SUSTAINABILTY REPORT

2024

Strictly confidential

1 Foreword

As geopolitical dynamics continue to evolve and the pace of ESG and climate-related commitments shifts across global markets, long-term investors are navigating a more complex landscape. While some market actors have begun to recalibrate their sustainability strategies, the underlying structural challenges such as climate change, biodiversity loss and growing social and economic disparities remain urgent and persistent.

As many asset managers roll back their ambitions and public aid budgets tighten, Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) continue to play a growing and crucial role in unlocking investments for sustainable development in emerging markets, where long term private capital remains scarce.

At COP29 in Baku, developed countries committed to increasing annual climate finance for emerging markets to $300 billion by 2035, with a broader goal to mobilize $1.3 trillion annually from all sources. Yet, OECD data from 2022 indicates that actual flows remain below these targets, with only $116 billion committed to developing countries and just $22 billion mobilized from private capital.

At ILX, we continue to align our investment strategy with these evolving dynamics. In 2024, we adopted our net zero strategy, setting interim targets and a framework for engagement with our partners.

WELCOME

By YE 2024 our portfolio included over 50 investments across 20 countries, with a focus on sectors such as renewable energy, inclusive finance, sustainable infrastructure and agribusiness. Over half of our portfolio contributes to climate mitigation objectives, while other investments are focused on advancing social and economic development goals in emerging markets. In addition, we are increasingly identifying opportunities that support biodiversity objectives, reflecting the growing recognition of nature-based solutions as a critical component of sustainable development.

We are also pleased to have received additional commitments to our first fund from APG on behalf of its pension funds clients ABP and Pensionfund Bouw, under its newly launched impact investment mandate, as well as from Pensioenfonds Vervoer. At the same time, we are proud to have completed the first close of our second fund, following commitments from Danish pension funds Sampension and AkademikerPension. This new vehicle continues the development finance private debt strategy established by our first fund.

These commitments followed a thorough due diligence process and reflects a growing interest among institutional investors in high-integrity, measurable impact strategies.

As this report outlines, ILX continues to partner with MDBs and DFIs to support the mobilization of private capital for sustainable development. Moreover, we remain committed to transparency, rigorous impact measurement and contributing to scalable, solutions-oriented finance allocated towards emerging markets.

Elvira Eurlings
Chief Investment Officer

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

Our Vision

By 2030, global institutional investors will make significant allocations to emerging markets, directly supporting the UN Sustainable Development Goals (SDGs).

Our Mission

To create large scale investment opportunities in global Development Finance that contribute directly to sustainable development across emerging markets.

2 About ILX

ILX Management B.V. (ILX) is an Amsterdam-based asset manager specialized in global development finance co-investment strategies

ILX invests in Sustainable Development Goals (SDGs) and Climate Finance focused private credit investments in Emerging Markets (EMs) to generate attractive risk-adjusted returns for investors while achieving positive, direct and measurable SDG-related results. Having recognized the urgency to mobilize private sector capital at scale to address the SDGs growing funding gap, and our unique business model, the Dutch Ministry of Foreign Affairs (BZ), German Federal Ministry of Economic Cooperation and Development (BMZ), and British Foreign, Commonwealth & Development Office (FCDO) governments supported the establishment of ILX in 2017.

In 2022 we closed our first Fund for over USD 1 billion, attracting commitments from leading Dutch pension funds. The success of this fundraising can be attributed to ILX's unique position as an intermediary between institutional investor's growing appetite for SDG investments with attractive risk-return and its strong network of relationships across the global Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) such as the Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDBi) and International Finance Corporation (IFC) and European Development Finance Institutions (DFIs) such as FMO (Netherlands), BII (United Kingdom), DEG (Germany), and Proparco (France) – hereinafter 'DFIs').

In 2024, we achieved a substantial increase in investor commitments, growing by over 60% to USD 1.7 billion. The first close of the closed-end 10-year ILX Fund II was announced, welcoming new investors from Denmark. Additionally, Fund I was converted into an evergreen fund structure, ensuring its sustainability and efficient long-term growth potential.

The investment strategy of both funds focuses on B-loan participations, originated and syndicated by these leading DFIs. The private sector B-loans that we participates in are SDG-aligned investments and are significantly allocated towards Climate Finance. Our investment strategy is uniquely diversified both across the EMs and between four key sustainability themes: energy access & clean energy, sustainable industry & infrastructure, inclusive finance and food security.

The year saw 30 new loans extended to 28 borrowers, across 18 countries and 7 sectors, amounting to USD 601 million. This led to a well-diversified total portfolio of USD 1070 million comprised of 54 investments across 20 countries and 8 sectors by year end.

The largest sector exposures by year-end 2024 were Financial Institutions and Infrastructure, each representing 31% of the portfolio, followed by Renewable Energy at 20% and Agriculture at 18%. Regionally, the largest exposures were in Central and Eastern Europe (44%), Latin America (30%), Asia (25%) and the Middle East & Africa (16%).

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Key SDG and Climate Results

This section highlights the key SDG and Climate results based on total portfolio commitments of USD 1070 million by December 2024. The full description of the portfolio results during the reporting period is available under Section 5.

1070 MILLION TOTAL PORTFOLIO COMMITMENTS (USD)

54 INVESTMENTS

20 EMERGING MARKET COUNTRIES

7 SECTORS

52% Volume weighted climate finance loans in the portfolio

CLIMATE FINANCE

69% Number of loans with a climate component

54,275 direct and indirect jobs supported[1]

54% number of loans with a gender equality component

EXPECTED PORTFOLIO-LEVEL RESULTS

2,496 megawatts (MW)[2] of renewable energy generation capacity will be installed once financed projects are operational, equivalent to 90% of Kenya's total renewable capacity in 2024[3]

3,995,947 tCO2e[4] annual avoided emissions expected[1], equivalent to 106% of the city of Amsterdam's annual greenhouse gases (GHG) emissions[5]

3,102,543 tCO2e[6] expected to be reduced, equivalent to the greenhouse gas emissions associated with 27,352 gasoline-powered passenger vehicles driven for one year[7]

ACTUAL PORTFOLIO-LEVEL RESULTS[8]

302,540 tCO2e[9] actual avoided emissions[10]

690 MW[11] of new renewable energy generation capacity has been installed through our financings as of YE 2024.

1 Modelled data estimates have been calculated using the Joint Impact Model (JIM), and subsequently attributed based on whether the outcome is a project level outcome or a client level outcome. For projects, the attribution factor is calculated as the committed amount of debt/ the total project costs. For the client level outcomes, the attributing factor is the committed amount of debt/enterprise value including cash in commitment year.

2 When attributing project results, the calculation is based on whether the result is at the client level (using the ratio of current committed exposure to the enterprise value of the corporate) or at the project level (using the ratio of current committed exposure to the total project cost). Based on this attribution methodology, the corresponding result is 140 MW.

3 Kenya's total renewable energy capacity amounted 2,736 MW in 2024 according to the International Renewable Energy Agency (IRENA)'s Renewable Capacity Statistics 2025.

4 Attributed Expected GHG Avoidance result is 223,732 tCO2eq.

5 Amsterdam total GHG emissions in 2024 amounted 3.7 million tCO2eq in 2022 according to the City of Amsterdam municipality Climate Report 2023.

6 Attributed Expected GHG Reduction result is 8,298 tCO2eq.

7 Considering that on average, gasoline- powered cars consume approximately 4.29 metric tonnes of Co2e/vehicle/year according to the US Environmental Protection Agency (EPA) .

8 Project-level results have not been attributed since there are (yet) no formal agreements on attribution rules to be applied between lenders to the same project. Instead, the Manager opts for being transparent and informing that reported results do not relate to the Fund's financing but to project's results. Thereby avoiding aggregation of project-level results and potential double-counting effects.

9 Attributed Actual GHG Avoided result 1,975 tCO2eq.

10 Annual avoided emissions achieved by ILX's investments based on YE 2023 data reported by the borrowers, i.e. operational projects delivering on emissions avoidance. The figures for YE2023 are collected in 2024 monitoring year.

11 Attributed Actual Installed Capacity result is 33 MW.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

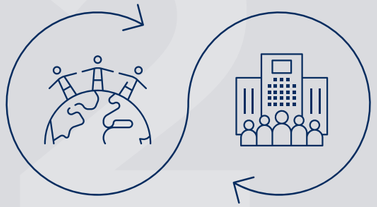
About the Fund's Sustainability Strategy

The Funds' sustainability strategy is fully integrated with its investment strategy and is based on three key pillars considered in all investments:

Exclusions

The fund excludes investment opportunities based on:

- The Fund's activity-based exclusion policy, which excludes investments if proceeds are intended to be used in activities deemed controversial, such as controversial weapons, tobacco or fossil fuels related activities;
- The Fund participants' activity and country-based exclusion lists.



ESG Safeguarding and Engagement

The Fund incorporates the principle of **double materiality** by considering how its investment decisions impact ESG factors ("inside out") and how its portfolio performance may be affected by these ESG factors ("outside in"). We leverage the capacity of our MDB/DFI counterparts to engage with the borrower, identify key ESG risks and contractually agree on key mitigants in the form of Environmental and Social Action Plans (ESAP) and/or Corporate Governance Action Plans (CGAP), which are timebound and form part of the official loan documentation.

SDG/Climate Results

The Fund invests in projects and companies with the potential to generate positive and measurable social, environmental and/or economic development results, alongside an attractive risk adjusted financial return.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

To sustain the Sustainability Strategy, the Manager follows the definition of impact investing from the **Global Impact Investing Network (GIIN)**, considering four fundamental characteristics that are at the core of impact investing:

Intentionality: investments consciously contribute to environmental and/or social impact.

Impact measurement: the social and/or environmental performance of the loan investments are measured in a quantitative or qualitative manner, following the criteria outlined in the Fund's SDG and Climate Policy.

Financial return: investments deliver an adequate, market-based risk-adjusted returns.

Impact reporting: the social and/or environmental performance of the loan investments is reported on a quarterly and annual basis to Fund participants.

Moreover, the following elements apply:

- **Impact Risk**: ILX identifies the possible risks of not achieving the impact objectives of the investments (i.e.: measurement risk, external risk, execution risk);
- **SFDR definitions**: investments are reported in line with the sustainable investment (Article 9) definition according to the Sustainable Finance Disclosure Requirements.

Notably, we are a signatory of:

The Operating Principles for Impact Management (OPIM), which provides a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle.

The United Nations Principles of Responsible Investments (UNPRI), an independent nonprofit organization that promotes responsible investment by encouraging investors to incorporate ESG factors into their investment decision-making. We reported for the first time in 2023 and received a rating of four to five stars in each applicable module, scoring above or at par with the median. You may access ILX's complete Transparency Report via the PRI data portal.

Net Zero Asset Management (NZAM) which is an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner

APG strengthens partnership with ILX Fund I through increased allocation from its impact mandate on behalf of Its clients.

In November 2024, APG increased its commitment to ILX Fund I on behalf of its pension fund clients, ABP and bpfBOUW.

As part of its increased commitment to ILX Fund I, APG applied its newly established, impact-driven assessment framework, setting a high bar for what qualifies as a credible impact mandate. This led ILX to successfully meet APG's rigorous standards for impact at the time of commitment. As a result, the Fund's outcome-based KPI reporting is expected to provide APG and its clients with clear, verifiable insights into the social and environmental outcomes, based on IRIS+ core outcomes measurement methodology, of its portfolio reflecting APG's commitment to leadership in impact investments.

