



# GENUI

Sustainable Investing Framework

GENUI's objective is to create long-term value for investors through attractive financial returns and social and ecological impact objectives. This is the core of what we call 'Good Entrepreneurship'. It is reflected in our culture, business processes and at all stages of the investment cycle.

## GENUI COMPANY LEVEL

### 1. Principles



As a signatory, GENUI is committed to the **Principles of Responsible Investment (PRI)** developed by the United Nations and seeks to ensure that its investment approach and disclosure are aligned with them.



GENUI is a signatory to the **Operating Principles for Impact Management (OPIM)** ("the Impact Principles") with its Secretariat hosted by the Global Impact Investing Network (the GIIN) and pursues alignment of its investment processes with the Impact Principles.



GENUI joined the **UN Global Compact**, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.



GENUI is a signatory to the **Women's Empowerment Principles (WEP)** established by the UN Global Compact and UN Women to promote gender equality and women's empowerment.



GENUI is signatory to the **ILPA Driving Inclusion in Alternatives** bringing together private equity participants committed to fostering respectful, transparent, and performance-driven workplaces that drive long-term value and innovation.



GENUI is a signatory to the **Charta der Vielfalt** that promotes the recognition, appreciation and integration of diversity in business culture.

### 2. Strategy

As part of the investment strategy GENUI primarily focuses on companies that contribute to advancing what we regard as three of our society's most central tasks: good health, digitalisation and environmental transformation.

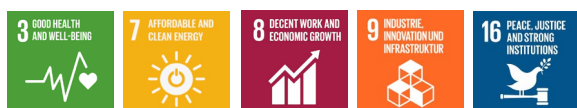
#### GENUI's Main Investment Themes

GOOD HEALTH

DIGITALISATION

ENVIRONMENTAL  
TRANSFORMATION

GENUI's strategic sustainability objective is to support positive and measurable social or environmental effects. GENUI primarily invests in business models which inherently have a positive social or environmental impact, pursuing alignment of its investments with the United Nations Sustainable Development Goals (SDG) focusing on:





Both at GENUI management company level and at the portfolio companies, GENUI encourages initiatives for achieving tangible outcomes:

GENUI ensures a **systematic approach in assessing and measuring impact** on beneficiaries/stakeholders on an ongoing basis along leading norms and principles. Starting 2024, progress is tracked along company-specific impact KPIs (see section *Impact Measurement*).

**Environmental, social and governance (ESG) initiatives** are consistently tracked across portfolio companies based on the standard GENUI ESG reporting KPI set (see section *Portfolio Management*). These include a.o. achieving carbon footprint measurement, reduction and compensation of the remaining footprint and enhancing equal pay during our ownership focusing on the following United Nations Sustainable Development Goals (SDG):



### 3. Responsibility & Accountability

Responsibility for sustainability lies with a **GENUI founding partner and managing director** and our **Chief Impact & Client Relations Officer**, reflecting its strategic importance for GENUI. The dedicated GENUI impact and ESG team advises portfolio companies on impact and ESG-related matters.

All staff regularly receive training on impact and ESG procedures, policies and initiatives. GENUI conducts professionalised feedback, which forms the basis for performance and compensation reviews. This also takes into account an individual's contribution to impact, ESG value creation and management of ESG risks.

### 4. Reporting & Disclosure

GENUI seeks to apply a comparable level of scrutiny and rigour to the measurement and reporting of impact and ESG as it does for financial performance. GENUI publishes its **sustainability reports** on an annual basis including information on impact measurement, ESG initiatives and KPI on management company level and portfolio company level.



In alignment with the **EU Sustainable Finance Disclosure Regulation (SFDR)**, sustainability risk management is embedded in the way GENUI seeks to originate investments and make investment decisions and in ongoing portfolio management activities.



GENUI is an official and strategic supporter of the **Task Force on Climate-related Financial Disclosures (TCFD)**, which was established to promote more informed investment decisions by incorporating the risks and opportunities that climate change poses for business.



