Sarona Asset Management

Environmental, Social, Governance and Impact (ESGI) Policy

March 2026

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SARONA ASSET MANAGEMENT INC. IS REGISTERED AS AN INVESTMENT ADVISER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER SEC FILE NUMBER 801-76668, AN EXEMPT MARKET DEALER WITH THE ONTARIO SECURITIES COMMISSION UNDER LICENSE 57830 AND AN AFSL LICENSE HOLDER WITH THE AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION UNDER LICENSE NUMBER 511088 AND IS A HOLDER OF A CAPITAL MARKETS SERVICES LICENSE WITH THE MONETARY AUTHORITY OF SINGAPORE UNDER LICENSE # CMS101897.

REGISTRATION AS AN INVESTMENT ADVISER, AN EXEMPT MARKET DEALER, AN AFLS LICENSE HOLDER, DOES NOT IMPLY ANY LEVEL OF SKILL OR TRAINING. IMPORTANT DISCLOSURES ARE INCLUDED THROUGHOUT THIS PRESENTATION AND THESE SHOULD BE CAREFULLY REVIEWED BY THE READER.

Policy Name:	Environmental, Social, Governance and Impact Policy *(hereinafter referred to as "Policy")*
Content Controller:	Marie Torres, Director of Impact
Date	March 2026

1. Review & Training History

Review Date	Description	Approval Process
June 2016	Initial Approval	CCO Approval
August 2019	Annual Review	CCO Approval
January 2022	Annual Review	CCO Approval
January 2023	Annual Review	CCO Approval
January 2024	Annual Review	CCO Approval
March 2026	Annual Review	CCO Approval

Training Date	Description	Attendance
June 2016	Monday morning meeting training	All staff
August 2019	Email sent to all staff on changes	All staff
January 2022	Email sent to all staff on changes	All staff
January 2023	Email sent to all staff on changes	All staff
January 2024	Email sent to all staff on changes	All staff
April 2026	Email sent to all staff on changes	All staff

2. Belief statement

Sarona Asset Management is a global impact investment firm that aims to generate strong risk-adjusted financial returns by deploying patient, private equity capital into small and mid-market businesses across Global Growth Markets – including Africa, Asia and the Pacific, Emerging Europe, and Latin America – markets where commercial capital remains scarce but the potential for growth and impact is greatest. Operating primarily as a fund-of-funds alongside carefully selected local investment partners, Sarona combines rigorous ESG integration, active impact management, and a structured Social and Environmental Management System to reduce risk, unlock value, and drive measurable positive outcomes.

We believe that applying ethical, social and environmental values to each investment decision builds a better world for current and future generations. We further believe that such values help generate strong financial returns. To deliver on this belief, Sarona has established five strategic impact objectives that guide our investment activities and portfolio construction. These objectives are aligned with the United Nations Sustainable Development Goals (SDGs) and serve as a framework for integrating impact considerations across the investment process:

(1) Create and improve employment – supporting job creation and quality of work, particularly in underserved markets (SDG 8);
(2) Empower women – advancing gender equality through gender-lens investing and 2X-aligned fund managers and portfolio companies (SDG 5);
(3) Improve environmental outcomes – financing climate action and working with portfolio companies on emissions reduction (SDG 13);
(4) Strengthen governance – embedding accountability, ESG standards, and responsible business practices across our portfolio; and

(5) Build sustainable communities – supporting SME growth, inclusive financial services, and access to essential goods and services in frontier markets.

To align our actions with our beliefs, we will:

- Choose the best possible General Partners – those who can add value and grow companies to have a positive impact in their communities; who understand that good management of environment, social and governance (ESG) factors reduces risk and support long term performance; who have ESG policies and procedures in place or are committed to developing them; and who actively promote diversity, gender equity, and inclusion within their teams and operations.
- Select funds that invest in small to mid-market companies with ambitions to grow and apply global best practices to their operations
- Embed analysis of climate risks and opportunities for each Sarona investee
- Embed a gender lens[1] analysis for each Sarona investee
- Focus on sectors and opportunities that meet our return expectations, are scalable and sustainable (i.e. sustainable means investees intend to reduce environmental footprint)
- Build a well-diversified portfolio to deliver strong financial returns to investors
- Seek alignment with likeminded investors to create scalable impact, and
- Contribute to the UN Sustainable Development Goals

3. Policy scope

This policy outlines how Sarona's belief statement is reflected in its operations. The policy applies to all Covered Assets managed, advised, or controlled by Sarona. The policy sets expectations for how Sarona will consider ESG issues and impact outcomes in its funds programme.

