# PAI quantitative disclosure

| | |
|---|---|
| Fund | AIFM |
| Reporting Period | FY 2022 |

**Summary**

The Alternative Investment Funds ("AIFs" or "Funds") managed by Incofin Investment Management ("Incofin") consider principal adverse impacts of their investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the following AIFs, covering the reference period of 1 January 2022 to 31 December 2022: agRIF Coöperatief U.A. ("agRIF"), Agri-Finance Liquidity Facility ("ALF"), Incofin Inclusive Finance Fund Sub-Fund 1 (“IIFF-1”), and Rural Impulse Fund II, S.A. SICAV-SIF (RIF II).

The table below includes the mandatory indicators defined by the SFDR as well as two additional indicators. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the principal adverse impacts identified.

**Profile of portfolio companies**

Our Alternative Investment Funds invest in companies contributing to the social and/or economic development of vulnerable populations in emerging countries. These companies can be: i) Financial Institutions (FIs), including but not limited to: not-for-profit organisations, non-bank financial institutions, credit unions, microfinance banks, commercial banks, regional financial holdings, wholesale facilities that provide financing to financial intermediaries, leasing companies, companies specializing in other inclusive financial services (e.g., agricultural finance, education finance, MSME finance, affordable housing finance, leasing & equipment/machinery finance, payment and savings services, micro-insurance, etc.), and ii) well-run agriculture producer organizations, traders/processors, plantations and agricultural value chain SMEs that are predominantly Fair Trade or Sustainable certified or candidates for certification, and that primarily work with, or are comprised of, smallholder farmers ("agro investees").

**Margin of error with our methodologies**

The methodology to identify PAI is always subject to data availability and quality. We are reliant on the quality of data received from the investee companies and third-party data providers. It is important to note that PAIs are challenging to collect from non-EU Financial Institutions ("FIs"). Since the regulatory and industry standardisation around the methodologies and tools used to perform PAIs assessment is evolving and in order to serve the spirit of the regulation in determining the impact of FIs, efforts are being made to work with the impact investing community, portfolio companies, and/or data providers, as the case may be, to calculate or estimate the exposure of the FI’s underlying portfolio for the following PAIs. Despite the reservation raised above, some FIs might be in position to report on the following PAIs as presented on a case-by-case basis. Data reported by investee companies is prioritised, however, where reported data is not available or of inadequate quality, we use proxy data provided by third-party data providers or publicly available open sources.

| PAI Indicators | Metrics (as per regulation) | Values* (weighted to EUR exposure) | Units | Explanation** | Actions taken, and actions planned and targets set for the next reference period |
|---|---|---|---|---|---|
