

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant:** Usaldusfond BaltCap Infrastructure Fund

### Summary

Usaldusfond BaltCap Infrastructure Fund (Fund) acknowledges and considers the principal adverse impacts of our investment decisions on sustainability factors. This consolidated statement provides information on the principal adverse impacts on sustainability factors of the Fund.

The statement covers the reference period from 1 January to 31 December 2022. As part of our investment due diligence process and procedures, we actively consider the principal adverse impact. We measure and monitor the aggregated negative impact of our investments on sustainability factors at the Fund level.

To assess the principal adverse impact, we utilize the mandatory principal adverse impact indicators and two voluntary indicators outlined by the Sustainable Finance Disclosure Regulation (SFDR), based on the availability and quality of data. However, due to the absence of mandatory data reporting requirements for investee companies, we face challenges in identifying all the principal adverse impacts of our investments.

This statement includes the reported principal adverse impact of our investments, measured using these indicators. Comparing the principal adverse impact of our investments to industry benchmarks is challenging due to the diversity of our portfolios, including the sectors in which we invest. Without comparative data from previous reference periods, it is difficult to determine which sustainability factors are most significantly impacted by our investments.

Furthermore, this statement describes the actions taken, planned actions, and targets set to reduce and mitigate the principal adverse impact of our investments, where relevant.

For a more comprehensive understanding of our approach to principal adverse impact assessment, please refer to our active ownership and engagement policies and processes.

### Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the SFDR are set out in Table below. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the identified principal adverse impact, where relevant.

We have included the reported principal adverse impact of our investments, measured using these indicators, for the reference period from 1 January to 31 December 2022.

We will report this information on an annual basis, subject to data availability and quality. Information on impact compared to the previous year will be initially reported by 30 June 2024, and thereafter on an annual basis.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2022 [year n]	Impact [year n-1] <sup>1</sup>	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	280.97 tCO2e	N/A	Currently, Scope 1 and Scope 2 emissions are calculated for two investee companies of the Fund, namely Knowledge and Nullus. This is because the other investee companies of the Fund are currently in the project development phase. As a result, for these investee companies and their projects under development, only Scope 3 emissions are estimated. Emissions from administrative activities are not included in any of the calculations.	For the investee companies that currently only have projects under construction or development, no targets have been set for the next reference period.  For other investee companies, the following goals are set for the next reference period in terms of calculating total GHG emissions: <ul style="list-style-type: none"> <li>• Forest: The goal is to reduce GHG emissions from 454.58 tCO2e to 400 tCO2e.</li> <li>• Anaerobic: The aim is to decrease GHG emissions from 521 tCO2e to 500 tCO2e.</li> <li>• Knowledge: The target is to maintain the total GHG emissions at the same level as the current reference period.</li> </ul>
		Scope 2 GHG emissions	84.26 tCO2e	N/A		
		Scope 3 GHG emissions	2 449.22 tCO2e	N/A		
		Total emissions	2 814,45 tCO2e	N/A		

<sup>1</sup> Information on impact compared to previous year will be initially reported by 30 June 2024, and continuously on an annual basis.

						<ul style="list-style-type: none"> <li>• Nullus: The goal is to increase GHG emissions from 81.37 tCO<sub>2</sub> to up to 266.74 tCO<sub>2</sub>e, considering the development stage of this project.</li> </ul>
	2. Carbon footprint	Carbon footprint	0	N/A	The carbon footprint is 0 at the Fund level since the carbon footprint emitted by each investee company of the Fund is offset against their positive impact.	Maintain the same 0 carbon footprint for the next reference period
	3. GHG intensity of investee companies	GHG intensity of investee companies	0,006 tCO <sub>2</sub> /MEUR (revenue)	N/A	The GHG emissions are mainly from the school projects that the Fund invested in, due to the use of gas by such schools.	<p>The GHG emissions are mainly from the school projects that the Fund invested in, due to the use of gas by such schools.</p> <p>Currently, there are no other alternatives to replace the gas used by these certain projects.</p> <p>Therefore, the target for the next reference period is to maintain the same GHG intensity</p>
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	No investments in the fossil fuel sector	Not applicable given our investment universe.
	5. Share of non-renewable energy	Share of non-renewable energy consumption and non-renewable	2.46% non-renewable energy consumption	N/A	In one investee company, non-renewable energy is utilized for Scope 3 activities, while biogas is	The target for the upcoming reference period is to keep the same thresholds as in the current period.

