

THREE HILLS

SUSTAIN- ABILITY REPORT

2023

For Professional Investors only



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1. BUILDING BETTER BUSINESSES

"We are confident that we can address some of the social and environmental challenges closer to home, building more resilient businesses and deploying capital to revert some of the negative trends on people and planet."

Mauro Moretti
Founder & CEO

June 2024

WELCOME TO OUR 2023 SUSTAINABILITY REPORT

Welcome to Three Hills' (TH) annual sustainability report, now at its fourth edition.

As we began drafting the foreword to this report, we reflected on recent events and found few reasons for optimism.

Ongoing volatility from the Covid-19 pandemic, war in Ukraine, spiralling inflation and disrupted global supply chains led to enormous economic, social and geopolitical challenges in the last few years. In this respect, 2023 was no different. Mounting tensions in the Middle East, together with food and energy crises across the globe disproportionately hit the most vulnerable in our society, and children in particular.

In these difficult times, we take comfort from the progress we continue to see in our industry, where investors are taking ever more decisive steps to play an active role in shaping the future of our planet and societies. For this reason this edition of our sustainability report, along with its illustrations, strives to convey positivism, standing in stark contrast to the current macroeconomic and geopolitical environment.

Equally, we have reflected and challenged ourselves on what role we can play in this evolving landscape, notably where financial returns can be complemented and augmented by improved non-financial outcomes. We are confident that we can address some of the social and environmental challenges closer to home by building more resilient businesses and deploying capital to reverse some of the negative trends affecting people and the planet.

As part of this commitment, earlier this year, we launched our inaugural impact investing strategy, a dedicated vehicle classified as Article 9 under the Sustainable Finance Disclosure Regulation (SFDR), focused on the themes of people, planet and progress. Our Three Hills Impact strategy is an

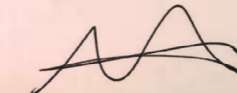
extension of our existing Article 8 strategy, Three Hills Capital Solutions (THCS), and aims to invest in businesses that contribute to important social or environmental needs across Europe. More on the strategy and on its first investment can be found on p. 24-25.

We also continue to broaden our internal skills and capabilities to support our businesses with hands-on advice in order to make them more resilient and future focused. We opened our New York office to service our investors and clients alike, recently welcomed an additional Operating Partner to the UK office, and put in place a mandatory impact training curriculum for our Three Hills team to ensure consistent development across all our geographies. Further results and initiatives at portfolio and firm-level are outlined in the following pages.

Looking ahead, we remain hopeful. Appetite for sustainable investing is predicted to remain strong, and there are early signs that the newly implemented European SFDR generates positive effects - according to a working paper of the European Corporate Governance Institute, carbon emissions declined more in SFDR-bound funds compared to similar funds not subject to European legislation. Lastly, 2024 will witness the greatest democratic exercise in history, with more voters heading to the polls than ever before. This represents an opportunity to instil better governance across public and private institutions which we will closely follow.

With this we leave you to our report and look forward to engaging with you further and welcome your feedback.

Mauro Moretti
Founder & CEO



ABOUT THREE HILLS

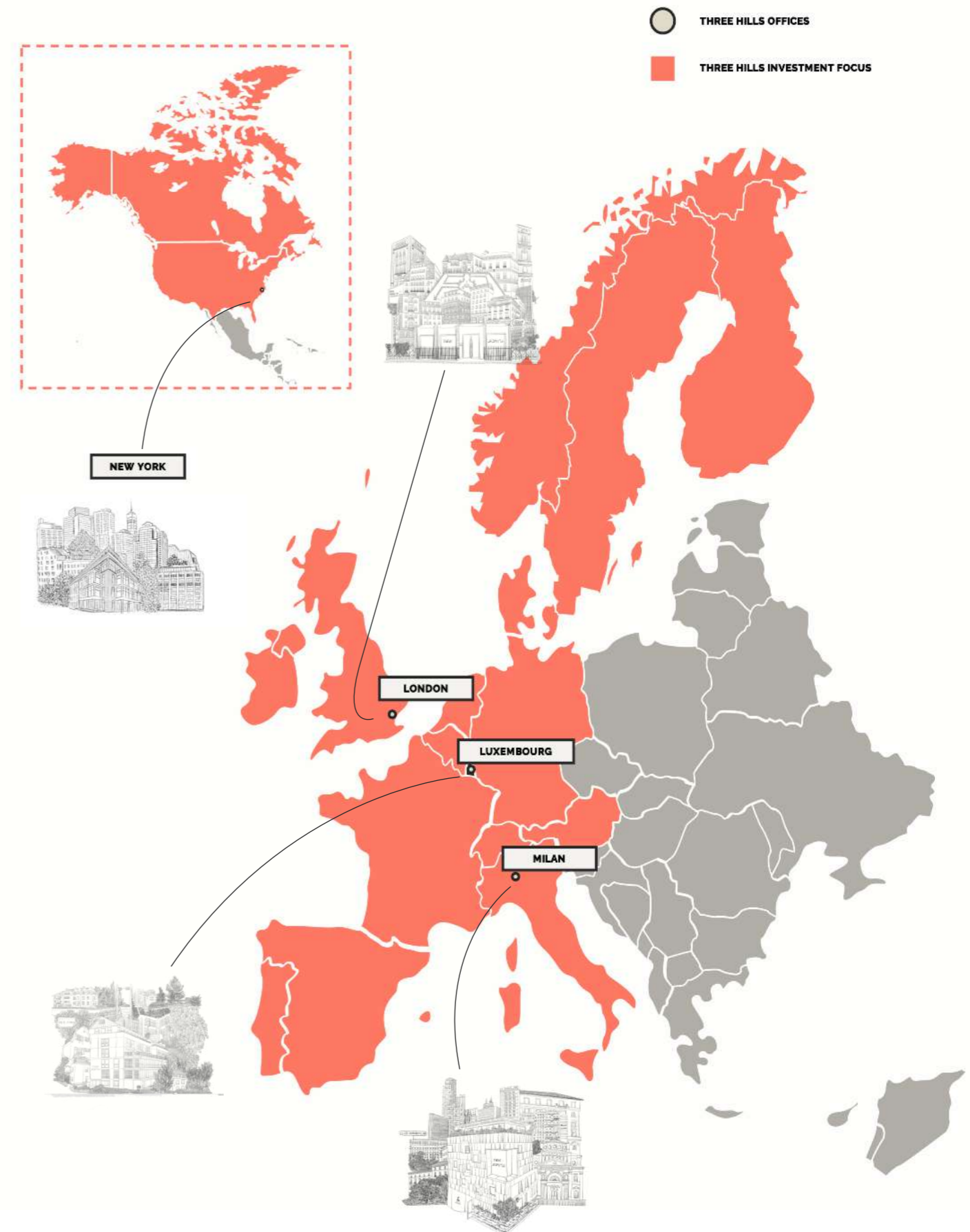
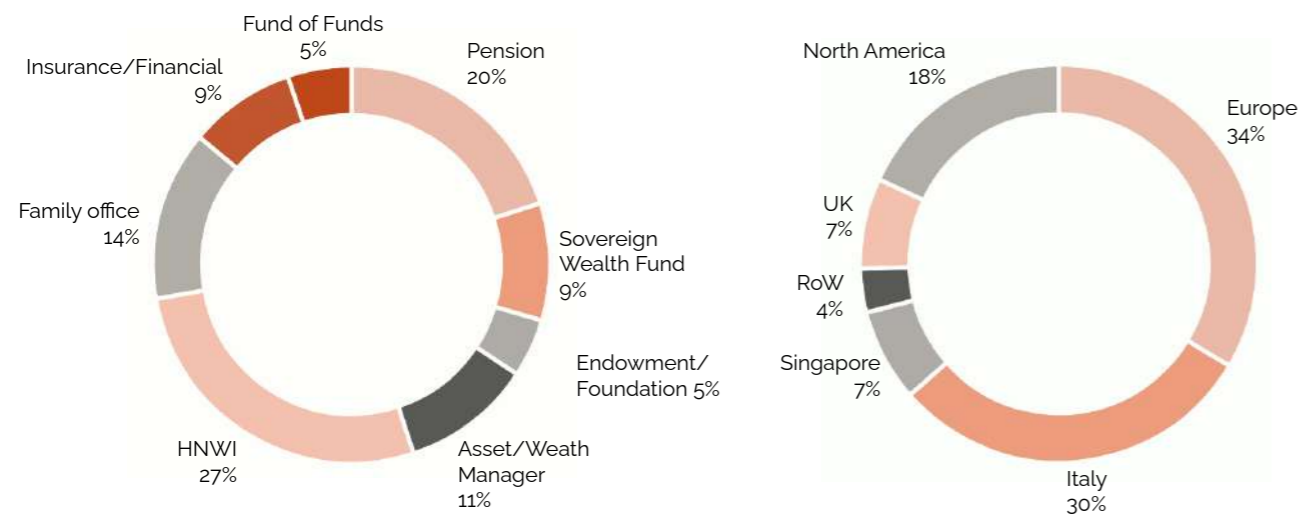
Founded in 2013, Three Hills is an innovative, multi-strategy asset manager providing flexible capital solutions to successful entrepreneurs and management teams in the European mid-market. Sustainability has formed a core pillar of Three Hills' foundations since inception and now, as a B Corporation, the Firm has cemented its genuine commitment to impact by pursuing profit with purpose, launching its first impact investing strategy, Three Hills Impact.

Three Hills is a pioneer in European structured capital, having financed the growth of many of Europe's highest quality entrepreneur-led businesses over the past 15 years. The Firm captures extensive proprietary dealflow thanks to its strong network and distinctive offering for business owners in need of a value-add partner. It provides businesses with tailored, less dilutive financing solutions as well as value-add partnerships to support growth trajectories, leveraging, for instance, the expertise of in-house operating partners.

The Firm has evolved considerably since inception, growing from four employees to over 65 professionals operating across offices in London, Milan, Luxembourg and recently, New York.

Three Hills currently manages €2.3 billion of assets across four Capital Solutions vintages, and one Impact, having successfully established itself as a reference provider of structured capital solutions in Europe. Three Hills' investor base counts a wide pool of high-quality private wealth and institutional investors, including public pension plans, foundations, insurance companies, consultants and sovereign wealth funds across Europe, North America and Asia. Each fund has received continued support from existing LPs, cementing Three Hills' position as the trusted partner in European structured capital.