ILX Fund's inclusion in APG's impact portfolio also reflects its strong alignment with APG's dual objectives: achieving measurable positive impact while delivering attractive, risk-adjusted financial returns. It also exemplifies how institutional capital can be effectively mobilized to deliver real-world outcomes—sustainably, measurably, and at scale.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

4 ILX's Net Zero Plan

Spotlight Theme

Net Zero Asset Managers Initiative

In November 2023, we joined the Net Zero Asset Manager's Initiative (NZAM) committing to align our investment strategy with Net Zero emissions by 2050. This was more than just a pledge - it was a recognition of the need to drive climate impact where it matters the most, and where the challenges are the greatest: in emerging markets (EMs). It was a **necessary**, **bold** and **strategic** commitment.

Why Necessary?

Because EMs are crucial to achieve global net zero. Over the last decade, EMs collectively accounted for 95% of the increase in emissions growth, a trend that is projected to continue unless EMs decarbonize their current energy systems (IRENA, 2024). We are uniquely positioned to channel global institutional investors into these regions, where the climate financing gap is a staggering $2.4 trillion annually, according to the Independent High-Level Expert Group (IHLEG).

Why Bold?

Because our investment strategy is exclusively focused on private credit opportunities in EMs. This means we operate in an asset class where climate-related data is scarce and progress on climate commitments lag behind that of public markets. We additionally invest in the EM region where the complexity of the low-carbon transition – such as region-specific differences- are often overlooked. Therefore, when we made our Net Zero commitment, we recognized that achieving meaningful progress towards Net Zero would depend heavily on our ability to engage via our MDB and DFI partners with the underlying portfolio companies on their climate-related commitments. Additionally, we actively engaged with climate and net zero network institutions, such as the Institutional Investors Group on Climate Change (IIGCC), to help shape Net Zero Investment Framework (NZIF) methodologies to reflect the unique characteristics of EMs and development finance.

Why Strategic?

By exclusively co-investing alongside MDBs and DFIs, we tap into a pipeline of investment opportunities that are aligned, or moving towards alignment with the Paris Agreement Objectives. While there may be technical differences between assessing investment opportunities as aligning with Net Zero according to NZIF's Net Zero methodologies and the MDBs' Paris Alignment methodologies, we are confident they are heading in the same direction, and so are we.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

4 Our Net Zero Plan

In 2024 we developed our Net Zero plan by following the NZIF's 2.0 Private Debt Methodology developed for the Private Credit Asset Class. A key metric introduced by the NZIF is the "percentage of the assets under management managed in alignment with Net Zero", otherwise known as the "Portfolio Coverage Target". This metric goes beyond simply measuring emissions, it requires a bottom-up, asset-level assessment of each portfolio company's position along the climate transition pathway.

This involves, for instance evaluating if portfolio companies have made a formal Net Zero Commitment, are disclosing their GHG emissions, whether they have set credible, science-based emissions reduction targets, the robustness of their transition strategy by considering CAPEX and OPEX plans, and climate governance practices, and assessing their GHG performance in relation to their targets.

This target deliberately steers away from traditional decarbonisation strategies that focus on portfolio level emissions which have had the unintended consequence of divesting from high emitters instead of engaging with them to drive real- world emissions reductions.

At ILX, we believe this metric strikes the balance between quantitative and qualitative insights and illustrates a company's willingness and strategic intent to decarbonise. The metric does not only reflect where a company stands today, but also how seriously the company is preparing for the future.

We therefore believe that by setting targets to achieve that by 2030, 30% of our Assets Under Management (AUM) are Managed in Alignment with Net Zero, and to increase this to 50% by 2040, and reach 100% Net Zero by 2050, by 2030, we have engaged on Net Zero with 90% of companies in our portfolio, increasing to 100% by 2040 we are investing to **drive real-world carbon emissions reductions in emerging markets.**

These targets encompass over 100% of our Assets under Management (AuM), including the legacy portfolio from before the development of our Net Zero strategy. We strategically chose to include our entire AuM to acknowledge the existing renewable energy investments and identify opportunities for re-engagement with a portion of our investees through repeat transactions. This approach facilitates our goal of steering the entire portfolio towards achieving Net Zero.

At ILX, we also recognise that focusing solely on decarbonisation can generate social impacts. We therefore also committed to safeguard the **Just Transition** to ensure the low-carbon transition is inclusive and equitable.

Spotlight Theme

Achieving our targets

We will strive to achieve net zero convergence over time through a series of strategic actions, each playing a vital role in achieving our climate goals, by:

1. Excluding fossil fuel projects
2. Achieving climate finance target (45%-55% of AuM)
3. Applying "Fair Share Principles" when assessing and engaging with portfolio companies on their Net Zero targets.[12]
4. Following a '3-way engagement process'[13] between portfolio companies, MDBs and DFIs and ILX.
5. Engaging with industry bodies and network organisations on including the emerging markets view
6. Implementing enhanced due diligence and stricter Net Zero criteria for high transition risk sectors
7. Taking a more stringent approach towards longer tenor-investments[14]

12 Fair Share principles considers the common, but differentiated responsibilities and capabilities across regions to achieve Net Zero . This considers that their Net Zero targets may be set based on differentiated sector Net Zero pathways for emerging markets vis a vis developed markets.

13 Three-way- Engagement approach considers that ILX does not directly engage with investees due to the strategy of exclusively co-investing alongside MDBs and DFIs on their syndicated loan platforms. Our engagement leverage with the portfolio company is therefore achieved by engaging with the arranging MDB and DFIs.

14 Longer-term investments require more stringent evaluation and engagement to ensure alignment with ILX's intermediate and long-term net zero goals.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

4

As of December 2024, the Manager allocated the majority of its investments (54%) to a range of Climate Finance projects across ILX's Sustainability Themes:

Energy Access & Clean Energy

Solar Plants

- Solar Energy Generation Capacity: 2,020MW
- Expected Solar Energy Generation: 3,665,891 MW/year
- Expected GHG emission avoidance: 2,726,717 tCO2e/year

Wind Farms

- Wind Energy Generation Capacity: 446 MW
- Expected Wind Energy Generation: 1,524,759 MW/year
- Expected GHG emission avoidance: 573,005 tCO2e/year

Biomass

- A new sugar mill in Guatemala generation capacity expected: 25 MW.
- Expected biomass-based electricity generation: 200,000 MWh/year
- Expected GHG emission avoidance: 302,260 tCO2eq/year

Sustainable Aviation Fuel Biomass

A new facility will produce 200,000 tonnes per year of sustainable aviation fuel (SAF) by converting waste oil into SAF, renewable diesel, and bionaphtha[15]. This project is expected to contribute approximately 65% toward the aviation sector GHG emissions reduction target for 2050. Expected GHG emission avoidance is 168,700 tCO2eq/year

15 Bionaphtha is increasingly used in the production of bioplastics, offering a more sustainable alternative to traditional plastics derived from fossil fuels.
16 nZEB standards refer to Net Zero Energy Building standards. A Net Zero Energy Building is designed to produce as much energy as it consumes over a year, resulting in a net zero energy balance.

Sustainable Industry & Infrastructure

Green Buildings

- 6 projects expected to receive a green building certification, Excellence in Design for Greater Efficiencies (EDGE) certificate, Leadership in Energy and Environmental Design (LEED) certificate.

Circular Economy

- Expansion of secondary aluminum capacity by 60 000 MT using scrap and process by-products to boost recycling efficiency, advance circularity (SDG 12.5), and support sustainable industrial growth in Mexico.

Energy Efficiency

- 11 projects will implement comprehensive energy efficiency measures across their operations by integrating advanced technologies, enhancing process controls, and upgrading equipment. These improvements are expected to significantly reduce greenhouse gas (GHG) emissions across their activities.
- New plant project designed to exceed nZEB[16] by 47% and run entirely on wind power, cutting annual energy use by 3,746 GJ and avoiding 136 tCO2eq.

Low Carbon Transportation

- 2 Metro projects expected to reduce 61,671 tCO2e/year when operational
- Electric vehicle (EV) and plug-in hybrid vehicle manufacturing company expected to substantially reduce GHG emissions
- Procurement and leasing of 400 BEVs, PHEVs, and HEVs to expand low-carbon mobility and accelerate e-mobility adoption in Colombia.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

Inclusive Finance

Green on-lending

- 50% of the total number of financial institutions (FIs) in our portfolio supporting on-lending to green projects
- 2 FIs will support blue finance by funding blue assets and climate-smart agribusiness, marking the first blue-assets financing deal in Central America and promoting sustainable water management.

Food Security

- Climate Adaptation in aquaculture – Aquaculture Stewardship Council (ASC)[17] and Global Good Agriculture Practices (G.A.P.)[18] certified operations in lower temperature sea
- Upgrade to produce legume-based foods with energy- and water-efficiency measures plus a 5 MW solar installation—expanding access to nutritious, low-waste products
- A sustainability-linked loan tied to six sustainability performance targets, including the reduction of absolute Scope 1 & 2 GHG emissions, deforestation free supply chain (while promoting landscape reforestation, planting 500 000 indigenous trees), and scaling extension services to 1 000 000 farmers.

The remainder of the portfolio (46%) does not contribute to climate finance objectives but aligns to other sector and cross-sector SDG-goals, including job creation, sustainable and affordable infrastructure and industrialization of EMs, financial inclusion of small and medium sized enterprises and financial inclusion of women led entrepreneurs across the ILX Sustainability Themes.

17 The ASC manages strict E&S standards in the aquaculture industry, including requirements that cover its potential impacts on the environment, workers, animal welfare, and surrounding communities.

18 GLOBALG.A.P. provides an Integrated Farm Assurance for aquaculture, and it is a standard for responsible farming practices throughout the primary production stages. The certification covers food safety, the environment (including biodiversity), animal welfare, workers' well-being, production processes, and traceability.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

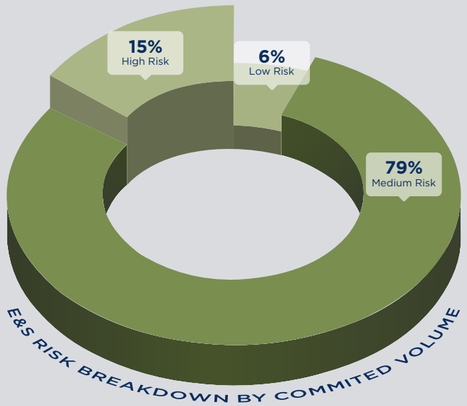
A ANNEX I – Task Force on Climate-Related Disclosures 31

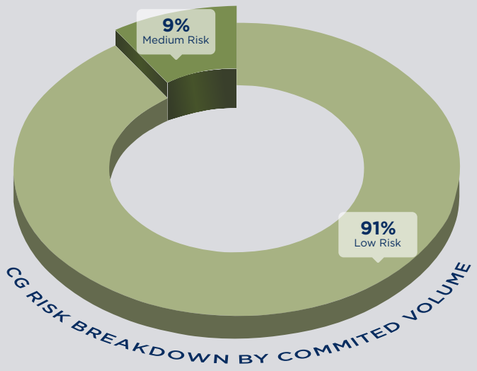
5 Sustainability Portfolio Results

The Fund's total current commitments reached USD 1,070 million by December 2024. The investments were allocated to financial institutions, corporate loans and project finance transactions aligned with the SDGs and Climate objectives.

i. ESG Engagement Results

As of December 2024, the weighted portfolio exposure, based on current commitment, to low E&S risk projects is 6%, to medium E&S risk projects is 79%, and to high E&S risk projects is 15% . Regarding Corporate Governance (CG) risks, the weighted portfolio exposure based on current commitments to low CG risk projects is 91% and to medium risk projects is 9%, and none as high CG risks. These risk categories are assigned ex-ante and based on the typical level of inherent E&S risk related to particular business activities and other factors, such as, the nature and size of the transaction and the financial and managerial capacity of the company to effectively manage environmental and social risks.





