



Annex I Principles of Adverse Impact disclosure

Reporting period FY 2024

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: Investing for Development SICAV –Luxembourg Microfinance and Development Fund (LMDF), LEI Code: 549300HPOC2R0U7FV725

Summary

Investing for Development SICAV – Luxembourg Microfinance and Development Fund 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 LMDF and covers the fiscal year 2024.

Description of the principal adverse impacts on sustainability factors

The Sub-Fund has endeavoured to collect and report Principal Adverse Impact (PAI) data as thoroughly as possible, obtaining information directly from microfinance institutions (MFIs) where feasible, or alternatively relying on reputable data providers and proxy sources. However, gathering PAI data from MFIs in developing countries remains challenging. As regulatory frameworks and industry standards for PAI assessment are still evolving, we are committed to collaborating with MFIs and data providers to calculate or estimate the exposure of MFIs' underlying portfolios to the relevant PAIs. Despite these challenges, some MFIs are able to report on the specified PAIs, and such disclosures are made on a case-by-case basis.



		Indicators applicable to investments in investee companies							
Adverse sustainability indicator		Metric	Unit	Impact 2024	Impact 2023	Impact 2022	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	tCO2e	329	397	440	Note 2	Note 1	
		Scope 2 GHG emissions	tCO2e	70	64	69	Note 2	Note 1	
		Scope 3 GHG emissions	tCO2e	3880	8,170	10,369	Note 2	Note 1	
		Total GHG emissions	tCO2e	4279	8,630	10,879	Note 2	Note 1	
	2. Carbon footprint	Carbon footprint	tCO2e/Meur	3.8	7.5	11	Note 3	Note 1	
	3. GHG intensity of investee companies	GHG intensity of investee companies	tCO2e/Meur	18	853	579	Note 4	Note 1	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	%	N.A.	N.A.	N.A.	Note 5	Note 1	
	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	%	61%	82%	60%	Note 6	Note 1	
	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	GWh/Meur	N.A.	N.A.	N.A.	Note 7	Note 1	
	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		0.05%	2%	N.A.	Note 8	Note 1

		activities of those investee companies negatively affect those areas							
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	t/Meur	N.A.	N.A.	N.A.	Note 9	Note 1	
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	t/Meur	N.A.	N.A.	N.A.	Note 10	Note 1	
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%	0%	Note 11	Note 1	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines	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	%	2%	3%	10%	Note 12	Note 1	

	for Multinational Enterprises	UNGC principles or OECD Guidelines for Multinational Enterprises						
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	29%	29%	N.A.	Note 13	Note 1
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	%	34%	31%	34%	Note 14	Note 1
	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%	0%	Note 15	Note 1

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

Refer to LMDF website / [ESG & SFDR Disclosures](#) and [Sustainability Related Disclosures](#)

Engagement policies

No engagement policy, refer to the statement on the website: [Engagement](#).

References to international standards

Refer to LMDF website / [ESG & SFDR Disclosures](#) and [Sustainability Related Disclosures](#)

Historical comparison

In its third year of Principal Adverse Impact (PAI) reporting, the Sub-Fund has further strengthened its capacity to identify and measure adverse impacts with greater accuracy. For climate and environmental metrics, the Sub-Fund recorded a reduction in greenhouse gas (GHG) emissions, likely due to investing in smaller-scale entities and utilizing more advanced data proxies. A significant development

this year was the Sub-Fund's first assessment of biodiversity—while the underlying model is still evolving, notable progress has been made compared to last year. In the domains of social and employment matters, as well as human rights, anti-corruption, and anti-bribery, the Sub-Fund saw a slight decline in data coverage. Nevertheless, this was balanced by a marked improvement in the precision of collected information. Importantly, the Sub-Fund also reported on the gender pay gap for the first time, underscoring its commitment to thorough and reliable disclosures.

Note: tCO2e: in tons of CO2 equivalent emissions // Meur: in millions of euros // GWh: Gigawatt hours // t: tons // %: percentage // N.A.: Not applicable

Table 3

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

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Adverse sustainability indicator		Unit	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	5. Lack of grievance/complaints handling mechanisms related to employee matters	%	4%	15%	17%	Note 2	Note 1
	6. Insufficient whistle-blower protection	%	13%	15%	36%	Note 2	Note 1

Notes on the Qualitative explanation for each PAI indicator and its calculation method

Table 1

Note 1 Actions taken

While LMDF has not set specific quantitative targets for improving PAIs, significant efforts have been made over the past year to enhance the accuracy and quality of data collection and reporting. Notably, the Sub-Fund has implemented a more rigorous due diligence process, which has strengthened the monitoring, collection, and validation of data by systematically applying clear metrics.

The ongoing process of collecting proxy data on climate, environmental, social, and employment factors is regularly reviewed and improved. This continual verification has led to more detailed and reliable data gathering, with updates to proxy data collection methods resulting in higher-quality assessments and broader data coverage. However, for social and employment indicators, the decision was taken to prioritise the reliability of the database over the breadth of coverage, resulting in a more dependable, though narrower, dataset.