For Sarona, *"consideration of ESG issues"* means taking material ethical, environmental, social and governance risks and opportunities into account when making investment decisions. Sarona defines *"impact investments"* as investments made with the intention of generating positive social and environmental outcomes alongside a financial return. Through its investment programme, Sarona seeks to contribute towards the global development agenda and the UN SDGs and measure its progress.

We see ourselves as an impact investor and will strive to be a leader in the Impact and Blended Finance space. Sarona will measure and report on the social and environmental impact of its investments and will proactively participate in international collaborative initiatives such as GIIN, PRI, World Economic Forum, 2X Global, UN, B-Lab, and CAFIID.

4. Policy Statement

Sarona's investment decisions are grounded in the conviction that ESG integration and the pursuit of positive impact are drivers of long-term financial performance. Sarona will consider ethical and ESG factors when making investment decisions, evaluating opportunities from both an ESG risk mitigation and value creation perspective. ESG is embedded across every stage of the investment lifecycle as a cross-functional driver of value creation, including deal

[1] Sarona defines gender lens analysis as a series of questions during the investment processes designed to uncover new opportunities and identifying risks by intentionally assessing gender norms, biases and patterns embedded in processes and decisions of the investee.

origination, due diligence, active ownership, and exit planning. Sarona applies a double materiality lens to its ESG assessments, evaluating both how ESG risks and opportunities affect the financial performance of its investments (financial materiality) and how Sarona's investments may affect people, communities, and the environment (impact materiality). This approach aligns with the evolving expectations of leading institutional investors. ESG is treated not merely as a compliance obligation but as an integral component of investment decision-making and portfolio value creation. Sarona manages ESG risk through a formal, tiered risk register that is reviewed and updated at least annually.

Sarona will seek to engage its investees to ensure they understand and adhere to the IFC Performance Standards *(Appendix B)* or a similar set of social and environmental standards. Sarona will refrain from investing in industries and companies identified in the IFC Exclusion List *(Appendix C)*.

Sarona will seek to improve an investment's positive environmental or social impact and minimise a negative one.

Sarona will seek to contribute positively to the UN SDGs by investing, indirectly, in companies whose activities are linked to the SDGs' targets. Sarona will also work with its selected fund managers to identify opportunities for improvement and measuring the companies' progress. See *Appendix A* for a complete list of the UN SDGs.

Sarona will work towards alignment with the sustainability-linked and climate-related disclosures, IFRS1 and IFRS 2. See *Appendix D* for a summary of relevant IFRS1 and IFRS 2 disclosures.

Sarona will encourage its investee to become aligned with the 2X Criteria, a set of benchmarks focused on improved access for women to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation. See *Appendix E* for a description of the 2X Criteria.

5. Review Period

The Content Controller of this Policy will conduct a review of this Policy at least once per year or when significant business process changes occur, material updates to applicable ESG frameworks or regulations arise (including changes to IFRS S1/S2, IFC Performance Standards, or relevant national legislation) to ensure the information contained herein is current and applicable.

6. Policy Requirements

This Policy will be supported by a Social & Environmental Management System (SEMS). The SEMS outlines the requirements and obligations of Sarona as they relate to the implementation of the Policy and provides a systematic approach to ensure adherence thereto. Sarona's Board and senior management receive regular updates on Sarona's strategic ESG and climate initiatives, material ESG risks across the portfolio, and progress against impact targets. ESG performance is a standing agenda item for Investment Committee reviews, and ESG issues are regularly presented to each investee fund's Limited Partner Advisory Committees (LPACs) to ensure investor-level accountability.

6.1. Sarona will follow the IFC Performance Standards, or similar, and Exclusion List

Sarona expects its Investees to understand and commit to adhere to the IFC Performance Standards or a similar set of social and environmental standards.

During pre-investment due diligence, Sarona will evaluate whether prospective investees have policies and systems in place that adhere to these standards.

During the monitoring phase, Sarona will evaluate investees adherence to these standards, and seek to add value through knowledge sharing and best practices.

Sarona, through its role as an LPAC member and E&S Committee representative will ensure that investees, will not invest in industries or companies identified in the IFC Exclusion List.

