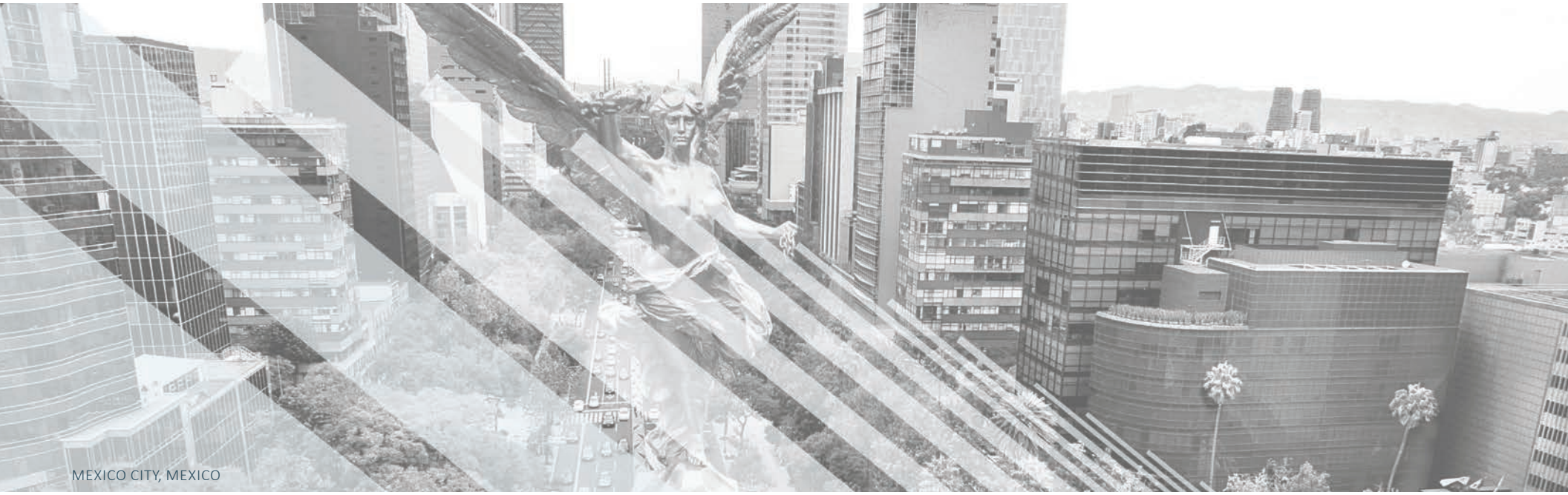
SARONA


MEXICO CITY, MEXICO

GROWTH THAT MATTERS

ANNUAL VALUES REPORT 2017

JOHANNESBURG, SOUTH AFRICA

Sarona Asset Management

Sarona Asset Management ("Sarona") invests growth capital in private equity and private debt funds and companies in Frontier and Emerging Markets to make a difference.

Our particular focus is the small to mid-market companies that meet the growing needs of the rising middle class. We seek to achieve superior returns by creating world class companies, employing highly progressive business strategies and operating to the highest standards of business, ethical, social and environmental excellence.

Sarona and its predecessors have developed a wealth of experience and knowledge through 60 years of private investments in Frontier and Emerging Markets.

This Values Report also refers to MEDA, an international economic development organisation with close links to Sarona. The two organisations have collaborated in the crafting of a number of case studies, and MEDA plays a particularly important role in the disbursement of the Sustainable Innovation Grants described in these pages.

[3] KUALA LUMPUR, MALAYSIA

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Welcome message

Eighteen months ago, under the auspices of the United Nations, the world agreed to put its shoulder to the wheel of 17 Sustainable Development Goals (SDGs) – goals that are to be achieved by 2030. These goals are ambitious; even audacious! And without a historic, fundamental change to how private capital flows to Frontier and Emerging Markets (F&EM), the required annual investment of an estimated $5-7tn just will not happen. Estimates for investment needs in developing countries alone range from $3.3tn to $4.5tn per year.

Those large sums are difficult to comprehend. Current funding from public and private sources leaves an annual gap for developing countries of over $2tn. And if every Western country increased their aid spending tenfold from now to 2030, we would still be $20tn short. So clearly, without significant private sector capital flowing to the developing world, the SDGs will not be achieved.

Bold, creative action is needed, and Sarona intends to do its part to improve lives today and over time. In many ways, this will require us all to change the way we think and the way we act. Our 2017 Values Report explains what we are doing, why we are doing it, and what results we are seeing.

It starts with a recognition that Sarona delivers impact on three levels: ***immediately***, among our investee companies; ***strategically***, within the F&EM investment industry; and ***fundamentally***, through global leadership, collaboration and innovation.

As always, we want first and foremost to report on how we are changing lives today on the ground – one investment at a time. This is best told through stories, and so our case studies provide a window on how our portfolio companies are generating positive impact, including contributing to the SDGs.

We also want to highlight how we are influencing investment practices within the F&EM investment industry, especially around ESG issues and impact standards and procedures. Finally, we want to explain how we are striving to change systems and societies for the better over time.

In closing, we recognize that impact reporting is more art than science. Each year we strive to do better to track outcomes and provide insights, and this year is no different, but our efforts here remain a work-in-progress. For example, it's fair to ask ourselves, "How do we know that creating one job here doesn't destroy another job there?", or "Do our investee growth strategies have a net environmental benefit or drawback?"

These are not easy or straightforward questions, but we challenge ourselves to ask them and learn from them. We invite a similar dialogue throughout the investment community, and hope that our findings and reporting help contribute to these important conversations.

Sincerely,

Gerhard Pries, CEO and Managing Partner

Vivina Berla, Co-Managing Partner

Overview

For any organization, values drive what you do and why you do it. As Mahatma Gandhi famously observed, values are shaped by beliefs and informed by actions. At Sarona, we work hard every day to live up to our shared values, and we trust that our efforts today will make a difference tomorrow.

All our investment activities seek to generate strong financial returns and are underpinned by ethical, social and environmental values. In order to reach scale and make a meaningful difference, we also strive to be a leader in the impact and blended finance space. Sarona endeavours to increase the positive outcomes and reduce any negative consequences of its investments. We measure and report on the social and environmental impact of our investments and participate proactively in international collaborative initiatives with the GIIN, PRI, GRI, World Economic Forum (WEF), UN and B Lab.

> *Sarona Belief Statement: 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 achieve strong financial returns.*

With the right partners and strategy, growing highly successful and profitable companies can have a significant developmental impact. This is what drives us: building a diversified portfolio of funds and companies to deliver *Growth that Matters*.

Our history and future of impact

Sixty-four years ago, our predecessor organization made its first investment in the Sarona Dairy farm in Paraguay. This early example of Impact Investing – decades before the term was coined – is impressive in itself. But more remarkable is the impact that this investment had over time; through sound investment principles and social values, our support for the dairy farm helped grow a community, and ultimately spawned an industry that served 70% of Paraguay's dairy market.

Sarona's success today as an impact investor traces its roots directly to that original investment, and it shows how impact can be far-reaching over many years. We can't fully grasp how our actions today will impact generations to come in Frontier and Emerging Markets. But just like our predecessor, we must forge boldly ahead to create impact both now and over time; both directly and indirectly; both tangibly and intangibly.

Growth that Matters

a virtuous circle of profit and values

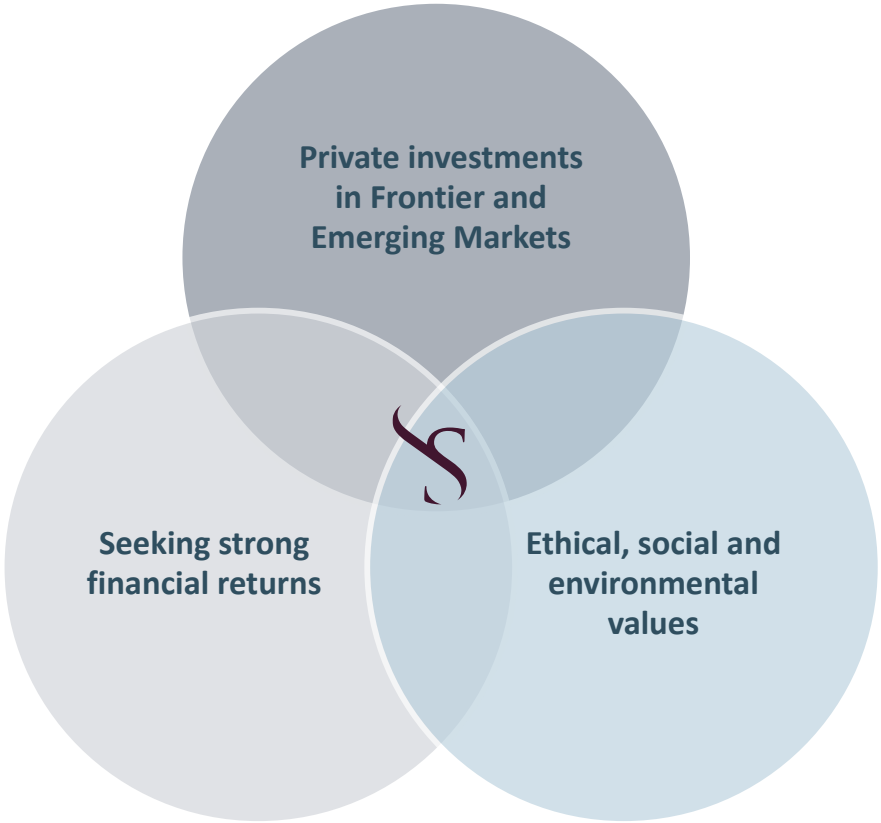
Three pillars underpin Sarona's activities.

We make private investments in Frontier and Emerging Markets. This is where we see the best opportunities to generate attractive returns and have a positive impact on the communities and environments where our investee companies operate.

During the past 10 years, private equity in emerging markets has significantly outperformed listed equities by more than 8% per annum.[1] And the risks and volatility have also been much lower than generally perceived.

The second pillar is investing for strong financial returns. We founded Sarona to act as a bridge between large asset owners and fast-growing profitable companies across Africa, Asia and Latin America. We work hard to mobilise large amounts of capital to make a real difference – by delivering financial returns that are as strong as they are de-correlated.

We focus on ethical, social and environmental values. This third pillar is the one that defines our ethos most distinctly. We are excited to see the growing pressure on asset managers and General Partners (GPs) to include ESG considerations in their investment decision-making and reporting. This makes the world a better place and enables us to seek higher returns.



[1] Cambridge Associates data as of 31 December 2016. Private Equity & Venture Capital Index and Benchmark Statistics

Methodology

Sarona's annual Values Report is the culmination of months of quantitative and qualitative data gathering from our underlying funds and investee companies.

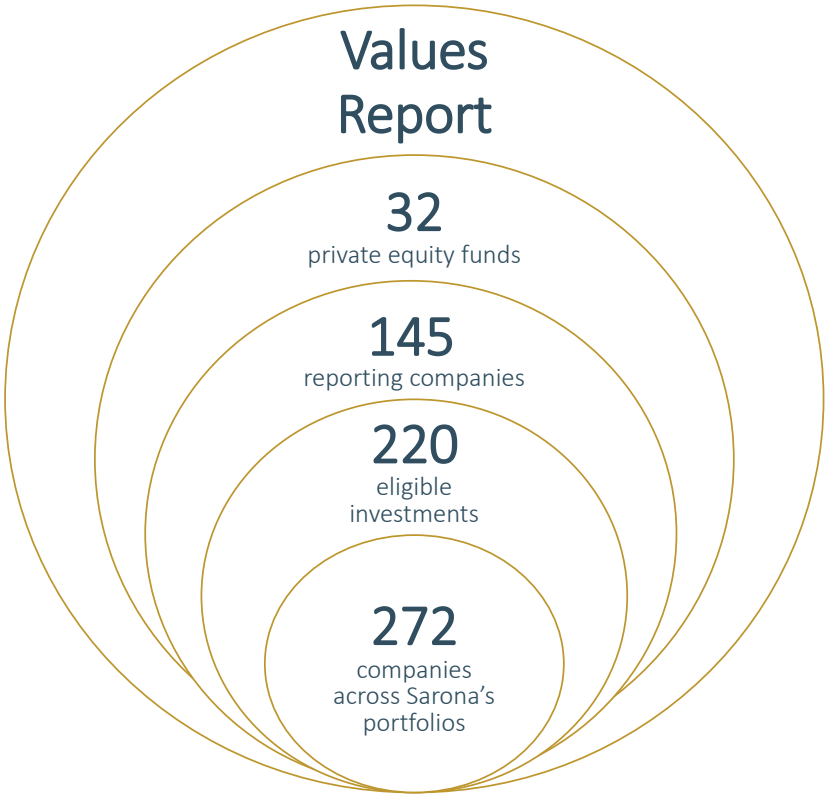
This year, Sarona has requested data relating to 22 pre-agreed Impact Reporting & Investment Standards (IRIS) metrics from all companies to whom our three portfolios have provided equity capital, either directly or indirectly through the underlying private equity funds. These three portfolios include: Sarona Frontier Markets Funds 1 & 2 as well as Sarona Risk Capital Fund (MEDA managed account).

There are 272 companies across Sarona's portfolios, of which 220 are eligible for inclusion in this Values Report. The remaining 52 companies are excluded as they are held by pooled credit funds. Of the 220 eligible companies that received Sarona's Impact Questionnaire, 70% responded through the B Lab digital platform. Sarona then cleaned and aggregated the data to allow for an analysis of the results.

This year, to obtain a more complete picture of Sarona's impact, we modified our approach to aggregating impact metrics across our portfolio companies. In previous years, we reported based only on the data provided by the underlying managers for their companies. This year, in addition to the data supplied by the companies, we used an extrapolation technique to statistically estimate the data for companies that did not complete the questionnaire.

