



The year 2022 was characterized by rising inflation, rising interest rates and soaring energy prices. All three forces were already starting to emerge in the second half of 2021, but this trend was exacerbated by the Russian invasion of Ukraine. As gas exports from Russia were cut, it not only showed the need of a more resilient power system, but also the dependencies in the food system and other natural commodities such as timber. While this led both EU and US to accelerate their shift to low carbon energy sources in the medium term, the skyrocketing power prices also increase energy poverty in the short term. Through its investments, Privium Sustainable Impact Fund (the Fund, PSIF) supports the renewable deployment as well as alleviating poverty and planting of trees. This impact report discusses how the Fund has a positive effect in many areas.

Despite the economic backdrop, impact investing continued to grow. The Fund's assets increased to EUR 714 million and the fund achieved a positive performance in 2022 (+3.0%). The Fund also strengthened its sustainability framework with an updated ESG policy and due diligence process.

PSIF is a Fund of investment funds. This means that the Fund invests in other funds that provide loans to local banks and other institutions. These then serve the ultimate borrowers. The Fund receives the impact data on which this report is based via the underlying funds. Unless otherwise stated, results refer to the Fund's actual interest in the underlying funds.

This is PSIF's annual impact report. Using the Sustainable Development Goals (SDGs) and with the help of case studies, the developments within the Fund and the impact achieved are made transparent.

### Impact results 2022



**661 student loans**



**Renewable energy produced  
equivalent to 131,586 households**



**139,444  
entrepreneurs financed**



**CO<sub>2</sub> emissions equal to  
107,688 cars avoided**

### Cleaner, better, faster, greener

As a response to the war in Ukraine, the European Commission published the REPowerEU plan in May 2022 to end the reliance on Russian fossil fuel by 2030, which among others aims to increase share of renewable energy to 45% by 2030 (up from previous goal of 40%). The European Parliament agreed on the Carbon Border Adjustment Mechanism, to avoid production to move to cheaper and higher carbon-emitting countries. In the US, USD 391 billion is to be directed into energy security and climate change through the Inflation Reduction Act.

The plans include investments and support to renewables, hydrogen, storage and grid upgrades, but also energy efficiency technologies such as heat pumps.

One key issue that many developers are facing is the long waiting time to obtain a construction permit. Regulators are aware of this and are working on new legislations this year aiming to speed up the approval process. From an impact point of view, it is however important that faster approvals do not relax the environmental and social impact studies necessary to ensure no significant harm to communities and ecosystems.

# The impact themes:

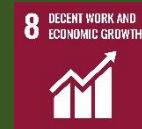
Each of the themes the Privium Sustainable Impact Fund invests in contributes to several SDGs. The match between SDG and theme is determined based on the definitions of the UN. The impact of the Fund is measured for each SDG using impact indicators. In selecting these indicators, the Fund dovetails as much as possible with the reports of the underlying funds, the guidelines published by the UN and the work of the Platform for Sustainable Financing led by the Dutch Central Bank.

For the implementation of the indicators, the Fund uses information from the underlying funds. For example, within the education segment, the funds keep track of the percentage of students coming from countries with a low gross national product. By paying particular attention to students from these types of countries when providing student loans, SDG 10: Reducing Inequality is supported. Where the reporting date of a fund deviates, the most up-to-date data is used. An overview of the impact measurement process can be found on the last page of the report.



## Financial inclusion

In order to grow with the developing economy in a country, people must have access to financial services. Globally, people without access to the financial sector are among the poorest, youngest and lowest educated in their country.



## Education

Quality education is a basic condition for both personal development and the development of a country. This goes beyond learning to read and write. High-quality education opens the way to local growth, entrepreneurship and future leadership.



## Renewable energy

The switch from fossil to renewable energy is in full swing. But much still needs to be done before fossil energy generation is completely phased out.



## Social impact

By tackling challenges such as care, juvenile delinquency, unhealthy living environments, homelessness and energy poverty as directly as possible, persistent social inequalities can be reduced and a positive effect on disadvantaged people's lives and society can be achieved.