| Scope 1 GHG emissions | Scope 1 GHG emissions | 948.96 | tCO$^{2}$e | N/A | **Actions taken**: The overarching mission of all our AIFM funds is to invest in entities contributing to the social, environmental and/or economic development of vulnerable populations in emerging countries. The specific objectives and type of investees may vary by Fund. However, reducing GHG emissions is not one of the targets of any of our Funds, therefore, GHG has not been tracked.<br><br>In generaly, our portfolio companies do not have data on GHG emissions. In the few cases where it is tracked, methodologies vary and are not comparable.<br><br>**Data source**: To comply with the SFDR regulation, the Fund sourced proxy data on GHG from the Impact Institute to estimate the GHG emissions of its investments and to calculate PAI 1, 2 and 3. The data from the proxy provider is based on their Global Impact Database which combines multiple leading global social, environmental and economic datasets including GTAP, Exiobase, Eora, SHDB and ILOstat. The proxies are calculated from a top down approach covering the full global economy and allowing the Fund to cover data gaps for an unlimited number of companies, such as: Non-listed companies, SMEs, Non-reporting listed companies and Emerging market companies. The inputs provided by the Fund to the proxy provider have followed the guidelines issued by the Proxy Provider.<br><br>The model selected uses the best available databases and was developed by industry experts, but estimating GHG emissions still includes a considerable amount of assumptions which limit their precision.<br><br>For PAI 2, "enterprise value" is calculated as total equity plus debt minus cash on hand for FIs and total assets for agricultural companies. For PAI 3, "total sales" is calculated as gross interest income for FIs and total sales for agriculture companies.<br><br>**Actions for next reference period**: We are working in partnership with the impact investors of the SPTF (Social Performance Task Force) to develop a standard methodology to efficiently calculate or estimate the GHG at the FI level as well as at the FI's underlying portfolio and to establish benchmarks based on the first round of PAI data collection. In addition, for our agro investees, we have commissioned an external consultant to develop a PAI calculator that will support portfolio companies collect data in a more reliable and efficient manner. The tool will be pilot tested during the course of 2023 with the aim to be ready for the next PAI reporting period. |
| Scope 2 GHG emissions | Scope 2 GHG emissions | 1,835.55 | tCO$^{2}$e | N/A | |
| Scope 3 GHG emissions | Scope 3 GHG emissions | 11,747.85 | tCO$^{2}$e | N/A | |
| 1. Total GHG emissions | Total GHG emissions | 14,532.36 | tCO$^{2}$e | N/A | |
| 2. Carbon footprint | Carbon footprint: Total GHG by enterprise value | 155.10 | tCO$^{2}$e / million | N/A | |
| 3. GHG intensity of investee companies | GHG intensity of investee companies: Total GHG by total sales of enterprise | 299.22 | tCO$^{2}$e / million | N/A | |
| 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 0.003 | % of investments (weighted) | N/A | **Actions taken**: Our Funds do not directly invest in companies active in the fossil fuel sector. Direct activities of our FI and Agri companies are not in the exploration, mining, extraction, production, processing, storage, refining or distribution in the fossil fuel sector, and thus, they do not derive direct revenues from the fossil fuel sector. Indirectly, a few investees do have exposure to the fossil fuel sector in their underlying lending portfolio or as an auxiliary service for their agriculture members.<br><br>**Data source**: Based on self-reported data from investees, the following activities were tagged as fossil fuel sector: 1) extraction of crude petroleum and natural gas; 2) manufacture of coke and refined petroleum products; and 3) other mining activities/raw materials extractions. Six investees (5 FIs and 1 Agri) in our AIFs have some exposure to fossil fuel activities; however, it remains marginal, representing only 0.003% of the invested portfolio on a weighted average.<br><br>**Actions for next reference period**: There are no specific actions or targets set to address PAI 4. |

