

**Disclosure Statement**  
**Operating Principles for Impact Management**

Lightrack  
June 30<sup>th</sup>, 2022<sup>1</sup>

Lightrack (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

The Disclosure Statement applies to the following portfolios (the "Covered Assets") under Lightrack's advisory: i) Lightrack Growth Fund I, ii) Lightrack Climate Impact Fund anchor assets, iii) Africa Portfolio and iv) Lightrack Latam Fund.

The total assets under advice in alignment with the Impact Principles is approximately USD 1.3 billion<sup>2</sup> as of June 30<sup>th</sup>, 2022.<sup>3</sup>

A handwritten signature in black ink, appearing to read "Pal Erik Sjatil".

**Pal Erik Sjatil**  
CEO & Global Managing Partner

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<sup>1</sup> Document version: final 30-06-2022

<sup>2</sup> This amount reflects the cost of the investment and not the fair value.

<sup>3</sup> The sole purpose of this Disclosure Statement is to fulfil Lightrack's obligations pursuant to Principle 9 of the Operating Principles for Impact Management. The information contained in this document has been issued by Lightrack and/or its affiliates with the greatest of care and to the best of its knowledge and belief. Lightrack provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. The opinions expressed in this document are those of Lightrack at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. Lightrack makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analysed in this Disclosure Statement, historical returns and financial market scenarios should not be considered indicative or a guarantee of future performance. Accordingly, Lightrack shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and Lightrack does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.

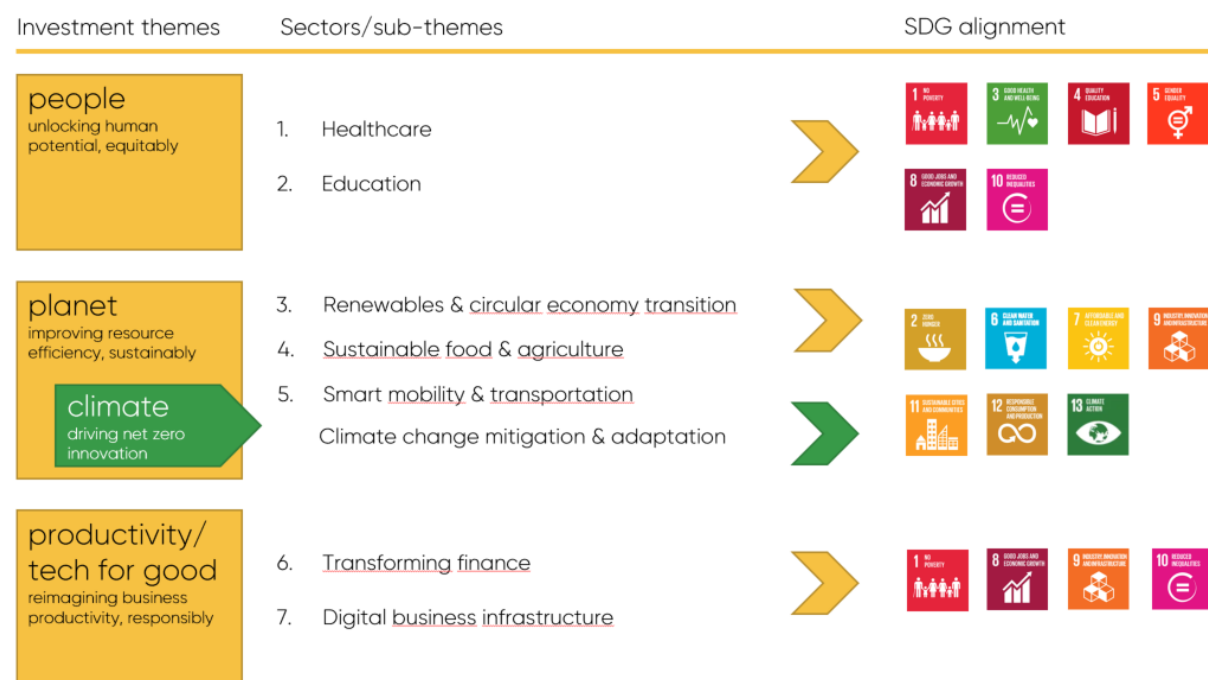
**Principle 1 - Define strategic impact objective(s), consistent with the investment strategy**

*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.*

Lightrock is a global private equity platform that backs purpose-driven entrepreneurs tackling the world's biggest challenges. Since 2009, Lightrock has invested in companies that pursue scalable and tech-driven business models around the three key impact themes of people, planet, and productivity/tech for good. Lightrock's portfolio includes more than 80 high-growth companies in 14 countries across Europe, the USA, Latin America, Asia and Africa, supported by a diverse team of over 90 professionals based in 5 offices across these regions, including Lightrock's headquarter in London. Lightrock has been initiated by Prince Max von Liechtenstein (Founder and Chairman Lightrock, Chairman LGT) and is backed by the Princely House of Liechtenstein and LGT, the international private banking and asset management group.