The **Science Based Targets initiative (SBTi)** has approved GENUI's near-term science-based emissions reduction target. GENUI has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2050.



In 2021, GENUI joined the **ESG Data Convergence Initiative (EDCI)** of the **Institutional Limited Partners Association (ILPA)**, which seeks to standardise ESG metrics and provides a mechanism for comparative reporting.

## 5. Stewardship & Advocate

GENUI has established the **LP Sustainability Council**, an advisory body comprising sustainability representatives of leading investment firms that comes together on a semi-annual basis to discuss current regulatory and market developments, impact measurement, ESG reporting, initiatives and outcomes as well as industry best practice.



GENUI is a member of the **Global Impact Investing Network (GIIN)** dedicated to increasing the scale and effectiveness of impact investing around the world.



GENUI is a member of the **Bundesinitiative Impact Investing** (Federal Impact Investing Initiative) in Germany, with the aim of contributing to establishing a sustainable investing eco-system and promoting implementation of responsible investing policies.



GENUI is part of the **Invest Europe Impact Investing Working Group** that aims to advise and support Invest Europe's work on impact investing, the **Climate Action Task Force** and the **ESG Working Group** that aims to promote responsible investment practices and the consideration of ESG issues throughout the broader private equity community.



GENUI is a member of the **Impact Valuation Hub** launched in 2024, a coalition of private investors shaping the future of impact valuation, committed to developing and refining practical impact valuation methodologies and advancing practical resources for implementing impact valuation at the fund level.

## 6. Philanthropy



GENUI initiated the **Entrepreneurs' Social Impact Partnership (Unternehmerstiftung für Chancengerechtigkeit (USC) gGmbH)**, which is financially backed by GENUI Entrepreneurs and structured as an investor in GENUI and other leading investment firms. At the USC, GENUI brought together an experienced management team, exceptional entrepreneurs and an innovative investment model. The entire proceeds are used to improve the opportunities of children and young people in the areas of education, health and societal inclusion, contributing to the following United Nations Sustainable Development Goal (SDG):



For several years now, GENUI has also been a financial supporter of **Allerleirauh e.V.**, a Hamburg-based organisation of women working as the first point of contact for girls and young women in acute crisis situations who have experienced sexual harassment or assault within their families, schools or workplaces.

## GENUI PORTFOLIO LEVEL

### 1. Selection & Diligence

When selecting and carrying out due diligence on potential investments, GENUI takes the following into account:

- **Exclusion criteria (negative screening):** GENUI will not invest in companies that derive a significant percentage of their revenue from the arms industry and arms trading, the gambling industry, the tobacco industry, human cloning or in companies suspected of illegal or unethical business practices, including modern slavery, child labour or animal torture. Furthermore, GENUI will not invest in an entity in the following sectors (primary business activities): fossil gas and nuclear energy, coal and fracking; or whose primary business activity consists of genetic engineering, narcotics, alcohol or adult entertainment.
- **Impact assessment:** Starting 2024, assessment and scoring of the positive impact of the investments' business model along the Impact Frontiers' norms framework five dimensions of impact incl. definition of KPI along the theory of change and alignment with selected SDG, conducted by an independent consulting firm.
- **ESG due diligence:** Entry due diligence conducted by an independent consulting firm assessing ESG risks and opportunities, and, if applicable, principle adverse indicators incl. climate, social and employee matters taking into account regulatory requirements and guidelines.



Topics identified by the **Sustainability Accounting Standards Board (SASB)** as particularly material with regard to a specific industry are typically prioritised in the sustainability assessment of potential investments.

