Amana Mutual Funds Trust

Impact Report 2023

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Environmental, social, and governance (ESG) analysis is a useful framework for understanding operations and informing investment decisions. However, the framework has been politicized and subjected to negative media coverage. To ignore ESG information is to turn one's back on potentially valuable insights. Whether it be cautioning investors about potential data privacy risks associated with artificial intelligence (AI), alerting analysts to threats that weight-loss drugs pose to food companies, or highlighting opportunities created by the need to address climate change, ESG data is simply business information.

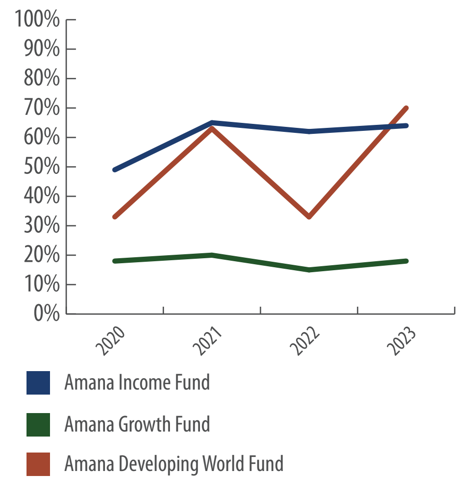
Critics of ESG analysis have raised three meaningful concerns that stand out as important for us and the industry to address:

1. "ESG funds and data providers make misleading claims or are guilty of greenwashing."
2. "It's unclear whether ESG analysis leads to the positive impacts they hope to deliver."
3. "Seeking positive ESG results means sacrificing financial performance."

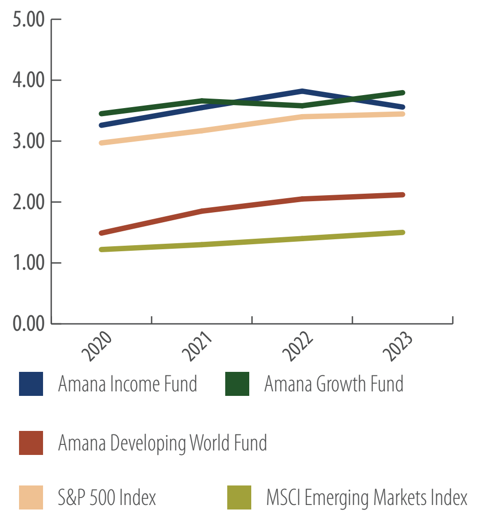
This report aims to substantiate the ESG process that the Amana Funds use, and to dispel concerns of greenwashing by holding ourselves accountable. At the index level, ESG metrics have demonstrated improvement, which suggests that growing interest in ESG information has encouraged better corporate performance. Accounting firm KPMG conducted their annual CEO Outlook survey in August and September of 2023, and they found that out of the 400 US-based companies they surveyed, 74% of CEOs have "fully embedded ESG into their business as a means of value creation."[1]

At a high level, the Funds' ESG results can be measured through two of the most widely reported ESG metrics: carbon intensity and board diversity. In this report, carbon intensity is measured in metric tons of CO_2 per $1 million in sales. The Amana Funds saw weaker performance in carbon intensity compared to prior years, but average emissions remained materially lower than their respective benchmarks. Regarding board gender diversity, the Funds' holdings continued to report a higher average number of women in directorships than the Funds' benchmarks.

Emissions Intensity
Relative to Respective Benchmark



Average Number of Women on the Board



Source: Bloomberg, Refinitiv, Saturna Capital Research

We believe these results help substantiate the Funds' integration of ESG into their investing approach. Despite this success, we acknowledge that the benchmarks consistently improved while the Funds saw some volatility. This volatility can largely be attributed to the Funds' concentration in fewer companies than the benchmarks.

Saturna Capital recognizes ESG issues are fundamental factors in security analysis. The investment process for the Amana Growth, Income, and Developing World Funds integrates ESG considerations with Islamic principles and financial analysis to scrutinize a security's suitability for each Fund. We believe that ESG and Islamic principles are intrinsically aligned, as both focus on long-term value creation for both society and shareowners. Through better understanding company interactions with the environment and with society, we develop deeper context and added clarity when analyzing financial performance. In the following pages, we'll dig into a variety of important ESG metrics, unpack drivers of performance, and provide case studies that offer further insight into our process.

Case Studies

Environmental

For the environmental section of this report, we will focus on greenhouse gas (GHG) emissions, renewable energy use, and water consumption. These issues span most industries and tend to have the highest disclosure rates among the myriad environmental topics worth considering. One tangential example of the challenges we see with disclosure is on products that enable reductions in GHG emissions. On such topics, we continue to hold that analysis lends itself to active research, as comprehensive standardized disclosure is lacking.

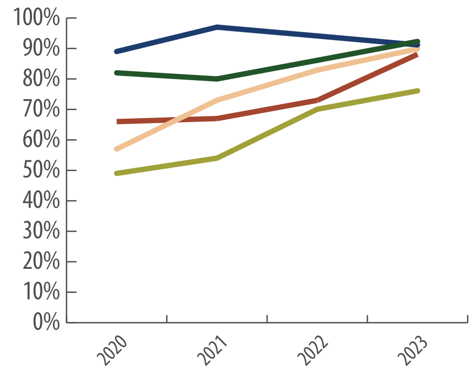
Disclosure rates for the Funds and their benchmarks generally trended upwards from 2020 through 2023. Renewable energy consumption is one area where disclosure rates slowed for the S&P 500 Index and regressed for the Amana Income and Growth Funds. While this decline could be due to changes in company reporting practices, it's worth noting that for 2023, this data was pulled from Refinitiv; Bloomberg was the source we used for disclosure data in prior years.

While Saturna's ESG process does favor disclosure, we are ultimately concerned with performance. It is important to dig into the numbers to better understand the drivers and implications of reporting. "Average Renewable Energy Use" and "Average GHG Emissions" show that the Growth Fund and Income Fund, historically, had significantly lower GHG emissions intensities than the S&P 500. Note that the Funds' ESG and Islamic screens exclude them from high emissions sectors such as Energy or Utilities. Thus, it's important to compare these figures with an S&P 500 peer base that excludes the sectors the Funds do not hold. This results in the Income Fund having higher emissions than the remaining S&P 500 constituents.

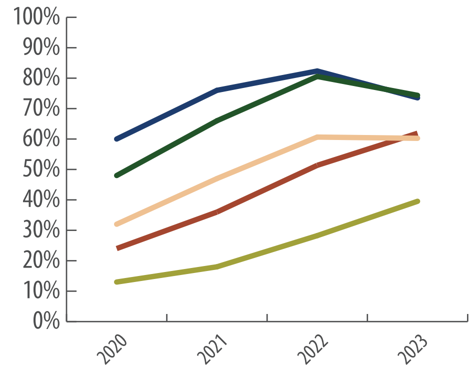
Two companies within the basic and diversified chemicals industry accounted for a major portion of the Income Fund's high average emissions intensity. Air Products & Chemicals and Linde, together, raised the portfolio's average GHG emissions intensity from 59 to 154 metric tons per million dollars in sales.

Percent of companies providing disclosure on environmental performance

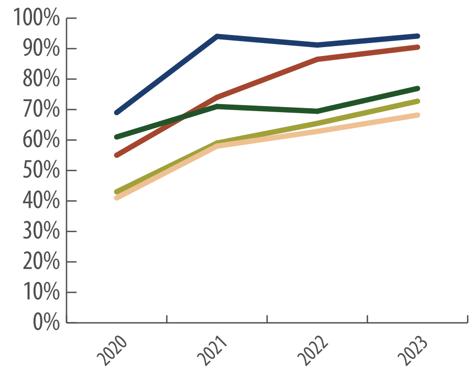
GHG Emissions



Percent of Energy from Renewables



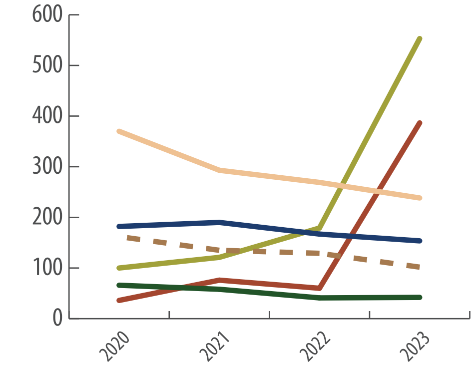
Water Use



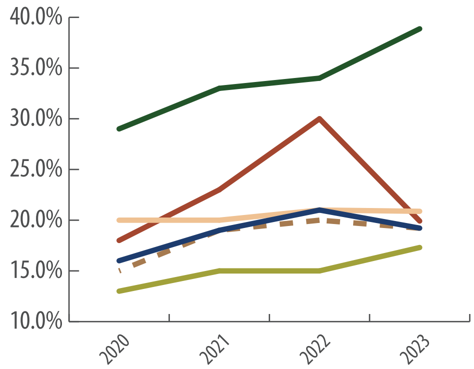
Amana Income Fund
Amana Growth Fund
Amana Developing World Fund
MSCI Emerging Markets Index
S&P 500 Index

