



Principal Adverse Impacts Report  
and  
EU SFDR Article 9 required disclosures  
**2024**

## Principal Adverse Impacts Report 2024

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### Summary

Under Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation” or “SFDR”), the Confluence Impact Fund Limited (“Confluence”) considers Principal Adverse Impacts (“PAI’s”) as part of its investment decisions. Details of our approach to Principal Adverse Impacts can be found in our **PAI Statement** available on our website.

No investments were made in real estate assets by the in-scope businesses during the reference period, and as such indicators applicable to real estate assets are therefore not applicable. Confluence does not report on metrics relating to Sovereigns or supranationals as investments in this area represent only debt holdings for treasury, cash management or efficient portfolio management purposes.

Confluence uses a combination of activities to mitigate principal adverse impacts. The most prominent ones are engagement, voting, and negative screening. These activities are ongoing and are described in our **Responsible Investing Policy** which is available on our website. Confluence currently does not set targets in relation to any of the PAIs set out in the reporting below. Confluence’s approach towards international standards such as the United Nations Global Compact and the Guidelines for Multinational Enterprises developed by the Organization for Economic Co-operation and Development (“OECD”) and the UN Guiding Principles on Business and Human Rights, is described in the Responsible Investing Policy.

There are various limitations associated with the reporting of sustainability-related metrics due to emerging methodologies and data gaps. The data reported below is for 2023, and generally using investee reporting for financial year 2022. No attempt is made to adjust to account for the varying fiscal year ends of investee companies. Underlying company reporting methodologies are not always disclosed and may not be comparable either between companies or across time periods.

*No historical comparison to other reference periods has been disclosed in this statement as this is the first reporting period for Confluence.*

## Principal Adverse Impacts Report 2024

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ENVIRONMENTAL	SOCIAL
Principal Adverse Impact Indicators	
<b>Indicators applicable to Investees (Corporates)</b>	
<ol style="list-style-type: none"> <li>1. Greenhouse gas (GHG) emissions</li> <li>2. Carbon Footprint</li> <li>3. GHG intensity of investee companies</li> <li>4. Exposure to companies active in the fossil fuel sector</li> <li>5. Share of non-renewable energy consumption and production</li> <li>6. Energy consumption intensity per high impact climate sector</li> <li>7. Activities negatively affecting biodiversity sensitive areas</li> <li>8. Emissions to water</li> <li>9. Hazardous waste ratio</li> </ol>	<ol style="list-style-type: none"> <li>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation Enterprises</li> <li>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Enterprises</li> <li>12. Unadjusted gender pay gap</li> <li>13. Board Gender diversity</li> <li>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons)</li> </ol>
<b>Additional Indicators Applicable to Investees (Corporates)</b>	
<ol style="list-style-type: none"> <li>15. No carbon reduction initiatives</li> <li>16. Number of identified cases of severe human rights issues and incidents</li> </ol>	
<b>Indicators Applicable to Sovereigns and Supra nationals</b>	
<ol style="list-style-type: none"> <li>17. GHG Intensity</li> <li>18. Investee countries subject to social violations</li> </ol>	
<b>Indicators Applicable to Investments in Real estate</b>	
<ol style="list-style-type: none"> <li>19. Exposure to fossil fuels through real estate assets</li> <li>20. Exposure to energy inefficient real estate assets</li> </ol>	

## Principal Adverse Impacts Report 2024

Indicator	Metric	Impact 2022		Data coverage	Explanation / notes
		Weighted portfolio	Average of reporting investees		
Climate and other Environment related indicators					
1. GHG emissions	Scope 1 GHG emissions	1.6		50%	Datapoints in tons CO2 equivalent. As companies' reporting coverage increases and the quality improves, so will the coverage and quality of the Fund's reporting. Underlying company methodologies are not always disclosed, and may not be comparable either between companies or across time periods.
	Scope 2 GHG emissions	10.9		50%	
	Scope 3 GHG emissions	1.6		40%	
	Total GHG emissions	8.7		40%	
2. Carbon footprint	Carbon footprint	0.003	39.8	40%	Per €1 million invested.
3. GHG intensity of investee companies	GHG intensity of investee companies	0.003	42.2	40%	Per €1 million revenue.
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%		100%	
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	0.0%	90.1%	30%	

## Principal Adverse Impacts Report 2024

Indicator	Metric	Impact 2022		Data coverage	Explanation / notes
		<i>Weighted portfolio</i>	<i>Average of reporting investees</i>		
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	0.0002	0.4	30%	
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	N/A		0%	Reporting on this metric is still nascent from the companies in Confluence's investment portfolio
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.1	73.7	40%	Reporting on this metric is improving from the companies in Confluence's investment portfolio
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	N/A		0%	Reporting on this metric is still nascent from the companies in Confluence's investment portfolio

