GENUI

Task Force on Climate-Related Financial Disclosures (TCFD)

2022/23

Strategic TCFD approach

Alignment with the four pillars of TCFD: Governance, strategy, risk management, metrics & targets.

Strategic Approach

Governance

At GENUI firm level, sustainability matters lie with a Founder Partner and the Chief ESG & Investor Relations Officer

At portfolio level, a C-level manager is responsible for ESG matters

Strategy

GENUI has an organisation-wide climate strategy

GENUI considers climate-related risks beyond investment time horizon

Risk Management

Identification of climate-related risks at pre-investment stage accompanied by scenario analysis

Target setting, ongoing monitoring and reporting on firm and portfolio level

Metrics & Targets

GENUI sets climate-related targets

GENUI performs KPI tracking and scenario analysis

Note: Starting with fund generation GENUI II GmbH & Co. geschl. InvKG (GENUI II) the Strategic TCFD Approach has been implemented at GENUI.

Governance

Disclose the company's governance around climate-related risks and opportunities.

Describe the Board's oversight of climate-related risks and opportunities.

- GENUI's investment committee is responsible for managing climate-related matters with regards to investments as part of its responsibility for GENUI's investment strategy.
- It considers climate-related matters in areas such as strategic asset allocation, investment strategy and risk management with a view to realising GENUI's objective to create long-term value and strong financial returns with social and ecological impact.
- At advisory board level of portfolio companies, progress at portfolio companies is reviewed at least annually, and improvement actions are defined by the portfolio management teams for the subsequent period, including those required to address potential gaps in ESG systems, processes and standards.

Describe management's role in assessing and managing climate-related risks and opportunities.

- At GENUI firm level, management and assessment of climate-related risks and opportunities lies with a founder partner responsible for sustainability and GENUI's Chief ESG & Investor Relations Officer, reflecting its strategic importance for GENUI. In addition, a GENUI ESG manager advises portfolio companies on climate-related matters.
- At due diligence stage, the GENUI investment team is supported by a specialist consultancy firm, providing an independent high-level assessment of climate-related risks and opportunities for each investment.
- Monitoring of the investments' climate-related risks includes scenario analyses carried out on an annual basis by a specialist consultancy firm assessing the physical and transition risks associated with a 1.5°C scenario, and reflecting factors such as carbon pricing.[1]

Note: Based on TCFD's implementation recommendations as of October 2021. 1) Starting with the investments of GENUI II.

Our robust governance ensures our sustainability endeavours

Our sustainability governance structure ensures senior-level commitment both from GENUI as well as its portfolio companies.

Governance structure

LP Sustainability Council

GENUI ESG Team

Founding Partner | ESG C-level | ESG Manager

Portfolio company 1
- ESG C-level Manager
- ESG Coordinator
- Advisory Board

Portfolio company 2
- ESG C-level Manager
- ESG Coordinator
- Advisory Board

Portfolio company 3
- ESG C-level Manager
- ESG Coordinator
- Advisory Board

ESG Portfolio Roundtable

Responsibilities

- Stewardship by selected GENUI investors' ESG representatives via the LP Sustainability Council (bi-annual).
- Dialogue on current developments, policies and best practices.

- Ownership and direction by founder partner and Chief ESG & Investor Relations Officer (C-level) overseeing all sustainability activities, stakeholders and communication.
- GENUI ESG manager supporting on GENUI ESG agenda and reporting.
- Continuous development of GENUI´s Sustainable Investing Framework and Sustainability Policy.
- Regular ESG update calls, KPI tracking, risk monitoring and ESG advice for portfolio companies.

- ESG commitment on C-level: agenda, implementation, monitoring and reporting.
- Implementation and tracking by the portfolio companies' ESG coordinators and annual ESG reporting by the management team.
- ESG roadmap reviewed by GENUI Entrepreneurs Board (advisory board).

- Semi-annual roundtable connecting GENUI II portfolio companies' ESG representatives.
- Dialogue on ESG initiatives, measurements, success stories and pitfalls.