Within the three key themes of people, planet, and productivity/tech for good, we focus on specific underlying sectors or subthemes that offer disproportional impact and value creation potential in response to sustainability challenges. For each sector or subtheme, we have well-defined impact objectives and developed evidence-based theories of change, taking a view on how we can progress from the current state to a better future and identifying innovative businesses that can best drive this change in a commercially viable manner. In line with our overarching strategic framework, we thus aim to make a direct contribution to the achievement of 13 out of the 17 UN Sustainable Development Goals (SDGs) through our investment activities. With our investment focus, we believe in and bet on the significant opportunity to harness breakthrough developments in technology and business model innovation for creating effective solutions to address some of the most pressing social and environmental challenges.

**Chart 1: Lightrock's strategic framework**



## Principle 2 - Manage strategic impact on a portfolio basis

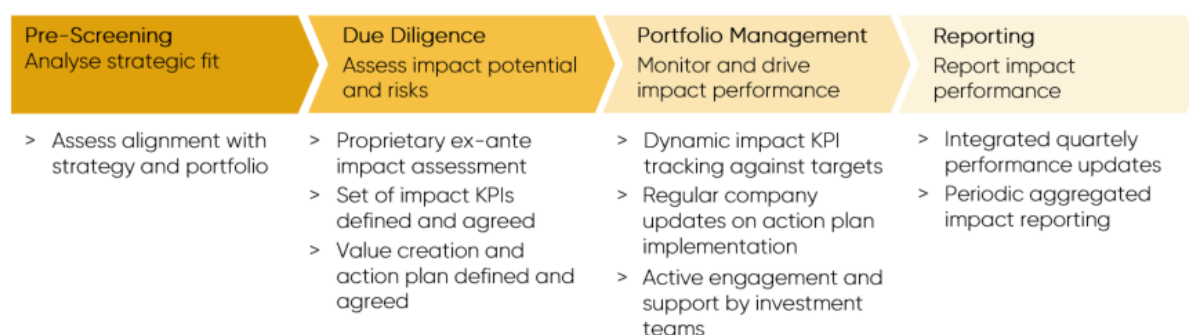
*The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the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

At Lightrock, we source and select investments according to the specific investment strategies and impact frameworks of portfolios that clearly describe the thematic and sector focus as well as the impact objectives we aim to achieve as an investor. Every new investment opportunity is assessed for its strategic fit early on, while the potential for impact achievement at the individual investment and portfolio level respectively represents a key criterion. Typically, the targeted positive impact stems from the core operations, products and/or services, and hence, is intrinsic to the business models of the companies we seek to invest in. We are therefore convinced that for these companies, profit and impact are not only strongly correlated but also mutually re-enforcing.

Under our practice of Impact Measurement & Management (IMM), we specifically focus on the core positive impact of a company representing our strategic rationale for why we invest. We have established well-defined processes and tools to assess, measure, and manage impact throughout the investment lifecycle. Our IMM is then complemented by an integral ESG Management System based on industry best practices to identify and assess a company's effects and influences on its various stakeholders more holistically, mitigate all related material risks and drive wider operational and financial value creation.

Managing impact at the portfolio level starts with a systematic approach towards IMM at the investment level. During due diligence, we define meaningful impact Key Performance Indicators (KPIs) and corresponding targets under consideration of a company's ability to provide robust and reliable data on those indicators. Portfolio companies regularly report on agreed KPIs and provide updates on the implementation of impact and ESG related actions and initiatives. An aggregated view of the portfolio's impact and ESG performance across different parameters is formed and reported on regularly.

### Chart 2: Impact management in the investment process



Given that positive impact is core to our investment approach, Lightrock investment team members have clear roles and responsibilities to ensure accountability for managing impact and ESG at the investment level. Our Impact Team led by the Head of Impact is responsible for managing and

reporting impact achievements on a portfolio basis and oversees the underlying processes, including on ESG, over the lifecycle of the portfolio.

