Sarona Values Report **2022**

In Unison

Wel– come

Welcome to our 2022 Values Report. This year, we take you into a conversation with our private equity and venture capital partners around the world.

Our work is to know every private equity team across emerging markets, and to partner with the best of them.

These partners, in turn, invest in and build companies – aiming for top quartile financial results. But that's not all. By focussing on social and environmental outcomes, our partners build healthy new economies. By focussing on diversity and climate, they deliver prosperity for all – for shareholders, for employees, for communities, and most importantly, for future generations.

We invite you to join us in these next pages as we ask our partners how they understand and implement climate and diversity principles. You'll detect both diversity and unison in their voices – nuanced differences in approaches, but a unity of commitment to create a better future for all.

70 Years Strong →

How did we get here? It was almost 70 years ago that our forebears launched an impact investment firm to generate strong financial returns by investing in small-to-mid-market companies, and to create jobs and sustainable livelihoods across emerging markets. After their initial and very successful investment in *La Lechería Sarona*, the firm went on to invest in many other companies across Latin America, Africa and Asia. The history books tell of ups and downs, of successes and failures in those intervening 70 years. In the midst of all that, the firm shifted its focus more toward development and became a non-profit business development institution. We were fortunate therefore to inherit the history and the remnants of their portfolio as we launched Sarona Asset Management in the year of 2010.

Sarona has been an impact investor since its beginning, both in 1953 and again in 2010. More recently, we embraced the UN-agreed Sustainable Development Goals and crafted our Belief Statement and Theory of Change. We followed that with a Logic Model to guide our path to ultimate impact, focussing on five core impact themes: Gender, Earth, Livelihoods, Integrity and Social.

But, because our investment work necessarily runs with and through our local PE and VC partners, we can only implement our impact program objectives with and through them. This report then, is a conversation with our investment partners about how our work effects change. It is focused on the two core impact themes that are most compelling to us at this time: Diversity/Gender, Earth/Climate.

Sarona Investment Exposure — 1/2

Financial Services	26%
Consumer Goods	16%
Industrials	15%
Technology	13%
Consumer Services	12%
Healthcare	9%
Other	7%
Agriculture	2%
Energy & Utilities	2%
Basic Materials	1%
Construction	1%
Telecommunications	1%
Education	3%

Our network of private equity partners (GPs) across emerging markets in the world:

- 1,250: GPs that we have reviewed, all are logged in our database
- 250: GPs that we actively follow
- 30: Our partner GPs in our PE funds and impact-led mandates

What we do:

Since its founding, Sarona has operated primarily as a private equity (growth equity) investor, with a lesser, but not insignificant engagement in venture capital and private debt. All of that has been, of course, in the global emerging markets. Today, we have three key emphases, as explained here. →

We have insufficient space in this report to provide much information about our programs, so we encourage you to visit our website ***saronafund.com***. And please do ask us about:

— Our Emerging Market Impact Investment Fund's focus on women leadership – women who lead investment firms and women who lead companies. EMIIF is an investment fund of the Government of Australia, managed by Sarona. Current discussions include a significant expansion of EMIIF to also invest in companies addressing climate challenges in SE Asia and the Pacific Islands; and

— The US government's support of women business leaders through their investment in our Sarona Global Growth Markets PE Fund 3. USAID was the first investor in SGGM3, with the purpose of supporting gender equality.

1 Mid-Market Private Equity:
At the core of our business is our Mid-Market Private Equity program. We invite institutional and family investors to invest in our Sarona Global Growth Market PE Funds.

— The SGGM strategy targets top-quartile performance by investing growth equity in profitable companies, both directly and via local PE funds. All investments are led by our 21 local private equity partners across the global emerging markets, employing active company-building strategies.

— Both SGGM1 (vintage 2013/14) and SGGM2 (2019/20) are fully committed to investments and not open for further investor participation. The next funds will focus more strongly on climate action and women-led businesses.

— Representing 260 investors, our SGGM funds currently hold a portfolio of 200 companies, directly or via local PE funds. The median investment is a $13 million ($22mm avg) injection into a $34 million ($96mm avg) company, representing a 38% equity stake. (This includes the investment by SGGM and other investors led by our local partner at time of transaction.)

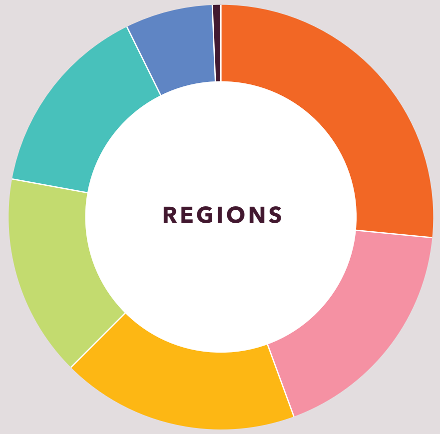
2 Impact-led Investment Mandates:
We also manage Impact-led Investment Mandates on behalf of investors, with each being uniquely designed to meet the client's needs.

— One mandate, on behalf of a not-for-profit client, invests PE and PD, primarily in Africa with an agriculture and gender equality emphasis

— Another mandate, on behalf of the Government of Australia, invests VC and PD in SE Asia with a strong gender equality focus

3 Shared Services:
Over the last dozen years, we have diligenced and monitored hundreds of PE firms across emerging markets, building up an expertise in structuring, and portfolio and fund management. Over those years, numerous investment professionals and firms have asked for our help in managing their own businesses. So, this year, we began offering Shared Services for emerging managers: Financial, Legal, Compliance, Investor Relations, Reporting, and ESG and Impact analysis and improvement.

Sarona Investment Exposure — 2/2



Latin America	26%
South Asia	18%
Southeast Asia	18%
MENA	15%
Sub-Saharan Africa	15%
Emerging Europe	7%
Global/Other	1%

Our companies provide livelihoods for families around the world:

- 263,000: Total employees in our companies, 40% of whom are women
- 1,540: Avg employee count per company. But 1/3 of companies had fewer than 300 employees
- 2/3 of new jobs were created in Asia. 20% of those went to women
- 1/3 of new jobs were created in Africa. 50% of those went to women
- Larger companies in our portfolio created significantly more jobs than smaller companies
- Industrial, Financial Services and Consumer Services sectors delivered the strongest job growth

Partners *in* Conversation:

This year, let us take you into a conversation with our PE and VC partners around the world.

