

Principal Adverse Impact Report

Privium Sustainable Impact Fund



Introduction

This is the Principal Adverse Impact Report of the Privium Sustainable Impact Fund¹ covering the reporting period from 1 January 2024 until 31 December 2024. This report gives insight into how each Principal Adverse Impact indicator was addressed and reported on during the reporting period.

This document is not marketing material.

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Summary

The Privium Sustainable Impact Fund (**the Fund, PSIF**) considers the Principal Adverse Impact (**PAI**) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. This report is the consolidated statement on the PAI indicators on sustainability factors of the Fund's investments over the period of 1 January 2024 to 31 December 2024.

During the reporting period, the Fund made both socially and environmentally responsible investments, thereby aiming to provide investors with an attractive financial return while at the same time striving to create impact. In the context of the European Union's Sustainable Finance Disclosure Regulation (**SFDR**), the Fund is classified as an Article 9 fund. The related periodic disclosure is included in the Fund's annual report and prospectus published on the Fund's website² and the website of the Fund's investment manager³.

The Fund strives to achieve a measurable positive impact and as part of the Fund's investment approach it is aware of and mitigates the negative impacts that the investments may have where possible. These impacts can occur in different areas, such as environmental, social and employee matters, human rights, corruption, or bribery matters. The Fund aims to address, by avoiding or reducing, the PAI of its investments.

In addition to the Fund's PAI indicators over the reference period, its overall approach to identifying, prioritising, and addressing PAI of its investments is detailed in this report. In line with the Fund's strategy, sourcing of investments as well as the collection of PAI, the collection of related data and engagement is performed by the Fund's investment advisor in close relationship with the Fund's investment manager who makes the final investment decision and is responsible for all Fund related disclosures.

Prior to making its investment decision, the Fund's investment manager reviews the PAI analysis related to the proposed investment prepared by the Fund's investment advisor, including any mitigating factors and engagement actions. The PAI analysis process of the Fund's investment advisor is reviewed annually by the Fund's investment manager.

This report consists of the following sections:

A. Description and reporting of principal adverse impact

This section describes the PAI indicators related to sustainability factors over the reporting period. This is done by way of tables containing both the mandatory and voluntary PAI indicators and data, as well as how the indicators are embedded in the Fund's data collection and monitoring process. In addition, the tables contain information regarding the engagement actions taken and planned by the Fund to obtain missing information or further improve the data quality.

B. Identification and prioritisation of principal adverse impact

This section provides information about the Fund's approach to investing and relevant policies on the identification and prioritisation of PAI. Since PSIF is an impact fund, sustainability factors are considered prior to investing and monitored throughout the investment process. All investments

² www.psif.nl

³ www.priviumfund.com/privium-sustainable-impact-fund

made by the Fund are screened against sustainability factors and are linked to both positive impacts and PAI.

Given the thematic nature of the Fund's investments, PAI are prioritised per investment theme. If the Fund adds another impact theme, it will receive its own prioritisation of PAI. For each (potential) investment, the environmental, social and governance risks are assessed, and possible improvements are identified.

C. Engagement policies and procedures

The Fund directly engages with investee funds prior to, during and after investment. As the Fund can support the initial offering of new funds or companies coming to market as well as take a sizable minority position, it often has an effective engagement relationship with the senior management teams. The Fund frequently has a direct impact on the investee funds' practices and reporting.

The PAI are considered throughout the engagement process with investee funds and influence the applicable engagement track and subsequent progress monitoring. The Fund only considers new investments when it clears predetermined minimum requirements, has committed to the set reporting requirements, and does not do significant harm to an environmental or social objective.

D. International standards

The Fund's minimum investment criteria require that all investee funds are either classified as SFDR Article 9 or apply similar investment policies or are signatories of or conform with the UN Principles for Responsible investment (**UNPRI**).

The assessment of the governance quality focuses on the funds, companies, organizations and investment vehicles managing the underlying investments. This assessment is based on a combination of international standards from the UNPRI, UN Global Compact (**UNGC**), the Organisation for Economic Cooperation and Development (**OECD**) Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and the Sustainability Accounting Standards Board (**SASB**). Focus points for the assessment include employee engagement, diversity and inclusion, business ethics, and operational and manager quality.

E. Historical comparisons

The PAI indicators and data for the Fund are compared across the two previous reporting periods, namely 2022 and 2023.

A. Description and reporting of Principal Adverse Impact

Description of Principal Adverse Impact

The first table describes the PAI, the indicators related to PAI, additional indicators the Fund reports on as well as how each specific indicator is embedded in the data collection and monitoring process. The second table contains the PAI data over the reporting period as well as any actions taken or planned to improve the reported data.

It should be noted that a large part of the Fund's investments is made in funds with a small market capitalisation, that are relatively young and domiciled outside the EU. As a result, many of the Fund's investments are not in scope of the SFDR and thus are not required to disclose sustainability-related information. To obtain this information, the Fund engages with its investee funds directly.