CURRENT THREE HILLS INVESTOR TYPE AND GEOGRAPHY



HIGHLIGHTS 2023

FIRM HIGHLIGHTS

€2.3bn

AUM AS OF DECEMBER 2023

16 years

EXECUTING STRATEGY

65+

PROFESSIONALS



7 DEDICATED STAFF
IN VALUE CREATION TEAM

50%

WOMEN IN TEAM

15+

NATIONALITIES

300+

INVESTORS

Certified



Corporation

**CARBON
OFFSET**

SINCE 2019

€850K

RAISED FOR NICE TO MEET
YOU FOUNDATION

PORTFOLIO HIGHLIGHTS

20+

PORTFOLIO
COMPANIES

23,000+

EMPLOYEES SUPPORTED

€2.7bn

AGGREGATE
PORTFOLIO REVENUES¹

c. 60%

AVERAGE EBITDA GROWTH DURING
HOLD PERIOD²

64%

PORTFOLIO COMPANIES
WITH ACTION PLANS TO REDUCE
EMISSIONS¹

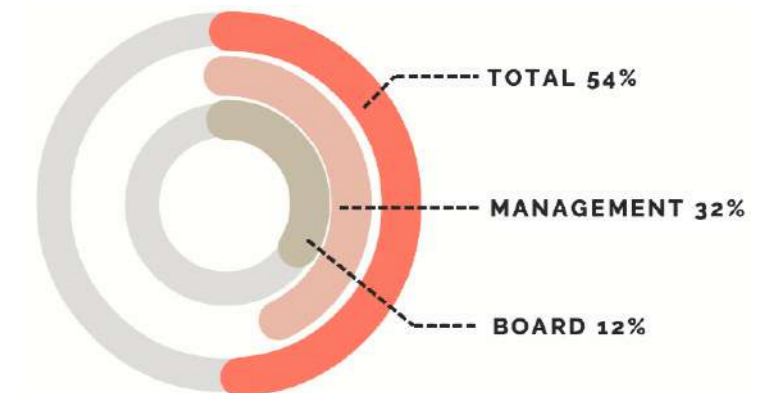
79%

PORTFOLIO COMPANIES
WITH ESG GOVERNANCE
OVERSIGHT¹

71%

PORTFOLIO
COMPANIES WITH
FORMALISED SKILLS
DEVELOPMENT
PROGRAMMES¹

% OF FEMALE
REPRESENTATION



¹ Data includes all Three Hills portfolio companies as of 31 December 2023, with the exception of The Wilde as the business will be fully operational starting from Q4 2024

² EBITDA growth across portfolio companies held for more than two years (excluding asset-backed business as metrics not relevant). Metrics taken at year of entry and at year of exit/current (LTM Dec-23)

YEAR IN REVIEW

2023 / 24

OPENING OF NEW YORK OFFICE

Three Hills global footprint expanded to four locations across Europe and the US



SEPTEMBER

INVESTMENT IN LCAP WITH THREE HILLS FUND IV

A UK based specialist Leadership Advisory & Analytics firm that focuses on high-growth companies



ARRIVAL OF DANIEL KNIGHT

Joined as Investment Director to support Three Hills Impact Investment Team



NOVEMBER

THREE HILLS IMPACT FUND FIRST CLOSING

Classified as Article 9, in compliance with EU Sustainability Financial Disclosure Regulator (SFDR)



INVESTMENT IN HISPATEC WITH TH IMPACT

A developer and distributor of agrifood software for management of farm operations



JANUARY

THREE HILLS ESG TEAM INVOLVED IN EXECUTIVE EDUCATION PROGRAMMES

Continuing partnership with Tiresia research centre for impact, innovation and entrepreneurship



APRIL

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2 0 2 4

OCTOBER

INVESTMENT IN DIGITAL 360 WITH THREE HILLS FUND IV

A benefit corporation providing innovative digital marketing and advisory services in the context of digital transformation processes in Italy



THREE HILLS HOSTS IMPACT LUNCH WITH SOCIAL IMPACT AGENDA FOR ITALY

Involving key players of the Italian impact investing industry



DECEMBER

THREE HILLS RECEIVES UNPRI SCORE

Improving last year performance and achieving an average of 85/100 point across all modules



SEC NEWGATE UK ACHIEVES B CORP CERTIFICATION

Reaching a total of 89 points as second portfolio company to achieve B Corp status



MARCH

ARRIVAL OF TIM SPILLANE

Joined as Operating Partner to support the in-house Value Creation Team



THREE HILLS WINS SUSTAINABILITY AWARD

Winning in the Banking and Finance category of the Italian Legal Community Sustainability Awards for the second consecutive year



MAY

INVESTMENT IN LA BOTTEGA WITH THREE HILLS FUND IV

A manufacturer and distributor of wet and dry amenities for hotels



LOOKING AHEAD

As sustainability concerns continue to increase in importance and affect how financial services and the wider market economy operate, we have established a set of clear priorities for our sustainability agenda moving forward.

Over the past 12-months, we have laid the foundations for our impact investment activity by expanding our spectrum of investment strategies beyond THCS, our Article 8 fund. We will strive to deploy this capital to address some of Europe's social and environmental challenges through attractive and innovative business models. For the nascent Three Hills Impact strategy, but also for THCS, we will continue to strengthen our internal assessment and measurement to enable better performance management, not least with the help of our in-house Value Creation Team.

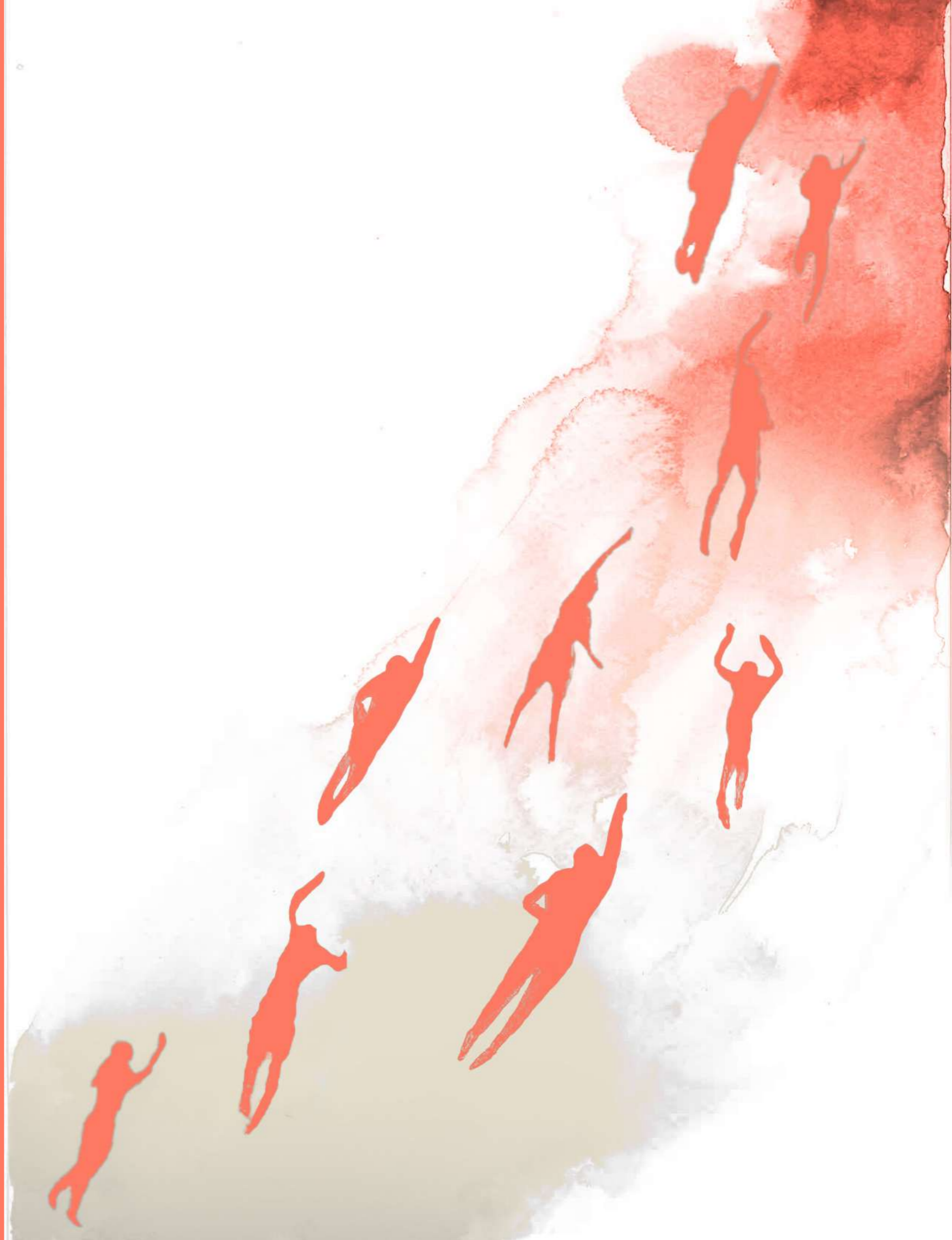
Having made our second mandatory performance disclosure under SFDR, we are now looking forward to seeing the missing piece of the puzzle implemented, the EU Corporate Sustainability Reporting Directive (CSRD). To achieve the EU's climate objectives, these complementary disclosure regulations will provide additional transparency on both positive and negative effects on people and/or planet by companies, as well as providers of capital. In 2024, we will also support our portfolio companies in harmonising ESG standards and data collection processes to comply with the annual disclosure requirements that will be mandatory from 2026 onwards.

Lastly, we also wish to deepen our engagement with peers and our wider network in promoting better ESG and impact management. To that end, we are working with our strategic partner Tiresia, a European impact and social innovation research centre, to set up a joint Impact Finance Observatory in Italy to examine business models for enhanced impact generation.



2. SUSTAINABILITY AT FUND LEVEL

This section provides an introduction to Three Hills' approach to sustainability, including how we embed ESG and impact considerations throughout the investment cycle and impact considerations. We will deep dive on our Value Creation Team before delving into Three Hills Impact as well as Three Hills Capital Solutions' Fund III and Fund IV portfolio results based on the 2023 sustainability survey.



OUR APPROACH TO SUSTAINABILITY

OUR PRINCIPLES

Three Hills believes that responsible ownership and business success go hand-in-hand. Our goal is to ensure that our investments create attractive commercial returns for our investors, whilst mitigating negative effects, promoting sound business practices and contributing to positive outcomes for people and the environment. Our focus on ESG factors and impact of the business model of our companies allows us to make more informed investment decisions and build better, more resilient businesses. Specifically, managing sustainability issues within our portfolio companies, meaning how the business is run (ESG) and the impact it generates through its business model (i.e. products or services), is a true long-lasting competitive advantage. It can lead to stronger brands and pricing power, greater operational efficiencies, lower costs, greater employee satisfaction, productivity and reduced exposure to regulatory risk.

SUSTAINABILITY FOCUS AREAS

Throughout our investment process we aim to ensure that we are aware of the material commercial and sustainability related performance challenges and opportunities that our portfolio companies face. Based on the types of assets and sectors we typically invest in, we have therefore identified a core set of ESG areas that are most material to our businesses (e.g., climate change adaptation & mitigation, circularity, learning & development, health & safety, data protection and board independence) and target United Nations Sustainable Development Goals (UN SDGs) that we believe we have the expertise and capabilities to contribute towards. The in-depth assessment of material ESG topics and relevant UN SDGs is carried out pre- and post-investment through Three Hills'

Given our investment strategy, which tends to take minority positions in our portfolio companies, alignment in values and true partnership with entrepreneurs is crucial to optimise for value and positive sustainable outcomes. We are well placed to be hands on partners – we take an active role on the board and support our businesses with our extensive network, guidance, and our in-house Sustainability and Value Creation Teams to drive growth plans.

We have also strengthened our external network to help us test our newly developed impact investing methodology. Such partnerships allowed us to unlock significant value-add and adopt a research-based approach within our existing framework.

Sustainability Survey, introduced in 2019 with the support of external sustainability consultants.

