

A hand holding a magnifying glass over a mountain landscape. The magnifying glass shows a detailed view of a snow-capped mountain peak and a valley. The background is a blurred mountain range under a blue sky.

TRILL IMPACT

Disclosure Statement 2021

DISCLOSURE STATEMENT 2021

This Disclosure Statement affirms that Trill Impact has the policies and procedures in place to manage impact investments in accordance with the Operating Principles for Impact Management.

The Operating Principles for Impact Management, the Impact Principles, were launched in April 2019, to provide a framework to investors for the design and implementation of their impact management strategy, ensuring that impact considerations are integrated throughout the investment lifecycle. Trill Impact AB is an independent impact investment advisory firm and signed the Impact Principles in February 2020.

Trill Impact believes it is aligned with the Impact Principles since impact is embedded into its strategy from inception. Trill Impact aims to create a measurable, positive impact and contribute to achieving the Sustainable Development Goals, while generating attractive financial returns.

This Disclosure Statement affirms that Trill Impact has the policies and procedures in place to manage impact investments in accordance with the Impact Principles. This Disclosure Statement applies to Trill Impact buyout fund with the total value of Covered Assets in alignment with the Impact Principles US\$1.0 billion as of 31 December 2021.



**Operating Principles for
Impact Management**



PRINCIPLE 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- Trill Impact aspires to make a lasting positive contribution to people, society and the planet. According to Trill Impact's strategy, each portfolio company must actively advance at least one of the UN's seventeen Sustainable Development Goals ("SDGs").
- Trill Impact undertakes thematic and sector-level research in targeted markets to inform the investment strategy, and has standardized criteria drawing on industry standards, expert and academic sources for both thematic priorities and transaction-level impact theses.
- Trill Impact has developed a methodology for assessing the proportionality of impact to the overall portfolio size by drawing on the Impact Management Project (IMP) ABC framework to classify the impact of companies.
- Trill Impact has developed fund and transaction-level theories of change, including processes for compiling supporting research in due diligence.





PRINCIPLE 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Trill Impact's policies and processes to manage impact are applied throughout the entire portfolio of the Trill Impact Fund ("the Fund"), and all companies are expected to comply with Trill Impact's Impact Investment and Ownership policy.
- Trill Impact has developed an impact framework (i.e., the IMPACT model) that facilitates the assessment of impact and environmental, social and corporate governance (ESG) aspects throughout the transaction lifecycle and effectively allows for management of impact and ESG aspects across the portfolio.
- As part of the framework, a proprietary Impact Scorecard is used to rate each portfolio company using the Impact Management Project, IMP, 5 dimensions of impact. The Impact Scorecard is complemented with an ESG analysis based on regulatory, sector and geographic guidance.
- Trill Impact's assessment, conclusions, and recommendations are included in its internal Investment Advisory Committee materials, discussion, and recommendation decision. The Investment Advisory Committee includes Trill Impact's Impact Partner.
- Impact and ESG objectives and measurement of related KPIs are agreed upon with management of portfolio companies prior

to closing. Required actions are integrated into a value creation impact plan. While impact measurements vary across individual investments, certain ESG measurements are aggregated across the entire portfolio. For example, the Fund's revolving credit facility is tied to the Fund's achievement of science-based targets to reduce GHG emissions.

- Post-closing, Impact, and ESG management, measurement, and reporting are part of the portfolio management process.
- Trill Impact evaluates operations, business activities, and performance against financial and impact targets through participation in each company's Board. Portfolio company reviews are also conducted where impact and ESG progress are assessed.
- Portfolio company management are incentivized based on the company's impact and ESG performance. Trill Impact staff incentive system are tied to impact through explicit consideration of impact achievement within employee performance reviews.
- Impact performance is measured, monitored, and reported at the portfolio company and Fund level to investors quarterly and annually in Trill Impact's Annual Impact Report.

PRINCIPLE 3

Establish the Manager's contribution to the achievement of impact.

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

- Trill Impact's Investment Advisory Committee documentation includes an assessment to establish a credible, evidence-based impact thesis, using the Impact Management Project's five dimensions of impact. As part of this assessment, Trill Impact's "Contribution" to the achievement of impact is defined and documented, in addition to the portfolio company's "Contribution."
- Trill Impact's contribution can take different forms including:
 - Mission-driven investment advisory professionals and portfolio company board members.
 - Active engagement with the Board and Management to signal that impact matters.
 - Value creation impact plan contributing to the achievement of impact.
 - Impact KPIs and targets aligned with management remuneration and financing arrangements.
 - Industrial and Impact experts to support portfolio companies in achieving their impact objectives using a variety of support, tools and expertise.
 - Documentation and tracking of expected and actual contribution to impact through monitoring of relevant KPIs and periodic surveys.
 - Case studies documenting evidence of Trill Impact's contribution to impact (e.g., the Fund's ownership of Nordomatic)





PRINCIPLE 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- Trill Impact uses a systematic approach to assess and quantify each potential Fund investment's current and expected impact in the sourcing and due diligence stages based on the IMP's ABC classification and Trill Impact's proprietary Impact Scorecard using the Impact Management Project, IMP, 5 dimensions of impact. The expected status is classified and activities required to increase the impact and mitigate impact risks are defined.
- Trill Impact conducts research to identify the most pressing SDG issues in target markets with respect to SDG gaps as well as research on unintended impact risks as part of its due diligence process.

