

## SFDR DISCLOSURE: BLUEFRONT CAPITAL II AS

Website disclosure for Bluefront Capital II AS pursuant to the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) Article 10 for financial products referred in SFDR Article 8 (1).

### A. Summary

Bluefront Capital II AS (the **Fund**) seeks investments that contribute to making the seafood value chain more sustainable. Through managing the Fund's investments, our vision is to impact the future of the blue economy. Our mission is to invest to impact the seafood value chain to accelerate the supply of healthy and sustainable seafood. Our business idea is to create the world's leading impact seafood investor supporting companies with capital and knowledge to help grow the world's access to sustainable seafood.

Through its investments, the Fund promotes environmental and social characteristics, but does not have as its objective a sustainable investment. The Fund is expected to, but does not commit to, partially invest in sustainable investments. This is due to, inter alia, the targeted sector of the Fund and that the Fund, through its investments, will seek to make the seafood value chain more sustainable.

Prior to reporting any investments as sustainable investments, Bluefront will assess the no significant harm-criteria by taking into account and assessing each investment against the indicators for adverse impacts on sustainability factors.

All investments made by the Fund are expected to be aligned with the environmental and social characteristics promoted by the Fund. The United Nation's Sustainable Development Goals (the **SDGs**) are incorporated into the Fund's mandate. The investments of the Fund will contribute to one or more SDGs. Bluefront has identified four focus areas within the SDGs: 1) No hunger, 2) Innovation and Infrastructure, 3) Climate action and 4) Life below water.

Bluefront has established an ESG and impact framework based on the Principles of Responsible Investment (**PRI**). The ESG and impact framework provides for mandatory consideration of ESG risks and impact opportunities during the life-cycle of an investment, from deal sourcing to exit, in which Bluefront will identify any issues or concerns relating to ESG and impact as well as assess whether the investment is aligned with the Fund's investment mandate.

To ensure the investment process and ESG and impact assessments are tailored to the specific risks and opportunities in the aquaculture segment, Bluefront uses the Collier Fairr Protein Producer Index and the top 10 ESG risks in the aquaculture segment as the starting point for assessing ESG risks and impact opportunities for potential investments. In turn, this assessment forms the basis for an ESG and impact strategy that is set for each portfolio company with specific sustainability targets and KPI's.

The ESG and impact strategy, based on the PRI, also includes monitoring of portfolio companies. Through active engagement and reporting on KPI's from portfolio companies, Bluefront will monitor and measure the attainment of the environmental and social characteristics promoted by the Fund. Bluefront will ensure that each of our portfolio companies implement relevant ESG

and impact KPI's into its annual reporting. Bluefront will support each company in developing and implementing such measures.

Bluefront will annually present an Impact report summarizing the annual status and achieved effect. Bluefront will report on the proportion of sustainable investments, if any, to investors of the Fund in the periodic reports. Such reporting will also include proportion of investments that are environmentally sustainable investments pursuant to the Taxonomy in accordance with Article 6 in the Taxonomy.

#### B. No sustainable investment objective

The Fund promotes environmental and social characteristics, but does not have as its objective a sustainable investment. The Fund is expected to, but does not commit to, partially invest in sustainable investments.

All investments of the Fund are expected to be aligned with the environmental and social characteristics promoted by the Fund, in accordance with the binding investment strategy of the Fund. Thus, the planned asset allocation for the Fund is to use 100% of the investments to attain the environmental and social characteristics promoted by the Fund.

The Fund is expected to partially make investments that are sustainable investments pursuant to the definition in Article 2 (17) in the SFDR. This is due to, inter alia, the targeted sector of the Fund and that the Fund, through its investments, will seek to make the seafood value chain more sustainable. However, the Fund has not committed to making any sustainable investments. Bluefront will report on the proportion of sustainable investments, if any, to investors of the Fund in the periodic reports. Such reporting will also include proportion of investments that are environmentally sustainable investments pursuant to the Taxonomy in accordance with Article 6 in the Taxonomy.

Reporting of the proportion of sustainable investments, if any, to investors will identify the proportion of investments that qualify as sustainable investments pursuant to the definition and criteria as set out in the SFDR Article 2 (17). This entails that sustainable investments will be investments in economic activities that contribute to an environmental or social objective provided that the investments do not significantly harm any sustainable investment objectives, and provided that the portfolio company follow good governance practices.

Bluefront will assess contribution towards an environmental or social objective against relevant sustainability indicators and parameters tailored to the specific industry and based on materiality assessments.

Prior to reporting any investments as sustainable investments, Bluefront will assess the no significant harm-criteria by taking into account and assessing each investment against the indicators for adverse impacts on sustainability factors. During the due diligence and ESG review of a potential investment, Bluefront will assess principal adverse impacts on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters by assessing the investment against the indicators included in the Draft Regulatory Technical Standards Annex I, as amended and adopted by the EU Commission. This is done through the ESG Questionnaire that is to be signed and returned by the CEO or chairman of a potential investment. If Bluefront, based on market practice, available benchmarks and Bluefront's sound judgment, considers the investment as doing significant harm to sustainable investment objectives based on the performance on the sustainability indicators, the investment will not

be reported as a sustainable investment.

