and ESG KPIs, we engage with our companies at least on an annual basis to ensure they are on track to achieve their climate and social goals.

This document was last updated on June 6th 2022. If you have any questions, please do not hesitate to contact us at info@Pirate.io