## Natural capital

Our global natural capital, including geology, soil, air, water and all living things, is under pressure. Protecting and regenerating soil and water quality and areas with biodiversity contributes to reversing this trend.



# Impact developments 2022

During 2022, many funds raised new capital to expand their renewable portfolios, some in which Privium Sustainable Impact Fund participated in. Many renewable funds started to invest in battery storage which is crucial for a stable electricity grid but also for more efficient use of the electricity produced. Funds also increased their share of development projects in their portfolios, which should accelerate the much-needed deployment of more renewables. Within Natural Capital, more than 38,000 new trees were planted as afforestation projects were started, and within Social Impact 6,963 people in need were served.



## Demand for credit in financial inclusion

The financial inclusion funds in the Fund see their clients resilient from rising inflation, and demand for credit continues to be strong post-Covid.



## Renewables and storage

Traditional renewable funds are expanding into energy storage. Greening existing infrastructure and adapting the energy grid gives renewable energy more opportunities.



## Social impact

With food insecurity, energy poverty and increasing number of asylum seekers driven by geopolitical tensions and climate change, investing in solutions for disadvantaged groups remains as relevant as ever.



## Natural capital

In the theme Natural capital, investments are made that work on the management and conservation of land, forests, water and biodiversity. More than 38,000 new trees were planted as afforestation projects were started.



# Financial inclusion impact result 2022



50%

Female borrowers



Entrepreneurship is an important route to financial independence and a better future. This certainly applies to women in emerging countries where only about 17% own their own company. Institutional limitations, but also a lack of knowledge and financing mean that female entrepreneurs experience major barriers when setting up and growing their own business.

Goal 5: Achieve gender equality and empower all women and girls.

1 39,444

Loans to  
entrepreneurs



Small entrepreneurs create jobs and support the economic development of their communities. In emerging countries, they provide 7 out of 10 jobs and 40% of the national income. But these entrepreneurs often find it difficult to obtain financing. There are an estimated 65 million medium and small companies in emerging countries that do not have enough capital to grow.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

39%

Rural borrowers



Economic development in emerging countries is usually not equally divided. Urban areas or regions with specific economic benefits are developing faster than rural areas. This can lead to large differences in prosperity.

Goal 10: Reduce inequality within and between countries.

## Case study



# Tackling gender inequality is key to delivering real financial inclusion

**Financial inclusion is essential as globally, 1.4 billion adults remain completely unbanked. The majority are women, the poor and the less educated, according to the World Bank's Global Findex of 2021. Gender inequality is a global issue, most noticeable in emerging and frontier markets. Truly equal opportunities create resilient people resulting in more resilient economies that can endure and recover from crises more rapidly.**

Gender-smart investing took on additional urgency after Covid-19, given its disproportionate effect on women. Twice as many women lost their jobs globally (64 million) during the pandemic, according to the World Economic Forum. The UN estimated that in 2021, for every 100 men aged 25 to 34 living in extreme poverty, there were 118 women.

The OECD estimates that if women participated in the economy identically to men, it would add up to \$28 trillion, or 26%, to annual global GDP by 2025. The untapped potential is, again, greatest in developing countries. Gender equality would be catalytic in creating more resilient, sustainable and inclusive economies going forward.

Data from different sources show that if you are a woman entrepreneur, you are more likely to get rejected for a business loan. If your application is accepted, you may receive a lower amount, a higher rate and a shorter tenor. Collateral requirements may be more stringent compared to male peers. This is despite women showing the same, or even better, repayment rates as men.

Women in developing economies are more likely to work in informal employment and less likely to own land or property. These are important factors influencing your ability to take a loan and the terms at which its offered. Gender norms, which vary depending on the culture, may also limit women's ability to access, use and benefit from financial services.

BlueOrchard Microfinance Fund (BOMF), and the other

financial inclusion funds in PSIF invest with a specific "gender lens". While this may take different forms, in general these funds:

- Take gender-based factors into consideration throughout the investment process
- Seek to advance gender equality through meeting the diverse financing needs of women entrepreneurs, empowering women as consumers and strengthening sectors that predominantly employ women.

BOMF supports several financial institutions that primarily focus on women clients. The institutions have passed specific ESG and impact assessments, including aspects such as workplace equity practices and responsible lending practices.

