Principal Adverse Impact Policy

The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors.

This statement describes how LRI Invest S.A. (hereafter the "IFM" or "Entity") consider principal adverse impacts (PAI) of our investment decisions on sustainability factors, in accordance with Article. 4(1) of Regulation (EU) 2019/2088.

Description of principal adverse sustainability impacts

Principal adverse sustainability impacts could be divided into three sections (environmental, social and governance) and focus on transparency and strength of policies of the investees to mitigate PAI.
PAI indicators are a way of measuring how issuers negatively impact sustainability factors:

Adverse sustainability indicator		Metric
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Greenhouse gas emissions	GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	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
	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
Biodiversity	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
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Social and employee matters	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
	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
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

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Description of policies to identify and prioritize principal adverse sustainability impacts

Environmental, Social and Governance ("ESG") criteria are nonfinancial considerations integrated in the investment selection process.

- **Portfolio management delegated:** The oversight of the investment selection process shall ensure the existence and adequacy of written policies/procedures in the integration of sustainability risks and factors in investment decisions based on qualitative, quantitative factors including where relevant the integration of principal adverse impacts. When relevant, the existence and adequacy of written policies/procedures in the integration of extra-financial factors or ESG factors in investment decisions based on qualitative, quantitative, reliable and up to date researches; the controls over the implementation of the related extra-financial policies.

- **Portfolio management not delegated:** The due diligence process includes sustainability related matters and where relevant Principal Adverse Impact and environmental, social and corporate governance (ESG) analyses performed either by the Investment Advisor or ideally by a third-party provider appointed by the IFM. The integration of sustainability related matters including environmental, social and corporate governance (ESG) considerations into the investment management processes may have an impact on the financial performance of the individual assets of the fund or on the AIF as a whole. The ESG analysis shall be performed by either the Investment Advisor (or its service providers) or external service providers during the due diligence process. The ESG review focuses on the availability of ESG related information and is used to identify whether there may be any significant issues, that require either more detailed technical assessment or need to be managed post-investment. The ESG analysis is an integral part of the IFM's investment process.
  Investment Advisors maintain an on-going dialogue with the AIF's management teams (where relevant) and encourage them to identify and raise material ESG issues. The IFM also requests the IF managers to report on their approach and on their achievement of the pre-defined ESG indicators. The IFM may use the support of external providers or questionnaires to carry out an ESG review of the IF.