	consumption and production	energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources			used for electricity production.  In another investee company, non-renewable energy is employed for Scope 3 activities, and biomass is used for heat production. Furthermore, this company exclusively utilizes electricity from renewable energy sources.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	115.4 GWh/million EUR of revenue	N/A	Out of the investee companies within the Fund, only three are operating in the high impact climate sector.	The planned target for the upcoming reference period is to reduce energy consumption in GWh per million EUR of revenue of investee companies to a maximum of 114.01 GWh/million EUR of revenue.
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	0	N/A	None of the investee companies are operating in biodiversity-sensitive areas or causing any negative impacts on such areas.	Not applicable given our investment universe.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per	0	N/A	None of the investee companies have generated emissions in relation to water.	Not applicable given our investment universe.

		million EUR invested, expressed as a weighted average				
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0	N/A	None of the investee companies dispose of hazardous waste.	Not applicable given our investment universe.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
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	The Fund has adopted a Sustainability policy, which has been published on the Fund's website. Investee companies have made relevant decisions to comply with the provisions of this policy, which covers social and governance considerations, among other things, including adherence to UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	As there have been no breaches of the indicators, it is unnecessary to pursue any further action or introduce additional measures at this time.  Both the Fund and each investee company are obligated to adhere to the Sustainability policy and must ensure that there will be no breaches of the indicators in the upcoming periods.
	11. Lack of processes	Share of investments in	0	N/A	See above.	See above.

	and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	Currently, it is challenging to measure a gender pay gap as the majority of investee companies have only one employee each.	If the number of employees in each investee company increases in the future, there may be a greater amount of data available to measure and identify potential gender pay gaps. However, irrespective of the employee count, each investee company currently adheres to a salary determination process that is based on skills and qualifications, not influenced by gender.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a	0%	N/A	Currently, only 1 investee company has formed the board (collegial management body). Other investee companies has a	As there have been no breaches of the indicators, it is unnecessary to pursue any further action or introduce additional measures at this time.

		percentage of all board members		<p>sole management body – CEO.</p> <p>What is important is that the Fund invests in project investee companies dedicated to the implementation of certain projects. Therefore, this is the main reason why most investee companies have only one employee, which is the CEO.</p> <p>The current composition of the board and management in the mentioned investee company consists solely of male representatives.</p> <p>The selection of board / management members was based on a careful assessment of their competence, qualifications, and expertise in their respective fields. It is crucial to recognize that competence and qualifications are the primary criteria for board appointments, regardless of gender.</p> <p>The decision to form a board / management composed of male representatives does not imply that gender was the sole determining factor. Rather, the focus was on</p>	<p>Both the Fund and each investee company are obligated to adhere to the Sustainability policy and must ensure that there will be no breaches of the indicators in the upcoming periods.</p>
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					identifying individuals with the necessary skills, experience, and knowledge to effectively contribute to the investee company's strategic decision-making process and provide valuable guidance.	
	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	Our investment universe excludes companies engaged in the production or development of cluster munitions, antipersonnel mines, biological weapons, chemical weapons, weapons with non-detectable fragments, incendiary and blinding laser weapons, or depleted uranium munitions. Additionally, we do not invest in companies that are verified to be involved in the production of nuclear weapons.	See above.
<b>Indicators applicable to investments in sovereigns and supranational</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2022 [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	Not applicable given our investment universe.	Not applicable given our investment universe.
Social	16. Investee countries subject to	Number of investee countries subject to social violations (absolute number	N/A	N/A	Not applicable given our investment universe.	Not applicable given our investment universe.



	social violations	and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law					
<b>Indicators applicable to investments in real estate assets</b>							
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact [year n]</b>	<b>2022</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A		N/A	Not applicable given our investment universe.	Not applicable given our investment universe.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A		N/A	Not applicable given our investment universe.	Not applicable given our investment universe.
<b>Other indicators for principal adverse impacts on sustainability factors</b>							
In addition to the indicators set out above, we consider the two additional indicators included in the tables here below, subject to data availability and quality.							
<b>Additional climate and other environment-related indicators</b>							

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>						
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Energy performance	14. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	Non-renewable energy consumption investee companies from non-renewable energy sources compared to renewable energy sources is 2.46%  Source of non-renewable energy consumption is natural gas.	N/A	The non-renewable energy consumption is mainly from the school projects that the Fund invested in, due to the use of gas by such schools.  Currently, there are no other alternatives to replace the gas used by these certain projects.	The target for the upcoming reference period is to keep the same thresholds as in the current period.
<b>Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>						
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>						

