Sarona Asset Management Inc. is a signatory to the Operating Principles for Impact Management (the Principles).

Sarona hereby affirms that its investment assets are managed in accordance with the Principles. This disclosure statement applies only to the Sarona Frontier Markets Fund 1 LP, Sarona Global Growth Markets PE Fund 1 LP and the Sarona Global Growth Markets PE Fund 2-B LP. The total assets of these funds, managed in alignment with the Principles, is US$184 million as of 30 September 2019.

Gerhard Pries  
Chief Executive Officer  
Sarona Asset Management Inc.  
19 February 2020
Sarona is regulated as a Registered Investment Adviser (RIA) under the supervision of the US Securities Exchange Commission (SEC) under SEC file # 801-76668 and is an Exempt Market Dealer (EMD) in Ontario, Manitoba, Alberta, Quebec and British Colombia and is regulated by the Ontario Securities Commission (OSC) under registration # 57830 and holds an Australian Financial Services License (AFLS) from the Australian Securities and Investments Commission (ASIC) under license # 511088.

Sarona is a signatory to the UN Principle Related Investments (PRI) and Operating Principles for Impact Management (the Principles), a certified B Corp and recognized as Best for the World in 2017, 2018 and 2019 and a member of the investor council of the Global Impact Investing Network (GIIN). It is also recognized on the ImpactAsset 50 since its inception.

Sarona is a private investment firm that invests growth capital in companies, private equity funds and private debt funds in Global Growth Markets in Africa, Asia, Emerging Europe and Latin America. Through our value-driven leadership, we seek to achieve superior returns by creating world-class companies and employing highly progressive business strategies that improve lives and communities.

Sarona’s theory of change is grounded on our belief that providing the tools to our local investment partners to make more impactful investments through improved ESG, gender and impact policies and processes will not only make the world a better, safer and fairer place but will also provide more sustainable long term returns to investors. We measure our impact by focusing on six impact outcomes including job creation, job quality, empowering women, reducing environmental harm, improving governance and contributing to sustainable communities.

Sarona gathers annual metrics as defined by the Impact Reporting and Investment Standards (IRIS). We operate according to our ESG & Impact (ESGI) policy, applying our Social and Environmental Management System (SEMS) tool. We will report back annually on our impact results to our stakeholders in our annual values report publicly available on our website which will include results against our six impact objectives but also impact case studies of portfolio companies and local investment partners implementing improvements in their ESG, gender and impact policies and processes.
Sarona’s investment strategy contributes to 16 of the 17 UN Sustainable Development Goals recognizing strong contributions to the UN SDG 2 (Zero Hunger), UN SDG 5 (Gender Equality), UN SDG 8 (Decent work and economic growth) and UN SDG 16 (Peace, justice and strong institutions).

Sarona is a catalyst for positive change – changing how investors think about deploying capital in Global Growth Markets, changing how business is done, changing how businesses are run. In promoting value-driven leadership for collaboration, we engage on three levels:
- Globally: leading, innovating and collaborating;
- Investment industry: Catalyzing new thinking and actions; and
- Investment company: Better lives for more people.

**Principle 2: Manage strategic impact on a portfolio basis.**

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.
Sarona has a dedicated Social and Environmental Policy Statement and Management System in place and an enterprise wide ESG and impact policy. Sarona is a registered B Corporation and as such, includes environmental and social considerations in all its business and investment decisions. In addition, Sarona is often referred to as a leader in the impact investment community. This is because, since its inception, Sarona has believed in the possibility of investing with the explicit dual purpose of generating financial returns while providing tangible and measurable benefits to the communities in which it invests. Sarona believes that business leaders who employ progressive business practices outperform their peers in the long run. These leaders seek ethical, social and environmental excellence, and such high business standards are believed to reduce risk, strengthen long-term sustainable value, and enhance exit possibilities. These beliefs are reflected in the way Sarona designs and implements its investment strategy. We’ve embedded ESG related policies directly into our investment process at every stage of due diligence and monitoring.

Sarona believes that applying ESG criteria to its investment process and keeping underlying local investment partners accountable for their own ESG practices can lead to improved risk/return profiles. Sarona’s due diligence investment process includes an ESG due diligence template which is used to score local investment partners on ESG performance, intent, existing policies for due diligence, monitoring and reporting, ESG track record and measurable ESG outcomes. Sarona strives to apply effective social and environmental management practices in all its activities, products and services to create value for the funds in which it invests, for their portfolio companies and ultimately for its investors. We apply special focus on the following:
- compliance with IFC and OPIC’s ESG standards;
- compliance with host countries’ applicable environmental & social laws;
- investing in funds designed, built, operated and maintained in a manner consistent with ESG requirements;
- ensuring that underlying funds’ investments are consistent with ESG requirements as agreed with Sarona at the time of commitment;
- meeting the standards set in Sarona’s Social and Environment Due Diligence (SEDD) process as described in the investment process manual;
- meeting Sarona’s required ESG score;
- reporting impact performance annually as agreed with Sarona;
- reviewing local investment partners annually against ESG performance requirements;
- ensuring adherence to pre-agreed exclusion criteria;
- abiding to the United Nations’ Principles for Responsible Investment (UNPRI) since 2010 and the principles for investors in inclusive finance since 2011; and
- transparency at all levels.