Our conversation is with only a sampling of our 36 partners. Their voices are representative of the deep commitment that is evident in every one of them.

DEDICATED TO

DIVERSITY

Have *heart and head* ever coincided so well? *Diversity and inclusion* rights the wrong; and ultimately boosts business performance.

Diversity is a conversation between people of different perspectives. It is the amalgam of varied human experiences, learnings and challenges met. Diversity solves challenges anew. It breeds dynamism in an economy and a deeper wisdom in society.

Thankfully, the principle of diversity is now broadly accepted. Some pursue it for its justice – righting a wrong that the historically marginalized have suffered. Others pursue it for its performance – diverse perspectives add circumspection, and therewith chart a future of stronger business outcomes.

The most basic element of diversity from both a justice and performance perspective, gender equality, is yet far from achieved, especially within the private equity sector where Sarona lives.

Two years ago, we embarked on a conversation with our private equity partners around the world: What does Diversity mean to you? In America, the concept of BIPOC is most common. In Canada, we speak of Indigenous and Visible Minorities. But what does Diversity mean in Nigeria? In Brazil? In Vietnam? In these next pages, we'll share excerpts of our ongoing conversation with our partners.

■ Sarona: **Gerhard** / Thank you for joining us in this discussion. As you know, we at Sarona seek to know every GP across emerging markets, and then partner with the best of them. You are among the best.

We have known that various forms of discrimination are harmful not only to society, but also to business performance. How can we change that? How can we both strengthen our communities and improve our business performance? I suspect that you may have some answers. You have been dealing with these issues for years. You invest in companies; you manage companies; you apply strategies, policies and procedures to slowly create change.

Enough from me – with respect for your valuable time, my colleague Patrick and I will be as direct as possible with our questions. You all come at this from different regions of the world, with vastly different backgrounds and perspectives. What does Diversity mean to you in your local context? (Perhaps ethnic/racial, gender, religious, physical, experiential, or other?) In your experience, are the dimensions of diversity the same or different across the various regions you invest in? And, in your world, is Diversity really about Justice – about improving the opportunities of all the marginalised? Or is it really all about Performance – about harnessing the power of different viewpoints to increase the value of our investments?

■ Apis: **Marcello** / Thank you, Gerhard. Sarona's involvement with and support for Apis since our first fund almost a decade ago has been extremely helpful to our growth, and that importance is never lost on us. Specifically, Sarona's thought leadership has always been of immense value to us. Now, to your specific question: our view here at Apis Partners is that diversity is about both justice and performance. We must do better by those marginalized in the past, and we can do better by involving those with different viewpoints and backgrounds. From my Italian/European background, I know that a multitude of experiences are important, and so when you can have different views in the mix, this is of course overwhelmingly positive.

■ Apis: **Ravi** / I agree with everything Marcello has touched on and thank you Gerhard for giving us the opportunity to share our thoughts here. As Marcello mentioned, we have long respected Sarona's thought leadership, especially in impact, and we (Apis) have regularly quoted Sarona's work in this regard, especially Sarona's crisp explanation of the differences between ESG and Impact, which is something that often gets somewhat blurred in today's nascent impact investing world.

To answer your question, diversity in our local context is a question that we have examined internally for a number of years, as the definitions and degrees of emphasis around this vary greatly around the world. As such, and given our London headquarters, we have deliberately adopted the UK's definitions for most diversity standards. Because we invest across Africa and Asia, adopting the broad-based UK definitions has helped us to sidestep the potential issues with applying the definitions from one specific investment region of ours (say, sub-Saharan Africa) to another (say, India). The geographies of our portfolio companies are themselves incredibly diverse, leading to important local considerations in each specific region, such as tribal diversity in Africa, and caste diversity in India, for example. Beyond very broad definitions, with resulting limited local granularity, there is currently no real international consensus on what diversity actually means. When we began our journey around being deliberate and intentional around diversity in 2014, we simply asked people in our portfolio companies about their ethnicity, which of course gave them the opportunity to self-select - this resulted in a pool of 37 different self-identified ethnic groups. Today we are much more sophisticated in the way we approach definitions and analysis of diversity at our investee companies, through understanding how diversity is so much more than just ethnicity, as you mentioned in your introduction to this conversation.

