The Rise Funds Disclosure Statement: Operating Principles for Impact Management

INTRODUCTION

TPG is a leading global alternative asset manager, built through a 30-year history of successful innovation and organic growth. Over this time, we have established a premier investment business focused on the fastest-growing segments of both the alternative asset management industry and the global economy.

A core principle within TPG is a fundamental belief that private enterprise can contribute significantly to addressing serious societal challenges, globally. This conviction in the vital role that private capital can play to solve problems led us to launch our impact investing effort in 2016 with The Rise Fund, the largest-ever impact-focused private equity fund, to pursue both competitive financial returns and measurable societal benefits at scale. Since raising our first impact fund, we have continued to develop TPG’s impact platform, raising additional impact funds, investing in an impact assessment and management system grounded in data, evidence and research, and establishing Y Analytics, a public benefit corporation founded to provide the impact research and assessment underpinning our impact investments.

DISCLOSURE STATEMENT

1. The Rise Funds (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). We are proud to be a signatory to the Impact Principles, which represent a critical step forward for the impact investing community as we collectively deepen our commitment to rigorous management, evaluation, and reporting of impact.

2. This Disclosure Statement applies to the following Covered Assets that align with the Principles: Rise I, and Rise II (“The Rise Funds” or the “Funds”) and Evercare.

3. The total value of the Covered Assets in alignment with the Principles is US $6.3 billion as of December 31, 2021.

April 6, 2022

Maya Chorengel
Co-Managing Partner
The Rise Funds
IMPACT MANAGEMENT ACTIVITIES PERFORMED BY THE RISE FUND

Detailed below are the nine Operating Principles for Impact Management (the “Impact Principles”). Management has detailed the impact management operating activities performed for the year ended December 31, 2021 describing the alignment of the impact management systems and process with the Impact Principles.

**Principle 1: Define strategic impact objective(s), consistent with 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.

- The Rise Funds’ strategy is to be an equity investor in companies, globally, that generate demonstrable and significant positive societal impact while also delivering market-rate financial returns. In sourcing opportunities, The Rise Funds identifies companies whose core products or services deliver meaningful social or environmental impact in a manner that is “collinear” with the commercial success of the companies and that are characterized by strong growth potential. This enables achievement of desired impact outcomes while also remaining disciplined about delivering non-concessionary returns.

- The Rise Fund’s core areas of focus include climate and conservation (including clean energy, decarbonized transport, enabling solutions and greening industrials), education, financial inclusion, food, and agriculture (sustainability and poverty alleviation themes), healthcare and impact services. In general, The Rise Fund’s investment themes and choice of areas of focus draws from a subset of sectors in which TPG has had historical investing experience that also align with the United Nations Sustainable Development Goals (UN SDGs). This approach of building on three decades of private equity investing experience to now include an impact lens is grounded in our commitment to creating a better world for people and planet while maintaining fiduciary discipline.

- We chose the UN SDGs from the outset as an accepted framework to identify the most pressing areas of need socially and environmentally and to serve as a guide to benchmark the scale of impact of our investments. The Rise Funds 2021 Impact Report contains a mapping of the portfolio companies impact pathways to the applicable UN SDGs. The Rise Funds collectively cover 15 unique UN SDGs, while supporting progress towards other UN SDGs that are not directly translatable into investment inputs.
Strategically, The Rise Funds also invest globally, diversifying across developed and developing markets as macro conditions and specific opportunities evolve. This builds on TPG’s long experience as an investor in North America, Europe, Asia, Australia, and Africa. In general, the companies invested in by The Rise Fund are late-stage venture or growth companies, building on our 15-year history as a global growth equity investor. We specifically seek opportunities where there is meaningful scale and growth potential to the companies, in order to maximize our contribution to the impact outcomes outlined in the relevant UN SDGs.

Furthermore, A measurement framework entitled the Impact Multiple of Money (IMM) was deployed by the Funds to assess the social and environmental benefit (“impact”) of each portfolio company held by the Funds. The IMM quantifies impact for a given portfolio company to assess ability to achieve impact scale proportionate to the size of the investment portfolio. A detailed overview of the IMM framework can be found in Harvard Business Reviews’ Calculating the Value of Impact Investing and Y Analytics’ Evidence-based Impact white paper.

**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.

- The Rise Funds establish a threshold for impact achievement that is expected for each portfolio company and for each impact fund in its entirety. This approach guides selection of companies in which each fund invests and also determines the impact management program established for each portfolio company.

- Our impact decision-making and managerial tools encompassed in our IMM framework each capture the estimated social and environmental value of the impact created by a company and the efficiency of the capital deployed to achieve that impact. The approach is operational, at scale and builds upon several principles from within Impact Investing, such as Social Return on Investment and the Impact Management Project’s Five Dimensions of Impact.
Human resources such as internal investment teams, business building teams, and leadership of The Rise Funds, are deployed to support financial and impact performance of the portfolio companies held by the Funds. This deployment includes participation in the Board of Directors of various portfolio companies by the Funds’ investment and management teams and has included, from time to time, oversight of operations and business activities by select partners of the Funds as well as members of the Y Analytics team at the physical location of the portfolio companies.