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Indicator	Metric	Impact 2022		Data coverage	Explanation / notes
		<i>Weighted portfolio</i>	<i>Average of reporting investees</i>		
Social related indicators					
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	None		100%	No violations of the UNGC principles and OECD Cooperation and Development (OECD) Guidelines for Multinational Enterprises were reported or identified.
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	N/A		0%	Reporting on this metric is still nascent from the companies in Confluence's investment portfolio

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Indicator	Metric	Impact 2022		Data coverage	Explanation / notes
		<i>Weighted portfolio</i>	<i>Average of reporting investees</i>		
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	10%	10%	Reporting on this metric is still nascent from the companies in Confluence's investment portfolio
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members		46%	100%	
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	None		100%	The fund has no exposure to controversial weapons reported or identified.

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Indicator	Metric	Impact 2022		Data coverage	Explanation / notes
		<i>Weighted portfolio</i>	<i>Average of reporting investees</i>		
Additional indicators					
15. No carbon reduction initiatives	Share of investments in investee companies that do not have a published carbon footprint reduction initiative		10%	100%	The majority of investee companies have carbon reduction initiatives. Though these vary in degrees of implementation and assessed effectiveness.
16. Number of identified cases of severe human rights issues and incidents	Number of identified cases of severe human rights issues and incidents		0%		The fund has not identified any cases of severe human rights issues and incidents in any investee companies in the period.





Brussels, 31.10.2022  
C(2022) 7545 final

ANNEXES 1 to 4

**ANNEXES**

*to the*

**COMMISSION DELEGATED REGULATION (EU) .../...**

**amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities**

ANNEX V

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: **Confluence Impact Fund Limited**

Legal entity identifier: 213800Z08FBQ4M8G6664

## Sustainable investment objective

### Did this financial product have a sustainable investment objective?

**Yes**

It made **sustainable investments with an environmental objective: 2%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective: 14%**

**No**

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the

## To what extent was the sustainable investment objective of this financial product met?



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Fund is seeking to deliver a commercially compelling market rate of return to its Shareholders, while also supporting the delivery by businesses of Net Positive Impacts on the environment and/or society in the non-BRIC Emerging Markets. It is expected that this delivery will be supported through: (i) the provision of capital to these businesses, both in secondary purchases of publicly listed equity, but also supporting primary issues of equity, and (ii) active engagement with management, relevant shareholders, and other stake holders to support the Impact delivery of these businesses.

The Fund has a secondary objective to increase the flow of capital to Net Positive businesses operating in the non-BRIC Emerging Markets, through investing directly and by raising the profile of the existence of such businesses to a wider range of potential investors.

### ● **How did the sustainability indicators perform?**

1. Every equity investment in the period was evaluated to have Net Positive Impact on the environment and/or society.
2. The Impact Yield, defined as estimated value of Net Impact calculated using our Impact on Money analysis divided by a company's market capitalization, for equity investments during the period was 30.7% – all weighted by the Fund's proportion of ownership at the end of March, June, September, and December 2023. However as this was the first year of operation, and in line with the expectations of deployment of capital into equities at favorable valuation points, the fund was on average 14% NAV invested in equities. The Impact Yield for the fund as a whole for 2023 was ~4.3%.
3. Active engagements (including discussions around ESG topics) were undertaken with companies 100% of equity investments, in addition specific engagement topics were identified and advanced for 50% of equity investments.
4. Promotion of the 4 companies in the Confluence investment universe was undertaken in 2023, through the creation and release of video impact stories, highlighting the positive impactful credentials of these businesses via social media.

### ● **...and compared to previous periods?**

This was the first year of operation and reporting for the Confluence Impact Fund, comparisons will be possible in future years of reporting.

***How did the sustainable investments not cause significant harm to any sustainable investment objective?***

The potential for companies in which the Fund may invest to cause significant harm is considered both on a pre-investment and ongoing monitoring basis. This is addressed with an overlaying of both 1) Investment Exclusions of certain sectors that are anticipated to cause or have an elevated probability of causing significant environmental and/or social harm, 2) a Responsible Investing approach whereby the potential for a company's activities to cause significant harm to the environment and/or society are considered. Details of Confluence's approach can be found in the Responsible Investing Policy and PAI statement, both of which are available on the Fund's website.

The Investment Exclusion approach was fully complied with in this period.

The Responsible Investing Policy was fully complied with in this period.