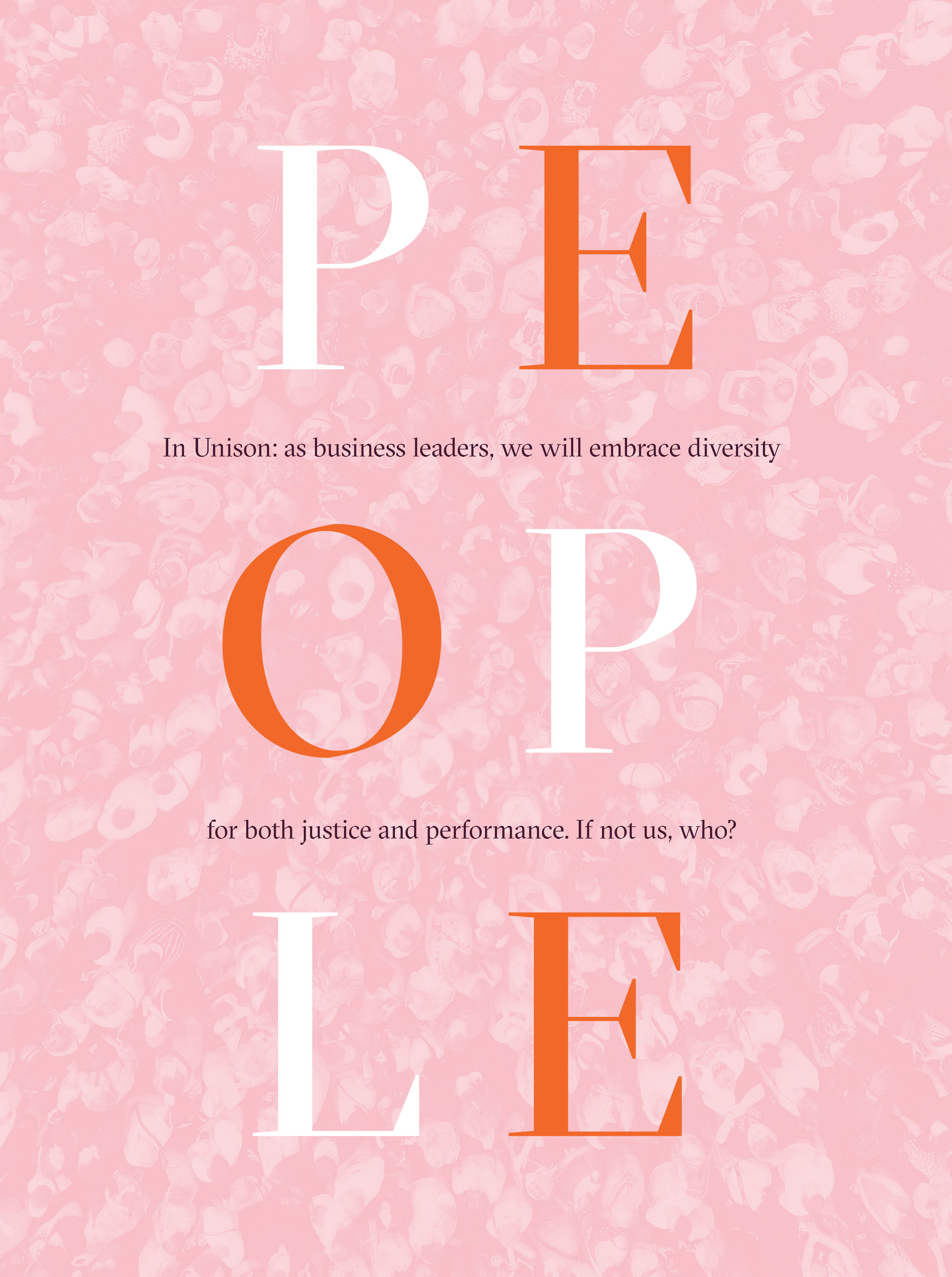
■ Apis: **Marcello** / In terms of Gender, we have always made a conscious effort in intentionally trying to increase diversity both at Apis and in our investee companies. Today, over 32% of employees across our portfolio companies identify as female, compared to 28% when we started our journey.

■ Gaja: **Abhinav** / Glad to join the conversation! As an Indian fund manager, historically, we sought diversity through experience, knowing that different views really strengthen investment. Gaja Capital has been built up through an aggregation of individuals with different types of experiences, be that legal, investing, consulting, operations, finance, etc. This has enabled us in building an enriching team with varied perspectives. The last four to five years, we have added the gender lens also, both within in the firm as well as our portfolio companies.

■ Archipelago: **Jeehee** / From our perspective when speaking about social justice, everyone has rights and opportunities at a core level. Within Archipelago, we begin with the diversity within our firm and portfolio companies, and then extend that to the environment that they operate in. Archipelago is considered balanced in terms of gender diversity, with one third female management, and five different nationalities in our team of 15. Yes, we still have room for improvement, but we are not underrepresented compared to our market or industry.

Our location and sector focus in SE Asia means that our diversity policies are not specifically linked to gender or ethnicity, but more to the balance of socio-economic power and access to services. Our experience working with the marginalized is that of hard working, capable people, deprived of social mobility due to corruption. The Philippines and Indonesia are lacking in financial literacy. What can we do to empower or improve these situations? Our first step has been to adopt career development processes in all companies across our portfolio. We know that people want access

"...diversity is about both *justice and performance.*"



PEOPLE

In Unison: as business leaders, we will embrace diversity for both justice and performance. If not us, who?

to economic power. As we enable that access, we see the enthusiasm that it brings.

■ Mekong: **Chad** / Yes, location is incredibly important. From our perspective, also being headquartered in SE Asia, specifically Vietnam, gender is the number one diversity issue. Local context stands as the second.

■ Mekong: **Khue** / Agreed. From a justice standpoint, yes, increasing diversity is the right thing to do for those marginalized by gender, race, etc. However, there is also the performance angle: diversity in our firm leads to better vision, structure, and outcomes with our investment portfolio. Vietnam through history has strong emphasis on diversity, in terms of both gender and ethnicity. Within Mekong specifically, we deploy our VDI (Vision Development Identify) framework and hire the best person available for the position. Through this, we have seen an improved maturity over 15 metrics, with a correlation to performance.

■ Sarona: **Patrick** / That is helpful. Barbara, Luciana, thank you for taking the time to join us. From your perspective, how does this apply to Oria Capital, with headquarters and a portfolio in Brazil?

■ **Oria: Barbara** / Thank you, Patrick! We at Oria are directly focused on improving metrics around gender, race and LGBTQ+ inclusion.

In our firm, a more diverse team brings stronger decisions, both in internal operations and in our investment processes. In our portfolio, we strongly believe that diverse teams both outperform and are more efficient. The phrase “Alone you go faster, together you go farther” applies very well to diversity. “Group think” or like-minded individuals may make faster decisions, but stronger decisions are made with more diverse points of view.

From a justice standpoint, yes, diversity is also key. In Brazil, gender and race are key as they affect a majority of Brazilians. We are responsible to help the marginalized with opportunities, support them to occupy positions in the tech environment and enable them to make decisions on boards or committees, and as managers or C-suite executives.

■ Sarona: **Gerhard** / Ziad, AfricInvest has been around the market for longer than most fund managers – to me, this shows a remarkable ability to look forward and adapt to changes around you. How has the conversation around diversity changed your outlook?