Staff incentives are aligned with the achievement of impact through the annual evaluation of performance against internal impact-related competency requirements. Specifically, the individual performance evaluation process takes into consideration ownership of the impact underwriting process during investment evaluation and command over impact pathways and relevant research and analyses, tracking targets and delivering on impact returns and objectives for portfolio companies, and maintaining intellectual leadership of impact topics.

On a quarterly basis, management of the Funds tracked and measured the performance of the portfolio companies of the Funds during the year ended December 31, 2021 from both a financial and impact perspective by updating the financial valuation and estimated actual impact with current source data from the portfolio companies. Management of the Funds also performed a review process that involved analytics for decision making as well as the Funds’ impact and financial performance to be communicated to investors.

Finally, both within The Rise Funds and across TPG, ESG is a core component of both the due diligence process prior to investment and integrated into the management of portfolio companies. ESG goals are also incorporated into the evaluation of TPG’s investment teams.

**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.

- The Rise Funds Investment strategy is to be a growth equity investor and partner to management teams of businesses that have deep purpose and mission to provide net positive impact benefits to underserved people and the planet. Our decisions to allocate capital help demonstrate the commercial opportunity in impact-focused businesses and help companies to achieve commercial scale more quickly, while preserving and protecting their commitment to social and environmental impact.

- In addition to financial capital, we also provide human capital. Our investment teams are deployed to support financial and impact performance of the portfolio companies held by The Rise funds. This includes participation in the Board of Directors of various portfolio companies and providing access to knowledge, resources, oversight of operations and business activities by select partners of the Funds.

- We estimate an Impact Multiple of Money (IMM) for every company we consider for investment. The IMM is based on a critical review of potential positive and negative Impact
pathways. We multiply the estimated impact by the percent ownership stake that the Rise Funds holds in the company. We then divide by the total amount of capital invested to generate a ratio of impact estimated for every dollar invested. We document the company outputs as well as metrics and assumptions from studies that will drive impact and use those as the basis for ongoing management of impact with each portfolio company, bringing additional resources to the company through our business building teams, our colleagues at Y Analytics, our network of Senior Advisors, and the resources of The Rise Funds’ Global Advisory Board, to amplify the impact of each portfolio company. We measure the impact outcomes of our portfolio companies and review them quarterly, to assist in our efforts to monitor and manage impact outcomes.

• We consider one of TPG and The Rise Funds’ core contributions to the achievement of impact the “crowding in” of institutional investors to the impact investing space. With the launch of Rise I, we raised capital from institutional investors, over 50% of whom were first time investors to the impact investing space. We continue to expand our coverage of new institutional and high net worth investors to impact investing with each fund, specifically targeting investors, globally, who have not participated in impact funds before, in addition to allowing existing investors to continue their commitments to successive Funds.

• In addition, we see as another contribution the development of impact investing team members who can align with the requirements of institutional investor capital. We draw on the internal resources of TPG to work with The Rise Funds’ dedicated and shared teams to develop processes, policies and standards that are aligned with the requirements of institutional investors. We believe this contribution is important to building talent in the impact sector.

**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.

• We assess the expected impact of our investment as a core part of our investment process. The alignment of a prospective investment with the relevant impact objective of each Rise Fund in terms of both sector focus and potential to pass the impact threshold embodied in our IMM analysis is fundamental criteria.
The Rise Funds works with its affiliated third-party advisor Y Analytics to assess the underwritten impact of each investment using the IMM framework during due diligence, prior to an investment in a portfolio company. Each underwritten impact analysis is presented to management of the Funds alongside underwritten investment performance as part of the investment committee consideration of each opportunity. Among factors considered include (1) the depth of net positive impact experienced; (2) the demographic of the community being served/impacted by the products and services; (3) the longevity of the impact being delivered; and (4) the lasting impact potential of the company beyond the exit of The Rise Fund as an investor.

Within our process, The Rise Funds capture the impact metrics and key performance indicators (KPIs) against which impact performance will be assessed. We work with our investees on the relevant impact metrics that should be captured in management dashboards and which will be provided in regular monthly, quarterly and annual reporting. We reinforce this objective by including reporting terms in investment documents, through our active participation in Boards of Directors and through our engagement with investees.

Impact metrics and KPIs are reviewed regularly by The Rise Fund investment teams, portfolio reporting teams and leadership to assess impact performance and determine the scale of impact being delivered, in keeping with the objectives of the Funds to drive impact results at scale.