As a result, total figures for all 220 companies in this report are calculated as the sum of the responses from the 145 reporting companies plus the median of those responses multiplied by the number of companies that did not respond.

In addition to the **quantitative data**, we also collect **qualitative data** on the impact of our portfolio companies and funds. During 2016, we interacted with all of our GPs and with a select number of their investee companies. The report includes 11 case studies which illustrate Sarona's impact across our investment mandates, regions, sectors and impact themes.



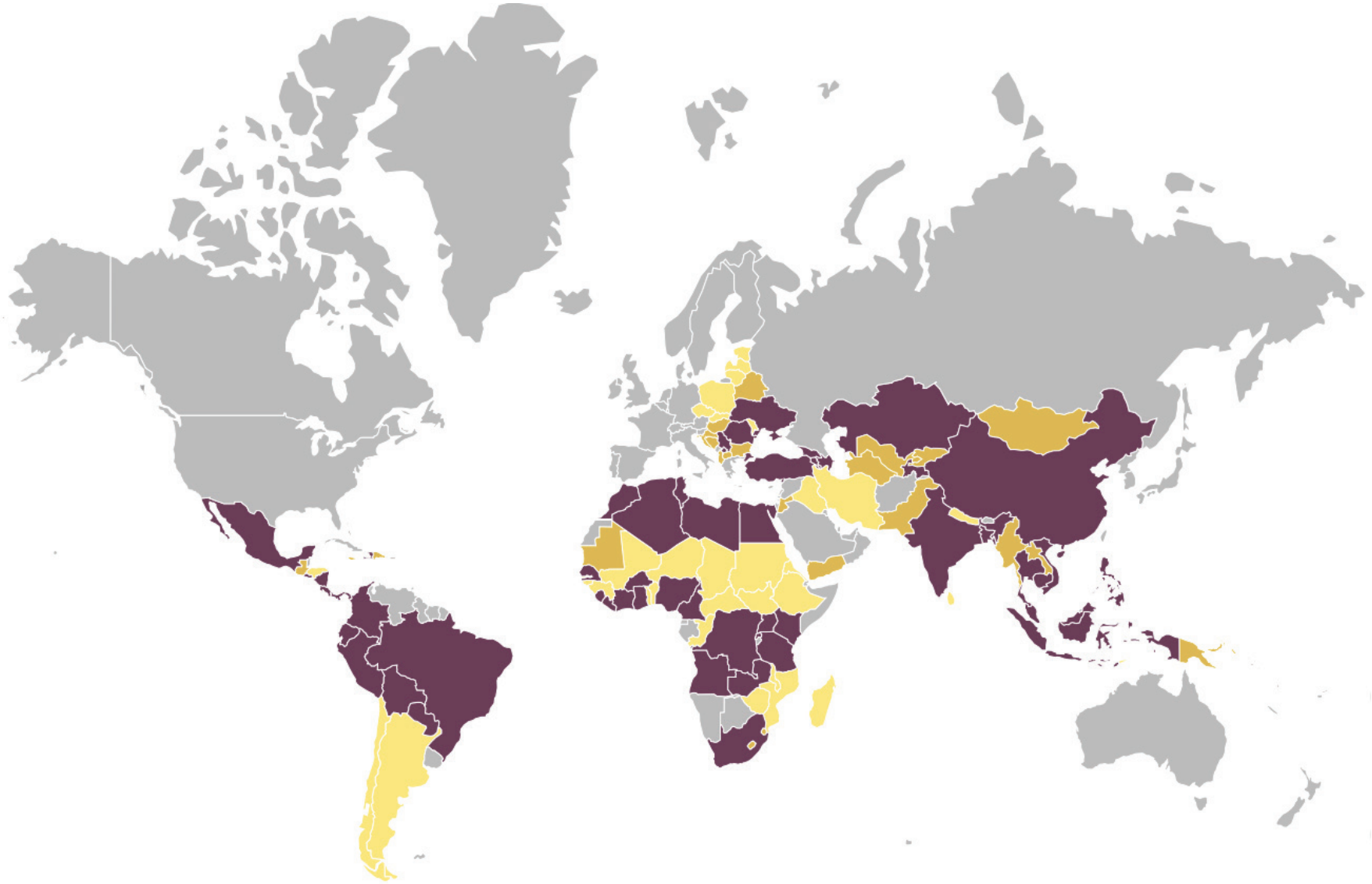
Impact attribution considerations

This report 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 2.2% of the 220 companies mentioned, whether directly or indirectly through funds.

Sarona investments	Count	Sarona average ownership
Underlying funds	32	4.3%
Investments in companies through funds	205*	1.3%
Direct investments in companies	17*	13.3%

*The counts of 205 and 17 include two companies in which Sarona invested through underlying funds and directly; hence, the total number of companies is 220

Sarona is already working for impact in 54 countries



106 countries in Sarona investible universe (69 with GNI per capita between $1,045 and $12,736 + 37 additional countries)

54 countries Sarona is currently invested in

Delivering impact at three complementary levels

Delivering impact is easy to talk about, but what does it really mean? Impact is complex and means different things to different people.

The challenge is that real impact can't be measured immediately, or often even within the life of a ten-year investment fund. It comes over time. To see it and measure it requires deep long-term commitment and focus.

Sarona seeks impact at three complementary levels:

1. **Global leadership** - by advocating broadly
2. **F&EM investment industry** - by building institutional capacity
3. **Investee companies** - by improving lives on the ground

These activities help us deliver optimized, broad and enduring solutions, amplifying our overall impact.

First level impact – innovating, collaborating, leading

At the highest level, Sarona's impact lies in changing the way the world invests and runs businesses. Sarona is recognised as a leader in the global discourse on business-led impact, helping to drive progress towards achieving the SDGs on a timely basis. We will continue to innovate with the public and private sectors, designing collaborative investment and governance structures and promoting improved business practices. By engaging with both the leading international organizations (UN, OECD, WEF) and Impact Investing field builders (GIIN, B Lab, GIIRS), Sarona promotes a very active vision of how business practices can be improved to make this world a better place for all.

Sarona's engagement at this top level is perhaps our most impactful contribution, yet it is not easily measurable. The results are wide-ranging, long-term and diffuse. There are no benchmarks, no metrics and no definitive way of quantifying this impact. Yet, we do see results.

We are invited to address high-level meetings and Heads of State functions. In 2015, we were one of the six private sector voices invited to speak at the UN International Conference on Financing for Development in Addis Ababa, Ethiopia. We have convened gatherings of world leaders – both sovereign and private business – to help promote collaborative efforts to achieve the SDGs. Our voice is distinctively friendly, constructive and collaborative: it reflects our understanding that we are about more than shareholder value, that we accept responsibility to people and the earth, that we know we must partner broadly to achieve prosperity for all. By building bridges of trust, we are helping to lead the global agenda on public-private collaboration for development.

Strengthening bridges for capital flows – mitigating FX risk

As a leading global impact investor, Sarona sees its role as providing a bridge between asset owners and growth markets. But any bridge is only as strong as its weakest support; Sarona is working to strengthen key supports to unlock more private equity capital flow to these markets.

A major factor keeping substantial private capital on the sidelines is the risk of local currency depreciation. Sarona is currently working with the Emerging Markets Private Equity Association (EMPEA) and Crystalus to find innovative approaches to help reduce currency risk for private equity investments in F&EM. Our work is sponsored by the United States Agency for International Development (USAID).

Sarona actively engages with leading industry associations

The International Limited Partner Association (ILPA) Private Equity: As a signatory of the ILPA Private Equity Principles, Sarona forms part of a community of investors that actively seeks to promote transparency, good governance and alignment of interest. We strive to adopt best practices that provide consistency, standardisation, benchmarks and structure in order to allow for better returns and a more sustainable private equity industry

United Nations Principles for Responsible Investment (PRI): We are a signatory to the PRI and voluntarily disclose our Environmental, Social & Governance (ESG) processes through the public Responsible Investing Transparency Report. Backed by the United Nations, the PRI constitutes an approach to investment explicitly acknowledging that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. It is driven by a growing recognition in the financial community that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the medium and long-term, and that this analysis should inform asset allocation, stock selection, portfolio construction, shareholder engagement and voting. Responsible investment requires investors and companies to take a wider view, recognising the full spectrum of risks and opportunities facing them, in order to allocate capital in a manner that is aligned with the short and long-term interest of their clients and beneficiaries

Global Impact Investing Network (GIIN): Sarona is a member of the GIIN's Investors Council, a leadership group of active large-scale impact investors seeking to strengthen the practice of impact investing and accelerate learning about new areas in the field. In this role we have adopted the use of Impact Reporting and Investment Standards (IRIS) metrics, which is available in Appendix B of this report. These metrics help us to assess our social and environmental performance in a standardised way

B Lab: B Lab is a non-profit organisation, which introduced the B Corporation certification for for-profit organisations based on an assessment of the firm's social and environmental performance. The "B" stands for beneficial and acknowledges that the certified company meets certain standards of transparency, accountability, sustainability and performance. Sarona has been a certified B Corp since 2011. In 2015, B Lab recognised Sarona for creating the most positive overall social and environmental impact in its fourth annual 'B Corp Best for the World' list. To be part of this list, a corporation has to earn an overall score in the top 10% on the B Impact Assessment of more than 1,752 certified B Corporations from over 130 industries in 50 countries. This is a rigorous and comprehensive assessment of a company's impact on its workers, community and the environment

Global Impact Investing Rating System (GIIRS): Powered by B Lab, the GIIRS rating provides us with a comprehensive and transparent system to assess the social and environmental impact of funds before we invest. Sarona is the first company to use the preliminary fund manager impact assessment score as part of its due diligence process

Impact Reporting and Investment Standards (IRIS): Managed by the GIIN and B Lab, IRIS is the catalog of generally-accepted performance metrics that leading impact investors use to measure social, environmental and financial success as well as evaluate deals and grow the credibility of the impact investing industry

ImpactAssets 50: The ImpactAssets 50 is an annually updated list of top impact investors that seek to add social and environmental value, in addition to financial returns. In 2016, Sarona was nominated for the sixth consecutive year as one of the ImpactAssets 50 Fund Managers

Innovations in public – private collaboration

Sarona's work with private and public sector partners to design new investment structures includes the following initiatives.

- ***SFMF2 and SFMF3:*** Sarona has partnered with OPIC, Global Affairs Canada and MEDA to enhance the financial results for private investors and the impact results of portfolio companies. Sarona Frontier Markets Fund strategies are the flagship of our current activities
- ***Trade finance:*** Sarona has partnered with Global Affairs Canada and MEDA to research the short-term financing needs of SMEs and to design an investment fund to provide such financing
- ***African healthcare:*** Supported by the Centre for Global Health and Diplomacy, over the past two years, Sarona convened four working sessions of private and public sector leaders at the World Economic Forum in Davos and at the World Health Assembly in Geneva to consider new models of catalysing private capital to improve health outcomes in Africa
- ***Climate change:*** Sarona is working with the Canadian government to design investment funds to catalyse private capital to address climate change and women empowerment in F&EM

Innovating, collaborating, leading: thoughts from the CEO

Why the involvement at the apex level? I think of it as leadership: our goal is to be a leader in creating a global economy that offers prosperity for all, a leader in investing to achieve the SDGs.

We believe that if all business and investment decisions were made with ethical, social and environmental values in mind, we would build a better world. The financial sector needs such values-based leadership.

We talk about Sarona investing private capital to achieve public goals. Our involvement in the global discourse on public-private collaboration is part of that. We believe that we stand at a unique juncture in history where the private and public sectors are open to a new, more collaborative relationship – where the private sector recognises its responsibility, not only for shareholder value, but also for people and the environment, and where the public sector recognises that business is not the problem, but rather part of the solution to development challenges.

This is not just transactional. This is about trust, about a new relationship that offers to create a more sustainable society. Sarona believes that it is possible to achieve prosperity for all – starting today and continuing for all future generations. As such, it has been granted the trust of certain public sector bodies to intermediate these private-public relationships. Sarona seeks to understand the public sector and to communicate the needs and trust of the private sector.

Someone once said that Sarona has a unique blend of three factors: private investment experience in Frontier and Emerging Markets, an impact focus and experience structuring Blended Finance vehicles. This unique blend is what brings us to this nexus of finance and values.

Gerhard Pries, CEO and Managing Partner

Second level impact – changing the way business is done

Sarona seeks to influence how the stakeholders in the investment industry in low- and middle-income countries make investment decisions and manage investee companies. As with our engagement at the apex level, this impact is not easily measurable, yet possibly more significant and longer-lasting than our direct impact through portfolio companies.

We engage in conversations about our values, to varying degrees, with over a thousand GPs and Limited Partners (LPs). And we make it clear that we are driven by positive impact consideration ***as well as*** financial considerations, without trade-offs. Private investors increasingly care about the impact of their investments and realise that incorporating ESG factors into their investment decision-making can mitigate risk and strengthen returns.

We help GPs understand and implement impactful policies and practices both in their firms and portfolio companies. With 800 firms in our network, we are a well-known and respected voice in the private investment industry. Firms learn that Sarona's capital cares. It cares about how it is invested and how it affects people and the environment. Our partners are learning that improving people's lives builds stronger companies and healthier economies.