Source: Bloomberg, Refinitiv, Saturna Capital Research

Average GHG Emissions

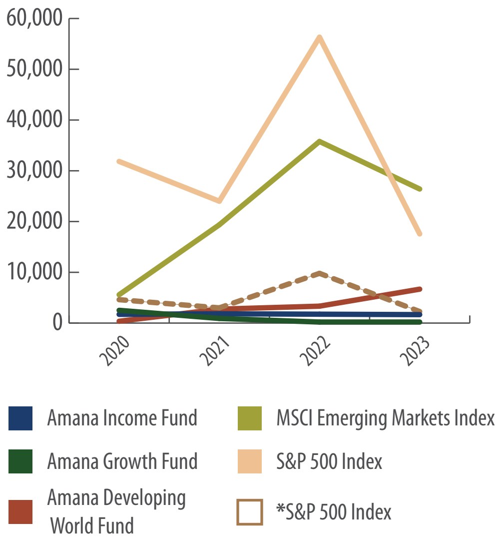


Average Renewable Energy Use



Source: Refinitiv, Bloomberg, Saturna Capital Research

Water Use Intensity (cubic meters/$million in sales)



Source Refinitiv, Saturna Capital Research

Excludes the Energy, Utilities, Real Estate, and Financial Services sectors.

Why do we continue to hold these two companies? In 2022, Air Products & Chemicals helped customers save 3.2 metric tons of CO_2 for every metric ton the company produced, down from 3.3 in 2021.[2] For every metric ton of GHG emissions Linde produced, they helped customers save 2.3 metric tons, up from 2.2 in 2021.[3]

In both the Developing World Fund and the MSCI Emerging Markets Index, average emissions jumped in 2023. For the Fund, this jump was driven by the addition of UltraTech Cement. We acknowledge investing in a cement company presents an ESG conundrum. On one hand, cement is a high emissions industry, and one that is notoriously hard to decarbonize. On the other hand, cement is quite literally a building block for economic and social development. As a part of the Science Based Targets initiative (SBTi), UltraTech Cement set Science Based Targets to reduce Scope 1 emissions by 27% and Scope 2 by 69% by 2032, which helped assuage our concerns around the company's emissions. UltraTech teaches a valuable lesson: ESG investors shouldn't just limit their purview to companies and sectors that already have low emissions levels, but should also consider those that stand to contribute the greatest emissions reductions.

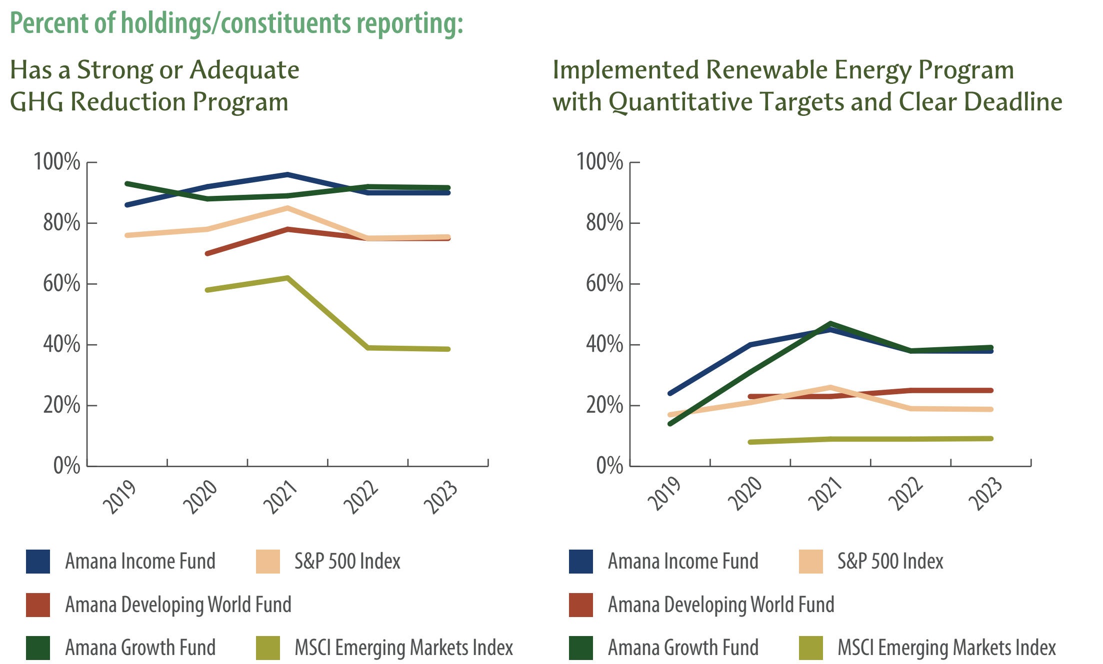
Water management encompasses water quality, exposure to water-stressed regions, water recycling, and consumption. We find that water consumption within a company's own operations is the most standardized and widely reported measure. In "Water Use Intensity," each of the Amana Funds had substantially lower water use intensity than their respective benchmarks. Energy and Utilities are immensely water-intensive sectors. We have provided figures for the S&P 500, both including and excluding those sectors.

The Funds' consistently strong environmental metrics are a product of our approach. In our analysis, we consider corporate policies and targets, and we judge firms on their ability to deliver against such goals. As with financial analysis, we're more interested in results than guidance.

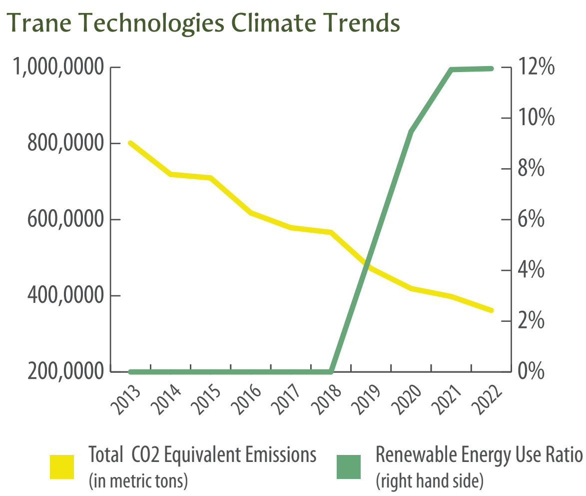
Energy Consumption and Greenhouse Gas Emissions

Climate change already negatively affects livelihoods and economies. September 2023 was the hottest September ever recorded, which was preceded by the hottest August and hottest July ever recorded. The year-over-year increase of 0.5°Celsius recorded in September was the largest chronicled jump in temperature.[4] With hot temperatures come raging wildfires. Economists estimate that the Canadian forest fires of summer 2023, which shrouded the skies across North America and caused mines to close and railroads to halt shipping, trimmed 0.1% off the country's second-quarter GDP — a significant percentage for one of the world's largest economies fighting to stay out of a recession.[5] More worrying yet, Canada's Climate Institute estimated that climate change could cut the country's growth in half by 2025.[6]

The impacts of unabated climate change are likely to be drastic. Hence, our continued focus on performance rather than just stated goals. The Amana Funds continue to hold companies with stronger GHG reduction programs and renewable energy targets than their respective benchmarks. Comparing these results with "Average GHG Emissions," it's clear that company goals and policies are updated less frequently than performance, offering more of a three-to-five-year road map as opposed to an up-to-date status.



Source: Sustainalytics, Saturna Capital Research



Source: Company Reports, Refinitiv, Saturna Capital Research

Case Study:

Trane Technologies (TT) is a climate solutions business that sits at the crossroads of climate adaptation and climate mitigation. On the adaptation front, the company offers a variety of heating and cooling solutions for buildings and leading-edge transport refrigeration solutions. Trane is likely to see demand rise through its offerings as weather becomes more extreme across the globe, especially in once-temperate environments.

Heating and cooling buildings contributes an estimated 15% of global GHG emissions per year, with another 10% relating to food lost in transport. Thus, while emissions from Trane's operations are certainly important, its products for helping customers reduce their emissions provide an outsized means to reduce environmental impacts. Realizing this, Trane committed to reducing customer GHG emissions by one billion metric tons of CO_2-equivalent between 2019 and 2030. As of year-end 2022, Trane reduced customer emissions by 93 million metric tons CO_2-e.