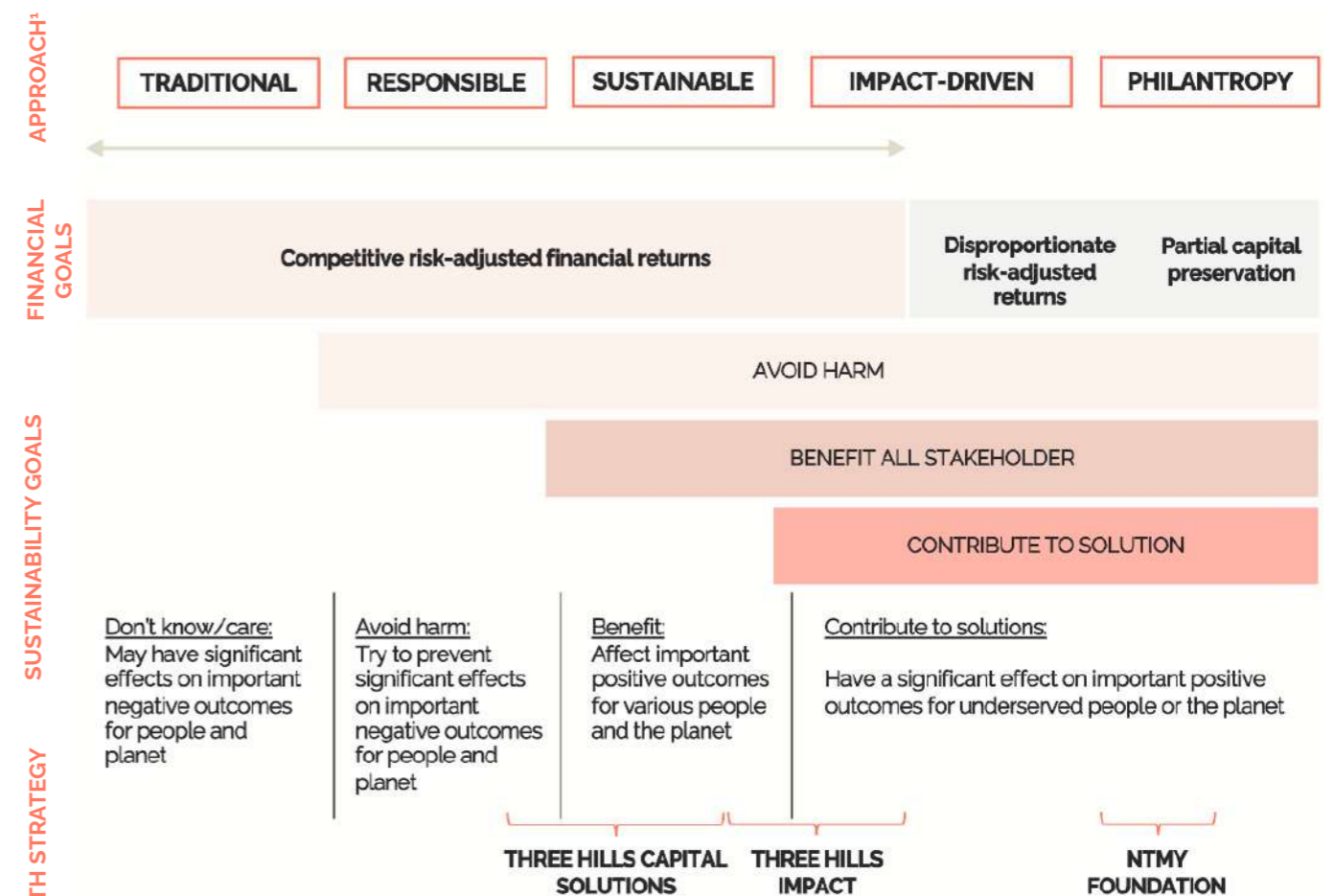
Notably, 2023 marked the first reference period of mandatory reporting in accordance with SFDR requirements for our Funds, giving us the opportunity to test our framework against regulatory principles and identify priority areas of improvement in our internal processes. We constantly review our approach to make sure that our monitoring tools are in line with industry and regulatory best practices and we periodically provide sustainability-related training at Firm-level to ensure cross-team alignment. We look forward to the next reporting window to continue showcasing progress and further refine our framework.

OUR PRODUCTS AND THE SPECTRUM OF CAPITAL

Our approach is tailor made considering the type of assets we typically invest in and the relevant Three Hills strategy. These include:

- **THREE HILLS CAPITAL SOLUTIONS:** With the launch of THCS IV, in 2022, we updated our Sustainability Survey tool to reflect best market practices and implement relevant sustainability frameworks (e.g., SASB, EDCI) within our approach. The survey is used across all Three Hills strategies and serves as both a diligence tool for new investments and a template to measure progress throughout the year for the existing portfolio. The Fund is classified as Article 8 under the EU SFDR regulation and, besides promoting relevant environmental and social characteristics, it also uses the UN SDGs as a lens to identify the most material sustainability topics that guide our active management efforts. More on THCS IV strategy can be found on p. 28 - 29.
- **THREE HILLS IMPACT:** Launched in 2023 and classified as Article 9 under the EU SFDR regulation, the strategy aims to invest in companies whose core business model generates a meaningful positive social or environmental outcome. The Fund uses thematic goals aligned to the UN SDGs and leverages an impact management and measurement approach integrated in all investment stages. Notably, Three Hills Sustainability Team actively engages with management teams since the early stages of each deal to develop the impact thesis and identify tailored metrics to assess the environmental and social outcomes generated. Such data driven approach also applies third party frameworks (including the Impact Management Project) to measure the sustainable investment objective. More on Impact investing approach can be found on p. 24 - 25.

The below graph highlights how Three Hills strategies and foundation are positioned in the spectrum of capital. Our differentiated approach allows us to be actively involved in most verticals of the spectrum, spanning from responsible investment to impact-driven strategies and philanthropy.



¹ Source: Bridges Fund Management and Impact Management Project

SUSTAINABILITY IN THE

The Investment Team is guided by the processes and guidelines set out in our Sustainability Policy. Supported by the Sustainability Team, the Investment Team is responsible for ensuring that material sustainability factors are fully integrated into the investment analysis.

Our Sustainability Survey and impact management and measurement framework then help us work with portfolio companies to identify risks, potential value drivers, pathways for the generation of positive outcomes and draft an action plan.

As SFDR regulation came into full effect in 2022, we worked on upgrading the Sustainability Survey to fully reflect our Investment approach. Common metrics are assessed alongside with sector specific KPIs and tailored impact metrics to provide a comprehensive overview of the performance and good governance practices of the underlying businesses.

At Investment Committee, the commercial and sustainability findings are discussed side-by-side to evaluate the full potential of the asset.

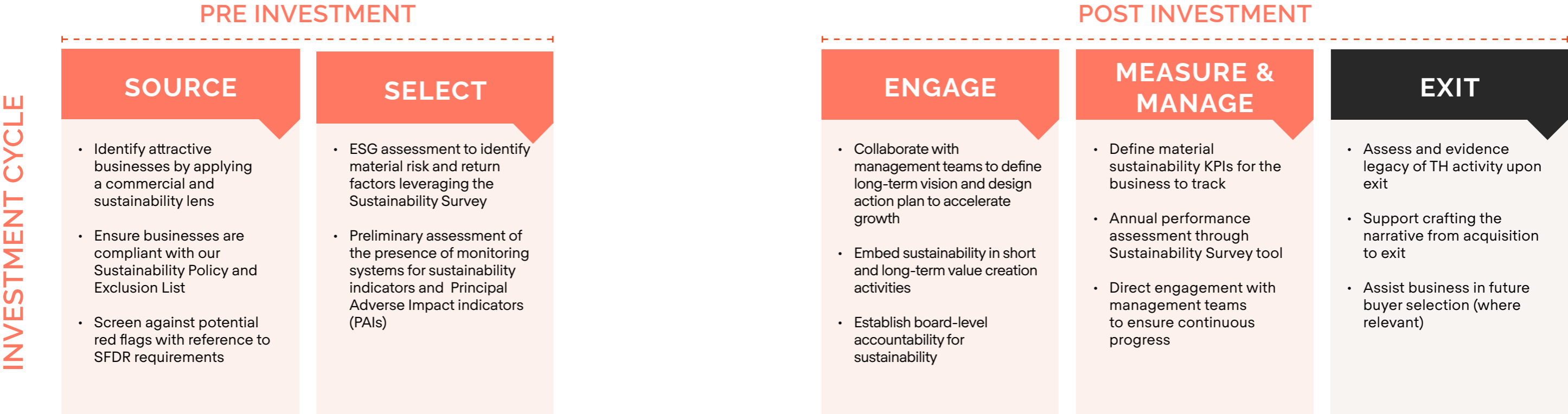
INVESTMENT CYCLE

We work closely with management teams throughout the investment process to identify potential sustainability value drivers and help mitigate risks. Post-investment, these insights serve as a baseline to draw-up value creation initiatives and agree on an action plan.

We also collaborate to help our businesses measure, monitor and disclose their performance on an ongoing basis to drive better decision-making, contribute to the generation of commercial value and ensure compliance with SFDR periodic reporting requirements.

Embedding appropriate governance structures and assigning responsibility for sustainability related topics at board-level, we collect updates on initiatives quarterly and undertake a holistic review on an annual basis, which feeds into our public disclosure.

At exit, we support our entrepreneurs with identifying suitable growth opportunities, applying both commercial and sustainability lenses.



VALUE CREATION

The Value Creation Team represents the foundation for our engagement strategy in all funds. The team leverages expertise in five core fields to work as an active partner across the deal cycle and drive sustainable growth.

Three Hills investment strategy allows the Team to position itself as an active partner for management teams and develop an effective and sustainable business strategy during the holding period. Below are reported some examples of the value creation activities carried out by a senior member of the Firm with specific background relevant for each field.

COLLABORATIVE ENGAGEMENT EFFORTS WITH PORTFOLIO COMPANIES

Over the last 12 months, the Value Creation Team focused on streamlining its activities across different deal stages, aiming to formalise a collaborative approach and efficiently prioritise material issues. As shown on p.21, our work resulted in an updated due diligence framework that allows to carry out a comprehensive analysis of our target companies and adjust our engagement efforts pre-investment. The team meets monthly to share updates on active workstreams, discuss resource allocation across portfolios and identify opportunities for cooperation

STRATEGY & FINANCE

- Strategic M&A planning
- Post-acquisition value creation
- Business integration
- Accounting & financial management



Matteo Gianni
Operating Partner

HUMAN CAPITAL

- Talent development
- Organisational development
- Building leadership teams
- Performance management



Tim Pointer
Operating Partner
Human Capital

ESG & IMPACT

- ESG mission / identity
- ESG and Impact DD
- Impact measurement and management
- Firmwide ESG implementation



Stefanie Kneer
Head of
Sustainability

DIGITAL

- Proposition design
- Tech Due Diligence
- Digital marketing set up
- Interim CDO/CCO
- Content management



Fiona Gatchell
MD, Digital

TECHNOLOGY

- Tech stack review
- Tech choices
- Product analysis
- Optimisation and re-platforming



Laura Healy
Principal,
Technology

FINANCE

- Working capital optimization
- Reporting and insights
- Financial transformation