Anti-corruption and anti-bribery	1. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	0	N/A	The Fund has adopted a Sustainability policy. Investee companies have made relevant decisions to comply with the provisions of this policy, which covers social and governance considerations, among other things, including anti-corruption and anti-bribery matters consistent with the principles outlined in the United Nations Convention against Corruption.	As there have been no breaches of the indicators, it is unnecessary to pursue any further action or introduce additional measures at this time.  Both the Fund and each investee company are obligated to adhere to the Sustainability policy and must ensure that there will be no breaches of the indicators in the upcoming periods.
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**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

The SFDR defines sustainability factors as environmental, social, and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Principal adverse impact is generally understood to mean the negative impact caused by an investment decision on these factors. The SFDR includes a set of specific indicators that can be used to measure an investee company's negative impact on sustainability factors, enabling the identification of the principal adverse impact of investments by a financial market participant.

**Methodology for identifying and prioritizing principal adverse impacts**

We have implemented certain safeguards to ensure that our investments meet minimum ESG standards. Our ESG safeguards include the application of exclusion lists and norm-based screening. Additionally, to identify, manage, and mitigate principal adverse impact where relevant, we integrate principal adverse impact considerations into our investment decision-making process. The identification of high negative impact on environmental and social factors results in further analysis and may serve as a driver for active ownership activities, including engagement, as a means to mitigate that impact. A high negative impact on sustainability factors may ultimately lead to divestment. We consider principal adverse impact at the entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of our investments.

Through the investment process, either through fundamental analysis or quantitative modelling, additional principal adverse impacts can be identified. Tools for identification include sector-specific materiality frameworks and company dashboards that evaluate a company's sustainability performance across various aspects. Fund-specific targets, such as carbon reduction, can lead to the identification and subsequent exclusion of principal adverse impact.

The monitoring of principal adverse impact is subject to data availability and quality. Given the evolving ESG data landscape and the development phases of investee companies, there may be challenges in identifying adverse impacts.

Considering the investment strategy of the Fund, climate-related principal adverse impacts are prioritized, provided that all minimum standards are met.

#### **Methodology for selecting the optional indicators of principal adverse impacts on sustainability factors**

In order to select the additional environmental/social indicators from the list of additional indicators included in Table 2 and Table 3 of Annex I of the SFDR RTS, the Fund has conducted an analysis taking into consideration the following aspects:

- **Relevance:** the materiality of the optional indicators in accordance with the policies and commitments acquired by the Fund.
- **Data availability:** the availability of data.
- **Coverage:** the percentage of coverage over Fund's investment universe.

This analysis has been carried out considering these three criteria for all the additional indicators, taking into account, in addition, the probability that the results of the same could produce adverse incidents and, where appropriate, the severity of the same, and/or their potentially irremediable character.

Additionally, the relationship between the indicators and the policies and mechanisms discussed in the previous points has been integrated into this analysis, resulting in the selection of the following two indicators for their monitoring during this reporting exercise:

- Table 2, indicator 5. Breakdown of energy consumption by type of non-renewable sources of energy.
- Table 3, indicator 15. Lack of anti-corruption and anti-bribery policies.

This selection of indicators may be maintained, modified and, if necessary, enlarged in accordance with regulatory developments and the availability of market data in subsequent years and the possible margin of error that can be derived from the analysis carried out.

#### **Policies for detecting and prioritizing major adverse impacts**

More information on our Sustainability approach can be found in our [Sustainability policy](#).

#### *Margin of error with our methodologies*

The methodology to identify PAI is always subject to data availability and quality. We are reliant on the quality of data received from investee companies. This is done in order to minimise the reliance on third-party estimations, contributing to improving the overall quality of the data we use as input in our investment and active ownership processes.

The impact reported above does not include impact of certain holdings for which data is not available and could not be obtained on a best effort basis or estimated.

#### *Governance in relation to policies*

Our Managing Partners has overall responsibility to define the approach to ESG. The daily responsibility to implement our Sustainability Policy and our active ownership and engagement framework, lies with Dedicated Managing Partner, as well as supporting team, such as Risk Management. Our responsible investment, active ownership and engagement framework is updated at least on an annual basis. Information on our engagement policies is set out below.

### *Data sources*

Our PAI engine applies a range of data, including values, scores and weights sourced from investee companies. The indicator importance is prioritised according to parameters reviewed and maintained by analysts in our Investment team. These parameters take into account various aspects that may impact the performance of the engine, including data quality, data freshness and history, data coverage, the materiality of the indicator's subject matter, and divergence of indicator values.

We apply various measures to control the data quality, both third-party and internal.

More information about the data sources used is available upon request.