6.2. ESG Integration and expectations

Consideration of ESG issues is an integral part of Sarona's investment and monitoring process, not only to manage risk, but to improve environmental and social outcomes. During the due diligence phase, Sarona will assess prospective investees' ESG policies and management, the risks inherent in the investment and the opportunities for future environmental and social improvements. Sarona will seek to ensure that its investees consider governance, environmental and social risks and opportunities in their investments and procedures.
ESG due diligence will be conducted using a materiality-first approach – scoping the assessment to the ESG factors most relevant to the investee's sector, geography, and business model (in case of a direct investment) as well as applying a uniform checklist. This ensures that diligence effort is proportionate to actual risk and opportunity.

Sarona will perform a gap analysis between investees' existing ESG policies and/or SEMS and what Sarona deems to be the desired quality level. In cases where gaps are identified, Sarona will assist investees in developing a corrective ESG action plan. Sarona will ensure, through legal agreements, that investees will develop (or improve) their policies and/or SEMS by implementing a corrective action plan over time.

Human Rights Due Diligence: Sarona's ESG assessment reference the DFAT social safeguarding risk assessment and IFC PS and UN Guiding Principles on Business and Human Rights when conducting risk assessment and investees E&S management systems.

During the ownership phase, Sarona will monitor investments to ensure that corrective action plans are implemented where necessary, that ESG risks are identified and addressed, and that environmental and social opportunities are considered.

Sarona recognises that climate change represents a material financial and impact risk across its portfolio – encompassing both physical risks (extreme weather, water stress, land degradation, disruption to supply chains and communities) and transition risks (policy shifts, carbon pricing, stranded assets, and changing market preferences). Climate-specific criteria and indicators are embedded within Sarona's SEMS, and climate performance – including Scope 1, 2, and where available Scope 3 greenhouse gas emissions – will be monitored annually across the portfolio. Sarona will engage investees to set Science-Based Targets where applicable and will track progress against Sarona's portfolio-level carbon footprint reduction goals.

In cases where investees do not have an adequate ESG policy and/or SEMS in place and are not willing to develop or improve their systems as required, Sarona will not invest.

As a result, Sarona (through its investees) will seek to invest in businesses that implement good governance, do business in an environmentally responsible way, contribute to sustainable communities and create quality jobs that present opportunities for women. In cases where businesses fall short of these expectations, investees will be expected to work with their companies to remedy any shortcoming and address identified issues before exiting.

Greenwashing Prevention and ESG Integrity: Sarona is committed to ensuring that all ESG and impact claims made to investors, stakeholders, and the public are accurate, substantiated, and verifiable. Sarona will not make unsubstantiated claims about the sustainability characteristics of its investments. All ESG data disclosed in Sarona's public reports will be grounded in actual performance metrics collected from investees and their companies, and Sarona's independent OPIM verification process provides a further check on the integrity of its impact management systems. Sarona will monitor emerging greenwashing regulations and litigation risk, and will update its disclosure practices accordingly.

6.3. Impact outcomes

Sarona strives to achieve positive social and environmental outcomes in all its investments. Through its investment programme, Sarona seeks to create profitable and sustainable businesses.

Targeted outcomes include:

1. Creating and improving quality jobs
2. Improving job quality
3. Empowering women
4. Reducing environmental footprint
5. Improving governance
6. Building sustainable communities

Sarona measures progress against these outcomes using 41 IRIS+-compliant key performance indicators selected to align with Sarona's vision. These include metrics on jobs supported (disaggregated by gender), local taxes paid, number of customers and suppliers, women in leadership and governance positions, full-time wages relative to local GDP per capita, occupational injury rates, and the presence of environmental management systems. Sarona also applies the Joint Impact Model (JIM) to quantify indirect economic multiplier effects – including supply chain employment and broader value-added contributions – and to estimate GHG emissions across the portfolio. Updated 2X Criteria are applied annually to assess gender equity and inclusion at the fund and underlying companies' level. These metrics are aggregated and reported annually through Sarona's Values Report, the SGGM Program Impact Report, and the ADI Performance Report.

6.4. Sarona seeks to positively contribute to the UN Sustainable Development Goals

Sarona will identify how each of its investees can contribute to the UN SDGs and seek to measure and report the results.

6.5. Reporting requirements

Sarona will request regular ESG, impact and encourage climate-related disclosure reporting from its investees. As a result, Sarona will require its investees to report annually on their environmental and social performance and, where possible, climate-related disclosures and to share ESG related stories with the public to enhance broad understanding of ESG issues.

Sarona will request annually gender aggregated data on investees' workforce, leadership/senior positions and governance roles. Investees will also report on share of women ownership and if business is founded by a woman. Qualitative description of investees' initiatives to address women's barriers to quality employment, specifically in recruitment, retention, and career advancement are also being collected through key informant interviews and survey.

