

Sustainability-related disclosure: Statement on principal adverse impacts



Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors
Financial market participant
Financial market participant and product name: THE LAGREEN FUND, SICAV-SIF Legal entity identifier: 549300L085THG5WEBY60
Summary
THE LAGREEN FUND, SICAV-SIF (the LAGreen Fund, LAGreen, the Fund), LEI: 549300L085THG5WEBY60, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the LAGreen Fund.
The Fund's sustainable investment objective is to support positive environmental (particularly related to climate action) and societal benefits through the provision of responsible finance predominantly via green bonds ("Green Bonds") in Latin America. Although likely to be limited given the nature of its investments, adverse impacts on sustainability related factors may occur, particularly in relation to emissions and pollution; human rights; social and employee matters; anti-

corruption and anti-bribery matters. Against this background, LAGreen places a priority on the effective management of (potential) principal adverse impacts of its investment decisions on these factors.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

As of 31 December 2023, the Fund had 9 active bond investments. The Table below reflects data of all investments of the Fund combining self-reported (public reporting by issuers) and proxy data. In line with the Fund's target region, the issuers of such bonds are non-EU entities, which is affecting the overall data availability. In limited cases, due to lack of self-reported data or relevant proxy data, some issuers were excluded from the estimation of certain PAI indicators. The Fund continuously makes reasonable efforts to enhance data availability.

The consolidated results of the Fund's overall performance on the principal adverse impact indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS) during the reference period are summarized in the table below.

Description of the principal adverse impacts on sustainability factors						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2023 ¹	Impact 2022 ¹	Explanation	Actions taken, and actions planned, and targets set for the next reference period	
Climate and other environment-related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	370 tCO2	5 tCO2	The figure covers 89% of all issuers, out of which 38% of values are self-reported emissions. Other values are estimated utilizing the JIM ² . Results are weighted according to exposure per investee. The YoY increase of values is due to the Fund's portfolio growth and enhanced availability of data.	The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.
		Scope 2 GHG emissions	53 tCO2	10 tCO2	The figure covers 89% of all issuers, out of which 38% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of values is due to the Fund's portfolio growth and enhanced availability of data.	The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.
		Scope 3 GHG emissions	6,501 tCO2	n/a	The figure covers 89% of all issuers, out of which 25% of values are self-reported emissions. Other values are	The indicator is considered in the investment decision. The Fund engaged and will

Commented [RG1]: Minor increase of scope 1 and 2 emissions and respective shares due to change of thresholds and use of 2022 data.

¹ Results are rounded to whole numbers. Results are based on issuer level data.

² The Joint Impact Model (JIM), is a web-based tool for impact-oriented investors in developing markets. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such. Under the GHG protocol, some emissions are not yet included, and these are: end-of-life treatment of sold products, use of sold products and downstream transportation and distribution Emissions do not include downstream. This does not affect LAGreen's disclosure.

					<p>estimated utilizing the JIM. Results are weighted according to exposure per investee.</p> <p>In line with regulatory requirements, Scope 3 GHG emissions are reported for the first time in the current reference period.</p>	<p>continue engaging with issuers on enhancing data availability and quality where feasible.</p>
		Total GHG emissions	6,925 tCO2	15 tCO2	<p>The figure covers 89% of all issuers. 33% of values are based on self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.</p> <p>The YoY increase of values is largely driven by the inclusion of Scope 3 GHG emissions in the calculation.</p>	<p>The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.</p>
	2. Carbon footprint	Carbon footprint	56 tCO2 / MEUR	0.18 tCO2 / MEUR	<p>The figure covers 89% of all issuers, out of which 33% of values are based on self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.</p> <p>The YoY increase of values is largely driven by the inclusion of Scope 3 GHG emissions in the calculation.</p>	<p>The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	2,338 tCO2 / MEUR revenue	6 tCO2 / MEUR revenue	<p>The figure covers 89% of all issuers, out of which 33% of values are based on self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.</p>	<p>The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.</p>

					The YoY increase of values is largely driven by the inclusion of Scope 3 GHG emissions in the calculation.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	The figure covers 100% of all issuers. Financial institution issuers are considered to not be active in the fossil fuel sector, as per the definition. For corporate issuers, the Fund's exclusion list prohibits activities in the fossil fuel sector. All values are proxies based on the reasonable assumptions explained above.	Indicator considered in investment decision. The Fund's exclusion list prohibits the utilization of the Fund's financing for the prospection, exploration, and mining of coal as well as non-conventional prospection and extraction of oil.
	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	32%	32%	The figure covers 100% of all issuers. 100% of values are based on country-level proxies developed using reasonable assumptions.	The indicator is considered in the investment decision.
	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	21 GWh / MEUR	9 GWh / MEUR	The figure covers 89% of all issuers. 11% of values are self-reported by corporate issuers. Financial institution issuers are not considered as active in high impact climate sector, as per the definition. The values for financial institution issuers	The indicator is considered in the investment decision. The Fund's financial institution issuers are not (and will not be) by definition, active in any high impact climate sector.