Tim Spillane
Operating Partner

Sourcing impactful business models

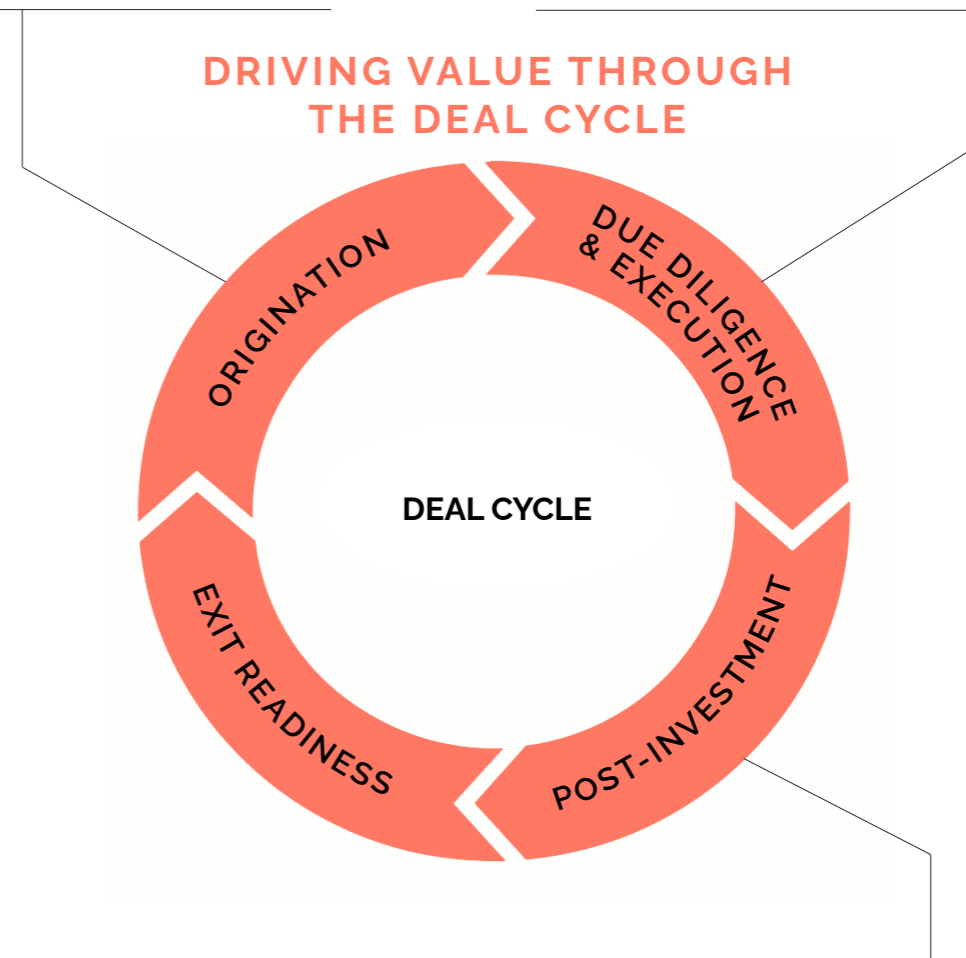
With the launch of TH Impact, the Sustainability Team increased its involvement in origination efforts, aiming to support investment teams in the identification of attractive opportunities for the fund.

Active involvement during early discussions with prospective entrepreneurs is paired with frequent interactions with the TH network of impact investors and advisors who have developed expertise in the investment themes of the fund, as well as industry deep dives carried out with our research partner, Tiresia (see p. 42 - 23).

Tech due diligence update

Leveraging technology is crucial in today's digital world. We partnered with Crosslake, a firm specialising in technology for private equity portfolios, to develop a Technology Maturity Assessment Framework, now used across our portfolio and non-tech deal targets. This framework uses a self-assessment survey to identify critical areas like IT strategy, cyber security, enterprise IT and data management.

This approach allows consistent data capture, benchmarking, and progress tracking. Successful implementations have enhanced IT alignment, strengthened cyber security, and achieved cost savings through platform consolidation. For instance, at Sabatino, we documented a comprehensive technology plan, conducted a security penetration test, and unified technology platforms to reduce costs.



Employee performance management

We believe that sound employee management is a key driver for business success. We strive to support our companies at all levels of their organisations, focusing on building robust leadership teams and promoting professional development and wellbeing for all employees. Three Hills have steered LCap's People Strategy with a focus on integrating and aligning teams and ways of working, whilst acquiring additional revenue-driving talent. In parallel, we have developed and launched a new reward approach that better recognises revenue generation & cross-selling delivery, linking into an upweighted performance management system

PORTFOLIO PERFOR- MANCE

The following pages provide a detailed summary of the TH Impact, THCS IV and THCS III portfolio, illustrating the themes that drive our different investment strategies and the progress that has been made on sustainability topics during the period.



TH IMPACT PORTFOLIO

IMPACT MEASUREMENT & MANAGEMENT APPROACH

Three Hills Impact (TH Impact) represents the first step of our journey as impact investors and a natural continuation of the Three Hills Capital Solutions strategy. Having committed more than half of our invested capital to business models that go beyond ESG integration and generate positive impact for people and/or planet, we are now expanding our spectrum of capital towards businesses that contribute to solving urgent social and environmental issues.

In addition to pursuing a sustainable investment objective (compliant with the provisions of Article 9 of the EU SFDR Regulation), TH Impact pairs Three Hills' structured capital solutions with a tailored impact measurement and management approach, developed in line with internationally recognised impact frameworks. A brief representation of our impact investment themes and measurement approach can be found on the right-hand side. Notably, our approach is aligned to the *Impact Management Project*¹, an industry-led initiative that aims to provide investors and business with a seamless framework to assess the environmental and social outcomes generated.

TH Impact invests in businesses that promote a solution to a social or environmental challenge and substantially contribute to at least one UN Sustainable Development Goal (UN SDGs). In our view, impact and commercial success go together. For each investment, we identify and assess the positive outcomes that the core business models of our portfolio companies generate for people or the planet. Additionally, tailored indicators are identified in collaboration with our management teams with the goal of improving performance throughout the holding period and support businesses in managing and disclosing their impact results.

¹ Source: [Impact Management Project](#)

To solidify Three Hills' commitment to impact investing, a dedicated investment team and investment committee have been appointed and focus on sourcing and executing deals in line with our framework. The TH Impact Team also leverages the support of the Three Hills Sustainability Team which is responsible for the definition of the impact thesis, the identification of the key performance indicators linked to each deal and the promotion of impact-related value creation initiatives post-investment. Additionally, to ensure best practices from investment selection to investor reporting, an exclusive partnership with a leading European impact investment research centre, Tiresia, was put in place. Tiresia is the research centre for impact, innovation and entrepreneurship and forms part of the School of Management of the Politecnico of Milan, Italy. Additional information on our partnership can be found on page 42.

In January 2024, TH Impact completed its first investment in **HISPATEC**, a leading specialist in software and agrifood technology for the speciality crops segment. The investment gave us the opportunity to test our impact management and measurement approach in practice, working in close cooperation with the company's management team and entrepreneur. We are excited to continue working with Hispatec and deliver meaningful positive environmental impact in one of the most carbon-intensive industries in the world.

TH Impact's first investment confirms our commitment to investing in purpose-led and future-proof business models, focusing on building strong relationships with our entrepreneurs. In 2024, we aim to continue our capital deployment efforts and support the global growth of the impact investing movement in private markets.

	PEOPLE	PLANET	PROGRESS
THEMES	1. SOCIAL INCLUSION & SECURITY 2. SUSTAINABLE HEALTHCARE & WELL-BEING	1. ENERGY TRANSITION 2. RESOURCE EFFICIENCY 3. RESPONSIBLE CONSUMPTION AND PRODUCTION	1. DIGITAL TRANSITION AND TRANSFORMATION
SDGS			
EXAMPLE BUSINESS MODELS	<ul style="list-style-type: none"> • Access to education • Early-years education • Workforce retraining, upskilling and talent development • Sustainable & inclusive finance • Healthy living and corporate well-being • Disease prevention • Mental health services 	<ul style="list-style-type: none"> • Affordable energy and renewables • E-mobility and share mobility • Storage technologies • Inspection, testing, monitoring & certification • Sustainable agriculture • Recycling and waste management • Future of food and aquaculture 	<ul style="list-style-type: none"> • Smart cities • Digital services • Enterprise efficiency • Cybersecurity, AI • Product safety and compliance

	WHAT	WHO	HOW MUCH	CONTRIBUTION	RISK
IS THE BUSINESS...	<ul style="list-style-type: none"> • Generating positive or negative outcome? • Generating important or unimportant outcomes? 	<ul style="list-style-type: none"> • Reaching well-served or underserved populations? 	<ul style="list-style-type: none"> • Touching few or many people? • Generating marginal or deep change? • Generating short-term or long-term change? 	<ul style="list-style-type: none"> • Contributing marginally or significantly to the change that would have happened anyway? 	<ul style="list-style-type: none"> • Facing low-level or high-level of impact risk?

IMPACT CLASSIFICATION
 BUSINESS CLASSIFICATION BASED ON QUALITATIVE & QUANTITATIVE INPUT
[Five Dimensions of Impact](#) | [Impact Frontiers](#)

Avoiding harm
 Businesses that, at a minimum, identify where the organization is causing harm to people's well-being or the planet, and improve those outcomes.

Benefit stakeholders
 Businesses that, in addition to acting to avoid harm, also maintain or cause improved well-being for one or more groups of people and/or the condition of the natural environment.

Contribute to solutions
 Businesses that, generate positive outcomes for the well-being of a group of people or the condition of the natural environment where the outcome had been previously unsustainable due to policy failure, market dynamics or resource scarcity.

TH Impact focus

Developer and distributor of software solutions for sustainable management of agrifood operations

DESCRIPTION: Established in 1986 and headquartered in Almeria, Hispattec is a leading specialist in software and AgriFood Technology for the specialty crops segment in Spain and Latin America. With a comprehensive suite of innovative products that collectively span the entire AgriFood value chain (from seed to point of sale), Hispattec has a complete and specialised range of solutions in the market. Its suite is sold under different brand names: Agrosales (focused on farming input supply); Efemis (farm management software); ERP Agro (packer/processor ERP software); Track (facilitating shipping and transport supply chain tracking); and Margaret (data and analytics for farmers and packers). Three Hills' funding will be used to unlock Hispattec's ambitious new product development plan and support its geographic expansion strategy.

IMPACT THESIS: Improved carbon and resource efficiency of AgriFood value chains

Hispattec's products serve as a cornerstone for enhancing the efficiency of its clients' operations, in turn leading to a reduction in: (i) food loss; (ii) water, energy and fertiliser consumption; and (iii) greenhouse gas emissions. The company's innovative solutions not only enhance the environmental sustainability of processes, but also foster value chain traceability for cultivators and consumers, contributing to the promotion of food safety and security. The attainment of positive environmental impacts is paired with significant cost efficiencies that clients achieve, demonstrating strong lockstep between outcome generation and financial growth.