***How were the indicators for adverse impacts on sustainability factors taken into account?***

Data on Principal Adverse Impacts was collected in this period for the first time. These indicators are presented above in this report. The data is still insufficient either across peers or temporally to take into account. Confluence will review this situation at least annually.

***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The alignment of the activities of companies to both the OECD Guidelines for MNEs and the UN Guiding Principles on Business and Human Rights appraised on a pre-investment basis



**How did this financial product consider principal adverse impacts on sustainability factors?**

The Fund's approach towards considering Principal Adverse Impacts on sustainability factors is disclosed in a PAI Statement which is available on the Fund's website.



## What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: *The average of the 4 quarter ends from launch in February 2023 to December 2023.*

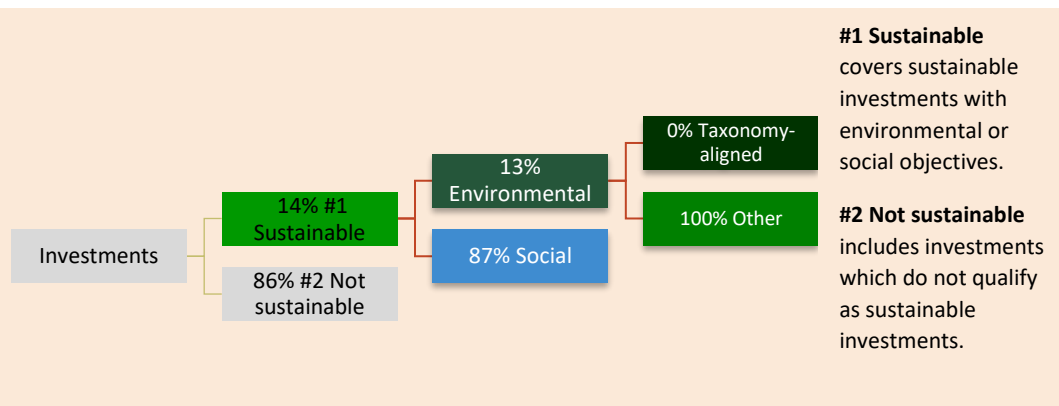
Largest investments	Sector	% Assets	Country	Purpose
• Kenyan government USD Eurobond 8.875%, 2050	N/A	21%	Kenya	Treasury
• Egyptian government USD Eurobond 8.875%, 2050	N/A	20%	Egypt	Treasury
• Egyptian government USD Eurobond 5.875%, 2025	N/A	17%	Egypt	Treasury
• Cash / liquid bank deposits	N/A	12%	N/A	Treasury



## What was the proportion of sustainability-related investments?

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

### What was the asset allocation?



**#1 Sustainable** covers sustainable investments with environmental or social objectives.

**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective

### In which economic sectors were the investments made?

Financial technology / Telcoms, Telematics, Manufacturing, Education, Pharmacy retail and general retail, Diagnostics laboratories.

**Transitional activities are economic activities** for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

### Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?

- Yes:
- In fossil gas  In nuclear energy
- No



### What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

13% of the Confluence Impact Fund's sustainable investments had an environmental objective, but they were not aligned with the EU Taxonomy. In pursuing its environmentally sustainable objective, the Confluence Impact Fund seeks to invest in businesses with a meaningful presence the non-BRIC Emerging Markets.



### What was the share of socially sustainable investments?

87% of the Confluence Impact Fund's sustainable investments were socially sustainable investments.

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<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



**What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?**

The “not sustainable” investments included positions in government bonds and cash at bank, these were held for treasury and liquidity management purposes. There is no specific environmental or social objective with these positions, nor are there any applicable minimum environmental or social safeguards applied with respect to these treasury holdings.



**What actions have been taken to attain the sustainable investment objective during the reference period?**

Meetings were conducted including discussion around environmental and / or social impact topic, with every company in which an equity stake was held by the Confluence Impact Fund in the reference period.

Specific environmental and social engagement topics were identified and furthered for 50% of companies in the Confluence Impact Fund portfolio, as well as for one company in the investment universe but not in the portfolio. In all cases these engagements are ongoing.

Promotion of the social and / or environmentally sustainable characteristics of 4 companies in the Confluence Investment universe via the creation and release of video ‘Impact Stories’ using social media channels. The videos themselves can be seen here: [https://www.youtube.com/channel/UCean5vxVfaBMULM7Vz\\_z1rw](https://www.youtube.com/channel/UCean5vxVfaBMULM7Vz_z1rw)



**How did this financial product perform compared to the reference sustainable benchmark?**

The Confluence Impact Fund does not report with reference to any benchmark.