Within its own operations, Trane established a Science Based Target to reduce absolute Scope 1 and Scope 2 emissions by 50% between 2019 and 2030. As of year-end 2022, Trane cut these emissions by 31%. During 2022, Trane went further to become the first in its industry, and one of the first across industries, to become net-zero validated by the Science Based Targets initiative (SBTi).[7]

Update on 2022 Case Study

Reviewing last year's energy and emissions case study of **Rockwell** shows the company continues to be a climate leader. Like Trane, Rockwell works to address climate change both within its operations and those of its customers. In 2022, sales from "energy-efficiency related products" increased 5.6% to $1.9 billion, amounting to 24.5% of company sales, down from 25.7% in 2021. While Rockwell's total Scope 1 and Scope 2 emissions were flat in 2022, the company continues to lower its carbon intensity, driving a 10.0% improvement in carbon emissions per million dollars in sales.[8]

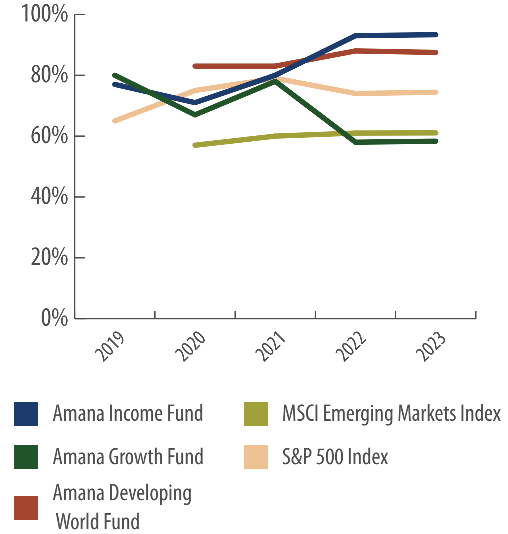
Water Management

There was no shortage of examples for the variety of water-related risks in 2023. Droughts forced the Panama Canal to reduce operations, causing an estimated $200 million in revenue headwinds for the canal and showing that supply chain woes are here to stay.[9] On the other side of the globe, droughts in Asia pushed rice prices to their highest levels in 15 years.[10] At the same time that these droughts were causing economic upheaval, severe rains in Libya caused unimaginable human tragedy. Two dams collapsed, resulting in more than 11,000 deaths, with another 10,000 people still missing.[11] The events of 2023 once again showed how risks can quickly become reality.

Looking at the Amana Funds, we're confident that the holdings of the Income and Developing World Funds support stronger water management programs than their benchmarks. We do note that the Growth Fund had 16% fewer holdings with "strong" or "adequate" water programs than the S&P 500, showing a negative trend. Still, "Water Use Intensity" substantiates that the Fund's water usage was well below its benchmark and the other Amana Funds.

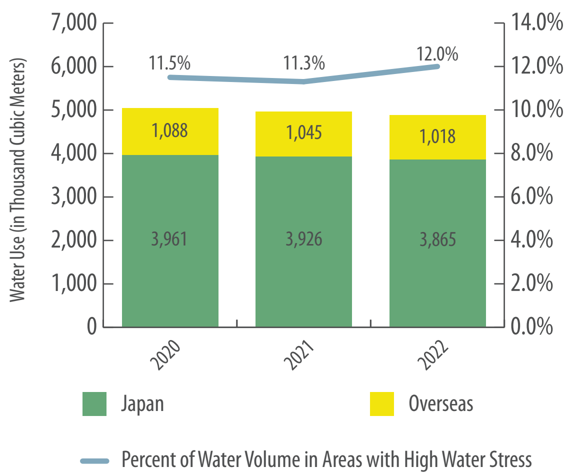
Percent of holdings/constituents reporting:

Has a Strong or Adequate Water Program



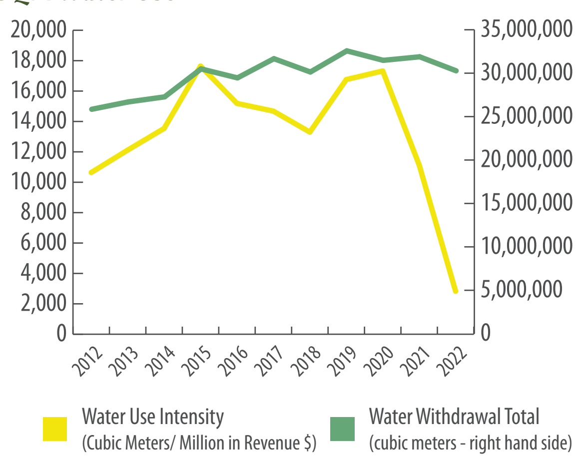
Source: Sustainalytics, Saturna Capital Research

Unicharm Water Use



Source: Company reports, Saturna Capital Research

SQM Water Use



Source: Refinitiv, Saturna Capital Research

Case Study:

Unicharm is a household and personal care products company. Headquartered in Japan, the company operates across developing Asia, the Middle East, and the Americas. Unicharm's management must be prepared for the variety of water risks in these geographies. As part of understanding its exposure to water risks, Unicharm conducted a medium- to long-term water risk assessment in 2022, using the World Resources Institute's Water Risk Atlas. Through this assessment, the company found that nine of its 41 factories, nine were exposed to "extremely high" or "high" water stress. Based on climate change forecasts, the number of exposed factories is expected to increase from nine to 16 by 2040. To reduce future risks, Unicharm increased its water recycling, planted trees, and conducted waterway cleanups to protect current resources. As part of its recycling efforts, the company reached 90% water reused at its large Indonesian factory.[12]

Update on 2022 Case Study

Last year, the Amana Impact Report featured a case study on Chilean lithium producer **Sociedad Química y Minera (SQM)** to highlight the conundrum of transitioning to a low-carbon economy. Along with the need to address global climate change is the need to minimize the local effects associated with the transition. With 100% of the company's water extraction located in areas of "high" or "extremely high" water stress, SQM set targets to reduce continental water consumption 40% by 2030 and 65% by 2040, from 2020 levels. In 2022, SQM cut its water intensity by a massive 74.6%, thanks to historically high lithium prices. Although impressive, the company's 5.1% reduction in total water consumption is more important to its long-term effects on the local environments where SQM operates.

Social

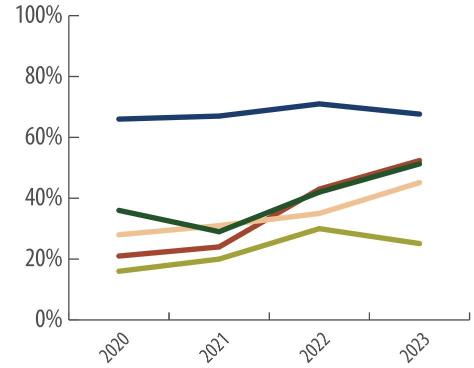
In 2023, the gap on disclosure rates between social and environmental topics narrowed. This was especially pronounced in the percentage of companies disclosing the number of women in management positions. Part of the increase in disclosures may be attributed to changing the data source from Bloomberg to Refinitiv in 2023. Still, prior to this year, these trends were well established.

Environmental topics generally support higher disclosure rates, as social topics tend to be more industry-specific in nature. Nevertheless, several social themes cut across industries. Two that stood out were employee diversity and health and safety. In 2021, we expanded our discussion to include racial and ethnic diversity metrics. In the US, companies with more than 100 employees are required to file an EEO-1 report with the federal government. This report details racial composition by level of employment. Thanks in part to investor pressure and the fact that most major US companies already collect this data, we've seen a marked increase in disclosure of racial and ethnic diversity figures at large US companies.

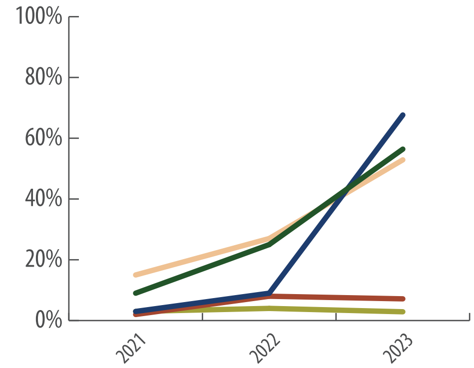
In 2023, the holdings in the Income and Growth Funds reported similar levels of diversity as they did in 2022. As a result, the Funds have similar gender diversity levels to the S&P 500. On ethnic diversity, the Growth Fund saw management diversity improve, while the Income Fund backslid. Both Funds reported higher numbers of minorities in management, and a smaller gap between minority employees and minorities in management. This difference between employee and management levels is important when considering glass ceilings. Diversity figures for the Developing World Fund had marked changes, but considering the low disclosure rates, these figures are prone to volatility.

