

From willing
to _____ able.





_____able

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Building prosperous communities *thriving* on a healthy earth



—
Great vision!
But *how* do we
get there?
—

We asked ourselves that question. Our team's unanimous answer: #GSD—quit talking & start walking. Get Stuff Done.

Last year, this report was dedicated to sharing our Theory of Change. We believe that including social and environmental considerations in every investment decision builds a better world for all. And it strengthens our business proposition. Our Theory of Change posits that we can have the greatest impact by working with business leaders across our investment markets, for they will influence and make decisions about many companies and many people for many years to come. We work with business leaders—the decision makers in local private equity and private debt firms, and the CEOs of our investee companies. As agents of change, we believe that helping business leaders lead with vision, humanity and integrity has the power to build prosperous communities that thrive on a healthy earth.

If last year was about theory,
this year is about action.
We're moving from theory to
implementation. From talk to
#GSD. From willing to able.

We're tempted to paint you a perfect picture. One that shows how far we've come and how much impact we've achieved. But Leonard Cohen haunts that temptation with his most meaningful words, "There is a crack in everything. That's how the light gets in." OK, we'll let in a bit of light.

We'll admit that, while we've always been 100% financial and 100% impact, we're still a work in progress. Twenty years ago, we didn't track any impact data. Our investors knew impact when they saw it. What they saw was us investing in growing companies with progressive management. They saw companies producing great products, putting food on the table of many employees, and building up local communities. They wanted to know that when we invested their capital in emerging markets, we were doing the right thing. We were.

Today, the world—not so much our investors, but the surrounding milieu of interested parties—wants us to measure. That has brought positive changes: we are more thoughtful, we have a deliberate theory of change, and we have created a logic model to more accurately take aim at "Building Prosperous Communities Thriving on a Healthy Earth." But we must apologise for our data because they tell less than half the story. Untold, are the behind-the-scenes stories of flourishing companies, budding livelihoods, and prosperous communities. Also untold, are the stories of the unintended social, economic and environmental consequences of such success—stories of jobs lost at competitor companies and of wealthier employees consuming more scarce resources.

Our conclusion: impact investing needs data, but more important is deep and thoughtful research. And most important is doing the right thing for humanity and the Earth.

—
**This is
who
we are**

...

A half-dozen years ago, a pension fund asked us to promise that our social and environmental values wouldn't harm their financial returns. Understood and agreed! **The most important thing we do is wisely invest and manage capital on behalf of our investors.** We are not philanthropists. The global economy, while it must radically refocus to ensure social and environmental sustainability, can not survive without an adequate risk-adjusted rate of return. Our investors are families and institutions. To survive, each must invest for profit. As their stewards, our challenge is to optimize financial returns that build prosperous communities and a healthy earth.

Our sole expertise is private investments in emerging markets. Offering that expertise to investors comes with a commitment to delivering strong financial returns, while creating deep and lasting impact wherever we invest.

Expertise

It's surprising how many investors have said, "You are so deeply familiar with emerging markets. We're looking for a firm to help us access emerging markets public equities. Can you do that?" Nope. That's not us. We actually don't understand public markets very well. Our whole experience, and our team's singular focus is private companies. Growing and selling private companies is a very different skill set than investing in publicly traded markets. Our success is based on improving our companies' products, sales and operations. We compete with the company down the road, not the emotional swings of public market investors.

Importantly, our private company focus does not span the globe; we only know private companies in emerging markets. We are often encouraged to include developed markets in our remit. And, indeed, it might be easier to raise capital if we did that, but our experience is Asia, Africa and Latin America. There are many others that invest in Europe, North America and other developed markets. The market hardly needs us there, so we'll continue our focus on emerging markets.

To assemble the best team for our investors, we don't care about flashy names; we seek those who can #GSD, those who know private companies, and those who know how to assess risks and opportunities in emerging markets. We want to be the preferred home to impact investment professionals, so culture is equally important:

those who believe in a better world, those who treat each other with kindness and respect, and those who keep our investors in mind with each decision they make.

Integrity begins at home, so we are not shy to remind ourselves that we must be that which we profess elsewhere. Without doing the work here, we can't do it there. So, to be the change we expect to see in the investment industry, we must continue to build a better Sarona. Starting down that path, we've recently implemented diversity, equity, and inclusion policies, an employee share ownership plan, a carried interest sharing plan and thanks to the heavy hand of Covid, we've learned that work flexibility is a win-win proposition. There's much yet to be done, but we're moving forward.

Commitment

With our singular focus—private investments in emerging markets—comes a commitment to strong financial returns. One of our internal goals is to be the preferred investment manager for our investors, or the preferred GP for our LPs. For that, we must deliver strong and consistent financial returns. We can be kinder and more respectful than others, we can achieve the greatest of social or environmental impact, but if we don't deliver strong and consistent returns, we will have failed our investors and our aspiration to build prosperous communities thriving on a healthy earth.

We're pleased and grateful that the sun of profitability has shone generously on our private equity funds and our investors. The pandemic caused financial stress throughout the global economy, but private equity backed companies were able to firstly survive the early economic lockdowns and then invest in tech-enabled solutions to keep operating. The pandemic has been painful for so many people, but the most enduring insight was about resilience—of people, of companies and of economies.

Impact

Last year, for the first time ever, we accepted an investment mandate from a sovereign government. On behalf of the Government of Australia, we launched the Emerging Market Impact Investment Fund, which balances financial sustainability with impact objectives. This impact-first mandate has nicely complemented our financial-first mandates, with each side learning from the other.

In the last two years, we have appointed a Managing Director of Impact, hired a Senior Associate of Impact, reworked our Social and Environmental Management Systems, and implemented ESGI Gap Analyses and Improvement Plans for investees.



Sarona Inside: *it has been said that, after Sarona has completed its financial and impact work with an investee, that investee considers themselves "certified."*

...
**This is
what
we do**

—

THEORY OF CHANGE



Front Row: Adam Pries, Paulus Ingram, Anna Lopez, Kariba Spiff, Ralitsa Rizvanolli, Serge LeVert-Chiasson, Cindy Wang, Kwaku Addo-Abedi, Menno Derks

Back Row: Shameek Patel, Emre Karabekirogullari, Patrick Hergt, Winnie Odhiambo, Geoffrey Henry, Mat LeRoux, Gerhard Pries, Deborah de Rooij

Moving from conviction to action

1. Our Belief Statement

We believe that applying ethical, social and environmental values to each investment decision builds a better world for current and future generations. We further believe that such values help generate strong businesses and strong financial returns.