ESG Engagement Highlights

In 2024, we enhanced our approach to ESG Integration by developing comprehensive ESG due diligence guidelines:

- **Improved E&S Sector Risks Identification** by developing key E&S Risk Assessment Guidelines. These include (amongst others): identification of common E&S risks across sectors (labour and working conditions, local communities, biodiversity, water or air pollution, etc.), and best practice (i.e: mitigants) for alignment with E&S best international practices and Do No Significant Harm criteria.
- **Improved Corporate Governance Risks Identification** by developing Corporate Governance Assessment guidelines to ensure best practices across key pillars such as board management structures, controls, transparency and disclosure and minority rights

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

5

The following case studies illustrate ways in which the ESG analysis was integrated into ILX's investment due diligence process.

Environment

Safeguarding Biodiversity

At ILX, we see biodiversity as essential for resilient economies, ecosystems, and communities. We collaborate with MDB and DFI partners to ensure investments minimize impacts on local ecosystems and species. Environmental assessments identify risks, and where present, Environmental and Social Action Plans (ESAPs) are implemented to protect biodiversity through direct safeguarding measures and indirectly through pollution prevention measures.

In 2024, we supported two investments with direct biodiversity safeguards:

- A sugar mill producer in Guatemala, who committed as part of the agreed ESAP to phase out harmful rodenticides. This had the dual benefit of pollution prevention, while also helping protect non-target wildlife and restore soil and water health essential for ecosystem services.
- A leading agri-business in Sub-Saharan Africa committed to No Deforestation, No Peat, No Exploitation (NDPE) and to protect High Conservation Value land.

Social

Grievance Mechanisms That Work

Social risks have the potential to disrupt even the most well-planned projects. At ILX, we strive to support investments (especially those in sectors such as energy, manufacturing, and large-scale development projects, where numerous stakeholders are potentially affected) that provide accessible channels for stakeholders including communities, workers and customers to voice their concerns and have them addressed effectively.

Grievance mechanisms are more than a checkbox. Done right, they:

- Spot issues early—before they escalate
- Prevent conflict through open dialogue
- Build trust with communities and workers
- Show a real commitment to human rights and accountability
- Help companies learn and improve over time

We co-invest with MDBs and DFIs who follow global best practices, including the IFC's best in class standard for grievance mechanisms. That means that where applicable, our investment safeguards entail:

- Multiple ways to raise concerns—online, in person, or anonymously
- Clear steps for logging, investigating, and resolving complaints
- Regular reviews to keep the system fair, transparent, and effective

In 2024, we invested in a 200 MW solar power plant project requiring a large construction workforce – 700 workers expected at its peak – and potential economic displacements with the local community. The presence of numerous stakeholders required the establishment of a workers grievance mechanism, to handle worker-related concerns, and an external grievance mechanism, to handle community-related concerns.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Governance

Family-owned business that thrive

Family-owned businesses play a key role in many EMs, driving inclusive growth, job creation, formalization, scaling, and global supply chain integration. Their strengths lie in long-term vision, commitment to passing knowledge to the next generation, and reputation concerns which also benefit stakeholders like suppliers, employees, and the local community.

However, it also well known that family business often do not survive the third generation of ownership, as is reflected in the widely cited proverb: “The first generation builds… the second maintains… and the third destroys”. So what are key risks in family owned businesses?

- Lack of clear succession plan can lead to instability, putting leadership at risk
- Less clear distinction between family and business can cloud effective decision making
- Concentration of power among a single individual or group can increase risk of poor governance and lack of accountability
- Less developed governance structures, like boards, policies and risk management systems make them vulnerable to operational and reputational risks

That is where good governance practices become relevant, and where our MDB and DFI partners step up through enhanced due diligence assessments, and develop tailored corporate governance action plants that help family business overcome key governance risks and help their business thrive. Among others, these action plans may include:

- Succession planning frameworks
- Role definitions for family vs business
- Board structure enhancement
- Tailored training programs for family members and executives on governance practices
- Policy development including drafting family constitutions, shareholder agreements and government policies that protect relationships and results

In 2024, we supported an investment in a food manufacturing business in Mexico with strong MSME supply-chain links that faced the typical corporate governance challenges associated family-run and founder-run businesses. To address this, the arranging MDB proposed a Corporate Governance Action Plan (CGAP) to establish a comprehensive succession plan, create a family governance structure, develop a Family Protocol defining the rights and responsibilities of family members, and form a Family Protocol Council to separate family and business matters.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund’s Sustainability Strategy 4

ILX’s Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

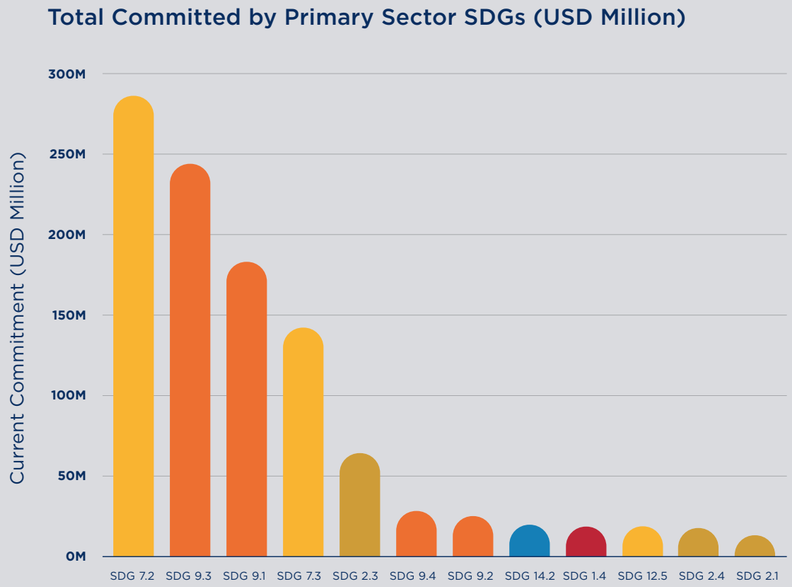
7 Sustainability in ILX’s Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

ii. SDG and Climate Results

2024 Highlights

In 2024, we developed our investment strategy further by developing Development Impact Guidelines and reshaping the Funds' Theory of Change. These guidelines ensure ILX's investments drive positive contributions to impact objectives across key sustainability themes while achieving attractive risk-adjusted returns. This is achieved by establishing a Theory of Change framework to illustrate how investments result in specific sustainable economic development outcomes in emerging markets and support SDGs and climate goals. The framework outlines a (non-exhaustive) list of activities and indicators aligned with our four core sustainability themes.



1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

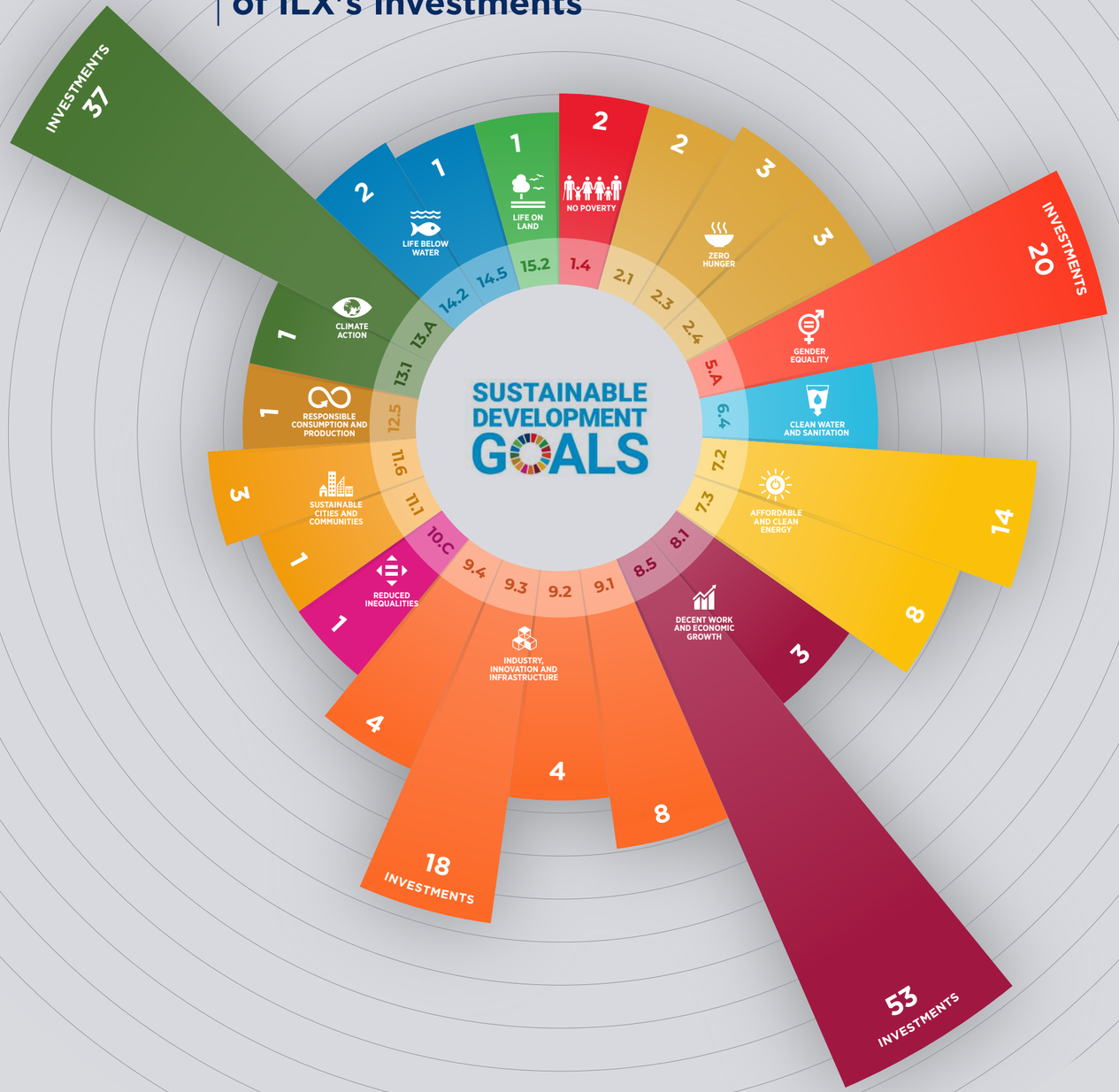
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

5

SDG Targets Alignment of ILX's Investments



Sector and Cross-Sector SDGs

Investments align to diverse SDGs, the chart indicates the sector and cross-sector SDG targets labelled for the Fund's committed investments as of December 2024.