Examples include:

- Kandeo Investment Advisors – one of our Latin American fund managers – did not consider impact when we first met them. Kandeo credits Sarona with helping them understand and implement ESG practices and an impact focus. Since then, Kandeo has hired a full-time impact advisor for its portfolio companies and now publishes an Impact Report. We have similarly assisted other GPs – Mediterrania Capital Partners, Proventeus Capital Partners and Creador – with ESG policies and impact assessment
- Impact case studies developed by Sarona have been used by our GPs to help explain the impact their investment activities are having on local communities
- Sarona has partnered with MEDA and Global Affairs Canada to provide over 30 Sustainable Innovation Grants (SIGs) to our portfolio companies in 17 countries. Companies are encouraged to implement innovative approaches to improve the social and environmental outcomes of their business operations. By defraying the costs of implementing such new strategies, SIGs helped GPs realise the benefits of investing sustainably, and have led to knowledge exchange across the portfolio.are contributing to the UN's SDGs

Sarona Dairy Farm, Paraguay 1953

Modern milk bottling plant

Delivering environmental, social and governance results

1. We have a Belief Statement that guides us in all our activities:

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

2. To align our actions with our beliefs, we developed an Environmental, Social, Governance and Impact (ESGI) Policy.

The key elements include:

- Choosing the best possible GPs – those who can add value and grow companies to have a positive impact in their communities; those who understand that strong ESG practices can reduce risk and create value; those who have ESG and Impact policies and procedures in place or are willing to design them going forward
- Selecting funds that invest in small to mid-market companies with ambitions to grow and apply global best practices to their operations
- Focusing on sectors and opportunities that meet our return expectations, are scalable and sustainable
- Building a well-diversified portfolio to deliver strong financial returns to investors
- Seeking alignment with like-minded investors to create scalable impact, and
- Striving to contribute positively to the UN Sustainable Development Goals

3. To ensure that we internalise and act on our ESGI policy, we developed the Social and Environmental Management System (SEMS).

SEMS is a comprehensive framework that outlines the requirements and obligations of Sarona as they relate to the implementation of our Belief Statement and ESGI Policy and provides a systematic approach to ensure compliance thereof.

Sarona is committed to:

- **ESG management:** a process of continuous performance improvement in how ESG factors are embedded into the firm's operations and investment process
- **Impact outcomes:** identifying, measuring and reporting on the social and environmental impact of its investments and defining how the firm's investments are contributing to the UN's SDGs

Through its investment activity, Sarona seeks to support profitable and sustainable businesses we think of and define:

- **ESG** as a set of behaviors and processes that take place within a business
- **Impact** as a set of broad external outcomes resulting from the actions and behaviors of the businesses

Sarona's approach to evaluating GPs' ESG practices

As part of Sarona's Social and Environmental Management System, we ensure that GPs consider ESG factors in their investment practices and operations. During the due diligence phase, Sarona assesses prospective GPs' current ESG policies and management and makes plans for future improvements where necessary. During the monitoring phase, we ensure that corrective action plans are implemented.

The framework below shows the building blocks of the ESG management tool that we use to evaluate the GPs' ESG management practices across four Categories: Leadership, Management, Investment process and Reporting. We assess each GP's performance across existing best practices in Action Areas within each of the four Categories and assign a score that reflects a level of action. The scores are assigned as follows: Not yet started (0), Initial (1), Developing (2) and Leading (3). Then we calculate a total percentage score for each action area. For example, a combined score of over 80% of the total possible for Reporting would be deemed as Leading and would not require a corrective action.

	Categories	Description
Integration of ESG management into the GP's approach and operations	**Leadership**	How the GP demonstrates commitment and leadership on ESG issues and management
	Management	How the GP ensures its ability to identify and manage ESG risks and opportunities
Creating results at portfolio companies	**Investment Process**	How ESG issues are managed throughout the investment life cycle
	Reporting	How the GP measures, manages and reports ESG performance

Action Areas

Source: Based on Environmental Defence Fund framework

Third level impact – investing for better lives

On the ground, Sarona focuses on 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 aims to commit to GPs aligned with its vision and collects and consolidates data reported by the investee companies to measure the firm's progress against its impact objectives.

We seek positive impact through our investee companies. Investees not only create jobs, but seek to create better quality jobs, improving outcomes for employees, suppliers, clients, communities and the environment. We incentivise companies to find new ways to, for example, empower women in employment, management and governance. Results are tracked and reported.

At the company level, Sarona believes that certain investments are inherently and directly impactful due to the products and/or services they provide to their community (i.e. greater access to affordable quality education and healthcare, financial inclusion, green energy production). Other investments are indirectly impactful by operating in an increasingly impactful way (i.e. through improved governance and financial discipline, quality job creation, improved job benefits, greater gender parity, lower environmental impact). Sarona aims to support both types of businesses.

Measuring Progress

To measure our overall progress, we have chosen six key impact objectives:

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

In evaluating our progress, we will seek to highlight how investments in our portfolio companies lead to **activities, outputs, outcomes** and **impact** on each company's community. These terms are defined as follows:

- **Activities:** the concrete actions, tasks and work carried out by the GP so that the company improves its outputs and outcomes and achieves its objectives
- **Outputs:** the tangible products and services that result from the input and activities
- **Outcomes:** the changes, benefits, learnings or other effects that result from the activities
- **Impact:** the attribution of the activities to broader and longer-term outcomes for society

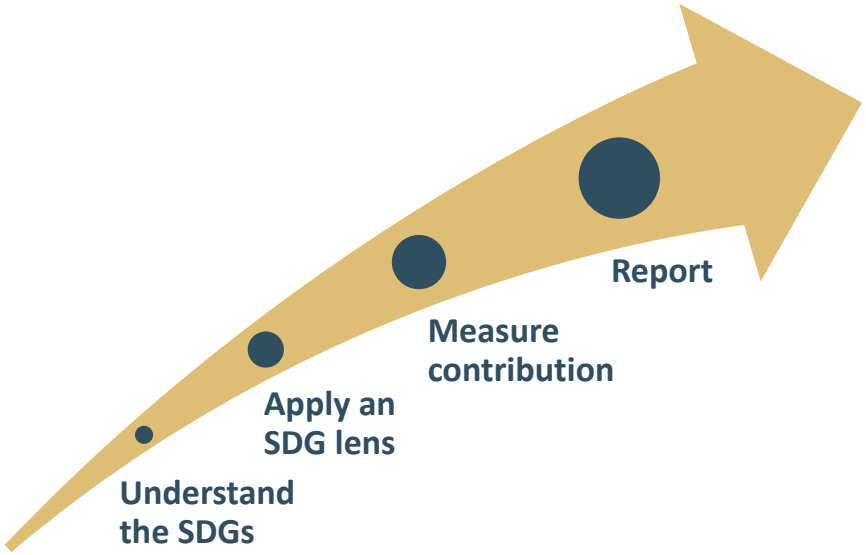
Aligning Sarona's impact with the SDGs

Sarona is committed to monitoring, assessing and reporting on how we and our portfolio companies contribute to the SDGs.

We have endeavoured to do so when the global community came together in Addis Ababa to agree on these shared goals in 2015. As you will see in the case studies later in this report, we have noted how individual investees are driving SDG results.

Measuring our contribution to the SDGs

An even cursory review of the SDGs makes it clear that Sarona's portfolio companies contribute far more to the progress of some goals than to others. But how much do we and our portfolio companies contribute to success? Working with a handful of others from the public and private sectors, we have set out to identify metrics that can indicate the extent to which each of our 220 portfolio companies contributes to the 2030 agenda. We hope to report with more specificity on that contribution next year.



Sarona's action plan for the SDGs

Sarona's commitment to the SDGs permeates all our strategic and operational activities. We aim to:

- **Understand the SDGs**, understand the gap between the status quo and the 2030 targets, and understand how and how much our investee companies are contributing to the achievement of those targets
- **Apply an SDG lens** to our investment strategies and selection of investments within those strategies. We are, for example, reviewing the possibility of creating specialised investment vehicles targeting specific gaps in financing the SDGs
- **Select proxies to measure** the weight of our contribution to the SDGs. While the measurement of progress towards the SDGs lies with sovereign countries, our firm and our portfolio companies contribute significantly towards the closing of the funding gap
- **Report**, on an annual basis, the weight of our portfolio's contribution to the SDGs

We will work with the UN Global Compact, Global Reporting Initiative, UNPRI, GIIN and other stakeholders to establish and adopt common SDG reporting methodologies. Through this process of understanding, measuring and reporting on SDGs, we will be able to adjust our strategies to optimise both financial return and impact.

Sarona is helping to shape how SDGs are measured

On May 3rd and 4th, 2017, Sarona was invited to join a group of leading global investors and government representatives in Stockholm for a conversation on **Investing for sustainable development and sustainable impact towards 2030**. It resulted in a declaration that includes the following:

> "… Achieving the SDGs will require an annual investment currently estimated to $5-7 trillion which urgently demands the mobilization of mainstream capital. Investors should see the 17 goals as 17 business opportunities, where investors can move beyond exclusion criteria to inclusion based investment strategies focused on investing with a positive impact on the SDGs. The 17 SDGs provide an opportunity for responsible investors to establish how they incorporate issues such as climate change, working conditions and board diversity into their investment approach to minimize negative impacts and foster sustainable development.
>
> The SDGs also provide investors with an insight on how government decision-making and company behavior will shape the development of the global economy over the next 15 years. By setting policy makers' priorities, the SDGs could be a key driver of global GDP growth and source of investment opportunities.
>
> To achieve real impact on the ground, focused and coordinated effort and accomplishments are key. This however needs to be complemented by a set of well-defined and relevant reporting indicators linked to the SDGs to support investors and companies in achieving the Goals. Impact and real change should be measured and managed."

Therefore, Sarona welcomes the opportunity and is committed to work with the "Action Platform Reporting on the SDGs", co-led by the **UN Global Compact** and **GRI**, and supported by the **Principles for Responsible Investment (PRI)**.

Vivina Berla, Co-Managing Partner

Signatories of the Stockholm Declaration

Sarona's companies' contribution to the SDGs

We will never be certain exactly how much we have helped one or another country move toward success, but we will be able to target our capital to those countries, sectors and companies that make a substantial contribution. While we will be able to measure job growth (and job quality) in our portfolio companies, we will not know, with any degree of certainty, how much our investment decreased unemployment in a certain country. We will however rely on macro-economic studies to understand our impact and form beliefs around certain countries, sectors and companies. And we will design our investment strategies accordingly.

By virtue of the investment opportunities available to us, our portfolio companies' contribution to some SDGs will be much higher than others.

In this year's Values Report, we begin to apply this new global framework. In particular, we have designed a set of standardised diagnostic yes/no questions to assess each company's alignment with the individual SDGs. Based on the answers for each company, we indicated what percentage of our 220 companies contribute to the different SDGs. As shown in the chart, all of Sarona's companies currently contribute to Goal 8 (Decent Work and Economic Growth) and to Goal 16 (Peace, Justice and Strong Institutions). Over 50% of the companies contribute to reducing poverty and income inequality (Goals 1 and 10) and almost half of the companies are explicitly making an effort to reduce the gender gap (Goal 5) either by employing women and/or providing services that are particularly valuable for women. The proportion of Sarona's companies contributing to various SDGs will likely change as we launch new funds or investment strategies over time.

Our SDG reporting efforts simply show that we are active in many areas that are likely to contribute to achieving the SDGs over time. It is up to the UN and each country to report their progress on the various SDGs. What Sarona can do is to invest in areas that support the global efforts, measure the weight of its contributory activities and be a loud voice supporting the SDG agenda. In many ways, the effort is as important as the result.

Sarona's companies' contribution to the SDGs (as a percentage of the total number of companies)

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

Good investments, done right

Sarona's six impact objectives: progress report 2016 in a nutshell[1]

Creating jobs

127,000 full-time positions at 220 companies

15,000 jobs created during the year

Empowering women

27% of full-time jobs held by women

18% of managers are women compared to an average of 15% in Fortune 500 companies[2]

10% women on Sarona's companies' boards compared to an average of 12% in nearly 6,000 companies in 40 countries[3]

Improving governance

100% of companies fully comply with social and environmental regulations

95% of companies produced annual audited financial statements, providing greater transparency to shareholders

$234mm in corporate taxes paid, sustaining local government services, a 12% increase from 2015

Improving job quality

$4mm average total wages paid per company

33% increase in training with an average of 250 employees per company

Over 70% of employees receive health insurance and maternity or paternity leave

Reducing environmental footprint

2k MW clean energy generation capacity

66% of companies have policy statement documenting organisations' commitment to the environment

70% of companies have pollution prevention and waste management processes in place

Contributing to sustainable communities

85mm clients benefiting from portfolio companies' activities, up from 73mm in 2015

71k suppliers[4] providing goods and services to portfolio companies, including 25k smallholder farmers

[1] Please refer to the Methodology section on page 7 on how these figures were obtained as well as for attribution considerations
[2] World Economic Forum, 2013. Five Challenges, One Solution: Women
[3] Deloitte, 2015. Women in the Boardroom: A Global Perspective
[4] Suppliers include smallholder farmers, SMEs and individuals providing goods and services to portfolio companies

Six impact objectives

Investing in growth-stage mid-market companies, with a dual focus on profit and impact, can create a virtuous circle where these two objectives positively reinforce one another.

As we apply ethical, social and environmental values to each investment decision, we believe that we are contributing to a better world, for both current and future generations.

We seek to partner with fund managers who share our vision of positive social and environmental change, and to generate a waterfall effect, where our top-line decisions can have meaningful and measurable results on the ground. A company management team that recognises the benefit of improving its ESG practices with the support of their new private equity partners, and understands, for example, the importance of treating its employees well, will benefit from a more motivated and loyal workforce. Similarly, by acting in a socially and environmentally responsible way, the company will benefit from the creation of a stronger brand in addition to running lower regulatory and compliance risk.

Every year, Sarona seeks to measure the overall progress of its portfolio companies. To aggregate the responses received this year from our portfolio companies active across multiple sectors and geographies and reporting on different combinations of 22 IRIS metrics, we continue to combine them into the same six key impact objectives chosen years ago:

- **Creating jobs**
- **Improving job quality**
- **Empowering women**
- **Reducing environmental footprint**
- **Improving governance**
- **Building sustainable communities**

Creating jobs

A growing, profitable business is able to provide a greater number of employment opportunities and with higher quality benefits than a less profitable one.