Percent of companies providing disclosure on social performance:

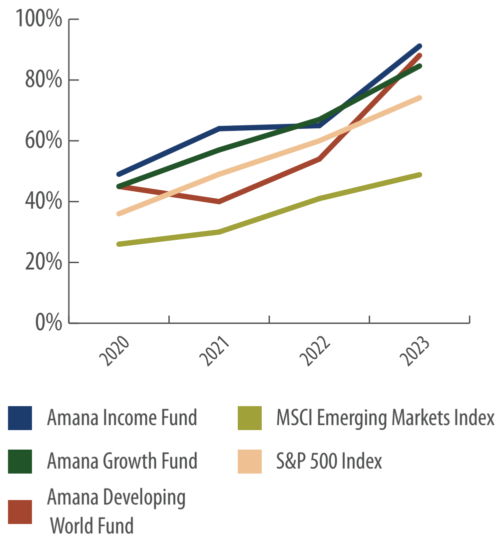
Employee Lost Time Incidence Rate



Minorities in Management



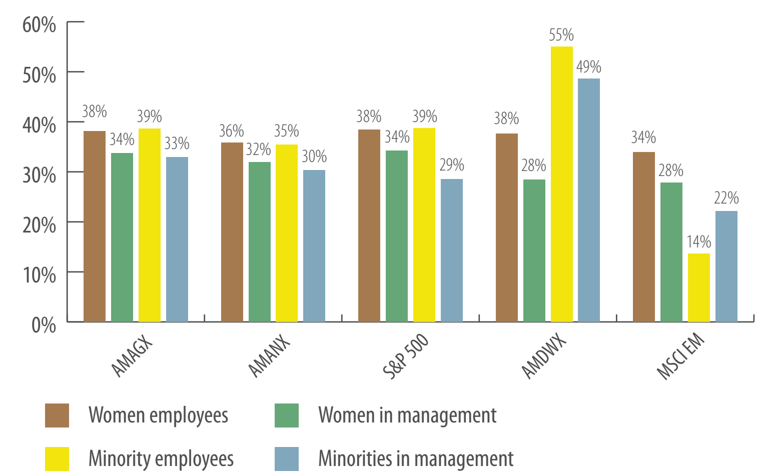
Women in Management



Source: Refinitiv, Bloomberg, Saturna Capital Research

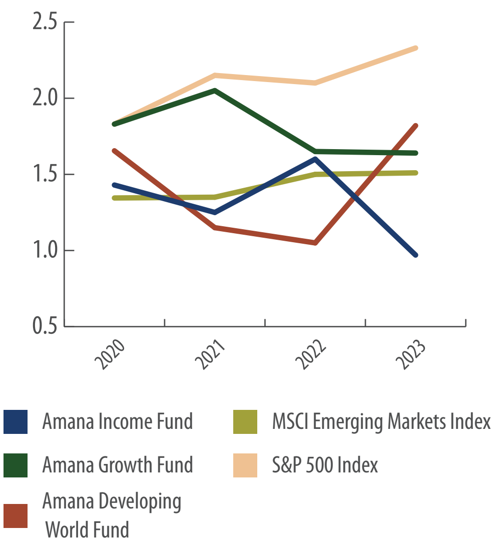
For employee health and safety, the Growth and Income Funds reported lower lost time incidence rates than the S&P 500. Unfortunately, the Developing World Fund unwound a positive trend and saw rising average injury rates among its holdings. Despite the rise, the Developing World Fund maintained an injury rate well below the S&P 500. Also worth considering is the 25% disclosure rate for the MSCI Emerging Markets Index, which reported a disclosure rate half as high as the Developing World Fund. This raises concern that there may be occurrences of selective reporting. Regardless, the increase in injuries per one million worked hours for holdings in the Developing World Fund is an area that needs improvement.

Employee Diversity by Employment Level



Source: Refinitiv, Saturna Capital Research

Lost Time Incidence Rate



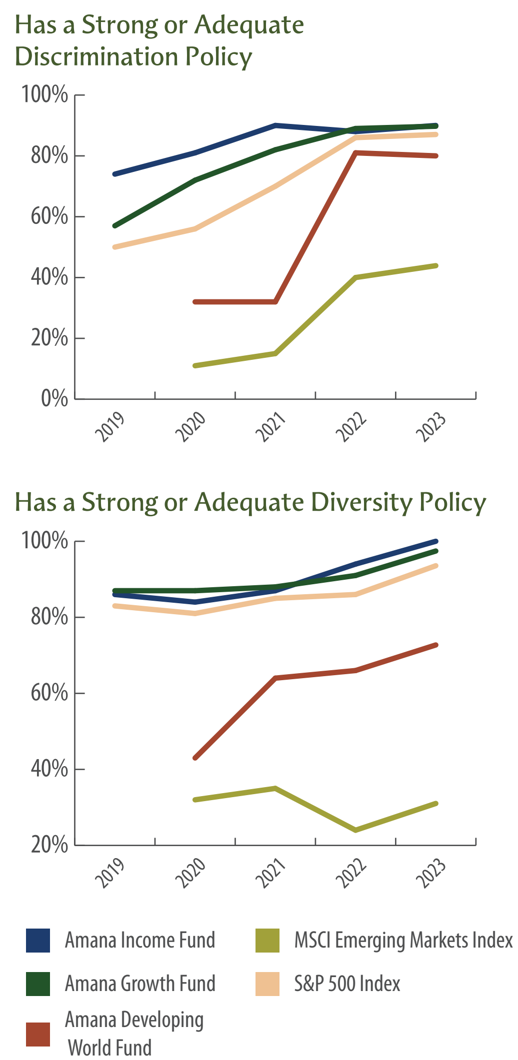
Source Refinitiv, Bloomberg, Saturna Capital Research

Diversity & Inclusion

In 2023, white women represented 29% of the entry-level workforce and women of color represented 18%. Women represent 48% of entry-level roles, near-parity with their male counterparts. The same cannot be said for higher rungs on the corporate ladder. White women represent only 22% of the C-suite, and women of color represent a dreadfully low 6%.[13] While the 28% representation for women in the C-suite is a 2% improvement from 2022, it is still far from equal representation.

Closing the gender and race pay gap isn't just the right thing to do, it's also good business. A study from McKinsey & Co. found that companies in the top quintile in gender diversity had a 55% chance of financial outperformance, while companies in the top quintile in ethnic diversity had a 59% chance of financial outperformance.[14] We tend to favor companies with policies that deter discrimination and promote diversity, as we believe that those companies benefit on an operational, commercial, and strategic level.

Percent of holdings/constituents reporting:



Source Sustainaytics, Saturna Capital Research

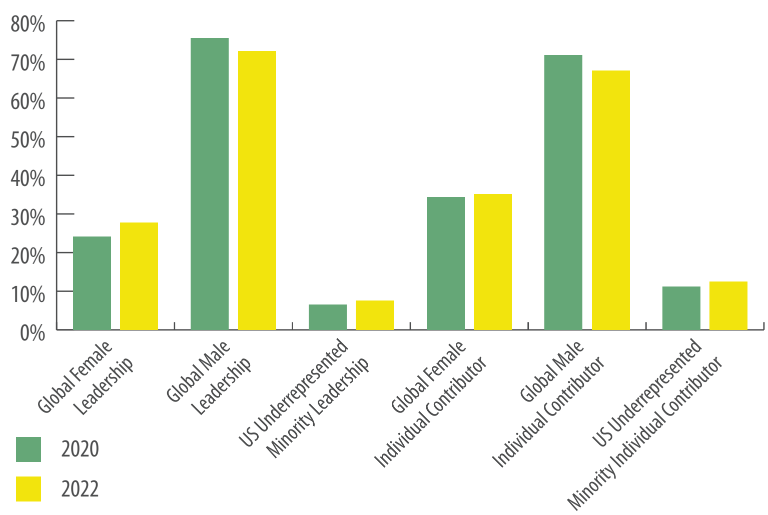
Case Study:

Through their "Adobe for All" initiative, **Adobe** places diversity and inclusion at the core of the company's "DNA." As a software company that enables creativity, Adobe recognizes that to address the varied needs of their customers and respective audiences, the workplace should reflect the diversity of the world around it. In 2020, Adobe set the following goals:

- Increase representation of women in leadership positions (defined as employees who are director-level and above) to 30% globally by 2025.
- Double representation of US underrepresented minority (URM) employees in leadership positions by 2025.
- Double Black representation as a percentage of US employees by 2025.

