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# A Question of Perspective



It is hard to see clearly in a world riven by racial conflict and gender inequality. It's even more difficult when those inequities are situated within the context of a global health pandemic and an existential climate crisis.

Today's challenges, set against individual aspirations of security and prosperity, draw us into complexity; they demand of us that we live with the tension of differing and sometimes competing objectives. Is it possible to see two images, two goals; two visions—and to pursue them equally well?

Is it possible to pursue financial and impact objectives equally? If we deliver profits to shareholders, do we rob employees of profits? If we grant power to men, do we rob women of power? If we strive to create wealth for all—rich and poor—today, do we rob future generations of their opportunity for wealth? If black lives matter, do others not?

Sarona has deliberately chosen to live with this very significant challenge: to maintain *Double Vision*, without that vision becoming blurry.

- Our *Double Vision* must be clear: strong profits and deep impact
- Our *Double Vision* must be deep: thoughtful and far-sighted

*Double Vision* is indeed hard work. Each day we fail, but we must keep moving because we are driven by a deep belief that “building a better world for all” is our imperative.

We began with measuring ground-level impact in our investee companies. But that wasn't enough. It's easy to create and count jobs. Arguably, any growing company does that; even Coca-Cola does that. So, a number of years ago, we asked, “How can we bring indelible, positive change to the world? How can we inspire business leaders to long term change, so that strategies are implemented far into the future?” Envisioning a healthy new economy is so much more than counting hospital beds or women managers or megawatts of clean energy today. Yes, we do that too. But can we be more influential? Can we bring long-term hope to minorities and to women? Can we contribute, indelibly, to reversing the climate trajectory?

We invite you to peruse the 2020 *Sarona Values Report*—this year more story-based as we explain our theory of change. We invite you to join us in reconciling two seemingly opposing views—and to see with us a clear *Double Vision*.

**Gerhard Pries**  
CEO & Managing Partner

# THEORY OF CHANGE

## Moving from conviction to action—

### 1. Our Belief Statement

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

### 2. Our Impact Mission

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

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

### 3. Our Theory of Change

Delivering capital to entrepreneurs in emerging markets is inherently impactful—our trade finance gives life to SMEs that would otherwise wither, and our private equity gives breath to growing businesses. Our capital increases employment, improves competitiveness and develops supply chains served by

small-scale enterprises. These companies play a significant role in the advancement of trade, boosting economic growth, reducing poverty and building local community institutions. But we must do more. Impact Investing 2.0 demands of us that we deliver long-lasting societal change by empowering business leaders to understand the nuance of certain issues and implement strategies—such as understanding gender equality and implementing women’s empowerment strategies; understanding the challenges of smallholder farmers and building supply chains that include them.

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

### 4. Our ESG & Impact Policy

Our policy sets out our internal expectation for action. We are focused, not only on mitigating

risks related to ESG failures, but also to improve our companies’ positive impact. We seek therefore, to move beyond minimising the negative to enhancing the positive, from compliance to engagement.

### 5. Our Social & Environmental Management System

Our management system includes processes and models to assess and improve our impact, from due diligence through investment and management. Because we are far from done, this is a work in progress. We also partner with advisory firms and non-profits to help deliver

programs to investment leaders and investee companies: innovation support, gender-equality strategies and climate action.

### 6. Our Measurement & Reporting

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

- ① Gender—Empowering women
- ② Earth—Improving environmental outcomes
- ③ Livelihoods—Creating and improving employment
- ④ Integrity—Improving governance
- ⑤ Social—Building communities

# Contributing to the Sustainable Development Goals

As noted in our *Theory of Change*, we are animated by the Sustainable Development Goals (SDGs) and focused on five core changes: Gender equality, Earth care, better Livelihoods, unassailable Integrity and Social improvements.



**1. Gender**  
Empowering Women



**2. Earth**  
Improving Environmental Outcomes



**3. Livelihoods**  
Creating & Improving Employment



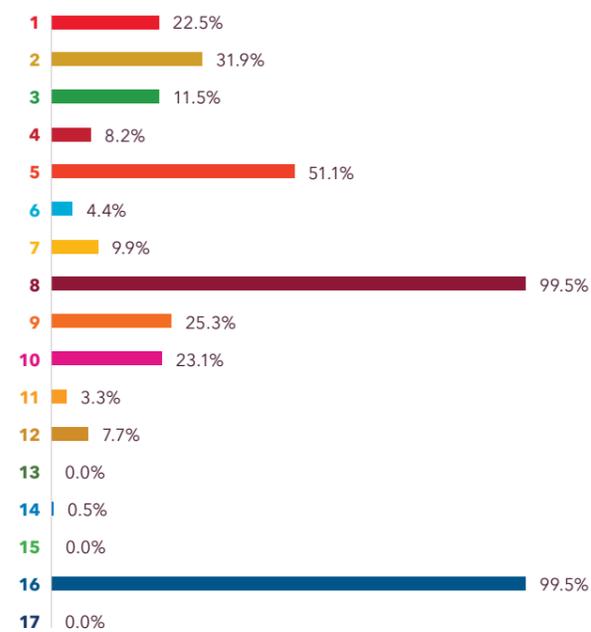
**4. Integrity**  
Improving Governance



**5. Social**  
Building Communities



% of companies contributing to each UNSDG (n=220)



