Principal Adverse Impact Report

Privium Sustainable Impact Fund

Purpose & scope

This is the Principal Adverse Impacts Statement of Privium Sustainable Impact Fund (LEI: 7245005GW2KB8L5LCM75) covering the reporting period from **January 1, 2023 until December 31, 2023**.

This is not marketing material. This report gives insight into how each Principal Adverse Impact (PAI), mandatory and voluntary was addressed and reported on during the reporting period.

Contents

Summary

Privium Sustainable Impact Fund (the Fund, PSIF) considers the Principal Adverse Impacts (PAI) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. The present statement contains the aggregated PAI on sustainability factors of the Fund's underlying investments. This report covers the reference period of **1 January 2023 to 31 December 2023**.

During the reference 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 endeavouring to create impact. In the context of the Sustainable Finance Disclosure Regulation ("SFDR"), the Fund is classified as an Article 9 Fund. The related periodic disclosure is available as an annex to the Fund's annual report, published on the Fund's website, the website of the Fund Manager and as an annex to the Fund's prospectus.

The Fund strives to achieve positive impact and as part of the Fund's investment approach it is aware of and mitigates where possible the negative impacts that the investments may cause. These impacts can occur in different areas and the Fund aims to address, by avoiding or reducing, PAI when investing.

In addition to the Fund's PAI datapoints over the reference period, its overall approach to identifying, prioritising, and addressing PAI of its investment decisions 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 Investment Advisor in close relationship with the Fund Manager who makes the final investment decision and is responsible for filing any required disclosures.

Prior to making its investment decision, the Fund Manager reviews the Investment Advisor's analysis on the PAI of the proposed investment as well as any mitigating factors and engagement actions for alignment with its own policy on PAI. The Investment Advisor's overall approach and process is reviewed annually by the Fund Manager.

The statement consists of the following sections:

A. Description of principal adverse sustainability impacts

This section documents the indicators related to PAI on sustainability factors over the reporting period. This is done by way of explanatory tables containing both the mandatory and voluntary PAI datapoints, as well as how the indicators are embedded in the Fund's data collection and monitoring process.

B. Description of policies to identify and prioritise principal adverse sustainability impacts

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

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

C. Engagement policies and developments

The Fund directly engages with an investee before, 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 a very effective engagement relationship with the board and management teams. Often, the Fund has a direct impact on their practices and reporting.

The PAI are considered in each stage of the engagement process and inform the applicable engagement track and subsequent progress monitoring. The Fund considers new investments only when the new holding clears its minimum requirements, has committed to the reporting requirements, and does not do significant harm to an environmental or social objective.

D. References to international standards

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

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

E. Historical comparisons

This is the Fund’s second report. The comparison concerns the data from last period and this period reporting.

A. Description of principal adverse sustainability impacts

Description of the Principal Adverse Impacts

The first table in the following section 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 companies with a small market capitalisation, that are relatively young, and headquartered outside the EU. As a result, many of the Fund's investments are not in scope of the EU Sustainable Finance Regulation and thus are not required to disclose information. To obtain this information, the Fund engages with its investees directly.

The Fund Manager has compiled the PAI data in the table below to the best of its ability, using audited reporting from the investee funds as its primary source. The data coverage percentage in the table, as well as 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. As the regulation is new for the whole financial sector, specific details remain unclear and companies' reporting is still catching up in terms of coverage, quality, and standardisation, investors are advised to consider the reported PAI of the Fund in this light.