2. Our Impact Mission

We will be an agent of change, helping to deliver prosperity for all:

- for all today—we will empower people
- for all future generations—we will tend the earth

3. Our Theory of Change

Delivering capital to entrepreneurs in

emerging markets is inherently impactful—our trade finance gives life to SMEs that would otherwise wither, and our private equity gives breath to growing businesses. Our capital increases employment, improves competitiveness and develops supply chains served by small-scale enterprises. These companies play a significant role in the advancement of trade, boosting economic growth, reducing poverty and building local community institutions. But we must do more. Impact Investing 2.0 demands of us that we deliver long-lasting societal change by empowering business leaders to understand the nuance of certain issues and implement

strategies—such as understanding gender equality and implementing women’s empowerment strategies; understanding the challenges of smallholder farmers and building supply chains that include them.

Yes, we invest in companies. But we work with investment industry leaders to deliver long-term systemic change. Of the thousand-plus private investment firms in emerging markets, we partner with the best in class, adding business strength, and improving their social and environmental impact. It is these financial-sector leaders that will build sustainable companies for generations to come.

4. Our ESG & Impact Policy

Our policy sets out our internal expectation for action. We are focused, not only on mitigating risks related to ESG failures, but also to improve our companies’ positive impact. We seek therefore, to move beyond minimising the negative to enhancing the positive, from compliance to engagement.

5. Our Social & Environmental Management System

Our management system includes processes and models to assess and improve our impact, from due diligence through investment and management. Because we are far from done, this is a work in progress.

We also partner with advisory firms and non-profits to help deliver programs to investment leaders and investee companies: innovation support, gender-equality strategies and climate action.

6. Our Measurement & Reporting

Our mission is guided by the *Sustainable Development Goals*, focusing on:

- ① Gender—Empowering Women
- ② Earth—Improving Environmental Outcomes
- ③ Livelihoods—Creating & Improving Employment
- ④ Integrity—Improving Governance
- ⑤ Social—Building Communities

Implementing our *Theory of Change*:

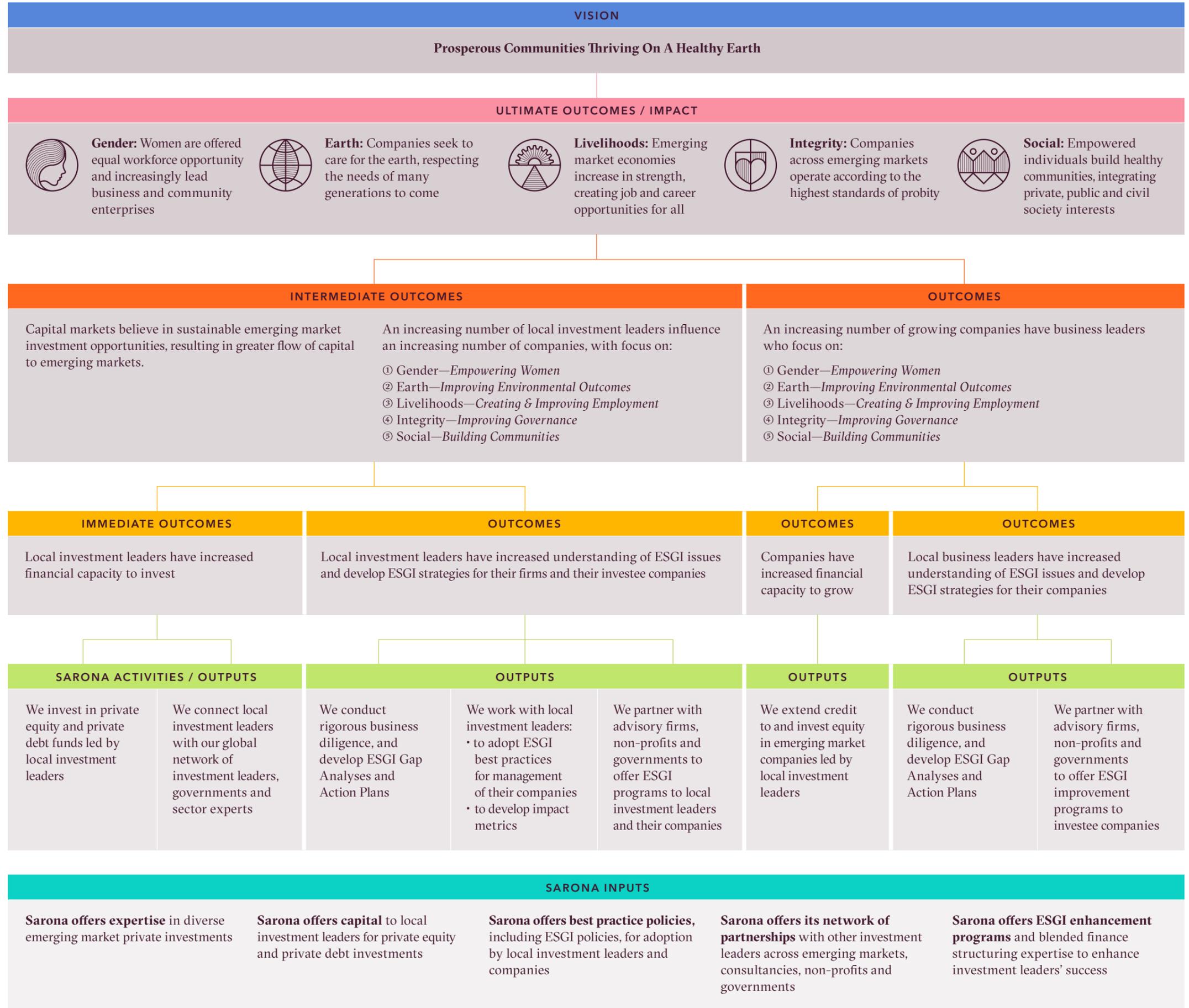
An Impact Logic Model

We believe that, by investing in and working with local business leaders, we can help create healthy new economies. But how does that actually happen? How does our work result in a better world?

Some readers will be familiar with logic models. Such models are created by starting at the top, at the ultimate outcome or impact, and then reverse engineering the steps all the way back to what we must do to get the impact ball rolling. Such models are tremendously helpful in clarifying what one must do to move from theory to action, and from action to impact.



This model should be read from the bottom up ↑





①

GENDER

*Empowering
Women*



Gender equality liberates not only women, but the potential of a nation. For what community can truly flourish that empowers only half of its people?

For Sarona, Gender Equality is about empowering women. Yes, we invest in women-led companies and partner with women-led investment firms, but our Theory of Change demands that we seek to be an agent of change—helping move the world from status quo to something better. Empowering Women.

As our team reflects back on our own stories, we see that it was only in the last 100 years that women in our home countries were granted the universal right to vote. We've come a long way since then, yet not far enough.

