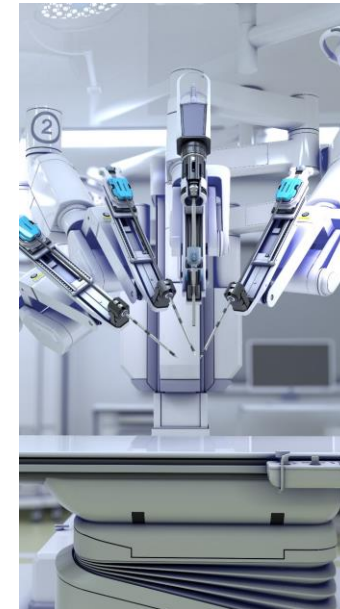
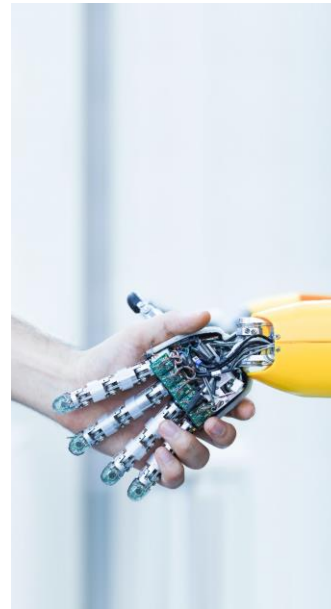




**Sustainability - Statement on principal
adverse impacts of investment
decisions on sustainability factors
(PAI Statement under SFDR)**

1 August 2024



RELEVANT LEGAL FRAMEWORK

The present document (“**PAI Statement**”) is established in accordance with **Article 4** of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the publication of sustainability information in the financial services sector (“**SFDR**”) and **Articles 4 to 10** of Commission Regulation (EU) 2022/1288 of 6 April 2022 supplementing SFDR with regulatory technical standards (“**RTS**”).

This PAI Statement also takes into account the various guidelines related to SFDR and its RTS that have been published by European and Belgian competent authorities¹.

DISCLAIMERS

The information provided within this PAI Statement under Article 4 of SFDR is intended to be general in nature and may thus not cover all specific aspects or circumstances relating to your specific situation. It is advisable, before making any investment decision, to consult qualified professionals or advisors in order to obtain advice tailored to your needs and specific to your situation.

Article 4 of SFDR and all related laws and regulations (e.g RTS) are subject to change, whether in terms of possible modifications and/or interpretation. It is therefore possible that the information published within this PAI Statement does not yet reflect legal and regulatory amendments and/or interpretation changes that have occurred subsequently.

¹ Such as :

- **the FSMA Communication** dated 09.03.2021 regarding the entry into force of SFDR, https://www.fsma.be/sites/default/files/legacy/content/FR/circ/2021/fsma_2021_06_fr.pdf ;
- **Consolidated Q&A on SFDR** dated 17.05.2023, https://www.esma.europa.eu/sites/default/files/2023-05/JC_2023_18_-_Consolidated_JC_SFDR_QAs.pdf ;
- **ESMA clarifications on the ESAs’ draft RTS under SFDR** of 02.06.2022, https://www.esma.europa.eu/sites/default/files/library/jc_2022_23_-_clarifications_on_the_esas_draft_rts_under_sfd.pdf ;
- **FSMA Q&A of 24.01.2023 regarding the entry into force of the RTS**, https://www.fsma.be/sites/default/files/media/files/2023-01/fsma_2023_01_fr.pdf ;
- **Joint ESAs’ report on the extent of voluntary disclosures of principal adverse impact under the SFDR** of 28 July 2022, https://www.esma.europa.eu/sites/default/files/library/jc_2022_35_joint_esas_report_on_the_extent_of_voluntary_disclosures_of_pai_under_sfd.pdf ;
- **Joint ESAs’ report on the extent of voluntary disclosures of principal adverse impacts under SFDR** of 28 September 2023, https://www.esma.europa.eu/sites/default/files/library/jc_2023_18_-_Consolidated_JC_SFDR_QAs.pdf ;
- **Consolidated Q&A on SFDR** dated 12 January 2024, https://www.esma.europa.eu/sites/default/files/2023-05/JC_2023_18_-_Consolidated_JC_SFDR_QAs.pdf.