■ AfricInvest: **Ziad** / Yes, we launched in 1994, which was early for private equity. The market and public sentiment have changed since then, much for the good. However, from the beginning at AfricInvest, we attempted to hire the best people, and to remember that diversity is not just colour or gender, it includes socio-economic background, origin, sexual orientation, or religion. Different people and viewpoints enrich our platform. Our processes have changed, however. Already in the early 2000s our head of Morocco was a woman and in the mid 2000s, our head of Nigeria was a woman, while our operations in Kenya were run by a man. At the time, we did not have a gender-focused hiring process in place. Over time, more men applied and were therefore hired on the team and one of the highly diverse team in terms of background and origins. Now we have intentionally changed our HR processes. Our targets are for a higher share of female recruitment, and as a direct result, qualifications have gone up. Hiring interviews are gender balanced, and we try as much as possible to enable those from remote backgrounds to participate. Like Gaja in India, we have developed relationships with universities across Africa to ensure that our internship pipeline is balanced and strong. From a performance perspective, we cannot say directly as of yet, but IFC reports do state that women-led companies are performing 25% better than those led by men. If that is the case, we are on the right track!

■ Apis: **Ravi** / From a portfolio perspective, diversity is a new metric in terms of performance, though we are fortunate to be focused on an extremely dynamic industry, investing in financial services. The financial industry’s future is directly dependent on the growth and development of financial technology, which itself features an increasingly diverse workforce. In India for example, most of our portfolio companies operate pan-India, spanning different states and union territories, attracting a diverse range of talent from not only these locations, but internationally as well. This has less to do with the location of our companies, of course, and more to do with people looking for competitive tech-led financial services work opportunities globally.

■ AfricInvest: **Aicha** / Inclusion and diversity are critically important to our culture and make us better investors. As you can notice, we’re using the sequencing of Diversity, Inclusion and Equity (DIE) in a different order as what is usually presented. At AfricInvest, we believe that without inclusion, the crucial connections that attract diverse talent, encourage participation, give a true sense of belonging, foster creativity and innovation, improve decision-making and lead to success, will not happen.

We are proud to have built a family-oriented environment within AfricInvest. As with our employees, we also aim to empower the employees of our investees and end-beneficiaries by mirroring our own inclusion, equity and diversity practices. The scale of our portfolio allows us to drive value creation and have a significant impact when we focus on inclusion and diversity within our portfolio companies. As an example, 40% of our investees have career advancement initiatives targeted at women and that exceed compliance with local regulations and standards in the local context. To get to these results, diversity, inclusion and equity factors are integrated throughout the investment process.

As an example, we supported our portfolio company,

"...we must lead...
if we are to hold anyone
else accountable."

InstaDeep, an Artificial Intelligence company, in equalizing average monthly salaries by gender. We also played a key part in increasing the number of management positions held by women at Prime Bank, a Tier II Kenyan commercial bank, by 30% with over 60% of the management roles held by women.

■ Sarona: **Gerhard** / Do you see benefits in improving diversity amongst your team?

■ Apis: **Marcello** / Yes. From a coldly analytical perspective, Apis already enjoys the performance gains resulting from greater diversity. Both theoretically and empirically, there clearly is a positive correlation between the diversity of voices, and the number of ideas and thinking and energy around the table. Can we measure what this increase is? Probably not, but in this case that's not the focus. Philosophically, this is where we need to be - it is about fairness, justice and values. We also make this clear when making an investment: as part of our ESG due diligence where we look at all areas where we can make ESG improvements into prospective portfolio companies, and we specifically look at their existing HR policies and non-discrimination policies. Fortunately, most investee companies do already have something here before we invest, and so our improvements are incremental. Though that said, for close to 80% of the companies that we invest in, we specify in the resulting ESG Action Plans that we create for each company, that the dimensions of non-discrimination should be increased. Obviously, though, it would be impossible for us to hold our investee partners to such high standards unless we were willing to apply them to ourselves as a company. In other words, we must lead in this respect if we are to hold anyone else accountable. And as I mentioned at the outset, it does help that our investors will also reap the financial benefits of greater diversity of voices and environments at their fund investees - and at Apis.

■ Innova: **Magdalena** / Of course! Gender diversity and female representation on the investment committee has been perceived as a meaningful factor for Innova's success and one of our main differentiators versus our competitors in the market. Women have historically held senior positions in both our organization and on our investment committee.

Our objective for the next three years is to have female representation at all stages of the investment team – currently one at the partner level and two of the senior investment team positions are occupied by women. We are working towards having a fully gender-balanced team within Innova.

■ Sarona: **Patrick** / It is pretty clear that you see benefits in improving diversity. What are the greatest challenges in trying to increase diversity at your firm and at portfolio companies? What have you done to counter these challenges? Have you adopted or created policies to improve Diversity?

■ Gaja: **Sridhar** / In our experience, we have been able to establish a robust process to improve gender diversity and now we are focused on institutionalizing it over a period of time and seeing the right outcomes. Some of the challenges in this journey relate to relocation and long distance/remote working, as in our work construct, this becomes difficult to manage. We have had cases where some of our young colleagues have had to relocate due to marriage and have not been able to continue their career journey here, given that we currently only have offices in Mumbai. Hence, we are working to find ways to sustain their professional journey with us, after important personal milestones in life.

Within our portfolio, we have implemented a rigorous procedure of metric-tracking. Up until now, we have tracked our gender and diversity KPIs, but without publishing or looking at the results. As we institutionalize these processes, we are requesting companies to explicitly present data in quarterly update meetings and also help us understand initiatives undertaken, a combination of both data and qualitative parameters. The current challenge lies in ensuring that these gender practices become embedded in a regular cadence, particularly in cases where we have a minority stake. However, in cases where Gaja Capital has a significant stake, we can facilitate these processes better and affect direct change within the company.

■ Apis: **Ravi** / At Apis, we evaluate different systems and areas against inequality definitions that incorporate regional differences. However, does that mean that we then set out to assess these regional differences specifically for every investment? Actually the answer is no - whilst that may seem counterintuitive, instead, when we were devising our ESG policies for the first time, we included a non-discrimination clause for ourselves and our portfolio companies, and we purposely chose the broadest definition for that - one that is all encompassing. This is to ensure that all regional differences are always included for all portfolio companies. By developing policies in this broad way, we feel that we have done most of the important work ahead of time, as opposed to dealing with it on a case-by-case basis and potentially missing important specific dimensions in the process.