A recent IFC study shows strong correlation between the number of jobs created and profitability. This highlights that long-term positive financial performance arises from high-growth companies, which are the focus of Sarona's strategy.[1]

At the end of 2016, the 220 companies in Sarona's portfolio employed a total of 127,000 people. The majority of the portfolio companies have less than 300 employees.

127,000

full-time positions at 220 companies, a 39% increase from 2015

Size of companies			
32%	**20%**	**25%**	**23%**
companies have less than 100 employees	companies have 100-300 employees	companies have 301-1,000 employees	companies have more than 1,000 employees

Creating employment opportunities:

Sresta Natural Bioproducts, India's largest organic food products producer, is an example of a portfolio company that created numerous new employment opportunities in its communities. Sresta employed a total of 412 people at the end of 2016, 187 more than the previous year.

The 83% year-over-year growth in the number of full-time employees allowed the company to sustainably produce over 200 certified organic products for domestic and international consumption, which bolstered sales by 37%, totaling INR 1.9bn (ca. $30mm) by the end of 2016.

(Case study available on page 31)

[1] IFC, 2013. Assessing Private Sector Contributions to Job Creation.

1 Improving job quality

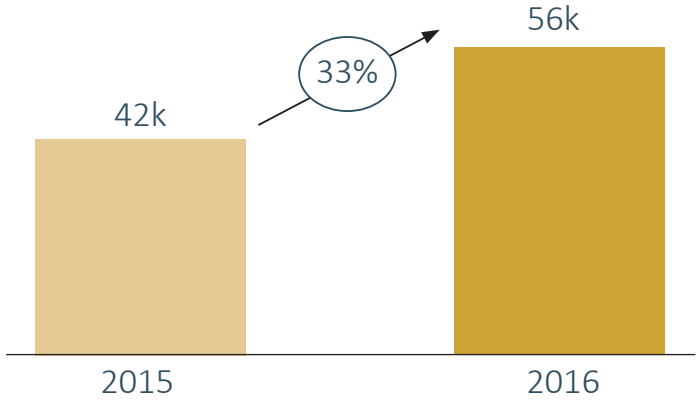
Job creation alone does not automatically translate into positive social outcomes. Sarona not only measures the number of jobs created, but also the quality of those jobs.

Fair pay and benefits, access to training and high-quality health and safety standards – all contribute to a sustainable and rewarding working environment. Such practices increase productivity and employee retention, driving value creation.

Proportion of companies providing different benefits to its employees	
Maternity/paternity leave	**83%**
Health insurance	**72%**
Retirement provisions	**44%**
Disability coverage	**25%**
Life insurance	**23%**

We have identified a number of IRIS metrics (see Appendix B) related to the provision of benefits, employee training and health and safety performance as a proxy for job quality. In 2016, our portfolio companies continued to provide high-quality benefit packages. Maternity and paternity leave was the benefit provided most frequently (83%), while the majority of companies also provided instead access to healthcare (72%). Other benefits such as pension, disability coverage and life insurance were also provided, but more sporadically.

Number of employees trained



Companies also continued to invest in training and developing their employees, with almost half of their workforce (44%) participating in training programmes. An average of 11% more employees per company were trained by their respective employers, equating to ca. 14,000 more employees trained compared to the previous year.

Work-related injuries in developing countries are still too common. One of Sarona's selection criteria requires GPs to focus on implementing appropriate policies and procedures to minimize health and safety risks within their portfolios, but even so, accidents still occur. In 2016, the average number of injuries remained stable, with seven injuries per company. However, the number of companies in our portfolio has increased and so has the total number of injuries, which rose to 1,520 in 2016, a 16% increase.

On a positive note, the measures implemented by our fund managers and their companies to date have led to a 16% decrease in the number of injured employees who cannot currently perform their regular activities. This is 1% of the overall workforce.

It is important to highlight that the number of our portfolio companies grew 20% year over year, from 184 companies in 2015 to 220 by the end of 2016. Most of our fund managers are still in the early stages of their value-add programmes, and we expect that as they work closely with their investee companies, working conditions and health and safety practices will improve significantly.

Growing impact and profit through training:

Oncologie & Diagnostic du Maroc (ODM) is the first healthcare platform in Morocco to offer oncology and diagnostics services, providing state-of-the-art outpatient and inpatient cancer treatments to over 68k patients annually.

To address the challenge of helping to sustain and improve Moroccan lives, ODM has devoted significant resources to providing specialised training to its employees and equipping nurse practitioners with the skills necessary to provide a fully autonomous treatment regime – a pioneering step in a country suffering from a dearth of medical oncologists. In 2016, ODM essentially trained all of its workforce, providing training to 96% of its 190 employees.

(Case study available on page 34)

Empowering women

According to the World Bank, women represent approximately 38% of the workforce in lower middle-income countries and, increasingly, outnumber men in higher education.[1] This growing talent pool presents unique opportunities for business and development. Nevertheless, women continue to be held back by wage inequality and social pressures.

Sarona and its GPs are keen to encourage companies to provide equal opportunities to enable women employees to make a meaningful impact on performance.

In 2016, 27% of the 127,000 full-time jobs in Sarona's portfolio companies were held by women, with 18% of the managers being women. Also, 10% of the board seats were held by women, which is in line with a recent Deloitte study that looked at nearly 6,000 companies in 40 countries and showed that women held 12% of board seats.[2]

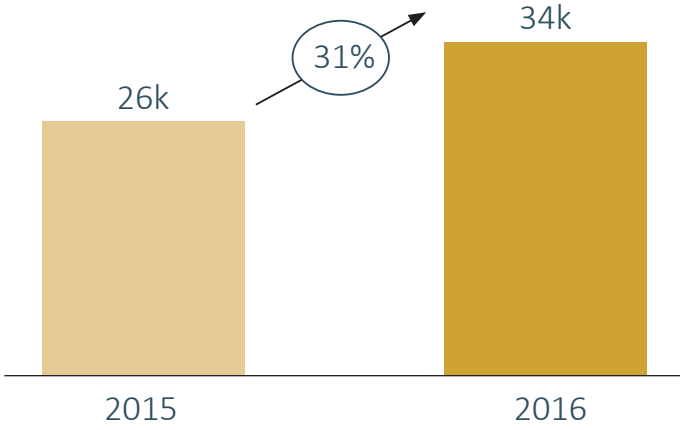
Promoting gender equality internally and externally:

Progresemos is a microfinance institution providing loans to over 173k clients in Mexico's rural regions, where traditional sources of financing are limited. Its loan portfolio totaled $57 mm in 2016, with both individuals and SMEs as customers. The company bolsters gender equality in several ways:

- 60% of its 262 employees and 43% of its management team are women
- 79% of its clients are women micro-entrepreneurs who use the loans to start and/or grow their own businesses

(Case study available on page 33)

Number of women employees



[1] World Bank data
[2] Deloitte, 2015. Women in the Boardroom: A Global Perspective

Reducing environmental footprint

As part of our commitment to sustainability, we strive to foster a meaningful set of environmental and social values that will shape the way businesses operate for years to come. The IRIS metrics we have chosen to measure our companies' progress reflect our concern for backing businesses that apply the right environmental values and practices.

In 2016, 66% of our investee companies indicated that they had an official policy statement documenting the organisation's commitment to the environment, while 18% also conducted periodic compliance and audits to evaluate their progress.

The environmental objectives most frequently pursued by our companies are those designed to improve operational efficiency and reduce costs. Each of the investee companies pursued three environmental objectives, with 70% of the companies reporting that their key objective was pollution prevention and waste management, closely followed by energy and fuel efficiency (65%).

Our companies also report that they have the capacity to generate 1,680MW of clean energy, supporting the electricity needs of over 6.5mm people a year.

Farming for the future - sustainable food production:

Niyya Farm Group Ltd (Niyya) is a Nigeria-based, vertically integrated producer of fresh fruit juices and dairy products. The Group owns a processing facility, dairy farm, orchards and agricultural land totaling over 3,000 hectares, from which most of its raw ingredients are sourced.

Over the years, Niyya adopted modern technology and implemented environmentally friendly practices to ensure the sustainability of its business. Its agro-processing revolution included the use of a modern drip irrigation system, fed from the farm's own earth dam, which ensures precise water application to crops with minimal wastage.

(Case study available on page 29)

100%

of companies actively pursue three or more environmental objectives

75bn

of industrial greywater recycled each year, equivalent to 30,000 Olympic size swimming pools

1,680MW

of clean energy capacity, supporting the electricity needs of nearly 7mm people a year

Proportion of companies pursuing the top five environmental objectives

Pollution prevention & waste management	**70%**
Energy and fuel efficiency	**65%**
Sustainable energy	**51%**
Water resources management	**37%**
Sustainable land use	**26%**

Improving governance

Good corporate governance and ethical behaviour can lead to better financial performance and improve the overall risk-return profile of our investments.

By reducing compliance, regulatory and reputational risks and increasing transparency, the likelihood of an exit at a premium valuation increases.

In 2016, 100% of investee companies indicated they were in full compliance with local labour, tax and environmental regulations. In addition, 95% of the companies – 6% higher than the previous year – produced annual audited financial statements, providing greater transparency to shareholders.

100%

of companies fully compliant with local labour, tax and environmental regulations

$234mm

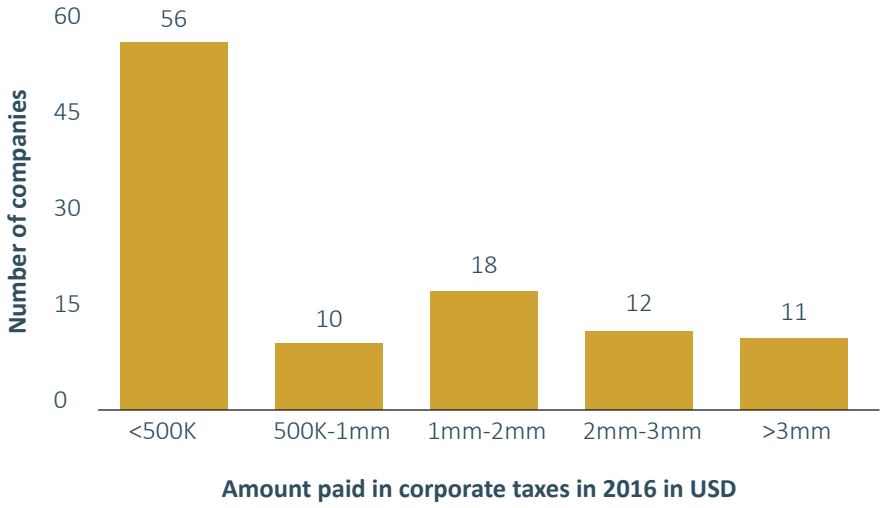
contributed in corporate taxes in 2016, a 12% increase in y-o-y

In 2016, our portfolio companies contributed $234mm in corporate tax payments, up 12% from the previous year, with an average of $1.1mm per company.

Improved corporate governance can also be observed as companies increasingly seek third-party certifications and adhere to global, regional and local standards. In 2016, 61 companies claimed third-party certifications, a 20% increase year-over-year.

Some of the IRIS metrics we use to measure governance in our companies reflect a clear business rationale, while others focus on social issues such as child labour. 73% of the investee companies have child labour policy in place. What matters most is that by simply asking questions such as this, we send a clear message to our investees that Sarona, as an investor, cares about these issues. We have noticed that this alone is sometimes sufficient to prompt companies and fund managers to take action when needed.

Distribution of companies by amount of corporate tax paid (n = 107 reporting companies) Total: 182mm[1]



Improving governance standards:

Retailability is a South African fashion apparel retailer for low and lower-middle income consumers. Its fund manager, Metier, promoted the establishment of a social and ethics committee within the company. As a result, the company implemented a code of conduct, which includes an ethics hotline and email system where messages are collected and sent daily to the CEO / CFO for action and follow-up. A similar code is being developed for suppliers to ensure ethical sourcing. Furthermore, a third-party safety specialist was hired in 2016 to assess all stores for compliance with the necessary industry standards and requirements

(Case study available on page 30).

[1]182mm represents an aggregate figure obtained from the reporting companies only. 234mm was obtained according to our methodology explained on page 7.

Building sustainable communities

We want and we do make a positive difference by deploying smart, active capital to local PE managers. For us, the communities that provide workers, clients and support to our companies are important stakeholders.

In 2016, our companies served nearly 85mm clients, with an additional 12mm people gaining access to products and services offered by our portfolio companies during the year.

Highlights of our customer base include:

85mm

clients served in 2016, up from 73mm in 2015

$836mm

paid in full-time wages by portfolio companies

Customers are not the only ones to benefit from the activities of our portfolio companies. Companies also contribute to improved financial condition of suppliers, staff and local governments. Almost 71k suppliers sold to our companies, including nearly 25k smallholder farmers. The same companies paid a total of $836mm in wages, averaging $3.8mm per company.

Our portfolio companies' commitment to social improvement is reflected in the increased proportion of companies that indicated their intention to enhance social objectives. For example, 12% more of companies, the highest increase since last year, plan to foster equality & empowerment amongst its workforce and 8% more companies seek to improve the communities in which they operate.

Proportion of companies declaring a commitment to the top five social objectives	
Employment generation	**63%**
Community development	**45%**
Equality & empowerment	**43%**
Income/productivity growth	**39%**
Access to financial services	**36%**

Building sustainable communities:

Orca Global is dedicated to teaching English across Southeast Asia, with 82 learning centres in five countries. The company has over 17k enrolled students, mainly children aged two to 15. Orca is contributing to long-term positive outcomes in its communities. The company is creating a better-prepared workforce, increasing employment opportunities for its students. In 2016, Orca launched an outreach campaign to sponsor a class of 20 students coming from a low-income background. Additionally, the Company has consistently increased its efforts in training its workforce and formalised all employment contracts. During 2016, it hired 49 new employees, bringing the total number of employees to 590 by year-end, and paid $6mm in wages, a 34% increase since the previous year.