INDUSTRY: Software development and distribution

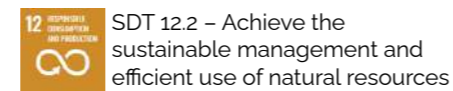
DATE OF INVESTMENT: 2024

DEAL TYPE: Shareholder reorganisation

HQ: Spain

EMPLOYEES: 180+

SDG ALIGNMENT:



INDUSTRY MATERIAL TOPICS

- Data security and customer privacy
- Risk management
- Integration of sustainability
- Diversity & inclusion
- Employee engagement

FIVE DIMENSIONS OF IMPACT

Dimension	Question	Information / Data	Assessment
WHAT 	What outcome are we addressing?	Improved carbon and resource efficiency of agrifood value chains	<input type="checkbox"/> Negative <input checked="" type="checkbox"/> Positive
	Is the outcome positive or negative?	Hispattec enable resource efficiency in farm operations, focusing on food waste, recycled plastic use and nitrogen use	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
	Is the outcome important to the stakeholders?	Business model is a significant driver of decarbonisation and efficiency of agrifood value chains	<input type="checkbox"/> Unimportant <input checked="" type="checkbox"/> Important
WHO 	Who is the stakeholder that benefits from the product or service?	The Planet, with specific focus on Spain and LATAM	<input type="checkbox"/> Well-served <input checked="" type="checkbox"/> Underserved
	Is the stakeholder underserved or well-served with respect to the outcome?	Need for decarbonisation and increased resource efficiency is urgent	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
HOW MUCH 	Is the product or service generating marginal or deep change?	Client data show significant change in terms of food waste (-7% vs EU average), recycled plastic use (+10% vs EU average) and nitrogen use (well below EU regulatory threshold)	<input type="checkbox"/> Marginal <input checked="" type="checkbox"/> Deep
	Is the product or service generating short-term or long-term outcomes?	Medium-lasting intervention, as Hispattec solutions fully integrate with clients' systems / ERPs and are periodically updated	<input type="checkbox"/> Short-term <input checked="" type="checkbox"/> Long-term
CONTRIBUTION 	What is the business contribution to what would likely happen anyway?	Hispattec is one of the few players that offers end-to-end products, hence providing high quality solutions that allow real time access to data and inform farmers activities	<input type="checkbox"/> Likely worse <input checked="" type="checkbox"/> Likely better
RISK 	Is the business facing high or low-levels of impact risk?	<ul style="list-style-type: none"> - Evidence risk: lack of systems to process raw data on positive impact generated - Stakeholder participation risk: engagement of small/medium-sized farmers - External risk: adverse macroeconomic scenarios 	<input type="checkbox"/> Low <input checked="" type="checkbox"/> High

ESG LEADERSHIP

ENVIRONMENTAL

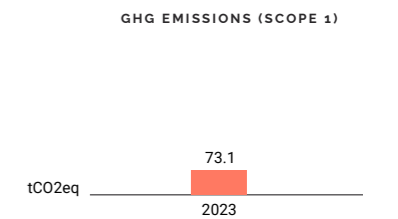
- Achieved A-grade energy efficiency rating in the Almeria office
- Implemented system to measure CO2 emissions related to company's car fleet. Leases are periodically updated to introduce EV and hybrid cars
- Engaged with dedicated supplier for the management of office IT waste

SOCIAL

- Kept employee turnover (13%) below average in the global technology industry
- Developed equality plan and employee handbook that includes all relevant HR policies and internal procedures
- Conducted employee satisfaction survey focused on social environment at work, remuneration and training

GOVERNANCE

- Developed partnerships with AMETIC (Asociación Multisectorial de Empresas de la Electrónica, las Tecnologías de la Información y la Comunicación) and Association GIS (Grupo de Innovación Sostenible) to promote industry sustainable development
- Adopted code of ethics and whistleblowing guidelines included in employee handbook
- Nominated information security committee responsible for the development and maintenance of Hispattec's information security management system



ISO 27001
Certified information security management system

IMPACT THEME

Planet/Progress

TRENDS

31% of human-caused greenhouse gas (GHG) emissions originate from AgriFood systems and their supply chains

Population increase and higher food consumption will require a ~70% increase of agricultural production by 2050. Today, ~15% of harvested food is lost before it reaches final customers

Agriculture accounts for ~70% of all freshwater withdrawals globally

STRATEGY

With Three Hills' support, Hispattec is updating its software solutions to allow clients to measure GHG emissions related to their operations and value chains

Hispattec's products allow farmers to track food waste during processing operations (from farm gate to shipment)

Hispattec's suite of products enable farmers to make informed decisions to boost resource efficiency and unlock significant savings

THCS IV PORTFOLIO

RESULTS OF SUSTAINABILITY ASSESSMENT

Three Hills Capital Solutions IV (THCS IV) investment strategy formalises our commitment to drive sustainable development across our portfolios. As highlighted in the "Our Approach to Sustainability" section on p.16, THCS IV is classified as Article 8 under the EU SFDR regulation, resulting in the regulatory requirement to promote environmental and social characteristics during the investment period.

Since the start of the investment period in February 2022, six businesses were funded, giving us the opportunity to progressively enhance our ESG due diligence approach and post-investment active management efforts. For most portfolio companies, 2023 represented the second reporting year with reference to sustainability-related information. This allowed us to assess performance against previously set objectives and identify further opportunities to work on in the coming year. Additionally, this reporting window allowed Three Hills to refine the Sustainability Survey tool, which was formally updated last year. The Sustainability Survey is now fully aligned with internationally recognised reporting standards such as the Sustainability Accounting Standards Board (SASB), the ESG Data Convergence Initiative (EDCI) and the Global Industry Classification Standards (GICS).

Our assessment methodology also supported the reporting of relevant data and information included in the present report. The current facing page highlights the sustainability KPIs monitored at portfolio-level, measuring its contribution towards environmental and social goals as defined under SFDR. Additionally, the following section of the report presents specific case studies that highlight further metrics and qualitative insights regarding relevant ESG initiatives rolled out by portfolio companies.

During the last reporting period, we had the opportunity to consolidate the relationship with historical management teams and start collaborating with new ones, progressing on shared action plans and setting the foundation for future commercial growth and sustainable development of business models.

For instance, specialist recruitment platform, **KERNEL GLOBAL**, started its journey to achieve the B Corp certification and implemented a digital tool for measurement and reporting of carbon emissions. **CARETECH**, a UK provider of social care for individuals with special needs, made significant progress in its CARE4 strategy, setting multi-year targets related to the reduction of the Group's environmental footprint, the improvement of employees' well-being and the continuous support to local communities that are impacted by the business. Hotel operator, **CASTELLET HOSPITALITY**, formally implemented an ESG Roadmap focused on, among others, energy efficiency, reduction of food waste and elimination of single use plastic.

In October and November 2023, Three Hills completed two additional investments, establishing partnerships with **DIGITAL 360**, an Italian provider of innovative digital marketing and advisory services, and **LCAP**, a UK-based specialist leadership advisory & analytics firm. We are excited to start working with the two businesses and support management teams in further driving their sustainable development strategies. We are currently working with the entrepreneurs and management teams of the two companies to prioritise concrete action plans to address material sustainability issues.

Recent investments confirm our commitment to provide preferred capital solutions to profitable and sustainable business models across Europe. As more capital will be deployed in the upcoming months, Three Hills will continue to focus its efforts to promote ESG characteristics in its investments. We aim to continuously expand and innovate our investment strategy to consolidate Three Hills' leadership role in the structured capital market.

FUND IV OVERVIEW

THCS IV promotes the following environmental and social characteristics:

1. Reduction of **negative environmental impacts**
2. Promotion of a **safe and healthy work environment**
3. Promotion of **sound organisational structures and a diverse and inclusive work environment**

We monitor the attainment of the environmental and social characteristics promoted through the following sustainability indicators.

	INVESTED IN 2023					
	CASTELLET HOSPITALITY	CareTech	kernel	SABATINO	DIGITAL 360	LCap
ENVIRONMENTAL						
Implementation of environmental policies / management systems	✓	✓	✓			✓
Measurement of GHG emissions	✓ Scope 1 and 2	✓ Scope 1, 2 and 3	✓ ^{NEW} Scope 1, 2 and 3		✓ Scope 1, 2 and 3	
Presence of energy efficiency plans / renewable strategies	✓	✓		✓		
SOCIAL						
Formalised employee policies	✓	✓	✓	✓	✓	✓
Well-Being and H&S programmes	✓	✓	✓	✓	✓	✓
Diversity & Inclusion policy		✓	✓		✓	✓
GOVERNANCE						
Antibribery / Anticorruption policy		✓	✓	✓	✓	✓
Guidelines for cyber, IP and information security	✓ ^{NEW}	✓	✓	✓	✓	✓
Gender and/or ethnic representation of the Board		✓	✓ ^{NEW}	✓	✓	

DESCRIPTION: Founded in 2017, Castellet Hospitality has a portfolio of 25 budget and midscale hotels in the South-East of France, mostly operating under the Accor, Louvre Hotel Group and B&B hotel franchise brands. Castellet owns the freehold of the majority of its hotels, providing additional downside protection thanks to a strong real estate portfolio. Leveraging its expertise and high-quality portfolio, the Group targets and provides professional hospitality services to business and leisure costumers.

Three Hills funding supports business growth through a buy-and-build strategy, with four hotels acquisitions having completed in tandem with the transaction and three new openings in 2023. Such strategy will build on the Group's well-established business approach, allowing Castellet to succeed in one of the most resilient market segments.

THEME	Sustainable travel		
TRENDS	The French Decret Tertiaire imposes gradual energy efficiency targets for buildings, reducing energy consumption by 60% by 2050	Gen Z (56%) and millennial (51%) travellers are the most concerned with sustainable travel, focusing on waste and CO2 reduction and habitat protection	Over 80% of hotel operators identify labour shortage as a key risk to growth. The hospitality industry historically faces high employee turnover rates (30%-35%)
STRATEGY	Castellet completed energy audits throughout the Group's hotel network and developed a roadmap for the reduction of energy consumption	As of 2023, 6 Group's hotels achieved the Green Key certification. Castellet aims to certify its entire portfolio by 2025	Castellet fosters employee retention (89%) through the definition of clear career pathways, training programmes and bonus schemes

ENVIRONMENTAL

- Continued working on energy efficiency and reduction of carbon emissions, also exploring the use of renewables
- Eliminated single-use plastic from all hotel rooms and installed water fountains in most locations
- Launched two pilot projects for the installation of EV charging stations

SOCIAL

- Maintained positive gender diversity credentials, with 70% women in management positions and low gender pay gap (<3%)
- Updated employee incentive scheme, including ESG-related targets (e.g., achievement of Green Key certification)
- Worked on introducing environmental stewardship training programmes to be rolled out in 2024

GOVERNANCE

- Formally implemented ESG Road Map, fostering sustainability integration across the business
- Nominated internal ESG Committee to lead sustainability strategy at hotel-level
- Rolled out information security training, involving all hotel managers and relevant employees

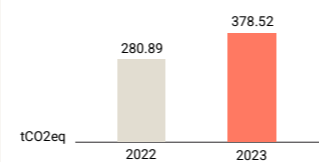
INDUSTRY: Accommodation Hospitality
DATE OF INVESTMENT: 2022
DEAL TYPE: Growth Capital, Shareholder reorganisation
HQ: France
EMPLOYEES: 230+
SDG ALIGNMENT:



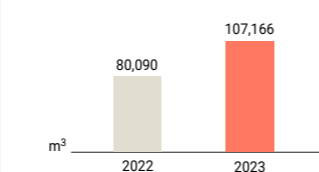
CORE BUSINESS

6
Hotels that achieved the Green Key certification

GHG EMISSIONS (SCOPE 1 AND 2)



WATER CONSUMPTION



% FEMALE IN SENIOR MANAGEMENT



DESCRIPTION: Founded in 1993, CareTech is a leading UK private provider of healthcare, education, social care, training and technology innovation for adults and children with complex needs. Users include those with learning disabilities, autistic spectrum disorder, sensory impairment, or mental health complications. The Group operates in more than 550 locations in the UK and internationally, serving over 5,000 beneficiaries.

Three Hills provided capital to support business delisting from the AIM market while enabling CareTech to expand its impact radius in other UK regions. In 2023, CareTech's subsidiary, Smartbox completed the acquisition of Talk To Me Technology, a US-based company specialised in Augmentative & Alternative Communication (AAC) Systems.