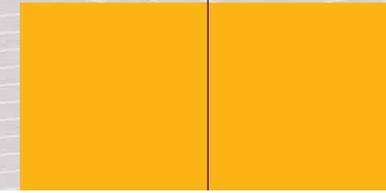
We were perplexed when, in the year 2000, the world agreed on the eight Millennium Development Goals (MDGs). The goals were not only audacious; they were—to our thinking—wholly unreasonable. Achieve universal primary education? Eradicate extreme poverty? Sure, since the beginning of time, we’ve wanted to feed the poor and cease all war. But there’s no way, we thought, that one could declare that as an achievable goal. How wrong we were. At the end of the 15-year goals, the UN report card on the MDGs showed far greater success than we had ever imagined.

It didn’t all happen at once, but in 2015, three factors converged to supply fuel to the SDGs. 2015 was the moment that the world realized that audacious goals were achievable. And because the UN acknowledged that the MDGs’ success was largely attributable to broad economic growth, it was also the moment that governments recognized the private sector as integral to healthy development. And, after generations of focus on shareholder value, private sector leaders finally understood that they carried responsibility also for people and the earth. And with that, the SDGs were introduced.

In 2015, and ever since, we have embraced the SDGs with full enthusiasm.

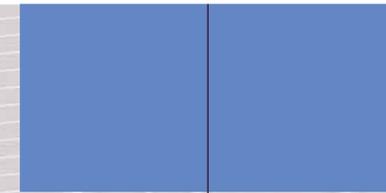
It must be understood that the SDGs are not a measurable target for firms such as Sarona. The SDGs are global goals and national goals. Our role, as a private investment firm, is to align our investments and our impact-oriented actions in such a way as to enhance a country’s ability to achieve its goals. We can create jobs, but we would be blind if we did not acknowledge that one new job here may spell half of a lost job in a competitor company. It may also spell the purchase of a moped or a car, which harms the environment.

But being frozen in fear of unknown outcomes is not an option. The world needs our best actions, based on our best information, best analysis and deepest thoughtfulness—and that, we can do. To the left, we indicate, not any verifiable measure of how much we have contributed to any SDGs, but rather the effort we have made. The datapoints simply show which of our investee companies are actively seeking to improve their country’s SDG targets.



# FOCUSING IN-DEPTH

We are *experts* in EM private investments



**Viewpoint**  
Deborah de Rooij

*Deborah de Rooij*



**Viewpoint**  
Menno Derks

*Menno Derks*

# Our 67-year history



For our investors, we are the bridge.



It was in 1953 that our forebears sowed the seeds of Sarona, investing in Sarona Dairies, Fortuna Shoes and other small businesses in South America. They soon expanded their portfolio to sub-Saharan Africa and Southeast Asia. Throughout the many changes and reinventions that have defined our 67-year history, including the 10 years since the birth of the modern Sarona Asset Management, two things have remained constant: **a) we have always been wholly focused on emerging markets;** and **b) we have always striven for a clear Double Vision: financial returns and social/environmental impact.**

For our investors, we are the bridge to an investment opportunity that they cannot otherwise access. And that opportunity is tremendous: it took over 250 years for one billion of us to move from poverty to middle class, but it will take only 40 years for the next three billion people to make that transition. And those people are all in emerging markets. Think of it as a massive global disruption—people are moving from informal subsistence farming to formal jobs and double income families, from \$1/day to \$10/day and \$50/day. The transition empowers families—the first thing they do is buy education for their children, healthcare for the family and protein for the plate.

As stewards of our investors' capital, our singular function is and has always been: investing in private

companies in emerging markets that support this massive global disruption, and help catapult civilisation into a new era of *prosperity for all*.

We were honoured when, in 2013, USDFC<sup>1</sup> selected us as their first international private equity intermediary. They were in the business of providing credit facilities to emerging market companies and funds, but they'd never supported an international intermediary like us. That same year, Canada's GAC<sup>2</sup> made a subordinated capital investment into our private equity fund. A few years later, they did the same for our trade finance fund. This year, we were honoured when the Government of Australia<sup>3</sup> selected Sarona to manage their Emerging Markets Impact Investment Fund (EMIIF).