The United Nations' 5-year report on the SDGs states that the pandemic has exacerbated gender inequalities and now threatens to undermine previous progress on women's empowerment. While the global population is almost 50/50 male/female, even before the pandemic women comprised only 39% of the global labour force, 28% of managerial positions and 25% of national parliamentarians. And the UN fears that Covid-related economic shutdowns has hurt women more than men. Women have disproportionately lost jobs, experienced more domestic violence and some communities have slid back toward child marriages.

Our societies need more than representational parity. Until we achieve true gender equality, we will not be whole. We know that. And that is why we must redouble our efforts to work at gender equality within Sarona and with our business partners across emerging markets.

Equitable.

% of board members who are women	20% in our investment partner firms (increasing trend)
	14% in investee companies (stable)
% of management who are women	29% in our investment partner firms (decreasing trend)
	31% in investee companies (stable)
% of staff who are women	48% in our investment partner firms (stable)
	40% in investee companies (increasing trend)
Jobs created for women (est.)	2,187 in investee companies

Notes to data: We partner with investment leaders who understand gender issues and seek to empower women in their firms and investee companies. But gender equality is yet far from true. In our upcoming work with our business partners, we expect to see these figures improve in the next years.

If 50% of the world's brains reside in women's heads, then companies that don't seek gender equality are missing 50% of their potential. Seeking gender equality is therefore not only a matter of justice; it's a matter of business success. We want our business partners and our investee companies to capture their full potential success.

But, without internal integrity, our values are hollow. So, where are we at?

Sarona is part of the private investment sector, which has traditionally been heavily male dominated. When we recruit new employees, by far the largest number of applicants are men. So, we have had to become more deliberate about creating a more gender balanced team.

Governance: four out of the five (80%) independent Sarona Board and Investment Committee members are now women. Two of those were appointed this year.

Team: Nine out of 21 (43%) Sarona full-time employees and contract personnel are women. We'd like to improve that. We'd also like to tilt the management ranks more toward women. Since a few years ago, therefore, our recruitment postings make it explicit that we encourage women to join our team. We also ask our networks to help us find qualified women.

Gender Lens Investing: Last year, we launched the EMIIF program for the Government of Australia. That program is modeled on a GLI approach, and targets women's empowerment in its investments.

Investment: This year, USAID and Palladium invested the first \$4 million in our new SGM3 private equity fund to help us focus more directly on women-led private equity funds and companies. The \$4 million investment will be forgiven, i.e., granted to the fund's other LPs if the fund meets certain gender equality milestones.

The story of Oria Capital



We have known Oria Capital and its predecessor firm for many years, but we first partnered with Oria in 2017 when we invested \$4 million in the Oria Secundario Fund. More recently, we also invested \$3 million in Zenvia, a company managed by Oria, and \$6 million in the Oria Capital III fund.

Prior to our investment, we assessed Oria to be “ESG interested” (level 2 of our 7-level preliminary assessment.) But Oria was curious about impact and wanted to learn. The firm recognised the power of capital, patient support and instilling best practices in transforming companies to be positive contributors to society. Oria wanted to be part of the change story in Brazil, ensuring that their investee companies generated a positive impact and contributed materially to the UN SDGs. This was especially true because Oria is a growth capital firm focused on B2B software companies with lots of impact in productivity—a pressing issue for Brazilian and LatAm economies—and many opportunities to improve diversity in a sector historically led by male engineers. After conversations with Sarona, Oria committed significant time and effort to establish a three-year action plan to optimise their firm's impact. The firm reviews its action plan annually to update its impact targets and impact improvement projects. Since our initial investment, Oria has:

- built quality ESG and impact policies and processes;
- become a B Corp (2020); and
- become a signatory to the UN Principles for Responsible Investment (2020.)

In 2018, at the occasion of a Sarona Investor Day in Washington, Oria business leaders were invited to speak about how they were empowering women in their firm. That discussion sparked a commitment by Oria to promote women to more senior roles, including partnership, in the firm—two out of six partners are now women. This focus on empowering women has also led to positive changes in Oria's investee companies. Zenvia Inc. is a prime example of this outcome; Zenvia saw its share of women employees jump from 12% to 45% since Oria acquired the company.



②

EARTH

*Improving
Environmental
Outcomes*



- SDG-12 › Responsible Consumption & Production
- SDG-13 › Climate Action
- SDG-14 › Life Below Water
- SDG-15 › Life On Land

An hourglass pours steadily until it does not. A hand reaches out, resets. The Earth is in rhythm until it is not. Hands have reached out—it is time to reset.

Our Theory of Change seeks prosperity for all—for all today and for all tomorrow. While it may be easier to achieve prosperity for ourselves at the expense of our grandchildren, “prosperity for all” goes beyond a ‘do no harm’ mandate; it demands that we seek to improve the earth so that future generations can prosper better than we have. Leave it better than you found it.

COP 26! Climate science has been clear for many years, yet it’s taken 26 global meetings to finally agree that a climate crisis is upon us. We’re finally willing, but how will we achieve sustainability when the earth continues to warm at an ever-quicken pace? Last year, the earth was 1.2°C above the pre-1900 baseline. India suffered some of the fiercest heat while fires destroyed forests and homes up and down the west coast of Canada, America and Australia. More recently, some of those same fire-ravaged regions have been deluged by rain as never previously recorded.

Climate science shows that the arctic is already the most heavily affected. The resulting glacier-melt is threatening to submerge tropical island states. The UN forecasts that parts of Africa may soon be uninhabitable and large regions of agricultural economies will no longer be viable. That’s where we invest. Each of us, and each of our investee companies can improve environmental outcomes. And, going forward, we will seek out those companies that more actively provide solutions to the climate change crisis—climate change mitigation, resilience and adaptation.

Sustainable.

Partner investment firms	100% have an Environment, Social and Governance policy	
	68% have an additional, more specific environmental policy	
	71% implement environmental action plan for all investee companies	
Companies with focused action on:	Energy and fuel efficiency	40% stable
	Natural resources conservation	18% stable
	Pollution prevention and waste management	49% stable
	Sustainable energy	34% (increasing trend)
	Water resource management	23% (increasing trend)
Companies with environmental management systems	Policy documenting environmental commitment	67% (increasing trend)
	Internal/external assessment of environmental impact	45% (stable)
	Stated environmental targets	36% (increasing trend)
	Programming designed to achieve targets	23% (increasing trend)
	Audits to evaluate programs	27% (stable)

Notes to data: 30 years ago, only farmers talked about environmental changes. Today, it is part of everyone's dinner conversation. Our investment partners have begun to lean heavily into environmental stewardship, and we expect that over the next two-three years, all investee companies will be focused on environmental outcomes. Environmental action is no longer a luxury.