INDUSTRY: Social care and educational services
DATE OF INVESTMENT: 2022
DEAL TYPE: Shareholder reorganisation
HQ: UK
EMPLOYEES: 10,400+
SDG ALIGNMENT:



CORE BUSINESS

77%
Registered services with Good/Outstanding Ofsted rating

84%
CQC inspections grading Good/Outstanding

73%
Children feel positive about CareTech services

94%
Children feel positive about where they live

THEME	Healthcare and social inclusion		
TRENDS	~50% global increase of people needing long-term care by 2040, driven by longer life expectancies and improved diagnostics of diseases	Low quality or lack of quality standards are among the key challenges that undermine the growth of the long-term care industry	It is estimated that around 100 million people worldwide may benefit augmentative and alternative communication (AAC)
STRATEGY	CareTech provides health, social care and education services to over 5,000 people, focusing on long-term physical and mental disabilities	CareTech services continuously perform in line or above its peer group with reference to Ofsted and CQC ratings	CareTech's subsidiary, Smartbox, is a global provider of AAC technologies, enabling people to communicate with symbols and text, use social media and control their environment

ENVIRONMENTAL

- Achieved 33% reduction in direct carbon emissions across UK operations (vs 2021 baseline)
- Revised environmental targets, including 2050 commitment to Net Zero, increased volume of recycled waste and promotion of biodiversity
- Rolled-out CARE4 One Planet Living programme to ensure that each service has a local plan to deliver change

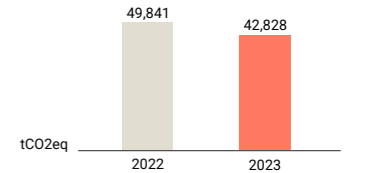
SOCIAL

- Developed D&I Strategy Framework to ensure inclusiveness and fairness; female representation remained significant (70%)
- Initiated review of employee engagement practices that encompasses feedback mechanisms and talent attraction efforts
- Achieved significant reductions in short-term (-39%) and long-term (-5%) absence

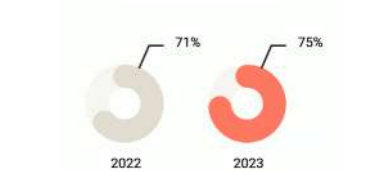
GOVERNANCE

- Continued growth of the CareTech Foundation's reach, with 1.9M beneficiaries having been supported
- Further strengthened ESG governance through nomination of internal ESG Committee and CARE4 Leadership Group
- Updated procurement policy to include sustainability requirements. In 2024, the policy will be rolled out to top suppliers

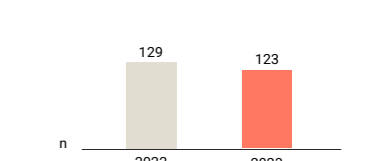
GHG EMISSIONS (SCOPE 1, 2 AND 3)



EMPLOYEE RETENTION



DATA INCIDENTS PREVENTED



DESCRIPTION: Kernel Global ("Kernel") is a multi-brand, multi-niche group of industry leading recruitment businesses that operates globally with operations across the UK, US, Hong Kong and Germany. The Group comprises of two key brands: Dartmouth Partners, an award-winning recruitment consultancy, and Pure Search, a market leader across the Tax, Legal and Risk & Compliance verticals. Relying on over 160 qualified professionals and a deep network of around 460,000 candidates, Kernel provides recruiting services to over 1,200 clients.

Three Hills provided capital to support the management team in progressing its ambitious growth plans through both M&A and organic growth. Over the past 12 months, Kernel focused its efforts on its US operations, further expanding its footprint by opening an office in Charlotte. Additionally, the Group launched the Classroom to Boardroom Foundation, extending its reach of influence to tackle socioeconomic diversity for young people.

THEME	Providing diverse talent with access to exceptional careers		
	TRENDS	STRATEGY	
	A skills-focused strategy for hiring talent is crucial to identify the most competent individuals to meet changing market needs	The tight job market and limited talent pools have increased the significance of quality recruitment, soft skills and alignment with company values	Increasing focus on diversity, inclusion and ESG within organisations requires recruiters to develop diversified talent pools to meet clients' needs
	Kernel actively assesses its candidates to build a professional, global network based on levels of technical, industry and cultural fit	Kernel professionals are sector specialists with deep knowledge in their markets, leveraging cross-brand collaboration to identify the right candidate to meet clients' needs	DE&I is a key element to each Kernel brand's search and recruitment process, building a trusted network of diverse professionals and delivering industry-leading DE&I activities

<p>ENVIRONMENTAL</p> <ul style="list-style-type: none"> Defined first carbon emissions baseline, leveraging ecology digital tool Implemented specific recycling areas in all offices to foster correct waste management Digitalised all event and core collateral for teams, reducing marketing print footprint to almost zero 	<p>SOCIAL</p> <ul style="list-style-type: none"> Updated candidate feedback mechanisms to ensure transparent and formative communication Rolled out employee satisfaction survey at Kernel-level, achieving 95% participation and an overall engagement score of 68% Evolved approach to leadership development, with increased focus from internal Performance and Development team to strength capability and retention 	<p>GOVERNANCE</p> <ul style="list-style-type: none"> Recognised for the third time, as one of the Financial Times 1000 Fastest Growing Companies in Europe Initiated the process to achieve the B Corp certification, currently undertaking the B Impact Assessment Continued to develop the work and reach of the Classroom to Boardroom Foundation, supporting students from year 10 upwards to unlock their professional potential through creating introductory career programmes with clients and industry partners
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INDUSTRY: Recruitment
DATE OF INVESTMENT: 2023
DEAL TYPE: Growth capital, Shareholder reorganisation
HQ: UK
EMPLOYEES: 160+
SDG ALIGNMENT:



CORE BUSINESS

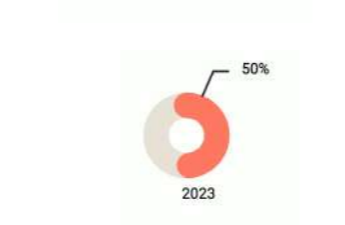
SOCIAL IMPACT GENERATED BY CLASSROOM TO BOARDROOM FOUNDATION



GHG EMISSIONS (SCOPE 1, 2 AND 3)



FEMALE EMPLOYEES



DESCRIPTION: Founded in 1911, Sabatino Tartufi ("Sabatino") is a family-owned manufacturer of truffle products and flavour solutions headquartered in West Haven (Connecticut, US), with origins and operations in Mostecastrilli (Italy). In addition to premium-quality truffle-based products, the company sells fresh truffles across various end markets, including foodservice, retail and B2B channels in North America, Europe and Asia. Sabatino relies on over 100 professionals and a network of partnerships with large truffle farms in Europe to source quality raw materials and ingredients.

Three Hills' funding is used to drive growth through the institutionalisation of the business, new key hires, product development and significant marketing initiatives. Leveraging Three Hills' deep connections in the Italian food and retail market, Sabatino is well positioned for its next growth phase.

INDUSTRY: Food manufacturing and distribution
DATE OF INVESTMENT: 2023
DEAL TYPE: Growth capital, Shareholder reorganisation
HQ: US
EMPLOYEES: 110+
SDG ALIGNMENT:



THEME	Production and distribution of responsibly sourced food products		
	TRENDS	STRATEGY	
	Changing consumers' preferences and rising costs require product and process innovation to drive business growth	Growing consumers' attention to environmental impacts of food supply chains and natural ingredients	Health and well-being still drive consumers' purchases despite rising prices
	Sabatino relies on its professionals and a network of external chefs and foodservice operators to periodically launch new products that meet consumers' demand	Sabatino developed partnerships with local suppliers to foster short food supply chains and holds relevant certification to guarantee product traceability	Sabatino's offering includes healthy and organic product lines that pair quality and taste with nutrient-rich ingredients

<p>ENVIRONMENTAL</p> <ul style="list-style-type: none"> Rolled out project to install solar panels in the Italian plant alongside energy efficiency interventions Established partnership with local food banks to donate short-dated products and tackle food waste Implemented system to monitor energy and water consumption in all facilities, producing periodic reports 	<p>SOCIAL</p> <ul style="list-style-type: none"> Implemented employee handbook that includes all HR-related policies and is shared with all employees Implemented employee benefit package including health insurance, retirement plans and additional holidays Rolled out process to update HR management system to streamline payroll, training, benefits and employee communication 	<p>GOVERNANCE</p> <ul style="list-style-type: none"> Appointed new Chief Development Officer to shape Sabatino's strategic initiatives, including commitment to sustainability Implemented anti-bribery and whistleblowing policies, promoting ethical business conduct and employee protection Achieved relevant quality and traceability certifications, including BRC Food, Non-GMO and USDA Organic
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CORE BUSINESS

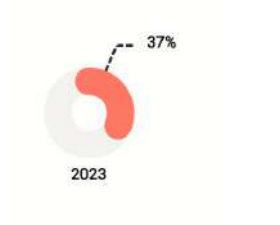
RESPONSIBLE SUPPLY CHAIN MANAGEMENT



EMPLOYEE TURNOVER RATE



FEMALE EMPLOYEES



DESCRIPTION: Digital 360 is a leading Italian provider of innovative digital marketing and advisory services in the context of digital transformation processes, with a distinctive proprietary content production platform. Through its network of 40+ websites, the Group operates across two business units: (i) Demand Generation, focused on enhancing tech companies' marketing activities through a revolutionary approach based on creative content creation and (ii) Advisory & Coaching, dedicated to supporting companies and public administrations in the process of digital transformation through standardised and bespoke services.

Three Hills' funding was used to delist the business from the Euronext Growth segment of Borsa Italiana and supports the management team in executing its ambitious expansion plans, with the company having successfully executed and completed over 30 M&A acquisitions to date.

INDUSTRY: Digital marketing & advisory services

DATE OF INVESTMENT: 2023

DEAL TYPE: Growth capital, Delisting

HQ: IT

EMPLOYEES: 510+

SDG ALIGNMENT:



THEME

Digital transformation and content development

TRENDS

AI and Machine Learning are transforming the demand generation industry and advisory businesses

Buyers of B2B demand generation services are increasingly looking for partners that incorporate sustainability and purpose-driven marketing

Technological and digital innovation requires additional focus on safeguarding digital assets. Between 2021 and 2023, data breaches increased by 72% globally

STRATEGY

Digital 360 launched "AI4Business", the first Italian editorial project entirely dedicated to AI innovation in public administrations and private businesses

Digital 360 is formally classified as a Benefit Corporation, aiming to promote digital innovation as a driver of sustainable and inclusive growth

Digital 360 advisory services include information & cybersecurity as a core area of action, focusing on security systems and regulatory compliance

ENVIRONMENTAL

- Implemented internal system to monitor carbon emissions, including Scope 3 emissions from business travels
- Supported companies and public administrations in achieving operational efficiency targets that unlock positive environmental impacts
- Developed partnerships with non-profit organisations for the reuse of outdated computers and IT equipment

SOCIAL

- Established partnerships with local academic institution for the attraction of young talents and publication of digital innovation observatories
- Developed internal training catalogue, updated annually and accessible to all Group's employees
- Achieved gender equality certification for five Group companies, in line with UNI/PdR 125:2022 standard
- Supported social projects to promote the inclusion of vulnerable groups into the labour market through digitalisation

GOVERNANCE

- As part of Benefit Corporation commitments, published bi-annual Impact Report and quantified the Group's positive impact through the B Impact Assessment tool
- Implemented information security management systems in six Group companies, also achieving the ISO 27001 certification
- Nominated Group Sustainability Manager with direct report to the Chairman

CORE BUSINESS

2.1 million

User engaged through our Network and services

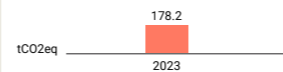
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Group companies that have achieved the ISO 27001 certification

0

Data breaches reported to the GDPR data protection authority during the reporting year

GHG EMISSIONS (SCOPE 1 AND 3)



WOMEN IN MANAGEMENT POSITIONS



EMPLOYEES INVOLVED IN ANNUAL PERFORMANCE APPRAISALS



DESCRIPTION: LCap is a UK specialist Leadership Advisory & Analytics firm that focuses on high-growth companies and private equity-backed businesses. The Group has a global client base comprising of more than 160 investment funds and high growth companies. LCap goes to market through the following Brands: (i) DRAX, Leadership Advisory and Executive search for Private Equity, (ii) DRAX Affinity, Leadership Advisory and Executive search for Digital Leadership, (iii) Rowan, Leadership Advisory and Executive search for Digital Leadership regional family and privately owned high growth businesses, (iv) Altus Partners: Leadership Advisory and Executive search for investment professionals and M&A specialists for funds and their investee companies and (v) LCap Analytics, pre and post leadership insights.