(Case study available on page 32).

LAGOS, NIGERIA

Case studies

[28] ALGIERS, ALGERIA

Company case studies

Niyya Farm Group (Nigeria)

Sector	Agribusiness / Consumer goods
Business focus	Juice and dairy production
Impact focus	Sustainable food production
Fund name	Verod Capital Growth Fund II
Investment date	November 2014
Investment size	$8.0mm

Niyya Farm Group highlights

Activities: Fruit and dairy processing
Outputs: Sustainable production of organic 10mm litres of fruit purée and 5mm litres of dairy product per annum
Outcomes: Niyya touches the lives of individuals across the value chain as it increases supplier engagement year on year (11% in 2016), provides market leading benefits to a growing workforce (75% growth over past two years) and increases production capacity of healthy juices and yoghurt consumed by the local population
Impact: Promoting efficient and sustainable agriculture while providing healthy local products to support healthy lifestyle and well-being

About Niyya Farm Group ("Niyya")

Founded in 1988 and based in Kaduna, Nigeria, Niyya is a vertically integrated producer of organic fresh fruit juices and dairy products. The company owns a processing facility, dairy farm, orchards and agricultural land totaling over 3,000 hectares – from which many of the raw ingredients are sourced. Through its subsidiary, Niyya Food & Drinks Company Limited, Niyya produces its Farm Pride Natural Juices and Farm Pride Yoghurt.

Leading an agro-processing revolution

Niyya's farms were established as traditional fruit and dairy farms until 2002 when the conversion to juice and yoghurt production began. Over the years, the farms were converted for agro-processing. As the transformation occurred and as the company evolved, it implemented modern technology and environmentally friendly practices to ensure sustainability. One such innovation was the use of a modern drip irrigation system, fed from the farm's own earth-dam, which ensures precise water application to crops with minimal wastage. Furthermore, by expanding its all-women run crop nursery, Niyya has improved the quality and variety of its seedlings – which now offer shorter gestation periods and higher yields. Niyya is committed to sharing these successes with the local community, and to that end, makes its seedlings available to neighbouring farmers as well as subsidised tillage services and free access to its water reserve – providing them with the means to increase their income.

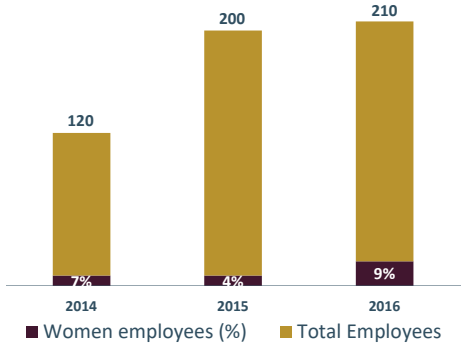
A commitment to safety

Niyya prides itself on providing safe, quality products to consumers and ensuring consistency in a market where raw ingredient contamination as well as substandard manufacturing, storage and distribution processes can cause serious illness. Food safety lies at the heart of Niyya's production process, and a thorough Quality Policy and Good Manufacturing Practises direct the company's approach to sustainable production. Across the juice and yoghurt plant facilities, raw ingredients and finished goods are processed, stored and distributed under strictly controlled conditions – which include quality control checks and state-of-the-art storage. Verod has been instrumental in catalysing and sustaining these initiatives as part of a wider effort to instil ESG best practices.

Contribution to the SDGs

Niyya's sustainable farming model has brought meaningful benefits to the people of Nigeria, to the farming community who learn and develop through its engagement initiatives and to consumers who are afforded safe and healthy local products. In providing substantial local employment in a disadvantaged area and in aiding the development of a core economic industry, Niyya has helped Nigeria and Nigerians take a step toward self-sufficiency and food security – both core development goals.

Number of employees



Retailability (South Africa)

Sector	Consumer goods
Business focus	Clothing retail
Impact focus	Affordable clothing
Fund name	Metier Capital Growth Fund II
Investment date	April 2015
Investment size	$34.5mm

Retailability highlights

Activities: Distribution of affordable fashion targeting low to lower-middle income consumers in Southern Africa
Outputs: As of December 2016, 210 store locations in six countries, employing over 1,000 people of which 60% are women, sourcing from 140 suppliers and servicing over 900k clients; reduced micron threshold for its plastic bags; introduced reusable bags
Outcomes: Greater and improved job opportunities; better access to affordable quality clothing; increased energy savings and efficiency by introducing LED lighting and solar panels
Impact: Increased quality and satisfaction of basic needs

About Retailability

Retailability, headquartered in Durban, South Africa, is a fashion apparel retailer offering fashionable in-house and branded labels at low price points, focusing on low to lower-middle income consumers in Southern Africa. Retailability owns and operates three store divisions in South Africa, Namibia, Botswana, Lesotho, Swaziland and Zambia; Beaver Canoe addresses men's fashion, Style caters for the entire family and Legit (acquired post year-end) retails fashion for young women. Currently, the total business runs over 430 stores and employs more than 1,800 people. Retailability operates on a cash-only basis with outlets located outside core metropolitan areas, close to its demographic target market. Countries outside South Africa account for approximately a third of turnover, stores and employees.

Providing access to budget quality clothing to low-income customers in underserved areas

The Company provides quality clothing to customers living outside urban centres in South and Southern Africa at reasonable prices. Retailability partnered with Metier to expand its regional footprint through organic growth and acquisitions. In early 2017, the fund manager assisted the company with a strategic acquisition (Legit) which significantly increased Retailability's regional footprint.

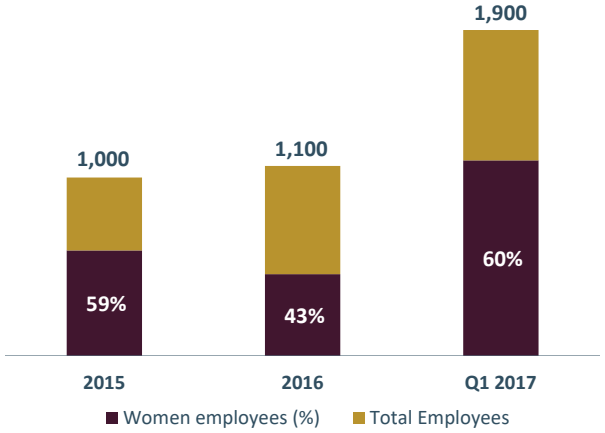
Improving governance standards and creating high quality jobs

Metier created a social and ethics committee to focus on social and economic development, good corporate citizenship, environment, health and public safety, consumer relationships, and labour and employment. The committee identified several action items including the imperative to increase local procurement. Consequently, Retailability now aims to source over 50% of their inputs locally. Additionally, a code of conduct has been implemented which includes an ethics hotline and email system where messages are collected and sent daily to the CEO / CFO for action and follow-up. A similar code is being developed for suppliers to ensure ethical sourcing. Furthermore, a third-party and safety specialist was hired in 2016 to assess all stores for compliance with the necessary industry standards and requirements.

Contribution to the SDGs

Through its collaboration with Metier, Retailability actively contributes to achieving the UN's SDGs by promoting gender equality. As of December 2016, 45% of staff and 59% of managers were women. The company is also providing quality work conditions for its employees and, as it continues to grow, more jobs will be created throughout Southern Africa, contributing positively to the sustainable economic growth of the region.

Number of employees



Sresta Natural Bioproducts (India)

Sector	Agribusiness / Consumer goods
Business focus	Organic foods producer & retailer
Impact focus	Clean, sustainable and healthy food
Fund name	VenturEast Life Fund III
Investment date	December 2010
Investment size	$4.5mm

Sresta highlights

Activities: Organic food sourcing and retailing for the domestic and international markets, from the farm to the delivery of the finished product
Outputs: 200+ organic products produced in partnership with 45k local farmers in 15 Indian states
Outcomes: Availability of locally grown, healthy products in more than 10k outlets worldwide
Impact: Promoting sustainable farming, healthy food consumption and well-being

About Sresta Natural Bioproducts ("Sresta")

Founded in 2004, Sresta is India's largest organic food products producer. The Hyderabad-based firm sustainably produces over 200 certified organic products for domestic and international consumption under its market leading "24 Mantra" and private label brands. Sresta's product range includes everything from energy bars and health drinks to milled rice, spices, pulses, flours and processed condiments. Sresta works with over 45k local farmers who cultivate 250,000 acres of land across 15 Indian states and promotes sustainability among its farming communities, following a farm-to-fork approach to maintain the organic integrity of its products.

Purifying the food chain

Sresta was launched in the wake of an epidemic-like spread of chemical pesticides and synthetic fertilisers in the early nineties. Determined to reverse the cycle of financial hardship and agrarian distress inflicted on rural farming communities, Sresta set as its mission to achieve two things: first, to nurture communities for farmers committed to organic farming, promoting sustainable farming practices; second, to offer 100% certified organic produce to the end-consumer. Further to being ISO certified, all farming projects, products and facilities comply with US, European and Indian quality and safety standards which act as a guarantee of best practices.

Social outreach

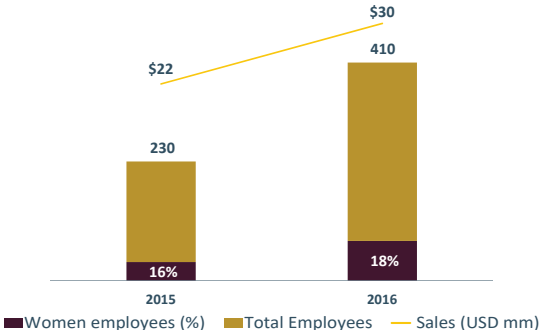
In partnering with local NGOs and agricultural research institutions to advance organic agriculture, Sresta ensures the benefits of organic produce extend to local farmers. The firm's commitment on this front delivers greater prosperity, productivity, sustainability and quality. Sresta's dedication to its partners extends beyond the field. The company offers farmers access to mobile healthcare as well as medical health camps and health awareness programmes. It is also dedicated to promoting women's rights and improving access to quality education for children in farming villages. As the network of organic farmland grows under it guidance, the positive impact of these initiatives is felt by more communities each year.

Sresta also devotes resources to consumer-oriented initiatives. For example, in 2012, the company launched a Freedom from Pesticide programme to educate stakeholders on the benefits of organic consumption. Such campaigns now run annually.

Contribution to the SDGs

Sresta has pioneered the growth of India's organic food industry. Its commitment to both the farmer and the consumer is far-reaching. In promoting the health and prosperity of its stakeholders at every step, from the farm to the fork, Sresta makes a commendable contribution to a number of Sustainable Development Goals.

Number of employees and sales



Orca Global (Singapore)

Sector	Education
Business focus	English language training
Impact focus	High-quality education
Fund name	Aureos South East Asia Fund II
Investment date	July 2012
IInvestment size	$10.4mm

Orca Global highlights

Activities: The company is dedicated to teaching English, especially literacy to children aged 2 to 15
Outputs: Over 70% of employees are women; in 2016, the company spent 180k on staff training; 17.4k students are enrolled throughout Southeast Asia; the group currently has 82 learning centers of which 36 are owned and 46 are franchised
Outcomes: Improved women's employment opportunities; improved internal training; strengthened social and governance practices; increased access to English learning
Impact: A greater number of local people better prepared for the global job market and for the need to communicate internationally

About Orca Global ("Orca")

Founded in 2002, Orca is an English learning education provider under the brand "I Can Read". The company utilises a phonetic teaching methodology which was developed in the late 1990s based on 15 years of research on how children learn to read and overcome reading difficulties.

Orca currently has 82 learning centers in five countries - of which 36 are owned and 46 are franchised - and is the market leader in Singapore. The company serves 17.4k students across Asia Pacific.

Innovative approach to education

Orca's training methodology is based on an innovative approach that led to the development of the first system in the world to link clusters of letters to a single sound. Its delivery methodology is based on a multi-sensory structured approach to reading that is ideally suited for kids and young teenagers.

ESG improvements

Orca launched an outreach campaign to sponsor a class of 20 students coming from a low-income background.

Additionally, since the fund manager made its investment in Orca in 2012, the company has consistently increased its efforts in training its workforce and formalised all employment contracts.

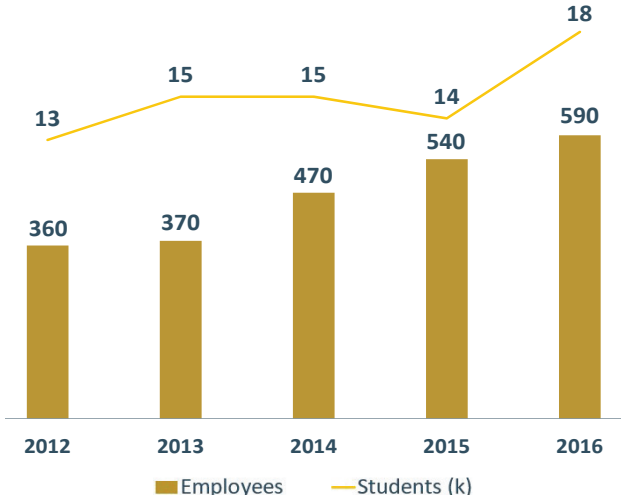
Following Anti Money Laundering/Counter Terrorism Financing rules as a guideline, an anti-bribery, conflict of interest and whistleblowing policy will be implemented during 2017. Given the nature of the business, there are little environmental concerns. However, the company promotes efficient energy usage and recycling.

Contribution to the SDGs

Orca is contributing to the Sustainable Development Goals by providing education opportunities throughout Southeast Asia. Its innovative approach makes learning easier for students.