If the earth is going to warm by two degrees in the next 50 years, we're all in trouble. It's clear then, that we don't have the luxury of deciding whether we wish to consider climate in our investment decisions. We must! We want our business partners and our investee companies to not only reduce harm, but to seek solutions that improve the outlook for our grandchildren.

But, without internal integrity, our values are hollow. So, where are we at?

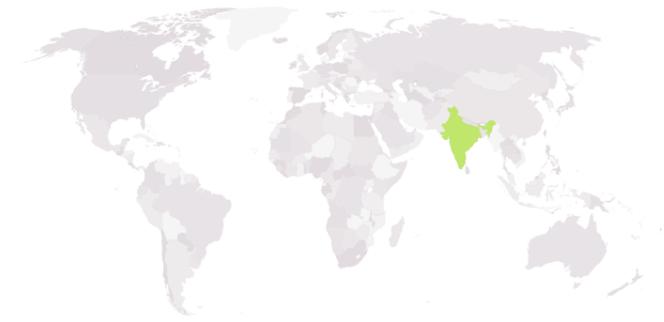
International business necessarily requires much travel and a lot of GHG emissions. Or so we thought. Covid has taught us, very quickly, how to do business with a smaller environmental footprint.

Travel: Covid taught us that we can travel less, a lot less, and still hit exceptional results. We are now beginning to travel again, but we expect that our business can be achieved with less than 50% of pre-Covid travel.

Real Estate: We have vacated our dedicated offices in New York, Kitchener and soon Amsterdam, in favour of smaller offices in co-work facilities, and flexible work-from-home policies for our team.

Investment: We have been seeking out more climate-focused companies. And we have been speaking with institutional investors and government investors, to advocate for investment pools that specifically target investments in companies with solutions to climate change challenges. Governments can do much to catalyse private capital into such funds.

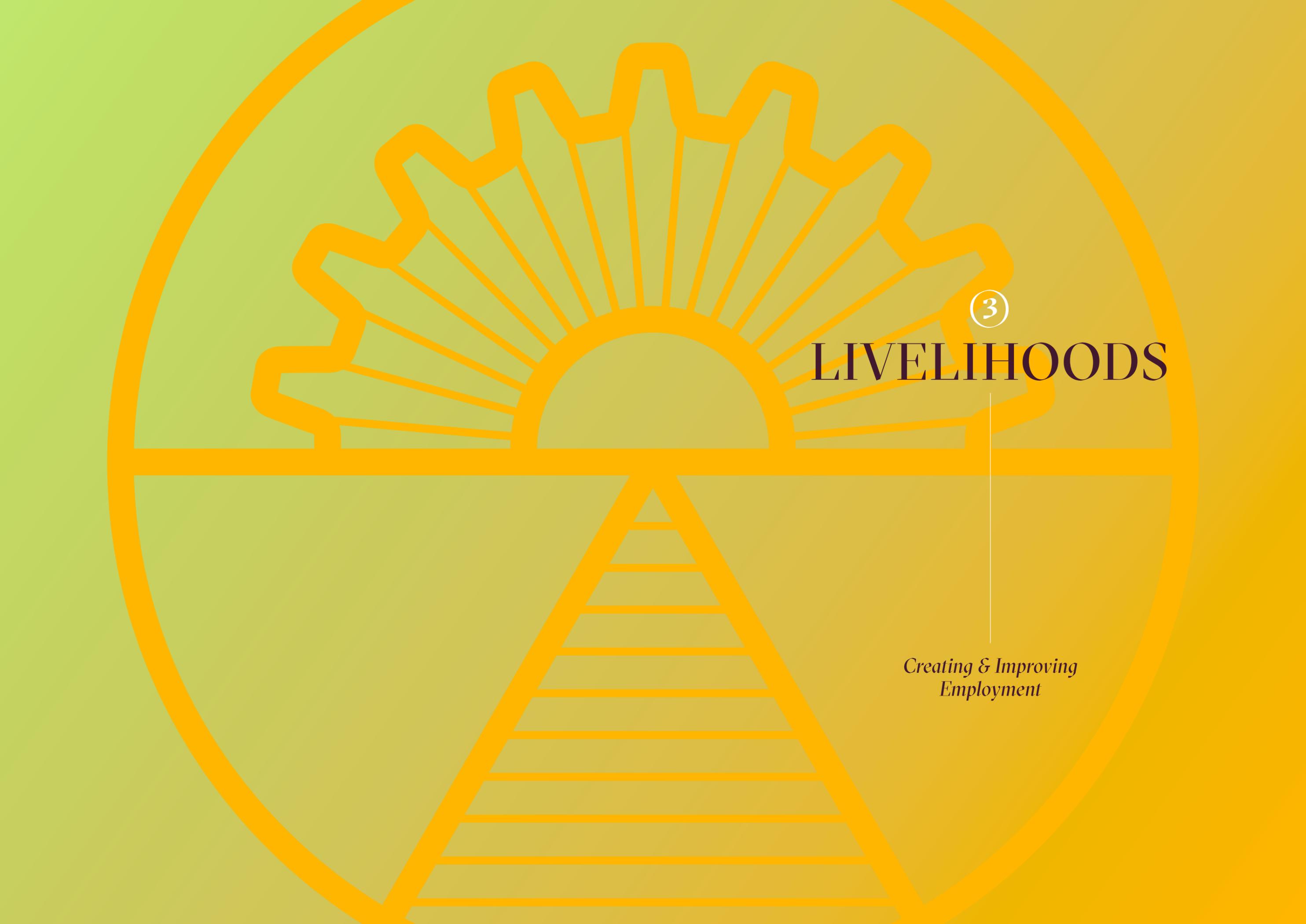
The story of Global Environment Fund



We first partnered with GEF Capital Partners in 2011 to invest in the firm's first South Asia Clean Energy Fund, a private equity fund that invests in companies with solutions to climate change challenges.

More recently, we also invested \$6mm in GEF's South Asia Growth Fund. During our latest due diligence, we assessed GEF Capital to be "ESG advanced" (level 5 of our 7-level preliminary assessment) due to the firm's efforts in building the eco-system of climate resilient companies in South Asia. GEF's latest fund focuses on companies that drive energy efficiency, generate clean energy, focus on water efficiency, process industrial wastewater, and provide other environmental products and services. The firm's ESG team is led by Raj Pai and Raakhee Kulkarni, managing partner and VP and head of ESG, respectively. GEF's internal environmental processes are comprehensive but they also hire independent consultants to provide guidance on environmental risks and opportunities in their investee companies. As a leading environmental light in the private equity sector, GEF is a sought-after conference speaker, focussing on how investing in climate innovation is a strong business proposition.