<sup>1</sup> United States Development Finance Corporation (formerly OPIC: Overseas Private Investment Corporation), an agency of the Government of the United States of America



<sup>2</sup> Global Affairs Canada, a department of the Government of Canada



<sup>3</sup> Australia Department of Foreign Affairs and Trade, a department of the Government of Australia



**Viewpoint**  
**Deborah de Rooij,**  
Managing Director  
of Private Debt



→ Throughout my career, I have invested in many geographies around the world but always came back to emerging markets. Why? With developed market bond yields just above or below 0%, investors are not compensated for the risks they take. It is inspiring to invest in an asset class where we can make a difference to our investors and investees from a financial and impact perspective. With our debt investments, we provide a lifeline to many SMEs, allowing them to thrive, grow, innovate and invest in more sustainable business practices.

We want to help connect the dots and partner with trade finance intermediaries to strengthen their impact, strengthen their businesses and create vibrant local economies for all to harness.



**Viewpoint**  
**Menno Derks,**  
Managing Director  
of Private Equity



→ The primary success factor for achieving high impact and high financial returns in emerging markets is connecting with the right investment partners. They can build successful businesses that achieve high impact and returns despite challenges in Emerging Markets.

Engaging with those investment partners is very inspiring. When they are new to impact it often starts with the development of a robust impact management system with active support from Sarona. This requires dedication and effort from the investment partner, but

then once it is implemented an ignition happens. Investment partners typically go way beyond what was initially expected and become inspirational promoters of impact in their countries and in the private equity industry. Soon enough we learn more about impact from our investment partners than we can teach them.

We don't look  
at investments  
the same way  
most do. →

Because our  
Double Vision  
causes us to see  
things a little  
bit differently. →



## Compelled With a Capital “See”

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Sarona and its team has a long history of investing in private companies across emerging markets. But we’ve learned that local investment leaders who are just around the corner from their portfolio companies have a great advantage over those who invest from afar. We therefore extend our expertise by building a network of the best local investment firms—private equity and private debt—and investing with them. These are our investment partners. They lead the local investments, and we help them achieve business excellence.

Our *Theory of Change* demands that we work closely with our network of partners to create social and environmental impact throughout our companies. But private investment firms are not charities. They invest in companies, grow them, improve them, and eventually sell them. They specialise in both creativity and excellence. And all of that must, of course, be profitable. But one has choices in how one builds profits—one can aim for the next quarterly return—forgetting about the long-term stability of the company, its employees and the earth; or one can take the opposite approach. We look for local partners whose perception extends beyond quarter’s end.

In our 2017 *Values Report*, we spoke about some of our private equity partners: For example, Kandeo Investment Advisors—one of our Latin American private equity partners—did not consider impact when we first met them. But that changed. Kandeo now credits Sarona with helping them understand and implement ESG practices and an Impact focus. After our work with Kandeo, the firm hired a full-time impact advisor for its portfolio companies and now publishes an annual *Impact Report*. But Kandeo is not alone. Sarona has similarly assisted other private equity partners with impact strategies—Mediterrania Capital Partners and Creador Capital among them. But this is the story of Proventus and of its new-found vision for a stronger, brighter future.

Founded in 2012, Proventus is a private equity firm investing in Southeast Asia. The firm was founded by Mr. Lew Oon Yew and his investment team as a spin-off from the Kuwait Finance House. The team, which comprises seven investment professionals based in Kuala Lumpur, had previously launched a Sharia-compliant fund based in Malaysia and worked at NAVIS, one of the largest private equity firms in the region. Proventus focuses on building growth-stage mid-market companies in Southeast Asia.

On its website, the firm now announces that as part of its commitment to responsible investment and long-term value, it incorporates ESG consideration as part of the investment requirements and performance evaluation of its portfolio companies.

A firm’s values are tested most sorely during times of crisis. Despite this year’s pandemic, Proventus’ uncompromising values led them to hold fast on wages in their portfolio companies, rather than following the lead of other companies in the marketplace. Factory personnel continued their food and accommodation arrangements, with reviews underway to improve employee benefits even more. ESG and Impact initiatives undertaken in the current year will continue, including reducing energy usage and providing job opportunities to the visually and physically impaired.