Bluefront will assess and disclose to investors whether the sustainable investments, if any, are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

### C. Environmental or social characteristics of the financial product

Through its investments, the Fund seeks to make the seafood value chain more sustainable. The strategy of the Fund is based on the following main pillars of Bluefront's investment activities:

- Vision: *Impact the future of the blue economy*
- Mission: *Sustainably impact the seafood value chain*
- Business idea: *Create the world's leading impact seafood investor supporting companies with capital and knowledge to help impact the seafood value chain*

To achieve the objective of making the seafood value chain more sustainable, the Fund will:

- Only invest in companies that makes the seafood value chain more sustainable
- Invest in companies with products, services and technologies that support new, alternative and sustainable production methods to increase accessibility and improve sustainable production and tackle sustainability risks around fish welfare and ocean health

Bluefront actively uses the United Nation's Sustainable Development Goals (SDGs) in the management of the Fund. The Fund's overarching objective (on fund level) is to contribute to SDG no. 2 - Zero Hunger:



**Objective:** Increase productivity by using new technology supporting the seafood industry to become more sustainable and contribute to a circular economy

Based on the Fund's investment strategy and sector focus, Bluefront has identified three underlying SDGs to which investments made by the Fund will contribute:



**Objective:** Increase resource efficiency, particularly of scarce resources, with a specific focus on fresh water to positively impact the growth of the seafood industry

**How:** Invest in companies with the potential to contribute to reduce use of fresh water in the seafood value chain and companies contributing to resource efficiency



**Objective:** Increase resource and energy efficiency in the seafood value chain

**How:** Invest in companies with the potential to contribute to more efficient use of products, services and technologies, and clean and environmentally sound technologies, mitigating adverse impacts on the environment



**Objective:** Reduce negative effects on the ocean and improve life below water and animal welfare in the seafood value chain to achieve sustainable growth

**How:** Invest in companies with the potential to provide products, services and technologies aiming to reduce negative effects on the ocean health

To ensure the investment process and ESG and impact assessments are tailored to the specific risks and opportunities in the aquaculture segment, Bluefront uses the Collier Fairr Protein Producer Index and the top 10 ESG risks in the aquaculture segment, as identified by Collier Fairr, as the starting point for assessing ESG risks and impact opportunities for potential investments. The top 10 ESG risks identified for the aquaculture segment are:

1. Environmental
  - a. Greenhouse gas emissions
  - b. Effluents
  - c. Habitat destruction and biodiversity loss
  - d. Fish feed supply
  - e. Disease management
2. Social
  - a. Labor conditions
  - b. Fish welfare
  - c. Community resistance
  - d. Antibiotic use
3. Governance
  - a. Transparency and food fraud

These ESG risks form the basis for the impact and materiality assessment performed for each individual investment which lays the foundation for the following ESG assessments that are made prior to investment, and the subsequent engagement and follow-up with each portfolio company in accordance with the ESG Strategy after a potential investment is made.

The Fund will not invest in companies with significant ESG issues or concerns, unless there is a clear opportunity to raise standards to an acceptable level. Further, the Fund will not invest into a company without having a clear understanding among shareholders and management that ESG and impact targets must be (or already is) implemented into the strategy.

#### D. Investment strategy

Bluefront has established an ESG and impact framework based on the Principles of Responsible Investment (PRI). The ESG framework provides for mandatory consideration of sustainability factors during the life-cycle of an investment, from deal sourcing to exit:

##### Deal sourcing

- Based on the Collier Fairr top 10 ESG risks in the aquaculture segment, Bluefront's deal team will, by way of a materiality assessment, identify relevant ESG risks and impact opportunities for each potential investment as part of the deal sourcing. The relevant ESG risks and impact opportunities identified form the basis of an ESG and impact strategy for each investment
- The due diligence review will include assessment of compliance with legal requirements related to ESG and impact, including environmental permits and licenses
- Each potential investment will be required to return a comprehensive ESG Questionnaire completed by the CEO or chairman of the company, including questions on topics covered by the principal adverse impact indicators
- Based on the information obtained, a third party ESG consultant will conduct an initial ESG and impact due diligence of the opportunity

##### Investment decision

- Findings from ESG and impact due diligence will be addressed and discussed by the Investment Committee
- Bluefront will use a Compliance Checklist to cross check the potential investment against the Fund's mandate, including sustainability requirements
- During the investment process and before an actual investment decision is made, Bluefront will present an initial ESG and impact assessment to the Investment Committee
- The ESG and impact assessment is based on the relevant ESG risks and opportunities identified in the deal sourcing and due diligence process and will be tailored to each investment. The ESG and impact strategy will be developed and agreed in close cooperation with the co-owners and management in each portfolio company (the topics will be based on materiality, and examples include certifications, energy use, labour conditions and employment, climate issues and impact measures).

