

THE SANAD FUND FOR MSME

Sustainability-related disclosure:

Statement on consideration of principal adverse impacts on sustainability factors



Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

Financial market participant and product name: SANAD FUND FOR MSME SA, SICAV-SIF

Legal entity identifier: 549300YXIVJSTFC88H55

Summary

THE SANAD FUND FOR MSME (the SANAD Fund for MSME, SANAD, the Fund), LEI: 549300YXIVJSTFC88H55, 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 the SANAD Fund.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

The Fund's sustainable investment objective is to foster economic development and job creation – including youth employment, agriculture, affordable housing, and innovations in finance and financial technologies. As an umbrella fund, the Fund includes three separate sub-funds in its structure:

The Debt Sub-Fund works towards the sustainable investment objective by financing micro, small and medium enterprises (MSMEs) and households (“the Target Group”) through providing private debt to eligible financial intermediaries in its target countries. Financial intermediaries – including local commercial banks, microfinance institutions and leasing companies – must on-lend financing to the Target Group in line with the binding use-of-proceeds criteria.

In the reference period, the Sub-Fund had 37 investee financial institutions (Partner Institutions, PIs). The Table below reflects data of all PIs combining self-reported and proxy data.

The Equity Sub-Fund works towards the sustainable investment objective by providing direct equity financing to local commercial banks, regulated and non-regulated microfinance institutions, microfinance banks, microfinance service or support providers/companies and microfinance holding companies, and local commercial banks that enable access to financial services for underserved micro, small and medium enterprises (MSMEs), agri-businesses in the target countries. The Sub-Fund has completed its investment period and is no longer actively investing in new PIs.

In the reference period, the Sub-Fund had 4 active investee financial institutions (Partner Institutions, PIs). The Table below reflects data of all PIs combining self-reported and proxy data.

The Equity Sub-Fund II works towards the sustainable investment objective by providing direct equity financing to local commercial banks, regulated and non-regulated microfinance institutions, as well as investment companies, technology companies (typically fintech and agri-tech companies), investment funds, guarantee funds or holding companies and other intermediaries that enable access to financial services for underserved micro, small and medium enterprises (MSMEs), agribusinesses in its target countries.

In the reference period, the Sub-Fund had 2 active investee companies (Partner Institutions, PIs). The Table below reflects data of all PIs combining self-reported and proxy data.

Although likely to be limited given the nature of its investments, adverse impacts on sustainability related factors may occur, particularly in relation to emissions and pollution; human rights; social and employee matters; anti-corruption and anti-bribery matters. Against this background, SANAD places a priority on the effective management of (potential) principal adverse impacts of its investment decisions on these factors.

The consolidated results of the respective Sub-Fund's performance on the principal adverse impact indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS) during the reference period are summarized in the tables below.

1. SANAD Debt Sub-Fund

Description of the principal adverse impacts on sustainability factors						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact 2022 ¹	Impact 2021 ²	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	298 tCO2	N/A	The indicator reflects 97% of reported PIs. 11% of values are self-reported emissions. Other values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 2 GHG emissions	693 tCO2	N/A	The indicator reflects 97% of reported PIs. 11% of values are self-reported emissions. Other values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 3 GHG emissions	To be reported in 2024	N/A	To be reported in 2024.	The focus for the next period will be on enhancing data availability and quality.
		Total GHG emissions	991 tCO2 (attributed)	N/A	The indicator reflects 97% of reported PIs. 11% of values are self-reported emissions. Other values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.

¹ Results are rounded to whole numbers. Results are based on investee level data.

² SANAD has only started measuring the PAIs performance as of 1 January 2022 and therefore, reported values for impact year n-1 (i.e., 2021) are not available. As the first results presented in this statement are published in 2023, the first year reflecting a comparison to the previous year will be 2024.

	2. Carbon Footprint	Carbon footprint	2.65 tCO ₂ / MEUR	N/A	The indicator reflects 97% of reported PIs. 11% of values are self-reported emissions. Other values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	3. GHG intensity of investee companies	GHG intensity of investee companies	46 tCO ₂ / MEUR revenue	N/A	The indicator reflects 97% of reported PIs. 11% of values are self-reported emissions. Other values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	N/A	As financial institutions, the Fund's PIs are considered to not be active in the fossil fuel sector, as per the definition. In addition, the Fund's Exclusion List prohibits the utilization of the Fund's financing for the prospection, exploration, and extraction of fossil fuels as well as for power plants, heating stations and cogeneration facilities essentially fired with coal and infrastructure essentially used for coal.	Indicator considered in investment decision.