### **Engagement policies**

Engagement with the Fund's investee companies is a critical component of the Fund's investment, management, and development activities. It begins early in the investment process and involves gathering information to support decision-making. The Fund team is responsible for reviewing financial and sustainability data and conducting research on each investee company. This data can be obtained from various sources, including investee company reports and third-party investment research.

The team identifies underperforming investee companies and conducts further analysis to determine the appropriate course of action. The available options range from engagement to no action or exclusion.

Engagement is pursued when an investee company is identified as a candidate for engagement. This may be due to factors such as poor performance on principal adverse impact indicators or technical screening criteria, or limited data coverage. The Fund team engages with the company and monitors its performance based on key performance indicators related to the identified challenges and relevant Taxonomy technical screening criteria.

No action is taken when the PAI indicator level and Taxonomy technical screening results of an investee company are considered acceptable or not reflective of its actual performance. The investee company will continue to be regularly assessed.

Exclusion is considered as a last resort measure, where an investee company is determined to be ineligible for investments across the Fund's portfolio. Exclusion is only implemented after careful consideration.

Overall, the Fund team follows a comprehensive process to evaluate and address the performance and sustainability of each investee company, with the goal of driving positive change and promoting responsible investments.

During each reporting period, the Fund conducts a review to assess whether there has been a reduction in principal adverse impacts. If there is insufficient progress, the engagement policies described above will be adjusted, including the selection of engagement themes, companies for engagement, as well as the process during engagements, including objective setting. Additionally, if enhanced engagement cases prove to be ineffective, the Fund has the option to exclude investee companies from its investment universe.

### **References to international standards**

The Fund showcases its dedication to ESG principles through its longstanding support of the United Nations Principles for Responsible Investment (UNPRI). It actively integrates ESG factors into its ownership practices, recognizing the potential to reduce investment risk and enhance returns for investors.

In addition to its commitment to UNPRI, the Fund aligns with the United Nations Sustainable Development Goals (SDGs) and adheres to various international conventions and norms. These include the United Nations Global Compact, the OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises, the Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights.

By upholding these frameworks and standards, the Fund demonstrates its commitment to responsible investing and sustainable development. It recognizes the importance of incorporating ESG considerations in its investment decisions and actively supports global initiatives for ethical and responsible business practices.

### **Link to sustainability indicators**

#### **Emissions, alignment with Paris Agreement**

Greenhouse gas emissions (PAI 1-6, Table 1)

#### **Methodology**

Data points such as future GHG emissions, emissions intensity, physical climate damages, energy flows, energy demand, and technological capabilities are provided by investee companies and assessed by the Fund's team. These data points are then aggregated to calculate a climate-adjusted valuation metric and temperature-alignment metric for the Fund's portfolio. The Fund aims to improve its systematic approach to identifying and evaluating climate-related risks using these results. However, it is important to note that like any model, the results heavily depend on the assumptions made. The Fund acknowledges that climate models are based on stylized scenarios that attempt to capture the potential future interplay between physical climate impacts, policies, and regulations.

Emissions are estimated in accordance to Draft European Sustainability Reporting Standard E1 Climate change and GHG Protocol Corporate Standard.

An organizational boundaries was set under the equity share approach. Then operational boundaries by each investee company were analyzed, assigning the sources of GHG emissions into 3 scopes: Scope 1. Direct emissions from sources that are owned or controlled by the investee company (e.g., own natural gas boilers for school building space heating), Scope 2. Indirect emissions from purchased electricity and district heating, Scope 3. All other indirect emissions (e.g., transportation of biomass). It was identified that for those investee companies, what still carry on construction works Scope1 and Scope 2 emissions would be minor, or zero, as the main works are carried by other companies (even financial services are outsourced). For such companies Scope3 emissions are the major source of emissions. For such companies under Scope3 the following activities were typically evaluated: transportation of main construction materials to construction site, fuel in construction machinery on site, treatment of industrial waste.

GHG emissions were calculated multiplying activity data by emission factor. Activity data under Scope 1 and Scope2 was collected from invoices and meter readings. Activity data under Scope 3 was collected from invoices, or calculated based on assumptions (e.g., for biomass transportation distance). Activity data evaluation was performed by comparison of data from similar projects. Where possible, country specific emission factors were used. If not available, international emission factors were used, e.g., from UNFCC carbon emissions calculator. Conversion factors, fuel calorific value was used the same as in the latest National GHG Inventory report.