| PAI Indicators | Metrics (as per regulation) | Values* (weighted to EUR exposure) | Units | Explanation** | Actions taken, and actions planned and targets set for the next reference period |
|---|---|---|---|---|---|
| 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | 42.67 | % Non-renewable/ Total electricity (weighted) | N/A | **Actions taken:** Our Funds do not have a mandate to reduce the use of non-renewable energy in its portfolio companies.<br><br>**Data source:** Portfolio companies are drawing energy from the national grid. Thus, the data reported is retrieved from the national energy mix sourced from Our World in Data, which is based on BP Statistical Review of World Energy and Ember.<br><br>**Actions for next reference period:** There are no specific actions or targets set to address PAI 5. |
| 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 | N.I. | GWH / million EUR (weighted) | N/A | **Actions taken:** Our Funds do not have a mandate to reduce energy consumption intensity in its portfolio companies. The SFDR regulations define high impact climate sectors as the following: Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply: sewerage, waste management and remediation activities; Construction; Wholesale and retail trade: repair of motor vehicles and motorcycles; Transportation and storage; and Real estate activities.<br><br>As our FI investees do not classify as "high impact climate sector" given their direct activities in the financial industry, they are given a value of "0". The agro investees would fall into scope of "high impact climate sector" given their direct activities in agriculture.<br><br>**Data source:** For our Agro investees, the quality of the self-reported data from investees was not reliable and there are no proxies available at this time for our specific market. Therefore, this PAI has no information (N.I.) for this reference period. While the direct impact of our FI investees is likely negligible, we have tried to analyze the risk further. Based on the self-reported data from the FIs on loan portfolio breakdown indicates that 98% of FI investees have some exposure to high impact climate sectors. The exposure is most commonly in agriculture, forestry and fishing (of which growing of crops and animal production are the main activities), representing 30% on average of their loan book. Wholesale and retail trade (mainly trade and services excluding motor vehicles and motorcycles) makes up 25% of loan book on average, while exposure to other high impact sectors is less than 4%.<br><br>**Actions for next reference period:** Incofin is working in partnership with the impact investors of the SPTF (Social Performance Task Force) to develop a methodology to efficiently calculate or estimate the energy consumption intensity of the high intensity components of the FIs' underlying portfolio. We have also commissioned an external consultant to develop a PAI calculator that will support agro portfolio companies collect data in a more reliable and efficient manner. The tool will be pilot tested during the course of 2023 with the aim to be ready for the next PAI reporting period. |
| 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0.00 | % of investments (weighted) | N/A | **Actions taken:** Our Funds commits to take potential negative effects on biodiversity into consideration in its investment decisions. In 2021, Incofin signed the Finance for Biodiversity Pledge, which is calling for ambitious action on biodiversity in the financial sector. As a committed signatory, we are currently assessing how to make our commitment to biodiversity protection more tangible.<br><br>It is important to note that for our FI portfolio companies, direct impact on biodiversity-sensitive areas is negligible given that their direct activities are financial services operations. For our agro portfolio companies that are directly engaged in agriculture activities, biodiversity risks are present. The Funds try to mitigate this important risk by predominately investing in Small Producer Organizations (“SPOs”) and Agro SMEs which are “Fair Trade” or “Sustainable” certified by reputable organizations. Organizations with such certifications are required to undergo a strict certification process with audits by an independent organizations.<br><br>**Data source:** While the direct impact of our FI investees is likely negligible, we have tried to analyze the risk further. Based on self-reported data from the investees, 7 (or 14%) of the portfolio companies have branches or points of sales near biodiversity-sensitive areas (between 4 and 15 branches). Also, 47 (or 94%) of the portfolio companies reported having exposure in the agriculture sector (30% on average), which is the primary sector that could potential have negative biodiversity impacts. However, we are unable to draw any conclusions at this time on negative biodiversity effects on those biodiversity-sensitive areas.<br><br>For our agro investees, 2 investees (representing 1% of total investments of the Funds) reported to have operations or to work with suppliers located in or near biodiversity sensitive areas. However, the challenge of calculating PAI 7 is to establish whether the activities of the investee is "negatively affecting" those biodiversity sensitive areas. As none of these portfolio companies have faced environmental sanctions from local regulators, we make the assumption that there is no violations.<br><br>**Actions for next reference period:** We are working in partnership with impact investors of the SPTF (Social Performance Task Force) to develop a methodology to efficiently calculate or estimate the impacts of the FIs' underlying portfolio exposure to activities located near or in biodiversity-sensitive areas. Research is taking place on the best tools for mapping and matching national biodiverse-sensitive areas to portfolio activity's location(s).<br><br>For our agro investees, we have commissioned an external consultant to develop a PAI calculator that will support portfolio companies collect data in a more reliable and efficient manner. The tool will be pilot tested during the course of 2023 with the aim to be ready for the next PAI reporting period. |
| 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | N.I. | tonnes / million invested | N/A | **Actions taken:** In our Funds, we committ to take potential negative effects of water emissions in our investment decision. In the case of our FI portfolio companies, it is important to note that they generate a negligible amount of emissions to water given that its direct activities are financial services operations. For our agro investees, our Funds try to mitigate this important risk by predominately investing in Small Producer Organizations (“SPOs”) and Agro SMEs which are “Fair Trade” or “Sustainable” certified by reputable organizations. Organizations with such certifications are required to undergo a strict certification process with audits by an independent organizations.<br><br>**Data source:** The quality of the self-reported data from our agro investees is not reliable/complete, and there are no proxies available at this time for our specific market. Among the portfolio companies that reported, only 1 investee is using chemicals, pesticides, and/or fertilizers that contain nitrates and/or phosphate in their operations. However, it is unclear how much of the chemicals are emitted into the water. More research is needed to understand the situation.<br><br>**Actions for next reference period:** We are working in partnership with the impact investors of the SPTF (Social Performance Task Force) to develop a methodology to efficiently calculate or estimate emissions to water of the FI's underlying portfolio.<br>For our agro investees, we have commissioned an external consultant to develop a PAI calculator that will support portfolio companies collect data in a more reliable and efficient manner. The tool will be pilot tested during the course of 2023 with the aim to be ready for the next PAI reporting period. |