Adverse sustainability indicator		Metric	Description of policy, measurement and/or intentions
GHG Emissions	1. GHG Emissions	Scope 1 GHG emissions	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. 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 companies, the sum of total debt and equity is used to calculate the total value. Scope 1 data is collected directly from the investees wherever available and comparable.
		Scope 2 GHG emissions	Amount of greenhouse gases (GHG) emitted through the organisation's consumption of purchased electricity, heat, or steam during the reporting period. 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. Scope 2 data is collected directly from the investees wherever available and comparable.
		Scope 3 GHG emissions	Amount of greenhouse gases (GHG) emitted by the organisation's suppliers and suppliers of suppliers during the reporting period, except from direct energy providers (i.e. scope 2). 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. Scope 3 data is collected directly from the investees wherever available and comparable.
		Total GHG emissions	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.
	2. Carbon Footprint	Emissions of investee companies expressed as tCO2/€M invested	The carbon footprint are emissions expressed as tonnes of scope 1, 2 and 3 emissions per EUR million invested (tCO2/€M). 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. Carbon footprint data is collected directly from the investees wherever available and comparable.
	3. Green House Gas intensity	GHG intensity of investee companies	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.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies 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 companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	<u>Production:</u> The Fund excludes direct investment in the fossil fuel sector. For indirect investments it accepts only taxonomy aligned fossil fuel energy generating assets. <u>Consumption:</u> The energy consumption data is collected directly from the investees wherever available and comparable. The Fund will continue engaging to complete missing data.

	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	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 companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	Investees with sites/operations located in or near to biodiversity sensitive areas are required to explain how they avert or mitigate any negative effect. Data on companies' operations in or near biodiversity sensitive areas is collected directly from the investees wherever available and comparable.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies 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 companies 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 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	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. 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.
	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 companies 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	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. The Fund's good governance investigation is based on the UNGC and the OECD Guidelines for Multinational Enterprises amongst other standards.
	12.Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	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 companies 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 non- 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 though 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 though 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 companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	The investee's 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 companies 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 the Principal Adverse Impacts

Adverse Sustainability Indicator		Metric	Impact 2023	Impact 2022	Data Coverage	Explanation	Actions taken
	CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	23,808	16,612	74%	Datapoints in tCO_2eq.	Coverage increases and reporting quality improved significantly over 2023 as more underlying funds have finalised their processes. Scope 3 emissions increased significantly as methodologies improved and reporting standards require scope 3 reporting as mandatory. The Fund will continue engaging to complete missing data.
		Scope 2 GHG emissions	15,541	2,368	74%		
		Scope 3 GHG emissions	404,703	65,731	78%		
		Total GHG emissions	444,052	84,712	78%		
	2. Carbon footprint	Carbon footprint	146	1,340	78%	Per €1 million invested	
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,613	218	74%	Per €1 million revenue	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4%	7,4%	100%		The percentage results from portfolio exposure to three investments. * One of the investment companies has 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. * The second investment company's exposure comes from one midstream project which significantly reduces emissions of air pollutants of transportation fuels in an

							emerging economy by providing sulfur scrubbing and capture facilities that are not available in the country directly. * The third exposure comes from one fund that makes loans to Development Finance Institutions (DFIs) in Emerging Markets. These DFIs may have clients in local oil & gas sectors on their books either historically or because of the nature of the local economy. The loans made to these DFIs have use of funds clauses that direct their use to borrowers aligned with the investment objective. The fund reported 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 companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage	48%	N/A	59%	The investments 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.	Multiple companies have started reporting and the fund will continue engagement to improve coverage and comparability.
			5%	N/A	59%		
	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	0.128	0.15	44%	Some of the investments count a part of their energy generation under the NACE sector "electricity, gas, steam and air conditioning supply", which is a high impact climate sector	More investments reported on this datapoint compared to the last reporting period. The Fund will continue engaging to complete missing data.
Biodiversity	7. Activities negatively affecting biodiversity	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those	0.14%	3%	56%	The percentage results from investment fund that report doing additional analysis on some of its holdings is in progress.	It should be noted that the responsible manager uses a broader definition of biodiversity to report on this datapoint. Therefore, it does not necessarily mean that

	sensitive areas	investee companies negatively affect those areas					the investments negatively affect biodiversity sensitive areas.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.007	0.0	48%	No emissions to water were reported by the reporting investees.	The Fund will continue engaging to complete missing data.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.746	0.83	52%	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 engaging to complete missing data.
	Optional Environmental PAI: 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	NA	NA	0%		As regulatory requirements on emissions tighten, more companies are committing to an emission reduction plan. Reporting on these plans is however not yet standardised. The Fund will continue engaging to complete missing 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 Organisation for Economic Cooperation and Development	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	100%	No violations of the UNGC principles and OECD Cooperation and Development (OECD) Guidelines for Multinational Enterprises are recorded.	