Therefore, it is advisable to stay informed of updates from the competent authorities and to always check what is the last version and date of the present PAI Statement (see “Document history” section).

The information provided in accordance with Article 4 of SFDR does not imply endorsement or recommendation of any specific product, service, or investment. The information provided is intended solely to ensure transparency with regards to the consideration of adverse impacts on sustainability factors within Smile Invest Management Company NV's processes and, henceforth, to comply with current applicable regulatory requirements.

This PAI Statement is purely informative and should in no case be construed as a solicitation or offer to buy or sell financial instruments, nor as legal, tax, financial or any other kind of advice. No investment decision should be based solely on the information contained herein. This document has not been approved by any authority.

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TABLE OF CONTENT

Financial market participant	4
Summary	4
Description of the principal adverse impacts on sustainability factors	6
Description of policies to identify and prioritize principal adverse impacts on sustainability factors	10
Engagement policies	10
Reference to international standards	11
Historical comparison	13

1. Financial market participant

Smile Invest Management Company NV is a public limited company incorporated under the laws of Belgium, with registered office at Diestsesteenweg 31a, 3210 Lubbeek, Belgium, that is registered with the Crossroads Bank for Enterprises under number 0675.995.671 and that is in the process to be authorised as Belgian manager of non-public alternative investment funds (“**AIFM**”) by the Financial Services and Markets Authority (“**FSMA**”) (hereinafter “**SIMC**”).

As of the date of the present PAI Statement, SIMC is the manager of two non-public alternative investment funds (“**AIFs**”):

- **Smile Invest NV**, a public limited company incorporated under the laws of Belgium, with registered office at Diestsesteenweg 31a, 3210 Lubbeek, Belgium, registered with the Crossroads Bank for Enterprises under number 0675.942.817 (the “**Fund**”); and
- **Dutch Smile Invest BV**, a private limited company with registered office at Lange Voorhout 59, 2514EC’s-Gravenhage, the Netherlands, registered with the commercial register under number 72349689 (the “**Feeder Fund**”).

2. Summary

SIMC undertakes to consider the principal adverse impacts (“**PAI**”) of its investment decisions (on behalf of the Fund and the Feeder Fund) on sustainability factors from the date of the present document.

SIMC will publish its first PAI Statement no later than on June 30th, 2025, covering the reference period from the date of the present document to December 31st, 2024. SIMC will then publish an update of this PAI Statement no later than on the 30th of June of each following year.

SIMC will use sixteen indicators to measure the PAI of its investment decisions on sustainability factors. Amongst those, there are the fourteen mandatory indicators for any investment in investee companies as listed in Appendix I – Table 1 of the RTS as well as two additional indicators selected from the various indicators listed in Appendix I – Tables 2 & 3 of the RTS which are relevant for investments in investee companies.

The identification and prioritization of the PAI on sustainability factors are based in particular on:

- An annual sustainability reporting questionnaire to be filled in by the portfolio companies ; and

- An annual evaluation of the portfolio companies' progress, best practices, and areas of improvement with regards to their impacts on sustainability factors.

Since the AIFs under SIMC's management do not invest in shares traded on a regulated market on behalf of investors, SIMC is not subject to the obligation of publishing a policy engagement document describing how it integrates shareholder engagement into its investment strategy pursuant to the EU Directive 2007/36. However, engagement with stakeholders on sustainability factors is part of the investment strategy pursued by SIMC on behalf of the AIFs under management. In this context, sustainability factors' related topics are regularly put on the agenda of the portfolio companies' respective board meetings and on a case-by-case basis, SIMC may decide to build a sustainability action plan with the management team of a portfolio company to guide their progress on sustainability and SIMC also provides sustainability information to potential new shareholders at the time of divestment to ensure that actions implemented with the portfolio companies have a long-term impact.