Although GEF Capital Partners scored well on our ESGI due diligence ranking, several areas of potential improvement were identified, such as becoming an adherent to the Task Force for Climate-Related Financial Disclosure. TFCFD is sponsored by the UN PRI and has become the gold standard for climate investors. We also saw an opportunity for GEF to document their work in embedding environmental and social responsibility into company exits. GEF Capital Partners will be incorporating these recommendations into their continuous improvement plans over the coming years.



③

LIVELIHOODS

*Creating & Improving
Employment*



A dream without means is little more than an unrealised wish. When the opportunity for livelihood is seized, dreams are enabled, a future is born.

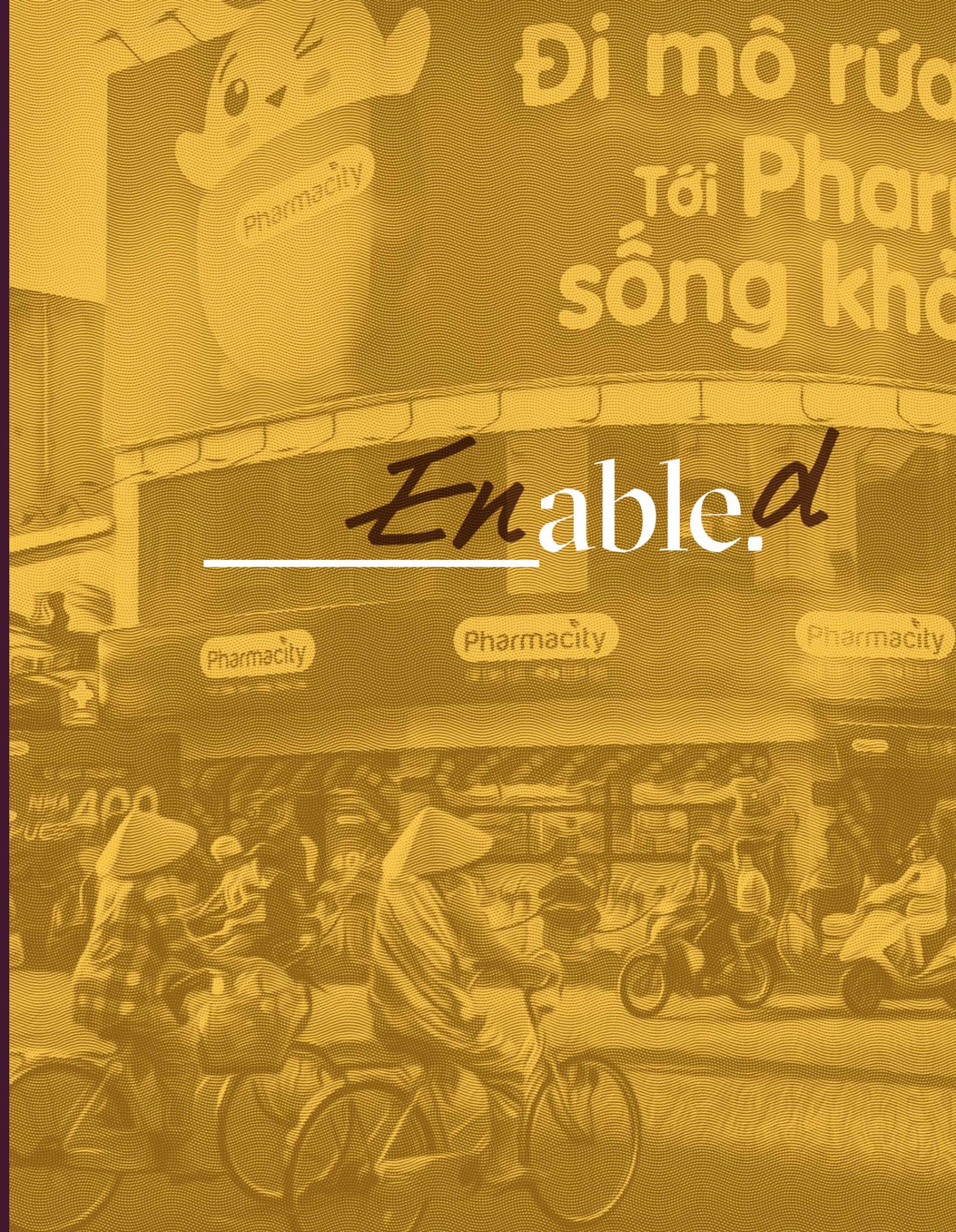
Ask any person living in poverty in a developing country how you can help, and the answer will invariably be, “Buy my product” or “Help me sell my product in your country.” No one wants poverty. No one wants a handout. They want to produce and trade their way to success. And what success is that? “To earn enough money so my children can go to school and get a job in the city.” The dream is universal.

We have always known that people with jobs will feed their families. Families with food on the table will build communities. And prosperous communities will build institutions and hold their governments accountable.

Sarona can’t change lives. All we can do is give people an opportunity to change their lives, their communities, their countries. Countless times we have heard, “Tell your people to keep their aid, for it’s killing us. Instead, invest in our people, our entrepreneurs. Invest in our businesses.”

That’s what we do. Our Theory of Change aims at employment—good employment. Progressive business leaders engage their employees—in upgrading skills, in decision-making and in mutual respect. The prosperous communities we seek to create empower all people as full partners in the economic process.

Enabled



Employee benefits	Health insurance	87% (stable)
	Dental insurance	38% (stable)
	Disability coverage	46% (stable)
	Paid vacation	79% (increasing)
	Life insurance	38% (stable)
	Maternity / Paternity leave	93% (stable)
	Retirement provisions	54% (stable)
	Stock ownership	16% (stable)
Number of full-time employees	228,906	
Average # of employees per company	1,095	
Jobs created this year (est.)	17,769	
# of employees that received training	125,421	
% of staff trained	55%	
Full time wages in USD	\$1.6 billion	
Average wage per employee	\$6,000	

Notes to data: Our portfolio changes every year, with some companies being sold and new companies being added. Because the number and size of companies varies significantly, we look both for overall trends as well as specific employment-related actions of each company. Our upcoming work with investment partners and investee companies will seek to improve employee outcomes in the portfolio.

If the first step out of poverty is a job and the first income-spend is education for the children, and if the most valuable employee is one who is educated and engaged, then creating and improving employment benefits all. We want our business partners and our investee companies to implement progressive employee management strategies.

But, without internal integrity, our values are hollow. So, where are we at?

Like most private investment firms, we are small. But one of our goals is to be the preferred home for impact investment professionals. And our team has told us what that is: Leadership. We all want to work with a firm that is identified by the market as a leader. But a good livelihood also involves remuneration, which includes challenging work, an enjoyable work environment, teamwork with colleagues, salaries and other benefits.