■ Innova: **Magdalena** / For us, Gender equality has been high on Innova Capital's agenda for years, but the challenge comes through the pipeline – we have a lack of female candidates applying to analyst positions in Poland. Within our portfolio, these challenges are similar, both with fewer senior management candidates in the market (women make up only ~15% of board members in all Warsaw Stock Exchange companies) and fewer opportunities for mentoring and coaching in the workspace. To combat this, we are promoting the industry, both through the Level20 initiative and conferences in universities, along with developing coaching and mentoring programs within our portfolio, in accordance with our gender diversity policy to support the overall promotion of women.

Since the advent of all these programs, two out of nine portfolio companies in Innova/6 are already headed by female CEOs, which is unprecedented in our local industry, so we do believe that we are quite successful in this field. Accordingly, we have set specific measurable targets for Innova/7 in this field.

■ Oria: **Luciana** / I agree with Magdalena. Our greatest challenge is bringing more people into the game. We need to invest the effort and money to train and develop people. Before asking someone to dance, you must invite them to the party! For recruitment, we need to make more of an effort to find, reach and convince these people to apply.

Once hired, it is yet another challenge to fold them into the company, to help them feel included and welcome. I would say that most hires do not feel like outsiders upon arrival, but there are often learning gaps and the new hires' confidence needs to be improved. For those coming from different backgrounds, hard skills must be taught, and office social norms are learned. The challenge is to create a community and make all act as a team. Even here, our experience is that with diversity comes both opportunity and inclusion – a diverse group breeds confidence with the team. As an example, one of our portfolio companies, Gupy, was founded by female and LGBTQ+ individuals. This has directly led to a diverse team, with a strong culture – this is evidenced by their KPIs, which show them leading our portfolio.

■ GEF: **Raj** / Within SAGEF, five out of our twelve core investment staff are women, meeting our 40% target. Recruiting for senior positions has not been as successful – in our experience within the financial and private equity sectors, the availability of talent is not as wide. This is not to say that hiring a woman for senior positions is impossible, simply that a greater effort must be taken, with specific mandates and targets set. With those, we have improved. SAGEF's head of ESG and Impact is a woman, and this year more than ever we are excited about our diversity quotient.

■ Gaja: **Abhinav** / Our target is to recruit talent at the associate level and promote within the organization from there. Our pipeline is built with candidates from the best universities in India, and explicit in this recruitment process is to ensure that 30-40% of the pipeline candidates are women. Subsequent to this, all candidates undergo a uniform evaluation process, on the basis of which the ultimate hiring outcome gets decided.

Beyond internal recruitment and advancement, we also participate in forums that share global best practices that help us in our initiatives – WinPE (Women in Private Equity) and IFC's initiative called INVEST2EQUAL. Within our portfolio, all companies report their gender metrics on a quarterly basis – only by beginning to track these variables, we can find ways to improve them going forwards. Progress comes through conversations. We nominate members of our firm and portfolio companies to participate in mentorship programs that provide support to women colleagues in their professional journey. We also participate in industry programs such as "Spend a Day with an Investor" program, where potential management graduates understand the nuances of the investment industry and we also support their interests by providing internship opportunities.

■ GEF: **Raj** / SAGEF adopted new policies over the past three years and can proudly announce our official membership as a 2X Challenge Signatory, signifying a gender balance in our firm ownership as well as portfolio. To achieve this, our policies enabled us to make efforts to measure four variables: Employment, Entrepreneur, Leadership and Consumption. Most of our significant progress was made over the last six months, including new shareholder agreements containing Diversity clauses to help companies where we have already closed investments.

■ Archipelago: **Jeehee** / Our most recent policy adoption is in fact our internal diversity policy – while completing the Sarona General Partner survey, we noticed the knowledge gap and acted accordingly. We have decided to embed the principles of diversity in our ESG Policy and we will track our internal progress as we move forward.

■ Sarona: **Gerhard** / Thank you for this conversation. You work in very different settings, and diversity is an evolving focus for you. You said that diversity is both about Justice and Performance, and that it is important to both your firm and your investee companies. You spoke about how your practises have changed over the years, the challenges you still encounter, and some of the solutions – especially your open and stated commitment to Diversity, and policies to help guide the way. We want to continue this conversation, and we will do our best to synthesize what we learn, so others can benefit from your experience. Thank you.

Sarona recently became a member of the 2X Global Initiative, a global membership association dedicated to advancing gender smart investments. 2X refers to the multiplier effect of investing in women. In our recent report we assessed if and how Sarona and our fund and company investees are aligned with the 2X Challenge objectives. A detailed report is available on our website **saronafund.com**.

We have also authored a series of benchmarking reports for our GPs containing specific recommendations for each GP with the purpose to inform and improve a common approach to gender lens investing.

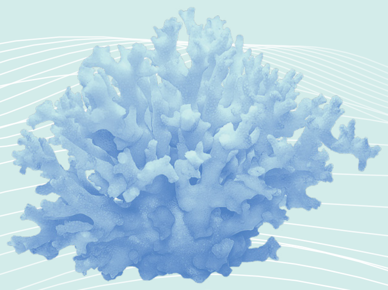
For more information about the 2X Challenge visit **2xchallenge.org**.

Governance:	Three years ago, 57% of GPs had boards with no women. That figure has decreased to 36%.
	Three years ago, only 14% of GPs had boards with 50% or more women. That figure is now 28%.
Policy:	85% of GPs have a formal gender equality policy
Women representation at Sarona's partner firms over last three years:	GP board members: grew from 19% to 29%
	GP investment committee members: grew from 15% to 20%
	GP executives/partners: grew from 11% to 26%
	GP managers: grew from 30 to 35%
	GP employees: changed from 46% to 42%
Gender equality at our portfolio companies. When managing companies:	88% of partner GPs have systems to track SDG 5 related outcomes
	73% complete thorough gender equality assessments
	62% implement specific improvement plans to enhance gender equity
Sarona's partner GPs on diversity and gender equality:	88% want help improving their gender equality and women's empowerment work
	73% want Sarona to host conversations among partner GPs to better understand global diversity

Notes to data: We partner with investment leaders who really 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 figures improve in the next couple years.

COMMITTED TO CLIMATE

Our *biological imperative* to care for our children is moot until we first address the *ecologic imperative* to care for the earth.



The only solution to a global problem is through global collaboration. Human population has never faced a problem of truly global scope before coming face to face with Climate Change. This one is indeed global. What happens here, happens everywhere.

