

Verification Statement

Prepared for Palatine Private Equity

5th April 2023

The Good Economy Partnership (TGE) was engaged by Palatine Private Equity (Palatine) to undertake an independent verification of the alignment of Palatine’s impact management system with the Operating Principles for Impact Management (“the Impact Principles”). Palatine’s assets under management covered by the Principles (“Covered Assets”) total \$252 million as of August 2022¹.

This Verification Statement summarises the conclusions of the independent verification, which took place between January and March 2023².

Summary Conclusion

Based on the assessment performed and the evidence we have obtained, TGE has verified that in all material respects the impact management system for Palatine’s Covered Assets is aligned to the Impact Principles.

Verification Methodology

Palatine’s impact management processes and practices were assessed using The Good Economy’s verification methodology, Impact Assured. Impact Assured verifies alignment with the Impact Principles and wider industry good practice, as well as providing practical recommendations on opportunities to strengthen impact systems. A detailed report on the verification findings has been presented to Palatine.

The verification was limited to Palatine’s Covered Assets in the following funds: Impact Fund I and Impact Fund II.

Our assessment included:

- A desk review of documents related to Palatine’s impact management processes and practices against the requirements of each of the Impact Principles³. This included reviewing Palatine’s Disclosure Statement prepared in August 2022.
- Interviews with team members responsible for the design and operation of Palatine’s impact management system.
- Interviews with investment team members to review, for each fund, the application of impact management policies and procedures on a sample of investments.
- Analysis against Impact Assured criteria to assess the clarity of impact management roles and responsibilities, alignment with the Impact Principles and emerging industry good practices, the completeness and accuracy of documentation related to the impact management system, and the evidence that impact management policies and procedures are being implemented⁴.
- Presentation of assessment conclusions to Palatine, providing opportunity for clarifications and to discuss the implications of each finding.

¹ The reporting period for this verification is from the 5th October 2022 (the date that Palatine become a signatory to the Impact Principles) to August 2022. Assets under management as reported by Palatine. The Good Economy has not independently verified this figure.

² Principle 9 states “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.”

³ TGE’s assessment is based on information and documentation provided by Palatine.

⁴ Impact Assured uses a set of 50 criteria to verify impact management systems. The criteria assess operational processes, as well as the overall orientation of incentives, strategies and resources towards impact creation.

Summary Assessment

The below table summarises findings and summary conclusions from TGE’s assessment of the extent to which Palatine aligns with the Impact Principles.

Impact Principle	Strengths	Opportunities for improvement
1. Define strategic impact objective(s), consistent with the investment strategy.	<ul style="list-style-type: none"> Impact themes inspired by the SDGs. Impact integrated into investment strategy. 	<ul style="list-style-type: none"> Refine the current set of ‘Impact Objectives’ to ensure they drive decision-making and the choice of company KPIs
2. Manage strategic impact on a portfolio basis	<ul style="list-style-type: none"> Variety of tools to manage impact at each stage of the investment process. 	<ul style="list-style-type: none"> None
3. Establish the contribution to the achievement of impact.	<ul style="list-style-type: none"> Strong focus on value creation through ‘lockstep’ impact 	<ul style="list-style-type: none"> Document contribution and engagement activities in a consistent manner.
4. Assess the expected impact of each investment, based on a systematic approach.	<ul style="list-style-type: none"> Impact Assessments cover a variety of elements (e.g. drivers for change). Targets are developed for each Impact KPI. 	<ul style="list-style-type: none"> Align processes with industry initiatives such as the IMP’s risk categories or ‘ABC’ classifications which are tailored to impact.
5. Assess, address, monitor, and manage potential negative impacts of each investment.	<ul style="list-style-type: none"> A thorough approach to integrating ESG across the investment process. 	<ul style="list-style-type: none"> None
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.	<ul style="list-style-type: none"> Consistent documentation of Impact KPIs, baselines and targets tracked throughout the investment period. 	<ul style="list-style-type: none"> Further document data proxies, assumptions, particularly related to the achievement of outcomes
7. Conduct exits considering the effect on sustained impact.	<ul style="list-style-type: none"> Exit papers focus on value creation, impact and ESG. 	<ul style="list-style-type: none"> Consider the effect of the timing of exits, as well as the effects on stakeholders post-exit.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.	<ul style="list-style-type: none"> Regular reporting of Impact KPIs for individual investments. Using learnings to improve processes. 	<ul style="list-style-type: none"> Continue to build on aggregating results across the portfolio and documenting lessons learned.

Limitations

For each fund we reviewed a sample of investments and associated documents. A ‘walk through’ interview to assess how impact is integrated across the investment process was conducted for selected investments. However, it is possible these investments are not representative of the wider portfolio.

Summary of competencies and independence of the verification provider

The Good Economy is dedicated to enhancing the role of business and finance in inclusive and sustainable development. Established in 2015, The Good Economy has rapidly established itself as a trusted adviser working at the forefront of impact investing in the UK and internationally. Our impact verification team has a combined 60 years’ experience in sustainable development, impact investing and impact measurement. We are AA1000 Assurance Standard Licensed Providers.

Before commencing, The Good Economy examined its suitability to take on this role and confirmed that there was no conflict of interest. The Good Economy has never been contracted by Palatine to provide advisory services, nor have we advised on the development of any elements of Palatine’s impact management system.

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