A large share of BOMF's investment activities target women, which in 2022 resulted in 82% of end borrowers of the fund being women.

Tekst and picture courtesy of [Schroders BlueOrchard Microfinance Fund](#)





# Education impact result 2022

661

**Student loans**



Access to affordable and quality education is a prerequisite for participation in the economy and an indispensable link in the economic development in a country. However, there are many barriers to students including poverty, crisis and emergencies, high tuition fees, exclusive entrance exams, geographic mobility and institutional discrimination.

Goal 4: Ensure equal access to quality education and promote lifelong learning for all.

79%

**Students from  
developing countries**



Lack of education contributes to maintaining and even increasing economic and social inequalities. In emerging countries, education is often not available or affordable for large parts of the population. Inequalities can be reduced by lending to students in these countries.

Goal 10: Reduce inequality within and between countries.

# Renewable energy impact results 2022



**366,360  
MWh**

**Renewable energy  
generated**



More clean energy is needed to be able to continue to meet our energy demand in a responsible way. Total renewable energy consumption has increased significantly over the past decade, but its share of total global energy consumption is below 20%

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.

**250  
MW**

**Renewable  
generation and  
storage capacity**



The phasing out of fossil energy requires investments in sustainable generation capacity, new technology and energy infrastructure. To make our energy supply future-proof, more sustainable and cleaner, the amount of sustainable energy generation and storage capacity must be expanded. 250 MW of the renewable generation and storage capacity that the underlying investments were managing at the end of 2022 is attributable to the Fund.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and drive innovation.

**178,253  
tonnes**

**CO<sub>2</sub> emissions  
avoided**



The more CO<sub>2</sub> emissions that can be avoided, the more this contributes to limiting the effects of climate change. Based on the energy mix in the region where they operate, the underlying investments of the Fund determine how many tonnes of CO<sub>2</sub> emissions have been avoided thanks to their projects.

Goal 13: Take urgent action to combat climate change and its impact.

## Case study



# Dutch company is the link between clean hydrogen and offshore wind

**HydrogenOne Capital, one of PSIF's investments in the renewable energy theme, bought shares in Strohm this year. This Netherlands-based hydrogen pipeline company provides materials for the efficient transport and storage of renewable energy generated at sea.**

As Europe is working towards Net Zero, offshore wind will be one of the main technologies used to decarbonize the Western European energy system. On its own, the intermittency of offshore wind causes a problem. Combined with green hydrogen however, it will play an essential role in ensuring security of supply for heating, electricity and transport needs. This can displace North Sea oil and gas, and Liquid Natural Gas imports.

To access the best wind resources, offshore wind farms will be developed further away from the coast and therefore away from areas of high energy demand. The rise in electrical cable prices and the loss of power over long distances negatively impact the economics of offshore wind projects. Curtailment and grid charges also limit the ability to scale up energy from offshore wind. The same goes for the ability to store energy for strategic and security needs long term.