By year end YE 2024, the Fund investments have supported 23 SDG targets across 15 different SDG goals.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

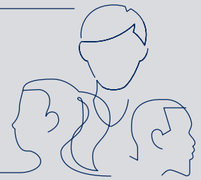
5

Jobs Supported

As of December 2024, the Fund's current commitments have resulted in an estimated 54,275 jobs supported (including finance-enabled jobs).[19]

7,915 direct jobs supported

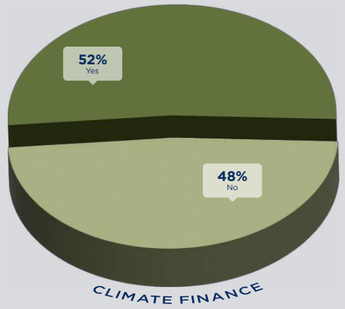
46,360 indirect jobs supported



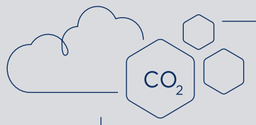
Measuring and reporting the direct and indirect jobs supported by the Fund's portfolio provides insights into the positive social benefits of its investments in emerging markets, where most of the world's unemployed people live.[20]

Climate Finance

By YE2024 the 52% of the current committed capital was labelled as Climate Finance. The Fund's contribution to climate change mitigation and adaptation is measured by the volume of investments labelled Climate Finance and the expected GHG emissions avoidance from financed projects.



By YE2024, actual emissions avoided[21] from the Fund's investments amounted to 302,540 tCO2e, resulting mainly from an investment in a portfolio of renewable energy assets in the Dominican Republic, some of which are already operational. The Fund measures and reports on the GHG emissions avoided by supported projects to confirm the positive climate-related benefits of its investments. This includes emissions avoided by renewable power projects, zero tailpipe emissions public transportation projects replacing high-carbon modes, and FI's green loans supported by the Fund.



3,995,947[22]

Expected GHG emission avoidance tCO2e per year

302,540[23]

Actual[25] GHG emission avoided tCO2e per year

19 Modelled data estimates have been calculated using the Joint Impact Model (JIM), which are determined by prorating the investment amount and applying an attribution factor determined by the JIM according to the methodology of the Partnership for Carbon Accounting Financial (PCAF) Global Standardand. For all primary data, ILX has attributed the direct jobs outcome based on whether the outcome is a project level outcome or a client level outcome as described in section 3.

20 The Fund's share of jobs supported per investment are calculated as the committed (or outstanding) amount of debt divided by the investees' balance sheet total or Expected Value for publicly traded companies. When the Manager obtains primary data for direct jobs supported by project finance transactions, it considers the total number of jobs supported by the project.

21 Actual results relates to the performance against the monitored indicators in the reporting year.

22 Attributed Expected GHG Avoidance result is 223,732 tCO2eq.

23 Attributed Actual GHG Avoided result 1,975 tCO2eq.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

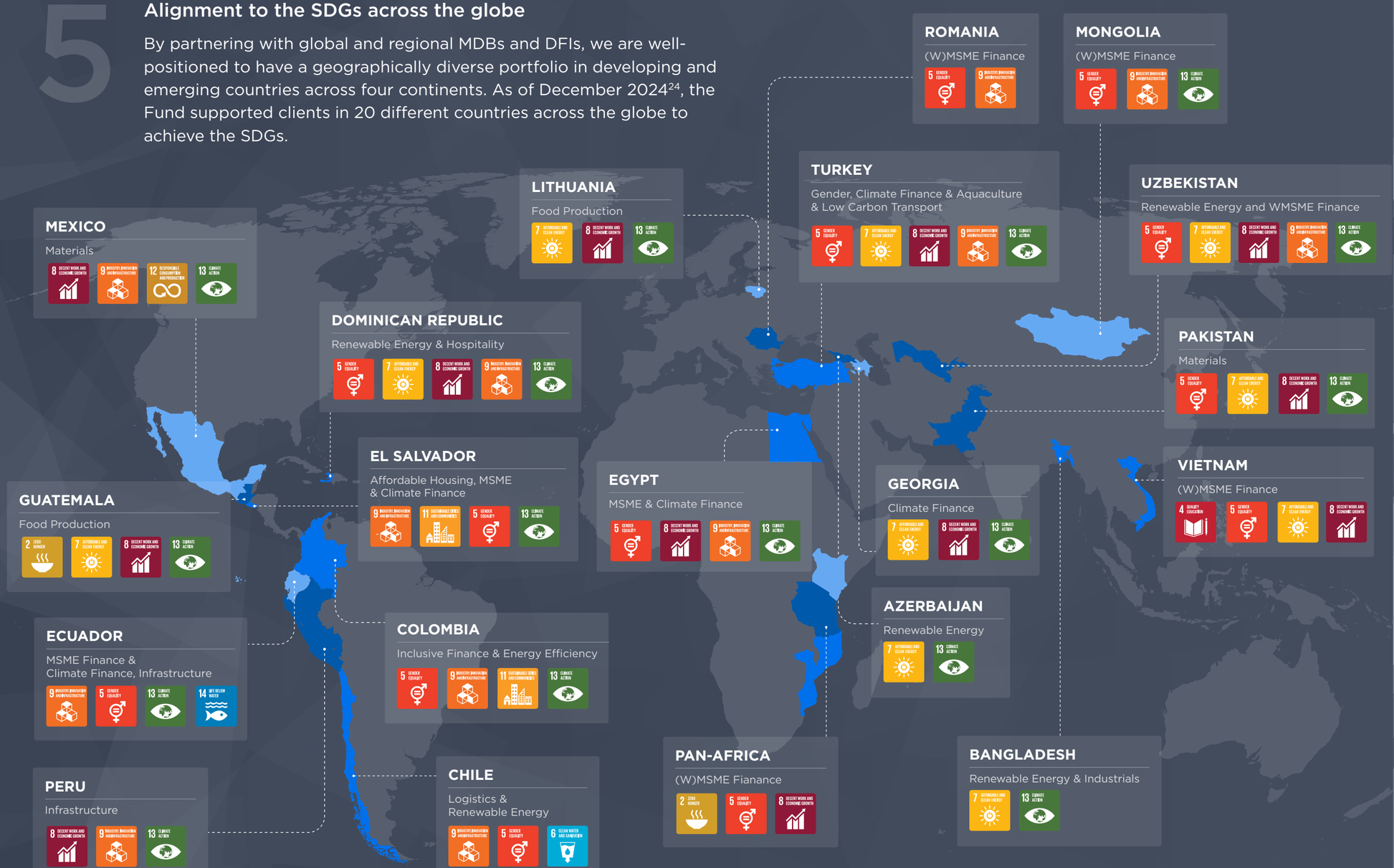
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

5 Alignment to the SDGs across the globe

By partnering with global and regional MDBs and DFIs, we are well-positioned to have a geographically diverse portfolio in developing and emerging countries across four continents. As of December 2024[24], the Fund supported clients in 20 different countries across the globe to achieve the SDGs.



24 The country distribution illustrated in the global map is based on total current commitments in USD.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

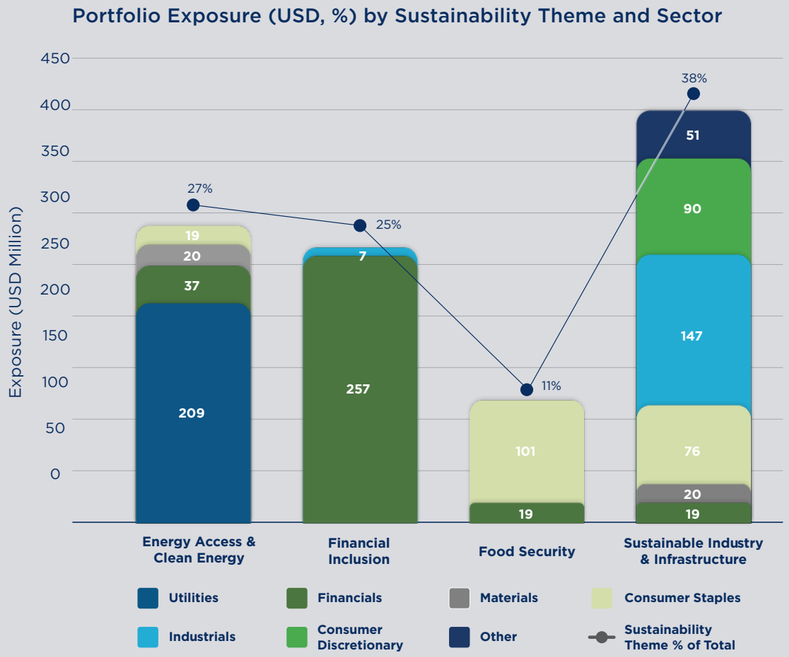
7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Sustainability Themes

The chart below shows the distribution of current portfolio commitments by Sustainability Theme. Sustainable Industry & Infrastructure is the largest investment theme, accounting for 38% of the weighted portfolio exposure. Energy Access & Clean Energy follows as the second-largest theme, with 27% of the weighted portfolio exposure, while Financial Inclusion accounts for 25% of the Fund's weighted committed investments. In terms of the number of investments, Financial Inclusion remains the primary investment theme, representing 18 investments.

Portfolio Exposure (USD, %) by Sustainability Theme and Sector



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Biodiversity in Focus: Mobilizing Capital for Investment Solutions

Spotlight Theme

Biodiversity investing is emerging as a priority area for institutional investors, driven by the growing recognition of nature's critical role in economic systems and hence long-term asset performance. While the connection between biodiversity and the financial sector may not be immediately clear, it is increasingly evident that nature and finance are deeply intertwined.

Over 50% of the global economy is directly dependent on nature, particularly in sectors such as agriculture, fisheries, food production, textiles, construction, utilities, renewable energy and water services. At the same time, economic activities across several industries—including ports and harbors, agriculture, oil and gas, and mining—are major contributors to biodiversity loss through land-use changes, resource extraction, pollution and complex supply chains.

From a risk management perspective, MDBs and DFIs have long played a pivotal role in safeguarding biodiversity. Through the implementation of robust standards—such as IFC's Performance Standard 6 (PS6) on Biodiversity Conservation and Sustainable Management of Living Natural Resources—they provide a structured framework to identify, mitigate and manage biodiversity risks. Since its inception, ILX has integrated these high standards into its investment processes, ensuring that sustainability and biodiversity safeguards are embedded in every project.

As the financial sector sharpens its focus on nature-related risks and dependencies, there is a growing momentum around mobilizing capital to address the root causes of biodiversity loss. Increasing attention is being paid to scalable, practical investment solutions that can reverse negative trends and contribute to the regeneration of ecosystems.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

Finance for Biodiversity Foundation | WWF | ipbes

5

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has identified five key **direct drivers of biodiversity loss**. Of these, four are broadly recognized as presenting viable opportunities for investment:

Driver 1: Land and Sea-Use Change

Investable themes: sustainable and regenerative agriculture, responsible forestry, sustainable fisheries and nature-based solutions.

Driver 2: Overexploitation and Unsustainable Use of Nature

Investable themes: certified and traceable supply chains that promote sustainable resource use.