The Fund's investment manager has compiled the PAI data to the best of its ability, using audited financial statements and other reports from the investee funds as primary source. The data coverage percentage and the qualitative explanation should indicate, however, that data availability is limited, a lack of standardisation provides a challenge to comparability and diverging reporting cycles cause some holdings' data to be excluded. The regulation around PAI is relatively new for the financial sector and companies' reporting is still developing in terms of coverage, quality, and standardisation. Investors are advised to consider the reported PAI of the Fund in this context.

Principal Adverse Impact Indicator		Metric	Description of policy, measurement and/or intentions
GHG Emissions	1. GHG Emissions	Scope 1 GHG emissions	<p>Amount of greenhouse gases (GHG) emitted through the organisation's operations from direct emissions sources during the reporting period. The GHG Protocol defines direct emissions as emissions from sources that are owned or controlled by the reporting entity.</p> <p>Scope 1 emissions are calculated by dividing the current value of investment by the investee company's enterprise value multiplied with Scope 1 GHG emissions from the investee company. All positions are summed up together. The usage of enterprise value to calculate the "fair share" or "attributed amount" is in line with the PCAF standard. For non-listed funds, the sum of total debt and equity is used to calculate the total value.</p> <p>Scope 1 data is collected directly from the investees wherever available and comparable.</p>
		Scope 2 GHG emissions	<p>Amount of GHG emitted through the organisation's consumption of purchased electricity, heat, or steam during the reporting period.</p> <p>Scope 2 emissions are calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with Scope 2 GHG emissions from the investee company. All positions are summed up together.</p> <p>Scope 2 data is collected directly from the investees wherever available and comparable.</p>
		Scope 3 GHG emissions	<p>Amount of GHG emitted by the organisation's suppliers and suppliers of suppliers during the reporting period, except from direct energy providers (i.e. scope 2).</p> <p>Scope 3 emissions are calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with Scope 3 GHG emissions from the investee company. All positions are summed up together.</p> <p>Scope 3 data is collected directly from the investees wherever available and comparable.</p>
		Total GHG emissions	<p>Total of scope 1, scope 2 and scope 3 emissions. GHG emissions data is collected directly from the investees wherever available and comparable. The Fund will continue engaging to complete missing data.</p>

	2. Carbon Footprint	Emissions by investee funds expressed as tCO ₂ /€M invested	<p>The carbon footprint are emissions expressed as tonnes of scope 1, 2 and 3 emissions per million Euros invested. Carbon footprint is calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with the investees company's Scope 1, 2 and 3 GHG emissions, divided by the current value of all investments. All positions are summed up together.</p> <p>Carbon footprint data is collected directly from the investees wherever available and comparable.</p>
	3. GHG intensity	GHG intensity of investee funds	<p>GHG intensity is calculated by dividing the Fund's current value of investment by the current value of all investments multiplied with the investee company's total GHG emissions divided by its revenue. GHG intensity is collected directly from the investees wherever available and comparable.</p>
	4. Exposure to investee funds active in the fossil fuel sector	Share of investments in investee funds active in the fossil fuel sector	The Fund excludes direct investment in the fossil fuel sector.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee funds from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	<p><u>Production</u></p> <p>The Fund excludes direct investment in the fossil fuel sector. For indirect investments it accepts only taxonomy aligned fossil fuel energy generating assets.</p> <p><u>Consumption</u></p> <p>The energy consumption data is collected directly from the investees wherever available and comparable. The Fund will continue engaging to complete missing data.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee funds, per high impact climate sector	The energy consumption data is collected directly from the investees wherever available and comparable. The Fund will continue engaging to complete missing data.
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee funds with sites/operations located in or near to biodiversity sensitive areas where activities of those investee funds negatively affect those areas	<p>Investees with sites/operations located in or near to biodiversity sensitive areas are required to explain how they avert or mitigate any negative effect.</p> <p>Data on companies' operations in or near biodiversity sensitive areas is collected directly from the investees wherever available and comparable.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee funds per million EUR invested, expressed as a weighted average	Data on emissions to water is collected directly from the investees wherever available and comparable.

Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee funds per million EUR invested, expressed as a weighted average	Data on tonnes of hazardous waste generated is collected directly from the investees wherever available and comparable.
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee funds that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	<p>The Fund applies the OECD Guidelines for Multinational Enterprises and the UNGC principles in its analysis. Violations of these standards cover Disclosure, Human Rights, Employment and Industrial Relations, Environment, Combating Bribery, Bribe Solicitation and Extortion, Consumer Interests, Science and Technology, Competition and Taxation. Company documents and disclosures as well as news reports are investigated to confirm no violations. In addition, violations are reported by NGOs.</p> <p>Investments that are not signatories of, or do not conform with the UNPRI are excluded. In addition, the Fund's good governance investigation is based on the UN Global Compact and the OECD Guidelines for Multinational Enterprises amongst other standards.</p>
	11. Lack of processes and compliance mechanisms to OECD Guidelines for Multinational Enterprises monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee funds without policies to monitor compliance with the UN GC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UN GC principles or OECD Guidelines for Multinational Enterprises	<p>The Fund applies the OECD Guidelines for Multinational Enterprises and the UNGC principles in its analysis. Violations of these standards cover Disclosure, Human Rights, Employment and Industrial Relations, Environment, Combating Bribery, Bribe Solicitation and Extortion, Consumer Interests, Science and Technology, Competition and Taxation.</p> <p>The Fund's good governance investigation is based on the UNGC and the OECD Guidelines for Multinational Enterprises amongst other standards.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee funds	Information on the gender pay gap is collected directly from the investees wherever available and comparable.
	13. Board gender diversity	Female board members expressed as a percentage of all board members.	Data on the number of male and female identifying board members is collected directly from the investees wherever available and comparable.
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee funds involved in the manufacture or selling of controversial weapons	Following the Fund's exclusion list criteria, it will not select investees involved in the manufacture or selling of controversial weapons.

	15 - 16	PAIs related to Sovereigns and Supranationals	PAIs 15 and 16 and are not applicable to the portfolio of the Fund as there are no investments in this spectrum.
Real Estate	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	While the Fund does not directly invest in real estate assets, it may gain indirect exposure through its social impact theme which targets social housing amongst other objectives. The current indirect real estate exposures are however not involved in the extraction, storage, transport or manufacture of fossil fuels.
	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	While the Fund does not directly invest in real estate assets, it may gain indirect exposure through its social impact theme which targets social housing amongst other objectives. Information on any investments in energy-inefficient real estate assets is collected directly from the investees wherever available and comparable. The current indirect real estate exposures are however not holders of physical real estate assets and therefore do not have exposure to energy-inefficient assets.
Voluntary PAI 1	Investments in funds without carbon emission reduction initiatives	Share of investments in investee funds without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	The investee funds' CO ₂ reporting as well as other reporting and external verification regarding the alignment with a net-zero pathway is collected where available.
Voluntary PAI 2	Excessive CEO pay ratio	Average ratio within investee funds of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest compensated individual)	In addition to screening the managers for the quality of their projects' operations and reporting, the Fund also expects the managers themselves to do no harm in their internal operations. These managers are often structured as financial companies. Excessive CEO pay remains an issue in the financial sector and therefore the Fund has a particular focus on this metric. This data is collected directly from the investees wherever available and comparable.

Reporting of Principal Adverse Impact

Principal Adverse Impact Indicator	Metric	2024	2023	Data Coverage	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
1. GHG emissions (tonnes of CO ₂)	Scope 1 GHG emissions	7,890	23,808	68%	Data quality improved as investee funds further enhanced their methodologies, especially regarding Scope 3 GHG emissions. Coverage slightly decreased due to some investee funds going into liquidation.	The investee funds are encouraged to continuously refine their methodologies to accurately calculate GHG emissions, carbon footprint and GHG intensity.
	Scope 2 GHG emissions	4,421	15,541	68%		
	Scope 3 GHG emissions	210,173	404,703	68%		
	Total GHG emissions	223,591	444,052	72%		
2. Carbon footprint	Carbon footprint (per €1 million invested)	558	146	68%	Invested amounts by investee funds decreased due to market circumstances.	
3. GHG intensity of investee funds	GHG intensity of investee funds (per €1 million of revenue)	4,365	1,613	72%	Revenues of investee funds decreased due to lower energy prices.	
GHG Emissions	4. Exposure to funds active in the fossil fuel sector	Share of investments in funds active in the fossil fuel sector	1%	4%	84%	<p>The share continues to decrease. The remaining exposure is the result of three investments:</p> <ol style="list-style-type: none"> Investee fund with the largest exposure and no current or planned mitigation for this exposure. After an unsuccessful engagement in 2023, this holding was divested in early 2024. Investee fund with exposure to a midstream project which significantly reduces emissions of air pollutants of transportation fuels in an emerging market by providing sulfur scrubbing and capture facilities that are not available in the country directly. Investee fund that provides loans to Development Finance Institutions (DFIs) in emerging markets. These DFIs may have clients in local oil and gas sectors on their books either historically or because of the nature of the local economy. The loans made

to these DFIs have purpose clauses that direct their use to borrowers aligned with the investment objective. The investee fund reports on this PAI for transparency and completeness.