In 2022, 27.7% of global "Director+" positions were held by women and 7.6% of US "Director+" were held by URM employees. Black employees represented 3.1% of Adobe's US workforce, up 63% from 2020. Adobe maintained global gender pay parity for the fifth year in a row, and likewise maintained URM employee pay parity for the third year in a row.[15]

Adobe Diversity Progress



Source: Company Reports, Saturna Capital Research

Update on 2022 Case Study

Novo Nordisk continues to make progress on its "aspirational targets," which were set to be achieved by 2025. The company understands that workforce diversity is valuable for ensuring that their products address the varied health needs of the diverse populations they serve. Novo Nordisk provided an update on its performance as of the third quarter of 2023, which included the following figures:

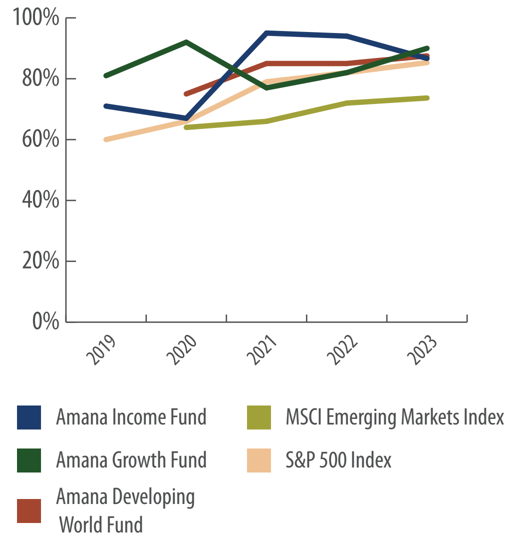
- Women in leadership positions grew from 44% in the second quarter of 2023 to 45% in the third quarter. 45% meets the lower threshold for the company's goal to achieve "balanced gender representation across all managerial levels."
- Women in senior leadership reached 41%, up from 38% in the second quarter of 2022.
- The company's Inclusion Index found that 82% of Novo Nordisk employees rated the company's inclusion efforts to be "favorable."[16]

Health & Safety Management Systems

Workplace accidents and illnesses cost the global economy an estimated $5 trillion and result in 2.9 million lives being lost, according to the International Labor Organization (ILO).[17] Not only are workplace accidents expensive, but research shows that investing in employee health and safety can lead to positive returns.[18] Along with a direct payoff, maintaining a safe workplace is fundamental to supporting employee satisfaction. Research by Bain & Company found that corporations with the most satisfied employees grow faster and have better margins.[19] The loss of life and life-altering injuries are tragic, and avoiding such accidents is simply the right thing to do. It also tends to be good for business.

Percent of holdings/constituents reporting:

Has a Strong or Adequate
Health & Safety Management System



Source Sustainaytics, Saturna Capital Research

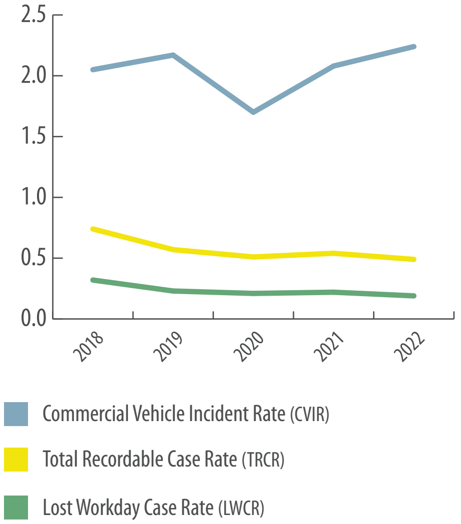
Case Study:

Linde is a global industrial gases and engineering company that serves a variety of industries, supporting a range of applications from clean hydrogen production to medical oxygen to specialty gases for electronics. Recognizing that producing industrial gases is inherently dangerous, Linde puts employee safety at the forefront of its ESG strategy. As part of its safety initiatives, Linde emphasizes the importance of continual employee training. In 2022, the company delivered approximately five million hours of training. To measure its success in supporting employee health and safety, Linde set the following goals in 2018:

- Achieve annual operational safety better than industry levels on Lost Workday Case Rate (LWCR) and Total Recordable Case Rate (TRCR).
- Achieve annual Commercial Vehicle Incident Rate (CVIR) of <2.5/million km.

In 2022, Linde achieved a LWCR of 0.19, more than four times better than the US Occupational Health and Safety Administration (OSHA) all industries industrial average. The company also delivered a TRCR of 0.49, more than five times better than the OSHA average. Finally, Linde reported a CVIR of 2.24, below the 2.50 target. However, since economies reopened post-pandemic, Linde has seen a negative trend develop in its CVIR. This is an area we'll continue to monitor for improvement in the coming years.

Linde Workplace Safety Metrics

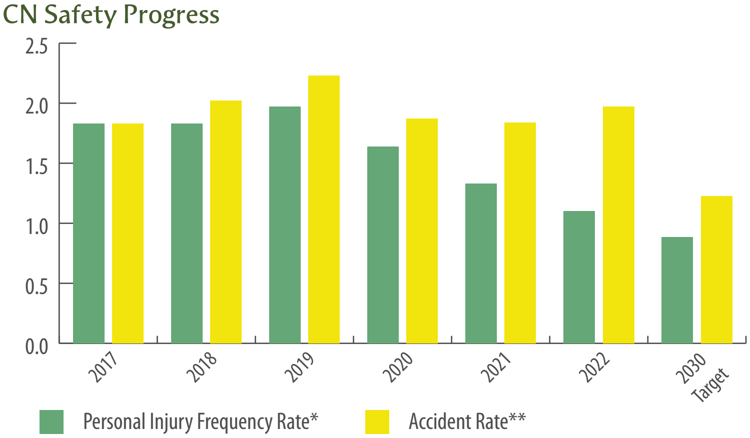


Source Company Reports, Refinitiv, Saturna Capital Research

Update on 2022 Case Study

Canadian National Rail (CN) continues its focus on building a culture of safety at the center of its day-to-day operations and at the core of the company's culture. CN consistently reports safety performance along with other key operating metrics during its quarterly earnings calls. While CN's personal injury rate steadily declined since 2019, the company has seen a slight uptick in accidents. To address this, CN invested in a host of infrastructure and technology improvements to minimize accidents and spills, including automated track and railcar inspections, 3D tie rating technology, and predictive data analytics.[20]

CN Safety Progress



** Injuries per 200,000 person hours*

*** Accidents per million train miles includes only derailments or collisions in excess of a reporting threshold of US$10,700 in damages for 2019-2020, US$11,200 in 2021 and US$11,300 in 2022. The 2021 number was restated to reflect the most up-to-date safety data.*

Source: Company Reports, Saturna Capital Research

Governance

Before ESG entered the investing lexicon, there was a widely held appreciation for strong corporate governance. With the principle-agent problem inherent in public markets, investors have long understood the need to align management's wants with shareowners' interests. One important way to address this conundrum is to establish boards with durable independent directors and create appropriate structures for overseeing a company's managers.

Along with the fundamental need to address potentially misaligned incentives, groupthink failures across organizations (ranging from corporations, governments, and nonprofits) have shown the consequences of not fostering diversity of thought. The collapse of Enron and Arthur Andersen is an oft-cited example of what happens when teams lack independence and diversity of thought, but it's not unique. From failed marketing campaigns to ignoring fraud red flags, groupthink has undermined many businesses.

Board gender diversity and independence have the highest disclosure rates across ESG pillars. For the past three years, the Amana Income Fund, Growth Fund, and S&P 500 have all had 100% of their holdings provide disclosure on board independence and gender diversity. In 2021, recognizing that diversity goes beyond gender, we introduced analysis of board cultural diversity. After digging into the data further, we determined that while developed markets may be "ethnically" diverse yet "culturally" homogeneous, the opposite could be said for developing economies. This year, we decided to look at measures of ethnic diversity for developed market funds (Amana Growth and Income) and the S&P 500 benchmark, while capturing cultural diversity for the Developing World Fund and the MSCI Emerging Markets Index.