## Lending by Example

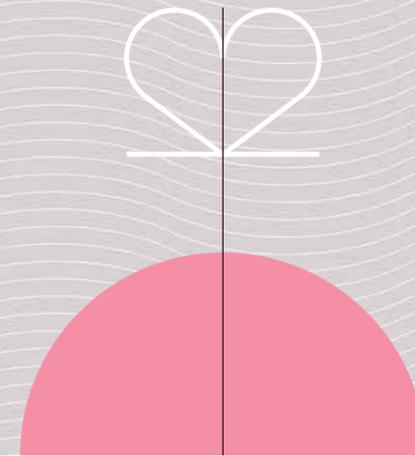
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Sarona has deep experience in both private equity and private debt. In both classes, we partner with local teams. Barak Fund Management is one such alternative lender. Based in South Africa, and working across sub-Saharan Africa, Barak supports small and medium-sized businesses through trade finance.

“Sarona was an early investor in Barak and opened our eyes to the importance of impact in trade finance in Africa. They helped bring other impact investors into our funds and to set up impact reporting systems that we continue to use today. Sarona, along with other impact investors, was very interested in the impact case studies we regularly prepared and their tough impact questions along the way also helped us convince Barak’s team to incorporate impact into due diligence and monitoring. Impact moved from a nice-to-have to a must-have in our deals and Sarona can take credit in moving us in that right direction”, said Giles Hedley, investor relations officer at Barak.

“MEDA, introduced to us by Sarona, has really assisted us in professionalising our impact policies and processes. We are thankful for their joint-contribution in our impact investment journey”, says Kyle Smith, deal originator at Barak and responsible for the management of the Barak Impact Finance Fund.

For example, Barak supported Atlas Commodity, a licensed cocoa buying company in Ghana that sources its cocoa directly from smallholder farmers. Cocoa farming is the backbone of Ghana’s agricultural economy, with some 800,000 small-scale cocoa farmers. Barak’s catalytic capital allowed Atlas Commodity to scale. It has also partnered with a technical assistance program improving smallholder farmer safety and productivity.



# KEEPING WATCH

We are committed to strong financial returns



**Viewpoint**  
Kwaku Addo-Abedi  
& Victoria Harvie

*Victoria Harvie*



**Viewpoint**  
Mat Leroux

# Investing from a distance



Our track record speaks to many hours of lost sleep.

Investing from a distance is unnerving. With an ocean between them, Peru seems worlds away from the UK, and Nigeria, from the US. There's no way you can keep an eye on your Brazilian communications company or your Kenyan SME bank. That's where we come in.

We are here to lose sleep so that you don't have to. As stewards of your capital, it is our job to keep watch, day and night. At the most basic level, we have to establish proper fiduciary and governance controls. But it goes further—we have to see to it that these companies and our local investment partners establish key performance indicators for financial, social and environmental success.

Our track record speaks to our unwavering, often nocturnal vigilance. Until Covid appeared, our trade finance portfolio experienced only one negative quarter in the last eight years. Sometimes we skillfully dodged a bullet; and at other time, the fates smiled on us duly. Our SGGM private equity portfolios have also performed well. Despite massive foreign currency shocks in 2014/15, and many idiosyncratic risks in many countries, our SGGM portfolios are outperforming most equivalent emerging market benchmarks and impact investing benchmarks.

Keeping watch demands that we look under the surface. For us, that means proofing all investee reports, cross-reconciling various financial statements, testing values and scrutinizing valuation practises. We were surprised to discover that despite the fact that we never invest alone, it seems that Saronia is almost the only investor in each group that keeps watch that closely. Our investees and our industry partners consistently tell us that we are the ones who dig the deepest; we are the ones who notice inconsistencies; we are the ones who best understand the investee companies.



**Viewpoint**  
**Kwaku Addo-Abedi**  
Manager of  
Fund Accounting



**Viewpoint**  
**Victoria Harvie**  
Senior Accountant



→ Our investee funds hate us, but they love us! We ask too many questions and dive deeper than anyone else because we know the value of communicating relevant and timely information to our LPs. Understanding our funds and underlying companies to this depth, positions us to make even more profitable and impactful investments tomorrow.

It has been great seeing Saronia evolve over the years, with everyone taking on the responsibility of improving processes and the information which we deliver to internal and external parties.



**Viewpoint**  
**Mat Leroux,**  
Controller



→ While our portfolios continue to outperform EM benchmarks, we are also setting higher benchmarks of how local investment managers should be involved with and understand their portfolio companies. It is important that we have a high level of confidence in the reporting from our chosen managers. To achieve this, we must build strong relationships with these partners and possess a comprehensive understanding of our underlying companies and the local operating landscapes.

Our investors have entrusted Saronia with their capital. They can gain comfort knowing that their capital and our portfolios are under Saronia's watchful eye.

It blurs the lines, merging money with meaning, profit with purpose; expanding wealth into legacy. →

We believe true impact means leaving an impression on our investors and our mark on this world. →



## Giving Credit, Where Credit is Due

...