(OECD) Guidelines for Multinational Enterprises						
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	13%	3%	100%	The percentage concerns 6 investments where the responsible managers report the percentage of holdings where they are working to improve and formalise policies beyond the minimum standards for investment.	
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	31%	45%	15%	Reporting coverage on the average unadjusted gender pay gap improved compared to the last reporting year.	The Fund will continue engaging to complete missing data.
13. Board gender diversity	Average ratio of female to male board members in investee companies	45%	41%	96%	An average 45% of board positions of the underlying investments are held by people identifying as female. This applies to 96% of the investments as the structure of one investment does not have a board of directors.	Portfolio companies are making significant improvements on this datapoint. 13 of the Fund's investments have either a neutral or positive balance of female to male board members. Engagement with companies that have the lowest balance remains a focus point
14. Exposure to controversial weapons	Share of investments in investee companies involved	0%	0%	100%	The fund has no exposure to controversial weapons (anti-personnel mines, cluster	Exposure to controversial weapons is excluded in the Fund's investment policy.

(anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	in the manufacture or selling of controversial weapons				munitions, chemical weapons and biological weapons).	
Optional Social PAI: Excessive CEO pay ratio	Average ratio within investee companies 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 investees reported a number that fit the definition or was comparable. Some only reported qualitative information. Engagement on this topic continues

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

This section provides information about the Fund's approach to the identification and prioritisation of principal adverse impacts and indicators. As the Fund is an impact fund, sustainability indicators, factors and risks are considered before investing, and throughout the investment process. All investments made by the Fund are screened against sustainability factors and are linked to positive impacts and principal adverse impacts.

Identifying principal adverse impact

PSIF has a broad impact mandate and thus offers a diversified impact portfolio. The Fund's investments are divided into multiple themes and associated UN Sustainable Development Goals (SDGs). The Fund considers principal adverse impacts 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 ESG theme. The ESG 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 SGDs are targeted and how the Fund measures its impact are available in the prospectus and pre-contractual disclosure information.

Financial Inclusion (covering investments with a social objective)		
SDG	Target	Key Performance Indicator (KPI)
5 GENDER EQUALITY	Increase gender equality and empower women and girls by facilitating access to finance for women	The % loans to women (based on the Invested Capital of the Fund)
8 DECENT WORK AND ECONOMIC GROWTH	Increase sustained, inclusive and sustainable economic growth, full and productive employment and decent work	The impact is being measured by the increased number of jobs supported (based on the Invested Capital of the Fund).
10 REDUCED INEQUALITIES	Reduce the development gap between urban and rural communities in developing economies by increasing the number of loans to borrowers in rural areas	The % 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 (KPI)
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities by providing loans to underprivileged students with access to education. Due to the fact that the related investment structure will mature over time as the loans will be paid off, the number of loans will decrease. Any Increase will depend on development of new investment structures.	The number of loans being provided to students (based on the Invested Capital of the Fund)
10 REDUCED INEQUALITIES	Reduce inequality within and among countries by increasing the number of students from developing economies that gaining access to education. Due to the fact that the related investment structure will mature over time as the loans will be paid off, the number of loans will decrease. Any Increase will depend on development of new investment structures.	The % of loans being provided to students from 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 (KPI)
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy by increasing the share of renewable energy in the global energy mix	The number of MWh (megawatt-hour) renewable energy generated or stored (based on the Invested Capital of the Fund)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	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 MW (megawatt) renewable energy generation or storage capacity installed (based on the Invested Capital of the Fund)
13 CLIMATE ACTION	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 (KPI)
6 CLEAN WATER AND SANITATION	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)
13 CLIMATE ACTION	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^2e / annum. (based on the Invested Capital of the Fund)
15 LIFE ON LAND	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	Number of 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 (KPI)
10 REDUCED INEQUALITIES	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)
11 SUSTAINABLE CITIES AND COMMUNITIES	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)

