

## STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

**Financial market participant :** SDG Frontier Fund NV

### Summary

SDG Frontier Fund considers principal adverse impacts (“PAI”) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of SDG Frontier Fund.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

The full sustainability-related product disclosure of the SDG Frontier Fund can be found on the following link: <https://www.bio-invest.be/files/SDGFF/Sustainability-related-Product-Disclosure-SDG-Frontier-Fund.pdf>

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

Adverse sustainability indicator		Metric	Explanation and actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	SDG Frontier Fund does not have environmental performance as a sustainable objective. It does not currently track systematically indicators related to climate, energy or other environmental dimensions nor have systematic requirements related to this PAI.  However, SDG Frontier Fund follows BIO E&S strategy <sup>1</sup> and policy that aims to limit the adverse environmental impacts of its investments. As a result, investment funds financed by the SDG Frontier Fund must comply with EDFI/BIO’s Exclusion Lists <sup>2</sup> that excludes investments in the following activities:
		Scope 2 GHG emissions	
		Scope 3 GHG emissions	
		Total GHG emissions	
	2. Carbon footprint	Carbon footprint	
3. GHG intensity of investee companies	GHG intensity of investee companies		
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector		

<sup>1</sup> [https://www.bio-invest.be/files/BIO-invest/Our-Impact/ESPolicyStrategy\\_VF.pdf](https://www.bio-invest.be/files/BIO-invest/Our-Impact/ESPolicyStrategy_VF.pdf)

<sup>2</sup> Harmonised EDFI Fossil Fuel Exclusion List (<https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf>) and Harmonized EDFI Exclusion List ([https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Exclusion-List\\_-September-2011.pdf](https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Exclusion-List_-September-2011.pdf)).

Adverse sustainability indicator		Metric	Explanation and 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	<ul style="list-style-type: none"> <li>- Coal prospection, exploration, mining or processing</li> <li>- Oil exploration or production</li> <li>- Standalone fossil gas exploration and/or production<sup>8</sup></li> <li>- Transport and related infrastructure primarily (more than 50% of the infrastructure’s handled tonnage) for coal for power generation</li> <li>- Crude Oil Pipelines</li> <li>- Oil Refineries</li> <li>- Construction of new or refurbishment of any existing coal-fired power plant (including dual)</li> <li>- Construction of new or refurbishment of any existing HFO-only or diesel-only power plant producing energy for the public grid and leading to an increase of absolute CO2 emissions</li> <li>- Any business with planned expansion of captive coal used for power and/or heat generation</li> </ul> <p>More generally and as an action planned for the next reference period, the SDG Frontier Fund will align with BIO’s upcoming Climate Strategy (currently under development, to be applicable as from 2024) and should include (1) the assessment and reporting of scope 1, 2 and 3 emissions of its investment, in line with the PCAF standard, (2) the revision of the exclusion list, and (3) the disclosure of climate related risks and opportunities, in line with TCFD standard.</p> <p>Through its investments in funds BIO and the SDG Frontier Fund request fund managers to apply the same standards and requirements that BIO applies to its direct investments. Therefore, the fund manager is expected to verify the alignment of the investment project with the IFC Performance Standard 3 “Resource efficiency and pollution prevention” that requires investees companies to consider alternatives and implement technically and financially feasible and cost-effective options to reduce project related GHG emissions.</p>
	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	

Adverse sustainability indicator		Metric	Explanation and actions taken, and actions planned and targets set for the next reference period
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	<p>The EDFI Harmonized Exclusion list adopted by BIO and therefore by SDG Frontier Fund portfolio funds excludes financing activities that negatively affect biodiversity. This includes:</p> <ul style="list-style-type: none"> <li>• Destruction of High Conservation Value areas</li> <li>• wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES);</li> <li>• Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).</li> <li>• Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;</li> <li>• Radioactive materials and unbounded asbestos fibers.</li> </ul> <p>Furthermore, fund managers are expected to verify the alignment of the investment project with the IFC Performance Standard 6 “Biodiversity Conservation and Sustainable Management of Living Natural Resources”. According to this standard, investment projects should avoid, minimize and restore impact on biodiversity and ecosystem services.</p> <p>This requirement is applicable to projects that are (i) located in modified, natural, and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the client has direct management control or significant influence; or (iii) that include the production of living natural resources (e.g., agriculture, animal husbandry, fisheries, forestry).</p> <p>Nevertheless currently no quantitative indicator is collected on this requirement and therefore can be disclosed at an aggregated level.</p>