WFH: Since the onset of Covid, we have implemented a flexible work-from-wherever policy as long as you #GSD.

Benefits: We have implemented more generous Parental Leave and Good Health policies.

Alignment: We have implemented a carried interest sharing plan, wherein all staff are able to share in each fund's success.

Participation: We have implemented a Sarona Employee Share Ownership Plan, wherein all staff are able to become shareholders in our firm.

Values: With openness comes opportunity—we may get stressed out, but we've got a team to rely on, a team that seeks to build each other up, rather than knock each other down. We've sought to invite more staff to our decision-making table.

The story of MaxAB

A company led by RMBV



This year, Sarona invested \$5mm in MaxAB, a rapidly growing B2B e-commerce distribution platform for food and groceries. The investment is led by our local investment partner, RMBV.

MaxAB was founded in 2018 and serves a network of traditional retailers (mom-and-pop stores) across Egypt, a low-income country. In less than three years, the company leveraged technology to develop a transformative supply chain model and offer a product that empowers both traditional retailers and suppliers. MaxAB serves traditional retailers, carrying over 80% of their needed SKUs, and offering the simplicity of dealing with one supplier, transparent pricing, on-demand delivery, and a range of value-added services. Suppliers benefit from MaxAB's end-to-end supply chain solutions and business intelligence tools that allow them to accurately predict, monitor, and control the impact of their strategies in real time. The company has also started rolling out Point of Sale solutions to its merchants to digitise payments to enable MaxAB to offer embedded financing solutions to traditional retailers. As of September 2021, MaxAB works with over 67,000 retailers, supporting over 1,800 employees.

According to the latest World Bank data, Egypt has a very young population, with a median age of 25. (By comparison, the median age in the EU is 43.) One of Egypt challenges is youth unemployment, which is uncomfortably high at over 26%.

We are proud of our association with MaxAB which is a fast-growing business creating quality jobs each year. Prior to our investment, the company had less than 1,300 employees, but created over 500 jobs in the past year. During our ESGI due diligence, we spoke with Nathaly Ramirez, Director of People at MaxAB. Nathaly shared that MaxAB was investing in building a strong organizational culture, with fair wages and good benefits, to attract top talent to support their growth in the region. They are implementing a grievance mechanism for employees, improved performance review processes, and improved health and safety training. MaxAB also wants to increase diversity and inclusion within the company by setting targets for employing women and elevating women to director positions.

④

INTEGRITY

*Improving
Governance*



The world's most colossal cathedrals, titanic towers and imposing edifices all inched their way stone by stone towards the sky—with each block relying on the integrity of the last.

Honesty and Integrity are two of the six internal values that guide our work. 'Integrity' is a word often used in the financial sector, but that landscape is littered with great words and much sleight of hand. Unfortunately, integrity is not the sector's strongest quality. We have therefore sought to strengthen our own circumspection with a greater emphasis on diverse and independent oversight. Our governance now includes non-executive perspectives from:

- Alex Hartzler: *Sarona Board and Investment Committee*
- Kim Pityn: *Sarona Board of Directors*
- Mauricia Geissler: *Sarona Investment Committee*
- Natalie Trunow: *Sarona Investment Committee*
- Tracy Hilpert: *Sarona Board of Directors*

But even if we are true to our values at the core, what can we do about the places where we invest? Our Theory of Change believes that we can improve integrity in the investment firms, companies and communities where we invest. Before we partner with a local investment firm, we must come to know them and trust them implicitly. And, once we are there, we also offer assistance to our partners in developing their governance systems.

Our business partners are community leaders, so it bothers them greatly when they operate to the highest standards of probity, only to have that integrity stolen by politicians, bureaucrats and others in the local business community. Fortunately, technology is pulling back the curtain to bring greater transparency to business transactions. And the increasing flow of international capital, along with its demand for higher ESGI standards (in this case, most specifically Governance) is slowly pushing unethical behaviour to the margins.

Accountable.

Our investment partner firms	Adopted the Operating Principles for Impact Management (OPIM)	57%
	Adopted the UN Principles of Responsible Investment (UNPRI)	64%
	Audited financial statements	100%
Our investee companies	Audited financial statements	98% (stable)
	3rd party certifications related to business processes and practices	91% (increasing)
	Fully compliant with all local, tax and environmental regulations	98.4% (stable)
	Written policy against child labor	75% (stable)

If financial self-interest could build a better society than fairness, we would need no regulations. And if the Wolves of Wall Street were heroes to us all, the Panama Papers would not have caused a stir. But they did, because our society is better than that. Our society believes in fairness, and in regulations to ensure that you and we aren't the only ones playing fair. To ensure integrity and transparency, we want our business partners and our investee companies to adhere to the strictest standards of accountability. We work with them to help them adopt global best practices in governance.

But, without internal integrity, our values are hollow. So, where are we at?

We live in the financial sector—one that has been shown to be rife with greed and corruption. In response, financial regulators have tightened the screws on all firms, including Sarona. We also live in a world of increased cybercrime. In response, we have repeatedly increased our level of security and vigilance.

Governance: We have appointed independent Board and Investment Committee members

Regulation: Our firm has been accepted as a regulated entity by the US SEC, the Canadian OSC and the Australian ASIC. For each regulated jurisdiction, Sarona maintains policies and specific compliance standards, enshrined in jurisdiction-specific compliance manuals.

Audit & Analysis: Our goal is to be the most deeply knowledgeable investor and the most accurate portfolio manager in our field. For that reason, our finance team is the largest group within our firm. We also outsource ongoing financial analysis to a Philippine firm and audits to KPMG.

Domicile: Because of the poor ethical reputation of Cayman Islands and the newly onerous compliance requirements there, Sarona has registered with the Irish Central Bank and will domicile future funds in the EU.