Sarona will report its impact to its own stakeholders. Sarona is committed to transparent impact reporting for its stakeholders. Limited Partner-specific impact data collection tools are completed annually, alongside submissions to industry body investor surveys. Impact reports are published for each investment vehicle, aggregating ESGI and climate-disclosure information received from investees. Sarona also publishes an annual Values Report. All reports are made available on Sarona's website and distributed to investors and other stakeholders.

Sarona actively welcomes feedback on its ESGI performance and the quality of its impact reporting.

Sarona will align staff and fund manager incentives with impact achievement. Under the ADI mandate, Sarona as an investment manager defines impact metrics – including governance, gender inclusion, and climate action targets, which are negotiated with fund managers at the investment memo stage. Fund managers that fully achieve these targets receive impact-linked carry as a direct financial incentive, creating alignment between impact performance and financial reward. Sarona is committed to designing and implementing impact-aligned incentive structures in future investment vehicles. Sarona has defined impact targets for a specific fund under management, and both Sarona and its staff are incentivised through a performance-based structure linked to the achievement of investee-level impact outcomes.

Sarona will apply a structured approach to managing negative ESG risks. Sarona approaches negative impact risk through a three-tiered hierarchy: (1) Avoidance – pre-agreed exclusion criteria applied at screening to exclude activities incompatible with Sarona's ESGI standards; (2) Mitigation – where ESG risks are identified but not disqualifying, Sarona works with local investment partners to develop action plans prior to and following investment. If needed, an independent E&S due diligence will be requested to fully ascertain risks and inform mitigation measures; and (3) Management and Monitoring – where residual ESG risks remain, Sarona maintains an active ESG risk register updated annually based on disclosures from local investment partners, which forms part of the legal requirements of Sarona's investment agreements. Moreover, Sarona's active role as LPAC and E&S Committee member, first-hand information on ESG matters and decisions. When a negative ESG event is disclosed, Sarona

follows an immediate follow-up, remediation, and lessons-learned process, and updates its risk register accordingly.

Sarona will report on sustainability and climate-related disclosures. For each investment vehicle that Sarona manages, advises or controls, Sarona will report on an annual basis in the respective audited financial statements according to the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (Appendix D).

Appendix A: United Nations Sustainable Development Goals (UN SDGs)

GOAL 1 - End poverty in all its forms everywhere
GOAL 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture
GOAL 3 - Ensure healthy lives and promote well-being for all at all ages
GOAL 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
GOAL 5 - Achieve gender equality and empower all women and girls
GOAL 6 - Ensure availability and sustainable management of water and sanitation for all
GOAL 7 - Ensure access to affordable, reliable, sustainable and modern energy for all
GOAL 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
GOAL 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
GOAL 10 - Reduce inequality within and among countries
GOAL 11 - Make cities and human settlements inclusive, safe, resilient and sustainable
GOAL 12 - Ensure sustainable consumption and production patterns
GOAL 13 - Take urgent action to combat climate change and its impacts
GOAL 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development
GOAL 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
GOAL 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
GOAL 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development

Appendix B: IFC Performance Standards on Environmental and Social Sustainability

Latest update: 1 January 2012 and accessed on www.ifc.org
Please refer to: IFC -Performance Standards -Full document.pdf

Relevant extracts from the IFC document include the following:

Together, the eight Performance Standards establish standards that IFC requires its clients (the investees) to meet throughout the life of an investment by IFC

Performance Standard 1	Assessment and Management of Environmental and Social Risk and Impacts
Performance Standard 2	Labor and Working Conditions
Performance Standard 3	Resource Efficiency and Pollution Prevention
Performance Standard 4	Community Health, Safety, and Security
Performance Standard 5	Land Acquisition and Involuntary Resettlement
Performance Standard 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources
Performance Standard 7	Indigenous Peoples
Performance Standard 8	Cultural Heritage

a. Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client's management of environmental and social performance throughout the life of the project.
   Performance Standards 2 through 8 establish objectives and requirements to avoid, minimize, and where residual impacts remain, to compensate/offset for risks and impacts to workers, Affected Communities, and the environment. While all relevant environmental and social risks and potential impacts should be considered as part of the assessment, Performance Standards 2 through 8 describe potential environmental and social risks and impacts that require particular attention.
   Where environmental or social risks and impacts are identified, the client is required to manage them through its Environmental and Social Management System (ESMS) consistent with Performance Standard 1.
b. Performance Standard 1 applies to all projects that have environmental and social risks and impacts. Depending on project circumstances, other Performance Standards may apply as well. The Performance Standards should be read together and cross-referenced as needed. The requirements section of each Performance Standard applies to all activities financed under the project, unless otherwise noted in the specific limitations described in each paragraph. Clients are encouraged to apply the ESMS developed under Performance Standard 1 to all their project activities, regardless of financing source. A number of cross-cutting topics such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards.

c. In addition to meeting the requirements under the Performance Standards, clients must comply with applicable national law, including those laws implementing host country obligations under international law.