In line with our investment strategies and conviction that profit and impact are mutually re-enforcing for our investee companies, related measurable objectives are built into the broader investment management and performance review framework and form as such an integral part of the regular evaluations for investment professionals. These evaluations are linked to our staff incentive system and may have an influence on determining individual remuneration. Our remuneration policies are reviewed by Lightrock's Executive Committee.

### **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.<sup>4</sup> The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

As a direct private equity growth investor, we recognize that the asset class is well positioned for impact investing due to its suitability to provide more patient capital, take active ownership and engage in deep and formative partnerships with entrepreneurs to jointly grow the business and drive value creation throughout the holding period. We prefer to take large minority stakes and have a board seat in the companies we invest in, which enables us to make meaningful contributions and play a vital role in the companies' growth and achievement of objectives beyond the provision of capital.

Prior to any investment, our teams conduct comprehensive impact and ESG due diligence. For more complex investments, external expert consultants may be engaged for performing or supporting us on the impact and/or ESG due diligence. One of the key outputs of the due diligence process are standardized action plans that record all identified actions and initiatives to address areas of improvement, mitigate material risks and drive value creation opportunities across relevant impact and ESG areas. Expected deliverables, required resources and timelines for implementing each action are discussed and agreed upon with the company prior to investing to ensure management alignment and buy-in from the outset.

During the portfolio management phase, our investment teams oversee and provide support on the implementation of agreed actions and any new ones that might emerge. They have substantial experience and competence in driving relevant organizational improvements and with investment teams on the ground in every region where we invest, we actively and continuously engage with portfolio companies at the board, management, and operational level to drive achievement of set objectives and promote value creation.

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<sup>4</sup> For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/ market advice or capacity building to the investee, and/or helping the investee to meet higher operational standard.

### Chart 3: Lightrock's active approach to company value creation

#### Focus on key areas of value creation...



##### Shaping strategy and impact

Active and accountable engagement with top managements on strategy and impact with the help of senior advisors and experts



##### Building functional capabilities

Programmatic engagement with portfolio companies in benchmarking and developing functional capabilities across: Human Capital Development, Finance, IT/Technology for performance management, Governance and others



##### Unlocking partnerships and financing

Leveraging Lightrock's wider relationships network to create 'unfair advantages'

#### ...coupled with consistent and structured support



##### Mapping the journey

Working backwards from defined strategic impact and financial goals to determine necessary measures



##### Recognizing the right drivers

Separating the key industry and company signals from the noise



##### Identifying the right capabilities and single decision maker

Creating the clear plan on 'What?', 'How?', and 'Who?' for the company

#### **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<sup>5</sup> 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?<sup>6</sup> 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<sup>7</sup> and follow best practice.<sup>8</sup>*

At Lightrock, we rely on a proprietary impact assessment that has evolved over more than a decade of investing in high-impact businesses and that is continuously being further developed. It allows investment teams to perform a thorough ex-ante analysis of a prospective investment's current impact and future impact potential, facilitating in turn informed decision-making by our investment committee. The framework consists of two complementary tools, the Lightrock Impact Scorecard and the Impact Model. Both equally lean on proven methods and emerging standards such as the Impact Management Project's five dimensions of impact and IRIS+.

The Lightrock Impact Scorecard is a sophisticated qualitative impact assessment with an underlying rating methodology to evaluate each investment opportunity's ex-ante impact performance and potential based on a comprehensive set of relevant variables covering generally accepted dimensions and criteria of impact and associated risk factors. The tool generates a standardized risk-adjusted impact potential score to quantify an investment's net positive impact potential, or in other words, its impact attractiveness.

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<sup>5</sup> Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

<sup>6</sup> Adapted from the Impact Management Project ([www.impactmanagementproject.com](http://www.impactmanagementproject.com)).

<sup>7</sup> Industry indicator standards include HIPSO (<https://indicators.ifipartnership.org/about/>); IRIS ([iris.thegiin.org](http://iris.thegiin.org)); GIIRS (<http://b-analytics.net/giirs-funds>); GRI ([www.globalreporting.org/Pages/default.aspx](http://www.globalreporting.org/Pages/default.aspx)); and SASB ([www.sasb.org](http://www.sasb.org)), among other

<sup>8</sup> International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.



**Chart 4: Lightrock's proprietary Impact Scorecard**



The Impact Model is a complementary analytical tool to support investment managers in developing and outlining the impact rationale and narrative behind each investment including the strategic fit, the expected impact outcomes, the underlying theory of change, the existing evidence on the relative size of the challenge addressed and the effectiveness of the specific business solution. Derived from this analysis is the definition of relevant impact KPIs and targets to facilitate robust monitoring and reporting of the company's impact performance.