- Transaction level theories of change are developed and where possible, standardized metrics (e.g., IRIS+) that contribute to locally/nationally relevant SDG targets are used to document and track each investment's progress towards the expected impact during the ownership period, as part of the value creation plan.
- The systematic assessment of the current and expected impact classification results in an overall "impact potential" score and is a standard part of Trill Impact's internal Investment Advisory Committee documentation, discussion, and recommendation decision.



PRINCIPLE 5

Assess, address, monitor, and manage potential negative impacts of each investment.

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

- Trill Impact is a signatory to the Principles for Responsible Investment (PRI) and believes that environmental, social, and corporate governance (ESG) issues can affect investment portfolios' performance.
- Trill Impact has a systematic approach to assess, address, monitor, and manage potential negative impacts of each investment. An ESG assessment is conducted for all investments during the initial screening and due diligence phase using regulatory guidance and industry frameworks such as the UN Global Compact Principles and Sustainability Accounting Standards Board (SASB) industry standards.
- The assessment identifies any gaps with good industry practice. Key objectives and related KPIs to mitigate potential negative impacts of each investment are agreed with the management of portfolio companies prior to closing and integrated with the value creation impact plan.
- The assessment, conclusion, and recommendations form

a standard part of the Investment Advisory Committee documentation, discussion, and recommendation decision. Prior to the acquisition, Trill Impact partners with management to develop and agree on an indicative Value Creation Impact Plan which includes preliminary KPIs for impact and ESG.

- Post-closing, ESG and impact measurement, management and reporting is part of the portfolio management process, where Trill Impact monitors progress towards impact KPIs on a quarterly basis, ESG KPIs on an annual basis, and engages directly with management in the event of underperformance or unexpected risks.
- Impact through monitoring of relevant KPIs and periodic surveys.
- Case studies documenting evidence of Trill Impact's contribution to impact (e.g., the Fund's ownership of Nordomatic)

PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

- Trill Impact collects impact and ESG quantitative and qualitative information from the portfolio companies quarterly and annually and also reports it to the company's board of directors, the General Partner, and the Fund's investors.
- Trill Impact monitors each portfolio company's progress in achieving impact against agreed KPIs and targets in portfolio company reviews.
- Impact milestones are tied to loan discount terms to incentivize impact alignment and mitigate underperformance. In addition to these impact monitoring processes the firm regularly surveys relevant stakeholders and solicits expert advice to capture relevant impact outcomes.
- If a portfolio company falls short of meeting impact targets, remedial actions would be addressed with portfolio company management.



PRINCIPLE 7

Conduct exits considering the effect on sustained impact.

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

- Trill Impact has not had any exits to date; however, Trill Impact has implemented a Responsible Exit Approach that is integrated into each step of the investment advisory process, from idea generation to exit.
- The Fund targets investments where impact and commercial aspects are tightly integrated and during the ownership period supports portfolio companies with expertise and capacity building, which is expected to increase the likelihood of impact continuity after exit.
- Trill Impact's Investment Advisory Committee documentation includes buyer due diligence, timing and other risks and opportunities related to sustaining impact after exit. Trill Impact will measure and report impact outcomes together with contextual data at exit.



PRINCIPLE 8

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

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

- Trill Impact regularly assesses and benchmarks against industry best practices, where identified gaps and lessons learned are considered in the continuous development of Trill Impact's investment strategy, processes and decisions.
- Trill Impact has established periodic feedback loops from investors, portfolio companies, employees, and other stakeholders to review its impact strategy and each investment's impact performance.
- Lessons learned and process improvements are continuously integrated into Trill Impact's IMPACT model at both the portfolio company and Fund level.
- Due diligence, timing and other risks and opportunities related to sustaining impact after exit. Trill Impact will measure and report impact outcomes together with contextual data at exit.



PRINCIPLE 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

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

- This Disclosure statement re-affirms the alignment of Trill Impact's procedures with the Operating Principles for Impact Management and will be updated and published annually.
- The third-party verification on the alignment of Trill Impact with the Operating Principles for Impact Management is available here. Bluemark (a Tideline company) is the independent verifier for Trill Impact.
- Trill Impact expects to complete and publish a third-party verification every 3 years from 2022.



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