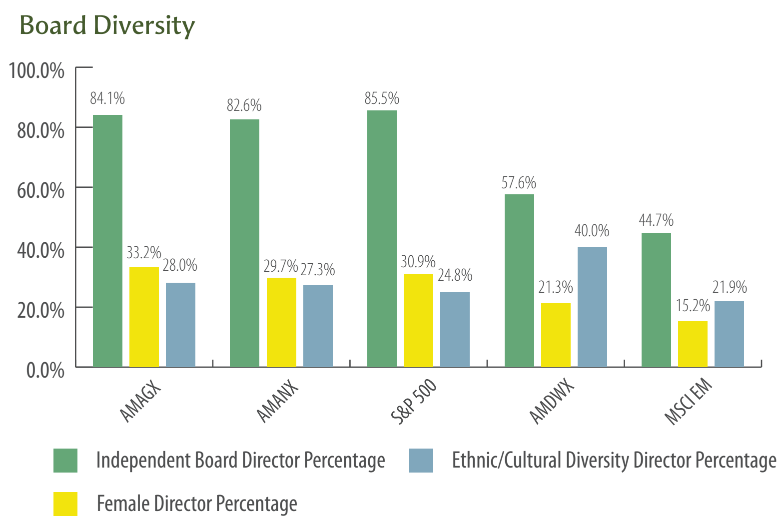
Since 2021, we have seen a marked improvement in developed market companies providing disclosure on this metric. Although we acknowledge cultural diversity is more nuanced, disclosure in emerging markets has failed to gain the same traction as ethnic diversity in developed markets.

Percent of companies providing disclosure on governance performance:

Source: Company Reports, Saturna Capital Research

While governance metrics are generally well-disclosed, we see results diverge based on geography. Developed markets have mostly independent boards. In the developing world, we see significantly lower board independence rates. One reason for this is that developing countries tend to have more family-run, founder-held, or state-owned businesses, making them less receptive to investor calls for greater independence.[21] Across markets, we see a lack of gender and cultural diversity, but note that developing markets tend to support greater cultural diversity rates.

Beyond the quantifiable aspects of board independence and diversity, many facets of governance are more qualitative in nature. This is especially true for how companies seek to align shareowner and management interests with those of their employees, customers, and wider society. To understand these qualitative aspects, we analyze how management establishes policies and corporate cultures that compel employees to act ethically. In this analysis, we consider management's efforts to curb corruption and bribery, enhance business integrity, and provide avenues for whistleblowers. To this end, we expect companies with strong governance systems will align employee interests with the firm's, and to align management's incentives with those of the shareowners.



Source: Refinitiv, Saturna Capital Research

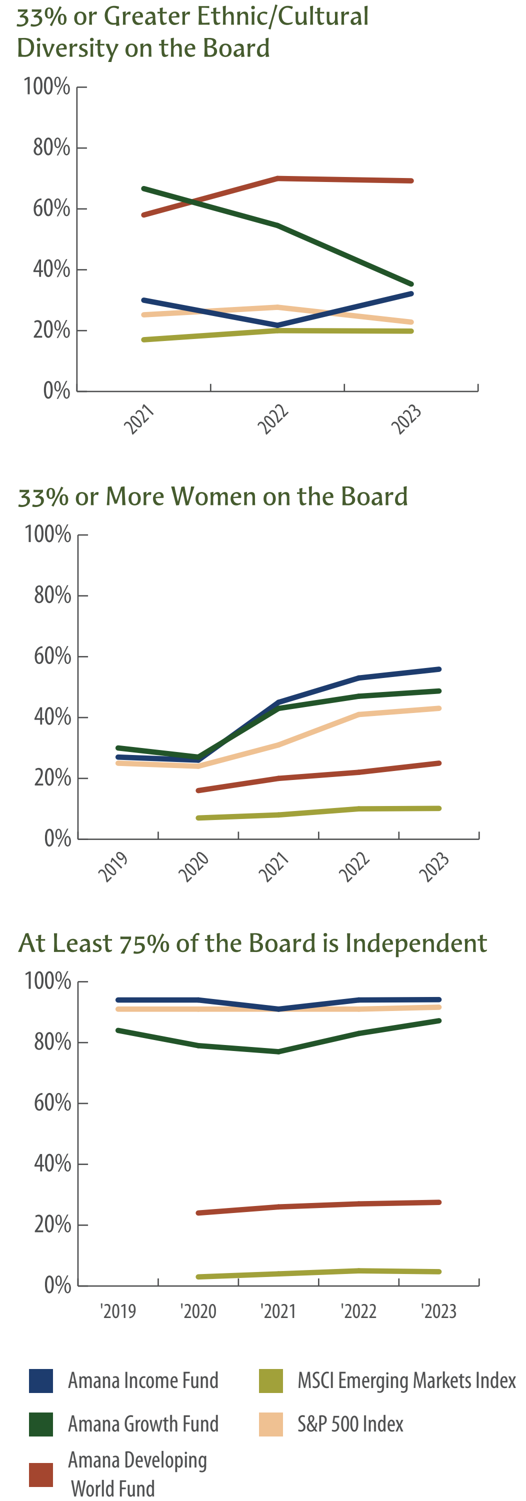
Board Independence & Diversity

In many ways, board independence and diversity are two sides of the same coin. To combat groupthink, board members need to be free of management's influence and be able to offer unique perspectives. Investors have long appreciated the value of board independence, understanding the significance of diversity is a more recent development.

As investors have come to realize the value of diverse boards, we've seen a general improvement in gender and cultural diversity. Still, there is much room for improvement. In 2023, 46% of new directors were women, flat with 2022 but up 6% from 2018. For underrepresented minorities, there was a pronounced slowdown in 2023, with 36% of new directors coming from underrepresented groups, down from 46% in 2022. While this slowdown is concerning, it's still a notable improvement from 19% in 2018. Still, only 24% of all S&P 500 board members are racially or ethnically diverse, up slightly from 22% in 2022 and well below the 43% level for the wider US population.[22]

Each of the Amana Funds leads its respective benchmark on gender, ethnic, and cultural diversity measures. However, we have seen a significant decrease in the percent of Amana Growth Fund holdings that report 33% or higher minority representation on the board. One possible reason for this decrease – over the past three years, disclosure rates rose rapidly, and companies that reported in 2021 were biased to those that supported higher diversity levels. We also acknowledge that the Growth Fund trailed the S&P 500 on board independence. Here, it's worth highlighting that all but one of the Fund's holdings, Novo Nordisk, reported at least 50% independent director representation.

Percent of holdings/constituents reporting:



Source: Refinitiv, Saturna Capital Research

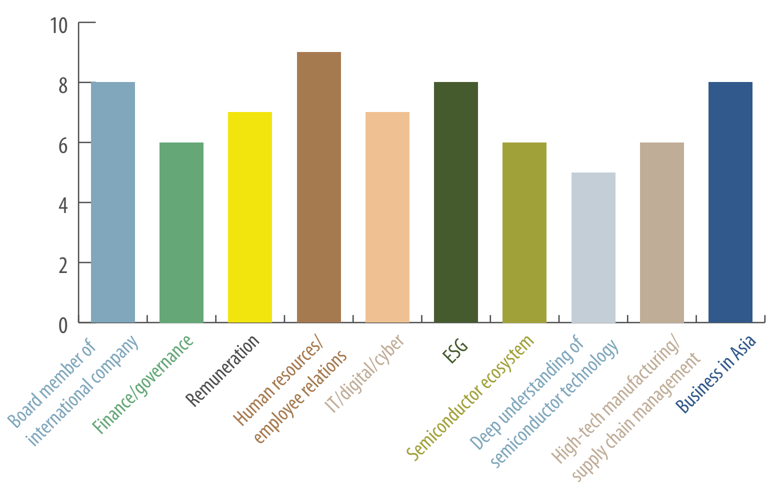
Case Study:

Founded in 1985, **Qualcomm** produces semiconductor technology and software that supports wireless tech and communications. As a designer of leading edge communications technology that is often produced in developing markets with supply chains that run through China, Qualcomm found itself at the center of US-China political tensions. Qualcomm recognized the need for a diverse and independent board to both maintain their technical advantages and walk a geopolitical tightrope. Qualcomm's board is 87% independent and includes four women and three culturally or ethnically diverse members. The company's board is composed of members with a wide range of valuable backgrounds. Prior experiences include corporate leadership, multilingual educational policy, electrical engineering, financial expertise, and software sales. Qualcomm's directors clearly cover its core business, but given the increasing politicization of semiconductor manufacturing, they could be well served by adding geopolitical expertise to the board.

Update on 2022 Case Study

ASML continues to support a diverse board, and women represent four out of nine members. Constituents also hail from six different countries and provide a range of expertise including corporate leadership, strategy, finance, and semiconductor technology development. Despite these varied backgrounds, we continue to note that, as they did in last year's report, the board has only European and North American members.

