<u>**ANNEX I**</u>

Principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

(1) ‘scope 1, 2 and 3 GHG emissions’ means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council[1];

(2) ‘greenhouse gas (GHG) emissions’ means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council[2];

(3) ‘weighted average’ means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;

(4) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(5) ‘companies active in the fossil fuel sector’ means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council[3];

(6) ‘renewable energy sources’ means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;

(7) ‘non-renewable energy sources’ means energy sources other than those referred to in point (6);

(8) ‘energy consumption intensity’ means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;

[1] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

[2] Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

[3] Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

(9) ‘high impact climate sectors’ means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council[4];

(10) ‘protected area’ means designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA);

(11) ‘area of high biodiversity value outside protected areas’ means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council[5];

(12) ‘emissions to water’ means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council[6] and direct emissions of nitrates, phosphates and pesticides ;

(13) ‘areas of high water stress’ means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute’s (WRI) Water Risk Atlas tool “Aqueduct”;

(14) ‘hazardous waste and radioactive waste’ means hazardous waste and radioactive waste;

(15) ‘hazardous waste’ means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council[7] ;

(16) ‘radioactive waste’ means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom[8];

(17) ‘non-recycled waste’ means any waste not recycled within the meaning of ‘recycling’ in Article 3(17) of Directive 2008/98/EC;

(18) ‘activities negatively affecting biodiversity-sensitive areas’ means activities that are characterised by all of the following:

(a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;

(b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:

(i) Directive 2009/147/EC of the European Parliament and of the Council[9];

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4 Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

5 Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

6 Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

7 Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

8 Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).

9 Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

(ii) Council Directive 92/43/EEC[10];

(iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council[11];

(iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);

(19) 'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139[12];

(20) 'threatened species' means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;

(21) 'deforestation' means the temporary or permanent human-induced conversion of forested land to non-forested land;

(22) 'UN Global Compact principles' means the ten Principles of the United Nations Global Compact;

(23) 'unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;

(24) 'board' means the administrative, management or supervisory body of a company;

(25) 'human rights policy' means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;

(26) 'whistleblower' means 'reporting person' as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council[13];

(27) 'inorganic pollutants' means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council[14], for the Large Volume Inorganic Chemicals- Solids and Others industry;

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10 Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

11 Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).

12 Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

13 Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L305, 26.11.2019, p. 17).

14 Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

(28) ‘air pollutants’ means direct emissions of sulphur dioxides (SO_2), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter ($PM_{2,5}$) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council[15], ammonia (NH_3) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;

(29) ‘ozone depletion substances’ mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

For the purposes of this Annex, the following formulas shall apply:

(1) ‘GHG emissions’ shall be calculated in accordance with the following formula**:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope(x)\ GHG\ emissions_i\right)$$

(2) ‘carbon footprint’ shall be calculated in accordance with the following formula**:

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i\right)}{current\ value\ of\ all\ investments\ (€M)\ *}$$

(3) ‘GHG intensity of investee companies’ shall be calculated in accordance with the following formula**:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)\ *} \times \frac{investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{investee\ company's\ €M\ revenue_i\ *}\right)$$

(4) ‘GHG intensity of sovereigns’ shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)\ *} \times \frac{The\ country's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{Gross\ Domestic\ Product_i (€M)}\right)$$

(5) ‘inefficient real estate assets’ shall be calculated in accordance with the following formula:

$$\frac{((Value\ of\ real\ estate\ assets\ built\ before\ 31/12/2020\ with\ EPC\ of\ C\ or\ below) + (Value\ of\ real\ estate\ assets\ built\ after\ 31/12/2020\ with\ PED\ below\ NZEB\ in\ Directive\ 2010/31/EU))}{Value\ of\ real\ estate\ assets\ required\ to\ abide\ by\ EPC\ and\ NZEB\ rules}$$

15 Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), *OJ L 344, 17.12.2016, p. 1–31*

For the purposes of the formulas, the following definitions shall apply:

(1) ‘current value of investment’ means the value in EUR of the investment by the financial market participant in the investee company;

(2) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(3) ‘current value of all investments’ means the value in EUR of all investments by the financial market participant;

(4) ‘nearly zero-energy building (NZEB)’, ‘primary energy demand (PED)’ and ‘energy performance certificate (EPC)’ shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council[16].