##### Ownership:

- As part of "the 100-day plan", Bluefront will implement specific ESG and impact targets for each portfolio company based on a value creation plan and the ESG and impact strategy agreed with co-investors. ESG and impact KPIs are selected based on the materiality assessment performed in DD and during the ESG and impact strategy work flow, and tailored to each specific portfolio company taking due consideration of its business activities.
- As part of "the 100-day plan", Bluefront will seek to implement its standard onboarding package in all portfolio companies, including a code of conduct, anti-corruption policy, ESG policy, whistleblower policy, instructions for the board of directors and instructions for the CEO to ensure good governance
- The CEO and Board of Directors will be responsible to secure sufficient resources and competence to execute the ESG and impact strategy. Bluefront will seek to ensure that

each portfolio company has sufficient resources with relevant ESG and impact competence in place in order for the portfolio company to deliver on its ESG and impact targets and that each company appoints a designated resource responsible for ESG and impact.

- During the ownership period, Bluefront will work with the portfolio companies to ensure that the companies have policies and procedures (if not already in place) in order to measure and report on the progress on material ESG and impact KPIs for each company, as well as the indicators for principal adverse impacts.
- KPIs are collected in a software platform after onboarding of a new portfolio company and distributed to Bluefront on a quarterly basis.

#### Exit:

- Bluefront aims to have full control of potential ESG risks and impact opportunities to enhance value creation
- Setting clear ESG and impact KPIs for management and presenting the company's ESG and impact strategy to potential buyers may increase the value (multiple expansion)

Bluefront's investment process is based on access to and active engagement with current owners and management of each potential investment. Through this process, the deal team gets a thorough understanding of the culture, organization and governance of the company. If the investment process proceeds, a legal and financial due diligence will be conducted. If relevant, an organizational due diligence and a management audit will be commissioned. Through the due diligence process, the company's management structures, employee relations and remuneration of staff, and tax compliance, will be scrutinized.

Any shortcomings related to good governance that is identified during the due diligence will be presented and discussed in the Investment Committee. If the due diligence has revealed unmanageable governance risks that cannot be resolved or mitigated, Bluefront will abstain from making the investment. Otherwise, the findings from the pre-investment phase will form part of the basis for the ESG strategy, including governance factors and the implementation of a standard onboarding package, and subsequent engagement and follow-up with the company.

#### **E. Proportion of investments**

All investments of the Fund are expected to be aligned with the environmental and social characteristics promoted by the Fund, in accordance with the binding investment strategy set out in d). Thus, the planned asset allocation for the Fund is to use 100% of the investments to attain the environmental and social characteristics promoted by the Fund.

Refer to Section b) for information on how the indicators for adverse impacts are taken into account and alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

#### **F. Monitoring of environmental and social characteristics**

Bluefront has built its methodology for monitoring portfolio companies on the Principles for Responsible Investments (PRI). This includes guidelines for each stage of the investment process to secure proper implementation, including the investment holding period. Bluefront will ensure that

each of our portfolio companies implement relevant ESG and impact KPI's into its annual reporting. Bluefront will support each company in developing and implementing such measures.

In addition, during the ownership period, Bluefront will work with the portfolio companies to ensure that the companies establish have policies and procedures (if not already in place) in order to measure and report on the progress on relevant ESG and impact KPI's for each company, as well as the indicators for principal adverse impacts. KPIs are collected in a software platform after onboarding of a new portfolio company and distributed to Bluefront on a quarterly basis.

#### G. Methodologies for environmental and social characteristics

Bluefront engages actively with the portfolio companies during the investment holding period on their performance on the ESG strategy, including relevant sustainability KPI's tailored to the relevant company. Through active engagement and reporting on KPI's from portfolio companies, Bluefront will monitor and measure the attainment of the environmental and social characteristics promoted by the Fund.

#### H. Data sources and processing for environmental and social characteristics

Bluefront will ensure that the data collected is accurate. If necessary, Bluefront will use third parties to collect and process data. Typical data sources may be each portfolio company's internal HR-system, (CRM) client information, ERP systems, financial statements, third party verifications and other relevant systems.

#### I. Limitation to methodologies and data

Bluefront targets small and mid-cap companies. Therefore, the degree of automation and digitalization in the data gathering may be limited. As such, a high degree of manual data collection and processing will probably be necessary. Relevant resources may also be limited based on company size. This may also impact data quality. Bluefront acknowledges the risks involved in manual data collection/processing and the risk related to limited resources and will focused on enhancing data quality.

#### J. Due diligence

Refer to section **Error! Reference source not found.** for an overview on the due diligence on the underlying assets of the Fund.

#### K. Engagement policies

Refer to section **Error! Reference source not found.** for an overview on how Bluefront engages with portfolio companies during the ownership period.