	5.	Share of non-renewable energy consumption and production	(1) Share of non-renewable energy consumption and (2) non-renewable energy production of investee funds from non-renewable energy sources compared to renewable energy sources, expressed as percentage	40%	48%	68%	The investee funds either do not report on this metric or reported a broad variation of interpretations and base data, which caused issues when aggregating at the Fund level.	More investee funds have started reporting and refining their methodologies. The Fund will continue its engagement to further improve coverage and comparability.
				11%	5%	68%	The increase in (2) was mostly caused by the adoption of a more precise model by one investee fund.	
	6.	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee funds, per high impact climate sector	0.03	0.13	48%	Some of the investee funds include a part of their energy generation under the NACE sector 'electricity, gas, steam and air conditioning supply', which is a high impact climate sector.	
Biodiversity	7.	Activities negatively affecting biodiversity sensitive areas	Share of investee funds with sites/operations located in or near to biodiversity-sensitive areas where activities of investee funds negatively affect those areas	0%	0%	52%	The percentage results from one investee fund that reports it is performing additional analysis on some of its investments.	It should be noted that the investee fund's manager uses a broader definition of biodiversity to report on this indicator. Therefore, it does not necessarily mean that the investments negatively affect biodiversity sensitive areas.
Water	8.	Emissions to water	Tonnes of emissions to water generated by investee funds per million Euros invested, expressed as a weighted average	0.001	0.007	44%	Only one investee fund reported minor emissions.	The Fund will continue its engagement to complete missing data and improve coverage.

Waste	9.	Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee funds per million Euros invested, expressed as a weighted average	0.99	0.75	48%	Small amounts of waste may be generated during construction and maintenance activities at some of the renewable energy assets. The waste is disposed of according to regulations and policies by the contractors and recycling companies.	The Fund will continue its engagement to complete missing data and improve coverage.
		Voluntary Environmental PAI: Investments in funds without carbon emission reduction initiatives	Share of investee funds without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	N/a	N/a	0%		As regulatory requirements on CO ₂ emissions tighten, more investee funds are committing to an emission reduction plan. Reporting on these plans is however not yet standardised. The Fund will continue its engagement to obtain data.
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 OECD Guidelines for Multinational Enterprises	Share of investee funds that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	72%	While no violations have been recorded, coverage has decreased.	
	11.	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investee funds 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	4%	13%	64%	The percentage concerns six investments where the investee fund's managers report the percentage of holdings where they are working to improve and formalise policies beyond the minimum standards for investment.	

Multinational Enterprises

12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee funds	15%	31%	28%	The coverage improved significantly compared to 2023 (15%).	The Fund will continue its engagement to complete missing data and further improve coverage.
13. Board gender diversity	Average ratio of female to male Board members of investee funds	38%	45%	92%	An average of 38% of investee funds' Board positions are held by people identifying as female. This applies to 92% of the investee funds as the governance structure of one investee fund does not include a Board of Directors.	Progress towards Board diversity has slowed this year. Eight of the investee funds now have either a neutral or positive ratio of female to male Board members. Further engagement with Board that have the lowest ratios remains a focus point.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investee funds involved in the manufacture or selling of controversial weapons	0%	0%	100%	Exposure to controversial weapons is excluded in the Fund's investment policy.	
Voluntary Social PAI: Excessive CEO pay ratio	Average ratio within investee funds of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest compensated individual)	N/a	N/a	0%	None of the investees reported comparable data.	None of the investee funds reported a number that fit the definition or was comparable. Some funds only reported qualitative information. Engagement on this topic continues.

B. Identification and prioritisation of Principal Adverse Impact

This section provides information about the Fund’s approach to investing and relevant policies on the identification and prioritisation of PAI. Since PSIF is an impact fund, sustainability factors are considered prior to investing and monitored throughout the investment process. All investments made by the Fund are screened against sustainability factors and are linked to both positive impacts and PAI.

Identifying Principal Adverse Impact






PSIF has a broad impact mandate and thus includes a diversified impact portfolio. The Fund’s investments are divided into multiple impact themes and associated UN Sustainable Development Goals (**SDGs**). The Fund considers PAI of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. For sustainable investments this means ensuring that the investments do no significant harm to any environmental or social objective.

PSIF has a multi-thematic approach, meaning an investment is categorized under a main impact theme. The impact themes currently being targeted are:









Social Objective: Financial Inclusion, Education, Social Impact

Environmental Objective: Renewable Energy, Natural Capital

The themes may change or be expanded as the investment universe broadens. Each theme aims to contribute to several SDGs. More details on which SDGs are targeted and how the Fund measures its impact are available in the Fund’s prospectus and pre-contractual disclosure information.

Financial Inclusion (covering investments with a social objective)		
SDG	Target	Key Performance Indicator
	Increase gender equality and empower women and girls by facilitating access to finance for women	Percentage of loans to women (based on the invested capital of the Fund)
	Increase sustained, inclusive and sustainable economic growth, full and productive employment and decent work.	The number of entrepreneurs financed (based on the invested capital of the Fund).
	Reduce the development gap between urban and rural communities in developing economies by increasing the number of loans to borrowers in rural areas	Percentage of loans to borrowers in rural areas (based on the invested capital of the Fund)
Education (covering investments with a social objective)		
SDG	Target	Key Performance Indicator
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities by providing loans to underprivileged students with access to education ⁴	The number of loans provided to students (based on the invested capital of the Fund)
	Reduce inequality within and among countries by increasing the number of students from developing economies that gaining access to education ¹	The % of loans being provided to students from OECD non-high-income countries (based on the Invested Capital of the Fund)
Renewable Energy (covering investments with an environmental objective)		
SDG	Target	Key Performance Indicator

⁴ Due to the fact that the investment structure will mature over time as the loans will be paid back, the number of loans will decrease. Any increase will depend on development of new investment structures.