Keeping Watch means that we lose sleep so you don't. But we can't go without sleep altogether. So we work with our local investment partners and our companies to improve their policies and processes. The stronger each company's financial controls, the more we can rely on their regular reporting. That applies to both our private equity and private credit partners—such as Lulalend.

Depending on which research report one believes, the unmet demand for operating capital as expressed by SMEs in Emerging Markets is between \$1.3 trillion and \$2.5 trillion. Local banks may lend against real assets, but not against difficult-to-collateralise assets such as equipment, inventory, accounts receivable, or even purchase orders. Sarona's Trade Finance Fund works with local intermediaries to drive capital into that gap. Lulalend is one of those intermediaries.

Lulalend is an alternative lender supporting SMEs in South Africa by providing credit to deserving companies who would not qualify by local bank standards. Sarona, in partnership with its technical assistance partner MEDA, has been supporting Lulalend in improving impact policies and processes, impact reporting and in catalysing our investment to scale up working capital support to SMEs in Emerging Markets.

Says Trevor Gosling, CEO and co-founder of Lulalend, "Sarona was one of the first institutional investors to back our vision of providing appropriately packaged SME loans to high growth businesses that lacked the collateral package sought after by local banks. Beyond their support in improving our impact policies and processes and impact reporting, they also proved instrumental in setting up systems allowing other international creditors to support our growth, acting as a reference on our business, and by engaging with us regularly through quarterly monitoring calls, providing helpful advice and sharing lessons from other parts of the world."

Lulalend thinks of itself as more than a company. They are the embodiment of a belief in the power of small business. One client of Lulalend is Kids Cooking Club, whose founder expressed, "I needed funding to expand our premises because we were turning away business. However, for a small business, the requirements are too extensive to secure funding. The traditional lenders ask for so many ridiculous things. I have been with the same bank since I started my business and they won't even fund me. This makes it really hard for small businesses to grow. Thankfully I came across Lulalend; they're more flexible, so it was much easier to access funding. It really makes it easier to grow your business when you have places like Lulalend to help."



## Nursing a Hospital Back to Health

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Cleopatra Hospital is one of our investee companies—a leading private hospital in East Cairo serving an area of more than 5 million residents. Cleopatra operates 165 beds, 16 outpatient clinics, 6 operating theatres, an ICU, a cardiac care unit, a day-care centre, a dental clinic, as well as a state-of-the-art lab and radiology centre. The hospital employs 1,400 people including 260 resident physicians and 335 nurses. It has one of the best-staffed emergency rooms in the country with 24 specialized medical doctors in addition to general practitioners. Cleopatra has 250 practicing physicians who are university professors and renowned practitioners in their fields of expertise.

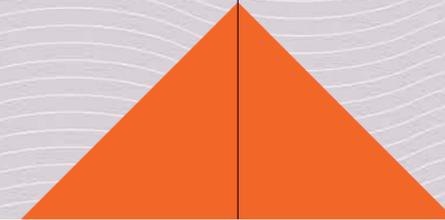
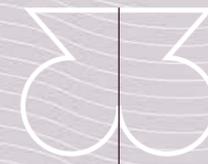
We invested in Cleopatra, through a local private equity fund in 2014. But Cleopatra had found that despite the importance of nursing to the healthcare sector, the quality of nursing education did not meet the healthcare needs in Egypt. The firm suffered from a shortage of nurses with both international-level academic training and practical experience.

Six years ago, we partnered with the Canadian government and MEDA to develop a Social/Sustainable Innovation Grant (SIG) program. In 2016, Cleopatra was awarded a \$60k SIG, matching this with \$140k of its own funds, for one purpose: To build the technical competencies and confidence of nurses at Cleopatra. To accomplish this goal, Cleopatra implemented a professional diploma program at Badr University Cairo for qualified nurses to receive a professional diploma after attending 3-4 sessions per month over the period of one year—making for a much more promising prognosis for Cleopatra Hospital.

After the first year of the new program, Cleopatra found:

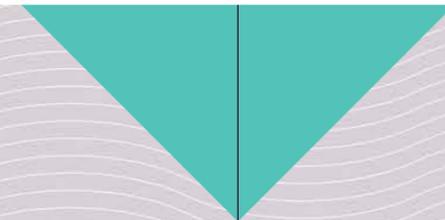
- Increased knowledge and skills: 186 nurses (74% women) were trained, scoring in the 80th percentile
- Higher income: 25% increase in monthly salary
- Increased patient satisfaction: 99% compared to 77%
- 6% increase in number of patients. After four years, patient numbers have grown 2.5x
- Increased sustainability awareness among staff as direct result of program

Cleopatra: "Since we launched the Social Innovation Grant program, the nurses' diploma project is one of the most important initiatives that we always share in our corporate meetings, including with investors, as a success story."