Strategy (1/2)

Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

- In the long term, in our view, a successful transition to a carbon-neutral economy is crucial for safeguarding the health of our ecology, society and economy. Hence, GENUI supports the Paris Agreement and wants to contribute to accelerating this transition. In 2022, GENUI has committed to set science-based targets through the Science Based Targets initiative (SBTi). In 2023, the 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.
- For investments, climate-related risks and opportunities need to be assessed individually based on sector and geography. For each GENUI investment, a specialist consultancy firm conducts a sector and geography specific independent assessment of climate-related risks and opportunities for short, medium and long-term scenarios.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

- We acknowledge that the climate crisis is one of the biggest challenges of our time and commit to achieving net zero by 2050. We challenge our portfolio companies to adopt no exploitation policies and encourage them to align with climate targets to limit global warming to 1.5°C and reduce their negative environmental footprint accordingly. While our top priority is to save emissions, we also recognise the need to assess climate change risks and evaluate the physical and transitional risks facing our portfolio companies.
- GENUI's strategic sustainability objective is to support positive and measurable social or environmental effects. GENUI invests in business models which have positive or neutral externalities or where negative externalities can significantly be addressed during GENUI's ownership, pursuing alignment of its investments with the United Nations Sustainable Development Goals (SDG). Assessing material climate-related risks and opportunities identified for each investment is crucial for realising this goal.

Note: Based on TCFD's implementation recommendations as of October 2021.

Strategy (2/2)

Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

How are climate-related risks and opportunities factored into relevant products or investment strategies? How might each product or investment strategy be affected by the transition to a low-carbon economy?[1]

- GENUI's investment committee has oversight on responsible investment in areas such as strategic asset allocation, investment strategy and risk management. GENUI invests in business models which have positive or neutral externalities or where negative externalities can significantly be addressed during GENUI's ownership.
- We invest in tailwind themes focusing on companies that contribute to advancing what we regard as three of our society's central tasks: Good Health, Digitalisation and Environmental Transformation. Based on scenario analyses conducted by a specialised consultancy firm, our three investment areas provide more opportunities than climate-related risks by the transition.[2]

Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

- A sustainability due diligence is conducted at entry by a specialist consulting firm assessing ESG risks and opportunities, incl. a high-level climate-related risk scenario analysis in accordance with the TCFD guidelines.
- Monitoring of climate-related risks includes scenario analyses carried out on an annual basis by a specialist consulting firm for the GENUI investments assessing the physical and transition risks associated with a 1.5°C scenario, and reflecting factors such as carbon pricing.
- As these risk analyses are taken into account when making decisions on new investments and monitoring existing investments, GENUI's strategy should prove resilient in different climate-related scenarios.

Note: Based on TCFD's implementation recommendations as of October 2021. 1) Based on TCFD's supplemental implementation recommendations for Asset Managers as of October 2021. 2) For further details please see page 9.

Scenario analyses on climate-related risks and opportunities (CRRO)

We chose scenarios and time horizons aligned to TCFD best practices for the analyses of the GENUI II portfolio.

Transition risks: Scenario analysis and associated time horizons selected (GENUI II)

Source: Network for Greening the Financial System (NGFS); International Energy Agency (IEA)

Time horizons: 2025, 2030, 2050 (base year: 2020)

Description:

Given that GENUI has approved SBTi targets, the net zero scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050 was chosen.

As key CRROs we identified increasing raw material prices, carbon pricing, water stress and drought impact on operations as well as consumer behavioral change with descending impact rating.

On average a portfolio company's EBITDA is impacted positively by the transition towards a net zero state. Key driver is the revenue gain related to opportunities that will materialise under a net zero scenario.

Within the portfolio, companies within the Environmental Transformation sector are impacted the most from a transition towards a low carbon economy, followed by companies within the Digitalisation sector. The Good Health sector is impacted the least *(for further details please see the following pages)*.

Physical risks: Scenario analysis and associated time horizons selected (GENUI II)

Source: Intergovernmental Panel on Climate Change (IPCC)

Time horizons: 2030, 2050 (base year: 2020)

Description:

The assessment included 9 sites, 6 in Germany, 1 in Switzerland, 1 in India and 1 in Vietnam.