Prioritizing principal adverse impact

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

The Fund has selected the following voluntary PAI: Investments in companies without carbon emission reduction initiatives and Excessive CEO pay ratio.
As a fund of funds, PSIF is dependent on the quality of the manager of the investment to deliver the expected impact and to consider the related principal adverse impacts in the development and execution of impact projects. In addition to screening the managers for the quality of their projects' operations and reporting, the Fund also expects them to apply the same rigour to their internal

operations. The selected voluntary PAI are applicable on the level of the investee's manager and are therefore considered with every investment regardless of the 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 materiality framework of SASB (Sustainability Accounting Standards Board) to identify principal adverse impacts per theme. SASB's sustainability issues are grouped into five dimensions: (1) Environment, (2) Social Capital, (3) Human Capital, (4) Business Model and Innovation, (5) Leadership and Governance. These are overlaid with the mandatory PAI's. Mitigation and prioritisation are done through the Fund's exclusion policy and minimum inclusion criteria as well as an analysis of the potential investment manager's policies, reporting, commitments, and processes.

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 principal adverse impact on sustainability factors into account. As PSIF mainly invest in other funds, key is to assess:

- Policies, reporting, commitments and processes of the manager and their approach for avoiding or mitigating the principal adverse impacts.
- Assessment of the underlying investments to check alignment with the exclusion criteria and other minimum standards of the Fund.

The Fund prioritizes and addresses the PAIs as follows:

- negative screening/exclusions
- positive screening/investment objective alignment/SDG alignment
- quality investigation of the manager's policies, reporting, commitments and processes.

Depending on the underlying investment and ESG theme, different aspects are considered. The table below is not exhaustive and may change over time.

	Principal adverse indicator	*Renewable energy and natural capital funds*	*Financial inclusion funds*	*Social impact funds*	*Education notes*
	Investee companies / assets/ 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 CO2/GHG emissions related to e.g. agricultural lending or small & mid-size enterprises lending?	Same as for Financial inclusion funds.	Not applicable: Education notes is 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 companies	This is indirectly considered through CO^2 avoided.			
	4. Exposure to companies 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. Quality investigation: Does the fund consider biodiversity, water and waste?	Same as for Financial inclusion funds	Same as above.
Water	*8. Emissions to water*	Quality investigation: if applicable, does the fund include it in operations and can measure it.		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	Not applicable - While gender is an important factor, pay gap is not relevant for single students.

				place to address these aspects into their investment process. 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 companies 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

The investment process takes principal adverse impact on sustainability factors into account. As PSIF mainly invest in other funds, key is to assess if the target funds have:

- Policies, reporting, commitments and processes in place which take principal adverse impact into account where applicable.
- Assessment of underlying investments.

Hence, PSIF is addressing the PAIs as follows:

- Negative screening/exclusions
- Positive screening/ investment objective alignment/SDG alignment/Paris Alignment
- Quality investigation of the manager's policies, reporting, commitments and processes. Engage where lacking.

Governance

Privium Fund Management is the Fund Manager, and ABN AMRO Investment Solutions (AAIS) is the Investment Advisor to the Fund.

The sustainability policies and processes are overseen by the ESG committee of the Fund Manager and applied by the Investment Advisor in their investment proposal as well as the ongoing monitoring of holdings.

This document is reviewed by the ESG committee of the Fund Manager on an annual basis.

Data sources

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

To record and report the PAI indicators, the Fund Manager uses independent software platform Treety for its data collection. The identified and reported PAIs are collected from the public reporting of the underlying investments, and progress is monitored regularly.

C. Engagement policies

Engagement with fund managers

The Fund directly engages with an investee before, 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 a very effective engagement relationship with the board and management teams. Often, the Fund has a direct impact on their practices and reporting.

The PAI are considered in each stage of the engagement process and inform the applicable engagement track and subsequent progress monitoring. The Fund considers new investments only when the new holding clears its minimum requirements, has committed to the reporting requirements, and does not do significant harm to an environmental or social objective.

Engagement is done by the Fund Manager, the Investment Advisor or both. Engagement topics are based on the sustainability assessment made on the investee.

As the managers of PSIF's underlying funds are working to collect the PAI's from their investments, completeness and comparability of data is expected to deviate initially. Where data is found to be missing or insufficient in the underlying fund's PAI reporting, PSIF will engage with the investment manager to remedy this. PSIF prioritizes the engagement topics by considering the applicability of the PAIs on the various impact themes in the portfolio.