# SEEING THE FUTURE

We create deep & lasting *impact*



**Viewpoint**  
Serge LeVert-Chiasson

*Serge LeVert-Chiasson*



**Viewpoint**  
Paulus Ingram

*Paulus Ingram*

# Since our beginning



Helping investment leaders change the world.



Since our beginning in 1953, we have focused on impact investing. In its first Impact Report in 2009, JP Morgan surmised that Sarona was perhaps the oldest impact investment firm out there. Though flattering, good people have invested in other good people since the dawn of time. But the mantle weighs heavy. We do want to be a leader in creating deep and lasting impact.

At the beginning of this report, we laid out our impact framework: Beginning with our Belief Statement, we developed our *Theory of Change* and set it into action. But it's that very thing—action—that is the most difficult. It's easy to want to achieve change, but how do we actually effect such change? And how do we know that the desired change is happening?

Our theory of change is integrally linked to our investment strategies, to wit: because we firmly believe that emerging market companies are best managed by local business leaders, our impact will be greatest if we can work with those leaders. So, it is our local investment partners that manage our company investments and are able to have the deepest and longest-lasting impact in their communities. But the deepest impact—helping investment leaders change the world—is hard to measure. In these pages, therefore, you will discover both stories and data: stories about investment firms and companies; and data from portfolio companies. The stories tell of

changes in thinking, of movement, of more change to come. The data on the other hand is a momentary snapshot—it doesn't tell us what companies have done or what changes they are making, but only where they are at today.

Our biggest impact is, of course, the changes we can affect through our investment portfolios. But there is another canvas which we are called to paint, and that canvas is Sarona itself. We are very aware that we more reflect the mainstream investment industry and less the firm we wish to be. We have worked to bring gender balance to our firm, but have a long way to go. We are committed to improving our gender balance at all levels in the coming years.

Diversity also weighs heavy on our minds. We invest in local companies, run by local leaders across Africa, Asia and Latin America. As a whole, the portfolio of business leaders is extremely diverse. But what about Sarona itself? Interestingly, a half-dozen years ago, our small team of 15 people represented 12 different first languages. With staff turnover, that diversity has ebbed. We have therefore established a *Sarona Diversity Committee* and committed to considering both gender and diversity in all hiring. This year, we are also launching a diversity-focused internship program in our firm.



**Viewpoint**  
Serge LeVert-Chiasson,  
Managing Director  
of Impact & CCO



→ Sarona is celebrating 10 years of impact investment this year. Ever since the term impact investment has been coined, Sarona has been a thought leader, including being a founding GIIIN Investors Council member, one of the first Canadian signatories to the UN PRI and certified Canadian B Corps, and an early adopter to numerous industry impact certifications. Today, Sarona continues to support its theory of change, moving local partners to imbed improved impact policies, processes, and impact reporting to stakeholders.

Moving forward, Sarona will increase its impact value-add for its emerging market partners, and it will seek like-minded investors to join us on this journey. Our approach is finance-first, but we aim to positively change the world, one investment at a time.



**Viewpoint**  
Paulus Ingram  
Deputy CEO



→ Impact investing channels the potential of capital and funnels it to support the things people really want in their society: money to lead a decent and respectable life, equal opportunity to build their dreams; fair wages for labour; a clean and healthy environments to live in, and retire into; a better world for their children. Capital is a wonderful servant but a terrible master. Impact investing reframes the use of capital to explicitly target our—"our" writ large and broadly, collectively, our humanities—collective resources to build the world we want to live in.

Every decision we each make to spend money, to allocate money, to invest—sets the foundation of our collective future. I'm proud to be at the forefront of this collective awakening.

And so our campaign is waged on two frontiers—one for each of our bottom lines. →

Because, the way we see it, a little bit of change can usher in a whole world of growth—and that's something everyone can profit from. 👁



# Crises, Commitment & Clothing

As noted earlier, our Theory of Change begins with building up our local investment partners so that they might implement social and environmental changes throughout their portfolios of companies. This change theory is embodied in a local investment partner like Metier Capital Partners of South Africa, and by extension, its portfolio of companies, including Retailability.

Retailability had been performing well prior to COVID-19, both financially and from a social perspective—the company employs mainly women and sells quality affordable clothing to low-income groups across southern Africa—but it was during this pandemic crisis that their core values shone.

South Africa has been hit very hard by COVID-19. The disease spread rapidly, the economy took a big hit in the first half of 2020, and unemployment is expected to increase yet further. Retailability was also hit hard. Due to lockdowns, stores had to close in April, and so revenues and profitability dropped. But with the support of Metier, Retailability took quick action. They negotiated payment terms with landlords and suppliers and negotiated credit facilities with the banks. The company had invested in training for all of its employees over the previous year, so despite the challenges presented by COVID, it did not let go any of its 2,500 employees—78% of which are women. While unintended, the care and commitment shown increased employees' motivation. Due to careful planning and hard work, when lockdowns ended in May, Retailability was able to catch up on payments to suppliers and landlords.