Director Qualifications, Expertise, and Attributes



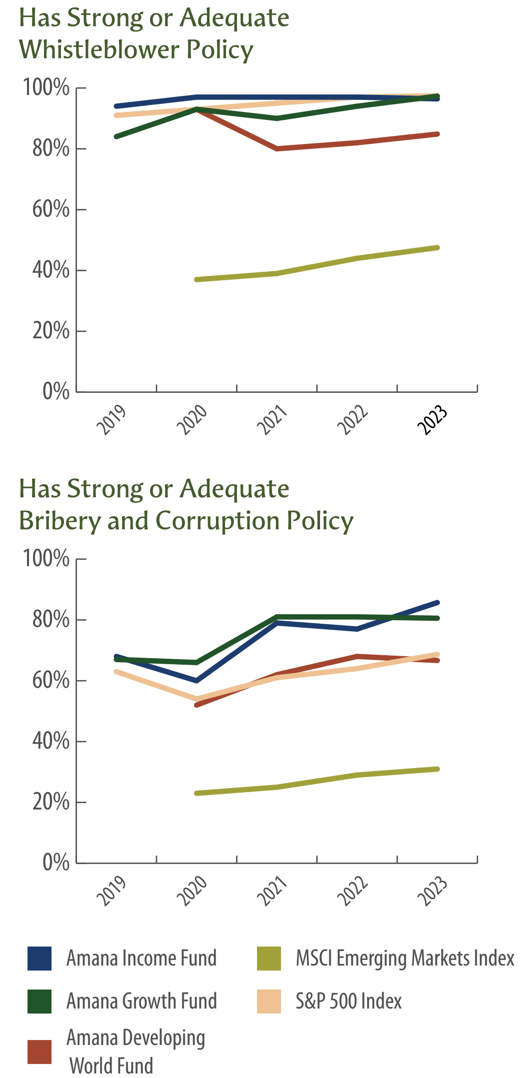
Source: Company Reports, Saturna Capital Research

Ethical Business Practices

Trust is fundamental to free and efficiently operating economies. Through developing and implementing strong codes of conduct, companies can build and maintain trust. Two critical components to upholding ethical practices are the development of programs that fight bribery and corruption and providing strong protection for whistleblowers. A recent Deloitte survey of corporate leaders found 85% of respondents were concerned about "non-compliance with external laws" and 77% with "breaches of internal ethical or compliance policies." To address these and other concerns of fraud and wrongdoing, 95% of respondents reported having a whistleblower hotline, up from 80% in 2022.[23]

Whistleblowers provide a critical lens into what's happening under the surface. To be effective, companies must support robust programs and policies to protect whistleblowers. As with other aspects of governance, we see higher adoption of whistleblower and anti-corruption policies among developed market companies. While the Amana Developing World Fund has a lower rate of adoption of these policies compared to the other two Amana Funds in this report, the Developing World Fund has much stronger adoption than the MSCI Emerging Markets Index.

Percent of holdings/constituents reporting:



Source: Sustainaytics, Saturna Capital Research

Case Study:

Founded in 1876 by its namesake, **Eli Lilly** has grown into a global pharmaceutical company treating a variety of clinical illnesses from depression to diabetes. Among its many achievements, the company is attributed as the first to mass-produce the polio vaccine. Since its beginning, Lilly has maintained a commitment to ethical businesses practices, noting the founder was motivated to develop "high-quality medicines that met real needs in an era of unreliable elixirs peddled by questionable characters." The company remains committed to upholding these values, establishing a business code of conduct called "The Red Book," and requiring all employees to undergo annual training on ethical business.

To uphold this code of conduct and identify possible compliance issues, Lilly maintains a 24-hour "Ethics and Compliance Hotline" and corporate auditing that involves internal and third-party reviews of compliance with policies and procedures. Over the past three years the company has seen allegations decrease while the severity of punishments increased. Disciplinary action rose from 41% in 2020 to 54% in 2022, showing the company is taking a hardline when violations are substantiated.[24]

Employee violations and discipline	2020	2021	2022
Number of high-risk allegations investigated and closed	347	319	288
% of time a violation was confirmed to have occurred	68%	65%	66%
% of confirmed violations where individual was disciplined, up to and including termination	41%	46%	54%
% of confirmed violations where individual received corrective feedback or other outcome	59%	54%	46%

Source: Company Reports, Saturna Capital Research

Number of inquiries, complaints, or issues received by the legal and compliance office through an internal monitoring or reporting system

Update on 2021 Case Study

Saudi Telecom (STC) continues to focus on employee ethics training as part of its "integrity takes us forward" program. At STC, all new employees are required to take its "Basic Online Integrity Training" during their onboarding. Existing employees are expected to take this course every two to three years. In 2022, 96% of employees completed the course, up from 94% in 2021. Along with emphasizing training, STC maintains a whistleblower hotline and prohibits retaliation against reports made in good faith. No legal action was brought against STC in 2022 regarding corruption or anticompetitive behavior.[25]

Equity Investment Process

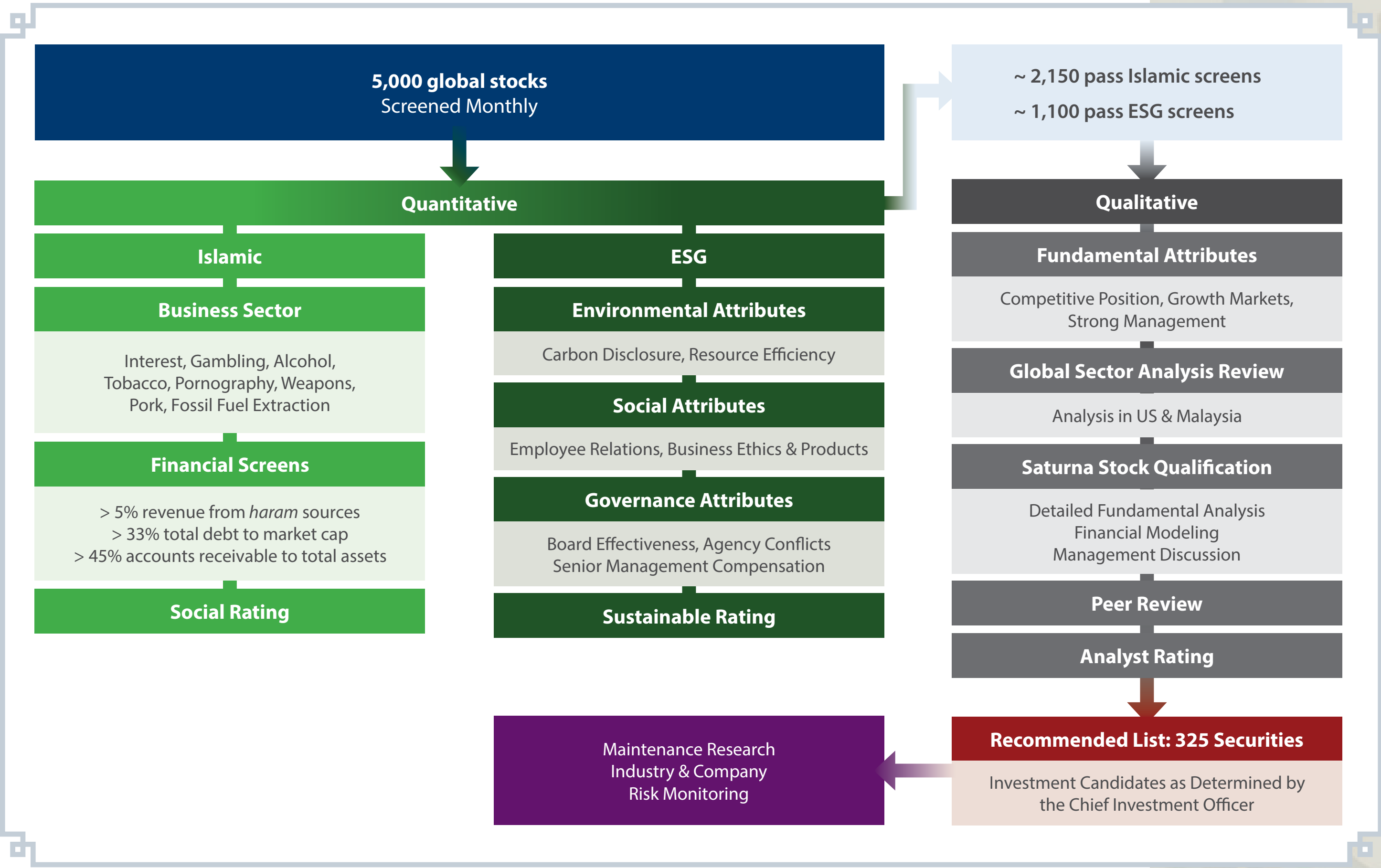
Amana Funds

Saturna Capital's first and largest client, the Amana Mutual Funds Trust, follows Islamic principles as well as ESG investing principles among the equity funds. Islamic principles require investors to share in profit and loss, to exclude investments in prohibited activities, and to avoid speculation in favor of long-term investment. Business sector and ESG screens eliminate companies primarily involved in certain activities including:

- Greater than 5% of their revenue coming from *haram*, or unacceptable, sources.
- Greater than 33% total debt as compared to their market capitalization (trailing 12-month average).
- Greater than 45% accounts receivable as compared to their total assets (trailing 12-month average).

