

Sustainability-related disclosure: Statement on principal adverse impacts



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.

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 38 investee financial institutions (Partner Institutions, PIs).

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 PIs.

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 PIs.

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.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

The Tables below reflect data of the respective Sub-Fund's investments as of December 2023, combining self-reported and proxy data. In line with the Fund's target region, these are non-EU entities, which is affecting the overall data availability. In limited cases, due to lack of self-reported data or relevant proxy data, PIs were excluded from the estimation of certain PAI indicators. The Sub-Funds continuously makes reasonable efforts to engage with the PIs to enhance data availability, including during the due diligence process, annual Environmental & Social (E&S) performance monitoring and targeted capacity building on non-financial data collection. 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

Table 1

Description of the principal adverse impacts on sustainability factors						
<u>Indicators applicable to investments in investee companies</u>						
Adverse sustainability indicator	Metric	Impact 2023 ¹	Impact 2022 ¹	Explanation	Actions taken, and actions planned, and targets set for the next reference period	
<u>Climate and other environment-related indicators</u>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	199 tCO2	285 tCO2	The figure covers 92% of all PIs, out of which 17% of the values are self-reported emissions. Other values are estimated utilizing the JIM ² . Results are weighted according to exposure per investee.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Scope 2 GHG emissions	578 tCO2	684 tCO2	The figure covers 92% of all PIs, out of which 9% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Scope 3 GHG emissions	52,816 tCO2	n/a	The figure covers 92% of all PIs, out of which 14% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee. In line with regulatory requirements, Scope 3 GHG emissions are reported for the first time in the current reference period.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.

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

² The Joint Impact Model (JIM), is a web-based tool for impact-oriented investors in developing markets. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such. Under the GHG protocol, some emissions are not yet included, and these are: end-of-life treatment of sold products, use of sold products and downstream transportation and distribution Emissions do not include downstream. This does not affect SANAD's disclosure.

		Total GHG emissions	53,593 tCO2	969 tCO2	<p>The figure covers 92% of all PIs, out of which 19% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.</p> <p>The YoY increase of values is due to the inclusion of Scope 3 GHG emissions in the calculation.</p>	<p>The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.</p>
	2. Carbon Footprint	Carbon footprint	164 tCO2 / MEUR	2.73 tCO2 / MEUR	<p>The figure covers 92% of all PIs, out of which 19% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.</p> <p>The YoY increase of values is due to the inclusion of Scope 3 GHG emissions in the calculation.</p>	<p>The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	7,816 tCO2 / MEUR revenue	50 tCO2 / MEUR revenue	<p>The figure covers 89% of all PIs, out of which 19% of values are self-reported. Other values are based on country-level proxies. Results are weighted according to exposure per investee.</p> <p>The YoY increase of values is due to the inclusion of Scope 3 GHG emissions in the calculation.</p>	<p>The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.</p>
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	<p>As financial institutions, the Sub-Fund's PIs are considered to not be active in the fossil fuel sector, as per the definition.</p> <p>All values are proxies based on the reasonable assumption explained above.</p>	<p>The indicator is considered in the investment decision.</p> <p>The Fund's exclusion list prohibits the utilization of the Sub-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.</p> <p>In line with its investment strategy, the Sub-Fund targets to maintain this share at 0%.</p>

	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	87%	87%	The figure covers 74% of all PIs. 100% of values is based on country-level proxies developed using reasonable assumptions.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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 / MEUR	0 GWh / MEUR	As financial institutions, the Sub-Fund's PIs are not active in high impact climate sector, as per the definition. All values are proxies based on the reasonable assumption explained above.	As financial institutions, the Sub-Fund's PIs are not (and will not be) by definition, active in any 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	0%	0%	As financial institutions, the Sub-Fund's PIs are located in populated areas, and are considered to not negatively affect biodiversity sensitive areas, as per the definition. All values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. In addition, the Fund's exclusion list prohibits using the Sub-Fund's financing for activities that would involve destruction of high conservation value areas. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MEUR	0 t/MEUR	As financial institutions, the Sub-Fund's PIs are considered to not have direct emissions to water of priority substances, as per the definition. All values are proxies based on the reasonable assumption explained above.	As financial institutions, the Fund's PIs do not (and will not) by definition, have direct emissions to water of priority substances.

Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.003 t/MEUR	0.016 t/MEUR	The figure covers 71% of all PIs, out of which 4% of values is self-reported. Other values are based on proxies calculated based on the number of employees per company. Results are weighted according to exposure per investee.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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 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%	The figure covers 100% of PIs, out of which 100% of values is based on the Sub-Fund's regular incident monitoring using external databases.	The indicator is considered in the investment decision. In cases where violations occur and is feasible, the Sub-Fund may engage with the PI through to build and improve relevant processes and capacities.
	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	21%	14%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality as well as enhancing relevant PI processes and capacities related to compliance with UNGC principles and OECD Guidelines for Multinational Enterprises.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11%	19%	The figure covers 92% of all PIs, out of which 97% of values is self-reported. Other values are estimated based on proxies using country-level data.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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	24%	27%	The figure covers 95% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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%	0%	The Sub-Fund considers that financial institutions are not involved in the manufacture or selling of controversial weapons, as defined by the regulation. The figure covers 100% of all PIs, all values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	
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			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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			Not applicable to the Fund as it did not make any investments in real estate assets.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			Not applicable to the Fund as it did not make any investments in real estate assets.	
Other indicators for principal adverse impacts on sustainability factors						
<i>Table 2</i>						
Additional climate and other environment-related indicators						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact 2023³	Impact 2022³	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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	53%	92%	The figure covers 79% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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	5%	3%	The figure covers 97% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality. Moreover, the Sub-Fund is requiring investees to have in place a grievance

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

		related to employee matters				mechanism for employees. A decrease of the indicated share is therefore expected over time.
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2. SANAD Equity Sub-Fund

Table 2

Description of the principal adverse impacts on sustainability factors						
<u>Indicators applicable to investments in investee companies</u>						
Adverse sustainability indicator	Metric	Impact		Explanation	Actions taken, and actions planned, and targets set for the next reference period	
		Impact 2023 ⁴	Impact 2022 ⁴			
<u>Climate and other environment-related indicators</u>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	57 tCO2	42 tCO2	The figure covers 100% of all PIs, out of which 25% of the values are self-reported emissions. Other values are estimated utilizing the JIM ⁵ . Results are weighted according to exposure per investee. The YoY increase of values is due to the increase of the investees' revenues that is used for the estimations.	The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Scope 2 GHG emissions	88 tCO2	99 tCO2	The figure covers 100% of all PIs, out of which 25% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee.	The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.

⁴ Results are rounded to whole numbers. Results are based on investee level data.

⁵ The Joint Impact Model (JIM), is a web-based tool for impact-oriented investors in developing markets. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such. Under the GHG protocol, some emissions are not yet included, and these are: end-of-life treatment of sold products, use of sold products and downstream transportation and distribution Emissions do not include downstream. This does not affect SANAD's disclosure.

		Scope 3 GHG emissions	7,401 tCO2	n/a	The figure covers 100% of all PIs, out of which 0% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee. In line with regulatory requirements, Scope 3 GHG emissions are reported for the first time in the current reference period.	The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Total GHG emissions	7,546 tCO2	141 tCO2	The figure covers 100% of all PIs, out of which 33% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of values is due to the inclusion of Scope 3 GHG emissions in the calculation.	The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
	2. Carbon footprint	Carbon footprint	548 tCO2 / MEUR	115 tCO2 / MEUR	The figure covers 100% of all PIs, out of which 33% of values are self-reported emissions. Other values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of values is due to the inclusion of Scope 3 GHG emissions in the calculation.	The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.

	3. GHG intensity of investee companies	GHG intensity of investee companies	2,155 tCO ₂ / MEUR revenue	2.2 tCO ₂ / MEUR revenue	The figure covers 100% of all PIs, out of which 33% of values are self-reported. Other values are based on country-level proxies. Results are weighted according to exposure per investee.	The Sub-Fund engaged and will continue engaging with PIs 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%	0%	As financial institutions, the Sub-Fund's PIs are considered to not be active in the fossil fuel sector, as per the definition. All values are proxies based on the reasonable assumption explained above.	The Fund's exclusion list prohibits the utilization of the Sub-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. In line with its investment strategy, the Sub-Fund targets to maintain this share at 0%.
	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%	92%	The figure covers 100% of all PIs. 100% of values is based on country-level proxies developed using reasonable assumptions.	The Sub-Fund engaged and will continue engaging with PIs 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 / MEUR	0 GWh / MEUR	As financial institutions, the Sub-Fund's PIs are not active in high impact climate sector, as per the definition. All values are proxies based on the reasonable assumption explained above.	As financial institutions, the Fund's PIs are not (and will not be) by definition, active in any 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	0%	0%	As financial institutions, the Sub-Fund's PIs 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 Sub-Fund's financing for activities that would involve destruction of high conservation value areas. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward.

		negatively affect those areas			All values are proxies based on the reasonable assumption explained above.	
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MEUR	0 t/MEUR	As financial institutions, the Sub-Fund's PIs are considered to not have direct emissions to water of priority substances, as per the definition. All values are proxies based on the reasonable assumption explained above.	As financial institutions, the Fund's PIs do not (and will not) by definition, have direct emissions to water of priority substances.
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.023 t/MEUR	0.035 t/MEUR	The figure covers 100% of all PIs, all values are based on proxies calculated based on the number of employees per company. Results are weighted according to exposure per investee.	The Sub-Fund engaged and will continue engaging with PIs 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 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	25%	0%	The figure covers 100% of PIs, out of which 100% of values is based on the Sub-Fund's regular incident monitoring using external databases.	The indicator is considered in the investment decision. In cases where violations occur and as feasible, the Sub-Fund may engage with the PI through to build and improve relevant processes and capacities.