- **Good Governance Assessment:** Starting 2024, a good governance assessment with respect to sound management structures, employee relations, remuneration of staff and tax compliance conducted by independent advisory firms (ESG, legal and tax due diligence).
- **Climate risk analysis:** High-level climate-related risk scenario analysis (physical and transition risks) in accordance with the TCFD guidelines conducted by an independent consulting firm.
- **Value creation:** Evaluation of impact and ESG opportunities incl. advice on scaling and improvement potential considering the industry, strategy and processes of the company. Advising management on development of mitigation plan for any material issues or negative externalities identified during due diligence.
- **Management commitment:** Strategic objectives on measurement, monitoring, and reporting of impact and ESG KPIs are embedded in the transaction documentation. Starting with the GENUI III fund generation, (i) additional reporting of impact KPI is part of the management incentivisation, and (ii) commitment to climate action and target setting via the Science Based Targets initiative (SBTi) as well as equal pay, social/DEI principles and good governance is required.

GENUI incorporates **impact due diligence and ESG due diligence** findings in all relevant investment process documentation in the same manner as for other key due diligence (e.g. commercial, accounting and legal) and in discussion in the **investment committee** as part of its responsibility for the GENUI's investment strategy. It considers the impact assessment of the business model with respect to climate-related and social matters in areas such as strategic asset allocation, investment strategy and risk

management with a view to realising GENUI's objective to achieve market financial returns by genuinely promoting social and ecological impact objectives.

## 2. Portfolio Management

GENUI encourages initiatives for achieving tangible positive impact and ESG outcomes at its portfolio companies. GENUI offers advice, network and a communication platform to management teams on their journey to make a difference from an impact perspective and improve ESG performance. Initiatives are tracked based on **company-specific impact KPIs** and the **GENUI ESG reporting KPI set** (where desired by a portfolio company's management, data collection is facilitated via an external ESG software provider securing data quality and analysis).

The **impact KPI** are determined based on the portfolio companies' business model (*exemplary for healthcare services*):

Input	Activities	Outcome	Impact
<i>Resources used for activities</i>	<i>Activities delivered for target group</i>	<i>Effects of activities on target groups</i>	<i>Long-term changes in society</i>
<ul style="list-style-type: none"> <li>• # of therapists</li> <li>• # of facilities</li> <li>• In-patient-to-out-patient care</li> </ul>	<ul style="list-style-type: none"> <li>• # of patients treated</li> <li>• Drop-off rate</li> </ul>	<ul style="list-style-type: none"> <li>• Patient satisfaction score</li> <li>• Average waiting time</li> <li>• % of non-German speaking clients</li> <li>• Relapse rate</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in stationary care rate</li> <li>• Net value to society (externally tracked)</li> </ul>

The **GENUI ESG reporting KPI set** focuses primarily on the following topics (non-exclusive list):

### Environmental

- GHG emissions and carbon footprint measurement, reduction and compensation
- Energy consumption/Renewable energy use
- Waste management and biodiversity
- Water consumption

### Social

- Equal pay
- Diversity in management board/at C-level
- Employee health
- Skill development
- Employee relations, employee engagement & satisfaction
- Customer satisfaction

### Governance

- Data protection and IT & cyber security
- Compliance, incl. non-discrimination, human rights, anti-bribery, anti-money laundering, anti-trust, conflict of interest policies, whistleblowing procedures
- Business partner compliance

### 3. Governance & Monitoring

In addition, GENUI's good governance policy assesses the good governance practices of GENUI's portfolio companies prior to making an investment (starting 2024) and periodically thereafter, including (but not limited to) with respect to sound management structures, employee relations, remuneration of staff and tax compliance ("**Good Governance Standards**"), in accordance with established industry-wide standards.

At advisory board (GENUI Entrepreneurs Board) level, progress, achievements and objectives are reviewed at least annually and improvement actions are defined by management for the subsequent period, including those required to address potential gaps in monitoring systems, processes and standards (e.g. based on pre-investment research, due diligence and materiality findings, performance monitoring findings).