Additional notes to the definitions and formulas for this reporting:

* Note that all references to the Euro currency are also converted in the currency of the Fund for which the report is done. Conversion rate used from the currency of the Fund to Euro is ECB 2022 average exchange rate.

**Given the Fund’s type of investments (loans and bonds), calculation of the GHG emissions, Carbon Footprint and Carbon Investee were done based on the investee companies’ total assets to replace the investee companies’ enterprise value, and on their net interest income to replace the the investee companies’ revenues.

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Product Name : Regional MSME Investment Fund for Sub-Saharan Africa SA, SICAV-SIF, Legal entity identifier: 52990062YZ83Q83T6540
Summary The Fund considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the statement on principal adverse impacts on sustainability factors of the Fund and covers the reference period from 1 January 2022 to 31 December 2022.

[16] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)

Description of the principal adverse impacts on sustainability factors

The Investment Manager notes that PAIs are challenging to collect from non-EU Financial Institutions ("FIs"), which are currently representing most of the Fund investments. Since the regulatory and industry standards around the methodologies and tools used to perform PAIs assessment are evolving, and in order to serve the spirit of the regulation in determining the impact of FIs, efforts are being made to work with the FIs and/or data providers, as the case may be, to calculate or estimate the principal adverse impacts of the FI's underlying portfolio and for a few PAIs the only information that can be collected is the amount of the exposure to risks and not the actual principal adverse impact (PAI 6,8,9).

	Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact 2022**	**Impact 2021**	**Coverage rate (was added to this table) See Note 1**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
	CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	752	n.a.	61%	See Note 3	See Note 2
		Scope 2 GHG emissions	256	n.a.	61%	See Note 3	See Note 2
		Scope 3 GHG emissions	88'466	n.a.	61%	See Note 3	See Note 2
		Total GHG emissions	89'474	n.a.	61%	See Note 3	See Note 2
	2. Carbon footprint	Carbon footprint in tCO2e/M USD and MEUR invested	1'024 (USD) 972 (EUR)	n.a.	61%	See Note 3	See Note 2

	3. GHG intensity of investee companies	GHG intensity of investee companies	0.007 (USD) 0.007 (EUR)	n.a.	61%	See Note 3	See Note 2
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.1%	n.a.	62%	See Note 4	See Note 2
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	605%	n.a.	100%	See Note 5	See Note 2
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million USD/EUR of revenue of investee companies, per high impact climate sector	n.a.	n.a.	n.a.	Complementary indicator reported in next table. See Note 6.	See Note 2
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	n.a.	n.a.	n.a.	See Note 7	See Note 2
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million USD/EUR invested, expressed as a weighted average	n.a.	n.a.	n.a.	Complementary indicator reported in next table. See Note 8	See Note 2

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million USD/EUR invested, expressed as a weighted average	n.a.	n.a.	n.a.	Complementary indicator reported in next table. See Note 9	See Note 2
	INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	n.a.	48%	See Note 10	See Note 2
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	5.3%	n.a.	48%	See Note 11	See Note 2
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.2%	n.a.	33%	See Note 12	See Note 2
	13. Board gender diversity	Average ratio of female to male board members in	23.5%	n.a.	69%	See Note 13	See Note 2

		investee companies, expressed as a percentage of all board members					
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	n.a.	100%	See Note 14	See Note 2

Other indicators for principal adverse impacts on sustainability factors:

COMPLEMENTARY INDICATORS REPORTED BY THE FUND

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Coverage rate (was added to this table) See Note 1	Explanation	Actions taken, and actions planned and targets set for the next reference period
Refers to PAI 6	Indirect exposure to high impact climate sectors	Share of the investee's portfolio in high impact climate sectors	13.8%	n.a.	62%	See Note 6	See Note 2
Refers to PAI 8	Indirect exposure to sectors with intensive emissions to water	Share of the investee's portfolio in sectors with intensive emissions to water	4.3%	n.a.	66%	See Note 8	See Note 2
Refers to PAI 9	Indirect exposure to sectors which generate significant amounts of hazardous waste	Share of the investee's portfolio in sectors which generate significant amounts of hazardous waste and/or	1.6%	n.a.	66%	See Note 9	See Note 2