	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	84%	N/A	The indicator reflects 100% of reported PIs. All values are based on country-level proxies.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	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 GWh per million EUR	N/A	As financial institutions are not active in high impact climate sector.	N/A
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	0%	N/A	As financial institutions are located in populated areas and are considered to not negatively affect biodiversity sensitive areas, as per the definition. In addition, the Fund's Exclusion List prohibits using the Fund's financing for activities that would involve destruction of high conservation value areas, and those activities prohibited by national legislation or international conventions relating to the protection of, or activities which could have significant adverse risks and/or impacts on, biodiversity.	Indicator considered in investment decision.

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MEUR	N/A	As financial institutions, the Fund's PIs are considered to not have direct emissions to water of priority substances, as per the definition.	N/A
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	0.0016 t/MEUR	N/A	The indicator reflects 97% of reported PIs. All values are based on proxies calculated based on the number of employees per company. Results are weighted according to exposure per investee.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
<u>Indicators for social and employee, respect for Human Rights, anti-corruption, and anti-bribery matters</u>						
Social and employee matters	10. Violations of UN Global Compact principles and Organization 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%	N/A	The indicator reflects 97% of reported PIs and is based on self-reported data.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.

	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	13.5%	N/A	The indicator reflects all PIs and 84% of values are based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	19%	N/A	The indicator reflects 71% of reported PIs. 37% of these values are self-reported by PIs. 63% based on proxy data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	27%	N/A	The indicator reflects 79% of reported PIs and is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	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%	N/A	The indicator reflects 97% of reported PIs and is based on publicly available data.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.

Indicators applicable to investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries		N/A	Not applicable to the Fund.	Not applicable to the Fund.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law		N/A	Not applicable to the Fund.	Not applicable to the Fund.

Indicators applicable to investments in real estate assets

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels		N/A	Not applicable to the Fund.	Not applicable to the Fund.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets		N/A	Not applicable to the Fund.	Not applicable to the Fund.

Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environment-related indicators

Emissions	4. 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	92%	N/A	The indicator reflects all reported PIs and 8% is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters						
Social and employee matters	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	3%	N/A	The indicator reflects all PIs and 71% of values are based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality. Moreover, the Fund is requiring investees to have in place a grievance mechanism for employees. A decrease of the indicated share is therefore expected over time.

2. SANAD Equity Sub-Fund

Description of the principal adverse impacts on sustainability factors						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact 2022 ³	Impact 2021 ⁴	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	458 tCO2	N/A	The indicator reflects 100% of reported PIs. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 2 GHG emissions	1032 tCO2	N/A	The indicator reflects 100% of reported PIs. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 3 GHG emissions	To be reported in 2024	N/A	To be reported in 2024.	The focus for the next period will be on enhancing data availability and quality.
		Total GHG emissions	1490 tCO2 (attributed)	N/A	The indicator reflects 100% of reported PIs. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.

³ Results are rounded to whole numbers. Results are based on investee level data.

⁴ SANAD has only started measuring the PAIs performance as of 1 January 2022 and therefore, reported values for impact year n-1 (i.e., 2021) are not available. As the first results presented in this statement are published in 2023, the first year reflecting a comparison to the previous year will be 2024.

	2. Carbon Footprint	Carbon footprint	115 tCO ₂ / MEUR	N/A	The indicator reflects 100% of reported PIs. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	3. GHG intensity of investee companies	GHG intensity of investee companies	2.1 tCO ₂ / MEUR revenue	N/A	The indicator reflects 100% of reported PIs. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	N/A	As financial institutions, the Fund's PIs are considered to not be active in the fossil fuel sector, as per the definition. In addition, the Fund's Exclusion List prohibits the utilization of the Fund's financing for the prospection, exploration, and extraction of fossil fuels as well as for power plants, heating stations and cogeneration facilities essentially fired with coal and infrastructure essentially used for coal.	Indicator considered in investment decision.
	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	92%	N/A	The indicator reflects 100% of reported PIs. All values are based on country-level proxies.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.

	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 GWh per million EUR	N/A	N/A. As financial institutions are not active in high-impact climate sector.	N/A
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	0%	N/A	As financial institutions are located in populated areas and are considered to not negatively affect biodiversity sensitive areas, as per the definition. In addition, the Fund's Exclusion List prohibits using the Fund's financing for activities that would involve destruction of high conservation value areas, and those activities prohibited by national legislation or international conventions relating to the protection of, or activities which could have significant adverse risks and/or impacts on, biodiversity.	Indicator considered in investment decision.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t	N/A	As financial institutions, the Fund's PIs are considered to not have direct emissions to water of priority substances, as per the definition.	N/A
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	0.62 t	N/A	The indicator reflects 97% of reported PIs. All values are based on proxies calculated based on the number of employees per company. Results are weighted according to exposure per investee.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.