Three Hills' investment in LCap supports an active M&A strategy, which will allow the company to continue its expansion plan, with ambitions of completing 3-5 acquisitions. With a healthy pipeline of attractive prospective opportunities, LCap will further cement its industry leadership position.

INDUSTRY: Analytics Consulting and Executive Search

DATE OF INVESTMENT: 2023

DEAL TYPE: Growth capital, Shareholder reorganisation

HQ: UK

EMPLOYEES: 130+

SDG ALIGNMENT:



THEME

Access to quality jobs

TRENDS

Data-driven decision-making is becoming more prevalent in executive search and recruitment to identify talent trends, predict hiring needs, and measure the effectiveness of recruitment strategies

Tight labour market and limited talent pools have exacerbated the importance of quality hiring, soft skills and alignment with employers' values

Rising focus on diversity and inclusion and ESG skills will require recruiters to develop diversified talent pools to meet clients' demand

STRATEGY

LCap's Leadership Dynamics platform allows the seamless assessment of leadership team, providing data-driven insights on experience, capabilities and behaviour

The Group acts as both insights and delivery partner, delivering informed change when appropriate. This approach is complemented by specific capabilities in the field of highly skilled interim assignments

LCap's platform is designed to promote behavioural and physical diversity in leadership teams, evaluating all aspects of an individual that are material to their probability of success in a specific role

CORE BUSINESS

CANDIDATE MANAGEMENT SYSTEM

1000+

Assignments across the Group

ENVIRONMENTAL

- Implemented group-wide environmental policy focused on energy consumption reduction, waste management and employee environmental awareness
- Adopted "Green Office Process" to promote energy, water and material savings during and after working hours

SOCIAL

- Established benefit package for all employees, including healthcare services, leisure activities and additional holidays
- Hired internal talent attraction specialist and leadership & development director to drive business growth and retain key talent
- Developed employee handbook that outlines the Group's core values and behavioural guidelines
- Defined system to periodically monitor client and candidate feedback, featuring 1-to-1 meetings and formal email checks

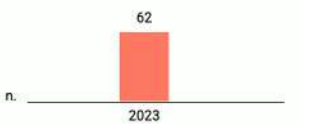
GOVERNANCE

- Formalised Group's policy booklet that includes the set of key documentation that regulates Group's operations
- Provided data security training sessions to all employees, leveraging the support of an external provider
- Continued efforts to provide industry insights focused on market trends and success pathways for high-growth companies

FEMALE EMPLOYEES



CLIENT NET PROMOTER SCORE (NPS)



DATA BREACH REPORTED AND SOLVED



THCS III PORTFOLIO

RESULTS OF ESG ASSESSMENT

For the fourth consecutive year, we are proud to share the ESG progress that the THCS III portfolio has made over the course of the last reporting period. As the investment period came to its end in 2022, in 2023, we have focused on consolidating the ESG-related initiatives implemented in previous years and further progress in the defined growth pathways. Three Hills had the opportunity to develop the relationship with existing management teams and entrepreneurs and double down on driving ESG best practices across the portfolio.

As for 2023, all material ESG data was gathered through our Sustainability survey, which included all portfolio companies within THCS III, with data captured in line with the respective company's FY 2023 year-end. As for last year, the survey included **THE WILDE**, although the business will not be fully operational until the end 2024.

As further illustrated on the current facing page, ESG progress across the portfolio was related to both the formalisation of commitments through appropriate policies and the implementation of initiatives to effectively tackle material ESG issues. We elected to report comparative data with reference to the previous reporting period and to 2019, in order to give an overview of how portfolio's performance has improved since inception.

Whilst last year significant resources were allocated to the reduction of negative environmental impacts across the portfolio, in 2023 our focus switched back to more social-oriented initiatives, with specific reference to employee engagement and well-being. For instance, portfolio company **SEC NEWGATE**, a global communication group, implemented a Human Resources Management System focused specifically on the promotion of Diversity & Inclusion (D&I) and certified in line with the ISO 30415:2021 standard. Such initiative was paired with the introduction of a training curriculum dedicated to equality promotion and a D&I hotline accessible to all employees. Spanish software provider, **GOAL SYSTEMS**, formally adopted an Equality Plan that sets the firm-wide objectives, responsibilities and risk management action with reference to D&I topics. The plan is supported by specific KPIs

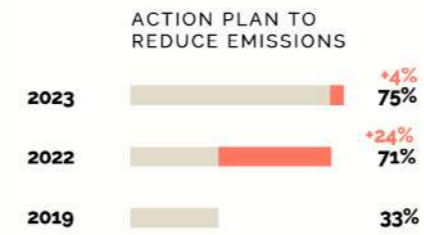
to periodically assess performance and foster improvement across all employee management activities, starting from the hiring process. **IMS**, a UK-based vehicle telematics company, nominated an internal People Executive Committee, which took accountability for employee engagement initiatives and remuneration. Dutch hotel operator, **BOREALIS**, dedicated significant effort to the update of its training platform, ensuring improved accessibility and prioritisation of material topics for the company, such as first aid and evacuation procedures.

Substantial improvements to environmental and governance topics were also achieved. **THE WILDE**, developer and operator of member clubs, implemented its first ESG statement that formalises the businesses' commitment to promoting environmental, social and governance topics across its operations. UK environmental services provider, **RECYCLING LIVES SERVICES**, adopted a digital carbon accounting platform and is currently working with SBTi to re-certify its decarbonisation targets related to Scope 1, 2 and 3 CO2 emissions. **IMS** is also leveraging the support of an external parties to progressively reduce and offset its carbon emission and recycle office waste.

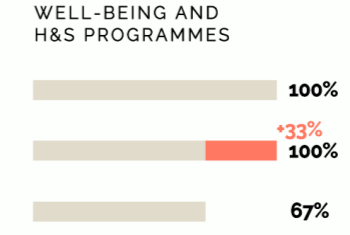
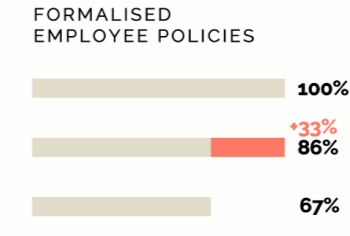
In addition, we are proud to report that the ESG commitments of THCS III portfolio companies were recognised through the achievement of relevant certifications. **SEC NEWGATE** completed its journey to B Corporation certification with reference to its UK branch, whilst its Italian branch was legally recognised as a B Corporation in 2022.

Three Hills will continue to support entrepreneurs and management teams to ensure continuous progress during the ESG journey of THCS III portfolio companies. As our Value Creation Team grows in size and competencies, we are striving to provide strategic guidance to drive business growth from all perspectives.

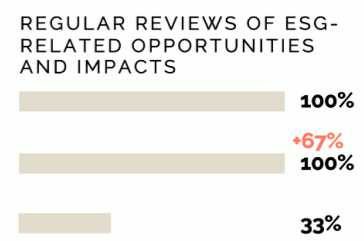
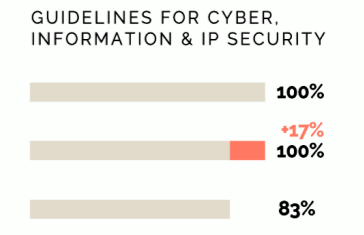
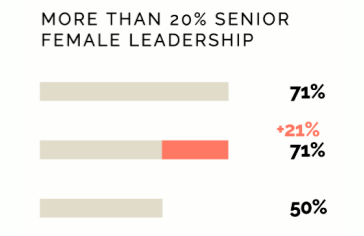
ENVIRONMENTAL



SOCIAL



GOVERNANCE



NOTE: This year we have decided to include data and information related to The Wilde, as the business will be fully operational in late 2024.

3. SUSTAINABILITY AT FIRM LEVEL

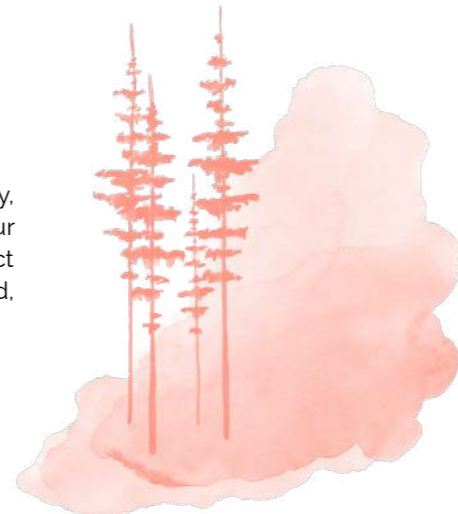
It has been a positive year for the Three Hills community. The following section shares some of the powerful social, environmental and governance changes we have driven forward across the Firm, as well as our charitable initiatives supported by the Firm's foundation.



THREE HILLS FIRM- LEVEL UPDATES

CARBON RETIREMENT

Since 2019, we have worked with our legacy portfolio company, **ACT**, a leader in environmental certificate trading, to retire our energy consumption and business travel. This represents a direct and quantifiable impact on climate change mitigation, monitored, verified and certified.



ENVIRONMENTAL

RENEWABLE ENERGY

In addition to our carbon reduction efforts, in 2023, we focused on tackling the carbon footprint of our London headquarters through the purchase of energy backed by Renewable Energy Guarantee of Origin (REGO) certificates. 100% of our purchased electricity was certified by the Carbon Trust and met the GHG Protocol Scope 2 Guidance Quality Criteria.

SUSTAINABLE OPERATIONS

We are committed to the responsible use of materials across all offices and limit the environmental footprint of our travels. We continued our efforts to improve travel policies, recycling practices and going paperless on a day-to-day basis (for example during our annual performance review). In 2023, 100% of our office waste was diverted from landfill and destined to recycling, refuse derived fuel and anaerobic digestion.

TALENT MANGEMENT AND DEVELOPMENT

All employees are involved in yearly training plans, featuring courses and workshops with industry experts. In 2023, the training curriculum was directed towards career development, focusing on inclusion, resilience, communication and giving feedback.



SOCIAL

EMPLOYEE WELLBEING

We have recently launched a global Employee Assistance Programme, featuring a confidential platform available for all regions which offers access to telephone, virtual and face-to-face counselling services on health & lifestyle, work & home life, legal information, and financial guidance. Additionally, we continued to offer access to gym memberships, yoga classes and massages as firm believers in the priority of employee wellbeing.

DIVERSITY & INCLUSION

We strongly believe that a diverse working environment fosters personal and professional growth, also supporting business success. Three Hills employees represent over 15 nationalities, and we strive to keep a stable gender balance: 50% of employees are women and 35% of senior leadership roles are filled by women.

OUR B CORPORATION (B CORP) CERTIFICATION

In December 2022, the Firm achieved the B Corp certification, joining a select group of companies reinventing business as a force for good by pursuing profit with purpose. The B Corp certification is a recognition of a company's high ESG standards, placing equal levels of importance on all stakeholders. Our efforts were awarded with an impressive result of 126 points (with 80 points required for certification), placing the Firm in the top performing B Corps within its segment.