To date, SIMC formally adhered to two responsible business international standards: SIMC is a signatory of PRI since June 2023 and a sponsor of Level 20 since November 2023. While PRI aims to achieve a sustainable global financial system and is based on an investor initiative, Level 20 is a not-for-profit organisation with a specific focus on the promotion of women in the private equity industry.

Under the PRI framework, SIMC will have to report on sustainability matters on an annual basis from 2025 and these reports will be publicly available on the PRI website. No prospective climate scenario is currently used by SIMC.

2. Samenvatting – *Dutch translation*

SIMC verbindt zich ertoe om vanaf de datum van dit document rekening te houden met de belangrijkste negatieve effecten, of Principal Adverse Impacts ("PAI"), van haar investeringsbeslissingen (namens het Fonds en het Feeder Fonds) op duurzaamheidsfactoren.

SIMC zal de eerste PAI-verklaring uiterlijk op 30 juni 2025 publiceren, voor de referentieperiode vanaf de datum van dit document tot 31 december 2024. SIMC zal vervolgens op 30 juni van elk jaar een bijgewerkte versie van deze PAI-verklaring publiceren.

SIMC zal zestien indicatoren gebruiken om de PAI van haar investeringsbeslissingen op duurzaamheidsfactoren te meten. Hieronder vallen de veertien verplichte indicatoren zoals vermeld in Bijlage I - Tabel 1 van de RTS, evenals twee aanvullende indicatoren geselecteerd uit de verschillende indicatoren vermeld in Bijlage I - Tabellen 2 & 3 van de RTS die relevant zijn voor investeringen in ondernemingen waarin wordt geïnvesteerd.

De identificatie en prioritering van de PAI op duurzaamheidsfactoren zijn in het bijzonder gebaseerd op:

- Een jaarlijkse vragenlijst over duurzaamheidsindicatoren in te vullen door de portfoliobedrijven; en
- Een jaarlijkse evaluatie van de vooruitgang, beste praktijken en verbeterpunten van de portfoliobedrijven met betrekking tot hun impact op duurzaamheidsfactoren.

Aangezien de AIF's onder beheer van SIMC niet beleggen in aandelen die namens beleggers op een gereguleerde markt worden verhandeld, is SIMC niet onderworpen aan de verplichting om een document over beleidsbetrokkenheid te publiceren waarin wordt beschreven hoe het de betrokkenheid van aandeelhouders integreert in zijn investeringsstrategie in het kader van de EU-richtlijn 2007/36. De dialoog met stakeholders over duurzaamheidsfactoren maakt echter deel uit van de investeringsstrategie van SIMC, namens de fondsen in zijn beheer. In deze context worden onderwerpen die verband houden met duurzaamheidsfactoren regelmatig op de agenda geplaatst van de respectievelijke bestuurdersvergaderingen van de portfoliobedrijven. Op individuele basis kan SIMC besluiten om een duurzaamheidsactieplan op te stellen met het managementteam van een portfoliobedrijf om hun voortgang op het vlak van duurzaamheid te begeleiden. SIMC verstrekt tevens duurzaamheidsinformatie aan potentiële nieuwe aandeelhouders op het moment van desinvestering om ervoor te zorgen dat de acties die met de portfoliobedrijven worden uitgevoerd, een langetermijneffect hebben.

Tot op heden heeft SIMC twee internationale standaarden voor verantwoord ondernemen formeel onderschreven: SIMC is sinds juni 2023 ondertekenaar van PRI en sinds november 2023 sponsor van Level 20. Terwijl PRI streeft naar een duurzaam wereldwijd financieel systeem en gebaseerd is op een initiatief van investeerders, is Level 20 een non-profit organisatie met een specifieke focus op de promotie van vrouwen in de private equity sector.

In het kader van PRI moet SIMC vanaf 2025 jaarlijks rapporteren over duurzaamheidszaken en deze rapporten zullen openbaar beschikbaar zijn op de PRI-website.

