

Our ESG Policy

SFMC's ESG policy is intended to be applied into all SFMC operations, in line with its investment objectives and procedures. SFMC shall guide the efforts of the portfolio companies to comply with ESG principles as appropriate and up to the capacity of each company. However, this policy will be implemented in a discretionary manner, so as to adapt to the variety of challenges that may be encountered in the effort to meet the full range of ESG goals.

Applicable Standards

SFMC targets investors from all over the world, and realizes the necessity to be compliant with internationally recognized guidelines for environmental safeguarding and social responsibility. The International Finance Corporation (IFC) Performance Standards on Environmental and Social Responsibility (2012) will be utilized as a guide, where applicable, for mapping SFMC's vision and decisions on ESG issues and reflecting them within the investment decisions procedures and management of portfolio companies.

SFMC will also conform to all current ESG-related local laws and obligatory regulatory instruments which are issued by the Palestinian Authority, when making investment decisions and during all phases of their funds. These include, but are not limited to: Palestinian Environmental Law, the Palestinian Public Health Law and the Palestinian Labor Law.

Policy Goals

SFMC is primarily committed to meet the PRI Signatory Rules and the Six Principles set forth in the PRI Signatory Declaration, signed by the SFMC Managing Partner on 30 November 2017. These principles provide a voluntary framework to help incorporate environmental, social and corporate governance issues throughout all stages of funds management.

Under the scope of this policy, SFMC seeks to:

- Increase economic opportunities, stability, and security for the people of Palestine, primarily by investing in businesses that have the potential to grow and improve including on their performance towards protecting the environment, the natural resources and public health; advancing the social prosperity, and sustaining and improving workers' safety and integrity.
- Identify and evaluate environmental and social risks and impacts at the start of the investment; and to perform regular evaluation during engagement. SFMC will consider the application of appropriate mitigation measures as possible and as practical, to avoid or minimize potential impacts.
- Enhance governance, foster transparent decision making and adopt strict measures against conflict of interest, bribery or misuse of corporate property for personal interest.
- Maintain and guarantee a satisfactory working environment, characterized by fair treatment, non-discrimination and equal opportunities. SFMC will encourage the consideration of women, minorities and the disabled quotas within portfolio companies.

- Take advantage of the diversification of portfolio composition to set example for the acceptance and implantation of environmental, social and governance issues within similar sectors and industries. Where possible, SFMC will encourage knowledge transfer and experience sharing to enhance the effectiveness of implementation of ESG principles.
- Engage with relevant stakeholders, where needed, to promote SFMC performance in the areas of environmental, social and governance principles.

Commitments and Responsibilities

SFMC commits to integrate ESG at all levels of intervention:

- *Mindset* – Integration of ESG issues into the corporate governance and culture, to effectively integrate ESG issues into the investment cycle. This is primarily achieved through the commitment and direction of higher management.
- *Policy* – Adoption of this policy paper.
- *Management* – Linking the administrative and operational levels through a coherent system of reporting and information flow to capture overall impact.
- *Operation* – Implementation and monitoring of ESG-related activities in conjunction with the Key Performance Indicators (KPIs) of portfolio companies, to capture success stories and impacts at lower level.

Consequently, all staff of SFMC at all levels, as well as management and employees at portfolio companies shall preserve awareness of ESG principles and goals.

CEOs, General Managers, and Executive Management of portfolio companies and the assigned officers to overlook ESG issues, are primarily responsible for monitoring on the progress of implementing of ESG-related goals in relation to KPIs, and reporting to their corresponding Investment Managers at SFMC.

Investment Managers are responsible for oversight on portfolio companies' performance and reporting on ESG issues; and shall be responsible for reporting to the designated ESG staff at SFMC.

SFMC will seek the support of an external ESG Consultant to provide guidance to Portfolio Companies in integrating ESG issues into their management systems and KPIs, as well as to provide support in the reporting process and reviews, including the PRI Annual Report.