2020 has been a tough year and things are expected to remain tough for the next few quarters, but Retailability will come out strong and expand its leading position. By seeing employees as equal to shareholders, Retailability is expected to survive while maintaining jobs in South Africa, which is so important in this COVID crisis. In the end, everybody benefits from this approach.

**Brands: Beaver Canoe, LEGiT, STYLE** **460 stores | 2,500 employees | 2,600,000 customers**

COMPANY VALUES

Humble	Hungry	Helpful	Honest
It's not about me	Always striving to improve	Teamwork wins	Have pride in what you do
Respect the individual	Be proactive	I have your back	Do the right thing even when no one is looking
Simplicity is best	Be innovative	I support my team	Basically be good
Together we are better		I always do my best	Do good, and stay good



# Catching a Little Sun in Nigeria

Sarona invested in Shaldag, through Verod Capital Partners, our local private equity partner, in 2014. Shaldag is a greenfield aquaculture production company seeking to substitute a portion of Nigeria's high volume of imported fish with quality local production. The company has constructed its first dryland fish farm near Lagos with the capacity to produce 2,500 metric tons of fish per annum. Shaldag is the largest West African recirculating aquaculture system (RAS) farm—a system that results in a 90% reduction in water usage compared to a traditional farm. Shaldag firmly believes in health—its fish are antibiotic-free and 100% organic—and in building the local community by employing locals for its operations, sponsoring community youth programs and investing in infrastructure.

Because an RAS system requires the water to be constantly circulated and treated, Shaldag required access to uninterrupted power. And, because Shaldag was located in a local agrarian community that was off the national grid, it had to install diesel generators to guarantee uptime. The burning of fossil fuel produced significant amounts of greenhouse gas emissions and Shaldag was concerned that this might have a long-term impact on the biodiversity of the community. Diesel prices also increase Shaldag's operating costs.

Six years ago, Sarona partnered with MEDA and the Canadian government to develop a Social/Sustainable Innovation Grant (SIG) program. In 2016, Shaldag was awarded a SIG grant to install solar energy, but due to operational/import issues, the installation couldn't proceed. Undaunted, Shaldag did not give up on changing to solar. Now, in 2020, with the support of Daystar, another Verod-owned B2B solar company, Shaldag is in the midst of switching to solar.

Despite the delay in solar implementation, Shaldag has had wonderful community benefits. Shaldag was a greenfield company, created to produce healthy food, replace seafood imports, create good jobs, and improve Nigeria's environmental footprint. Today, every kilo of fish produced means Nigeria imports less seafood, and fish are now produced and available to the rural population. Shaldag is now an important part of the local economy, having created 76 local jobs, with all employees being trained for success in their work.

# Impact *Beyond* Measure

This data relates to 201 companies in Sarena's portfolios (207 in the previous year.) In some cases, where full data was not available for every company, Sarena extrapolated from known data from past years. Data is relevant as of December 2019 for most companies, and March 2020 for some companies, depending on fiscal year ends.

We acknowledge that data does not equal truth, and we are committed to improving our research to better understand the meaning of such data.

We acknowledge that there are many unknown consequences of our investments and of our portfolio companies' operations. We may celebrate the creation of many jobs, but we acknowledge that as people gain wealth, their lifestyle choices may place a greater

burden on the earth. We may celebrate the growth of our portfolio companies, but we acknowledge that such success may cause market disruptions that cast other companies' employees out of work. We desire a deeper understanding of the multiple effects of our actions. We acknowledge that not all success is attributable to our work and not all failure can be laid at our feet. Our goal is to empower women, tend to the earth, create healthy employment, improve governance, and build communities. But we are a small part of the market. We wish to create deep and lasting impact through our actions and influence, but we must admit our own limitations.

We see in the following data that much work remains undone. While we love the fact that 88% of our companies provide health insurance, women comprise only 16% of our companies' board directors. That is not good enough. More companies are taking climate action, but the climate crisis demands that we redouble wv those efforts.

In short, despite a 67-year history, we still feel that we are at the beginning of a journey. Our commitment is to create deep and lasting impact, and at the dawn of every new day, Sarena will commit to working harder and smarter to honour that commitment.