	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%	0%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality as well as enhancing relevant PI processes and capacities related to compliance with UNGC principles and OECD Guidelines for Multinational Enterprises.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	6%	15%	The figure covers 100% of all PIs, out of which 100% of values is self-reported. Other values are estimated based on proxies using country-level data.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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	56%	42%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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%	0%	The Sub-Fund considers that financial institutions are not involved in the manufacture or selling of controversial weapons, as defined by the regulation. The figure covers 100% of all PIs, all values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	
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			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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			Not applicable to the Fund as it did not make any investments in real estate assets.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			Not applicable to the Fund as it did not make any investments in real estate assets.	

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023 ⁶	Impact 2022 ⁶	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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	25%	75%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The Fund engaged and will continue engaging with PIs on enhancing data availability and quality as well as on enhancing relevant PI processes and capacities.

Table 3

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

Indicators applicable to investments in investee companies

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%	0%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The Fund requires PIs to have in place a grievance mechanism for employees. According to this, the Sub-Fund targets to maintain this share at 0%.
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⁶ Results are rounded to whole numbers. Results are based on investee level data.

3. SANAD Equity II Sub-Fund

Table 2

Description of the principal adverse impacts on sustainability factors						
<u>Indicators applicable to investments in investee companies</u>						
Adverse sustainability indicator	Metric	Impact 2023 ⁷	Impact 2022 ⁷	Explanation	Actions taken, and actions planned, and targets set for the next reference period	
<u>Climate and other environment-related indicators</u>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	0.06 tCO2	0.06 tCO2	The figure covers 50% of all PIs, all values are estimated utilizing the JIM ⁸ . Results are weighted according to exposure per investee.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Scope 2 GHG emissions	10 tCO2	5 tCO2	The figure covers 50% of all PIs, all values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of the values is due to an update in the JIM methodology.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
		Scope 3 GHG emissions		n/a	No self-reported or adequate proxy data available for the specific business activity of the Sub-Fund's investees.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.

⁷ Results are rounded to whole numbers. Results are based on investee level data.

⁸ The Joint Impact Model (JIM), is a web-based tool for impact-oriented investors in developing markets. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such. Under the GHG protocol, some emissions are not yet included, and these are: end-of-life treatment of sold products, use of sold products and downstream transportation and distribution Emissions do not include downstream. This does not affect SANAD's disclosure.

		Total GHG emissions	10 tCO2	5.06 tCO2	The figure covers 50% of all PIs, all values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of the values is due to an update in the JIM methodology.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
	2. Carbon footprint	Carbon footprint	3.86 tCO2 /MEUR	1.3 tCO2 /MEUR	The figure covers 50% of all PIs, all values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of the values is due to an update in the JIM methodology.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
	3. GHG intensity of investee companies	GHG intensity of investee companies	111 tCO2 / MEUR revenue	50 tCO2 / MEUR revenue	The figure covers 50% of all PIs, all values are estimated utilizing the JIM. Results are weighted according to exposure per investee. The YoY increase of the values is due to an update in the JIM methodology.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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%	0%	As investment funds and financial technology companies, the Sub-Fund's PIs are considered to not be active in the fossil fuel sector, as per the definition. All values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. The Fund's exclusion list prohibits the utilization of the Sub-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. In line with its investment strategy, the Sub-Fund targets to maintain this share at 0%.

	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%	91%	The figure covers 50% of all PIs. 100% of values is based on country-level proxies developed using reasonable assumptions.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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 / MEUR	0 GWh / MEUR	As investment funds and financial technology companies, the Sub-Fund's PIs are not active in high impact climate sector, as per the definition. All values are proxies based on the reasonable assumption explained above.	As investment funds and financial technology companies, the Fund's PIs are not (and will not be) by definition, active in any 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	0%	0%	As investment funds and financial technology companies, the Sub-Fund's PIs are located in populated areas, and are considered to not negatively affect biodiversity sensitive areas, as per the definition. All values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. In addition, the Fund's exclusion list prohibits using the Sub-Fund's financing for activities that would involve destruction of high conservation value areas. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t/MEUR	0 t/MEUR	As investment funds and financial technology companies, the Sub-Fund's PIs are considered to not have direct emissions to water of priority substances, as per the definition. All values are proxies based on the reasonable assumption explained above.	As investment funds and financial technology companies, the Fund's PIs do not (and will not) by definition, have direct emissions to water of priority substances.

Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.55 t/MEUR	0.005 t/MEUR	The figure covers 50% of all PIs, out of which all values are based on proxies calculated based on the number of employees per company. Results are weighted according to exposure per investee. The YoY increase in values is due to the enhanced data availability.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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 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%	The figure covers 100% of PIs, out of which 100% of values is based on the Sub-Fund's regular incident monitoring using external databases.	The indicator is considered in the investment decision. In cases where violations occur and as feasible, the Sub-Fund may engage with the PI through to build and improve relevant processes and capacities.
	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%	0%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality as well as enhancing relevant PI processes and capacities related to compliance with UNGC principles and OECD Guidelines for Multinational Enterprises.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	3%	3%	The figure covers 100% of all PIs, out of which 50% of values is self-reported. Other values are estimated based on proxies using country-level data.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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	0%	0%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs 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%	0%	The Sub-Fund considers that investment funds and financial technology companies are not involved in the manufacture or selling of controversial weapons, as defined by the regulation. The figure covers 100% of all PIs, all values are proxies based on the reasonable assumption explained above.	The indicator is considered in the investment decision. In line with the investment strategy, the Sub-Fund targets to maintain this share at 0% going forward. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	
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			Not applicable to the Fund as it did not make any investments in sovereigns in sovereigns and supranationals.	

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			Not applicable to the Fund as it did not make any investments in real estate assets.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			Not applicable to the Fund as it did not make any investments in real estate assets.	

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2023 ⁹	Impact 2022 ⁹	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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%	50%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The indicator is considered in the investment decision. The Sub-Fund engaged and will continue engaging with PIs on enhancing data availability and quality as well as on enhancing relevant PI processes and capacities.

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%	0%	The figure covers 100% of all PIs, out of which 100% of values is self-reported.	The Fund requires PIs to have in place a grievance mechanism for employees. According to this, the Sub-Fund targets to maintain this share at 0%.
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⁹ Results are rounded to whole numbers. Results are based on investee level data.

Description of policies to identify and prioritize 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 (last updated and approved by EFSE Board of Directors in March 2022) 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 (last updated and approved in November 2021) 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. If material gaps in the PIs' practices and capacities to address and mitigate against these impacts are identified, the PI will be required to address these gaps.

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 (e.g. modelling of the data for PAI 1-3 via the Joint Impact Model (JIM)), 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. PAI indicators are prioritized using a combination of criteria reflecting on:

- The Fund's investment approach focused on intermediated finance as well as the respective probability of occurrence and the severity of principal adverse impacts based on the specifics of the investments in the financial sector;
- activities excluded from the Fund's financing as per the exclusion list;
- overall balance between Environmental, Social, and Governance factors in investment decisions with particular focus on E&S requirements of Fund.

The Fund prioritizes the following principle adverse impact indicators: 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. The received data was reviewed by the Advisor's expert teams. For the reference period of 1 January to 31 December 2023, 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 calculation of the specific indicator. Taking into account that 1) self-reported data is considered reliable and additionally reviewed by the Advisor's sustainability experts, 2) the financial data is audited and 3) recognized industry sources are used for proxies-based estimated data the margins of error are overall expected to be low but cannot be entirely eliminated.

Engagement policies

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 PIs 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 PIs on managing and mitigating potential adverse impacts, which were identified during the due diligence and/or monitoring phase, more specifically regarding PAI 5 Table 3 (lack of grievance/complaints handling mechanism related to employee matters). 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.

References to international standards

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.

The Fund Advisor is a signatory of the Principles for Responsible Investment (PRI) and regularly reports on its responsible investment activities.

During the reference period, the Fund Advisor also commenced formalizing SANAD's alignment with the targets of the Paris Agreement against the MDB Joint Assessment Framework for Paris Alignment, based on which financing of SANAD Debt Sub-Fund, SANAD ESF, and SANAD ESF II can be considered aligned with the Paris Agreement's mitigation and adaptation goals, given its MSME focus, and the provisions made for intermediated financing for that target group in the Framework.

Given Fund's investment approach described above, the Fund's portfolio is considered to be highly diversified and therefore removed from the direct materialization of financially material climate risks. Therefore, forward-looking climate scenario analysis is not incorporated, however the Fund's credit risk analytics adopts a risk-based approach and incorporates a high-level analysis of climate risks as one of many risk factors in the credit risk rating of PIs.

Historical comparison

A historical comparison of the reference period of this statement and the previous period reported on is provided in the section 'Description of the principal adverse impacts on sustainability factors' above.

Version history

Version date	Description of the publications
9 March 2021	First publication in accordance with Article 4 (5) of SFDR
30 June 2023	Statement for the reference period 1 January – 31 December 2022 in line with Annex I of the SFDR RTS
30 June 2024	Statement for the reference period 1 January - 31 December 2023 in line with Annex I of the SFDR RTS