Driver 3: Climate Change

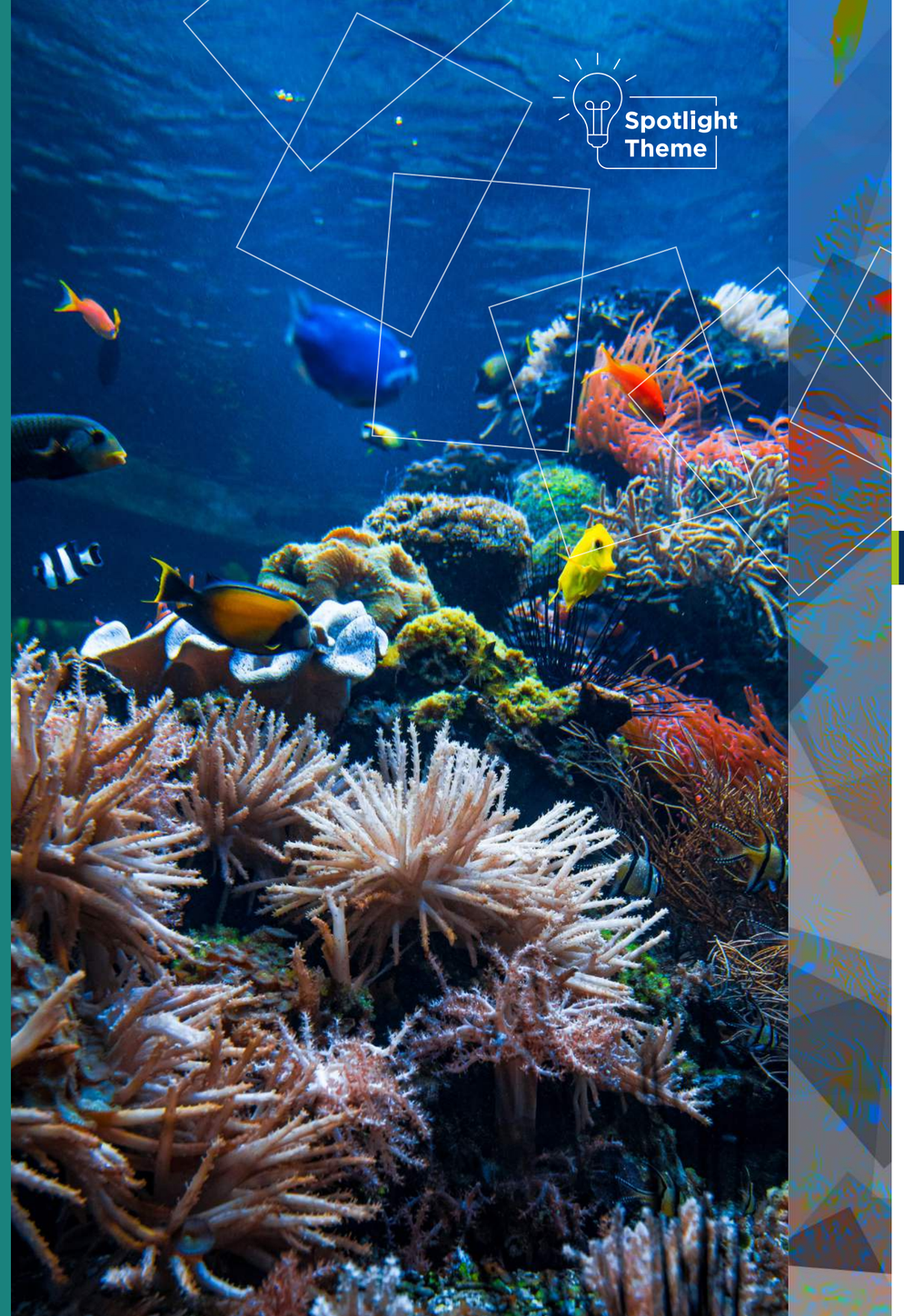
Investable themes: decarbonization, ecosystem resilience, and climate adaptation strategies contribute to both climate and biodiversity goals.

Driver 4: Pollution

Investable themes: include the circular economy, advanced waste management systems, and precision agriculture that reduces chemical inputs.

Driver 5: Invasive Species

Note: while critical, this driver is widely regarded as not currently investable at scale



ILX

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Spotlight Theme

As biodiversity finance continues to evolve, ILX recognizes a growing spectrum of opportunities to address the four primary investable drivers of biodiversity loss. While some of these investments are not yet explicitly labeled as "biodiversity finance," they deliver real and measurable nature-positive co-benefits. In 2024, ILX participated in several such investments:

Driver 1: Land and Sea-Use Change

Deforestation Free Supply Chain in Agriculture (Sustainability Linked Loan)

We participated in a loan structured as a Sustainability Linked Loan (SLL) with a set of KPIs including a commitment to halt deforestation and landscape reforestation (restore degraded forests). The Borrower has also established a deforestation risk assessment team to monitor land conversions in all high-risk supply chains via Global Forest Watch, a system that monitors forest and deforestation in nearly real time using Geographic Information System (GIS). More details in Section 6-Case #4.

Driver 4: Pollution Reduction

Waste Management in Sustainable Aviation Fuel

We participated in a loan to a Sustainable Aviation Fuel (SAF) facility were the design and operations of the project align with a key driver of biodiversity loss and indirectly contributes to biodiversity goals by reducing pollution and supporting circular economy principles by converting used cooking oil into feedstock the production of renewable diesel into SAF. More details in Section 6 -Case #2.

Cross Cutting Drivers

Biodiversity Onlending by Financial Institution

We participated in a loan to a commercial bank to promote sustainable development, including Biodiversity, announced in Cali at the Biodiversity COP16. The bank will use the loan proceeds to provide financing for projects that conserve, restore and protect biodiversity, climate-smart projects and to increase access to finance to women-owned SMEs. This is the first loan in the country with a component specifically earmarked at supporting biodiversity finance. A Use of Proceeds clause in the Loan Agreement defines that biodiversity-eligible projects must address biodiversity loss, support habitat conservation/restoration, enhance biodiversity and ecosystem services, or sustainably manage natural resources, in line with IFC's Biodiversity Finance Reference Guide.

Recognizing that biodiversity considerations have been part of our investment process since inception, primarily through the lens of environmental risk assessment, we see potential to further measure and steer our contribution as an investor to the protection of biodiversity and nature. To that end, we are currently engaging with leading institutions in the field, including the World Wide Fund for Nature Netherlands (WWF-NL), Finance for Biodiversity Foundation, and the International Finance Corporation (IFC), a frontrunner among MDBs in this space. IFC's leadership is reflected, amongst others, in the development of key resources such as *the Biodiversity Finance Reference Guide and the more recent Biodiversity Finance Metrics for Impact Reporting.*

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

6 Portfolio Investment Highlights

The Fund invests in sustainable investments that generate (measurable) SDG and Climate results and entail best in class ESG safeguards in EMs. Illustrative examples on the type of investments, ESG action plans and SDG indicators are included in the below cases. The cases represent the type of investments committed in the portfolio per Sustainability Theme during the reporting period.

Detailed information and ESG, SDG and Climate targets are reported to Fund participants on a quarterly basis and reported below in more aggregated terms to respect confidentiality agreements.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Sustainable Aviation Fuel

REGION Europe & Central Asia COUNTRY Pakistan

SUSTAINABILITY THEME Energy Access and Clean Energy

ADB

First large-scale Sustainable Aviation Fuel (SAF) facility in Pakistan marks a significant milestone in expanding SAF production across South Asia. The facility will produce at least 64,900 tons of SAF annually by 2030 and 14,300 tons of bio-naphtha per year. This will result in an expected annual avoided emissions of

168,700 tCO2eq per year contributing to the decarbonization of the aviation industry. By utilizing locally sourced materials such as used cooking oil, the project not only reduces carbon emissions but also strengthens the circular economy—transforming waste into valuable fuel while creating income opportunities for local communities. This initiative plays a vital role in decarbonizing one of the most challenging sectors: aviation. With few viable alternatives for long-haul flights, SAF is crucial to cutting emissions and advancing the industry's transition to net-zero.

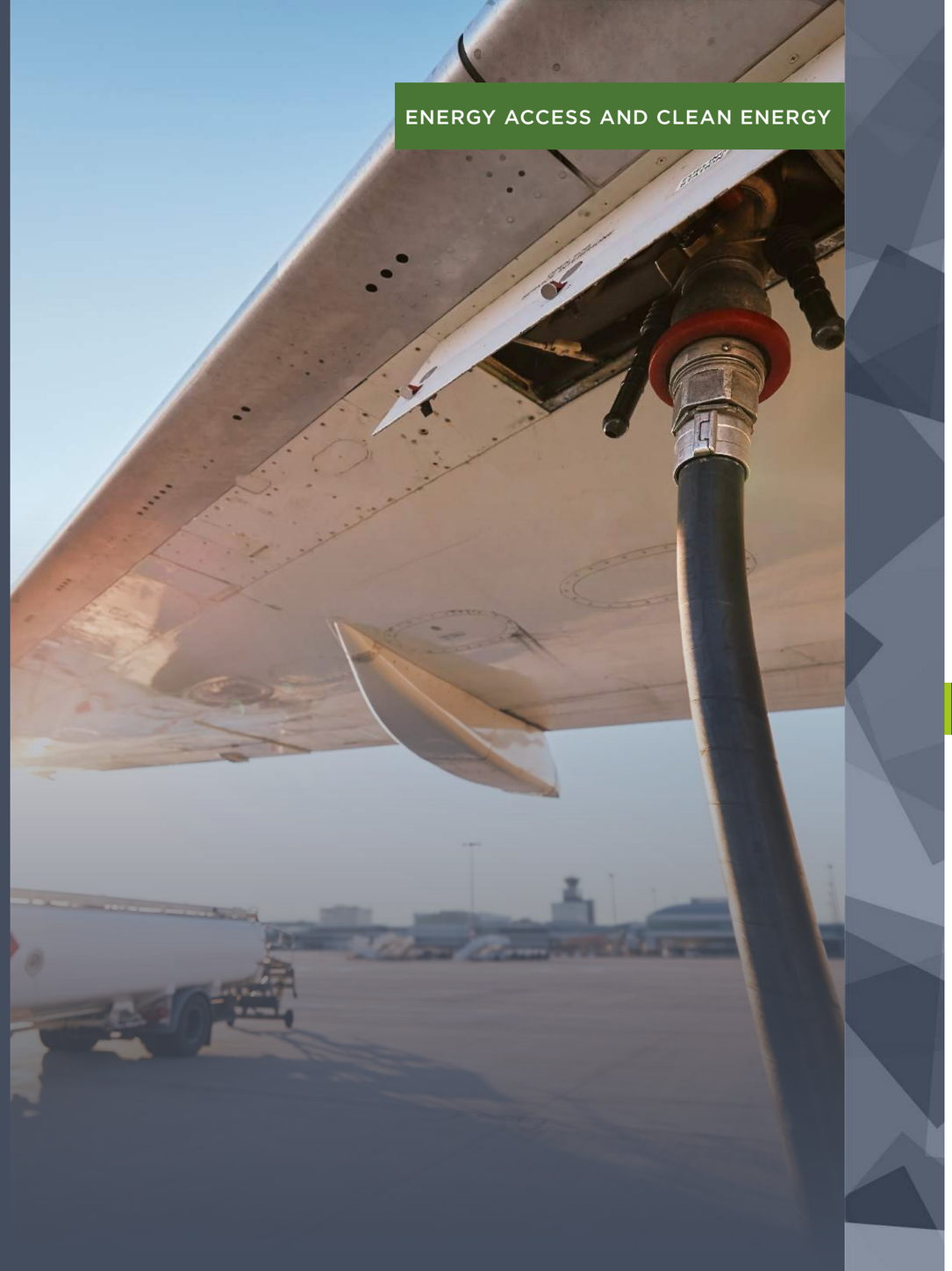
ESG engagement

The Borrower agreed to improve its ESG performance by, among others: (i) enhance E&S capacity associated with the project; (ii) develop a supply chain matrix to reduce residual labour risk and hire a Supply Chain Compliance Officer to oversee materials sourcing and ensure labour compliance through audits; (iii) developed corporate-level Occupational, Health & Safety procedures covering key risks associated biodiesel manufacturing and a hazardous management plan.