**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.

During due diligence, we estimate an Impact Multiple of Money (IMM) for every company we consider for investment. The IMM is based on a critical review of potential positive and negative impact pathways. The estimated impact is then based on an enterprise’s expected outputs (breadth); independent, third-party research estimating the impact of these or similar activities (depth); the dollar-value equivalent of such impact (value); and adjustments for confidence in the underlying research (risk) and the durability of impact (longevity). We document the company outputs as well as metrics and assumptions from studies that will drive impact and use those as the basis for ongoing management of impact with each portfolio company. Discrepancies between the underwritten and estimated actual impact are discussed during quarterly meetings or as needed, along with potential causes and remediations.

The IMM framework was deployed to measure impact for select portfolio companies held by the Funds during the year ended December 31, 2021.
For our investments, we incorporate agreed impact goals in our Value Creation Plans for each company in a manner that is collinear with commercial results. We also undertake ESG reviews and incorporate ESG action plans with buy-in from management of our portfolio companies. We monitor and review progress relative to our Value Creation Plans as part of our quarterly portfolio company review of investments and more frequently as necessary. We take direct actions as necessary to address underperformance on impact or ESG goals as part of our portfolio management 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. The Manager shall also seek to use the results framework to capture investment outcomes.

As part of our underwriting process during due diligence on prospective investments, we document expected commercial performance, financial returns and impact returns, both qualitative and quantitative, of each investment in Investment Memos that are submitted for discussion to the Investment Committee of The Rise Funds. Note that the impact analysis for each prospective investment is conducted primarily by our colleagues at Y Analytics. This serves as the primary basis for evaluation of future performance of each portfolio company once the investment is made.

We document the company outputs as well as KPIs, metrics and assumptions from studies that describe how similar products and services have the potential to drive impact and use those analyses as the basis for ongoing management of impact with each portfolio company. Discrepancies between the underwritten and estimated actual impact, as defined in the projected IMM for each investment, are discussed during quarterly meetings or as needed, along with potential causes and remediations. Impact management initiatives are implemented as part of Value Creation Plans and regular business initiatives to drive towards meeting impact results expected for each investment – and if results fall short these are documented in quarterly reports and initiatives to improve results are undertaken in partnership with management.

The progress of each investment in achieving impact (and whether performance is above, below or at expectation) is also documented in The Rise Funds’ annual Impact Report, with calculations and reporting attested to by the Funds’ auditors, KPMG. On an ongoing basis, management of the Funds and Y Analytics reviewed third party research relevant to the respective IMM calculation for select portfolio companies held by the Funds.
**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.

- Management of the Funds identified collinearity between the business and impact outcomes of portfolio companies held by the Funds, noting that collinearity improves the sustainability of the impact thesis subsequent to the Funds’ exit. The IMM framework applied to measure estimated actual impact considered the post-ownership probability of impact continuation and output delivery.

- We provide a range of capital, but primarily directly to companies in the form of equity (or convertible debt). Our influence over exit decisions is correlated with the type of capital and mode of investments and often is encapsulated in governance rights over exit decisions.

- We consider potential exit options from the outset and we consider impact dilution risk as the business scales or through changes in ownership during our due diligence process. Our key exit discipline is to invest in business models that are inherently collinear – where the driver of business success is also the driver of net positive impact outcomes on either an underserved customer base or to address an environmental challenge. In our estimation, the collinear nature of the business model is the best defender of sustaining the impact of the company – the acquiror will want to preserve the existing, purpose driven impact objective of the company because it also is the key driver of commercial success.

- Overall, exits will be determined taking account of impact considerations the best interests of the future of the company, and our fiduciary responsibility to our clients. Our influence over exit decisions will depend on a range of factors including our level of ownership, our governance rights and our alignment with management teams on the best outcomes for the company, always bearing in mind our fiduciary responsibility to our clients.

**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.

- The Rise Fund was established to provide growth capital to investments that generate intentional, measurable and positive social and environmental benefits, in addition to market-rate financial returns. A review of the impact performance of investments at an investment, portfolio and strategy level is a critical aspect of how value is created for our investors and for society at large – ultimately what matters must be measured.

- An estimated actual impact, net of potential negative impacts, was determined for each portfolio company held by the Funds by applying the IMM framework to determine actual impact results compared to underwritten impact for each investment over the comparable investment horizon. Discrepancies between the underwritten and estimated actual impact were discussed in quarterly meetings or as needed, along with potential causes and remediations.
This review process allowed management of the Funds to identify which pathways can lead to sustainable impact and improve future underwriting.

- The process that we defined to review impact results and improve decisions and processes is executed in tandem with our colleagues at Y Analytics, who continue to evolve our IMM methodology and assist with company engagement in order to increase the effectiveness of our impact management approach. Insights from this process also have been used to define and refine our investment themes, operational due diligence, and company engagement models to amplify our impact targets for future investments.

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

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

- This Disclosure Statement affirms the alignment of the impact management systems for the Covered Assets with the Operating Principles for Impact Management and will be updated annually.

- In the prior year, KPMG reviewed our public assertion that the Impact Management systems and processes stated by The Rise Fund in alignment with the Impact Principles were performed by The Rise Fund for the year ended December 31, 2019.

- We will provide regular independent verification on our alignment with the Principles on a biennial basis.