The following Shared Socio-economic Pathway (SSP)[1] scenarios were chosen for this assessment:

- The SSP 1-2.6 scenario, a low emissions scenario that stays below 2°C warming by 2100, aligned to current commitments under the Paris Agreement. Best estimate temperature by 2100: 1.8 °C.
- The SSP 5-8.5 scenario, a high emissions scenario, which follows a "business as usual" trajectory, assuming no additional climate policy and seeing CO_2 emissions triple by 2100. Best estimate temperature by 2100: 4.4 °C.

The average risk values for the portfolio companies lies between minimal and moderate.

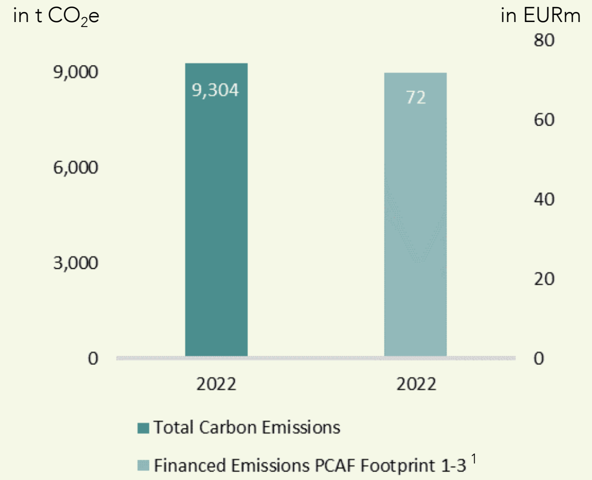
In general, all assets are expected to experience increased risk to most climate hazards by 2050, across all climate scenarios.

1) Shared Socio-economic Pathway scenarios as used by the 2021 Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report (AR6) to assess the state of the physical climate under a range of plausible futures.

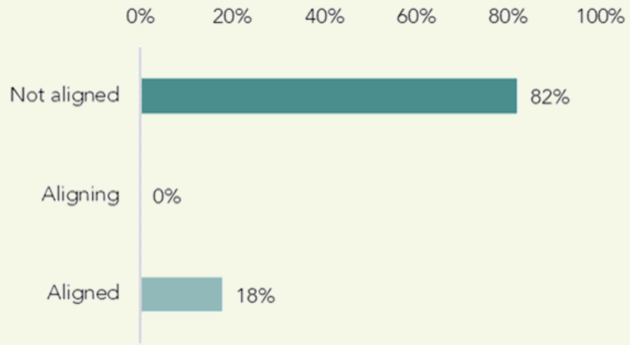
Climate dashboard GENUI II per 31 Dec 2022

Impact of portfolio on climate change

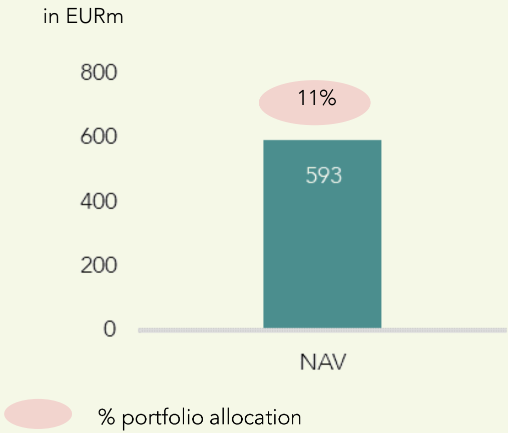
Carbon footprint



Alignment[2]



Climate Solutions[3]

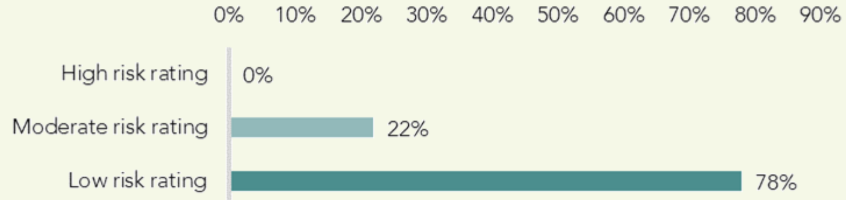


Impact of climate change on portfolio *(in alignment with the TCFD)*

Transition risks – CTVaR unweighted4

2025	2030	2050
3.88%	5.45%	11.39%

Physical risks under SSP1-2.6 for 2030[4]