SIMC hanteert momenteel geen prospectief klimaatscenario.

3. Description of the principal adverse impacts on sustainability factors

Sustainability factors refer, within the framework of SFDR, to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

SIMC will measure the principal adverse impacts (“PAI”) of its investment decisions (on behalf of the Fund and the Feeder Fund) on sustainability factors in accordance with the fourteen indicators applicable to investments in investee companies as listed in Table 1 of Annex I of the RTS, namely nine climate and other environment-related indicators as well as five indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters.

Furthermore, SIMC will use at least two additional indicators applicable to investments in investee companies: one indicator amongst the climate and other environment-related indicators listed in Table 2 of Appendix I of the RTS and one indicator amongst the indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters listed in Table 3 of Appendix I of the RTS.

In total, SIMC will therefore consider the sixteen (16) PAI indicators listed below:

1. Indicators applicable to investments in investee companies (Table 1 – Annex I – RTS)

Adverse sustainability indicator		Metric
Greenhouse gas emissions	1. GHG emissions	<ul style="list-style-type: none"> • Scope 1 GHG emissions • Scope 2 GHG emissions • Scope 3 GHG emissions • Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector

	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
	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
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
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste radio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
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
	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

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	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

2. *Additional indicators applicable to investments in investee companies (Table 2 – Annex I – RTS)*

Adverse sustainability indicator		Metric
Energy performance	Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source

3. *Additional indicators applicable to investments in investee companies (Table 3 – Annex I – RTS)*

Adverse sustainability indicator		Metric
Social and employee matters	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)

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

Principal adverse impacts on sustainability factors are defined by the RTS as the most significant negative impacts of investment decisions on sustainability factors related to environmental, social and personnel issues, respect for human rights and the fight against corruption and corrupt acts.

These are considerations quite distinct from those of **sustainability risks** which are defined as any event or situation in the environmental, social or governance domain which, if it occurs, could have a significant negative impact, real or potential, on the value of the investment.

Indeed, while sustainability risks focus on the potential “internal” impact because they relate to the impact on the value of the investment, the main negative impacts focus on the potential “external” impact because they relate to any impact on sustainability factors and therefore on society and the environment in general.

The identification and prioritization of the PAI on sustainability factors are based in particular on:

- An **annual sustainability reporting questionnaire** covering environmental, social and governance topics requested by SIMC to be filled in by the portfolio companies; and
- An **annual evaluation of the portfolio companies’ progress, best practices, and areas of improvement** with regards to their impacts on sustainability factors.

5. Engagement policies

Since the AIFs under SIMC’s management do not invest in shares traded on a regulated market on behalf of investors, SIMC does not fall within the scope of Chapter I ter – Article 3 octies of the Directive (EU) 2007/36 with a view to promoting long-term shareholder engagement as amended by Directive (EU) 2017/828 of May 17, 2017 and is therefore not subject to the obligation of publishing a policy engagement document describing how it integrates shareholder engagement into its investment strategy.

However, SIMC aims at reducing PAI on sustainability factors through a strong engagement with their stakeholders on sustainability factors. For instance, sustainability factors’ related topics are put on **the agenda of the portfolio companies’ respective board meetings** at least once a year.



Moreover, SIMC is committed to support all the portfolio companies along their growth and sustainability journey, and to provide them with experience and expertise, particularly on sustainability factors' related topics. On a case-by-case basis, SIMC may decide to build a **sustainability action plan** with the management team of a portfolio company to guide their progress on sustainability. Finally, to ensure that actions implemented with the portfolio companies have a long-term impact beyond the investment horizon, SIMC provides sustainability information at the time of divestment. Communicating transparently to potential new shareholders about sustainability issues on exit is both an ethical requirement and an opportunity to highlight the value creation of the portfolio companies.