| PAI Indicators | Metrics (as per regulation) | Values* (weighted to EUR exposure) | Units | Explanation** | Actions taken, and actions planned and targets set for the next reference period |
|---|---|---|---|---|---|
| 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 0.00 | tonnes / million invested | N/A | **Actions taken**: In our Funds, we commit to take potential negative effects of hazardous waste and radioactive waste into consideration in our investment decisions. It is important to note that our FI portfolio companies generate a negligible amount of hazardous waste given that its direct activities are financial services operations. For our agro investees, our Funds try to mitigate this important risk by predominately investing in Small Producer Organizations ("SPOs") and Agro SMEs which are "Fair Trade" or "Sustainable" certified by reputable organizations. Organizations with such certifications are required to undergo a strict certification process with audits by an independent organizations.<br><br>**Data source:** Only 1 Agri investee (a sesame processing and exporting company in Paraguay) reported having hazardous or radioactive waste as a byproduct of their operations (0.15 tonnes). The company did confirm that they have a process in place to manage and dispose of the waste in accordance with local regulations. As a weighted average of the Fund's total investment, the amount is negligible.<br><br>**Actions for next reference period:** We are working in partnership with the impact investors of the SPTF (Social Performance Task Force) to develop a methodology to efficiently calculate or estimate the FI's underlying portfolio hazardous waste generation.<br>For our Agro investees, we have commissioned an external consultant to develop a PAI calculator that will support portfolio companies collect data in a more reliable and efficient manner. The tool will be pilot tested during the course of 2023 with the aim to be ready for the next PAI reporting period. |
| 10. Violations of UN Global Compact principles and Organization 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 | 4.83 | % of investments (weighted) | N/A | **Actions taken**: Our Funds adhere to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that our Funds invest into comply with these norms. Our Funds are subject to norm-based screening, which identifies investee companies that have been involved in violations of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises at the due diligence stage. If material gaps are identified, we will engage with the company to understand their willingness and capacity to address the issues, and where feasible, will negotiate an action plan.<br><br>**Data source:** The SFDR regulation has not provided a clear definition of "violation". Through the SPTF Social Investors working group, peer investors in our industry have agreed to use a standard definition for "violations" as following: sanctions (e.g. fines, administrative or judicial sanctions), convictions, or non-monetary punishment that have been applied to the Portfolio Company during the last reporting year related to the following topics: i) Business practices against the Usury Law or the Consumer Protection Law; ii) Non-compliance with National Labor Law; iii) Funding environmentally damaging activities; iv) tax evasion or avoidance; v) non compliance with national Anti Money Laundering Law. This definition is consistent with the approach shared in the Final Report on Minimum Safeguards, a topic related to this PAI, that states that "in practice, it might be necessary to differentiate between court proceedings involving serious violations and minor cases".<br><br>Based on self-reported data from the investees, 3 investees reported having been sanctioned or fined due to minor non-compliance with the legislation (labour, anti-money laundering process) that have already been resolved. As a weighted share of the Fund's total investments, the amount is negligible.<br><br>**Actions for next reference period**: We will continue to monitor our porfolio companies and will take corrective actions as needed depending on the severity of the violations. Such corrective actions could include engaging with the companies to understand where it failed to protect its customers or its staff, and where feasible, negotiate an action plan and technical assistance. In cases of serious violations with no resolutions with the investees, the possibility of divestment may be considered. |
| 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 | 1.57 | % of investments | N/A | **Actions taken**: Our Funds adhere to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that our funds invest into comply with these norms. Our Funds are subject to norm-based screening, which identifies investee companies that have been involved in violations of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises at the due diligence stage. If material gaps are identified, we will engage with the company to understand their willingness and capacity to address the issues, and where feasible, will negotiate an action plan.<br><br>**Data source**: For FI investees: we use the industry recognized tool SPI4-ALINUS (https://cerise-spm.org/en/alinus/) to conduct a social and environmental audit of all our FI investments. The tool contains 40 indicators related to processes and mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines of Multinational Enterprises. Such indicators include for example: client protection practices (prevention of over-indebtedness, transparency, fair and respectful treatment, data privacy, etc.), responsible treatment of employees (written HR policy protecting employees' rights and addressing non-discrimination, transparent and fair salary scale, prevention of health and safety risks, formal job documentation, etc.), and a review of these issues by the Management and the Board. Portfolio companies that had a compliance level of less than 60% of the 40 indicators were defined as "lacking processes and mechanisms".<br><br>For agro investees, a questionnaire was sent to all active portfolio companies to assess PAI 11. The questionnaire looked at 20 indicators related to processes and mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines of Multinational Enterprises (topics covered were the same as for the FI investees). Portfolio companies that had a compliance level of less than 60% of the 20 indicators were defined as "lacking processes and mechanisms".<br><br>During the reference period, one FI and one Agri investee scored below 60%.<br><br>**Actions for next reference period**: In the two cases where gaps exist, we will engage with the portfolio company to encourage implementation of best practices with the goal to remedy by the next reference period. |