Adverse sustainability indicator		Metric	Explanation and actions taken, and actions planned and targets set for the next reference period
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	<p>The EDFI Harmonized Exclusion list adopted by BIO and therefore by SDG Frontier Fund portfolio funds excludes financing activities that negatively affects water resources, including PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals.</p> <p>Furthermore, fund managers are expected to verify the alignment of the investment project with the IFC Performance Standard 3 "Resource efficiency and pollution prevention" that requires investees to avoid or reduce water usage so that the project's water consumption does not have significant adverse impacts on others, via technically feasible water conservation measures, or alternative water supplies, or water consumption offsets.</p> <p>Nevertheless currently no quantitative indicator is collected on this requirement and therefore cannot be disclosed at an aggregated level.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	<p>The EDFI Harmonized Exclusion list adopted by BIO and therefore by SDG Frontier Fund portfolio funds excludes financing activities using hazardous materials such as those involving:</p> <ul style="list-style-type: none"> <li>• Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;</li> <li>• Radioactive materials and unbounded asbestos fibers.</li> </ul> <p>Furthermore, fund managers are expected to verify the alignment of each investment project with the IFC Performance Standard 3 "Resource efficiency and pollution prevention" that requires investees companies to avoid or reduce the generation of hazardous and non-hazardous waste materials.</p> <p>In addition, the investees are required to treat, destroy, or dispose such waste materials in an environmentally sound manner, for instance by using reputable and legitimate licensed companies to collect its waste.</p>

Adverse sustainability indicator	Metric	Explanation and actions taken, and actions planned and targets set for the next reference period
		Nevertheless currently no quantitative indicator is collected on this requirement and therefore can be disclosed at an aggregated level.
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p> <p>Strictly speaking, UN Global Compact principles and OECD Guidelines for Multinational Enterprises are not the main frameworks used by BIO, the SDG Frontier Fund and other DFIs to assess and monitor investee companies’ environmental and social performance. Instead, they use IFC Performance Standards as the key reference to managing the environmental, social, labour and human rights risks.</p> <p>Nevertheless, the same content covered by the 10 principles of the UNGC is covered by the IFC PS (mainly human rights, freedom of association and right to collective bargaining, forced labour, child labour, discrimination, environmental challenges, environmental responsibility, environmentally friendly-technologies), with the only exception of bribery and corruption that are managed separately by Development Financial Institutions such as BIO.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	<p>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</p> <p>As for the OECD Guidelines, they mainly apply to multinational companies which are not in the scope of investment of SDG Frontier Fund and its fund managers, while here as well the scope of the review overlaps with the ones of the IFC PS (human rights, employment and industrial relations, environment, again with the exception of corruption).</p> <p>BIO and the SDG Frontier Fund promote that portfolio funds develop and implement an Environmental and Social Management System that is commensurate to their size and portfolio characteristics, as described in IFC Performance Standard 1. This system allows the funds to enforce BIO’s E&amp;S Standards at investee companies level.</p> <p>BIO and the fund managers keep track of serious accidents taking place in their investees companies to identify potential violations and incompliances.</p>

Adverse sustainability indicator		Metric	Explanation and 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	<p>The SDG Frontier Fund follows BIO’s gender strategy<sup>3</sup> that aims at enhancing economic opportunities for women. In this perspective, it looks at gender from all possible perspectives, as if through a “360° gender lens” which considers all the positions of women in investee companies whether they be entrepreneurs, leaders, workers, consumers, or community members.</p> <p>This offers a framework to collect gender-related information, assess key dimensions of gender equality and talk to clients about gender-related issues. This includes yearly monitoring of the average ratio of female to male board members and other gender equality indicators – along the 2X Challenge criteria<sup>4</sup> - in investee companies.</p> <p>More generally, the SDG Frontier Fund requires investments funds to verify the alignment of the investment project with the IFC Performance Standard 2 “Labour and Working conditions” that requires investees companies to not discriminate with respect to any aspects of the employment relationship, including compensation (for both wages and benefits).</p> <p>Nevertheless currently no quantitative indicator is collected on this requirement and therefore cannot be disclosed at an aggregated level.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	

<sup>3</sup> [https://www.bio-invest.be/files/BIO-invest/Our-Impact/Gender/GenderStrategy\\_LR.pdf](https://www.bio-invest.be/files/BIO-invest/Our-Impact/Gender/GenderStrategy_LR.pdf)

<sup>4</sup> <https://www.2xchallenge.org/criteria>

Adverse sustainability indicator	Metric	Explanation and actions taken, and actions planned and targets set for the next reference period
	and biological weapons)	For the reference period, the number of investments involved in the manufacture or selling of controversial weapons is zero.