					are proxies based on the reasonable assumption explained above.	
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	0%	0%	The figure covers 78% of all issuers. The Fund's financial institution issuers are located in populated areas, and are, per definition, considered to not negatively affect biodiversity sensitive areas. 100% of the values are provided for financial institution issuers and are proxies based on the reasonable assumption explained above.	Indicator considered in investment decision. The Fund's exclusion list prohibits using the Fund's financing for activities which could be associated with the destruction or significant impairment of areas particularly worthy of protection.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MEUR	0 t/MEUR	The figure covers 78% of all issuers. The Fund's financial institution issuers are considered to not have direct emissions to water of priority substances, as per the definition. 100% of the values are provided for financial institution issuers and are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. The Fund's financial institution issuers do not (and will not) by definition, have direct emissions to water of priority substances.
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.005 t/MEUR	0.0009 t/MEUR	The figure covers 56% of all issuers. 80% of the values are self-reported. 20% of the values are based on proxies calculated using the number of employees per company. Results are weighted according to exposure per investee. The YoY increase in values is due to the increased availability of data.	The indicator is considered in the investment decision.

Commented [RG2]: Small decrease due to increase of Pls financial data

Indicators for 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 (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	0%	0%	The figure covers 100% of issuers, out of which 100% of values is based on the Fund's regular incident monitoring using external databases.	The indicator is considered in the investment decision. In cases where violations occur and is feasible, the Fund may engage with the issuers to encourage and support implementation of remedial measures.
	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	0%	20%	The figure covers 100% of issuers, out of which 100% of values is self-reported.	The indicator is considered in the investment decision.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	18%	10.5%	The figure covers 89% of issuers, out of which 50% of values are self-reported values and 62% estimated based on proxies using country-level data.	The indicator is considered in the investment decision.

Commented [RG3]: Reduction due to more data available from AESPQ 2022

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	16%	21%	The figure covers 100% of issuers and is based on self-reported data.	The indicator is considered in the investment decision.
	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%	0%	The figure covers 100% of issuers. The Fund considers that financial institution issuers are not involved in the manufacture or selling of controversial weapons, as defined by the regulation. The exposure of corporate issuers to controversial weapons is eliminated according to the Fund's exclusion list. All values are proxies based on the reasonable assumptions explained above.	The indicator is considered in the investment decision. In line with the investment strategy, the Fund targets to maintain this share at 0% going forward.
Indicators applicable to investments in sovereigns and supranationals						
	Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	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			Not applicable to the Fund as it did not make any investments in real estate assets.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			Not applicable to the Fund as it did not make any investments in real estate assets.	

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023 ³	Impact 2022 ³	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Emissions	4. 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	0%	60%	The figure covers 51% of issuers. 100% of values is based on self-reported data.	The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.

Commented [RG4]: Share increase due to more data available from AESPQ 2022

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023 ³	Impact 2022 ³	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	5. 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	0%	0%	The figure covers 89% of issuers. 100% of values is based on self-reported data.	The indicator is considered in the investment decision. The Fund engaged and will continue engaging with issuers on enhancing data availability and quality where feasible.

³ Results are rounded to whole numbers. Results are based on issuer level data.

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

The Fund maintains a comprehensive Environmental, Social and Governance (ESG) Management System and a detailed risk-based AML/CFT framework (last updated and approved by the LAGreen Board of Directors in September 2023) that define the Fund's commitments to managing adverse impacts of its investments. The LAGreen ESG Management System guided the Fund's approach to assessing, mitigating, and monitoring potential adverse impacts at every stage of the investment process. The key document summarizing the Fund's ESG Management System is the LAGreen ESG Policy (last updated and approved in April 2022) complemented with the LAGreen exclusion list and tools to support implementation. The Fund's Board of Directors has overall responsibility for setting the ESG Policy and overseeing its implementation, both directly and via the Fund's Board-appointed Investment Committee. Primary responsibility for day-to-day implementation rests with the Fund Advisor's expert teams.

The LAGreen exclusion list is an integral part of the Fund's ESG Policy and prohibits the use of LAGreen funding for activities with an elevated risk of causing adverse impacts, such as activities related to coal and oil sectors, and those involving destruction of high conservation value areas, among others.

Within the investment process, thorough ESG due diligence was a key tool for identifying potential adverse sustainability impacts. Issuers and recipients of bond proceeds are expected to carry out activities financed by the Fund in line with the LAGreen's ESG requirements to avoid significant harm. Through its ESG Management System, the Fund considered adverse impacts beyond the PAI indicators on sustainability factors at each stage of the investment cycle, including the Fund's investment decision making process. As part of this overall approach, as of January 2023, the Fund also considered and collected information on the PAI indicators outlined in Table 1/Annex I of the SFDR RTS. In line with the PAI management approach approved by the Fund's Board of Directors in December 2022, assessment of PAI indicators was integrated into due diligence and monitoring. Data was collected from the issuers and public sources. To the extent feasible, the Fund used proxies and tools (e.g. modelling of the data for PAI 1-3 via the JIM), to estimate performance against the PAI indicators where data gaps existed.