But it reaches even further than that: what happens here, happens also in the future. Or, better understood, what I effect today will affect my grandchildren.

Like Diversity, the general science of Climate Change is now broadly accepted. Solutions are being implemented at a never-before-seen pace. Yet, it is not enough. In our world – finance, investment, private equity – profit still supersedes society's climate convictions. Pension funds' first allegiance is to their pensioners' financial security. Families' first allegiance is to the next generation's wealth. And yet, bit-by-bit, we see the world turning. First it was simply environmental risk mitigation. Now, slowly, investors are beginning to seek positive climate outcomes.

Sarona has always understood that one can target top, risk-adjusted returns while investing in healthy economies – in businesses that improve both communities and the earth.

In the spirit of global collaboration, we now open the floor in conversation with our GPs from all over the world. We wish to understand the implications of the climate crisis from their perspectives as well as the actions they're taking to move ever closer to our common goals. In these next pages, we'll share excerpts of our ongoing conversation with our partners.

Sarona: **Gerhard** / We've spoken about Diversity, from perspectives of justice versus performance, regional differences, and especially gender equality. We'd like to shift our conversation now to Climate Change.

In my early career of impact investing, we focused primarily on social impact – with a focus on poverty, livelihoods, racial diversity and gender equality. We saw it as a double bottom line: profit and people. Thirty-five years ago, we were aware of environmental issues, but Rachel Carson and Henry Thoreau aside, it wasn't front of mind for most of us. But that has changed. We now see it as a three-legged stool: profit, people and planet.

Having spoken briefly about Diversity, we'd now like to invite you to talk about Climate: What does climate action mean in your context?

AfricInvest: **Ziad** / Correct – the threat of climate change is certainly one of the most existential challenges we all face. And no continent is more vulnerable to its myriad threats than Africa. AfricInvest cares about the environment and climate change is at the heart of it. We think of sustainability as the new digital – it's not an afterthought or incremental, it's a revolution. We are cognizant that protecting our investment portfolios against the devastating effects of climate change is not the same thing as stopping that destruction from occurring in the first place which is why we are taking a proactive approach.

The power of our hands-on approach is supported by strong operational interventions whereby we focus on reducing our companies' energy use, water use, waste generation and carbon emissions which ultimately links to higher value creation. As an example, our portfolio company Silafrica, a plastics packaging company with operations in Kenya, Tanzania and Ethiopia, is rapidly emerging as an innovator in the circular economy. It was the first African packaging manufacturer to be selected as a Signatory to the Ellen MacArthur Foundation Global Commitment to the New Plastics Economy. As part of this Global Commitment, Silafrica has set a goal of achieving fully reusable, recyclable or compostable plastic packaging by 2025, with at least 40% of its products made from recycled plastic. Shortly after our investment, we conducted an independent resource efficiency audit to identify the levers for decarbonization, compare the different energy efficiency and cost saving potentials and implement the energy and water efficiency and waste reduction measures. Another example is our investment in Vitalait, a dairy company operating in water-stressed Tunisia, where we supported them in implementing water-saving measures resulting in annual savings of 175,000 m^3.

Of course, you can't manage what you can't measure which is why we have developed with the help of a UK firm, Carbon Trust, a climate management toolkit to assess potential climate risks and opportunities per investee at both a pre-investment stage, chart their path to 1.5° C while identifying the necessary levers and ultimately assisting us in making climate savvy investment decisions. Among this tool, we have developed a tailored tool in line with the GHG Protocol to assist our investees in calculating their scope 1, 2 and 3 and on which our 5-person team (all women) fully dedicated to impact and sustainability provides them training. This helps our investees continues on their decarbonization journey long after we have exited the company.

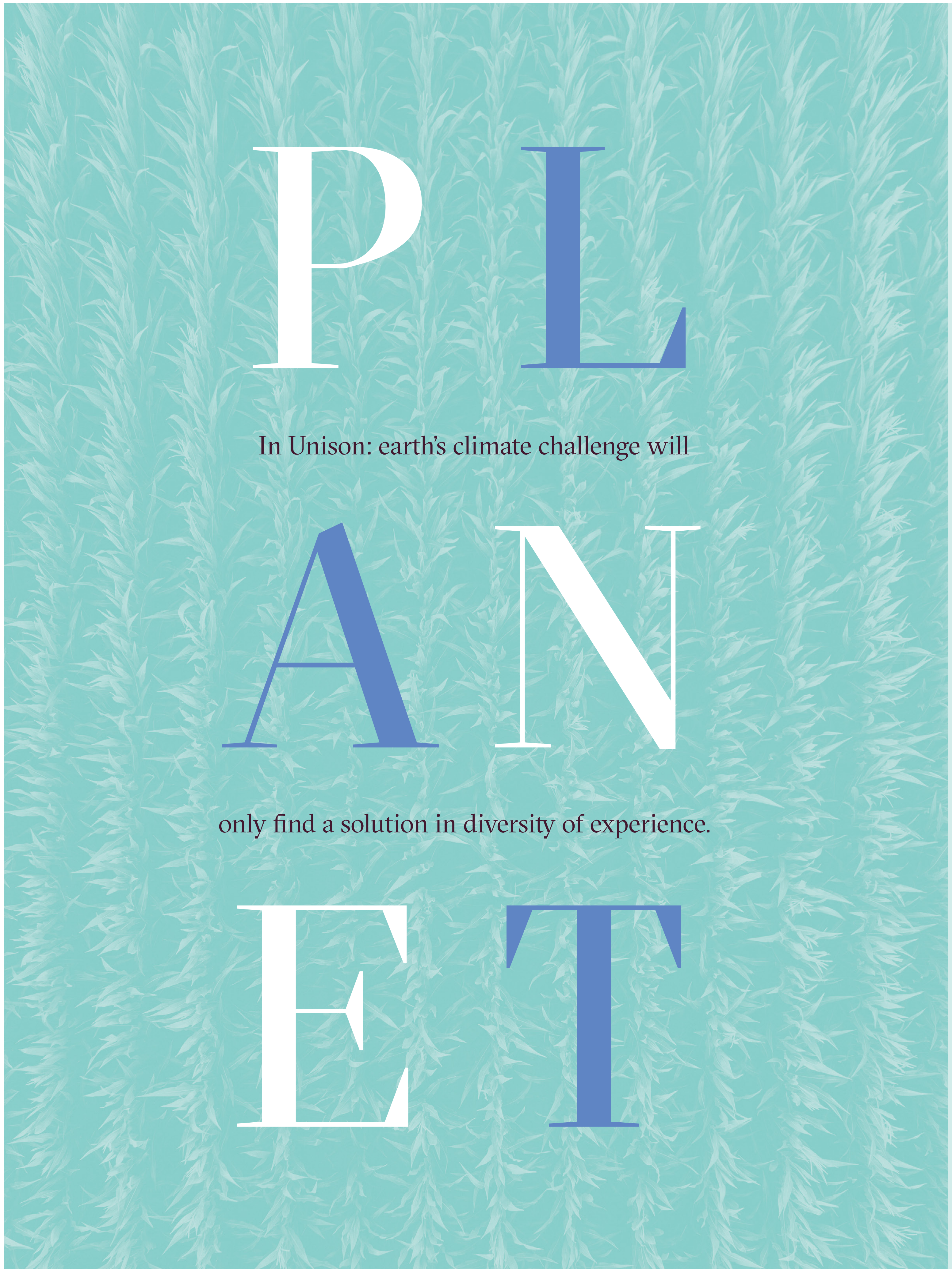
We are intentional about creating positive climate impact through our funds, and rigorously measuring and communicating this impact. Our methodology is aligned with international best standards but we also strive to consider local idiosyncrasies and measure meaningful outcomes which is the reason why we are exploring with some leading US universities a project to define and measure indicators to provide a more holistic, objective, transparent, outcome-based measure of African countries' wellbeing as it relates to climate just transition.