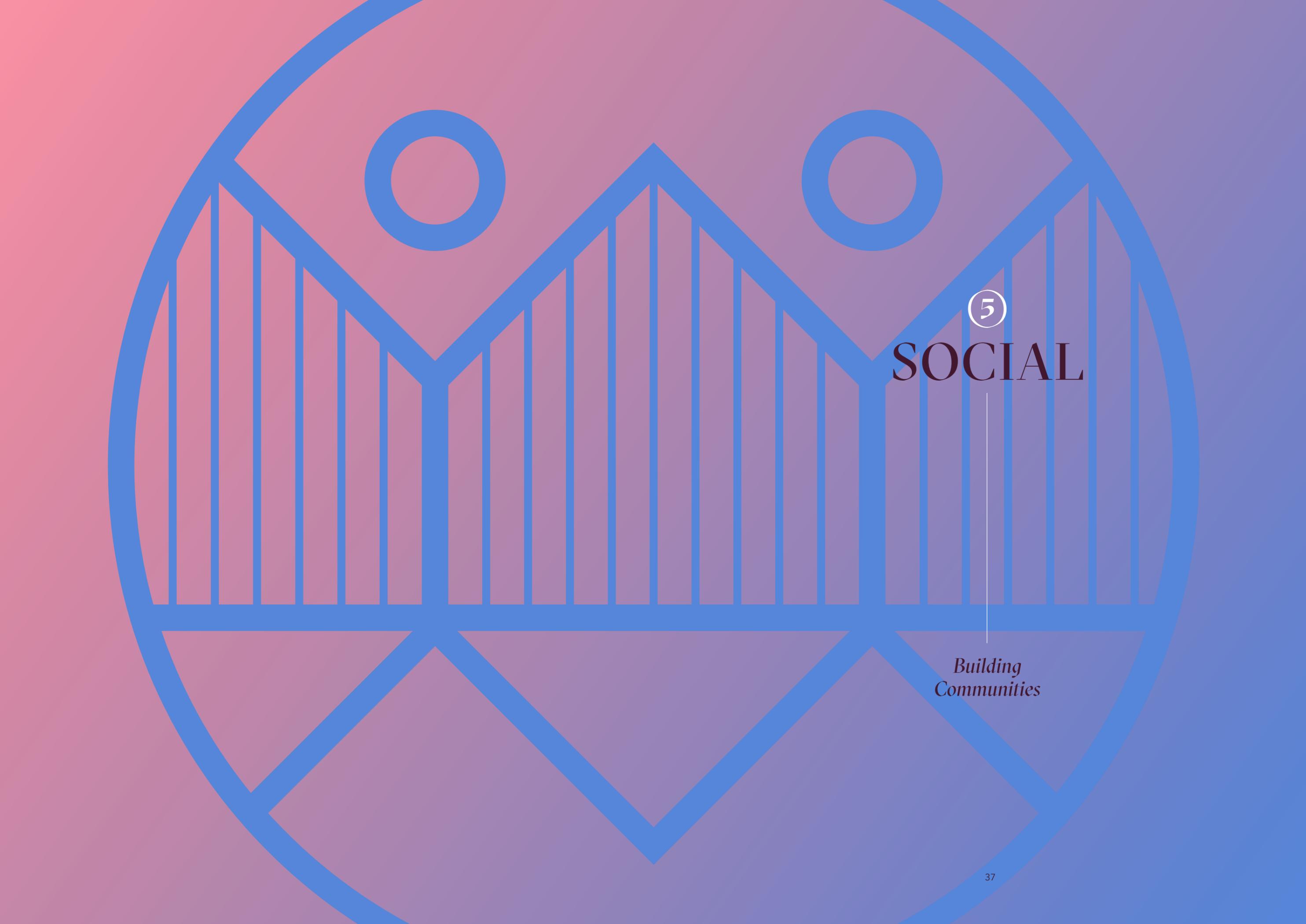
The story of MiCredito S.A.



Founded in 2003, MiCredito is a regulated microfinance institution in Central America with operations in Nicaragua and Costa Rica. The company is an investment held by one of our clients, the MEDA Risk Capital Fund.

As a financial institution, MiCredito's clients benefit from its financial service offerings, but more important is the company's client support in difficult times. Two such challenging periods were Nicaragua's "No Pago" movement in 2008, where bank clients were encouraged not to repay their debts, and the country's political crisis of 2018-2019. During those periods, MiCredito worked hard to help clients generate new revenue streams and identify ways to cut costs. The company also worked with clients to refinance their loans to a pace that was affordable. One client that has remained resilient in her business throughout Nicaragua's 2018-2019 crisis is Nubia Flores of Granada. Ms. Flores is an entrepreneur, offering bus transport services in her region. The loan she received from MiCredito during this challenging period enabled her to grow her business and create jobs in her community. She plans to expand her business to include retailing of automotive parts.

MiCredito has benefited from strong governance support offered by its shareholders. As a result of its open and transparent governance, it has implemented a very strong policy framework to guide the company's operations. This has led to esteemed recognition by international investors and creditors, local regulators and competitors. The company's CEO, Veronica Herrera, also led the local microfinance bankers association, pushing for improved regulations, governance and client protections.



5

SOCIAL

*Building
Communities*



An ember of hope in a single person, if fanned and stoked, will become a flame capable of lighting a community's heart ablaze.

Empowering women, enhancing the environment, creating better jobs and improving governance all point in one direction: Prosperous Communities Thriving on a Healthy Earth.

But the UN's report on the SDGs this year outlines the many challenges facing communities around the world. To name just a few: globally, one-quarter of urban residents still live in slums; public transportation systems remain inadequate and inaccessible to most residents; and healthy community spaces such as parks and community centres are woefully lacking.

Our companies can help. They live in the community as employers, as purchasers, as suppliers, as taxpayers, as community supporters. "Prosperous communities" is both a direct goal of our Theory of Change, as well as an outcome of our other work. Our mandate is to work with business leaders and investee companies to augment their positive influence in achieving prosperous communities.

When companies flourish and engage in their communities, business success scales to community success.

Scalable.

Companies' social objectives	Access to financial services	40% (stable)
	Community development	39% (stable)
	Employment generation	76% (stable)
	Equality & empowerment	56% (stable)
	Income/productivity growth	67% (stable)
Taxes paid		\$575 million
Average tax paid per company		\$3.3 million
Number of direct clients/customers		167 million
Average number of clients per company		693,000
Number of individuals who benefit from the products or services (est.)		473 million
Number of suppliers (companies or individuals)		225,368
Of which:		
SMEs		13,610
Smallholder farmers		32,638
Average # of suppliers per company		1,078

If businesses thrive best in vibrant communities, then the hallmarks of such vibrancy—individual prosperity and mutual respect for ‘others’—must be key business goals. Our capital builds up companies and creates much individual prosperity. But our companies can also be leaders in creating diverse communities where everyone is respected and valued.

In Canada and Australia, both countries of immigrants, meetings begin with a ‘Land Acknowledgement’ to recognize the historical inhabitants of the land. In America, Black Lives Matter because for too long they didn’t. But what does Diversity, Equity and Inclusion mean in Morocco? Or in Peru? Or in Indonesia? That is the question we have begun to explore with our business partners and our investee companies.

But, without internal integrity, our values are hollow. So, where are we at?

Most of our team is based near Toronto, where over one-half of the population was born abroad. This multi-cultural milieu gives us at Sarona much impetus to focus on Diversity, Equity and Inclusion.