SDGs supported

CLIMATE MITIGATION 100%

SDG	TARGET	INDICATOR
7.2	Increase the share of **Alternative Biofuels**	64,900 tons of SAF annually produced
8.5	Support **Full Employment and Decent Work**	300 #direct jobs supported
13.a	Contribute to **Climate Change Mitigation**	168,700 tCO2 avoided per Annum



1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Secondary Aluminum (Circular Economy)

REGION Latin America & Caribbean (LAC) COUNTRY Mexico

SUSTAINABILITY THEME Sustainable Industry and Infrastructure

IDB Invest

Expansion of the group's manufacturing capacity of recycled (or secondary) aluminum in Mexico, promoting circular economy practices by using scrap metal and recovering by-products from its existing production process. As it operates in a fossil-fuel-intensive industry, the Group also committed to prepare a GHG emission reduction plan within 12 months of the first disbursement. IDBi's advisory services department is preparing a technical cooperation which includes the implementation of a GHG emissions monitoring system within that will cover Scopes 1, 2 and 3 emissions, a life-cycle assessment for its production, and the decarbonization strategy

ESG engagement

The Borrower agreed to improve its ESG performance by, among others, (i) strengthen air quality measurement and emissions monitoring procedures to comply with the optimal thresholds recommended at the EHS General Guidelines; (ii) establishing a due diligence process to onboard suppliers, ensuring that all potential partners are formal and comply with applicable regulations to reduce labour risks in the supply chain; (iii) improve its external stakeholder management procedure, based on the mapping of the stakeholders and the implementation of ideal communication channels to each group.

SDGs supported

CLIMATE MITIGATION 100%

SDG	TARGET	INDICATOR
8.5	Employment and Decent Work	165 direct jobs supported
12.5	Circular Economy	Increase the rate of aluminum dross by product recovery.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

(WSMEs) Financial Inclusion

REGION East Asia & Pacific COUNTRY Vietnam

SUSTAINABILITY THEME Inclusive Finance

ADB

Support is being provided to a mid-sized Vietnamese bank with the widest outreach among local banks, operating through a network of over 1,000 service points—including 566 bank branches and transaction offices, and access to 513 postal transaction offices. This extensive footprint enables the bank to serve more than 5 million retail and SME customers, particularly in rural areas and in the production and agriculture sectors where financial services are often limited. The bank also leverages strong digital platforms to deliver innovative, customized products tailored to the needs of its retail and SME clientele. The loan proceeds will be fully dedicated to on-lending to women-owned small and medium-sized enterprises (WSMEs), supporting their growth and financial inclusion.

ESG engagement

As part of the financing package, the ADB Environmental and Social (E&S) Safeguards team has been working closely with the bank to support the development of an Environmental and Social Management System (ESMS). This includes creating tools and forms for E&S screening and categorization, strengthening internal E&S capacity, enhancing loan agreements and internal procedures, and improving E&S monitoring and reporting processes.

SDGs supported

SDG	TARGET	INDICATOR
5.a	Increase Support to Gender Equality	Increase value and number of WSME loans, particularly in rural areas
9.3	Increase Support to MSME	Increase value and number of WSME loans, particularly in rural areas

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Sustainable Agriculture in Africa

REGION Diversified | SUSTAINABILITY THEME Food Security

FMO Entrepreneurial Development Bank

The Borrower is a global conglomerate with a major focus on agricultural trading and processing in Africa. Through a logistical infrastructure of warehouses, processing plants , trucks and port facilities, the Borrower plays a critical role in connecting farmers in Africa with consumers all over the world. More specifically, the Borrower provides farmers with access to premium markets for exporting their products, such as cocoa beans or cashew nuts. At the same time, the Borrower supplies farmers with inputs, such as fertilizers or seeds. The facility was structured as a Sustainability Linked Loans (SLL) with four core KPIs, including a zero deforestation commitment (KPI) for its high risk supply chains of cocoa, coffee and cashew nuts, restoration of degraded forests (planting indigenous trees through landscape reforestation, planting 500,000 trees by 2027) and scaling up the farmer extension services to 1,000,000 farmers through initiatives such as agroforestry, drought-resistant seed material, micro-credit solutions, and increased access to soil regenerative fertilizers.

ESG engagement

Agreed to improve its ESG performance by, among others, upgrading its ESMS, expanding its sustainable production, assigning an environmental and social officer to cover new facilities, developing a stakeholders engagement and community support system, and developing an external communications and grievance mechanism.

SDGs supported

SDG	TARGET	INDICATOR
2.3	Extension Services to Supply chain farmers	#farmers reached with extension services
5.2	Employment and Decent Work	#women farmers reached with extension services
13.2	Climate Change Mitigation	Absolute Scope 1 and 2 GHG emission reduction
15.2	Deforestation Free Supply Chain	Achieve deforestation free high risk supply chain by 2027.
15.2	Landscape reforestation	Number of Indigenous Trees Planted

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

6 Strengthening Data Integrity and Efficiency in Sustainability Reporting

Spotlight Theme

In 2024 and 2025, we are advancing several initiatives to enhance the credibility, efficiency and scalability of our sustainability reporting systems, ensuring alignment with best market practices.

1. Advancing Readiness for SFDR Limited Assurance

To meet growing investor and regulatory expectations, we launched a structured process to prepare the Funds'SFDR (Annex V) reporting framework for limited assurance. Working closely with our auditor , we undertook a 'readiness assessment' to identify and address key assurance criteria, demonstrating our commitment to transparent, well-governed non-financial disclosures.

Key Steps Undertaken:

- Process Documentation: we developed a detailed SFDR (Annex V) reporting procedure, covering data collection, validation and review workflows.
- Control Framework Integration: we developed a dedicated SFDR control within our Risk Control Framework.
- ISAE 3402 Alignment: we included the SFDR control within the scope of our Management Company's ISAE 3402 Type II report.

Assurance Testing:

In preparation for limited assurance, our auditor conducted a structured walkthrough of our SFDR reporting process, focusing on three core assurance criteria:

- Reconciliation of reported data with underlying sources
- Analytical review of quantitative metrics at investee level
- Management inquiries and process testing

Following this review, our auditor confirmed that our SFDR procedures are ready for limited assurance in 2025.

2. Building the Foundations for Scalable, Automated Reporting

As our portfolio continues to grow and the complexity of impact data increases, we continue to strive for proper and strong ESG data management through the use of reporting platforms.

Objectives:

- Minimize the risk of error through automation
- Increase data traceability and auditability across systems
- Strengthen responsiveness to regulatory (e.g. SFDR), impact, and investor reporting requirements

These developments form the backbone of a data architecture that supports confident and evidence-based impact measurement at scale.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

7 Sustainability in ILX's Operations

Emissions Level

In 2024, we continued to prioritize transparency and accountability towards the GHG emissions of our operational activities and portfolio investments. Our carbon footprint is expressed in the table below, with the operational emissions measured with the support of a third-party service provider that follows the guidelines of the Greenhouse Gas (GHG) Protocol to account for Scope 1, Scope 2 and Scope 3[25] emissions. We have measured our portfolio's emissions by modelling the data through the JIM model, inputting primary emissions data of its portfolio investees when available. The GHG Protocol is also the reference point for the JIM model.

CO2 emissions (tCO2eq)	2022[26]	2023[27]	2024
Scope 1 (tCO2eq)	7	0	0
Scope 2 (tCO2eq)	5	0	0
Scope 3 (tCO2eq)	227	365	234
Total without financed emissions (tCO2eq)	239	365	234
GHG intensity for operational emissions[28] (tCO2e / FTE))	16	19	9
Financed Emissions			
Financed emissions (tCO2eq)	38,890	1,101,244	1,149,380
Carbon footprint[29] (tCO2e / €M)	242	3,762	2,505

In 2024 the management company generated a total of 243 tCO2eq absolute operational emissions. We have no Scope 1 direct emissions associated with our operations. Scope 2 emissions in 2024 are also null, as in 2023, the office is supplied by green electricity generated from renewable energy sources and there is no consumption of natural gas in the facilities (the office benefits from a district heating system serving the Olympic Stadium Scope 3 emissions). Indirect Scope 3 emissions associated with the operations of ILX amounted to 243 t CO2e.

In 2024, the most significant contributor to our operational emissions was "organizational support services", accounting for 85 tCO2e. This category includes professional services and activities, as well as organizational activities, which encompass various administrative, managerial, and support functions essential for ILX's operations. The second largest contributor was the category "insurance and financial services", responsible for generating 48 tCO2e. This category covers various activities and resources within ILX that support financial and insurance-related operations, including emissions from insurance and pension fund services, bank fees, and financial services.. Emissions from "travel, transport and logistics" were the third largest category, amounting to 31 tCO2e, which includes emissions associated with flights and land transportation - rail trips, car rental, and taxi services.

25 Scope 1 emissions are direct emissions from sources that are owned or controlled by the manager; Scope 2 emissions are indirect emissions associated with the electricity we purchase (the manager does not consume natural gas for heating); Scope 3 emissions are all relevant indirect emissions (excluding financed emissions, reported separately) that arise in ILX's value chain and are not included in Scope 2. Financed emissions are the emissions linked to the investment and lending activities of the Fund, i.e., the emissions of the Fund's portfolio of investments.

26 The 2022 period refers to April 2022 (when the Fund became operational) until December 2022

27 Financed emissions are calculated following the PCAF methodology, and considers the total outstanding exposures associated with ILX investment activities by the end of each reporting period

$$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i}\ \text{investee company's Scope (x) GHG emission}_i\right)$$

28 GHG intensity estimates are calculated based on ILX's FTE to ensure that the GHG estimates are indexed using a growth indicator that closely reflects the growth of ILX'score operating business

29 Carbon footprint is calculated following the SFDR regulation, and considers the total outstanding exposures associated with ILX investment activities by the end of each reporting period.

$$\frac{\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i}\ \text{investee company's Scope 1, 2 and 3 GHG emission}_i\right)}{\text{current value of all investments (€M)}}$$

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

We follow the recommendations of **the Partnership for Carbon Accounting Financials (PCAF)** to account for our financed emissions, which refer to the emissions associated with ILX's portfolio activities in the total emissions estimation. The calculation of financed emissions is based on outstanding exposures of the Fund's investment activities, following the advice of our external auditors. As of December 2024, ILX Fund I had an outstanding exposure of approximately USD 652 million, which is associated with an estimated 1,149,380 tCO2e emissions. An increase in the total financed emissions is observed, which relates to the significant portfolio growth (circa 95% from 2023 to 2024). A decrease of the Fund's carbon footprint can also be observed from 2023 to 2024. A few key factors contributing to this dynamic shift include:

1. The portfolio expansion resulted in a significant 32% reduction in Carbon Footprint and a 41% decrease in GHG Intensity, both calculated on a portfolio-weighted basis. Overall, the new additions to the portfolio in 2024 are less GHG intensive compared to those from 2023.

2. Unlike the transition investments made in 2023, the projects supported in higher-emitting sectors in 2024 did not lead to a significant rise in GHG emissions. This is likely because one of the projects is still under construction and thus not yet contributing to Scope 3 emissions, and also due to the medium size of the companies involved

Our Manco GHG emissions sits at the low end of the asset-management spectrum. With zero Scope 1 and Scope 2 emissions, driven by our fully outsourced, renewable-powered offices, we achieve a GHG-intensity of 9 tCO_2e per employee.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Operational GHG Emissions: Peer Group Comparison

We benchmarked ILX's operational greenhouse gas (GHG) emissions against asset manager/owner peers across various AuM categories, utilizing the Partnership for Carbon Accounting Financials (PCAF) GHG emissions disclosure platform. This analysis includes both absolute emissions (Scope 1 and 2 and Total) and GHG intensity per employee, offering a comprehensive view of operational efficiency and environmental impact.