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 Organization 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%	N/A	The indicator reflects 100% of reported PIs and is based on self-reported data.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	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	0%	N/A	The indicator reflects 75% of reported PIs and is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	15%	N/A	The indicator reflects 100% of reported PIs. 75% of these values are self-reported by PIs. 25% based on proxy data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels		N/A	Not applicable to the Fund.	Not applicable to the Fund.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets		N/A	Not applicable to the Fund.	Not applicable to the Fund.
<u>Other indicators for principal adverse impacts on sustainability factors</u>						
Additional climate and other environment-related indicators						
Emissions	4. 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	75%	N/A	The indicator reflects all reported PIs and 25% of values are based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters						
Social and employee matters	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	0%	N/A	The indicator reflects 100% of reported PIs and is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality. Moreover, the Fund is requiring investees to have in place a grievance mechanism for employees. A decrease of the indicated share is therefore expected over time.

3. SANAD Equity II Sub-Fund

Description of the principal adverse impacts on sustainability factors						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact 2022 ⁵	Impact 2021 ⁶	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	0.06 tCO2	N/A	The indicator reflects 50% of reported Pls. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 2 GHG emissions	5.13 tCO2	N/A	The indicator reflects 50% of reported Pls. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
		Scope 3 GHG emissions	To be reported in 2024	N/A	To be reported in 2024.	The focus for the next period will be on enhancing data availability and quality.
		Total GHG emissions	5.19 tCO2 (attributed)	N/A	The indicator reflects 50% of reported Pls. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.

⁵ Results are rounded to whole numbers. Results are based on investee level data.

⁶ SANAD has only started measuring the PAIs performance as of 1 January 2022 and therefore, reported values for impact year n-1 (i.e., 2021) are not available. As the first results presented in this statement are published in 2023, the first year reflecting a comparison to the previous year will be 2024.

	2. Carbon Footprint	Carbon footprint	1.22 tCO ₂ / MEUR	N/A	The indicator reflects 50% of reported Pls. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	3. GHG intensity of investee companies	GHG intensity of investee companies	0.38 tCO ₂ / MEUR revenue	N/A	The indicator reflects 50% of reported Pls. All values are based on country proxies. Results are weighted according to exposure per investee.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	N/A	Given their focus on financial inclusion, the Fund's Pls are considered to not be active in the fossil fuel sector, as per the definition. In addition, the Fund's Exclusion List prohibits the utilization of the Fund's financing for the prospection, exploration, and extraction of fossil fuels as well as for power plants, heating stations and cogeneration facilities essentially fired with coal and infrastructure essentially used for coal.	Indicator considered in investment decision.
	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	91%	N/A	The indicator reflects 50% of reported Pls. All values are based on country-level proxies.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.

Social and employee matters	10. Violations of UN Global Compact principles and Organization 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%	N/A	The indicator reflects 100% of reported Pls and is based on self-reported data.	Data collection has commenced, indicator considered in investment decision. The focus for the next period will be on enhancing data availability and quality.
	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	0%	N/A	The indicator reflects 100% of reported Pls and is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	3.35%	N/A	The indicator reflects 100% of reported Pls. All values are based on proxy data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels		N/A	Not applicable to the Fund.	Not applicable to the Fund.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets		N/A	Not applicable to the Fund.	Not applicable to the Fund.
<u>Other indicators for principal adverse impacts on sustainability factors</u>						
Additional climate and other environment-related indicators						
Emissions	4. 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	50%	N/A	The indicator reflects 100% of reported Pls. All values are based on self-reported or publicly available data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality.
Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters						
Social and employee matters	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	0%	N/A	The indicator reflects 100% of reported Pls and is based on self-reported data.	Data collection has commenced. The focus for the next period will be on enhancing data availability and quality. Moreover, the Fund is requiring investees to have in place a grievance mechanism for employees. A decrease of the indicated share is therefore expected over time.

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

The Fund maintains a comprehensive environmental and social management system (ESMS) and a detailed risk-based AML/CFT framework that define the Fund's commitments to managing adverse impacts of its investments. The SANAD ESMS guided the Fund's approach to assessing, mitigating, and monitoring potential adverse impacts at every stage of the investment process. The key document summarizing the Fund's ESMS is the SANAD Responsible Investment Policy complemented with the SANAD Exclusion List and detailed E&S procedures and tools to support implementation. The Fund's Board of Directors has overall responsibility for setting the Responsible Investment Policy and overseeing its implementation, both directly and via the Fund's Board-appointed Investment Committee. Primary responsibility for day-to-day implementation rests with the Fund Advisor's expert teams.