Additionally, over 70% of the company's employees are women and nearly 60% of employees have received training in 2016, since Orca believes in providing lifelong learning opportunities for its staff.

Number of employees and students



Progresemos (Mexico)

Sector	Financial services
Business focus	Microfinance
Impact focus	Group loans to micro-entrepreneurs
Fund name	Kandeo Fund II
Investment date	December 2014
Investment size	$16.3mm

Progresemos highlights

Activities: Lending to low-income micro-entrepreneurs
Outputs: 173k clients served in 2016 with 79% women clients; $57mm loan portfolio; 262 employees of which 60% are women
Outcomes: Improved working conditions for all staff; developed a business education program for microfinance clients in collaboration with MEDA; increased transparency; enhanced compliance and social responsibility practices; offered a new low-cost cancer insurance policy; launched a paper recycling campaign
Impact: Increased financial inclusion and contributed to poverty reduction and gender equality

About Progresemos

Established in 2006, Progresemos is a microfinance institution providing loans to individuals and small enterprises in Mexico. The types of loans include microfinance, payroll deduction and SME financing. Most customers are low-income, female and micro-entrepreneurs. The company operates in Mexico's rural regions where traditional sources of financing are limited.

Providing financing to unbanked clients

Microfinance is a powerful tool to help bring people out of poverty by providing them with the resources needed to start and/or grow their businesses. For individuals, payroll lending is an important resource when facing unexpected short-term needs, especially as informal lenders are often unavailable or charge extortionate rates. In 2016, the company served ca. 173k clients and its total loan portfolio reached $57mm. The average loan sizes were: $451 for microfinance loans, $455 for agricultural loans, $1,129 for payroll deduction loans and $38k for SME loans.

Promoting gender equality

Progresemos promotes gender equality in several ways. Internally, women represent 60% of employees and 43% of management, and employee turnover is low. Externally, 79% of the company's clients are women micro-entrepreneurs who use the loans to start and/or grow their businesses. Loans are extended either as individual or group loans.

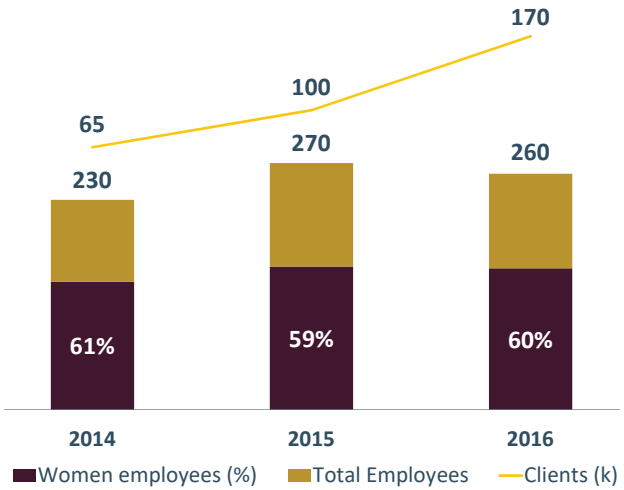
Finding creative ways to collaborate

Progresemos worked with MEDA, an international development organisation, to develop a business education program for its microfinance clients. Thisprogram intends to increase financial literacy as well as teach business basics that can be utilised to grow a business, benefitting the company and its clients.

Contribution to the SDGs

Progresemos contributes to achieving the SDGs in several ways. The company strives to alleviate poverty and promotes inclusive economic growth by providing access to financing to unbanked and underbanked groups of the Mexican population. Additionally, the company provides financing to women micro-entrepreneurs, empowering them and driving gender equality.

Number of employees and clients



Oncologie & Diagnostic du Maroc (Morocco)

Sector	Health
Business focus	Private medical centres
Impact focus	Access to healthcare
Fund name	Abraaj North Africa Fund II
Investment date	December 2014
Investment size	$23.1mm

Oncologie & Diagnostic du Maroc highlights

Activities: Oncology and diagnostic health services
Outputs: Offering state-of-the-art outpatient and inpatient cancer treatments to c.68k patients annually
Outcomes: Availability of superior quality specialised, technology-led health services for adults and children in underserved markets, providing remedy for issues such as late diagnosis, substandard treatment and inferior palliative care
Impact: Extending lives and improving quality of life

About Oncologie & Diagnostic du Maroc ("ODM")

ODM is the first healthcare platform in Morocco to offer oncology and diagnostics services. With funding from the Abraaj North Africa II fund, the company has built a platform of three private health centres between Casablanca and Marrakech, providing state-of-the-art outpatient and inpatient cancer treatments including radiotherapy, chemotherapy and iodine treatments as well as related support services. Across the platform, ODM serves over 68k patients annually.

An overburdened industry

While rapid socioeconomic development has brought many advantages, Morocco is struggling to cope with the rising prevalence of non-communicable diseases, including cancer, that have accompanied cultural change and which now account for 56% of total morbidity[1]. Increasing prosperity has not brought the necessary improvements to public health provision. Two-thirds of Moroccans remain without medical coverage, and those with the means to seek help encounter a chronic undersupply of in-country skills and facilities to meet their needs.

Growing for positive impact

In 2014, Morocco devoted 2% of GDP to public health expenditure, 3.2% less than in neighbouring Algeria[2], which has a similar demographic. The overall world's equivalent measure stood at 6%. On this basis, the private sector has become indispensable. With Abraaj's assistance, ODM's centres have broadened their service offering and increased their treatment capacity. In 2016 alone, ODM incorporated Clinique Anoual – the largest provider of advanced diagnostic medical imaging services in Casablanca – into its platform, and received approval for the development of a fourth oncology centre in Oujda. Abraaj has shared with ODM its best practices for health and safety (H&S) and environmental protection, implementing initiatives such as a H&S committee as well as an energy audit and a waste management study.

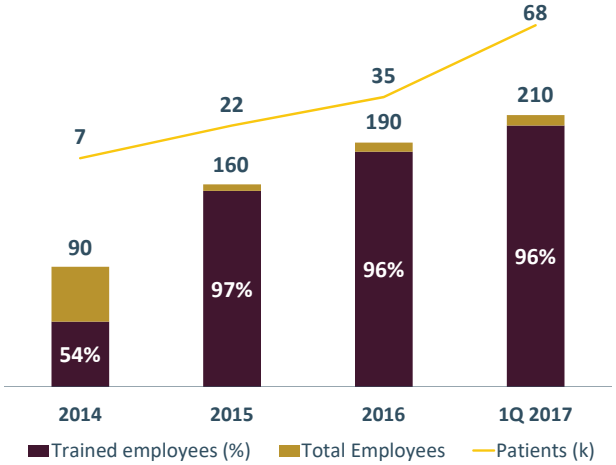
Care for all

For ODM, quality care extends to its employees. To that end, the company has devoted significant resources to enhancing the workspace, providing contracts and social insurance to all employees, increasing wages above minimum wage and offering specialised training and equipping nurse practitioners with the skills necessary to provide a fully autonomous treatment regime.

Contribution to the SDGs

With 35,000 new cases of cancer reported every year[3], ODM's ability to deliver 21st century diagnostic and treatment innovations to the developing world has become increasingly significant. The private sector is being called upon to meet the demand for critical healthcare services at affordable rates. ODM is rising to the challenge, helping to sustain and improve Moroccan lives – a fundamental development goal.

Number of employees and clients



[1,3] M. Silberman, 2016. Cancer Care in Countries and Societies in Transition
[2] 2016 UN HDI Report

Fund case studies

Apis Growth Fund I (Africa and Asia)

apis | partners

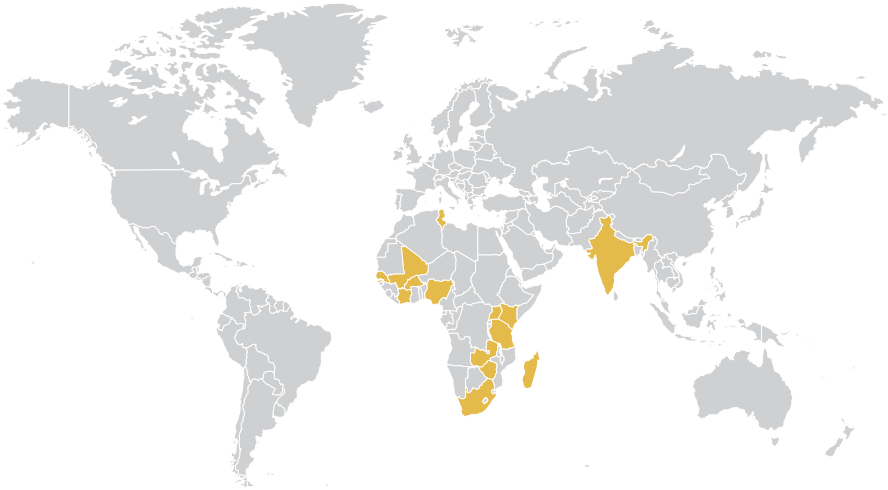
Fund snapshot

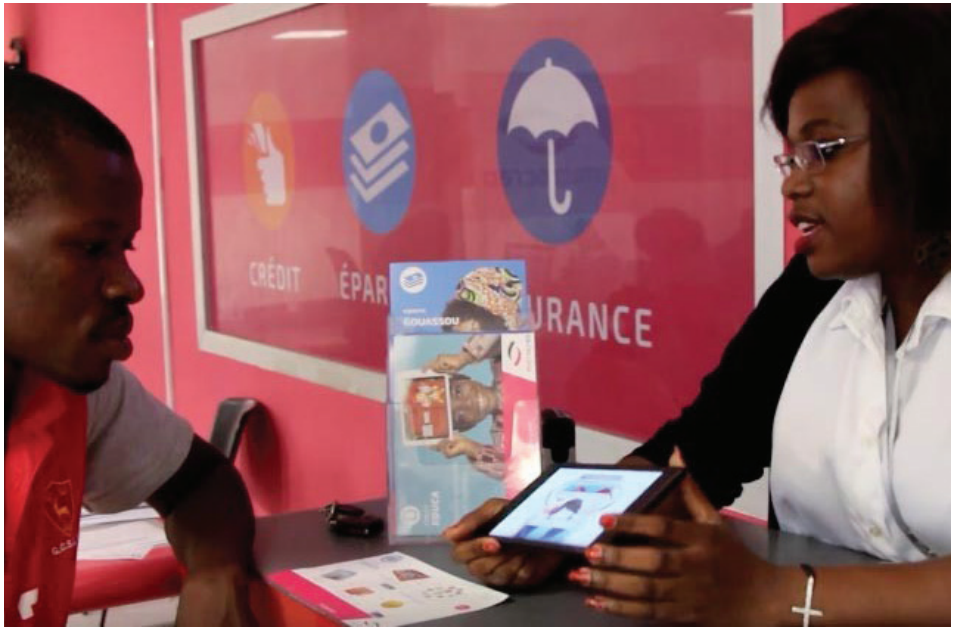
Fund name: APIS Growth Fund I
Region: Africa and Asia
Sectors: Financial services - Fintech
Investment style: Invest primarily in five types of financial service delivery: payments, savings & investments, credit, insurance and capital markets
Strategy: The fund pursues active minority positions in mid-market growth-stage companies in the financial services sector, across the developing markets of Africa and South and Southeast Asia
Vintage date: 2015
Fund size: $287mm

Fund impact metrics

At the end of 2016, the Fund's portfolio companies employed ca. 14,000 people of which 32% are women, offering financial services in over 375,000 locations to ca. 15.4 million customers

Fund regional exposure





About APIS Growth Fund I ("APIS Fund I")

Apis Partners ("Apis"), the manager of the fund, is a private equity firm founded in 2014 by two experienced professionals who have been working together for nearly two decades on a variety of successful deals and projects in the financial sector. The team of 12 individuals has broad and complementary skills and is well-suited to deliver on Apis' strategy of identifying and growing financial services companies in Africa and Asia. The core team is based in London, UK with a second location in Lagos, Nigeria. In addition, Apis works with regional partners and advisory board members based in the target countries.

Sarona invested in APIS Fund I in April 2016. Our investment committee was impressed with the fund manager's industry experience, knowledge and its high potential to deliver positive impact in the area of financial inclusion across Africa and Asia. Despite being a first-time fund, the team at Apis demonstrated strong coherence and a complementary skillset, with their initial investments highlighting strong operational value addition and an ability to invest at attractive entry multiples.

apis | partners

Financial inclusion and positive social impact

Apis designed its investment strategy to promote financial inclusion, providing paths out of poverty across Asia and Africa. By providing much-needed growth capital to impactful and inclusive financial services providers, it creates positive impacts in local communities, including employment opportunities and increased fiscal receipts for governments.

Apis believes that applying high-standard ESG principles improves the working conditions of its investee companies, reducing investment risk and strengthening performance. The management team works with the fund's investee companies to ensure that ESG considerations are applied to identify opportunities for stronger financial returns as well as to mitigate risk.

Prior to investing, Apis agrees on an ESG & Impact (ESG&I) action plan with each company, defining the objectives that must be reached in order to comply with its internal policies as well as industry best practices. After completing the investment, Apis regularly monitors the ESG&I performance by: 1) discussing progress against the agreed ESG&I action plans; 2) conducting a review to establish if conditions have changed and affected the initial ESG&I plan; 3) collecting tailored metrics to measure impact ('IKPI') from each company on a quarterly basis.