	and/or with high risk of site contamination	with high risk of site contamination					

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Refer to Annex V

Engagement policies

Since 2022, the Fund has put in place an engagement framework that requires Investees to commit to improve their Environmental and Social Management System if, as per the assessment done prior to investment, it is deemed not to be commensurate to their level of E&S risk taking. This requirement aims to reduce their risk of causing adverse impacts. The improvement actions required are usually focusing on the setup of policies, teams, trainings, procedures and better transparency around E&S risks. Actions are for example directly related to PAI 11, or the additional PAI5 on employees' grievance mechanism. Other are related to the E&S management systems to be put in place to mitigate adverse impacts in general. In 2022, 32 action items were required to 14 investees and specific clauses were added in the loan agreements.

References to international standards

Refer to Annex V

Historical comparison

First year of report. No historical comparison available.

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Coverage rate (was added to this table) See Note 1	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	100%	n.a.	48%	See Note 15	See Note 2

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact 2022**	**Impact 2021**	**Coverage rate (was added to this table) See Note 1**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies							
Social and employee matters	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	0%	n.a.	48%	See Note 16	See Note 2

Note 1 - Perimeter :

The coverage rate of each indicator is reported in the table, in share of the Sustainable Investments[17] (as a weighted average of quarterly NAV). The rate indicates the share of investments for which data is available. Non Sustainable Investments[18] are not considered given data is not applicable to their nature (e.g. cash, money market instruments).

All ratios are averaged only on the value of investments for which the indicator is available. For sake of clarity, indicators which are not ratios are not scaled to the portion of the portfolio for which data is available (see Note 3).

For Bonds and Loans which have a specific use of proceeds, the PAIs are likely to overestimate the actual impact of the investments as they are calculated based on the average composition of the portfolio of the Investee financed and not on the specific use of proceeds financed by the sub-Fund which are often, in such cases, proceeds selected for these relatively lower PAIs.

Note that following the RTS, all indicators are calculated as a weighted average of the Fund's portfolio composition at end of each quarter, using latest data available from the investees at end of the reporting period.

Note 2 - Actions taken :

The Fund has not set quantified improvement targets for the PAIs. Indeed, this report coincides with the first year of collection of data for a few PAIs and the coverage rate (share of investees that reported on each indicator) will increase progressively over the years. The Sub-Fund may decide to set quantified improvement targets in the future. For indicators related to the setup of processes, such as PAI 11, ongoing engagement is undertaken with the Investees, through informal discussion on the importance of such practices. Technical Assistance Programs and/or Environmental & Social Action Plans are also setup since 2022 to engage the Investee companies to improve notably on a few processes that are underlying the PAI Indicators, for mitigation purposes.

Note 3:

The Investment Manager uses the proxy provided by the Joint Impact Model to estimate the GHG emissions of its investments.

Most of its investees being FIs and considering that most of the GHG emissions of an FI stem from its portfolio of investments, the estimates for the Scope 3 emissions also consider the emissions generated by the economic activities financed by the FIs financed by the Fund.

[17] as defined in SFDR and its Annex V of AFS for the Fund.
[18] as defined in SFDR and its Annex V of AFS for the Fund.

When available, the breakdown of the gross loan portfolio of the investees by economic sectors is used to generate the proxy GHG emissions for the Scope 3. For the few cases when that detail is not available, the investee's emissions were not estimated. The model selected uses the best available databases and was developed by industry experts, but estimating GHG emissions still includes a considerable amount of assumptions which limit their precision.

Given the Fund's type of investments (debt) and investees (financial institutions in their majority), calculation of the GHG emissions, Carbon Footprint and Carbon Investee were done based on the investee companies' total assets to replace the investee companies' enterprise value, and on their net interest income to replace the the investee companies' revenues.

The GHG Intensity of investee companies and the Carbon Footprint are calculated based on the Sustainable Investments for which data is available, to avoid underestimating these ratios.