To ensure high-quality outputs and deliverables from the impact assessment process, we have assigned clear responsibilities and implemented specific checks and balances involving our dedicated Impact Team as well as the senior management where required.

**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)<sup>9</sup> 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.<sup>10</sup> 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.*

By integrating ESG considerations into the evaluation and management of portfolio companies, we believe that businesses can deliver enhanced value for shareholders and stakeholders beyond their core impact. For this purpose, a customized ESG Management System (ESG MS) has been developed and implemented based on industry best practices. Our ESG MS builds on guiding elements to ensure relevance and effectiveness of ESG management such as investment cycle integration, intentional value driver, portfolio company ownership, integration and contribution to impact and transparency. In this way, we ensure that ESG considerations are formally integrated at each step of the investment process and fed into investment decision-making.

Our ESG MS is founded on detailed policies and business principles that outline our efforts, commitment, and expectations towards addressing ESG challenges in our operations and that of portfolio companies. The ESG MS is aligned with international frameworks, most notably IFC's Environmental and Social Performance Standards, the World Bank Group EHS Guidelines, relevant ILO conventions, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. Given our wide investment activities across different regions, markets, and company stages, the alignment and relevance of specific ESG standards and their consideration and application in related processes, tools, and documentation may vary across investments and/or portfolios.

We undertake ESG due diligence on all new investments to assess a company's ability and commitment to achieve ESG outcomes consistent with our related policies and business principles. While recognizing that not every business may be in full compliance with our ESG objectives and policies at the date of investment, our investment teams work with the respective company to develop action plans that seek to achieve compliance with clear deliverables in reasonable time frames, taking into consideration the risks and opportunities specific to that business and its size and resources. To ensure commitment from sponsors to comply with our ESG policies and applicable standards, we

<sup>9</sup> The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

<sup>10</sup> Examples of good international industry practice include: IFC's Performance Standards ([www.ifc.org/performancestandards](http://www.ifc.org/performancestandards)); IFC's Corporate Governance Methodology ([www.ifc.org/cgmethodology](http://www.ifc.org/cgmethodology)), the United Nations Guiding Principles for Business and Human Rights ([www.unglobalcompact.org/library/2](http://www.unglobalcompact.org/library/2)); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

strive to integrate standardized ESG terms and warranties into the investment legal documentation to the extent possible under consideration of the specific deal dynamics.

During our holding period, we expect companies to build internal capacity to implement and maintain a formal ESG management approach commensurate with the nature of the business, its development stage, and operations, to continuously assess and manage related risks, impacts and opportunities, including such that may arise during our investment lifetime and beyond. Our investment teams thereby provide constant guidance and, besides monitoring implementation and progress, assist portfolio companies in the review and update of the action plans considering developments in the regulatory and market environment as well as changes in business activities.

**Chart 5: ESG in the investment process**



**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.<sup>11</sup> The Manager shall also seek to use the results framework to capture investment outcomes.<sup>12</sup>*

Lightrock takes a standardized approach towards monitoring the impact performance of its investments against expectations. Investment teams are responsible for monitoring the progress of portfolio companies by regularly receiving company updates and data, conduct site visits and lead management discussions. They actively support the implementation of action plans, help furthering internal measurement and reporting practices and assist in the identification of additional impact initiatives and ESG risks and opportunities during our holding period. On key actions and technical initiatives, investment teams receive assistance from our Impact Team and have access to further internal and external resources if required.

In accordance with the overall reporting cycle, quantitative and qualitative impact information on agreed targets, milestones and key achievements are regularly collected from portfolio companies. Portfolio companies report on the set of impact KPIs defined and agreed at the outset of the investment usually on a quarterly basis. The KPIs are derived from the initial impact assessment and represent a combination of industry-aligned (IRIS+) and customized company-specific metrics, depending on the type and nature of the business and the expected impact objectives. The quality, adequacy, and relevance of tracked KPIs as well as related targets are appropriately revisited and discussed with the companies. On an annual basis, we consolidate the quantitative impact data to form an aggregated view of the portfolio's year-on-year performance.