	Ensure access to affordable, reliable, sustainable and modern energy by increasing the share of renewable energy in the global energy mix	The number of megawatt-hour (MWh) renewable energy generated or stored (based on the invested capital of the Fund)
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation by increasing the construction of renewable energy capacity and related infrastructure	The number of megawatt (MW) renewable energy generation or storage capacity installed (based on the invested capital of the Fund)
	Take urgent action to combat climate change and its impacts by avoiding CO ₂ emissions from fossil fuel by investing in renewable energy and CO ₂ saving projects	The number of tCO ₂ emissions avoided (based on the invested capital of the Fund)
Natural Capital (covering investments with an environmental objective)		
SDG	Target	Key Performance Indicator
	Ensure sustainable management of water and sanitation by responsibly managing waterways in invested natural capital projects.	Kilometres of sustainably managed watercourses (based on the invested capital of the Fund)
	Take urgent action to combat climate change and its impacts by avoiding CO ₂ emissions by investing in natural capital projects	Portfolio sequestration of tonnes CO ₂ e per annum. (based on the invested capital of the Fund)
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss by investing natural capital projects	Hectares of sustainably managed land area (based on the invested capital of the Fund)
Social Impact (covering investments with a social objective)		
SDG	Target	Key Performance Indicator
	Reduce inequalities on a local level by providing disadvantaged people with essential services	Number of people provided with essential services (based on the invested capital of the Fund)
	Make cities and settlements inclusive, safe, resilient and sustainable by providing safe, affordable housing and basic services to disadvantaged people.	Number of disadvantaged people provided with affordable, quality homes (based on the invested capital of the Fund)

Prioritising Principal Adverse Impact

Key sustainability risks and PAI indicators are identified and prioritised based on the Sustainability Accounting Standards Board (**SASB**) materiality framework. Each impact theme has its own prioritisation of PAI indicators. PSIF's investments must always contribute to one of the impact themes in order to contribute to the Fund's sustainable investment objective. Therefore, an investment's PAI will always be prioritised based on its theme.

The Fund has selected the following voluntary PAI indicators: Investments in funds without carbon emission reduction initiatives, and excessive chief executive officer pay ratio. As a fund of funds, PSIF is dependent on the quality of the managers of the investee funds to deliver the expected impact and to consider the related PAI in the development and execution of the investments. In addition to screening the managers for the quality of the investment operations and reporting, the Fund also expects them to apply the same rigour to their internal operations. The selected voluntary PAI indicators are applicable on the level of the investee funds' manager and are therefore considered with every investment regardless of the impact theme.

The PAI as identified in the SFDR may apply to the impact themes that PSIF targets in various ways and with various levels of applicability. During the investment process, PSIF applies a combination of the sector specific SASB materiality framework to identify PAI per impact theme. The sustainability factors are divided into five categories: (1) Environment, (2) Social Capital, (3) Human Capital, (4) Business Model and Innovation, (5) Leadership and Governance. These are overlaid with the mandatory PAI. Mitigation and prioritisation are done through the Fund's exclusion policy and minimum inclusion criteria, as well as an analysis of the policies, reporting, commitments, and processes of investee funds' managers.

The Fund's exclusion policy covers, among other things, controversial weapons, nuclear energy, environmental and human rights issues as well as animal welfare. The full exclusion list is available in in the Fund's prospectus and ESG policy.

The investment process takes PAI on sustainability factors into account. As PSIF mainly invest in other funds, the Fund focuses on analysing:

- Policies, reporting, commitments and processes of the investee funds' managers and their approach for avoiding or mitigating PAI
- Assessment of the underlying investee funds' investments to check alignment with the exclusion criteria and other minimum standards of the Fund

The Fund prioritises and addresses PAI as follows:

- Negative screening and exclusions
- Positive screening, investment objective and SDG alignment
- Review of the manager's policies, reporting, commitments and processes

Depending on the underlying investment and impact theme, different aspects are considered.

Governance

Privium Fund Management B.V. (**Privium**) is the Fund's investment manager. ABN AMRO Investment Solutions (**AAIS**) is the investment advisor to the Fund.

The sustainability policies and procedures are developed and monitored by the ESG Committee of Privium and applied by the AAIS in its investment advice and ongoing monitoring of the Fund's investments. This report is reviewed by Privium at least annually.

Data sources

The sector specific framework of SASB is integrated into the Fund's identification of PAI per impact theme. SASB was founded in 2011 to develop globally standardised sustainability accounting standards and is now part of the International Sustainability Standards Board (**ISSB**). SASB has developed a materiality-based standard for each industry since sustainability factors are manifested differently from one industry to another due to differences in business models, resource dependencies, and various other factors. In 2022, the SASB standards were integrated into the ISSB to facilitate further reporting standardisation.