Mekong: **Khue** / In terms of the Mekong portfolio, we certainly see the need to be responsible, which means we need to take proactive measures. To this end, we have launched fundraising for the Mekong Earth and Forest Fund. Within Vietnam, much of the climate-focused capital has already been committed to energy. We saw forestry and regenerative agriculture as an exciting opportunity, with a dearth of independent capital. Our experience building our Mekong Energy Fund III, and the solar manufacturing and installation investments within it, showed our investors the benefit of an industry in partnership with government – companies used tariff opportunities in wind and solar and are now selling excess power to the grid, benefitting from both ends.

Oria: **Barbara** / For us, as a technology (mostly software) investment firm, we usually see a low impact on climate at the time of environment risk assessments. Nevertheless, we believed that everyone of course should be doing the basics, including proper disposal of electronics, energy monitoring and savings initiatives, new lightbulbs, recycling program, etc. Doing nothing is inadmissible! To bring attention to this point we designed an environmental policy model for tech companies, the material was great to start this conversation with both our portfolio and pipeline companies. As for investment opportunities we have completed this year our ESG/Circular Economy investment thesis, foreseeing investment opportunities in the energy tech business regarding climate; Oria also has done two investments targeting efficiency on traditional value chains with climate. Ambar Tech, disrupting construction and Eu Reciclo, the leading Packaging Recovery Organization (PRO) in Brazil to raise recycling rates with blockchain. Also, we are proud to say that Oria Capital is now in its third year of being carbon neutral!

Innova: **Magdalena** / We have similar experiences within Innova, including climate risks assessments in our current portfolio, and active implementation of improvements (for example, change in heating solutions, sustainable lightning in

"…we are *running out* of runway, and the time for action for our planet is now."



PLANET

In Unison: earth's climate challenge will only find a solution in diversity of experience.

stores, etc.). We have also concluded that climate transition risks currently constitute new business opportunities for some portfolio companies (described in our latest ESG report) and represent a strong part of our pipeline for our next fund.

Additionally, we have defined a carbon footprint reduction policy with specific reduction targets.

■ GEF: **Raj** / I can give two concrete examples of companies in our portfolio: SeedWorks uses hybrid seed combinations (not GMOs) to increase resilience to heat, specifically with regards to cotton, rice, and vegetables. This is necessary – with the extreme heats of India this year, 40% of the tomato crop was spoiled.

The second example is in the circular economy, where we saw an opportunity in waste recycling. Our company take in plastics such as water bottles, etc. and produces textiles, yarn and other materials used in the garment industry. This extends the end of use plastics and enables reduction in both waste and further textile consumption.

In our second fund, every investee company has stringent obligations vis-à-vis reporting indicators. These include GHGs and our commitment to NetZero. We have made it mandatory to track outputs across Scopes 1, 2 and 3, including carbon footprint, electricity use and others. We cannot implement measures on others without tracking ourselves. We understand that. And once we begin working with companies to track their metrics, we can improve our own internal policies and tracking measures as well. This has paid off in multiple forms – in terms of overall numbers, we now see an average of 5-10% improvement over the baseline, year over year.

Last year, we also became a signatory to TCFD, which was an important step for our firm. By implementing the TCFD framework to identify physical risks for our LPs, our analysis showed a high risk of flooding next to a proposed expansion of one of our companies. We worked with the company to find an alternative site. Had we not used this framework, the lack of oversight could have affected a key aspect of our business. We see correlation here in improvement between strong policies, and coordination with others.

■ Apis: **Ravi** / Yes, Apis sees climate action as imperative. As a global society, we are running out of runway, and the time for action for our planet is now. Whenever we can use our platform at Apis to support initiatives, we do so, even if it may not be connected to our portfolio; by lending our voice, if we have the opportunity to amplify a viewpoint around positive climate action, we of course will do so.

We look at climate action from many lenses, including philosophically and practically, but for us, given our industry focus (financial services), this is centred around how we can recognize climate opportunities and challenges within the financial sector. Specifically, in terms of our portfolio, climate action in financial services means focusing on Scope 2 emissions, and creating models for our LPs to consistently measure emissions within our portfolio in this regard. We will use ourselves as a case study and model, and then export from there – our portfolio companies will be able to see what works and what may not for Apis, and learn from that. Even though our output, as a financial services investor, may not be as significant as those who track Scope 1 emissions, we still formally recognize the benefit that monitoring in this regard has.