Appendix C: IFC Exclusion List and additional climate related exclusions

As of December 8, 2025. Accessed at www.ifc.org/exclusionlist.

The IFC Exclusion List defines the types of projects that IFC does not finance. This does not apply to investments who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to investments primary operations. Sarona will adhere to these exclusions as well.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Coal mining, coal power plants, oil sands, Arctic oil and gas exploration
- Deforestation for land clearing, logging and palm oil
- Production or trade of non-renewable energy sources (coal, oil, natural gas)

All financial intermediaries (FIs), except microfinance and trade finance, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

When investing in microfinance activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

When investing in trade finance, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.

Appendix D: ISSB IFRS S1 and S2 Standards

Sarona commits to integrating the International Sustainability Standards Board (ISSB) IFRS S1 and S2 standards into our operations and reporting. By aligning with ISSB IFRS S1 and S2 standards, Sarona can ensure that its investment practices are sustainable, transparent, and contribute to global efforts to adopt to, and/or mitigate climate change.

Fig.1. The TCFD Climate Risk Framework

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities. This information should be useful to investors, lenders, and other creditors in making decisions. IFRS S1 requires a company to disclose information about its governance, strategy and risk management, as well as metrics and targets, in relation to its sustainability-related risks and opportunities. These four core content areas reflect how companies manage those risks and opportunities. The four core content areas are consistent with, and build on, the TCFD Recommendations– extending the structure of the recommendations to sustainability-related risks and opportunities beyond climate. Broadly the S1 disclosure includes:

- Identifying sustainability-related risks and opportunities and disclosing material information about such risks and opportunities
- Material information: **Materiality in this context refers to information that could influence the decision-making of users of the reports, such as investors, customers, and other stakeholders.**

- Connected information: Connected information implies that disclosures should show how sustainability-related risks and opportunities are integrated into the organization's broader strategy, operations, and financial planning. It involves demonstrating the linkages between sustainability issues and other information provided in the entity's reporting, such as financial statements and management commentary.

Governance Disclosures:

- Update the Board on Sarona's strategic climate initiatives and responses to climate risks.
- Present climate metrics and targets for board oversight.
- Expansion of ESGI monitoring and incident tracking to encompass the full spectrum of climate issues and industry-specific nuances.
- A risk assessment/screening criteria for investee selection to include both negative and positive climate-related screens, distinguishing between exposure to high-risk activities (e.g., coal mining, deforestation) and alignment with positive climate actions (e.g., renewable energy development, sustainable agriculture).
- The integration of a systematic, metrics-based approach to investee climate monitoring, accompanied by actionable decision-making guides.
- Recommendations for investees to establish climate responsibilities at the board and management levels and to engage with their portfolio company boards on climate-related financial impacts and strategies.

Strategy Disclosures:

- The determination of time horizons for identifying climate risks and opportunities aligned with our investment lifecycle:
  - Pre-hold / due diligence stage
  - Asset hold period (short term, 3-7 years)
  - Post-hold period (medium term, 7-15 years)
  - Longer term period (2050 horizon with 2030 interim time frame)
- In-depth analyses of material climate risks and opportunities, and the aggregation of investee insights to inform our strategy and risk management.
- SEMS to incorporate climate-specific criteria and indicators.
- Engagement efforts to educate investees on climate topics and the integration of climate metrics into executive compensation.
- Assessments of the financial impacts of climate risks and opportunities, including scenario analyses on a sectoral and geographical basis.
- Consideration of climate-specific resiliency in investee selection and investment strategy development.
- The establishment of a climate portfolio alignment metric and encouragement of similar actions among investees.

In addition, as recommended by ISSB under the strategy, Sarona to disclose financial position, financial performance and cash flows:

- The effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects);
- The anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).
- How sustainability-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;
- The identified sustainability-related risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
- How the entity expects its financial position to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities, taking into consideration:
  - its investment and disposal plans (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to;
  - its planned sources of funding to implement its strategy;
- How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities.