Results are showing an important amount of scope 3 emissions, leading to a high carbon footprint, which seems inherent to the mission of the Sub-Fund of financing economic development, through financial intermediaries reaching vast clienteles, thus demulitiplicating impact.

A significant share of the emissions are stemming from five investees, either due to their activity or due to the energy mix of the country where they operate. Notably, one investee in South Africa finances SMEs operating in public transportation, heavily relying on petroleum. One bank in Cameroon is investing in the manufacturing sector of the country, heavily dependent on the cattle industry. Two investees in Madagascar finance the retail and trade sector, which are indirectly coal intensive given the energy mix of the country.

For non-productive loans (personal loans), a zero estimation was chosen in order not to overestimate their emissions, as no accurate proxy for those was found for now.

Note 4:

The Fund does not directly invest in companies active in the fossil fuel sector. Most of the investees operate in the financial sector and as such do not directly derive revenues from activities such as the exploration, mining, extraction, production, processing, storage, refining or distribution in the fossil fuel sector.

The Fund however reports here its indirect exposure to the fossil fuel sector through investments in FIs that themselves have exposure to fossil fuel sectors. The approach chosen is a weighted one: for a USD 1M Invested in a Financial Institution that has a 10% exposure to the Fossil Fuel Sector in its portfolio, only USD 0.1M will be counted in the "share of investments in companies active in the fossil fuel sector".

In 2022, the reporting scope focuses on extraction and manufacturing of fossil fuels, and does not consider other segments of the fossil fuel value chain (notably transport and trade). A minor part of mining of coal may have been missed but will be corrected further on. Another minor part of the exposure to fossil fuel might be missed as the breakdown of the manufacturing portfolio is not requested if it represents less than 5% of the total portfolio of the investee). However, data collection has been adjusted to include exposure to all segments of the fossil fuel sector going forward. Therefore, this exposure is likely to marginally increase in 2023.

The residual exposure in the fossil fuel sector in 2022 is mostly explained by one investment in a Nigerian Bank, reflecting the economy of country.

Note 5:

The vast majority of the Fund's investees draw energy from the national grid, thus data is retrieved from the national energy mix, through the use of ourworldindata.com. This method does not value the few initiatives from some investees towards renewable energy which are however still limited. To be fully aligned and conservative, the SFDR definition of renewable energy is used (thus excluding nuclear and natural gas, two energy sources that are now included in the updated definition of "renewable energy" of the EU Taxonomy).

The calculation is representing the share of non-renewable electricity consumption – and not production - of investee companies from non-renewable energy sources compared to renewable energy sources, noting that the metric defined by the regulation presents a lack of clarity. Data on energy consumption and production were found to have a low coverage for now.

Note 6:

The specific energy consumption in GWh being difficult to collect from non-EU investees, the Fund opted to report its exposure to high impact climate sectors rather than the energy consumption of its portfolio in these sectors.

Most of the investees of the Fund operate in the financial sector and do not classify as part of a high impact climate sector. As such, the Fund does not have direct exposure to companies active in high impact climate sectors.

The Fund however reports in the table "Complementary indicators reported by the Fund" its indirect exposure to high impact climate sectors through investments in FIs that themselves have exposure to high impact climate sectors. The approach chosen is a weighted one: for a USD 1M Invested in a Financial Institution that has a 10% exposure to High Impact Climate sectors in its portfolio, only USD 0.1M will be counted in the "share of investments in high impact climate sectors".

The Fund uses the list of high impact sectors defined by the regulation (agriculture, forestry and fishing, mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply; sewerage, waste management, and remediation activities, construction, wholesale and retail trade; repair of motor vehicles and motorcycles transportation and storage real estate activities).

The results shown in the table exclude microloans inferior to 10'000 USD in such sectors, considering that the effect of microenterprises on climate is low. Including them would overestimate the exposure of the Fund to the risk of contributing to climate change.

Note 7:

Most of the investees operate in the financial sector and their direct impact on biodiversity-sensitive areas is negligible. As such, the Fund does not have direct exposure to companies that negatively affect biodiversity sensitive areas.