To analyse, monitor and report PAI indicators, Privium uses an externally developed software platform. The identified and reported PAI indicators are primarily collected from reports published by the investee funds' managers. Privium actively engages with the managers in the collection and analysis of PAI indicators.

The table below includes considerations in the prioritisation of PAI indicators with regard to the impact themes. The information in the table is not exhaustive and may subject to change over time.

Principal Adverse Impact Indicator	Renewable Energy & Natural Capital	Financial Inclusion	Social Impact	Education	
INVESTEES FUNDS, ASSETS AND PROJECTS					
GHG Emissions	1. GHG Emissions	Exclusion: Non-taxonomy aligned fossil fuel energy generating assets. Positive screening: Share of renewable energy, energy efficiency and energy storage assets and other climate mitigation assets.	For Financial Inclusion, where main aim is to reduce poverty, GHG emissions become of second-hand order. Nevertheless, some minimum safeguards need to be in place. Exclude: Non-taxonomy aligned fossil fuel generating assets. Quality Investigation: does the fund consider CO ₂ /GHG emissions related to e.g. agricultural lending or small & mid-size enterprises lending?	Same as for Financial Inclusion funds.	Not applicable: Education notes are about financing students' education, therefore deemed not to have any significant adverse impact on environment.
	2. Carbon footprint	Quality Investigation: Does the fund consider end-of-life in the investment process?			
	3. GHG intensity of investee funds	This is indirectly considered through CO ₂ avoided.			
	4. Exposure to funds active in the fossil fuel sector	Exclusion: Non-taxonomy aligned fossil fuel energy generating assets.			
	5. Share of non-renewable energy consumption and production	Exclusion: Non-taxonomy aligned fossil fuel energy generating assets.			
	6. Energy consumption intensity per high impact climate sector	Usually not applicable, as focus is on climate mitigating investments.			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Quality investigation: biodiversity and waste. Is biodiversity assessed and/or verified by a third party.	Financial Inclusion funds invest in financial institutions, which in turn may lend to activities which impact biodiversity and waste, such as agriculture.	Same as for Financial Inclusion funds	Same as above.
Water	8. Emissions to water	Quality investigation: if applicable, does the investee fund include it in operations and can measure it.	Quality investigation: Does the fund consider biodiversity, water and waste?	Same as for Financial Inclusion funds	
Waste	9. Hazardous waste ratio	Quality investigation: Does the fund consider end-of-life in the investment process?		Same as for Financial Inclusion funds	

Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Exclude: Non-UNPRI signatories Quality investigation: does the fund follow the OECD guidelines?	By nature, Financial Inclusion funds focus on lending to women ratio, urban/rural ratio and job creation in a fair manner. Exclude: Non-UNPRI signatories	Same as for Renewable energy funds	Student loans aim to lend to students without any other financing options. Therefore, it is deemed there will be no violations to these principles.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Exclude: Non-UNPRI signatories Quality investigation: does the fund follow the OECD guidelines?	By nature, Financial Inclusion funds focus on lending to women ratio, urban/rural ratio and job creation in a fair manner. Exclude: Non-UNPRI signatories	Same as for Renewable energy funds	Same as above.
	12. Unadjusted gender pay gap	Usually, funds invest directly into an infrastructure asset. Gender pay gap is potentially relevant for the operations and maintenance contractor, but usually not for the fund. Engage when relevant.	Could be relevant when the Financial Inclusion fund is assessing the target lending institution. In principle, these are of secondary order to the aim to reduce poverty and create more jobs. However, poverty reduction and job creation should come at no significant adverse impact on diversity. Therefore, PSIF requires funds to address these aspects into their investment process. Quality investigation: does the fund assess and incorporate gender pay gap and diversity into investment decisions?	Social impact funds can invest in a diverse set of projects from social housing (real estate) to social outcome contracts. Many social impact investments aim to support equality in society and help the exposed and in need (such as temporary housing for abused women). As a principle, the investments should not have any significant adverse impact on (gender) equality, where pay gap could be one of the aspects where relevant. Therefore, PSIF requires funds to have policies in place to address these aspects into their investment process.	Not applicable - While gender is an important factor, pay gap is not relevant for single students.