We also monitor and periodically report ESG performance and activities of portfolio companies as part of the standardized reviewing and reporting cycle. Our ESG reporting process is currently being revised and updated in response to new regulatory and market requirements such as by the EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR). In this context, we have also been seeking to selectively partner with innovative third-party data providers. For instance, we have engaged in a collaboration with the Upright Project, a Helsinki-based tech company offering a data-driven approach to impact measurement in response to heightened market and regulatory expectations around transparency and disclosure of sustainability performance of portfolio investments. Their proprietary quantification model allows the estimation of the net impact of companies by means of machine learning algorithms and open-source science. The calculated net impact ratio is regularly updated and comprehensively captures each company's impact on society, knowledge, health, and the environment, considering both positive and adverse impacts.

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<sup>11</sup> Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

<sup>12</sup> Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC([www.oecd.org/dac/](http://www.oecd.org/dac/)).

Upright's model enhances access to impact and ESG related information thereby improving our understanding of the company's broader sustainability effects and it's performance against Lightrock's sustainable investment objective. Besides enhancing and complementing our internal impact and ESG monitoring and reporting capabilities, Upright allows for more transparency and comparability within and across industries.

Occasionally, we and/or our portfolio companies also engage third party providers to perform independent evaluation studies on impact outcomes to underpin self-reported data and provide additional insights into the company's impact achievement and how measurement and reporting practice can be strengthened.

**Principle 7 - Conduct exits considering the effect on sustained impact**

*When conducting an exit,<sup>13</sup> 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.*

We believe that improved Impact and ESG performance can enhance exit valuations and thus related considerations should be incorporated into preparations for exit. Our process to consider sustainability of impact at exit is guided by the exit memorandum, which provides the rationales for the exit and articulates the company's performance and achievements over the holding period. The impact section of the memorandum includes a summary of the company's impact achieved and the value creation initiatives implemented throughout the holding period, an exit impact performance assessment and the key lessons learned from those insights.

The exit impact assessment consists of i) an impact performance evaluation throughout the holding period based on tracked KPIs, ii) a qualitative summary of impact milestones and achievements, implemented initiatives and our value-add provided and iii) a re-evaluation of relevant impact criteria and dimension based on an adapted version of the ex-ante impact assessment to provide insights on impact achievement and potential on a before-and-after basis.

The exit memorandum forms the basis for decision-making by the IC, thus including considerations around historic and current impact performance as well as maintaining impact objectives beyond our investment period, which in accordance with fiduciary obligations, can influence the timing, structure, and choice of who to sell to.

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<sup>13</sup> This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

**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.*

We follow a standardized approach to track the impact trajectory of our investments and monitor the implementation of action plans as described under Principle 6. As part of the quarterly portfolio updates, investment teams review the impact performance of each investment and report it to senior management, the board, and investors. In this way, it is ensured that any significant insights from the periodical analysis of individual investments and the portfolio's achievement of impact can lead to operational and strategic adjustments and are used to inform future investment decision-making.

As part of our periodic impact and ESG performance reviews and reporting process, we are gaining and providing detailed insights into the measurable social and environmental impact of portfolios and a nuanced individual view of each portfolio companies' impact and wider sustainability performance. This also includes negative and unintended impacts, which typically relate directly to ESG value-add activities that are being monitored and report on in an integrated fashion. The relevant information and data for these reviews and reports are gained using a combination of in-house, primary company and third-party data.

On a process level, we continuously review our investment, impact and ESG processes based on insights from current and past investment activities. The Impact Team is responsible for maintaining the related management systems and processes and making improvements in response to potentially changing operational and strategic requirements.

As a global investment platform, we also recognize the benefits from cross-regional synergies and organizational learning opportunities and actively promote knowledge sharing at the operational and managerial level on common investment parameters to improve decisions and processes across the platform, including on Impact and ESG.

Furthermore, as a longstanding member of the impact investing community, we engage with partners and peers and are actively involved in industry bodies and initiatives to seek advice on emerging best practices on IMM, ESG management and related investment decision-making as we continuously further refine our own practice. In addition to being a founding signatory of the Impact Principles, we are a GIIN Investors' Council Member and an active participant in various other industry bodies and initiatives.

**Principle 9 - Publicly disclose alignment with the Principles and provide regular independent verification<sup>14</sup> of the alignment**

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

This Disclosure Statement re-affirms the alignment of our policies and procedures with the Impact Principles and will be updated annually.

We engaged BlueMark, a Tideline company, to independently verify the alignment of our impact management practices with the Impact Principles. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement.

The Verifier Statement, dated 8<sup>th</sup> June 2021, is posted [here](#) on our website.

The next independent review is planned for 2024.

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<sup>14</sup> The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.