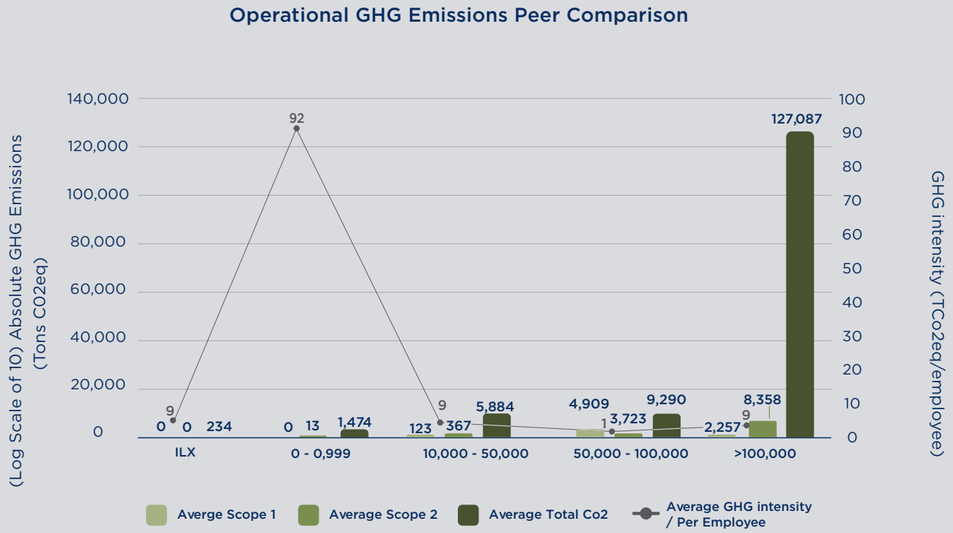
When compared to peers in the **0–9,999 million USD AuM** category, ILX's emissions profile of zero Scope 1 and Scope 2 emissions, and 243 tons CO2eq for Scope 3, with 9 tons CO2eq per employee is notably more efficient. Firms in this group reported higher average total emissions of 1,474 tons CO_2eq, their GHG intensity per employee was significantly elevated at 92 tons CO_2eq—nearly ten times higher than ILX. This indicates that ILX has a lower emissions footprint relative to similarly sized firms.

In the **10,000–50,000 million USD** AuM bracket, firms reported a higher average absolute emissions (**5,884 tons CO_2eq**) but achieved a similarly low GHG intensity per employee of **9 tons CO_2eq**, matching ILX's performance. This indicates that ILX is already operating at a level of efficiency comparable to much larger peers.

Firms in the **50,000–100,000 million USD** range reported even higher average emissions (**9,290 tons CO_2eq**) but demonstrated exceptional efficiency with a GHG intensity of just **1 ton CO_2eq per employee.**

Meanwhile, the largest firms, managing over **100,000 million USD**, reported the highest total emissions (**127,087 tons CO_2eq**) and a GHG intensity of **9 tons CO_2eq per employee**, again on par with ILX.

This analysis highlights ILX's strong performance in managing operational emissions. Despite being in a smaller AuM category, ILX's emissions intensity is aligned with or better than much larger firms, underscoring our commitment to sustainable and efficient operations. By among others, powering our offices with 100 % renewable-powered facilities, we keep our Scope 1 and 2 absolute emissions at zero. Any remaining carbon is spread across our small team, resulting in a per-person footprint that is on the lower-end compared to the industry.



1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

7

SDG 13: Climate Action

In 2024, we developed additional travel guidance, encouraging travel by train or shorter trips (<600km). Air travel, when necessary, is optimized through responsible travel class selection[30]. We will consider prioritizing the use of Sustainable Aviation Fuel (SAF), when available, to minimize flight-related emissions.

Furthermore, we proactively addressed the issue of waste management by implementing a circularity system in our new office. Recognizing the importance of circular economy principles, we partnered with Oscar Circular, a waste management company based in the Netherlands. With this partnership, We aim to optimize our waste management practices, minimize waste generation, and maximize the recycling potential of our resources. Over half of the waste stream has been diverted for recycling or composting, significantly reducing our environmental footprint. The efforts to minimize waste generation and maximize the recycling potential of our waste have resulted in a reduction of 527 kgCO2 eq in 2024.

Actions taken to reduce financed emissions are discussed in Annex I (TCFD Report).

SDG 5: Gender Diversity

At ILX, we believe that promoting diversity, equity and inclusion is not only the right thing to do but is also positive for business prosperity. Gender diversity is fundamental for a sustainable and equitable workplace, playing an integral role in facilitating effective decision-making. In 2024, we continued our commitment to diversity and gender equality, with women making up 48% of our workforce, comprising 13 females and 14 males.

Furthermore, we take immense pride in the remarkable diversity of nationalities represented among our team members. We closed 2024 with staff from 13 distinct countries in a small team of 27 people, spanning Europe, Latin America, Africa and Asia, which constructs a vibrant and dynamic work environment at ILX. We appreciate the unique contributions and mindset that each nationality brings to our firm, and we are dedicated to fostering an inclusive culture that values diversity and encourages cooperation across borders.

Our commitment to inclusivity extends to creating an environment where every employee, regardless of gender, and nationality feels valued, respected and empowered to reach their full potential. Through these efforts, ILX strives to cultivate an inclusive culture that celebrates diversity and fuels our collective success.

30 ILX prioritizes economy class for all flights during daytime and flights shorter than six hours.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

7

SDG 17: Partnerships for the SDGs

As a Manager aiming to channel capital at scale to deliver the SDG and Climate goals in EMs, partnerships and collaboration are at the core of our business model in line with SDG 17, which focuses on strengthening global partnerships for sustainable development. During the 2024 year, we continued to engage with our existing DFI counterparts, further demonstrating the strong commitment from our development finance partners to mobilize capital managed by us on behalf of Dutch pension fund asset managers. Collaborations with DFI clients have facilitated the pooling of resources and expertise, enhancing the ability to fund and manage projects that promote economic growth and environmental sustainability in EMs. These partnerships have not only expanded the investment portfolio but also ensured that projects align with international standards and best practices, thereby maximizing their positive impact on communities and the environment.

In addition to working with DFI clients, establishing relationships with new institutional investors, is broadening and diversifying the investor base, scaling up the flow of capital into sustainable initiatives. Influx of additional funds will enable the execution of additional impactful projects, driving progress towards various SDGs. Moreover, actively engaging with the EU Commission, impact and climate industry organizations such as the Dutch National Advisory Board (NAB), the GIIN, Social Performance Task Force (SPTF), NZAM and the IIGCC, has enabled knowledge sharing and thought leadership in relevant impact and climate matters.

Collectively, these partnerships underscore the commitment to SDG 17 by leveraging diverse resources and expertise to support sustainable development globally.

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

Annex I – TCFD Report

This is our **second year** of implementing the Task Force on Climate-Related Disclosures (TCFD) recommendations. In 2022, we committed to applying the TCFD recommendations to provide our clients and stakeholders with a better understanding of the **climate-related risks and opportunities** faced by our Funds and the Management Company (ManCo). The core elements of the TCFD's recommended financial disclosure are governance, strategy, risk management, metrics and targets.

The 2024 TCFD report outlines the progress towards implementing the TCFD recommendations. Key highlights include:

Governance

- Board approval of Climate Risks Guidelines and Climate Action Plan, illustrating ongoing efforts to integrate policies and procedures to enhance the management of climate risks and opportunities and deliver a climate strategy that aligns with stakeholder expectations.
- The inaugural Sustainability Committee meeting took place, which initiated the dedicated and structured discussions on the management of climate risks and opportunities that the Funds are exposed to.

Strategy

- We developed our Climate Action Plan in line with the NZIF private credit guidance, enabling us to integrate Net Zero investment considerations into our investment strategy.
- We contributed to the development of IIGCC's supplementary guidance on application of NZIF methodologies to EMDEs.

Risk Management

- We developed and implemented the methodology for identifying and managing transition risks.

Metrics & Targets

- We set Interim Net Zero Targets.
- We began tracking the portfolio exposure to climate physical and transition risks.

1. Governance

Disclose the organization's governance on climate-related risks and opportunities

a. Describe the board's oversight of climate-related risks and opportunities.

Sustainability is a key part of our strategy and is included in the Management Board's (MB) strategic and risk agenda. The Board sets our tolerance for climate risks, defined as a medium tolerance towards ESG risks, as per our Risk Appetite Statement, and is managed through our Fund policies:

- **Exclusion Policy**: Zero tolerance for high climate-related risks like upstream fossil fuel activities.
- **ESG Policy**: Criteria to avoid or mitigate ESG risks, including climate-related risks.
- **SDG and Climate Policy**: Intention to invest in climate-friendly projects.

Our MB also drives our decisions to join strategic climate initiatives, including joining the PRI, committing to TCFD recommendations, and committing to the NZAM initiative.

To support the MB in overseeing climate-related risks, we established a Sustainability Committee (SC) in 2024, which meets bi-annually. This SC has dedicated and structured discussions on sustainability issues, enhances portfolio oversight on sustainability matters including climate risks and opportunities, and reviews our progress towards sustainability targets.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

b. Describe management's role in assessing and managing climate-related risks and opportunities.

The day-to-day management of sustainability issues sits with the Sustainability Team, led by the Head of Sustainability and ultimately managed by the Chief Investment Officer (CIO). They assess project-related climate risks and opportunities, reviewed by CIO, and include them in investment proposals to enable the Investment Committee (IC) to advise the Management Board (MB) on informed investment decisions considering climate factors.

In 2024, we held our first Sustainability Committee (SC) meeting. This involved company-wide discussions among the Sustainability Team, Investment Team, Risk, Legal, and Investor Relations departments. We reviewed our portfolio's exposure to climate risks and our progress towards our sustainability and climate goals.

2. Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning, where such information is material.

At ILX, our investment strategy is built on a dual ambition: to deliver strong risk-adjusted returns for our investors while mitigating ESG risks and contributing to positive SDG and Climate impacts. We do this by investing in loans aligned with our four Sustainability Themes, and consider the material risks and opportunities that could impact the investments in its portfolio, including those arising as a result of climate change.

Across the short, medium, and long term, our climate-related strategic priorities include:

Table 1: Strategic Priorities over different time horizons

Commitment	Priority	Time frame	Impact
Climate Opportunities	Ensure that 45% to 55% of our fund portfolios contribute to climate financing, and up to 10% of our AuM aligned with the EU Taxonomy.	Short Term (BAU)	Significant allocations towards climate-finance objectives (52% of volume weighted climate finance loans; 69% of loans with climate component). Increased mobilisation of private sector funds towards climate finance objectives in EMs.
Transition Finance Opportunities	Support hard-to-abate sectors in their low-carbon transition	Short Term (BAU)	Initially higher emissions, but long-term reduction in real-world emissions reductions in EMs, our financed emissions and reduced transition risk.
Climate Risk Management	Continues implementation of our climate physical and transition risks methodologies to manage climate-related risks at the project and portfolio levels.	Short Term (BAU)	Exclusion of investments with high exposure to transition risks (i.e. Fossil Fuel-related activities). Lower exposure to investments with high exposure to climate transition and physical risks.
Net Zero Objective	Manage Assets under Management in line with Net Zero by 2050	Short, Medium and Long Term.	Increased acceleration of the low-carbon transition and climate resilient economies in emerging markets. More targeted engagement with DFIs to increase engagement with investees on their Net Zero alignment.
Engagement and Thought Leadership	Implement the NZIF strategy in an investment strategy that prioritize MDB and DFI-sourced credit in emerging markets. Assist in the formulation of supplementary guidance under the NZIF for investors with a focus on Ems and Just Transition.	Medium	Position ILX as a thought leader in Net Zero investing in EM Private Credit. Facilitate an equitable and inclusive transition in emerging markets enables us to achieve sustained long-term growth while advancing global sustainability objectives.
Climate Governance	Meet at least bi-annually with the SC to advise the Board on the management of climate risks and opportunities.	Short Term (2024)	Increased awareness and management of climate-related risks across the organisation.
Capacity Building	Deliver ESG and climate training to investment and risk teams.	Short Term (2024)	Equip our team with the tools and knowledge to manage climate risks and opportunities effectively.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

At the ManCo level, we are also reducing the environmental impact of operations by: (1) Contracting renewable energy suppliers (Scope 2); (2) Developing a Low-emissions Travel Policy (Scope 3); (3) Implementing an efficient waste management program (Scope 3). More details on implemented actions are disclosed in chapter 7. Sustainability in ILX's Operations.

a. Describe the impact of climate-related risks and opportunities to the Manager's strategy and financial planning.