The guidelines developed for the Amana Funds help ensure that investments meet the requirements of the Islamic faith and were established by Saturna in collaboration with the Fiqh Council of North America (FCNA), a nonprofit organization serving the Muslim community. To ensure that investments continue to meet the requirements of the Islamic faith, Saturna engages Amanie Advisors Sdn Bhd, a leading consultant specializing in Islamic finance.

The Fund's adviser also uses negative screening to exclude security issuers primarily engaged in higher ESG risk businesses such as alcohol, tobacco, pornography, weapons, gambling, and fossil fuel extraction.



5,000 global stocks
Screened Monthly
~ 2,150 pass Islamic screens
~ 1,100 pass ESG screens
Quantitative
Qualitative
Islamic
ESG
Fundamental Attributes
Competitive Position, Growth Markets, Strong Management
Business Sector
Interest, Gambling, Alcohol, Tobacco, Pornography, Weapons, Pork, Fossil Fuel Extraction
Environmental Attributes
Carbon Disclosure, Resource Efficiency
Global Sector Analysis Review
Analysis in US & Malaysia
Social Attributes
Employee Relations, Business Ethics & Products
Financial Screens
> 5% revenue from *haram* sources
> 33% total debt to market cap
> 45% accounts receivable to total assets
Saturna Stock Qualification
Detailed Fundamental Analysis
Financial Modeling
Management Discussion
Governance Attributes
Board Effectiveness, Agency Conflicts
Senior Management Compensation
Social Rating
Sustainable Rating
Peer Review
Analyst Rating
Recommended List: 325 Securities
Investment Candidates as Determined by the Chief Investment Officer
Maintenance Research
Industry & Company
Risk Monitoring

About Saturna

Saturna Capital, manager of the Amana, Saturna Sustainable, and Sextant Funds, draws upon decades of investment experience to aid investors in navigating today's challenging markets. Founded in 1989 by professionals with extensive experience, Saturna has helped individuals and institutions build wealth, earn income, and preserve capital.

We are long-term, values-based, socially responsible investors. We view consideration of environmental, social, and governance (ESG) factors as essential in forming portfolios of high-quality companies that are better positioned to reduce risk and identify opportunities. We believe that companies proactively managing business risks related to ESG issues make better contributions to the global economy and are more resilient.

At Saturna, we believe in making your investment dollars work hard for you and that your interests always come first. Saturna strives to not only offer the best investment opportunities from mutual funds to IRAs, but to match those sound investments with superior customer service.

Adviser Spotlight

Saturna Capital, investment adviser to the Amana Mutual Funds, believes that traditional barometers by which investment risk is measured have expanded by necessity to include risks related to environmental, social, and governance practices. The threat of climate risk is intricately linked to more familiar forms of risk including regulatory and reputational risk. As environmental issues (like wildfires) and social and governance issues (like data security and customer privacy) continue to grab headlines and weigh on the minds of consumers, financial markets will see upheaval and consumers will become savvier, choosing to vote with their dollars by moving toward less impactful products and activities. Saturna Capital's analysts are committed to identifying trends, top performers, and solutions providers among industries so that we can be sure our investments are well positioned for the long-term new normal.

Footnotes

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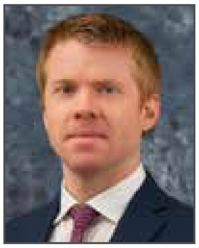
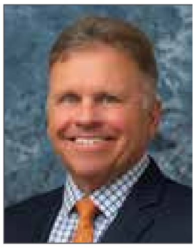
About the Authors



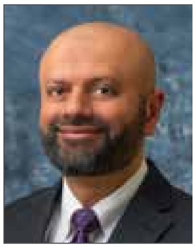
Levi Stewart Zurbrugg MBA, CFA®, CPA®
Senior Investment Analyst and Portfolio Manager

Levi Stewart Zurbrugg MBA, CFA®, CPA®, Senior Investment Analyst and Portfolio Manager, joined Saturna in June 2019. He graduated from Western Washington University with a BA in Business Administration and has an MBA from the University of Washington's Foster School of Business. Prior to Saturna, Mr. Zurbrugg worked at the Sustainability Accounting Standards Board as a Sector Analyst for the Consumer Staples sector. He is a Certified Public Accountant and Chartered Financial Analyst (CFA®) charterholder. Outside of work, Mr. Zurbrugg enjoys exploring the outdoors via foot, skis, and bikes with his wife and son.



Scott Klimo CFA®
Chief Investment Officer and Portfolio Manager

Scott Klimo, Chief Investment Officer and Portfolio Manager, joined Saturna Capital in May 2012. He received his BA in Asian Studies from Hamilton College in Clinton, NY and also attended the Chinese University of Hong Kong and the Mandarin Training Center in Taipei, Taiwan. Mr. Klimo has over 30 years' experience in the financial industry, with the first several years of his career spent living and working in a variety of Asian countries and the past 20 years working as a senior analyst, research director, and portfolio manager covering global equities. Mr. Klimo is a Chartered Financial Analyst (CFA®) charterholder and an avid cyclist. He is a supporter of various environmental organizations and served for several years on the Board of Directors of the Marin County Bicycle Coalition.



Monem Salam MBA
Executive Vice President and Portfolio Manager

Monem Salam, Executive Vice President and Portfolio Manager, joined Saturna Capital in 2003. He served as the Director of Islamic Investing and as a Deputy Portfolio Manager to the Amana Mutual Funds Trust until moving to Kuala Lumpur in 2012 to oversee Saturna Sdn. Bhd. In 2018, he returned to the United States. He is currently the Portfolio Manager of the Amana Income and Amana Developing World Funds, and Deputy Portfolio Manager of the Amana Growth Fund.

Mr. Salam earned degrees from the University of Texas: BA (Austin) and MBA (Dallas). Previous to Saturna, he worked as the Chief Investment Officer for ITG & Associates (Dallas) and as a representative with Morgan Stanley (suburban Dallas).

Mr. Salam is an adjunct professor at IE Business School, speaks at Islamic finance investment conferences worldwide, and co-authored *A Muslim's Guide to Investing and Personal Finance*.

Mr. Salam has authored chapters on Islamic investing in both *Contemporary Islamic Finance* and *Islamic Capital Markets,* and he contributes articles to leading Islamic financial magazines. As a mark of recognition of his achievements in the Islamic economy, ISLAMICA 500 ranked Mr. Salam as one of the 500 most prominent and influential leaders in the Islamic world in both 2015 and 2019.

Ownership of Securities Mentioned

As of September 30, 2023, the Funds held the following percentages of securities in their portfolios (% of net assets):

	Amana Income	Amana Growth	Amana Developing World
ASML Holding NY	-	4.54%	2.51%
Adobe	-	4.10%	-
Canadian National Railway	2.59%	-	-
Eli Lilly	13.36%	4.69%	-
Linde	3.01%	-	-
Novo Nordisk ADS	-	4.56%	-
Qualcomm	-	-	2.57%
Rockwell Automation	5.33%	-	-
Saudi Telecom	-	-	2.52%
Sociedad Química y Minera	-	-	-
Trane	-	2.03%	-
Unicharm	-	-	2.67%

Please consider an investment's objectives, risks, charges, and expenses carefully before investing. To obtain this and other important information about the Amana Funds in a current prospectus or summary prospectus, please visit www.amanafunds.com or call toll-free 1-800-728-8762. Please read the prospectus or summary prospectus carefully before investing.

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Important Disclosures

In this report, we focused on reporting ESG metrics for Amana Income, Amana Growth, and Amana Developing World Funds.

Amana Participation Fund does not have an ESG mandate.

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The S&P 500 is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The MSCI Emerging Markets Index, produced by Morgan Stanley Capital International, measures equity market performance in over 20 emerging market countries. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.

A Few Words About Risk

Income, Growth, and Developing World Funds: The value of the shares of each of the Funds rises and falls as the value of the securities in which the Funds invest go up and down. The Amana Mutual Funds limit the securities they purchase to those consistent with Islamic and ESG principles. This limits opportunities and may affect performance. Each of the Funds may invest in securities that are not traded in the United States. Investments in the securities of foreign issuers may involve risks in addition to those normally associated with investments in the securities of US issuers. These risks include currency and market fluctuations and political or social instability. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world.

Growth Fund: The smaller and less seasoned companies that may be in the Growth Fund have a greater risk of price volatility.

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