The SANAD Exclusion List is an integral part of the Responsible Investment Policy and prohibits the use of SANAD funding for activities with an elevated risk of causing adverse impacts, such as activities related to coal, oil, and gas sectors, and those involving destruction of high conservation value areas, among others. In addition to the activities outlined in the Exclusion List, the Fund did not permit proceeds to be used to fund activities which involve involuntary resettlement, adverse impacts to indigenous peoples, significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage, or significant occupational health and safety risks.

Within the investment process, thorough ESG due diligence was a key tool for identifying potential adverse sustainability impacts. The Fund's ESG requirements to PIs included obligations to manage adverse impacts of the SANAD funded activities to avoid significant harm.

Through its ESMS, the Fund considered adverse impacts beyond the PAI indicators on sustainability factors at each stage of the investment cycle, including the Fund's investment decision making process. As part of this overall approach, as of January 2023, the Fund also considered and collected information on the PAI indicators outlined in Table 1/Annex I of the SFDR RTS. In line with the PAI management approach approved by the Fund's Board of Directors in December 2022, assessment of PAI indicators was integrated into due diligence and monitoring. Data was collected directly from the investees through questionnaires. The Fund used proxies and tools to estimate performance against the PAI indicators where data gaps existed.

As part of its PAI management approach, the Fund screens investee performance against all sustainability factors covered by the PAI indicators. Following a materiality-based approach, the Fund focused on actively managing performance against those PAI indicators which either reflected its investment objectives, and/or where adverse impact was likely to be most material for the Fund, specifically PAI 1 (GHG emissions), PAI 2 (carbon footprint), PAI 3 (GHG intensity of investee companies), PAI 4 (exposure to companies active in the fossil fuel sector), PAI 7 (activities negatively affecting biodiversity-sensitive areas), PAI 10 (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), and PAI 14 (Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)).

Starting January 2023, the PAI data collected at due diligence were assessed by the Fund Advisor on the basis of how the principal adverse impacts of the investment may impact the Fund's overall PAI performance. The magnitude of the potential impact is assessed either as minor, moderate adverse, or significant adverse. Where an investment was expected to have a moderate adverse or significant adverse impact on any priority PAI, the potential impact to the Fund's overall performance against the PAI indicators was considered as part of investment decision.

An annual assessment of the Fund's performance against the PAI indicators supported the Fund in portfolio steering and identifying priority areas for engagement and further monitoring. Data on the PAI indicators was collected from PIs as part of the Fund's annual environmental and social reporting process. For the reference period of 1 January to 31 December 2022, where gaps existed in the self-reported data, proxies and estimations were used to address these gaps. In cases where no data required for proxies and estimations (e.g., employment data) was reported to the Fund by the PI, publicly available data was used where possible, and where no such data was available, the PI was not considered in the overall calculation.

The Fund has not set specific targets for each indicator at this early stage of monitoring PAI, however interpretation of indicators and their correlation to SANAD's investment objectives will evolve as reliability of the underlying data increases.

<p>Engagement policies</p> <p>The Fund has only very limited exposure to publicly traded securities or listed companies and as such did not undertake investor engagement within the meaning and context provided by Article 3(g) of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Nevertheless, engagement with Pls is an integral component of the Fund’s investment process and contribution to its sustainable investment objective. During the reference period, the Fund carried out engagement, including participating, where relevant, in equity PI governance bodies, as well as engagement to address capacity gaps of Pls on managing and mitigating potential adverse impacts. Engagement mechanisms primarily included technical assistance covering aspects such as ESG risk management and sustainable finance. In addition, corrective action plans and contractual undertakings were put in place where risks and gaps were identified that could have a negative impact on the achievement of the sustainable investment objective.</p>
<p>References to international standards</p> <p>In considering adverse impacts of its investments throughout the investment cycle, the Fund applied international standards such as the IFC Performance Standards and ILO Fundamental Conventions. Violations against the OECD Guidelines for Multinational Enterprises and the UN Global Compact Principles (PAI 10) are checked as part of the Fund’s PAI assessment through on-going incident monitoring drawing on external databases.</p>
<p>Historical comparison</p> <p>N/A</p>

Version history	
Version date	Description of the change
9 March 2021	First publication in accordance with Article 4 (5) of SFDR
30 June 2023	Update of the statement in line with Annex I of the SFDR Regulatory technical Standards (RTS)