■ Gaja: **Abhinav** / Ravi, this is like our situation – our portfolio is largely service-oriented, without much Scope 1 impact on climate in daily action. We have instead focused on areas of improvement in terms of process, working at social and environment planning, waste reduction and energy consumption. We are tracking carbon footprints and reducing e-waste, portfolio-wide.

■ Innova: **Magdalena** / We see climate action as a value creation exercise, both for potential cost reduction and as a progressive differentiation target. I personally strongly believe that lack of climate related targets and politics might affect attractiveness of companies at exit. In a few years from now there might not be strategic buyers interested in acquiring any targets without a net zero balance or at least without a clear path on how to get there.

■ Mekong: **Chad** / Khue mentioned our new fund that we launched – in terms of our current portfolio, we see definitive action towards cost mitigation, including better insulation and solar installation at cold storage facilities. One of the challenges however is behaviour modification – how can we encourage the 'want' to change, apart from the financial benefit of change?

■ Sarona: **Gerhard** / Great question, Chad – that relates to my next question, and the challenges regarding Climate Action. Is buy-in a significant challenge to initiatives at your portfolio level?

■ Innova: **Magdalena** / In our experience it certainly used to be that buy-in from the manager was a challenge, however now it changes as they do see a clear advantage and the value creation that it can have for their business. This includes knowledge, and how to further educate – we will be providing tools and trainings in this respect.

■ Sarona: **Patrick** / Thank you all again for your time – before we let you go, one last question: Do you see any synergies between Gender/Diversity initiatives and Climate Action?

■ Gaja: **Abhinav** / One common factor that we do see is that while there is typically not a resistance to climate action or policies within our portfolio, there can be a mixed reaction regarding diversity/gender, especially depending on industry. For instance, in one of our portfolio companies in e-commerce fulfillment, the gender discussion was difficult

"…climate action *disproportionately* affects low income populations."

for the management as the industry does not typically attract women candidates. By contrast, the management of one of our portfolio companies in the software sector is open to the gender conversation since their workplace is more distributed, as the industry attracts a higher number of women candidates. However, we continue to engage in order to find solutions with the challenging cases as well. For instance, in the case of the e-commerce fulfillment company, the head of Human Resources has joined the WinPE forum, and he is using this forum to understand how he can imbibe diversity across all levels of management.

■ GEF: **Raj** / I do see some synergies, particularly with regards to negative impact – we can see direct evidence that climate action disproportionately affects low income populations (necessitating use of wood fuel, etc.), and therefore women or other marginalized societies in those areas. As floods and drought strike, it is most often those without resources who suffer most, be that the effects of heat on crops, or flooding in lowland agriculture centers. On a positive note: we have seen that when we solve for a negative impact, it drives an even stronger positive outcome; if we implement positive climate action in our portfolio, we often see that we end up with disproportionate positive affects on those who were first negatively impacted. There is not a lot of direct evidence of this yet, but we do see it happening. By expanding our data sample, we may be able to see more.

■ Sarona: **Patrick** / Thanks, Raj – that is a very hopeful assessment. And thank you all for your candid conversation. Like with Diversity, we plan to carry forward this conversation into the next years. We hope to learn from you, and for you to learn from each other. Ultimately, our goal is to help each other become global leaders in matters of profit, people and planet. Thank you.

Sarona's partner GPs started with ESG and are moving to climate action:	92% have ESG policies
	85% complete environmental assessments at our portfolio companies
	69% complete environmental improvement plans for the companies
Newer global standards such as the TCFD (Taskforce on Climate Financial Disclosure) reporting are still new:	92% of GPs are not TCFD compliant
	50% of GPs are familiar with TCFD and have expressed interest
	8% of GPs are currently compliant with TCFD
Sarona's partner GPs are serious about taking climate challenges seriously:	Most do not yet have a governance committee to focus specifically on addressing climate change
	But 77% now want to implement TCFD reporting in their companies
	85% want help in understanding climate challenges and implementing climate action strategies
	And 73% want ESG support from third parties

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.

Now

Sarona seeks to be the most valuable partner to local PE firms around the world. So lastly, we asked our partners where they need help with the social and environmental issues of the day: it is evident that you strive to be global leaders in creating a healthy economy that delivers prosperity for all; how can we be helpful to you in your journey?

This is what we heard from our GPs around the world:

- We have a strong conviction on diversity and climate issues, but our knowledge is not yet great. We need help knowing which strategies to implement, how to imple ment them, and measuring their impact.
- Please share best practises. We are long-time admirers of Sarona's thought leadership. Now we need more. We need to know which diversity and climate strategies are best for our firm and for our companies.
- Please help us understand: What are B Corps? What is TCFD? UNPRI? IRIS? We have neither time nor money to keep up with all of the systems and models out there. Help us: which are important and which are just noise?
- Please connect us to programs, events and platforms on diversity and climate action. Sarona has previously connected us to social and environmental innovation programs. We need more of that.
- Please connect us to each other. Please host discussions or sharing platforms with other GPs. We want to meet and debate, with Sarona as the moderator.

what?

Thank You →

We'd like to thank our PE partners for their candid comments on these pages. We were able to only include abridged comments from a handful of our partners. But be assured that there were many more voices that spoke in unison on these issues.

Our partners operate in different countries and cultures, so their challenges vary greatly. But the thread that runs strongly through everything we've heard is this: "We are fully committed to building an economy that includes all people today and in future generations." That is, in a nutshell, Diversity and Climate.

We are humbled by their commitment. In unison with our partners, we are committed to leading the world in building inclusive communities and a healthy earth.

AFFILIATIONS & ACCREDITATIONS

Sarona is a signatory to the 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 2X Global Challenge and is a supporter of the Task Force for Climate-Related Financial Disclosure (TCFD). Sarona is a member of CAFIID and of AVPN.

Sarona has been a Certified B Corp since 2011 and has been 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 and was named as an IA50 Emeritus Manager in 2021.

Signatory to:

Signatory of:

Concept and Design: **ideasbyduchaine.com**

Sarona Asset Management Inc.

Toronto
New York
Amsterdam
Luxembourg
Singapore
Sydney

saronafund.com