It is important to note that the collection of climate-related data remains challenging and is conducted mainly using proxy data. Given the nature of investments in microfinance institutions (MFIs) and developing countries, data on greenhouse gas (GHG) emissions are particularly difficult to collect, verify, and report.

Looking ahead, the Sub-Fund anticipates ongoing improvements in both the accuracy and scope of data collection. In collaboration with impact investors from the Social Performance Task Force (SPTF), work is underway to refine and standardise the methodologies used for collecting and assessing PAI indicators.

Note 2

PAI 1, 2, 3 is the sum of the total greenhouse gas emissions in tonnes of the microfinance institution (MFI) in the portfolio weighted by the company's most recent available business value calculated in line with the PCAF approach for project finance.

PAI 1 scope 1 is calculated using proxy data and, more specifically, as direct emission of the MFI based on country emission per capita as reported by EDGAR (Emissions Database for Global Atmospheric Research) GHG Emissions 2024 Database multiplied by the MFI total staff and a working hours attrition factor. The emissions are weighted for the LMDF portfolio attribution factor (PCAF method). The Sub-Fund's emissions have been added to the calculation and assessed using inputs provided by the Sub-Fund and calculated with the myclimate CO₂ emission calculator.

PAI 1 scope 2 is calculated using proxy data, specifically focusing on the share of indirect emissions from electricity and heat (measured in MtCO₂), as reported by the International Energy Agency (IEA). These emissions are attributed to the MFI based on its country-level electricity consumption, adjusted for the total number of staff and a working hours attrition factor. The emissions are further weighted using the LMDF portfolio attribution factor (PCAF method). However, the resulting amount is minimal, as MFIs only consume electricity and heating rather than producing them. The Sub-Fund's emissions have been added to the calculation and assessed using inputs provided by the Sub-Fund and calculated with the myclimate CO₂ emission calculator.

PAI 1 scope 3 is calculated using proxy data, focusing primarily on the direct emissions of MFIs. These emissions are estimated based on the country's per capita emissions as reported in the EDGAR GHG Emissions 2024 Database, multiplied by the number of clients and adjusted with a working hours attrition factor alongside an additional 41% adjustment factor derived from relevant studies. To improve accuracy and avoid data distortion, the calculation incorporates an average outstanding loan balance (CGAP Consensus calculation), adjusted relative to the Gross National Income (GNI) per capita. To prevent data distortion caused by extreme values, the average outstanding loan balance is capped at 300% of the GNI

per capita. This cap is specifically designed to limit the influence of outliers— particularly in cases where some microfinance providers serve microentrepreneurs with relatively large loans in countries with very low GNI per capita. Without this cap, such cases could disproportionately skew the results and lead to inaccurate interpretations of the data. Finally, the emissions are weighted using the LMDF portfolio attribution factor, as prescribed under the PCAF method. The Sub-Fund's emissions have been added to the calculation and assessed using inputs provided by the Sub-Fund and calculated with the myclimate CO₂ emission calculator.

Note 3

PAI 2 is calculated in accordance with the formula presented in the Annex I of Commission Delegated Regulation (EU) .../... supplementing Regulation (EU) 2019/2088. In 2024, the data coverage for this indicator was 95% compared to 96% in 2023 and 91% in 2022.

Note 4

PAI 3 is calculated in accordance with the formula presented in the Annex I of Commission Delegated Regulation (EU) .../... supplementing Regulation (EU) 2019/2088. In 2024, the data coverage for this indicator improved to 95% from 85% in 2023 and 83% in 2022, owing to the adoption of more precise proxy data sources.

Note 5

PAI 4 data are still unavailable for fiscal years 2024, 2023 and 2022, but the Sub-Fund notes that MFIs do not directly derive revenues from the exploration, mining, extraction, production, processing, storage, refining or distribution in the fossil fuel sector, thus considering the specific PAI not applicable. However, to serve the spirit of the regulation in determining the impact of FMPs, efforts are being made to calculate or estimate the fossil fuel exposure of the MFI's underlying portfolio. All contracts signed by the portfolio investees forbid MFIs from engaging in any activity linked to fossil fuels.

Note 6

PAI 5 is calculated using proxy data by attributing the renewable energy share in total final energy consumption as reported by the United Nations, 2024 Energy Statistics Pocketbook to the countries where the investees are located. The share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources weighted for the LMDF portfolio attribution factor (PCAF method). In 2024, the data coverage for this indicator was 100% from 47%, in 2023 and 99% in 2022, owing to the adoption of more accurate proxy data sources.

Note 7

PAI 6 is non-applicable as MFIs do not classify as high-impact climate sectors.