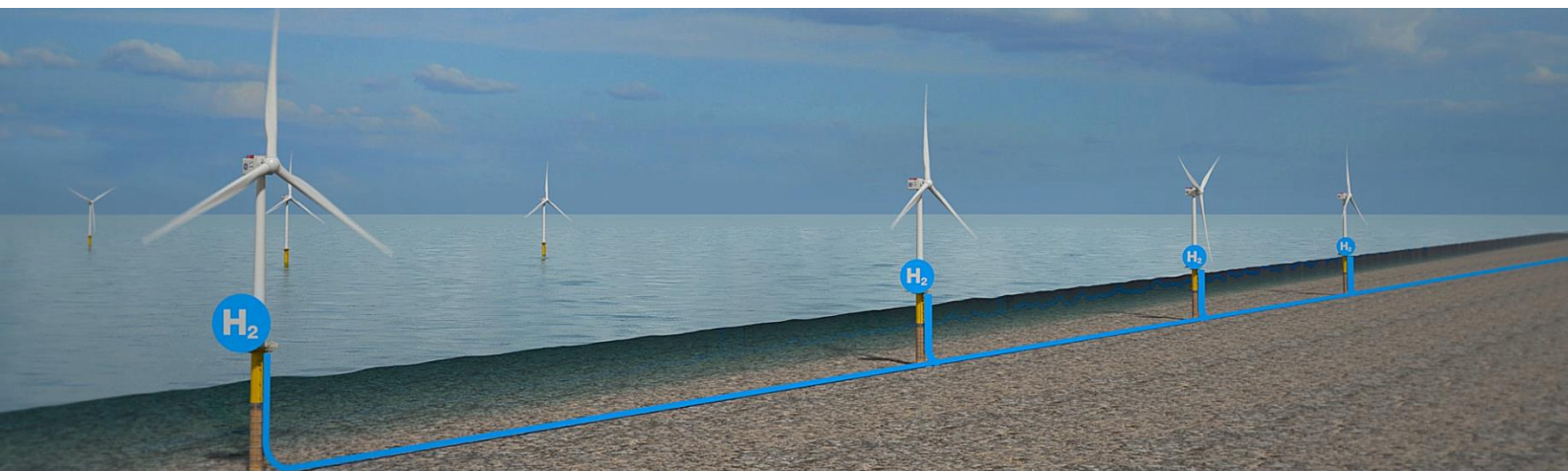
The solution is to convert the (surplus) power generated by offshore wind turbines into hydrogen and transport it onshore to the grid or end-users, thereby

alleviating the negative impacts of power conversion and cables, thereby maximizing efficiency.

Strohm develops the pipes needed for this transport with a very specific set of qualities. The material is able to withstand the harshest offshore environments, does not corrode and it is compatible with CO<sub>2</sub> as well as hydrogen. Strohm's technology also has a very low carbon footprint which adds to efficiency of the offshore wind projects.

The pipes can transfer up to 10 times as much energy in the form of hydrogen as an equivalent electricity cable can, and in addition it can store the energy in the pipe as well.

Photo credit: [Strohm](#)



# Natural Capital impact results 2022



13  
KM

Kilometers water-  
ways sustainably  
managed



A natural capital asset (e.g. a forest or agricultural area) is part of an integrated ecosystem which requires balance to function properly. Healthy waterways provide essential nutrients, hydration and habitats to local flora and fauna within the natural capital asset. Proper care of waterways improves biodiversity and the optimal functioning of the ecosystem.

Goal 6: Ensure availability and sustainable management of water and sanitation for all

1,326  
tonnes

CO<sub>2</sub> sequestered



Biological carbon sequestration happens when carbon is stored in the natural environment. This includes what are known as 'carbon sinks', such as forests, grasslands, soil, oceans and other bodies of water. About 25% of global carbon emissions have historically been captured by carbon sinks on land. By properly managing, expanding and improving the health of our natural capital we will be able to sequester more CO<sub>2</sub>.

Goal 13: Take urgent action to combat climate change and its impact.

442  
HA

Hectares land  
sustainably  
managed



Sustainable land management refers to practices and technologies that aim to integrate the management of land, and other environmental resources to meet human needs while ensuring long-term sustainability, ecosystem services, biodiversity, and livelihoods. Ecosystems provide many of the basic services that make life possible for people.

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

## Case study



# Focus on forestry to fight climate change

**Foresight Sustainable Forest Company (FSFC) launched in November 2021 and PSIF supported the IPO with a EUR 5 million investment. FSFC invests in UK forests and their management. By ensuring sustainable management, the existing forestry assets within this fund have a positive impact. But by planting new forests (approximately 40% of the fund), the fund makes an even greater impact.**

When we think of fighting climate change, we quickly think of reducing the use of fossil fuels, but our forests also play an important role. Forests are even crucial to achieving global climate goals. Globally, forests absorb a net 7.6 billion tonnes of CO<sub>2</sub> per year and in the EU they absorb about 10% of total greenhouse gas emissions per year.

Our forests and the associated environment provide natural storage for CO<sub>2</sub>. By using trees for products with a long lifespan, such as furniture or building materials, a lot of CO<sub>2</sub> can be stored for a long time. This is happening more often as architects are embracing wood as a building material. Since wood replaces CO<sub>2</sub> - intensive steel and concrete, it also has a positive compensating effect in addition to the storage.