The Fund accepts that when it first starts working with a potential investee, the disclosure on ESG issues and the PAI indicators as well as the company's mitigation of principal adverse impacts and ESG material risks may not yet be as desired. As opportunities to initiate a position are often time-constrained given IPO or share placement timelines, the Fund makes an assessment on the gaps in the potential investee's reporting and alignment with the sustainable investment objective and if this can be brought to a passing level within a reasonable timeframe. Which timelines are appropriate depends on the severity and the available resolutions. If the potential investee 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 has invested in assets which PSIF deems to have a negative contribution to the sustainable investment objective, no longer passes the do no significant harm screening or no longer displays good governance. When a sustainability issue is detected, PSIF engages with the investment manager or issuer to a) understand the reason for deterioration of the sustainability profile and decide if this is expected to improve, b) investigate what actions are planned/can be taken to improve, c) give input where relevant to help improve.

When a concern is detected, the position will either be a) set on a dedicated engagement track to repair the issue, depending on the severity and mitigation options of the concern or b) divested. The progress of the engagement track is monitored monthly and failure to repair the issue will result in divestment after the engagement period's end date.

Engagement with investee companies and funds 2023

PSIF had meetings with 100% of the holdings in the portfolio

A total of 70 scheduled meetings and multiple follow-ups

1 holding was marked for divestment after a negative conclusion of the engagement. The holding was fully divested in early 2024

All holdings were engaged on ESG risk and impact reporting

62% of the holdings with an environmental objective reported on their EU Taxonomy alignment, compared to 19% in 2022

During the reporting period 2023, the Fund Manager and Investment Advisor had a total of 70 scheduled meetings, multiple email engagements and contact for the annual update of PSIF's sustainability reporting and ESG risk questionnaire. All 27 investee companies and funds in the portfolio had at least one meeting. Where the regular update meeting, questionnaire update, investee disclosure or outside news highlighted a material issue, additional engagement beyond the standard update took place. In most cases the outstanding issues were resolved without multiple additional meetings and contact, but in a few cases, a specific engagement track was applied depending on the materiality of the issue. While every engagement is investee specific depending on the circumstances for each fund, the engagement topics can be grouped into the broader categories below.

Engagement category	Renewables	Financial Inclusion	Natural capital	Social Impact	Education	**Total**
ESG risks	20	4	1	1	1	27
Reporting/disclosure	6		1		1	8
Individual assets	5					5
Social/community		1	1			2
Supply chain	2					2
Governance	4	2		1		7

All holdings were required to update their ESG risk reporting and mitigation policies via a standardized questionnaire. The SASB material risk assessment informs which ESG risks are applicable, but holdings were encouraged to report on more risks if they are considering them. The introduction of the Taskforce Climate Financial Disclosure (TCFD) in the UK requires fund management companies to report annually on the climate related risks that their investments are exposed to and how they are avoided or mitigated. Because there is some crossover between the TCFD datapoints and the climate related Principal Adverse Impact indicators, coverage on GHG emissions improved significantly this period.

Most engagement focus has been on improvement of the holding's reporting and disclosure, particularly in relation to SFDR and impact targets. While gaps remain, reporting on the principal adverse impact, EU Taxonomy and the Fund's impact indicators improved significantly over the reporting period.

Within the renewable energy theme, focus was on reporting, community engagement, supply chain and governance. In particular, five holdings received focused engagement to better understand the details of their Combined Heat and Power (CHP) assets. These are gas fired power plants that capture the heat generated in the process to either improve the efficiency of the electricity generation or use it to provide heating to nearby buildings. CHP assets are generally net zero aligned because they can use (green) hydrogen as input instead of fossil gas. However, currently they all use fossil gas and therefore require engagement. Two of the holdings fully capture the generated emissions and therefore are sufficiently mitigating this adverse impact. Three holdings do not capture the emissions and do not intend to start doing that in the short term, which required a more intensive engagement track. During the engagement process, two holdings decided to liquidate their underlying positions for reasons not related to the engagement. One holding wouldn't liquidate the CHP position, which triggered PSIF's divestment from the holding.