SUSTAINABILITY GOVERNANCE

In 2023, we appointed a new ESG Hub, a five-person committee consisting of representatives of multiple Three Hills divisions. The Hub focuses on advancing the sustainability agenda across all business verticals and makes sure that our values are reflected at all levels of our organisation.

GOVERNANCE

COMMITMENT TO RESPONSIBLE INVESTMENT

Three Hills has been a signatory of the United Nations Principle for Responsible Investment since 2018. This year we had the opportunity to showcase progress in our sustainability approach, achieving significant improvements in all modules of the assessment: 5/5 for the Private Equity module, 4/5 for Policy, Governance and Strategy and 4/5 for Confidence building measures.



THREE HILLS SPOTLIGHT IMPACT RESEARCH

WHAT IS TIRESIA?

TIRESIA (Technology Innovation and Research for Social Impact) is the competence centre of the School of Management of the Politecnico di Milano dedicated to the study of impact-oriented innovation, entrepreneurship, and finance. In recent years, TIRESIA has dedicated significant resources to consolidating its scientific expertise and its international reputation, putting them to good use in the development of operational tools to support new social entrepreneurship.

TIRESIA's consolidated experience in strategic consultancy on sustainability and social impact measurement supports large corporations and financial players, as well foundations and third sector organisations.

Additionally, TIRESIA runs academic courses focused on sustainability, impact, and purpose as part of the educational offerings at the Politecnico di Milano and GSoM, the Graduate School of Management of the Politecnico di Milano.

TIRESIA & TH IMPACT PARTNERSHIP

In 2022, Three Hills established a partnership with TIRESIA for the development of an observatory, leveraging the Firm's positioning in the European impact investing space and TIRESIA's research-based approach. Additionally, TIRESIA supports Three Hills across all stages of TH Impact's investment process, providing advisory services in the field of impact measurement, deal analysis and value creation post-investment.

The collaboration aims to study the impact investing industry, monitoring its current trends and proposing forecasts on its evolutionary trajectories, focusing on multiple industries and geographies. The observatory adopts the perspective of studying the supply and demand side of impact capital allocation (i.e., impact investors and investee companies). Adopting a dual perspective is crucial, as it provides a comprehensive understanding of the impact investing ecosystem, ensuring alignment between the expectations of both capital providers and entrepreneurs. Such an approach allows to effectively identify market trends, industries and business models that contribute to the generation of social and environmental value in the context of investment strategies that seek risk-adjusted financial returns.

This year's spotlight provides an overview of the impact investing landscape globally and in Europe, doubling down on how social-oriented business model are integrated in investment strategies.

IMPACT INVESTING OUTLOOK

Impact investors are navigating an increasingly complex and structured environment due to the establishment of different legal frameworks on sustainability efforts, targeting both financial institutions and companies. However, the existing legislation seems to fail to grasp the real identity and distinguishing proactivity of impact investing. Therefore, impact investors must identify and implement investment strategies that can clearly differentiate them from sustainable finance. In particular, impact measurement and management plays a critical role in building a supportive relationship with the investee and enhancing social value.

Despite these challenges, the sector continues to grow: the GIIN estimated that, at the end of 2021, directly invested AUM in impact investing surpassed the one trillion threshold. At the same time, the European direct investment market reached €80 billion, of which at least €32 billion showed some features of additionality, targeting underserved markets by offering flexible capital and accepting higher risk-adjusted returns.

The observatory has carried out a further analysis, focusing only on equity and equity-like investments in Europe. It identified a total of over \$87bn invested in 1130 European companies pursuing a social and/or environmental sustainability mission. In this sample, the most invested companies belong to sectors such as renewable energy production, sustainable mobility services, healthcare, information technology, and food. Notably, technology and innovation were observed as two key drivers to achieve both competitive advantage and positive impact. Overall, the prevalence of investments targeting companies with a positive environmental impact remains relatively more significant.



¹ Source: Primary data accessed through the Crunchbase platform and elaborated by TIRESIA. The analysis focused on 1,130 companies with a social or environmental mission that went through at least one round of investment

² The 'Sustainability' sector includes companies concerned with the creation of manufactured products through economically-sound processes that minimise negative environmental impacts while conserving energy and natural resources

SOCIAL - ORIENTED BUSINESS MODELS

In the impact investing space, social enterprises represent a relevant opportunity to focus on innovative business models in sectors with significant potential to generate positive social and environmental outcomes. Social enterprises are defined by their commitment to addressing social issues while adopting business-oriented strategies to do so. The assessment of primary and secondary data supports the attractiveness of business strategies whose primary objective is the creation of social value, highlighting both the economic sustainability and the achievable positive impact of the analysed transactions. Sectors such as food, healthcare, education, and social inclusion seem promising to target, given the detection of several innovative approaches. For instance, common business models include developing new, more sustainable types of food and integrating circularity principles into food production.

Social enterprises are defined by their commitment to addressing social issues while adopting business-oriented strategies to do so¹

Digital platforms play a crucial role in various areas: easing access to healthcare services, serving as a one-stop-shop for caregivers, creating communities of medical professionals, and connecting them with patients. In the context of education, technology increases accessibility, fosters children's development, shifts the focus to emotional and relational well-being, and supports lifelong learning programs emphasising inclusion and diversity. Furthermore, technology promotes the empowerment of vulnerable people through assistive technologies and boosts social capital through inclusive neighbourhood care and citizen participation.

By looking at the characteristics (e.g., mission, target clients, disclosure of data on positive outcomes generated) of the supply and demand side of investment rounds in social-oriented business models, the study identified three key trends:

1. The investigation noted how the presence of technology has made social-oriented companies more attractive to investors, allowing them to identify more robust and desirable business models.
2. The analysis of the most widespread societal solutions highlights efforts aimed at fostering general well-being in the field of mental health, developing an inclusive mindset, promoting healthy habits and reconnecting people. This suggests an interest of impact investors in intervening in those areas not directly overlapping with welfare state services and contributing to the provision of comprehensive wellness for everyone.
3. While social-oriented companies seem interested in adopting a rigorous approach to measuring their social outcomes, data availability, quality and comparability still represent crucial challenges when assessing social value creation.

10 million

Number of social enterprises, globally²

\$2 trillion

Annual revenue generated by social enterprises²

c. 50%

Of global social enterprises are led by women³

DENSITY OF SOCIAL ENTERPRISES IN THREE HILLS TARGET GEOGRAPHIES



¹ Source: De Beule, F., Bruneel, J., & Dobson, K. (2023). The internationalization of social enterprises: The impact of business model characteristics

² Source: Schwab Foundation & World Economic Forum. (2024). The State of Social Enterprise 2024

³ Source: The State of Social Enterprise in Europe - European Social Enterprise Monitor 2021-2022

EDUCATION IS THE SINGLE MOST POWERFUL TOOL TO EMPOWER FUTURE GENERATIONS TO DRIVE POSITIVE DEVELOPMENT, OVERCOME INEQUALITY AND IMPROVE SOCIAL MOBILITY.

NTMY'S GOAL IS TO PROMOTE EDUCATION TO GUARANTEE SAME OPPORTUNITIES FOR ALL AND ENHANCE THEIR POSSIBILITIES FOR CHANGE.

NTMY foundation is the non-profit charitable organisation managed by Three Hills. Its mission is to improve access to education, remove barriers to learning, guarantee equal opportunities for all and enhance possibilities for change – in a nutshell **TO CUT THE GAP**. We believe in education as a force for good, and our goal is to bring young people together, regardless of their background, contributing to personal development and improving life chances.

TH supports NTMY through a dedicated social programme operated in partnership with the Firm's close advisors thanks to voluntary contributions. We always match any donations received. By being part of the Three Hills umbrella, NTMY benefits from dedicate resources and a solid growth platform to achieve a meaningful impact. Additionally, in 2023, we welcomed an external member of NTMY Team specifically dedicated to the development of our activities in Italy.

For Three Hills, quality education not only represents an investment theme, but we also firmly believe that it is a powerful tool to generate meaningful social impact and give back to our community. Our platform is well placed to deliver education outcomes in multiple locations, addressing a wide range of stakeholders and backgrounds.

NTMY PROJECTS

Over the last 5 years, NTMY developed its global footprint through both independent initiatives and partnerships with peer organisations. Positive educational outcomes were achieved through the following initiatives:

- **NTMY Lab (Italy):** NTMY Lab aims to support schools in decentralised areas by offering a range of extracurricular activities, workshops and homework support. The project was created to support complementary educational activities by organising workshops in schools in decentralised areas.
- **Access Aspiration (UK):** NTMY's support is helping to provide young Londoners with new skills and network to improve their access into work at a point in their life when they are making crucial decisions about their future. Since 2020, **over 3,000 students** were enrolled in the programme and 93% of them reported an increase in their awareness of career options
- **Tuendalee (Kenya):** The objective of Tuendeleee is to build partnerships in education by linking in-need students with potential donors, universities with talented students and employers with qualified students. NTMY contributions has funded full school fees for **7 talented students**
- **Stitching Cooperatiekring Amsterdam (Netherlands):** SCA supports local charity initiatives that bridge the socio-economic gap for children. NTMY's support of SCA is concentrated on two key projects: i) homework support for kids and ii) coaching and educational support for young girls from disadvantaged backgrounds. To date, the initiative involved **over 1,000 families**



€850k

Funds raised by NTMY since incorporation



Over 1,500

Kids engaged in workshops and educational activities



Over 50

Professionals involved in NTMY activities

NTMY Lab is a project launched in 2020, **tailored for students in primary and middle school**, where differences in socio-cultural backgrounds blend with other dynamics typical of preadolescence, such as bullying or racism with ethnic or sexual undertones, which can lead to early school dropout. This translates into a greater risk of social exclusion, unhealthy behaviours, unemployment and potential involvement in criminal activities.

Workshops include both academic and extracurricular activities and are usually open 3 days a week. **All activities are funded by NTMY and coordinated by professional educators**, under the supervision of the school principal.

In 2020, the project took shape at the **Comprehensive Institute of Fenegrò**. In the same year, NTMY Lab was activated in Umbria, with an English language workshop, aimed at consolidating learning in primary schools.

In 2022, the Foundation launched a **two new schools in Umbria** and boosted workshops in Fenegrò, increasing the laboratory activities and afternoon frequency.

On the back of the successes achieved, in 2023, 4 new locations were opened in Milan in **collaboration with Fondazione Milan**.



From 1 to 9

Locations included in NTMY Lab programmes since 2020



Over 850

Kids aged between 7 and 14 reached by NTMY Lab in 2023



Over 2,500

Hours of extracurricular activities delivered in 2023

Our laboratories

- **ART AND CRAFT**
To unleash creativity and explore artistic side, children can learn to paint, draw, and create even simple artifacts
- **THEATRE AND CINEMA**
To enhance musical abilities, learn to play an instrument, sing, and compose music
- **SCIENCE LABORATORIES**
To broaden scientific curiosity and explore the world, children can learn to conduct experiments and build models
- **SPORT LABORATORIES**
To explore and strengthen their athletic side. NTMY in Milan collaborates with the Fondazione Milan, which is entrusted with teaching football, basketball, volleyball, and others

30 WEEKS PER YEAR AND 1-2 MEETINGS PER WEEK

THREE HILLS

Three Hills is an established asset management platform providing bespoke capital solutions in Europe and North America through dedicated investment strategies. We want to thank our management teams, partners and investors in the funds we manage, without whom none of this would be possible.

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