PRINCIPAL ADVERSE IMPACT STATEMENT

(a) Summary

This disclosure is applicable to the Management Company, which considers the Principal Adverse Impacts of its investment decisions on sustainability matters. Principal adverse impacts (PAIs) are defined by the European Union (EU) as being « the most significant negative impacts of investment decisions on sustainability factors relating environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters ».

According to its strategy, the Management Company commits to:

- Investing responsibly by integrating the notion of "impact" into investment processes, from sourcing to post-investment impact KPIs definition and strategic support, ensuring that all the funds are invested in companies with a positive impact. Environmental, social and governance (in short "ESG") criteria are also included at each stage of the investment process (pre-investment, holding, exit).
- Aligning investments practices with the best practices of the sector (as a signatory of UN PRI, France Invest Charter of Investors' Commitments for Growth, Sista Charter promoting gender equality, Bpifrance Charter for Investment Partner)
- Supporting companies to establish exemplary governance practices
- Creating value through impact commitments, by assessing existing practices within the companies and prioritizing areas of improvements (100 day-plan, ESG indicators and impact KPIs definition and monitoring).

This document summarizes the Management Company's policies with regards to the Principal Adverse Impacts of investment decisions on sustainability factors in the context of the Sustainable Finance Disclosure Regulation (SFDR).

(b) Description of principal adverse sustainability impacts

The Management Company manages the risks related to potential adverse sustainability impact from its investments. This requires that ESG criteria be considered and monitored at all stages of the investment process.

The following PAIs are assessed during the pre-investment period via a pre-investment analysis grid and during the holding phase via an annual reporting questionnaire.

Indicators	Description
GHG emissions (scope 1, 2 & 3)	Scope 1, 2 and 3 GHG emissions means the scope of greenhouse gas emissions referred to in subpoints (i) to (iii) of point (1)(e) of Annex III of Regulation (EU) 2016/1011. Total emissions can be calculated by summing the 3 scopes.

GHG emissions (total)	Greenhouse gas (GHG) emissions means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council. GHG emissions shall be calculated in accordance with the following formula: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope(x) GHG emissions}_i\right)$ Current value of investment means the value in EUR of the investment by the financial market participant in the investee company.
Carbon footprint	Greenhouse gas (GHG) emissions means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council. GHG emissions shall be calculated in accordance with the following formula: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope(x) GHG emissions}_i\right)$ Current value of investment means the value in EUR of the investment by the financial market participant in the investee company.
GHG intensity of portfolio companies	GHG intensity of investee companies shall be calculated in accordance with the following formula: $\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i}\right)$
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 & production	Share of non-renewable energy consumption and non-renewable energy production of portfolio 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 portfolio companies, per high impact climate sector.
Activities negatively effecting biodiversity sensitive areas	Share of investments in portfolio companies with sites/operations located in or near to biodiversity sensitive areas where activities of those portfolio companies negatively affect those areas.
Emissions to water	Tons of emissions to water generated by portfolio companies per million EUR invested, expressed as a weighted average.
Hazardous waste ratio	Tons of hazardous waste generated by portfolio companies per million EUR invested, expressed as a weighted average.

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 portfolio companies.
Board gender diversity	Average ratio of female to male board members in portfolio companies.
Exposure to controversial weapons	Share of investments in portfolio companies involved in the manufacture or selling of controversial weapons.

According to regulatory requirements, three additional indicators defined as Additional PAIs by the SFDR regulation are also monitored to reinforce impact commitments, such as:

Indicators	Description
Rates of accidents	Rate of accidents in portfolio companies expressed as a weighted average.
Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption
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

The Management Company commits to monitoring these KPIs when relevant for its portfolio companies and to supporting them to mitigate their Principal Adverse Impacts.

(c) Description of policies to identify and prioritise principal adverse sustainability impacts

The Principal Adverse Impacts (PAIs) were identified according to regulatory requirements. The 14 mandatory PAIs are monitored all along the investment process, to the extent that data is available for the companies.

Their monitoring was approved in January 2023 by Capagro's Managing Partners, Tom Espiard-Cignaco and Anne-Valérie Bach. The Management Board and the ESG Impact team are responsible for implementing ESG and impact KPIs monitoring and ensuring that investments do not undermine the fund's objectives.

The indicators provided by the SFDR regulation (mandatory and additional) are not an exhaustive list for identifying, monitoring, mitigating, and deferring principal adverse impacts of investments.

CapAgro identifies principal adverse sustainability impacts at every stage of the investment process:

- As a minimum standard to ensure that its investments do no significant harm to any environmental of social objective, CapAgro identifies and mitigates PAIs through the application of its **exclusion policy** as defined in the fund's regulations. This policy ensures that no investment will be performed in companies whose activity is related to controversial weapons, tobacco, or gambling.

- During the **pre-investment phase**, CapAgro assesses ESG criteria, including certain principal adverse impacts on sustainability factors when relevant, using a **pre-investment analysis grid**.

- During the **holding phase**, CapAgro monitors portfolio companies' ESG indicators, including Principal Adverse Impacts on sustainability factors, through the **annual reporting** and assesses the impact KPIs of investments on sustainability factors.

The data used to monitor the principal adverse impacts is directly provided by each portfolio company via their answers to the pre-investment analysis grid and to the annual ESG questionnaire. Some data of investee companies may not be available because not relevant or not monitored by the company. In case of lack of monitoring, CapAgro commits to supporting companies in the implementation of rigorous monitoring measures.

(d) Engagement policies

The Management Company has implemented engagement policies that includes PAIs monitoring as part of its environmental and social investment strategy. Environmental, Social and Governance policies have been defined, investee companies are required to monitor ESG indicators and impact KPIs on an annual basis to involve them in the ESG process. The Management Company is committed to support the investee companies making an impact and improving over time, including by reducing PAIs. Thanks to the reporting campaign, progress reports are monitored by the portfolio companies for this purpose. The Management Company also publishes for its investors an annual report that includes a specific section dedicated to ESG progress and is committed to addressing ESG issues at the Board, to discuss actions and improvements.

Furthermore, the Management company is a signatory of three engagement charters: the SISTA / France Invest Charter, the Bpifrance Partner Company Charter and the France Invest's Charter of Commitment of Investors for Growth. These charters encourage financial actors to address economic, social and environmental issues, and advocates better governance in the sector.

(e) References to international standards

CapAgro adheres to responsible business conduct codes and internationally recognised standards. The firm is a signatory of the United Nations' Principles for Responsible Investment (PRI) and thus commits to aligning its investments practices with the best practices in its sector. CapAgro also builds its ESG approach on the United Nations Sustainable Development Goals (SDGs), committing not to invest in companies that do not address at least one SDG, and to prioritize the nine following SDGs (as detailed in the ESG Charter) :

- SDG 2 - "Zero" Hunger
- SDG 3 - Healthy Lives and Well-Being
- SDG 12 - Sustainable Consumption and Production
- SDG 15 - Life on Land
- SDG 6 - Clean Water and Sanitation
- SDG 8 - Decent Work and Economic Growth
- SDG 9 - Industry, Innovation and Infrastructure
- SDG 13 - Measures Related to the Fight Against Climate Change
- SDG 14 - Aquatic Life