On Governance, 4 renewable energy holdings received engagement to better understand the quality of oversight by the board on the manager of the underlying assets or investment choices that the manager made. As returns for the renewable energy holdings were pressured during the reporting period, valuation processes, power price projections, cash management and asset management were of particular interest when challenging the manager.

For the financial inclusion funds engagement focused on reporting and governance. Lending practices and measures in place to protect end borrowers. This was highly topical as newspapers reported cases of overindebted microfinance borrowers in Cambodia, where some of the financial inclusion funds were mentioned.

Voting

As a result of its investment, PSIF has gained voting rights for many of its holdings. The Fund Manager, on behalf of the Fund, fulfils its voting responsibility by using the option to vote by proxy during annual general meetings and interim or special meetings called by its investments. In principle, voting will occur in line with the Dutch corporate governance code and relevant international corporate governance codes.

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

During the year, PSIF voted on 24 ballots for 19 holdings, in some cases more than once as funds proposed resolutions outside the annual general meeting. Voting was done from the lens of governance and gender equality. Where possible, voting was applied to make gender representation in boards more balanced.

Industry and Public Policy Engagement

The Fund did not directly engage in any industry or public policy engagement during the reporting year. But it does expect its investees to do so. Industry-wide initiatives to improve disclosure on sustainability related topics and to establish standards are monitored closely and investees for whom this may be appropriate are questioned on their alignment and contribution.

D. Reference to international standards

The Fund's requires all investee companies to comply with applicable industry specific regulations in their home and host countries. In addition, any governance, environmental, social and human rights laws must also be followed.

In its investment selection process and sustainability analysis, the Fund applies the following standards, as 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
- Paris Agreement

PSIF investigates the governance quality of the companies, organizations, vehicles, and funds managing the ultimate investments. This analysis is based on a combination of international standards from the UN Principles for Responsible investment (UNPRI), UN Global Compact, the OECD Guidelines for Multinational Enterprises the UN Guiding Principles on Business and Human Rights and the Sustainability Accounting Standards Board (SASB). Focus points for the analyses conducted include employee engagement, diversity & inclusion; business ethics; operational and manager quality.

SASB's industry-based standards development approach identifies the sustainability disclosure topics most relevant to enterprise value for the typical company in an industry, enabling companies to provide decision-useful information about a range of sustainability-related risks and opportunities to investors and other capital market participants. The material governance risks identified by SASB for the sectors the Fund is active are grouped into five dimensions: (1) Environment, (2) Social Capital, (3) Human Capital, (4). Business Model and Innovation, (5) Leadership and Governance. In 2022, the SASB standards were integrated into the International Sustainability Standards Board (ISSB) to further facilitate standardisation.

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. By aligning its sustainable investment objective with the SDGs, the Fund considers these already in the initial screening of a new investment.

The goal of the Paris Agreement is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century. The Paris Agreement is a landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects. The Fund also aims to be a climate neutral investor and considers the emissions and greenhouse gas emissions savings of new investments to fit into that target.

E. Historical comparison

As this is the Fund's second report, the data from this reporting period and the previous reporting period are displayed below.

Adverse Sustainability Indicator	Unit	2023	2022
1.GHG emissions • Scope 1 • Scope 2 • Scope 3 • Total	tCO2e	 23,808 15,541 404,703 444,052	 16,612 2,368 65,731 84,712
2. Carbon footprint	tCO2e/ €M invested	146	1,340
3.GHG intensity of investee companies	tCO2/€M revenue	1,613	218
4.Exposure to companies active in the fossil fuel sector	%	4	7,4
5.Share of non-renewable energy consumption and production	1) consumption % 2) production %	1) 48 2) 5	N/A
6.Energy consumption intensity per high impact climate sector		0.128	N/A
7.Activities negatively affecting biodiversity sensitive areas	%	0.14	2.69
8.Emissions to water	tonnes	0.007	0,0
9.Hazardous waste ratio	tonnes	0.746	0,83
Optional: Investments without carbon emission reduction initiatives	%	NA	0
10.Violations of UNGC and OECD Guidelines	%	0	0
11.Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines	%	13	3
12.Unadjusted gender pay gap	%	31	45
13.Board gender diversity	%	45	41
14.Exposure to controversial weapons	%	0	0
Optional: Excessive CEO pay ratio		N/A	N/A