## 1. Gender Empowering Women

	This year	Previous year
Women on boards of directors	16% of directors	14%
Women managers	31% of managers	31%
Women employees	37% of employees	36%
Jobs created for womens	15,107	11,000



increase in jobs created for women since 2018



tonnes of CO<sub>2</sub> displaced by clean energy production

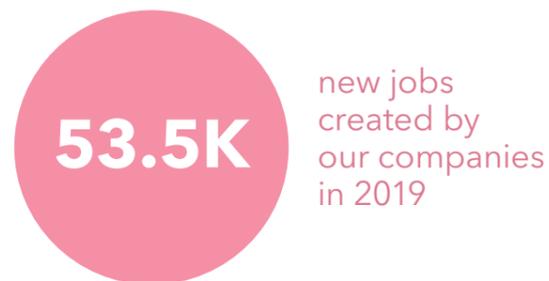


## 2. Earth Improving Environmental Outcomes

	This year	Previous year
Policy statement documenting companies' environmental commitment	66% of companies	62%
Stated objectives/targets for environmental aspects	34% of companies	—
Internal or external assessment of environmental impact of business activities	51% of companies employees	—
Periodic compliance and auditing to evaluate programs conduct	26% of companies	22%
<b>Percent of companies with focused action</b>		
• Pollution prevention and waste management	48%	49%
• Energy and fuel efficiency	40%	44%
• Sustainable energy usage	32%	29%
• Natural resource conservation	22%	18%
• Water resource management	22%	9%
Customers served with clean energy production CO2 displaced by this clean energy	14.2 million people 18.8 million tonnes (equivalent to 4.1million cars)	15.8 million
Grey water recycled	17 billion litres	—

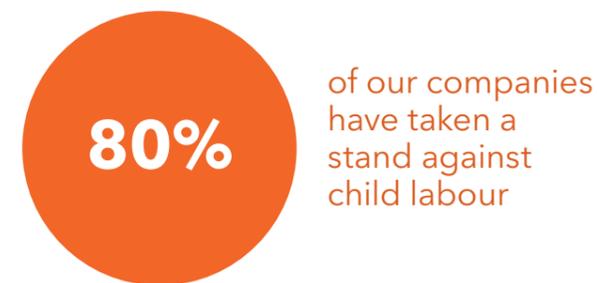
**3. Livelihoods**  
Creating and Improving Employment

	This year	Previous year
<b>Full time employees</b>	222,200	154,000
• Average # of employees per company	1,100	744
• Jobs created in 2019	53,500	19,000
<b>Size of companies</b>		
• <100 employees	42 companies	—
• 100–300 employees	39 companies	—
• 301–1,000 employees	67 companies	—
• >1,000 employees	53 companies	—
<b>Wages paid</b>	\$1.6 billion	\$1.2 billion
• Average wage per employee	\$7,211	\$7,500
<b>Employees trained in 2019</b>	135,183	
• Employees trained	61% of all employees	61%
<b>Employee benefits</b>		
• Health insurance	88% of companies	89%
• Dental insurance	42% of companies	36%
• Disability coverage	53% of companies	48%
• Paid vacation	70% of companies	58%
• Life insurance	38% of companies	36%
• Maternity / Paternity leave	92% of companies	93%
• Retirement provisions	64% of companies	58%
• Stock ownership opportunity	23% of companies	19%



**4. Integrity**  
Improving Governance

	This year	Previous year
<b>Women on boards of directors</b>	16% of directors	14%
<b>Audited financial statements</b>	100% of managers	99%
<b>Policy and monitoring against child labour</b>	80% of employees	83%



**5. Social**  
Building Communities

	This year	Previous year
<b>Companies' self-declared community impact</b>		
• Employment generation	84% of companies	—
• Income/productivity growth	68% of companies	—
• Equality and empowerment	53% of companies	—
• Community development outreach	42% of companies	—
• Access to financial services	39% of companies	—
<b>Taxes paid</b>	\$575 million	\$411 million
• Avg taxes per company	\$2.9 million	\$2.0 million
• Median taxes per company	\$785,000	—
<b>Clients/customers served (directly)</b>	167 million	136 million
<b>Clients/customers served via intermediaries/wholesalers</b>	473 million	—
<b>Suppliers (companies or individuals) to portfolio companies: of which:</b>	61,600	76,000
• SMEs	50,100	47,000
• Smallholder farmers	11,500	29,000

Sarona is a Certified B Corp and was recognized as a "Best for the World" B-Corp in 2017, 2018, 2019 and 2020. Sarona has been named to the ImpactAssets Global 50 in each of the last seven years—a list of 50 leading impact investors globally.



Sarona is a signatory to the UN Principles for Responsible Investment (UNPRI), with an A+ rating on strategy and governance, and an A rating on private equity according to the UN PRI 2020 transparency report. Sarona is a founding signatory to the IFC-led Operating Principles for Impact Management. Sarona is a founding member of the Investors Council of the Global Impact Investing Network.



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