Understanding the impact of climate change on our investments and operations is crucial for building a resilient and sustainable business, ensuring we generate competitive returns. Table 1 outlines our approach to measuring these impacts on our investment strategy. At the ManCo level, we work to reduce emissions and costs from utilities, travel, and procurement, aiming to lower our overall environmental footprint.

b. Describe the resilience of the organization's strategy to climate risks and opportunities taking into consideration different climate-related scenarios.

We have not yet conducted portfolio-level scenario analysis for climate-related risks. As we developed our portfolio, our efforts have been geared towards understanding how the portfolio companies are resilient under different climate scenarios. For high physical risk sectors, we screen for hazard exposure under worst-case scenarios. For our highest emitting investments, we examine their targets' alignment with Paris-aligned scenarios. This is because we believe the most effective management of climate risks is to ensure the assets in our portfolio are themselves assessing and managing climate risks under different scenarios.

As our portfolio has expanded, examining the effects of various climate scenarios on potential returns has become more relevant. To that end, we will keep improving our understanding of climate risks and transition pathways to evaluate our strategy's resilience across different climate scenarios at the portfolio level.

3. Risk Management

Disclose how the organization identifies, assesses and manages climate-related risk

a. Describe the organization's process for identifying and assessing climate-related risks.

At ILX, managing climate-related risks is integral to our investment process. We've developed a proprietary methodology—grounded in data from MDBs and DFIs—to assess both **transition** and **physical climate risks** at the project level.

We apply a **risk-based screening approach** based on sector and geography:

Low to Medium Risk: We rely on DFI-led Environmental and Social Due Diligence (ESDD) to assess climate risks. If gaps are identified, we supplement with our own climate risk questionnaire.

High Risk: We conduct enhanced due diligence using our internal tools and DFI data to form an independent view of financial materiality.

Transition Risks Approach:

Emerging markets are central to the global climate transition. We focus on sectors with high emissions potential, including:

- Fossil fuel-based and dependent industries (e.g. power, transport, aviation)
- Energy-intensive sectors (e.g. steel, chemicals, mining)
- Land-use sectors (e.g. agriculture, forestry)

We assess transition risk using two pillars:

- **Use of Proceeds** – Does the financing support a low-carbon transition? Is the investment aligned with the Paris Agreement Objectives?
- **Counterparty Commitment** – Is the borrower aligned with Net Zero goals, based on NZIF criteria?

We also consider **Just Transition** principles, ensuring social equity and stakeholder engagement.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

Physical Risks Approach:

We assess physical climate risks using three lenses:

- **Sector-Based**: Evaluates exposure based on project activity and regional hazard probability, for which we use open-source tools (e.g. NASA, ThinkHazard, World Resource Institute (WRI), and Resource Watch) to identify hazards such as floods, droughts, heatwaves, and sea-level rise.
- **Country-Based**: We uses the ND-GAIN index and climate hazard data to assess national vulnerability.
- **Portfolio-Based** (for Financial Institutions): Screens exposure to climate-sensitive sectors and geographies.

If climate risks are not adequately mitigated, they may pose financial risks to borrowers. Conversely, well-adapted projects can present opportunities. We apply the **S&P credit risk framework** to assess how residual climate risks affect creditworthiness across project finance, corporate, and financial institution transactions.

At the Manco level, we monitor and report our GHG emissions and assess the sustainability practices of our service providers. Our operational climate actions are detailed in **Chapter 7: Sustainability in ILX's Operations**.

b. Describe the organization's process for managing climate-related risks.

We manage our exposure to climate-related risks through exclusion screening and engagement with the portfolio companies via the arranging MDBs and DFIs.

Exclusion Screening

Our first line of defense is the Fund's **Exclusion Policy**, which outlines activities that are not aligned with our ESG risk appetite. This includes sectors with high climate risk exposure, such as thermal coal mining and coal-fired generation, oil and gas exploration and production, and other fossil fuel intensive activities.

Engagement

For projects with **material climate-related risks**, we engage proactively with the arranging MDB and DFIs to assess the adequacy of risk mitigation measures, which is guided by climate physical and transition risks identification approach. If risks are deemed significant, the arranging DFI works with the borrower to define and implement a **climate risk mitigation measures** as part of the ESAP.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's risk management.

Climate-related risks are fully embedded in ILX's broader investment risk management framework, which is structured around the **Three Lines of Defence** model:

First Line: Investment Team

The Investment Team is responsible for identifying and managing all investment risks, including climate-related risks. When a project presents potential climate risks, the team:

- Engages with the originating DFI to assess and understand mitigation measures.
- Applies the **S&P credit risk methodology** to evaluate financial materiality.
- Integrates climate risk insights directly into the credit assessment process.

Second Line: Risk Management

The Risk Management function provides independent oversight. It ensures that the Investment Team's approach aligns with the Fund's policies and procedures for identifying and managing ESG and climate-related risks.

Third Line: Internal Audit

The Internal Audit function periodically reviews the effectiveness of internal controls, including those related to climate risk identification and management, to ensure compliance and continuous improvement.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

4. Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

a. Disclose the metrics the Manager uses to assess climate-related risks and opportunities in line with its strategy and risk management processes.

We use a focused set of metrics to assess and manage climate-related risks and opportunities, aligned with our investment strategy and risk management processes. These metrics help us—and our stakeholders—track progress toward our climate objectives and ensure transparency in our disclosures.

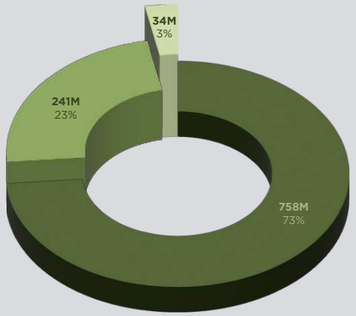
Table 2: Overview of Metrics for assessing climate risks and opportunities

Strategic Objective	Sub-Objective	Project Level Metrics	Portfolio Level Metrics
Climate Risk Objective	Climate Transition Risk Exposure	GHG emissions of borrowers (tCO2e)	Carbon Footprint [Sum of Financed Emissions/Market Value of Portfolio]
	Climate Physical Risk Exposure	Climate physical risk exposure by climate hazard (e.g. flood, drought)	Portfolio exposure to high physical risks sectors/ regions
Climate Opportunities	Climate Finance	Climate finance label (Y/N);	# of the deals climate finance component; % of portfolio climate finance aligned
Net Zero	Alignment with Net Zero	Project managed in alignment with Net Zero[31] (Y/N)	% of portfolio managed in alignment with Net Zero
	Engagement Threshold	Net Zero engagement occurred	% of portfolio with Net Zero engagement target

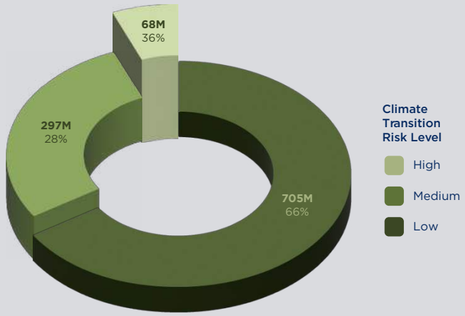
31 "Managed in alignment with Net Zero" following the recommendations in the Net Zero Investment Framework for the Private Debt Industry recently launched by the IIGCC in the NZIF 2.0 framework.

2024 Climate Risk Assessment Results

Volume Weighted Portfolio Exposure by Climate Transition Risk Level



Volume Weighted Portfolio Exposure by Climate Physical Risk Level



In 2024, we began systematically assessing climate risk exposure across our portfolio, post-mitigation: The figures above show the volume-weighted portfolio exposure to climate physical and transition risks.

In 2024, the 3% high transition risk segment includes our exposure to an energy utility in **Chile** transitioning away from fossil fuels to renewables assessed as aligning to **Net Zero**.

The 6% exposure to high physical risks includes two agriculture sector projects:

- A Fish Farm in Turkey, that is adapting to climate stressors through regional diversification and by adapting its species portfolio to include fish stocks less vulnerable to climate risks.
- An agribusiness in SSA, implementing climate-smart agriculture training.

1 Foreword 1
2 About ILX 2
3 Key SDG and Climate Results 3
4 About the Fund's Sustainability Strategy 4
ILX's Net Zero Plan 6
5 Sustainability Portfolio Results 10
i. ESG Engagement Results 10
ii. SDG and Climate Results 13
Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17
6 Portfolio Investment Highlights 20
Strengthening Data Integrity and Efficiency in Sustainability Reporting 25
7 Sustainability in ILX's Operations 26
A ANNEX I – Task Force on Climate-Related Disclosures 31

b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks.

We disclose GHG emissions in line with the GHG Protocol and PCAF standards, covering both financed emissions and operational emissions. Detailed information is disclosed in Chapter 7. Sustainability in ILX's Operations. Financed emissions are based on a combination of primary data collected from investments and modelling outcomes from the Joint Impact Model (JIM). We report on the weighted average carbon intensity (WACI) of its portfolio as part of the Principal Adverse Impact (PAI) report, reporting under the Sustainable Finance Disclosure Regulation (SFDR). Operations emissions are estimated by a third party service provider.

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

We have defined a set of targets for reducing its exposure to climate-related risks, to accelerate the low-carbon transition in emerging markets, and promote climate-aligned investing, as highlighted in Table 3.

Table 3: Overview of Fund climate-related targets

Climate Opportunities Objective	Climate Finance Targets	45% to 55% climate finance target
		Up 10% aligned with EU Taxonomy
Net Zero Objective	Asset Alignment Target.	30% of AuM Managed in Alignment with Net Zero by 2030, increasing to 50% by 2040 and 100% Net Zero by 2050.
	Engagement Target.	90% by 2030, increasing to 100% by 2040

1 Foreword 1

2 About ILX 2

3 Key SDG and Climate Results 3

4 About the Fund's Sustainability Strategy 4

ILX's Net Zero Plan 6

5 Sustainability Portfolio Results 10

i. ESG Engagement Results 10

ii. SDG and Climate Results 13

Biodiversity in Focus: Mobilizing Capital for Investment Solutions 17

6 Portfolio Investment Highlights 20

Strengthening Data Integrity and Efficiency in Sustainability Reporting 25

7 Sustainability in ILX's Operations 26

A ANNEX I – Task Force on Climate-Related Disclosures 31

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