



# Sarona Asset Management

## Environmental, Social, Governance and Impact (ESGI) Policy

January 2022

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SARONA ASSET MANAGEMENT INC. IS REGISTERED AS AN INVESTMENT ADVISER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER SEC FILE NUMBER 801-76668, AN EXEMPT MARKET DEALER WITH THE ONTARIO SECURITIES COMMISSION UNDER LICENSE 57830 AND AN AFSL LICENSE HOLDER WITH THE AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION UNDER LICENSE NUMBER 511088.

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Policy Name:	Environmental, Social, Governance and Impact Policy <i>(hereinafter referred to as "Policy")</i>
Content Controller:	Serge LeVert-Chiasson, CCO
Date	January 2022

**1. Review & Training History**

Review Date	Description	Approval Process
June 2016	Initial Approval	CCO Approval
August 2019	Annual Review	CCO Approval
January 2022	Annual Review	CCO Approval

Training Date	Description	Attendance
June 2016	Monday morning meeting training	All staff
August 2019	Email sent to all staff on changes	All staff
January 2022	Email sent to all staff on changes	All staff

**2. 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 financial returns.

To align our actions with our beliefs, we will:

- Choose the best possible general partners - those who can add value and grow companies to have a positive impact in their communities; those who understand that good management of environment, social and governance (ESG) factors can reduce risk and create value; those who have ESG policies and procedures in place or are willing to design them going forward
- Select funds that invest in small to mid-market companies with ambitions to grow and apply global best practices to their operations
- Focus on sectors and opportunities that meet our return expectations, are scalable and sustainable
- Build a well-diversified portfolio to deliver strong financial returns to investors
- Seek alignment with likeminded investors to create scalable impact, and
- Strive to contribute to the UN Sustainable Development Goals

**3. Policy scope**

This policy outlines how Sarona’s belief statement is reflected in its operations. The policy sets expectations for how Sarona will consider ESG issues and impact outcomes in its funds programme.

For Sarona, “*consideration of ESG issues*” means taking material ethical, environmental, social and governance risks and opportunities into account when making investment decisions. Sarona defines “*impact investments*” as investments made with the intention of generating positive social and environmental outcomes alongside a financial return. Through its investment programme, Sarona seeks to contribute towards the global development agenda and the UN SDGs and measure its progress.

We see ourselves as an impact investor and will strive to be a leader in the Impact and Blended Finance space. Sarona will measure and report on the social and environmental



impact of its investments and will proactively participate in international collaborative initiatives such as GIIN, PRI, World Economic Forum, UN, B-Lab, and B Corp.

#### 4. Policy Statement

Sarona will consider ethical and ESG factors when making investment decisions, evaluating opportunities from both an ESG risk mitigation and value creation perspective.

Sarona will seek to engage its GPs to ensure they understand and, as far as commercially practical, adhere to the IFC Performance Standards (**Appendix B**) or a similar set of social and environmental standards. Sarona will refrain from investing in industries and companies identified in the IFC Exclusion List (**Appendix C**).

Whenever possible, Sarona will seek to improve an investment's positive environmental or social impact and minimise a negative one.

Sarona will seek to contribute positively to the UN SDGs by investing, indirectly, in companies whose activities are linked to the SDGs' targets. Sarona will also work with its selected fund managers to identify opportunities for improvement and measuring the companies' progress. See **Appendix A** for a complete list of the UN SDGs.

#### 5. Review Period

The Content Controller of this Policy will conduct a review of this Policy at least once per year or when significant business process changes occur, to ensure the information contained herein is current and applicable.

#### 6. Policy Requirements

This Policy will be supported by a Social & Environmental Management System (SEMS). The SEMS outlines the requirements and obligations of Sarona as they relate to the implementation of the Policy and provides a systematic approach to ensure adherence thereto.

##### 6.1. Sarona will follow the IFC Performance Standards, or similar, and Exclusion List

Sarona expects its GPs to understand and, as far as commercially practical, adhere to the IFC Performance Standards or a similar set of social and environmental standards.

During pre-investment due diligence, Sarona will evaluate whether prospective GPs have policies and systems in place that adhere to these standards.

During the ownership phase, Sarona will evaluate GPs adherence to these standards, and seek to add value through knowledge sharing and best practices.

Sarona will not invest in industries or companies identified in the IFC Exclusion List.

##### 6.2. ESG Integration and expectations

Consideration of ESG issues is an integral part of Sarona's investment and monitoring process, not only to manage risk, but, more importantly, to improve environmental and social outcomes. During the due diligence phase, Sarona will assess prospective GPs' ESG policies and management, the risks inherent in the investment and the opportunities for future environmental and social improvements. Sarona will seek to ensure that its GPs consider governance, environmental and social risks and opportunities in their investments and procedures.

Sarona will perform a gap analysis between GPs' existing ESG policies and/or SEMS and what Sarona deems to be the desired quality level. In cases where gaps are identified, Sarona will assist GPs in developing a corrective ESG action plan. Sarona will ensure, through legal



agreements, that GPs will develop (or improve) their policies and/or SEMs by implementing a corrective action plan over time.