However, the Investment Manager is doing its best effort to calculate or estimate the impacts of the FI's underlying portfolio to activities located near or in biodiversity-sensitive areas which could negatively affect these areas. Research is taking place on the best tools to map and match national biodiversity-sensitive areas to portfolio activities’ locations. Efforts are made to raise awareness of the investees on the biodiversity sensitive areas and the environmental and social risk management system that needs to be put in place when investing in companies active in or near these areas. A specific analysis was done on 48% of the portfolio of investments and on this segment, the Investment Manager concluded that the Investees of the Sub Fund do not have activities that could negatively affect biodiversity sensitive areas.

Note 8:

The specific tonnes of emissions to water being difficult to collect from non-EU investees, the Fund opted to report its exposure to sectors likely to generate high emissions to water.

Most of the investees operate in the financial sector and generate a negligible amount of emissions to water through their direct activities.

To demonstrate its best effort, the Fund however reports in the table “Complementary indicators reported by the Fund” its indirect exposure to sectors with intensive emissions to water according to the IFC. It applies coefficients to this exposure depending on the size of companies active in those sectors in its investee's portfolio given that micro, small or medium sized enterprises are likely to produce much lower emissions than large enterprises even when they are active in the same economic sector.

Note 9:

The specific tonnes of hazardous waste being difficult to collect from non-EU investees, The Fund opted to report its exposure to sectors likely to generate significant amounts of hazardous waste or to imply site contamination.

Most of the investees operate in the financial sector and generate a negligible amount of hazardous waste through their direct activities.

To demonstrate its best effort, the Fund however reports reports in the table “Complementary indicators reported by the Fund” its indirect exposure to sectors which generate significant amounts of hazardous waste and/or with high risk of site contamination according to the IFC. It applies coefficients of exposure depending on the size of companies active in those sectors in the investee's portfolio given that micro, small or medium sized enterprises are likely to produce much lower emissions than large enterprises even when they are active in the same economic sector.

Note 10:

As further described in its sustainability-disclosures, the ESG assessment tool used by the Fund is based on the relevant fundamental pillars of the UNGC principles and OECD guidelines. As such, the assessment of whether investees are able to comply with these principles is fully embedded in the investment decision.

As part of the assessment, the Investment Manager collects one key result indicator of such violations: "the investee has received fines due to non-compliance with environmental and social regulations". Any investee that received fines is counted as being part of the "share of investments in investee companies that have been involved in such violations".

The Investment Manager is also monitoring its investees for any lawsuits and allegations reported by World-check screening results, on topics related to human rights, employment, bribery, consumer interests, competition, and taxation, and to environment to the extent such regulations exist in the countries of location of the investees.

Further developments are foreseen to report on this indicator. The Investment Manager in collaboration with peers notably investigate the interest of using a controversies' watchlist provider.

Note 11:

As further described in its sustainability-disclosures, the ESG assessment tool is based on the relevant fundamental pillars of the UNGC principles and OECD guidelines. This assessment notably provides an opinion on the following three procedures: "Grievance mechanism for employees"; "Customer complaints and insurance claims"; and for investees involved in project finance "Complaints' mechanism in place for people living in places where the company operates". Any investee where at least one of these procedures is lacking is counted in the share of investments in investee companies without policies to monitor compliance with UNGC principles or OECD guidelines.

In 2022, 3 of the investees for which we were able to collect the data where lacking policies to monitor compliance with UNGC principles or OECD guidelines.

Note 12:

The Fund provides this indicator for the average of all employees, using the average annual compensation rather than the hourly compensation asked by the Regulation. This information is directly collected through investees.

Note 13:

The Fund provides this indicator expressed as a percentage of all board of directors (i.e. number of female board members / total number of board members) as the regulatory definition is unclear. This information is directly collected through investees.

Note 14:

The Fund reports no exposure to the manufacture and selling of controversial weapons as it is part of the Exclusion list included in all contracts with its investees. The capacity of investees to properly implement the exclusion list is assessed during due diligence of each investee.

Note 15:

The Fund assesses the good quality of its investees' carbon credit collection or carbon off-setting programs. It reports here on the share of investments in investees with no such quality measures in place.

Note 16:

Investees’ Grievance mechanisms related to employee matters are assessed through the ESG assessment tool.