But management of our forests globally has been poor. Humanity has destroyed about 1/3 of all forests, most of it in the last 200 years. The clearing of forests is mainly done to use the land for agriculture.

There are three ways to combat deforestation:

- afforestation (new)
- reforestation (after recent felling)
- sustainable management of the current forests.

Policymakers also recognize that deforestation is a problem. New environmental regulation increasingly considers the importance of forests and forestry in achieving the net-zero climate goals.

For example, the EU Forest Strategy 2030 states that the EU wants to plant 3 billion extra trees by the end of 2030. The United Kingdom, which has relatively few forests (13% of the land area versus 46% in Europe), is also taking measures: the target there is 30,000 hectares of additional forest each year.

Photo credit: Foresight Sustainable Forest Company



# Social Impact impact results 2022



6,963<sup>1</sup>

Disadvantaged  
people provided with  
essential services



The ability to access essential services is a critical prerequisite for social and labour market inclusion and an important determinant of well-being, especially for disadvantaged groups. Social issues such as energy poverty, access to care and the education gap cause people to become further excluded and vulnerable.

Goal 10: Reduce inequality within and among countries

891<sup>1</sup>

Disadvantaged people  
provided with  
affordable, quality  
homes



Housing instability encompasses multiple challenges, such as having trouble paying rent, overcrowding, moving frequently, or spending the bulk of household income on housing. Unsafe and unstable housing can have significant economical, social, physiological and psychological effect on all family members. It can also cause increased interactions with other social systems, like health care, child welfare and criminal justice, which further impacts their lives negatively.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

<sup>1</sup> As the quantitative value of social impact may be challenging to measure specifically, the underlying fund is not yet able to allocate the impact made by its investee projects directly to the value of its investment. Therefore, the auditable full impact result of the projects rather than the estimated proportional impact generated by the underlying fund's investment into the projects is currently shown in their reporting. As with the other impact KPI's, this number is allocated proportionally to PSIF's holding in the underlying fund.

## Case study



# Supporting organisations working for social change

**The Schroders BSC Social Impact Trust (SBSI) was listed in December 2020 to provide investors public market access to a diverse portfolio of social impact investments addressing entrenched social issues in the UK.**

An increasing number of impact driven organisations are developing investable solutions to significant UK social challenges, but they can lack access to capital to scale.

SBSI targets investments benefiting more vulnerable and disadvantaged people in areas of high need such as housing, health and social care that can demonstrate positive outcomes through transparent reporting, aligned with the United Nations Sustainable Development Goals. The focus is on investing in enterprises with experience of delivering significant and sustained social impact in their local context.

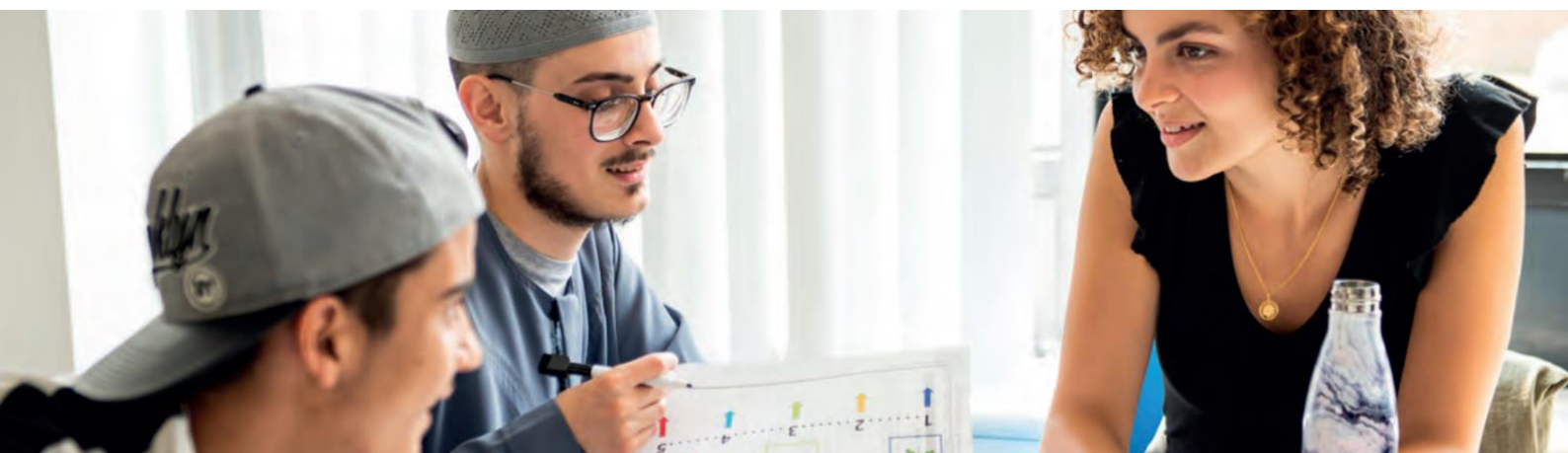
The Harrow Road area in West London is one of the most unequal in the UK. Areas of deep poverty exist directly adjacent to some of the most expensive locations in the world. Meanwhile, the existing support systems in West London are not easily able to flex to the needs of individual children. This left the local education system particularly exposed to the severe disruption seen during Covid-19 lockdowns.