During the ownership phase, Sarona will monitor investments to ensure that corrective action plans are implemented where necessary, that ESG risks are identified and addressed, and that environmental and social opportunities are considered.

In cases where GPs do not have an adequate ESG policy and/or SEMs in place and are not willing to develop or improve their systems as required, Sarona will not invest.

As a result, Sarona (through its GPs) will seek to invest in businesses that implement good governance, do business in an environmentally responsible way, contribute to sustainable communities and create quality jobs that present opportunities for women. In cases where businesses fall short of these expectations, GPs will be expected to work with their companies to remedy any shortcoming and address identified issues before exiting.

### 6.3. Impact outcomes

Sarona strives to achieve positive social and environmental outcomes in all its investments. Through its investment programme, Sarona seeks to create profitable and sustainable businesses.

Targeted outcomes include:

1. Creating Jobs
2. Improving job quality
3. Empowering women
4. Reducing environmental footprint
5. Improving governance
6. Building sustainable communities

### 6.4. Sarona seeks to positively contribute to the UN Sustainable Development Goals

Sarona will identify how each of its investees can contribute to the UN SDGs (and the targets linked to each goal) and seek to measure the results of such contributions.

### 6.5. Reporting requirements

**Sarona will request regular ESG reporting from its GPs and investee companies.** As a result, Sarona will require its GPs to report annually on their environmental and social performance and to share ESG related stories with the public to enhance broad understanding of ESG issues.

**Sarona will report its impact to its own stakeholders.** Sarona will publish an annual Values Report, which will aggregate ESG information it receives from its investees. This report will be made available on Sarona's website and submitted to Sarona's investors and other stakeholders. Sarona will encourage feedback on its ESG performance and the quality of its impact reporting. On the website, there is a visible request for feedback to encourage open dialogue with any interested party.



Appendix A: United Nations Sustainable Development Goals (UN SDGs)

GOAL 1 - End poverty in all its forms everywhere

GOAL 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture

GOAL 3 - Ensure healthy lives and promote well-being for all at all ages

GOAL 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

GOAL 5 - Achieve gender equality and empower all women and girls

GOAL 6 - Ensure availability and sustainable management of water and sanitation for all

GOAL 7 - Ensure access to affordable, reliable, sustainable and modern energy for all

GOAL 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

GOAL 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

GOAL 10 - Reduce inequality within and among countries

GOAL 11 - Make cities and human settlements inclusive, safe, resilient and sustainable

GOAL 12 - Ensure sustainable consumption and production patterns

GOAL 13 - Take urgent action to combat climate change and its impacts

GOAL 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development

GOAL 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

GOAL 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

GOAL 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development

Appendix B: IFC Performance Standards on Environmental and Social Sustainability

Latest update: 1 January 2012 and accessed on [www.ifc.org](http://www.ifc.org)  
 Please refer to: [IFC -Performance Standards -Full document.pdf](#)

Relevant extracts from the IFC document include the following:

Together, the eight Performance Standards establish standards that IFC requires its clients (the investees) to meet throughout the life of an investment by IFC

<i>Performance Standard 1</i>	Assessment and Management of Environmental and Social Risk and Impacts
<i>Performance Standard 2</i>	Labor and Working Conditions
<i>Performance Standard 3</i>	Resource Efficiency and Pollution Prevention
<i>Performance Standard 4</i>	Community Health, Safety, and Security
<i>Performance Standard 5</i>	Land Acquisition and Involuntary Resettlement
<i>Performance Standard 6</i>	Biodiversity Conservation and Sustainable Management of Living Natural Resources
<i>Performance Standard 7</i>	Indigenous Peoples
<i>Performance Standard 8</i>	Cultural Heritage

- a. Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client’s management of environmental and social performance throughout the life of the project.  
 Performance Standards 2 through 8 establish objectives and requirements to avoid, minimize, and where residual impacts remain, to compensate/offset for risks and impacts to workers, Affected Communities, and the environment. While all relevant environmental and social risks and potential impacts should be considered as part of the assessment, Performance Standards 2 through 8 describe potential environmental and social risks and impacts that require particular attention.  
 Where environmental or social risks and impacts are identified, the client is required to manage them through its Environmental and Social Management System (ESMS) consistent with Performance Standard 1
- b. Performance Standard 1 applies to all projects that have environmental and social risks and impacts. Depending on project circumstances, other Performance Standards may apply as well. The Performance Standards should be read together and cross-referenced as needed. The requirements section of each Performance Standard applies to all activities financed under the project, unless otherwise noted in the specific limitations described in each paragraph. Clients are encouraged to apply the ESMS developed under Performance Standard 1 to all their project activities, regardless of financing source. A number of cross-cutting topics such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards.
- c. In addition to meeting the requirements under the Performance Standards, clients must comply with applicable national law, including those laws implementing host country obligations under international law.

### Appendix C: IFC Exclusion List

Dated 26 May 2016 and accessed on [www.ifc.org](http://www.ifc.org)

The IFC Exclusion List defines the types of projects that IFC does not finance. This does not apply to investments who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to investments primary operations. Sarona will adhere to these exclusions as well.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

All financial intermediaries (FIs), except microfinance and trade finance, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

When investing in microfinance activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

When investing in trade finance, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.