

Sequoia Investment Management Company Ltd Website Sustainability-Related Disclosures

Sequoia Investment Management Company Ltd (“Sequoia”), with LEI: [LEI], is a ‘financial advisor’ for the purpose of Article 2 of Regulation (EU) 2019/2088 (“SFDR”, the “Regulation”).

This document sets out the disclosures required under Articles 3, 4, and 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures (“SFDR”) in relation to Sequoia Investment Management Company Ltd (“Sequoia”) in its capacity as an Investment Adviser to funds that are within scope of the aforementioned Regulation. Please refer to the ‘Sustainability Related Disclosures’ sheet and ‘ESG Policy’ of each respective fund for more information specific to such a product.

Sustainability Risk Policy

Article 2(22) of SFDR defines sustainability risk as “an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment”. Therefore, in pursuit of Sequoia’s objective to offer our investors a better-than-expected return consistent with a prudently managed portfolio, sustainability risks must naturally be considered.

Sequoia evaluates sustainability risks at each stage of the investment process. This section provides a summary of how Sequoia integrates sustainability risks in the provision of investment advice. Please refer to the ‘Sustainability Related Disclosures’ sheet and ‘ESG Policy’ of each respective fund for details regarding the consideration of PAIs specific to such a product.

This policy is subject to a yearly review and update if applicable, and on an ad-hoc basis in case of material changes to either:

- the organisational structure of Sequoia,
- the legal and regulatory framework governing this policy and Sequoia’s activities,
- a particular fund’s investment policy, or
- Sequoia’s business strategy.

Overall, Sequoia follows the following four-fold process when identifying and mitigating sustainability risk factors.

Integration of Sustainability Risks

1. Initial screening

Each potential new investment is screened against negative and thematic criteria and given an initial environmental ‘E’ Score (or estimated ESG Score) following Sequoia’s proprietary ESG Scorecard methodology. Particular attention is given to the impact that the potential investment would have on the weighted average scoring overall portfolio of the relevant fund’s overall portfolio and current investment objectives. Only then will the potential investment be admitted to the next stage of the investment process which is full credit analysis and due diligence process.

2. Detailed credit analysis and documentation

After a potential investment has received a satisfactory unmodified initial E Score, it is assigned to a deal team for full due diligence and credit analysis. During this stage, the allocated team calculates a preliminary ESG Score which is presented, discussed, and ultimately ratified at the final investment

committee. The deal teams will also identify any material or emerging ESG metrics/KPIs that will be monitored as part of the semi-annual monitoring process.

The due diligence process begins by collecting the relevant documentation to determine the ESG-related risks and benefits of the transaction (e.g., ESG questionnaires, environmental due diligence/impact assessments, and technical reports). As part of our information request, we ask borrowers to disclose information to aid our assessment of any potential ESG-related risks as well as the mitigating measures they have taken to manage such risks.

Depending on the type of transaction (e.g. a syndicated or bilateral loan), Sequoia may require borrowers to take proactive measures to enhance the ESG profiles of certain investments during the due diligence process. Where reasonable, we will require borrowing companies to implement necessary processes or controls to address specific matters in relation to environmental, social, or governance factors.

The final ESG Score will then be presented in the final credit memorandum, with commentary describing the scoring rationale and any unique ESG considerations that warrant further discussion.

3. Investment committee

The final ESG Score will either be approved or modified by the Investment Committee at the final investment committee meeting, which will then be documented in the meeting minutes

4. Acquisition and ongoing monitoring

All borrowers are required to complete a post-investment due diligence questionnaire on an annual basis. This periodic monitoring enables Sequoia to ensure that the transaction's ESG credentials are maintained or improved. The questionnaire will seek to collect quantifiable ESG metrics/KPIs when appropriate, CO₂ emissions, health and safety records, CQC ratings, etc.

ESG performance and credentials will be also monitored regularly for each investment in the semi-annual monitoring process. During the initial due diligence phase, the deal team would have identified any material or emerging ESG issues for each transaction. These will then be monitored in order to assess the ESG performance of each asset and the overall portfolio.

Where a borrower's ESG Score deteriorates, Sequoia will seek to collaborate with the investee's management to improve the ESG performance of the investment. If this strategy does not prove efficient, depending on the gravity of the situation, Sequoia will either dispose of the asset or add it to the runoff portfolio.

We only invest in companies that are fully compliant with our ESG Policy and would exit any investment if this were to cease to be the case. More generally, the lowest ESG scored positions will be looked to as a priority when considering disposals, whilst taking disposal decisions based on financial metrics.

We limit our largest investment to 4% at the time we make it. There is no policy to sell investments if they exceed this limit since debt instruments rarely grow over time, apart from occasionally and modestly as a result of interest rolling up or FX rate movements.

UN Principles for Responsible Investment ("PRI")

In May 2019, Sequoia signed up to the UN PRI. These cover six high-level principles which Sequoia is fully incorporating in its investment processes and decisions:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Principal Adverse Impact Policy

No consideration of adverse impacts of investment decisions on sustainability factors

Sequoia does not consider the principal adverse impacts (PAIs) of its investment advice on sustainability factors at the entity level.

This statement on the integration of PAIs in Sequoia's investment process covers the reference period from 1 January 2022 to 31 December 2022.

Sequoia advises multiple financial products and may in the future advise different products still. Please refer to the 'Sustainable Finance Related Disclosures' sheet and 'ESG Policy' of each respective fund for details regarding the consideration of PAIs specific to such a product.

Considering the size, nature, and scale of its activities, Sequoia is not subject to the mandatory integration and disclosure of PAIs, in accordance with Article 4(1) of SFDR.

Nonetheless, Sequoia recognises the importance of considering PAIs and is taking reasonable steps on making progress in the measurement of these metrics at the fund level. The entity's ability to measure and thus consider PAIs is highly dependent on the availability and accuracy of data. We request relevant data from our investee companies upon origination and annually thereafter and embed covenants into loans, where possible, to mandate the provision of certain datapoints.

However, we invest predominantly in private debt with a skew towards smaller and mid-sized companies and a sizeable proportion of the portfolio is US-based. Given the asset class and nature of our investments, the collection and reporting of PAI data at our investee companies are limited.

The integration of PAIs is further impaired by the current absence of reliable benchmarks or external data sources that could be used to reliably generate estimated data specific to our portfolios to comply with the PAI technical reporting requirements.

We cannot yet commit to a date by which we will be able to adequately consider such PAIs.

Remuneration Policy

Sequoia's remuneration policy is in line with the business strategy, objectives, values and interests of the company and the funds or investors of the funds it serves. It also ensures it maintains and applies a sound and prudent remuneration process, which does not impair compliance with its duty to act in the best interest of the funds, which identifies and manages any conflicts of interest, promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profile of the company, or the risk profiles and constitutional documents of the alternative investment funds under management. Intrinsically, this extends to the management and integration of sustainability risks.

We ensure that variable remuneration is not paid through methods that facilitate the avoidance of the remuneration requirements, with Sequoia's board retaining the primary responsibility for ensuring that the ultimate goal of having a sound and prudent remuneration policy and structure, is not improperly circumvented.