As part of its PAI management approach, the Fund screens investee performance against all sustainability factors covered by the PAI indicators. PAI indicators are prioritized using a combination of criteria reflecting on:

- The Fund's investment approach focused on intermediated finance as well as the respective probability of occurrence and the severity of principal adverse impacts based on the specifics of the investments in the financial sector and as well as corporate investments;
- the Fund's environmental objective and commitment to climate action;
- activities excluded from the Fund's financing as per the exclusion list;
- overall balance between Environmental, Social, and Governance factors in investment decisions with particular focus on E&S requirements of Fund.

The Fund prioritizes the following principle adverse impact indicators: PAI 1 (GHG emissions), PAI 2 (carbon footprint), PAI 3 (GHG intensity of investee companies), PAI 4 (exposure to companies active in the fossil fuel sector), PAI 7 (activities negatively affecting biodiversity-sensitive areas), PAI 10 (violations of UN Global

Compact principles and OECD Guidelines for Multinational Enterprises), and PAI 14 (Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)).

Starting January 2023, the PAI data collected at due diligence were assessed by the Fund Advisor on the basis of how the principal adverse impacts of the investment may impact the Fund's overall PAI performance. The magnitude of the potential impact is assessed either as minor, moderate adverse, or significant adverse. Where an investment was expected to have a moderate adverse or significant adverse impact on any priority PAI, the potential impact to the Fund's overall performance against the PAI indicators was considered as part of investment decision.

An annual assessment of the Fund's performance against the PAI indicators supported the Fund in portfolio steering and identifying priority areas for engagement and further monitoring. Data on the PAI indicators was collected from public sources and issuers (e.g., sustainability reports). For the reference period of 1 January to 31 December 2023, where gaps existed in the self-reported data, proxies and estimations were used to address these gaps. In cases where no data required for proxies and estimations (e.g., employment data) was available to the Fund through the issuer, bond reports, or publicly available data, the issuer was not considered in the calculation of the specific indicator. Taking into account that 1) self-reported data is considered reliable and additionally reviewed by the Advisor's sustainability experts, 2) the financial data is audited and 3) recognized industry sources are used for proxies-based estimated data the margins of error are overall expected to be low but cannot be entirely eliminated.

Engagement policies

The Fund focuses on private debt transactions and as such did not undertake investor engagement within the meaning and context provided by Article 3(g) of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Nevertheless, engagement with issuers is an integral component of the Fund's investment process and contribution to its sustainable investment objective. During the reference period, the Fund carried out engagement, including to address capacity gaps of issuers on reporting and disclosure.

Engagement mechanisms primarily included technical assistance and tailored capacity building covering aspects such as impact reporting and framework development. In addition, where feasible, corrective E&S action plans and contractual undertakings were put in place where gaps were identified that could have a negative impact on the achievement of the sustainable investment objective.

References to international standards

In considering adverse impacts of its investments throughout the investment cycle, the Fund applied international standards such as the IFC Performance Standards and ILO Fundamental Conventions. Violations against the OECD Guidelines for Multinational Enterprises and the UN Global Compact Principles (PAI 10) are checked as part of the Fund's PAI assessment through on-going incident monitoring drawing on external databases.

During the reference period, the Fund Advisor also commenced formalizing LAGreen's alignment with the targets of the Paris Agreement against the MDB Joint Assessment Framework for Paris Alignment, based on which the Fund's financing can be considered aligned with the Paris Agreement's mitigation and adaptation goals, given its focus on supporting projects that are listed under the eligible Green Project (and to a lesser extent Social Project) categories proposed by the International Capital market Association (ICMA) Principles and the consideration for the provisions made in the Framework for direct and intermediated financing of such activities.

Given LAGreen's investment approach described above, the Fund's portfolio is considered to be highly diversified and therefore removed from the direct materialization of financially material climate risks. Therefore, forward-looking climate scenario analysis is not incorporated. However, the Fund's E&S due diligence includes an assessment of the climate risk management capacity of the issuers.

Historical comparison

A historical comparison of the reference period of this statement and the previous period reported on is provided in the section 'Description of the principal adverse impacts on sustainability factors' above.

Version history

Version date	Description of the publications
20 December 2021	First publication in accordance with Article 4 (5) of SFDR
30 June 2023	Statement for the reference period 1 January – 31 December 2022 in line with Annex I of the SFDR RTS
30 June 2024	Statement for the reference period 1 January - 31 December 2023 in line with Annex I of the SFDR RTS