There are 12,000 children and young people currently living in this area who need additional support. Without it, they are more likely to face challenges in later life, including unemployment, social isolation, and poor mental and emotional health.

SBSI investee West London Zone is a charity created to improve life chances for the 20% of children most at risk of poor outcomes in this geographical area, by enabling local community resources to work with local schools, and bringing together funding from local authorities, philanthropists, central government and the schools themselves.

The programme is a two-year, personalised and intensive package of support tailored to each child's unique strengths, needs and aspirations. The aim is for them to progress in all aspects of life – particularly wellbeing, confidence, relationships and academic achievement. Each child has a 'Link Worker' who guides them through the programme.

Photo and text credit: [Big Society Capital](#)



# Impact allocation of invested capital 2022



## Key facts Privium Sustainable Impact Fund

**Investment Objective:** The Fund invests in a diversified portfolio of listed and unlisted investment funds, companies and fixed income instruments. The goal is to make investments into companies, organizations, vehicles and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns. The Fund is actively managed and does not have a benchmark index.

SFDR*	Article 9 Fund	Administrator	Bolder Fund Services (Netherlands) B.V.
Management fee	0.30% per annum	Custodian	ABN AMRO Clearing Bank N.V.
Ongoing Charges Figure**	0.90% per annum	Depository	Apex Depository Services B.V.
Minimum subscription	EUR 100,-	Auditor	EY - Ernst & Young LLP
Inception	August 1, 2014	Legal & Fiscal advisor	Van Campen Liem
Fund manager	Privium Fund Management B.V.	Trading	Monthly
Investment Advisor	ABN Amro Investment Solutions	Subscription notice	Before the 25th of the prior month
Reference index	Euribor + 2% per annum	Redemption notice	One month
Currency	EUR	* More information available on the website of the Fund	
ISIN code	NL0010763587	** including underlying investments	
Website	<a href="http://www.psif.nl">www.psif.nl</a>		

### Risk factors

The investments made by the Fund carry several risk factors. A limited number are listed below. See the prospectus for a more detailed overview of the risk factors.

- Illiquidity of the underlying investments
- Economic and political risk of emerging markets
- Counterpart risk
- Inflation risk

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### Disclaimer:

Do not run any unnecessary risk. Read the Key Investor Information Document and the Prospectus. This communication is neither an offer to sell nor a solicitation to invest. The value of investments and any income generated may go down as well as up and is not guaranteed.

The Fund and its manager, Privium Fund Management B.V., are held in the register of Dutch Authority for the Financial Markets ([www.afm.nl](http://www.afm.nl)). The prospectus of the Fund and the Key Investor Information Document can be downloaded via the manager's website, [www.priviumfund.com](http://www.priviumfund.com). The performance overviews shown in this communication have been carefully composed by Privium Fund Management B.V. No rights can be derived from this communication.