At Sarona ESG considerations are embedded into all processes and all partners and key employees are responsible for this. For example, our investment team analyses the ESG performance of its local investment partners and scores them using Sarona’s ESG proprietary approach. This assessment is an important part of the local investment partner selection process and is included from the beginning of the due diligence process in the Deal Intro Memo or Deal Alert Memo. Investment Committee Members analyse the way ESG issues are managed by the local investment partners and portfolio companies during on site due diligence meetings. Sarona
requires local investment partners to provide annual reporting on ESG and impact metrics while Sarona aggregates, analyses and reports these figures to its stakeholders on an annualized basis through its values report.

- The impact metrics that Sarona collects span a broad range of IRIS compliant indicators annually including jobs created (disaggregated by gender), local taxes paid, number of customers, number of suppliers, social and environmental objectives of companies, compliance with local laws, operational certifications, employment benefits, environmental management systems in place, % of women on boards and in management positions, full-time wages (to compare with local wages), occupational injury rates, and employees trained.

**Principle 3: Establish the manager's contribution to the achievement of impact.**

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- As an established and globally recognised leader in impact investing for sustainable development, we seek opportunities to pay it forward by growing the tent for collaborative, innovative finance and impact. Recognising the nascent yet resourceful Canadian ecosystem for impact investing and innovative finance, Sarona – as Chair of the Canada Forum for Impact Investing and Development (CAFIID) – recently partnered with IFC and Convergence, the global network for blended finance, to convene a workshop on scaling impact investing. Sarona also joined with leading industry professionals to explore innovations for private sector investment in Africa. As such, Sarona will be at the forefront of the discussions in global forums on how to grow and define the impact investment industry, the base of our theory of change.

- Sarona also engages in constructive dialogue with its local investment partners on ESG-related risks and opportunities. Sarona encourages these local investment partners to understand and monitor material risks and opportunities at portfolio companies in a systematic way. It encourages local investment partners to track this information at the local investment partners level and to seek improvements where necessary. Local investment partners are further encouraged to promote strong ESG policies and programmes within the portfolio companies including discussing and identifying material issues at board level. Finally, Sarona also encourages local investment partners and portfolio companies to assign responsibility for managing ESG issues to specific individuals within the organisations.

- During due diligence and monitoring activities, Sarona seeks to meet as many portfolio and pipeline companies as possible to understand their businesses and, when appropriate, to provide guidance to its local investment partners on ESG-related risks and opportunities. For example, during a recent visit to a truck assembly company in North Africa, Sarona expressed concerns about health and safety practices which eventually resulted in improvements to the plant’s signage and layout. In addition, Sarona has partnered in the past with NGO’s and
government agencies to offer more impactful funding. Such grants provide economic incentives to businesses who wish to improve their environmental, social and/or governance (ESG) policies and practices.

- Sarona publishes an annual Values Report that consolidates IRIS metrics over time and across portfolios. The Values Report also includes several impact case studies relating to individual companies and local investment partners. Over the last two years, Sarona has published 27 impact case studies highlighting the positive impact achieved by companies and local investment partners in which Sarona has invested.

- Sarona organizes quarterly conference calls to discuss financial and ESG related results and annual investor days in Europe and North America to allow investors to meet a selection of our local investment partners. ESG issues are also regularly included on the LPAC agenda.

**Principle 4: Assess the expected impact of each investment, based on a systemic approach.**

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- As an impact investor seeking to improve ESG, gender and impact policies and processes with its local investment partners, Sarona has developed toolkits with its partners to provide support to these local investment partners to implement its theory of change. We then measure annually whether our support has had positive impact against six impact outcomes which are then communicated to our stakeholders publicly, where we seek best advice on improving our approach.

- We also seek to be leaders in the public discourse, championing the importance of public-private collaboration through means like blended finance and innovative finance.

- We raise private and public capital that we pool together into the funds that are then invested with impact intent with the goal of improving our local investment partners capabilities in that process. We monitor our local investment partners regularly but no less than once a year,
establishing the baseline as the date of our initial commitment and monitoring actions taken by our local investment partners in improving their ESG policies and processes.

**Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.**

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- Sarona maintains an ESG risk register which it updates regularly based on disclosures provided by its local investment partners which form part of the legal requirements of Sarona’s investment.