				Quality investigation: does the fund assess and incorporate gender pay gap and diversity into investment decisions?	
	13. Board gender diversity	Same as above.	Same as above.	Same as above.	Same as above.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Exclusion: Controversial weapons	Exclusion: Controversial weapons	Same as financial Inclusion.	Same as above.
SUPRANATIONALS					
	15. GHG intensity	Not applicable. Potential instruments issued by supranationals expected to be used only for efficient portfolio management purposes.	Not applicable. Potential instruments issued by supranationals expected to be used only for efficient portfolio management purposes.	Not applicable: Social impact funds may invest alongside governments or supranationals, or into government-initiated projects, but do in principle not invest directly into instruments issued by supranationals except for cash management and efficient portfolio management purposes.	Not applicable.
	16. Investee countries subject to social violations	Same as above.	Same as above.	Same as above.	Not applicable.
REAL ESTATE ASSETS					
	17. Exposure to fossil fuels through real estate assets	Not applicable, as real estate is out of investment scope for the funds.	Not applicable, as real estate is out of investment scope for the funds.	While primary aim of e.g. social housing is to provide housing to disadvantaged people it is nevertheless an investment in real estate assets. Quality investigation: does the fund consider measures for sustainable housing where possible?	Not applicable.
	18. Exposure to energy-inefficient real estate assets	Same as above.	Same as above.	Same as above.	Not applicable.
OPTIONAL					

	Investments in funds without carbon emission reduction initiatives	Quality Investigation: Is the investment manager TCFD signatory? Is the fund aligned with a net zero path?	Quality investigation: Are the fund holdings aligned with a net zero path?	Same as Financial Inclusion.	Same as Financial Inclusion.
	Excessive CEO pay ratio	Quality investigation: reporting on fair pay?	Same as Renewables	Same as Renewables	Same as Renewables

C. Engagement policies and procedures

Engagement policy

The Fund directly engages with investee funds prior to, during and after investment. As the Fund can support the initial offering of new funds or companies coming to market as well as take a sizable minority position, it often has an effective engagement relationship with the senior management teams. The Fund frequently has a direct impact on the investee funds' practices and reporting.

The PAI are considered throughout the engagement process with investee funds and influence the applicable engagement track and subsequent progress monitoring. The Fund only considers new investments when it clears predetermined minimum requirements, has committed to the set reporting requirements, and does not do significant harm to an environmental or social objective.

Engagement is done by the Fund's investment manager, investment advisor, or both. Engagement topics are based on the sustainability assessment performed on the respective investee fund.

As the managers of PSIF's investee funds are working to collect the PAI data from their underlying investments, completeness and comparability of data is expected to initially deviate. Where PAI data is found to be missing, incomplete or insufficient, the Fund will engage with the investee funds' managers to remedy this. PSIF prioritises engagement topics by considering the applicability of the PAI indicators on the various impact themes.

The Fund accepts that when it first starts working with a potential investee fund, the disclosure on sustainability factors and PAI indicators as well as the company's mitigation of PAI and ESG risks may not yet be as desired. As opportunities to initiate an investment are often time constrained given initial placement offerings or share placement timelines, the Fund makes an assessment on the gaps in the potential investee fund's reporting and alignment with the Fund's sustainable investment objective, and whether this can be brought to a sufficient level within a reasonable timeframe. Which timelines are appropriate depends on the severity and the available resolutions. If the potential investee fund is unlikely or unwilling to improve to a sufficient level, the investment is not made.

All investments are monitored on an ongoing basis on both financial and sustainability performance. During this monitoring PSIF could find that an investee fund has invested in assets which PSIF deems to have a negative contribution to its sustainable investment objective, no longer complies with the 'do no significant harm' condition or no longer displays good governance. When a sustainability issue is detected, PSIF first engages with the respective investee fund's Board and/or investment manager to (a) understand the reason for the sustainability issue and find out if this is expected to improve, (b) investigate what actions are planned/can be taken to improve the situation, and (c) provide support with the improvement where possible.

In case a sustainability issue is confirmed, the investment will either be set on a dedicated engagement track to resolve the issue, depending on the severity and mitigation options, or divested. The progress of the engagement track is monitored on a monthly basis and failure to resolve the issue will result in divestment after the engagement track's end date.

Engagement with investee funds

During the reporting period, the Fund's investment manager and investment advisor have continuously engaged with the investee funds by way of virtual and in-person meetings, phone calls and email correspondence. In addition to the regular engagement meetings that take place at least annually with every investee fund, there have been numerous meetings to discuss the progress in reporting improvements, ESG risks, potential sustainability issues and regulatory developments. While the form of engagement often differs per investee fund because of the nature of the underlying investments, governance structure and relevant impact themes, the engagement activities can be divided into the following categories:

- ESG risks
- Reporting
- Individual assets
- Community
- Supply Chain
- Governance

All investee funds are required to complete an annual questionnaire focusing on their ESG risk reporting and mitigation policies. While the SASB material risk assessment informs the investee funds' managers which ESG risks are relevant to their investment activities, the managers are encouraged to report on additional risks that are considered. The introduction of the Task Force on Climate-Related Financial Disclosures (TCFD) framework in the United Kingdom requires fund management companies to report annually on the climate-related risks that their investments are exposed to and how these risks are avoided or mitigated. Since there are similarities between the TCFD risks and the climate-related PAI indicators, coverage on GHG emissions has improved significantly during the reporting period.