Note 8

PAI 7 measures the number of companies in the portfolio operating in biodiversity-sensitive areas or involved in controversies with significant environmental consequences. This indicator is calculated using data collected during the pre-investment phase and as part of the investee's alignment assessment with the Sub-Fund's sustainable investment objectives. Agriculture, forestry, and livestock (hereinafter agriculture) are considered higher biodiversity risk sectors compared to other financed activities. Consequently, the Sub-Fund requires MFIs to report the share of their agricultural portfolios by branch to evaluate potential biodiversity impacts. If the agricultural portfolio in any of the branches accounts for less than 40%, the biodiversity risk is deemed low, and no branches are flagged as being in or near biodiversity-sensitive areas with activities that could harm biodiversity. However, if any branch reports an agricultural portfolio exceeding 40%, it is mapped against Key Biodiversity Areas (KBAs) using

the IBAT and the Key Biodiversity Database and cross-referenced with the IUCN Red List. The mapping helps to identify branches situated within a 50 km radius of KBAs where agricultural activities could pose a threat. The share of the portfolio from branches with agricultural exposure near KBAs is weighted using the LMDF portfolio attribution factor (PCAF method) to calculate the indicator. The calculation provides an estimated risk assessment by using branch locations and portfolio distribution as proxies. Since accurately pinpointing the specific locations of end-clients' activities across the Sub-Fund's extensive outreach is highly complex, the Sub-Fund strives to offer the most reliable estimate possible. The data coverage for 2024 is 63% from 33% in 2023. Significant strides have been taken to improve the data collection and analysis methods for this indicator.

Note 9

PAI 8 is non-applicable as MFIs generate negligible emissions to water. However, to serve the spirit of the regulation in determining the impact of MFIs, efforts are being made to calculate or estimate the MFI's underlying portfolio emissions to water.

Note 10

PAI 9 is non-applicable as MFIs generate negligible hazardous waste. However, to serve the spirit of the regulation in determining the impact of MFIs, efforts are being made to calculate or estimate the MFI's underlying portfolio hazardous waste ratio. Compared to last year, LMDF decided not to report the specific indicator.

Note 11 evaluates the proportion of companies in the portfolio that have committed significant violations of the UN Global Compact or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The due diligence and monitoring processes include rigorous checks against specific environmental, social, and governance (ESG) criteria, ensuring that organisations adhere to a "do no harm" policy and uphold a clear code of conduct that reflects core values and professional ethics while explicitly prohibiting harmful practices, including but not limited to human rights violations. These processes also verify that MFIs comply with standards of non-discrimination for protected categories and ensure the responsible treatment of clients, including fair business practices that avoid imposing severe hardships. Adherence to data protection standards is also a critical component. Continuous monitoring through World-Check is employed to prevent and address any serious violations, safeguarding the integrity of the portfolio. In 2024 the data coverage for this indicator is 94% from 81% in 2023 and 92% in 2022, owing to the adoption of more accurate data sources.

Note 12

PAI 11 is the sum of the portfolio companies' weight that has provided no evidence of a mechanism to monitor compliance with the UN Global Compact and or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The due diligence and monitoring processes include a review of the effectiveness of the MFI systems for accountability and employee protection for the promotion of transparency and responsiveness including written human resources policies protecting employees and creating a safe working environment, transparent communication and equal opportunities and effective feedback mechanisms. The assessment aims at confirming respect for employee rights, compliance with labour laws, non-discrimination, fair compensation, and workplace safety. Considering that emerging microfinance institutions may be small in size with limited staff and limited degree of formalized procedures, it is acceptable that a small portion of the portfolio is implementing and enhancing certain practices as prescribed in the UNGC and by the OECD Guidelines.

in 2024 the data coverage for this indicator is 94% from 81% in 2023 and 92% in 2022, owing to the adoption of more accurate data sources.

Note 13

PAI 12 is calculated by summing the annual male payroll minus the annual female payroll and dividing by the annual male payroll. The Sub-Fund reported the indicator for the first time in 2023, and the data coverage for this indicator was 50%. In 2024, the coverage is 88%.

Note 14

PAI 13 is the average ratio between male and female board members in investee companies, expressed as a percentage of all board members. In 2024, the data coverage for this indicator increased to 94% from 55% in 2023 and 96% in 2022, owing to the adoption of more accurate data sources.

Note 15

PAI 14 is the share of investees involved in manufacturing or selling controversial weapons. All investees sign a contract with a clear exclusion list stating that MFI commits to not engage in or provide financing which may support the following activities: Production or trade in ammunition and weapons, military/police equipment or infrastructure. In 2024, the data coverage for this indicator is 100% as in 2023.

Table 3

Note 16

PAI 5 is the lack of grievance/complaints handling mechanisms related to employee matters, and this was verified at the time of the due diligence process and as part of the ongoing monitoring of the MFI. Considering the small size and initial stage of development of the investees in the Sub-Fund portfolio, it is considered acceptable that a small portion of the portfolio is in the process of implementing and enhancing certain practices as prescribed by the specific indicator. In 2024, the data coverage for this indicator was 90% compared to 81% in 2023 and 90% in 2022, owing to the adoption of more accurate data sources.

Note 17

PAI 6 is insufficient whistle-blower protection, which was verified during the due diligence process and as part of the ongoing monitoring of the MFI. Considering the small size and initial stage of development of the investees in the Sub-Fund portfolio, it is considered acceptable that a small portion of the portfolio is in the process of implementing and enhancing certain practices as prescribed by the specific indicator. In 2024, the data coverage for this indicator is 81% in 2024, from 81% in 2023 and 90% in 2022, owing to the adoption of more accurate data sources.