DEI: We have formed a staff Diversity and Inclusion committee to find better ways of including women and people of visible minorities on our team and in our decisions. Our recruitment process now seeks out diverse candidates, and DEI sessions help us understand the business and community benefits of inclusion.

Industry Action: We have become signatories to the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative.

Investment: Over the coming years, we will work with our business partners to understand what DEI means in different local contexts and disseminate such learnings to our network of business partners.

The story of Lendable



Lendable provides capital to businesses and consumers via fintech lenders in Africa and Asia. The company has a bold goal of providing 100 million people with fair financial resources that unlock consistent access to food, clean water, electricity, shelter, education, and income.

Founded in 2015 by Daniel Goldfarb and Dylan Fried, Lendable has worked hard to attract a diverse and gender balanced senior team. The company has also deepened its ESGI policies and processes with support from Sarona and its technical assistance partners such as Volta and MEDA. We were an early backer of Lendable, through an initial investment from our Sarona Trade Finance Fund, which has since been fully repaid, and more recently, the Government of Australia’s Emerging Markets Impact Investment Fund.

Today, Lendable has worked with over two dozen fintech lenders, supporting over 1.25 million borrowers, 30% of which are women. Since it began, Lendable has disbursed over \$180mm in loans to its fintech partners, enabling them to create over 1,000 jobs in the process. The company has implemented client protection principles and was one of the early adopters of the Responsible Lending Guidelines for Digital Financial Inclusion.

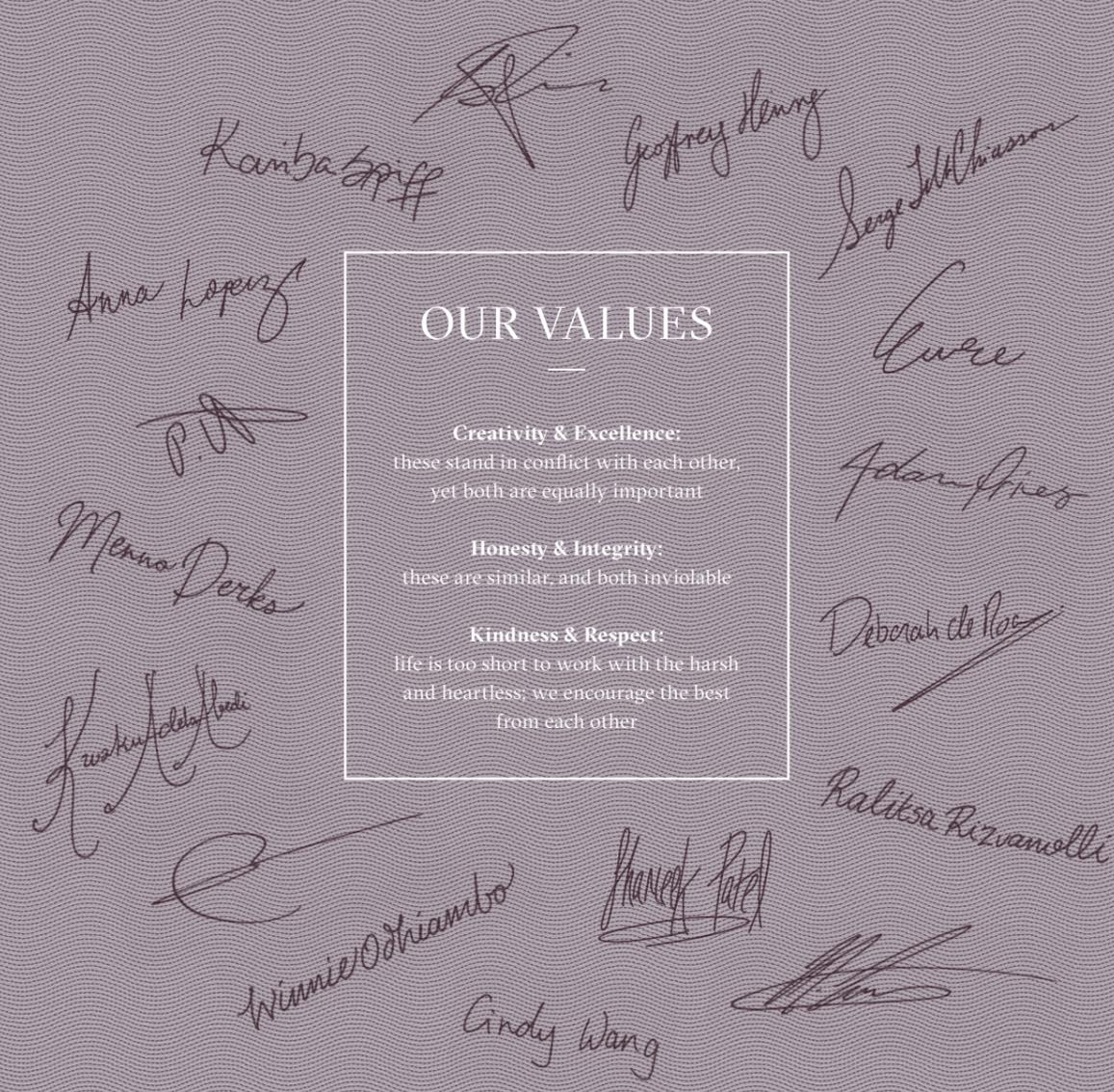
Lendable has committed its latest fund to be “2x Challenge” compliant and achieved that upon close. Mr. Goldfarb says, “The expanding range of services from our fintech investees is helping build wealth and productivity in different ways. Since 2019 we have been focused on ensuring equity at Lendable and within our portfolio. Becoming 2X compliant is part of our commitment to ensuring that Lendable is a leader in our own diversity, DEI policies, and in how we assess and assist our portfolio.”

AFFILIATIONS & ACCREDITATIONS

Sarona has been a Certified B Corp since 2011 and was recognized as a "Best for the World" B Corp each year since 2017. Sarona is an original member (since 2010) of the GIIN Investors Council. Sarona has been named to the Impact Assets Global 50 in each of the last seven years—a list of 50 leading impact fund managers—and was named as an IA50 Emeritus Manager in 2021.



Sarona is a signatory to the IFC-led Operating Principles for Impact Management, the UNPRI, the ILPA Private Equity Principles and Diversity in Action Initiative, and the GIIN IRIS+. Sarona recently became a supporter of the Task Force for Climate-Related Financial Disclosure (TCFD). Sarona is a member of CAFIID and of AVPN.



OUR VALUES

Creativity & Excellence:
these stand in conflict with each other, yet both are equally important

Honesty & Integrity:
these are similar, and both inviolable

Kindness & Respect:
life is too short to work with the harsh and heartless; we encourage the best from each other