Industry engagement

- Apis is a signatory to the United Nations Principles for Responsible Investment (UN PRI)
- Apis shares its expertise by participating in industry conferences, such as the Financial Inclusion Forum, SuperReturn and SWIFT's Sibos
- Apis has collaborated with Quona Capital, a venture capital firm that invests in growth-stage financial technology companies in emerging markets, to create an impact measurement framework tailored to financial services. The framework has been included in publications by the Centre for Financial Inclusion and NextBillion- two organisations dedicated to financial inclusion in Frontier & Emerging Markets

Plans for 2017

- Further engagement in both formal and informal ESG&I training
- Dissemination of ESG&I capabilities throughout the investment team, Investment Committee and its portfolio companies
- Integration of IKPI metrics into the portfolio management platform
- The creation of dedicated ESG&I committees at portfolio companies
- Engagement with select portfolio companies to participate in a gender-focused grant program administered by MEDA

The Limited Partner: Sarona's perspective

"We are very pleased to be a partner of Apis. The team has consistently shown its commitment to improving broad access to financial services, something the developing world desperately needs. Without such access to credit, savings and trading services, an economy can't grow and poorer populations can't thrive."
Gerhard Pries, CEO and Managing Partner

The General Partner: Apis' perspective

"One of the key principles of Apis Partners is the strong desire to create positive social impact in the regions and communities that it invest in. A core tenet of Apis Growth Fund I investment mandate is the recognition and promotion of financial inclusion, which fulfils the fundamental needs of underprivileged and disenfranchised segments of the population in growth markets, to provide paths out of poverty."
Monica Pinto, Managing Director, IR & Operations, Apis Partners

Select investments

- *MicroCred* directly addresses the financial constraints, such as a lack of working capital, of Micro, Small and Medium Enterprises (MSMEs) in Sub-Saharan Africa by providing high-quality financial services that are accessible and tailored to their needs. This drives employment and financial independence in local communities
- *Electronic Payment and Services Private Limited* deploys and manages ATMs across India - the key last mile of the financial services infrastructure, providing underserved consumers in rural areas with a convenient access to cash. The expan sion of ATM footprint is a key initiative that drives financial inclusion in the country
- *Transfast* provides cross-border payment services to migrant workers living in more developed markets, helping them to send money to their families in Africa andSouth and Southeast Asia in a cost-effective way and through multiple channels Remittances represent a key source of income for families in emerging markets
- *Direct Pay Online Group* is building an electronic payment infrastructure in Sub-Saharan Africa that combines multiple payment types (including alternative payment types such as mobile money) and allows all types of merchants to accept payments. This enables local businesses to grow and grants a broader access to a variety of services to African consumers
- *Star Health* provides access to affordable health insurance products, including for otherwise rarely covered disorders, for almost 6 million people in India. The company is utilising technology to drive operational efficiencies and expand distribution through digital channels

WWB Capital Partners (Global Emerging Markets)

Women's World Banking

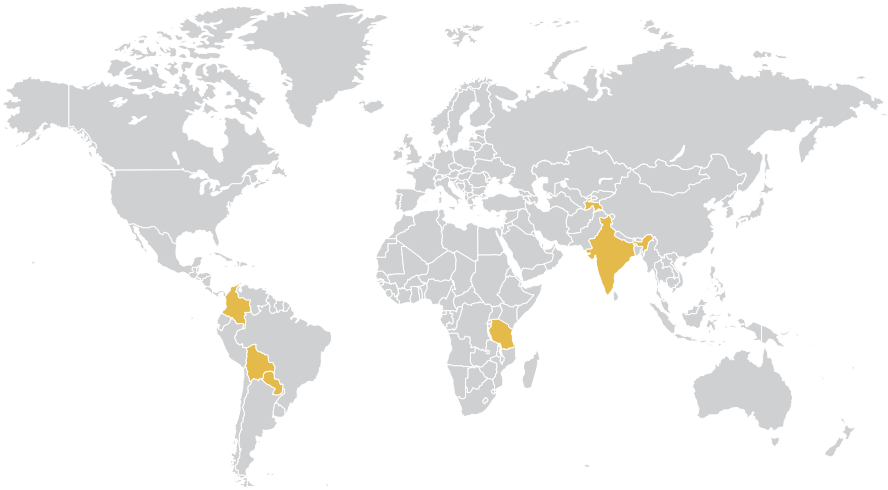
Fund snapshot

Fund name: Women's World Banking Capital Partners (WWB Fund)
Region: Global Emerging Markets
Sectors: Financial services & women-focused inclusive finance
Investment style: Gender-lens investing. Private equity, minority stakes in inclusive finance institutions belonging to the Women's World Banking network or that meet its membership criteria of promoting gender diversity and women empowerment
Strategy: The portfolio strategy is designed to improve access to financial services for women in Frontier and Emerging Markets. It is complemented by grants designed to empower women across Africa, Asia and Latin America
Vintage date: 2012
Fund size: $51mm

Fund impact metrics

At the end of 2016, the Fund's portfolio companies employed more than 18,000 people, of which 34% were women, offering services to 4.3 million customers, of which 81% were women

Fund regional exposure



About WWB Capital Partners

The WWB Fund is a private equity fund launched in 2012 by Women's World Banking (WWB), based in New York. The Fund's portfolio is managed by WWB Asset Management in the US in cooperation with Triodos Investment Advisory & Services in the Netherlands. The fund was created to channel equity capital in minority positions of inclusive finance institutions across F&EM. The explicit mission is to increase access to financial services for low-income women in Emerging Markets. Initially, the fund was limited to providing capital exclusively to microfinance institutions that are members of the WWB network. Over time, the mandate has been modified to include institutions whose values are aligned with those of the network and are working towards meeting the membership criteria. WWB's network currently consists of 49 members in 32 countries.

Based on WWB's experience, microfinance institutions with a gender lens, tend to perform better and have a greater positive impact on the communities where they operate.

Women's World Banking

Women clients tend to be better and more dependable borrowers than men, yet receive smaller loans. Women are also more likely to save and are more loyal customers. At the same time, institutions with gender-diverse leadership and staff tend to be more profitable, innovative and display greater staff retention. WWB Asset Management supports responsible, women-focused institutional transformation, while pursuing attractive financial and social returns for investors.

MEDA - an international development organisation advised by Sarona - invested in the WWB Fund in January 2012. MEDA was attracted by the unique focus on financial inclusion for women, the high need for capital injection in the countries where the fund's investee institutions operate and by the fund manager's industry experience. MEDA is committed to building the field of impact investing and WWB Fund, a first-time fund, was - and is - an attractive new player adding value to the eco-system.

A focus on serving the financial needs of women in F&EM

As an activist investor, WWB Fund provides strong governance and operational support to its investee companies, including guidance on new product development and on services designed for women. The fund manager is also active in suggesting advancement opportunities for women in junior and management positions. While assessing a financial institution's ability to deliver financial and non-financial return on capital, investment officers also identify opportunities to provide technical assistance to facilitate responsible, women-focused growth post-investment.

WWB Fund seeks to identify financial institutions that meet its standards across four dimensions of performance: (1) outreach and service quality; (2) profitability, efficiency and risk management; (3) gender performance; and (4) women's leadership. For each dimension, WWB Fund investigates the intent, system & processes and output.

Making a significant difference

As an example of technical assistance, we highlight a project designed in partnership with the National Microfinance Bank (NMB) to expand access to savings for low-income women in Tanzania. In July 2016, NMB launched Wajibu, a digital savings product for youths and their parents in schools across the country to help them save and manage money for the future. In the process, WWB Fund and NMB introduced the first ever savings product to allow teenagers aged 13 to 17 to manage their own accounts in their own names. In addition to this support, WWB is also providing leadership training to 22 NMB female managers identified as potential future leaders of the organization.

Demonstrating impact

Since the start of its investment program, WWB Fund has seen numbers for total and women borrowers increase by 30% and 35%, respectively, depositors grow by 1.2x and insurance policies rise by over 2.5x. The numbers of women borrowers as a percentage of total clients climbed from 77% to 81%.

The Limited Partner: Sarona's perspective

"It has been a privilege to serve on the LPAC of WWB Fund representing MEDA's support for the mission of improving women's life through financial inclusion. During the last five years, the fund and its management team have proven, yet again, that higher financial returns and social impact can be mutually reinforcing."
Vivina Berla, Co-Managing Partner

The General Partner: WWB Asset Management' perspective

"Despite decades of evidence showing low-income women are profitable and loyal clients, banks are still not investing in serving this market with relevant products and services. It is time to stop ignoring the market opportunity of serving 1 billion women." **Mary Ellen Iskenderian**, President & CEO of Women World Banking

Select investments

- *BancoSol* is a Bolivian commercial bank specializing in microfinance and offering loans, savings, payment services, remittances and micro insurance products to over 862k clients
- *Ananya* is a lender to 37 microfinance institutions (MFIs) in India, serving 4.7mm clients. 80% of the portfolio is disbursed to MFIs, while the balance is loaned to small and marginal farmers
- *Humo* is the third largest Tajikistan MFIs with over 30k clients
- *National Microfinance Bank* is the largest MFIs in Tanzania with over 1.6mm clients
- *Annapurna* is one of the fastest growing Indian MFIs, operating in one of India's poorer, most rural states with over 800k borrowers
- *Banco WWB* is the fourth largest Colombian MFIs with over 200k clients
- *Financiera El Comercio* is the oldest and largest non-bank financial institution in Paraguay with over 100k clients

[40] SANTIAGO, CHILE

Grant case studies

Shaldag Limited (Nigeria)

About Shaldag Limited ("Shaldag")

Shaldag Limited is a greenfield aquaculture company positioned to take advantage of the deficit in fish supply in Nigeria. Nigeria currently uses over $1bn in foreign exchange annually on fish imports. Shaldag aims to substitute a portion of the imports with quality local production. The company is expected to start with 2,500MT in annual production capacity from its farm in Epe, a suburban area near Lagos, with plans to expand capacity to 10,000MT over the next three years. The farm is comprised of a hatchery, nursery and a grow-out section.

Replacing diesel generators with solar panels

Due to lack of connection to the national electric grid, the farm was forced to operate on diesel-powered generators. The diesel-powered generators are both expensive to operate and are environmentally unfriendly. The annual CO_2 emissions for the diesel-powered generators are estimated to be 205MT. In partnership with MEDA and through a Sustainable Innovation Grant (SIG) offered by the Canadian government, Shaldag installed solar panels able to generate a third of its energy needs.

Sustainability Innovation Grant (SIG)

In October 2016, Shaldag was awarded a SIG of CAD $114, 903 (with a CAD $229,805 contribution by the company) by the Canadian government through the INFRONT program managed by MEDA. The SIG targeted three key areas: carbon footprint reduction, energy cost reduction and increased awareness of environmentalism by community members.

Addressing environmental concerns

Shaldag uses recirculation aquaculture systems (RAS) for fish production. RAS mitigates many of the environmental impacts of other aquaculture practices. In addition, Shaldag manages common environmental concerns related to fish farming in the following ways: 1) the enclosed nature of facility and Shaldag's biosecurity measures minimize the risk of fish escape and cross-contamination; 2) when filling its system with water, Shaldag avoids depleting the underground water resources by rotating its boreholes; 3) the facility is wholly covered up to reduce the noise level; 4) feed manufacturers use environmentally sustainable approaches to feed formulation and ingredient sourcing.

Shaldag contributes to the following SDGs

Sector	Consumer goods / Agribusiness
Business focus	Aquafarming
Gross revenue (2016)	No revenue yet
Fund name	Verod Capital Growth Fund II
Investment date	November 2014
Investment size	$5mm

Highlights

Water savings: The fish are farmed in a recirculation system whereby the water is cleaned via a water treatment system at least every 1.5 hours. Thus, water consumption at the farm is less than one-tenth of what is required for traditional farming methods

Less pollution: The farm also uses a waste water treatment facility which reduces effluent released from the farm by roughly 50% prior to discharge

Cleaner environment: Shaldag expects ~30% reduction in annual CO_2 emissions upon installation of the solar panels. Shaldag looks forward to capturing this information by reporting on customized KPIs: amount of energy generated (in KW/day) by solar power and carbon footprint impact (carbon dioxide emission) in Kg/day

Community empowerment: Shaldag continues to empower local community members by sharing its know-how and creating employment opportunities

The Fund Manager's perspective

"Since it was a greenfield project, we knew that we needed to get it right. Africa needs more companies like Shaldag. ESG is embedded in everything we do, because it is the right thing to do. Working with the SIG programme has made us more intentional about ESG. Providing updates every quarter has forced us to examine and reflect upon the results behind the numbers"

Danladi Verheijen, Managing Director, Verod

Cimory Group (Indonesia)

About Cimory Group ("Cimory")

Cimory is a protein-based food and beverage manufacturer based in Indonesia with a leading market share in yogurt and premium sausage. This family business was established in 1992 to provide access to affordable protein goods across Indonesia. Despite low customer awareness and limited cold chain infrastructure, Cimory has seen net revenue grow by 52% over the past two years. Cimory's dairy line has significant potential for growth signalled by a doubling in demand for fresh milk products in the last five years.

Increasing earning opportunities for low-income women

Despite steady growth of demand for fresh milk, Cimory was threatened by weakening profitability due to higher competition and costs of doing business through retail distribution. In response, management launched "Miss Cimory," a direct sales program recruiting and training low-income women to sell Cimory products door-to-door, bypassing conventional retailers and reaching previously untapped consumer markets. By mid-2016, Miss Cimory generated 10% of total annual dairy sales. Miss Cimory proved to be not only a viable sales channel but also an effective way to improve the lives of low-income Indonesian women. Most come from households with irregular monthly income, if any. By joining Miss Cimory, women earn a higher, more predictable income of $95 per month on average.

Sustainability Innovation Grant (SIG)

Miss Cimory's ability to grow was constrained by the need to improve recruitment and retention of the sales force. In May 2016, to address these challenges, the company was awarded a SIG of CAD $79,800 by the INFRONT program managed by MEDA and supported by the Canadian government. The SIG targeted three key areas: enhancing training of new sales agents, boosting sales agents' compensation and investing in recruitment agents. Nine months later, Cimory has delivered exceptional results: quarterly sales agent turnover has decreased by 40%, while 70 recruiters have been hired and were able to grow the number of Miss Cimory's staff by 43%. Most notably, women's average monthly income has increased 164% to about $250 USD. At the same time, Miss Cimory sales rose by 17%, demonstrating that improving the lives of low-income women does not detract from performance.