| PAI Indicators | Metrics (as per regulation) | Values* (weighted to EUR exposure) | Units | Explanation** | Actions taken, and actions planned and targets set for the next reference period |
|---|---|---|---|---|---|
| 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | -3.65 | % unadjusted gender pay gap (weighted average) | N/A | **Actions taken**: Although our Funds do not have a specific mandate to address gender issues, women form an important part of the vulnerable and excluded populations ultimately targeted by the Fund. Hence, we apply a gender lens throughout the investment process to ensure our investments do not create adverse gender impacts, both at the level of the end-beneficiaries and at the FIs' employees.<br><br>**Data source:** PAI 12 is calculated based on self-reported data from the portfolio companies on the number of female employees, number of male employees, annual payroll to female employees, and annual payroll to male employees. As per the SFDR regulation, PAI 12 is the unadjusted gender pay gap and does not take into account the difference in positions, experience, seniority, etc. The formula is as below and taken as a weighted average of all portfolio companies:<br><br>(female payroll €/ female employees) - (male payroll € / male employees)<br>(male payroll € / male employees)<br><br>**Actions for next reference period**: There are no specific actions or target set related to PAI 12. |
| 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 20.39 | % of female to total members (weighted) | N/A | **Actions taken**: Although our Funds do not have a specific mandate to address gender issues, women form an important part of the vulnerable and excluded populations ultimately targeted by the Fund. Hence, we apply a gender lens throughout the investment process to ensure our investments do not create adverse gender impacts, both at the level of the end-beneficiaries and at the FIs' employees (including in the Management and the Board).<br><br>**Data source**: The data is based on self-reported data from the portfolio company.<br><br>**Actions for next reference period**: There are no specific actions or target set related to PAI 13. |
| 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0.00 | % of investments (weighted) | N/A | **Actions taken:** Our Funds' investment policy forbids any investment in companies that are involved in the production or development of cluster munitions, antipersonnel mines, biological weapons, chemical weapons, weapons with nondetectable fragments, incendiary and blinding laser weapons or depleted uranium munitions. Our Funds's investment policy also forbids any investment in companies that are verified to be involved in the production of nuclear weapons. This is specified in the Exclusion List and binded in the legal agreements with the portfolio company.<br><br>**Actions for next reference period:** No actions required. |
| Add.Environment: In the reporting period, has your company undertaken any carbon emission reduction initiative? | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | 46.68 | % of investments (weighted) | N/A | **Actions taken:** Our funds do not have a mandate to reduce the carbon emissions of our portfolio companies. However, 22 investees (30.8% of the Fund's weighted investments) have taken the initiative to put in place programs to reduce carbon emissions. While the initiatives are not specifically aligned with the Paris Agreement, we see this as an important cultural shift that will support the global efforts to reduce GHG emissions in the long run.<br><br>**Actions for next reference period:** There are no specific actions or targets set to address this additional environmental PAI.<br>However, we have commissioned a technical assistance program to evaluate the feasibility of carbon credits for agro portfolio companies. The results will be available in late 2023. |
| Add.Social: Lack of grievance/complaints handling mechanism related to employee matters | Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters | 8.76 | % of investments (weighted) | N/A | **Actions taken**: As a Financial Market Participant, our funds adhere to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that our funds invest into comply with these norms. Our Funds are subject to norm-based screening, which identifies investee companies that have been involved in violations of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises at the due diligence stage. If material gaps are identified, we will engage with the company to understand their willingness and capacity to address the issues, and where feasible, will negotiate an action plan.<br><br>**Data source**: This indicator is based on the latest due diligence findings of our investment team derived from an assessment of the HR policy of the entity. If the entity did not have a clear grievance mechanism for handling employee related matters covered in their HR policy, we considered this as a "lack of grievance mechanism". 13 investees (18%) had some gaps; however, as a weighted share of the Fund's total investments, it remains negligible.<br><br>**Actions for next reference period**: In the few cases where this gap exists, we will engage with the portfolio company to encourage implementation of best practices with the goal to remedy by the next reference period. |
| % of investees reported | | 73% | | | There were a total of 84 investees during the reference period, of which 60 FIs (71%) and 24 agro (29%). The reporting rate among the FI portfolio companies was high (87%) as compared to the agro portfolio companies (38%). At the time of PAI data request, many of the agro investees did not have an active or performing loan with the Fund, and were not willing to provide the data, resulting in the low reporting rates. Overall, the investees who reported represent 78% of the total invested portfolio. |
| Total Fund's Investments | | 178.7M | EUR | | |

* Values reported are EUR exposure weighted scores. For example: for a EUR 1M invested in a Financial Institution that has a 10% exposure to the Fossil Fuel sector in its portfolio, only EUR 0.1M will be counted in the "share of investments in companies active in the fossil fuel sector".

** Explanation of difference in impact reported. As this is the first reference period, there is no data to make a comparison.

*** N.I. = no information