Risk Management Disclosures:

- Sarona annually updates the Risk Register and/or Risk Appetite to reflect climate-related risks.
- Engagement with investees to conduct climate scenario analyses and prioritize climate-specific engagements with portfolio companies.
- Monitoring of climate-related regulatory updates and their implications for our investment strategy.
- Definition of materiality thresholds for climate issue reporting and responses, including divestment or other disciplinary actions.
- Participation in initiatives to streamline climate data collection and assessment across Investees and portfolio companies.

Metrics and Targets:

Annually collect the data from Investees on ISSB/TCFD adoption, with added granularity on implementation across the four pillars, such as:

(a) % of investees with Board oversight of material climate risks
(b) % of investees who have identified climate risks & opportunities and developed responsive strategies
(c) % of investees who have conducted climate scenario analysis across their investments, distinguishing between qualitative and quantitative assessments

(d) % of investees who have calculated their operational emissions (i.e., Scope 1&2) as well as value chain emissions (Scope 3)

- Track and disclose on engagements with investees and portfolio companies specific to climate-related issues, such as around upcoming climate regulation, management of water/waste/resources, resiliency planning, etc.
- Collect data and establish process to calculate and disclose historical metric(s) at the fund and portfolio levels to measure carbon impact, such as Weighted Average Carbon Intensity[2]
- Engage Investees to monitor and disclose whether portfolio companies have set Science-Based Targets and have approved SBTi transition plans in place;
- Calculate Sarona's operational emissions (Scope 1 & 2), and endeavor to estimate financed emissions (Scope 3) using inputs from investees, to determine Sarona's baseline emissions; calculate this on an annual basis thereafter following ici's guidance for PE firms [3]
- Determine and disclose both short-term and medium/long-term targets to manage Sarona's climate risks & opportunities and performance, such as:
  - % of Investees familiar with ISSB/TCFD and implementing recommendations by end of 2023
  - Carbon footprint of entire portfolio measured by end 2025
  - Top ## highest emitting portfolio companies across each fund set Science-based Targets by 2025 [4]
  - % of total AUM allocated to climate-specific investments by 2025

IFRS S2: Climate-related Disclosures

A company applying IFRS S1 is required to apply IFRS S2 to identify and disclose material information about its climate-related risks and opportunities. IFRS S2 requires a company to disclose information about its governance, strategy and risk management, as well as metrics and targets, in relation to its climate-related risks and opportunities.

Climate-related risks refers to the potential negative effects of climate change on a company. Climate-related risks are associated with both physical risks (such as those resulting from increased severity of extreme weather) and transition risks (such as those associated with policy action and changes in technology).

Climate-related opportunities refers to the potential positive effects arising from climate change for a company. Efforts to mitigate and adapt to climate change can produce opportunities for companies, such as opportunities to develop new products or capture new business.

In addition, S2 disclosures to include:

- Applying scenario analysis to assess a company's climate resilience

[2] Weighted average carbon intensity (WACI) is a measure of carbon emissions normalized by revenues. It measures the Investment Pool's exposure to potential carbon-intensive companies, expressed in tons greenhouse gas converted to carbon dioxide emissions using the greenhouse gas protocol per million sales, written as tCO2e/$Sales. This metric is recommended by TCFD after global consultations involving over 1,100 organizations.

[3] https://www.unpri.org/download?ac=16265

[4] https://sciencebasedtargets.org/

- Measuring Scope 1, Scope 2 and Scope 3 GHG emissions, including a framework for the measurement of Scope 3 GHG emissions
- Conducting GHG emissions hot-spot analysis in portfolio
- Disclosing information relevant to the cross-industry metric categories
- Disclosing information about the climate-related targets a company may have set or is required to meet by law or regulation