Most of the Fund's engagement activities have focused on improving the reporting quality and scope by investee funds, particularly in relation to SFDR disclosures and impact indicators. With regard to the Renewable Energy impact theme, the focus continued on reporting, community engagement, supply chain and governance. For instance, the Fund has discussed potential revised compensation arrangements of the investee funds' managers with the Boards given the large discount of the investee funds' market prices compared to their net asset value. As for the Financial Inclusion focused investee funds, the engagement focused on reporting and governance. The allocation of the investee funds' share of the overall impact achieved by its manager proved especially challenging. While gaps remain, reporting on PAI, the EU Taxonomy and the Fund's impact indicators have improved significantly over the reporting period.

Voting

Resulting from its investment into the investee funds, PSIF has acquired voting rights through which it can enhance its engagement. The Fund's investment manager, on behalf of the Fund, fulfils its voting responsibility through proxy voting during annual general meetings and any interim or special meetings called by the investee funds. In principle, voting will occur in line with the Dutch corporate governance code and relevant international corporate governance codes.

Proposed changes to an investee fund's investment objective, activities or targeted geographies are reviewed with scrutiny as alignment with PSIF's minimum criteria needs to be considered.

During the year, PSIF has voted on 22 ballots for 14 investee funds. The voting was performed from the perspective of good governance and Board gender equality. Where possible, voting was applied to make gender representation in Boards more balanced.

Industry and public policy engagement

PSIF did not directly engage in any industry or public policy engagement during the reporting year. However, the Fund does expect its investee funds to do so on certain occasions. Industry-wide initiatives to improve disclosure on sustainability related topics and to establish standards are closely monitored by the Fund, and investee funds for which this may be relevant are questioned on their alignment and contribution.

D. International standards

PSIF requires all investee funds to comply with all applicable regulations in their home and host countries. In addition, any environmental, social, governance and human rights laws must also be complied with.

In its investment selection process and sustainability analysis, the Fund adheres to the following standards, as and when applicable:

- UN Principles for Responsible investment (**UNPRI**)
- UN Global Compact
- OECD Guidelines on Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Sustainability Accounting Standards Board (**SASB**)
- UN Sustainable Development Goals (**SDGs**)
- Paris Agreement

PSIF continuously reviews the governance quality of the investee funds and their investment managers. This analysis is based on a combination of international standards such as the UNPRI, UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and SASB. The focus areas of the analyses conducted included employee engagement, diversity and inclusion, business ethics, and operational and manager quality. SASB's industry-based standards identify the sustainability factors most relevant to the enterprise value of a typical company per industry sector, enabling companies and funds to provide relevant information on sustainability-related risks and opportunities to investors and other capital market participants.

The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. By aligning its sustainable investment objective with the SDGs, the Fund considers various SDGs throughout the investment process.

The objective of the Paris Agreement is to limit global warming to well below two degrees Celsius, preferably to one and a half degree, compared to pre-industrial levels. To achieve this objective, countries aim to limit their emission of greenhouse gasses and have net-zero emissions by the middle of this century. The Paris Agreement is a landmark development in the multilateral effort to combat climate change since, for the first time, a binding agreement forces countries to undertake collective action. The Fund also aims to be a climate neutral investor by also considering the greenhouse gas emissions savings of its underlying investments.

E. Historical comparison

As this is the Fund's third PAI report, the data from this reporting period compared to the previous reporting periods are displayed below.

Principal Adverse Impact Indicator	Metric	2024	2023	2022
1. GHG emissions				
Scope 1		7,890	23,808	16,612
Scope 2	tCO ₂ e	4,421	15,541	2,368
Scope 3		210,173	404,703	65,731
Total		223,591	444,052	84,712
2. Carbon footprint	tCO ₂ e per million Euros invested	649	146	1,340
3. GHG intensity of investee funds	tCO ₂ per million Euros of revenue	5,085	1,613	218
4. Exposure to funds active in the fossil fuel sector	Percentage	1%	4%	7%
5. Share of non-renewable energy consumption and production	Percentage	40% 11%	48% 5%	N/a
6. Energy consumption intensity per high impact climate sector	GWh per million Euros of revenue	0.03	0.13	N/a
7. Activities negatively affecting biodiversity sensitive areas	Percentage	0%	0%	3%
8. Emissions to water	Tonnes	0.001	0.007	Nil
9. Hazardous waste ratio	Tonnes	0.99	0.75	0.83
<i>Voluntary</i> : Investments without carbon emission reduction initiatives	Percentage	0%	0%	0%
10. Violations of UNGC and OECD Guidelines	Percentage	0%	0%	0%
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines	Percentage	4%	13%	3%
12. Unadjusted gender pay gap	Percentage	15%	31%	45%
13. Board gender diversity	Percentage	38%	45%	41%
14. Exposure to controversial weapons	Percentage	0%	0%	0%
<i>Voluntary</i> : Excessive CEO pay ratio	Annual total compensation for the highest paid employee per median annual total compensation for all employees (excl. highest paid individual)	N/a	N/a	N/a