Cimory Group contributes to the following SDGs

Sector	Fast moving consumer goods
Business focus	Protein-based food & beverage
Gross revenue (2016)	730bn IDR
Fund name	Creador Capital Fund II
Investment date	October 2015
Investment size	$13.6mm

Highlights

Changing consumer attitudes: More than 90% of consumers purchase powdered milk or other processed dairy products. When making door-to-door sales, Miss Cimory agents spend time educating their customers on the superior nutritional benefits of fresh milk. Through Miss Cimory and the company's Nutrition Ambassador program, more than 80,000 households and school children are reached annually

Increased income for women: Following the award of MEDA's matching grant, Cimory adjusted its compensation scheme to boost earnings for sales agents and increase rewards for top performers. Since implementing the SIG, 78% of sales agents have earned more than $250 USD monthly. The top earning Miss Cimory generates more than $700 USD per month

Sourcing from small-scale producers: Cimory sources from 400 small-scale dairy farmers. On average, producers own 5 to 10 cows and earn less than $400 USD per month. Cimory values its suppliers, choosing to pay a 5% premium to farmers

The Fund Manager's perspective

"The direct sales agent initiative is a core strategy for growth in the business. We believe it will support long-term value creation for the company... MEDA's support has provided structure for the company to increase its focus on and the speed of implementation of the Miss Cimory programme."
Edwin Cheah, Director, Creador

Koza Gida (Turkey)

About Koza Gida

Established in 1994, Koza Gida is a leading Turkish importer of quality food and beverage. It is currently expanding into local distribution handling more than 1,850 products from ca.100 companies based in 23 countries. Koza Gida relies on its team of 125 experts in İstanbul and on distributors across the country. The product range is wide but throughout all its activities the company focuses on food safety, quality, health conditions and customer satisfaction.

Koza Gida complements distribution of imported food with locally grown products

Koza Gida's clientele includes hotels, restaurants, cafes, catering, retailers, wholesalers and distributors. Koza delivers food (dry, fresh and frozen), pastry ingredients and supporting equipment to over 1,500 customers in more than 30 cities across Turkey.

In order to complement and diversify its main food imports activity, Pera and Koza developed a strategy to distribute a number of products sourced from domestic suppliers. These include capers, dried tomato, pepper, artichoke, eggplant, pomegranate syrup, fresh fruit juice, seasonings and sauces all in an effort to minimize environmental impact and support local enterprise, while making products more affordable for its customers.

Sustainability Innovation Grant (SIG)

In December 2016, the INFRONT programme managed by MEDA and supported by the Canadian government, awarded Koza a matching SIG of CAD 130,000 (with a CAD 261,690 contribution by the company) to develop the new strategy.

Pera and Koza Gida see three main positive outcomes from the new strategy: reduced carbon emissions, more affordable products for local consumers and increased job opportunities and sales for local food suppliers across the value chain. The objective, as agreed between the company and the grantor is to supply approximately 1,400 tons of local products, which logistically implies the need for 83 trucks. If the products were imported, the total distance from Spain would be 3,500 km resulting in 310MT of CO_2. By substituting imports with locally produced goods, Pera estimates that there would be a net saving of 266MT of CO_2. In addition, private label products sourced from local suppliers will be cheaper and more affordable than imported products allowing the company to reach a more diversified customer base. The initiative will also allow local SME producers to increase their sales and to create job opportunities.

Koza Gida contributes to the following SDGs

Sector	Food distribution
Business focus	Food supply localization
Gross revenue (2016)	52.3mm TRY
Fund name	Pera Capital Partners Fund I
Investment date	April 2015
Investment size	$3.6mm

Highlights

Reduced carbon footprint: In Q1, Koza has reduced its carbon footprint by approximately 72% compared to the previous quarter

Greater contribution to local economy and job creation: Koza's SME suppliers are mostly small, family-owned and operated businesses. By raising awareness for these products, Koza hopes to increase the market for local foods. This will also have a knock-on effect of increasing production and manpower requirements

Greater and cheaper access: Customers will benefit from the initiative as the products will be more affordable and accessible. In addition, from a health perspective, locally sourced products are more likely to be fresher than imported ones

Enhanced company brand image with a more diversified product range: In Turkey, Koza is mostly known as an import company. Following the new strategy supported by the grant, Koza's image is changing and building on an innovative twist with the introduction of locally produced goods that are good for 'people, planet and profits'

The Company's perspective

"Increasing the flow of capital to small food enterprises and to local food systems through production, processing, distribution and marketing of local, fresh, organic food is one of the most fundamental things we can do to begin fixing our economy, our country, our culture, from the ground up."

Sinem Karaismailoğlu, CFO, Koza Gida

Appendices

Appendix A: Sarona exclusion list

Sarona has adopted the latest version of the IFC Exclusion List as its own.

The IFC Exclusion List defines the types of projects which they will not finance. Exclusion applies only to companies that are *materially* involved in unacceptable activities. In cases where the activity concerned is ancillary to the companies' primary operations, exclusion will not apply.

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

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

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

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

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

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

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

Appendix B: Selected 22 IRIS metrics (20 individual codes plus 2 supplementary)

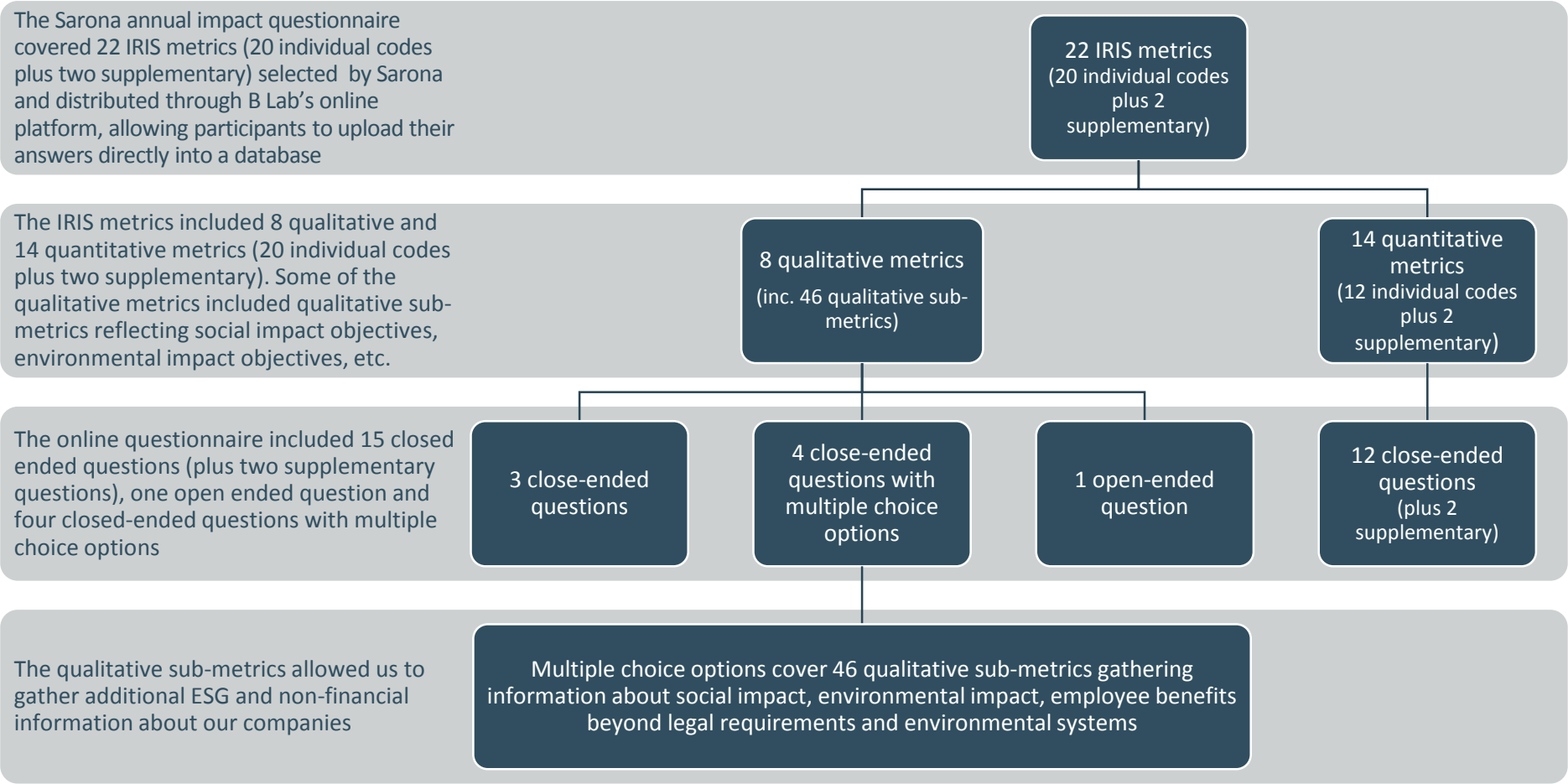
OD6247	**Social impact objectives**	Select all of the social objectives that apply to the Company: access to clean water, access to education, access to energy, access to financial services, access to information, access to education, affordable housing, agricultural productivity, capacity-building, community development, conflict resolution, disease-specific prevention and migration, employment generation, equality and empowerment, food security, generate funds for charitable giving, health improvement, human rights protection or expansion, income/productivity growth, other	N=136
OD4108	**Environmental impact objectives**	Select all environmental objectives that apply to the Company: biodiversity conservation, energy and fuel efficiency, natural resources conservation, pollution prevention & waste management, sustainable energy, sustainable land use, water resources management	N=102
OI9379	**Local compliance**	Indicate whether the organization has been found to be out of compliance with any local labor, tax, or environmental regulations during the reporting period. (Y/N)	N=135
OI5164	**Financial statement review**	Indicate whether it is the organization's policy to produce financial statements that are verified annually by a certified accountant. (Y/N)	N=124
OI4432	**Child labor policy**	Indicate whether the organization has a written child labour policy in line with International Labour Organization (ILO) standards. (Y/N)	N=107
OI1120	**Operational certifications**	List the third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting period. (Open ended)	N=38
OI2742	**Employment benefits**	Benefits to full-time employees. Check all that apply: health insurance, dental insurance, disability coverage, paid vacation, life insurance, maternity/paternity leave, retirement provisions, stock ownership, other	N=100
OI1254	**Environmental management system**	Components of the organization’s environmental management system. Choose all that apply: policy statement documenting the organization’s commitment to the environment, internal or external assessment undertaken of the environmental impact of the organization’s business activities, stated objectives and targets for environmental aspects of the organization’s operations, programming designed (with allocated resources) to achieve these targets, periodic compliance and auditing to evaluate programs conducted, other	N=73
OI1075	**Board of directors: total**	What is the number of members of the organization's Board of Directors or other governing body, as of the end of the reporting period?	N=123
OI8118	**Board of directors: female**	What is the number of female members of the organization’s Board of Directors or other governing body, as of the end of the reporting period?	N=106
OI3160	**Full-time employees: total**	Please enter number of full-time employees at the end of the reporting period.	N=146
OI6213	**Full-time employees: female**	Please enter number of full-time female employees at the end of the reporting period.	N=133

Selected IRIS metrics

OI8251	**Full-time employees: managers**	Please enter number of full-time management employees at the end of the reporting period. *Management is defined as any employee having other employees report to them.*	N=90
OI1571	**Full-time employees: female managers**	Please enter number of full-time female management employees at the end of the reporting period. *Management is defined as any employee having other employees report to them.*	N=86
OI5887	**Full-time wages**	Please enter the amount of full-time wages for the reporting period in USD.	N=73
OI3757	**Occupational injuries**	Indicate the number of occupational injuries which affected any full-time, part-time or temporary employee of the organization during the reporting period.	N=88
OI3757	**Occupational injuries (supplementary)**	Indicate the number of work related deaths of any full-time, part-time, or temporary employee of the organization during the reporting period.	N/A
OI4229	**Employees trained: total**	Number of employees (full-time, part-time, or temporary) that were trained through programs provided by the organization (both internally and externally) during the reporting period.	N=90
PI4060	**Client individuals: total**	Number of organizations or individuals who were clients during the reporting period. *For microfinance clients, this refers to active clients. For healthcare providers, this refers to patients. For education, this refers to students.*	N=75
PI4060	**Client individuals: total (supplementary)**	Number of organizations or individuals who were the end client beneficiaries of the good or service. *For example, this question aims to identify how many end consumers a diaper manufacturer that sells to retailers that then sell to end consumers or a pharmaceutical wholesaler who sells to pharmacies who then sell to end consumers.*	N=150
PI9566	**Supplier: total**	Estimated number of companies and individuals that sold to the organization during the reporting period.	N=63
FP5261	**Taxes**	Value of all transfers to the government made by the organization, during the reporting period. *At a minimum, this includes payments to the government in the form of corporate income or profit taxes. Additional forms of transfer to be reported as appropriate include (i) sales taxes, (ii) net VAT, (iii) royalties, (iv) dividends and related taxes, (v) management and/or concession fees, (vi) license fees, (vii) tax on payment of interest, and (viii) other material payments net of any direct subsidies received.*	N=94

	Qualitative metric
	Quantitative metric

Appendix C: Summary description IRIS questionnaire



SARONA

JAKARTA, INDONESIA

sarona@saronafund.com
+1 519 883 7557
55 Victoria Street North, Unit K
Kitchener, Ontario N2H 5B7
Canada

europe@saronafund.com
+31 20 798 1311
Claude Debussylaan 46
Amsterdam, 1082 MD
Netherlands