6. Reference to international standards

SIMC has, to date, formally adhered to two codes of conduct relating to responsible business or internationally recognized standards regarding due diligence and reporting, namely:

- **Level 20 (as sponsor):** Level 20 is a not-for-profit organisation with a mission to encourage greater representation of women in the private equity industry. The aim of Level 20 is to have 20% of senior positions in this industry held by women. In November 2023, SIMC committed to sponsor Level 20 so as to boost gender diversity and inclusion.

By becoming a sponsor, SIMC agreed, amongst other, to:

- Appoint a Level 20 Lead Partner Sponsor within SIMC;
- Aim to implement the Level 20 Guidelines;
- Promote Level 20 to partners and employees;
- Support the Level 20 mentoring programmes;
- Participate in Roundtable events;
- Provide data (e.g. HR data from SIMC ; data requested to the portfolio companies : share of female employees; gross hourly wages of men vs. women; percentage of women among the 10 highest paid in the company; percentage of women board members; percentage of women in the executive committee) and participate in research studies (where possible and subject to data protection regulations).

In this context, the PAI indicators n°12 (unadjusted gender pay gap) and 13 (board gender diversity) listed under Section 3.1 and the data requested to portfolio companies (as detailed hereabove) will be useful to follow the portfolio companies' progress in this regard and to ensure compliance with the Level 20 Guidelines.

- **Principles for Responsible Investment ("PRI"):** PRI is an investor initiative in partnership with the United Nations Environment Programme Finance Initiative and the United Nations Global Compact. PRI aims to achieve a sustainable global financial system by (i) encouraging adoption of the principles and collaboration on



their implementation; (ii) fostering good governance, integrity, and accountability; and (iii) addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. In June 2023, SIMC became a signatory of PRI.

By becoming a signatory, SIMC agreed, amongst other, to:

- Comply with the six following PRI principles:
 - We will incorporate ESG issues into investment analysis and decision-making processes;
 - We will be active owners and incorporate ESG issues into our ownership policies and practices;
 - We will seek appropriate disclosure on ESG issues by the entities in which we invest;
 - We will promote acceptance and implementation of the principles within the investment industry;
 - We will work together to enhance our effectiveness in implementing the principles;
 - We will report on our activities and progress towards implementing the principles.
- Meet the PRI minimum requirements: 1° responsible investment policy, 2° senior-level oversight and 3° internal/external staff implementation. If a signatory fails to meet these requirements over a two-year period, the signatory will, as a last resort, be submitted to the PRI Board for delisting;
- Report on its responsible investment activities by using the PRI's reporting framework. SIMC's first report will be due in 2025. It will cover the private equity module; the organisation overview module; the policy, governance, and strategy module; the confidence-building measures module and the senior leadership statement. Such reports are published on the PRI website and Data Portal and includes SIMC's responses to mandatory indicators as well as, as the case may be, to voluntary indicators that it has agreed to make public.

There is a link between the obligations of SIMC under SFDR and the PRI's principles in general – for instance, they both involve 1° to take into account ESG/sustainability topics in the investment decision-making process, 2° to seek appropriate ESG/sustainability metrics and data and 3° to disclose and report on activities and progress with regards to ESG/sustainability. However, there also some differences – for example, the PRI's reporting and assessment framework only covers entity-level disclosures whereas SFDR disclosures are required at both entity and product levels. Therefore, the PAI indicators listed above are not directly relevant to measure alignment with/adherence to the PRI's Principles. Indeed, the relevant indicators to be used under the PRI framework are rather related to the internal organisation, policies, and processes of SIMC itself. However, the PAI indicators listed above are all still indirectly relevant to assess the progress of portfolio companies in terms of disclosures on ESG-related issues.

No prospective climate scenario is currently used by SIMC. However, SIMC has for ambition to define within the next 3 years a carbon footprint reduction objective and an associated action plan.

7. Historical comparison

As the present version of the PAI Statement is the statement of consideration of principal adverse impacts of investment decisions on sustainability factors by SIMC under SFDR and RTS (i.e. date from which the PAI are considered), a historical comparison will be published in June 2026 with regards to the information published in June 2025 for the year 2024.