#### **Biodiversity**

Activities negatively affecting biodiversity sensitive areas (PAI 7, Table 1), Natural species and protected areas (PAI 14, Table 2)

#### **Methodology**

The Fund supports projects that are compatible with maintaining the integrity of areas important for biodiversity as well as the core natural functions, processes, and resilience of ecosystems to halt and reverse biodiversity loss, increase biodiversity and ecosystem benefits and, where required, achieve a Net Positive Impact

on biodiversity. In areas of critical habitat, nor the Fund, nor the investee companies, shall implement project activities unless all of the following conditions are met:

- No other viable alternatives for the project exist either in terms of location or design, and there is rigorous justification of overriding public interest based on human health, public safety considerations and/or beneficial consequences of primary importance for the environment.
- The project does not lead to measurable adverse impacts that will result in any detrimental effect on the ecological and conservation status of the critical habitat, and impacts are avoided and minimised to the extent possible through changes in footprint or design.
- The project does not lead to a net reduction in the population of any vulnerable.
- Positive conservation outcomes (Net Positive Impact) and continued ecological functionality are achieved through appropriate compensation measures for residual impacts that would otherwise occur despite impact avoidance, minimisation and restoration measures.
- A robust, appropriately designed and long-term biodiversity monitoring and evaluation programme aimed at assessing the status of the critical habitat is integrated into the investee company's adaptive management programme.

The Fund will monitor this metric, taking into account data coverage and relevance, and will keep this position under review, with a view to reassess at least annually.

#### **Water and waste**

Link to sustainability indicators: Emissions to water (PAI 8, Table 1) and Hazardous waste and radioactive waste ratio (PAI 9, Table 1)

#### **Methodology**

The Fund supports projects that are compatible with maintaining the integrity of areas important for biodiversity, as well as the core natural functions, processes, and resilience of ecosystems, to halt and reverse biodiversity loss, increase biodiversity, and ecosystem benefits, and, where required, achieve a Net Positive Impact on biodiversity.

- In areas of critical habitat, neither the Fund nor the investee companies shall implement project activities unless all of the following conditions are met:
- No other viable alternatives for the project exist either in terms of location or design, and there is rigorous justification of overriding public interest based on human health, public safety considerations, and/or beneficial consequences of primary importance for the environment.
- The project does not lead to measurable adverse impacts that will result in any detrimental effect on the ecological and conservation status of the critical habitat, and impacts are avoided and minimized to the extent possible through changes in footprint or design.
- The project does not lead to a net reduction in the population of any vulnerable species.

Positive conservation outcomes (Net Positive Impact) and continued ecological functionality are achieved through appropriate compensation measures for residual impacts that would otherwise occur despite impact avoidance, minimization, and restoration measures.

The Fund will monitor this metric, taking into account data coverage and relevance, and will keep this position under review, with a view to reassessing at least annually.

## **Social**

The PAI(s) detailed below are used to measure adherence to the respective standards:

### **UN Global Compact:**

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

### **UN Guiding Principles on Business and Human Rights:**

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

### **OECD Guidelines for Multinational Enterprises:**

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

### **ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy:**

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15, Table 1).

### **Convention on cluster munitions:**

- Controversial weapons (PAI 14: Table 1).

## **Methodology**



The methodology and data used endorse the United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises. Overall, the United Nations Universal Declaration of Human Rights, the International Labour Organization's (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the UNGC, and the OECD Guidelines for Multinational Enterprises outline minimal behavioural standards.

The Fund utilizes internal expertise to identify companies that violate global norms in the areas of human rights, labour standards, environmental standards, and anti-corruption. Data sources used to assess PAIs and compliance with exclusions (e.g., Thermal Coal, Destruction of critical habitats) include the Fund's team analyst due diligence and ongoing assessment of controversy.

### **Corporate governance**

Link to sustainability indicators: Unadjusted gender pay gap (PAI 12, Table 1), Board gender diversity (PAI 13, Table 1), Lack of anti-corruption and anti-bribery policies (PAI 15, Table 2).

### **Methodology and data used:**

In its capacity as a shareholder, the Fund ensures that the investee companies and its project workers enjoy equal treatment and equal opportunity (equal remuneration for men and women for work of equal value). The selection of individuals is based on their experience, professionalism, and merit, without consideration of gender or any other discriminatory criteria.

Each investee company of the Fund has agreed to comply with the good governance obligations outlined in the Sustainability Policy of the Fund. These obligations include, but are not limited to, non-discrimination, equal treatment, anti-bribery, anti-corruption, and similar responsibilities.

### **Historical comparison**

A historical comparison between the reporting periods of 2022 and 2023 will be disclosed in our 2024 Principal Adverse Impact statement.