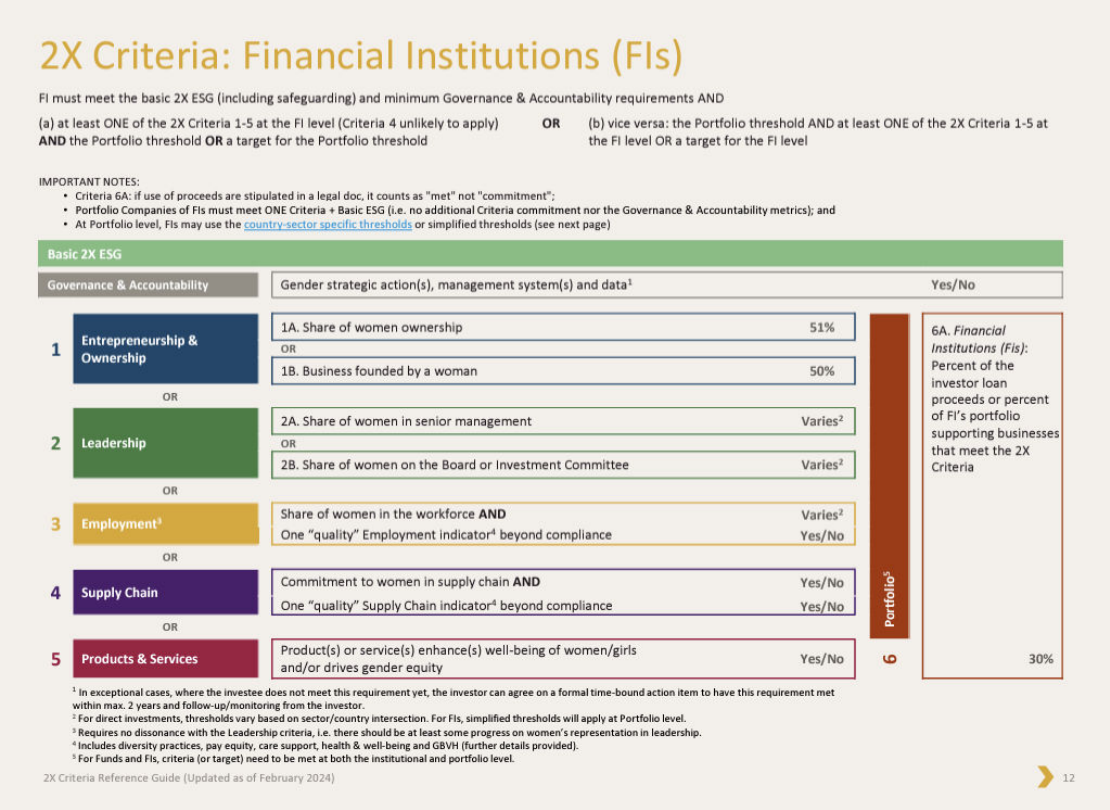
Reporting guidelines:

Location: As required by IFRS Sustainability Disclosure Standards, Sarona will provide ISSB disclosures as part of its general-purpose financial reports.

Timing: Sarona will prepare sustainability-related financial disclosures for a 12-month period.

Materiality: Sarona shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

Appendix E: 2X Criteria



2X Criteria: Financial Institutions (FIs)

FI must meet the basic 2X ESG (including safeguarding) and minimum Governance & Accountability requirements AND

(a) at least ONE of the 2X Criteria 1-5 at the FI level (Criteria 4 unlikely to apply) **AND** the Portfolio threshold **OR** a target for the Portfolio threshold

OR

(b) vice versa: the Portfolio threshold AND at least ONE of the 2X Criteria 1-5 at the FI level OR a target for the FI level

IMPORTANT NOTES:

- Criteria 6A: if use of proceeds are stipulated in a legal doc, it counts as "met" not "commitment";
- Portfolio Companies of FIs must meet ONE Criteria + Basic ESG (i.e. no additional Criteria commitment nor the Governance & Accountability metrics); and
- At Portfolio level, FIs may use the country-sector specific thresholds or simplified thresholds (see next page)

Basic 2X ESG

Governance & Accountability		Gender strategic action(s), management system(s) and data[1]		Yes/No
1	Entrepreneurship & Ownership	1A. Share of women ownership	51%	
		OR		
		1B. Business founded by a woman	50%	
	OR			
2	Leadership	2A. Share of women in senior management	Varies[2]	
		OR		
		2B. Share of women on the Board or Investment Committee	Varies[2]	
	OR			
3	Employment[3]	Share of women in the workforce **AND**	Varies[2]	
		One "quality" Employment indicator[4] beyond compliance	Yes/No	
	OR			
4	Supply Chain	Commitment to women in supply chain **AND**	Yes/No	
		One "quality" Supply Chain indicator[4] beyond compliance	Yes/No	
	OR			
5	Products & Services	Product(s) or service(s) enhance(s) well-being of women/girls and/or drives gender equity	Yes/No	
Portfolio[5]				
6		6A. *Financial Institutions (FIs)*: Percent of the investor loan proceeds or percent of FI's portfolio supporting businesses that meet the 2X Criteria	30%	

[1] In exceptional cases, where the investee does not meet this requirement yet, the investor can agree on a formal time-bound action item to have this requirement met within max. 2 years and follow-up/monitoring from the investor.
[2] For direct investments, thresholds vary based on sector/country intersection. For FIs, simplified thresholds will apply at Portfolio level.
[3] Requires no dissonance with the Leadership criteria, i.e. there should be at least some progress on women's representation in leadership.
[4] Includes diversity practices, pay equity, care support, health & well-being and GBVH (further details provided).
[5] For Funds and FIs, criteria (or target) need to be met at both the institutional and portfolio level.