To ensure that impact objectives, ESG risks and compliance can be effectively monitored, management typically implements robust disclosure channels and monitoring frameworks at the portfolio companies, including:

- ESG responsible persons at C-level and other officers to monitor ongoing compliance and reporting according to ESG-related guidelines;
- Robust compliance mechanisms and policies (e.g. code of conduct, IT & cyber security, whistleblower and grievance procedures);
- ESG incident reporting process;
- Starting with the GENUI III fund generation, management compensation is additionally linked to impact KPI, and commitment to climate action and target setting via the Science Based Targets initiative (SBTi) as well as equal pay, social/DEI principles and good governance is mandatory.

In addition, GENUI has established the **ESG Portfolio Roundtable**, a forum for exchange comprising the sustainability representatives of our portfolio firms that comes together on a semi-annual basis to discuss ESG initiatives and share best practice on measurements, reporting and stakeholder communication.

### 4. Future Ownership

When selecting and carrying out due diligence on potential divestments, GENUI takes the following into consideration:

- **Due diligence:** Where appropriate, vendor due diligence / vendor fact book conducted by a specialist consulting firm assessing impact achieved and ESG risks and opportunities taking into account international requirements and guidelines.
- **Future investor criteria:** The impact and ESG initiatives achieved (e.g. impact on stakeholder/beneficiaries, positive climate action, diversity, gender equality and social impact) at a portfolio company during GENUI's ownership are likely to be built upon during new ownership. Accordingly, GENUI considers whether a potential future investor is interested in continuing a portfolio company's achievements, taking into account factors such as:
  - Potential concerns over the business integrity of the buyer
  - Buyer's expressed interest with respect to impact and ESG matters
  - Whether the investor is committed to principles of responsible investing
  - Investor's intentions for the portfolio company with regard to ESG factors and achieved impact.

However, once ownership has been transferred by GENUI, GENUI no longer has any influence over the decisions of the new owner. The purpose of the documentation is therefore to ensure that, in safeguarding the best interests of the GENUI funds' investors, the buyer's ESG and impact criteria are consistently taken into account in the decision-making process.

## 5. Independent Measurement

### Impact Measurement



GENUI applies the Impact Frontiers norms to ensure a systematic approach in assessing and measuring impact of potential investments and portfolio companies on an ongoing basis. The impact analysis is independently assessed whereas a scoring of the positive impact of the investments' business model along the **Impact Frontiers norms' five dimensions of impact** (pioneered by the Impact Management Project) is conducted by a specialist consulting firm and reviewed on an annual basis. Furthermore, for each investment, a definition of core **company-specific impact KPIs** along the **Theory of Change** and **alignment with selected SDG** is determined.

Where appropriate, an ongoing analysis is conducted by an independent consultancy to estimate the **social impact or Net Value to Society (NVS)** created by portfolio companies during GENUI ownership.

The quantitative measurement of the investments' impact is conducted based on available evidence from third-party sources and published academic research which translates the material social or environmental outcomes into economic terms. Both the quantitative and qualitative measurement and assessment of selected investments' social impact are carried out by an independent specialist advisory firm, that also provides an evaluation of the limitations of the applied methodologies.

Furthermore, GENUI has engaged an external assurance and verification company, to provide independent assurance of the quantitative impact measurement as part of the verification of GENUI's alignment with the **Operating Principles for Impact Management (OPIM)** ("the Impact Principles").

### ESG Measurement



The carbon footprint of GENUI and its investments is determined in alignment with the **Greenhouse Gas (GHG) Protocol**.

The collection of the ESG KPIs is conducted via a dedicated **ESG software** provider streamlining the collection, monitoring and reporting (incl. audit trail) of KPIs and initiatives at GENUI for those portfolio companies that elect to use the software. Furthermore, the external service provider conducts the analysis of the carbon footprint via an audited Scope 1-3 emissions methodology in full compliance with the GHG Protocol.

## 6. Review & Improvement

GENUI regularly reviews its **Sustainability Policy**, the **Good Governance Policy**, the **Sustainable Investing Framework** and the **set of impact/ESG KPI** to improve investment decisions as well as processes and procedures, and to identify new impact and ESG initiatives.

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