- During the due diligence process, we seek to establish how ESG factors are considered during the due diligence, monitoring and exit process and how the local investment partner manages these risks. Most local investment partners follow the IFC ESG risk categories and report back on these annually as well as disclose all negative externalities that might have occurred against these ESG risk. Sarona then follows up on this and ensures that changes are made whenever an ESG event has occurred to reduce the likelihood of reoccurrence and that lessons were learned and applied and shared across its portfolio.

The chart below summarizes key steps in the SEMS process and how they fit in Sarona’s workflow:

<table>
<thead>
<tr>
<th>1. Screening</th>
<th>Review funds against IFC exclusion list</th>
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<tbody>
<tr>
<td>2. Due diligence &amp; selection</td>
<td>Review GPs’ ESG management (GPs’ ESG management score and GPs’ sectors compared to</td>
</tr>
<tr>
<td>3. Negotiations &amp; closing</td>
<td>Define ESG corrective action plan (if required)</td>
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<tr>
<td>4. Monitoring &amp; engagement</td>
<td>ESG monitoring and ESG incidents tracking</td>
</tr>
<tr>
<td>5. Reporting from GPs and to LPs</td>
<td>Annual data collection (from GPs)</td>
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Annually, Sarona requests data relating to 22 pre-agreed Impact Reporting & Investment Standards (IRIS) metrics from all companies to whom our four portfolios have provided equity capital, either directly or indirectly through the underlying private equity and debt funds. Sarona received this data through impact questionnaires we sent and/or ESG reports shared with Sarona. Sarona then cleaned and aggregated the data to allow for an analysis of the results.

In addition to the quantitative data, we also collect qualitative data on the impact of our portfolio companies and funds. During 2019, we interacted with all our local investment partners and with a select number of their investee companies. The report includes 6 case studies which illustrate Sarona’s impact across our investment mandates, regions, sectors and impact themes.

We disclose impact attribution. In 2019, we recognized that our impact metrics reflects quantitative data relating to companies in their entirety, not pro-rata relating to Sarona’s ownership. We believe Sarona has significant impact on the investment industry ecosystem and therefore calculating attribution is very challenging. For readers’ information only, we own an indicative average of 4.2% of the 229 companies mentioned, whether directly or indirectly through funds.

We recognize it can sometimes be difficult to exit an investment in a PE fund if impact metrics aren’t being met but broadly, most of our local investment partners have collaborated with Sarona to improve their ESG, gender and impact policies and processes in line with our initial expectations.
**Principle 7: Conduct exits considering the effect on sustained impact.**

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- Sarona is broadly exposed to long term PE funds that are well suited to impact investment. It is also at the mercy of its local investment partners, both on the timing and to the partner who ultimately creates an exit opportunity. However, in all cases, exit partners will pass KYC and AML checks and generally seek to buy the existing growth and direction of the underlying portfolio companies. Sarona is engaged with its local investment partners in both identifying exit partners, getting updates on exits, and ensuring those exits benefit the company, its stakeholders such as employees, suppliers and local community, in a way that strengthens the future of these portfolio companies and their impact on local economies.

**Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.**

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Sarona continuously reviews its investment process, its impact investment theory of change, and its role in building up the industry. It seeks support from its partners and seeks out best advice from others as it refines its approach and model based on industry best practices. It has partners with B Lab, the UN PRI, ImpactAssets and others in the industry to improve its impact management systems, its impact reporting and its impact performance.

- Sarona will seek to ensure it achieves these overriding goals as it implements its social and environmental management system and seek to develop and improve these over time.
  - Good investments done right – company level: Enhancing economic opportunities and quality of life for local communities: The most direct, granular and measurable impact is driven by the specific activities of our portfolio companies. Each year, Sarona will aim to commit to local investment partners aligned with its vision and collect and consolidate data reported by all companies to measure its progress against its impact objectives
  - Catalyst for change – private investment markets level: Building institutional capacity: Less direct, yet possibly even more important, is the impact Sarona aims to have on the GP and LP community active in low- and middle-income countries. We will engage, to varying degrees, with over 500 local investment partners and 1,000s LPs and let it be known that we are driven by positive impact considerations as well as financial considerations, without trade-offs
Innovation through collaboration – systemic level: ‘Business as usual’ is not an option: Sarona aims to achieve scale and increase the probability of meeting the SDGs within the desired time scale. We are committed to continue to innovate and collaborate with the public and private sector through new structures and improved business practices.

- It will update its tools in collaboration with its partners. An example of this was its wholesale review of its ESG questionnaire last year in which it went through the entire questionnaire internally but also benchmarking it to other organisations with the help of MEDA in order to address what it felt were the most relevant and important questions that would properly identify the local investment partners capabilities and capacity for improvement as it relates to its ESG, gender and impact policies and processes.

**Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.**

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Note re-affirms the alignment of Sarona’s policies and processes with the Principles and will be updated annually.

- In accordance with Principle requirement that signatories submit to an independent verification, Sarona is currently analyzing the best option to complete this verification process, which will be completed by 31 December 2020.