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2X Criteria: FIs – Portfolio level

- **Basic ESG & GBVH Safeguarding** - FIs must have an E&S management system in place which also addresses gender risks at portfolio level.
- **2X Criteria Thresholds** - At the Portfolio level, FIs may use the country-sector specific thresholds or simplified thresholds as it appears below keeping in mind:
  - Where the **portfolio is concentrated >75% in one sector**, best practice is to use the country-sector threshold

Basic 2X ESG

Governance & Accountability		Gender strategic action(s), management system(s) and data[1]	
1	Entrepreneurship & Ownership	1A. Share of women ownership	51%
		OR	
		1B. Business founded by a woman	50%
	OR		
2	Leadership	2A. Share of women in senior management	30[40]%[2]
		OR	
		2B. Share of women on the Board or Investment Committee	30[40]%[2]
	OR		
3	Employment[3]	Share of women in the workforce (see table) **AND**	30-50%
		One "quality" Employment indicator[4] beyond compliance	Yes/No
	OR		
4	Supply Chain	Commitment to women in supply chain **AND**	Yes/No
		One "quality" Supply Chain indicator[4] beyond compliance	Yes/No
	OR		
5	Products & Services	Product(s) or service(s) enhance(s) well-being of women/girls and/or drives gender equity	Yes/No

Employment
Share of women in workforce

Grp	Sector	%
Low	Infrastructure	30%
	Power	
	Telecommunications	
Mid	Financial Services	40%
	Manufacturing - Heavy	
	Agribusiness & Food	
	Professional Services	
High	Healthcare	50%
	Education	
	Customer Services	
	Manufacturing - Light	

[1] In exceptional cases, where the investee does not meet this requirement yet, the investor can agree on a formal time-bound action item to have this requirement met within max. 2 years and follow-up/monitoring from the investor.
[2] For direct investments, thresholds vary based on sector/country intersection.
[3] Requires no dissonance with the Leadership criteria, i.e. there should be at least some progress on women's representation in leadership.
[4] Includes diversity practices, pay equity, care support, health & well-being and GBVH (further details provided).

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2X Criteria: Funds

Funds must meet the basic 2X ESG (including safeguarding) and minimum Governance & Accountability requirements AND

(a) FUND MANAGER LEVEL
Meets at least at least ONE of the 2X Criteria 1-5 OR a sets a time-bound commitment for doing so;

AND

(b) PORTFOLIO LEVEL
(A target of) either 30% of investees at origination or 50% of investees by the end of the fund's life must meet the 2X Criteria

Basic 2X ESG

Governance & Accountability		Gender strategic action(s), management system(s) and data[1]	Yes/No		
1	Entrepreneurship & Ownership	1A. Share of women ownership	51%	Portfolio[5]	6B. *Funds:* Percent of portfolio companies that meet the 2X Criteria
		OR			
		1B. Business founded by a woman	50%		
	OR				
2	Leadership	2A. Share of women in senior management	Varies[2]		
		OR			
		2B. Share of women on the Board or Investment Committee	Varies[2]		
	OR				
3	Employment[3]	Share of women in the workforce **AND**	Varies[2]		
		One "quality" Employment indicator[4] beyond compliance	Yes/No		
	OR				
4	Supply Chain	Commitment to women in supply chain **AND**	Yes/No		
		One "quality" Supply Chain indicator[4] beyond compliance	Yes/No		
	OR				
5	Products & Services	Product(s) or service(s) enhance(s) well-being of women/girls and/or drives gender equity	Yes/No	6	30-50%

[1] In exceptional cases, where the investee does not meet this requirement yet, the investor can agree on a formal time-bound action item to have this requirement met within max. 2 years and follow-up/monitoring from the investor.
[2] For direct investments, thresholds vary based on sector/country intersection. For FIs, simplified thresholds will apply at Portfolio level.
[3] Requires no dissonance with the Leadership criteria, i.e. there should be at least some progress on women's representation in leadership.
[4] Includes diversity practices, pay equity, care support, health & well-being and GBVH (further details provided).
[5] For Funds and FIs, criteria (or target) need to be met at both the institutional and portfolio level.

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