Portfolio Coverage Key

- Proxied data
- Actual holding
- No data

1) Carbon footprint of Financed Emissions, in accordance with PCAF and GHG Protocol: Scope 1 + 2 + 3 emissions / EURm invested.
2) Though also the Climate Transition Value at Risk (CTVaR) can be used as an alignment metric, we have chosen to show CTVaR as our transition risks metric. We assessed EU Taxonomy alignment calculating the % revenue alignment for each investment in the GENUI II portfolio and performing DNSH and Minimum Safeguards checks on each investment in the portfolio. For each investment that has more than 20% revenue alignment and meets both DNSH and Minimum Safeguard checks, we calculated its portfolio weight in terms of NAV and summed these up across the portfolio.
3) % portfolio allocation calculation: Calculation of the % revenue alignment for each investment in the GENUI II portfolio and performing DNSH and Minimum Safeguards checks on each investment in the portfolio. For each investment that has more than 20% revenue alignment and meets both DNSH and Minimum Safeguard checks, we multiplied its proportion of revenue alignment with its portfolio weight and summed these up across the portfolio to provide the total climate solution allocation of the portfolio. 4) Transition and Physical risk analysis were conducted by a third-party consultancy.

GENUI's investment themes show a dominance of climate-related opportunities over risks

Transition risks and opportunities included in the scenario analysis (GENUI II)

Good Health

Risk

- Increased prices for energy from fossil fuels
- Early retirement of existing IT assets

Opportunity

- Cost reimbursement for renewable energy use
- Decreased price of low-emission energy
- Reduced energy consumption through implementation of energy savings measures
- Opportunity to reduce emissions by a redesigned healthcare delivery system offering products/services with lower emissions, e.g. care provided closer to patients' homes (rather than in energy intensive hospitals), telehealth, digital tools
- Access to new markets with lower-emission treatments, e.g. innovative technologies such as robot-assisted surgeries
- Partnerships with sustainable businesses to increase attractiveness towards investors

Digitalisation

Risk

- Increased prices for energy from fossil fuels

Opportunity

- Cost reimbursement for renewable energy use
- Decreased price of low-emission energy
- Opportunity for reduced energy consumption and cost savings through implementation of energy savings measures, e.g. digital error detection and IoT based predictive maintenance instead of on-site maintenance in person
- Partnerships with sustainable businesses to increase attractiveness towards investors
- Increased demand for products and services to digitalise e.g. entire supply chain for higher resilience and performance

Environmental Transformation

Risk

- Increased prices for energy from fossil fuels
- Increased prices for raw materials

Opportunity

- Cost reimbursement for renewable energy use
- Decreased price of low-emission energy
- Reduced energy consumption through implementation of energy savings measures
- Partnerships with sustainable businesses to increase attractiveness towards investors
- Increased demand for adapting existing technology and processes to be more sustainable, e.g. circular economy
- Increased demand for new products and services enabling lower emissions, e.g. innovative material, devices, solutions (catalytic converters, sustainable farming practices, green building, water capture etc.)

Risk management (1/2)

Disclose how the company identifies, assesses, and manages climate-related risks.

Describe the company's processes for identifying and assessing climate-related risks.	• When selecting and carrying out due diligence on potential investments, a specialist consulting firm conducts a high-level climate-related risk scenario analysis in accordance with the TCFD guidelines assessing the long-term risk level of acute and chronic physical risks as well as transition risks and opportunities for the time horizons short-, mid- and long-term within the categories of policy and legal, technology, market and reputation. • A specialist consultancy firm conducts an annual sector and geography specific independent assessment of climate-related risks and opportunities for short, mid- and long-term scenarios, i.e. beyond GENUI's investment horizon. These scenarios include existing and emerging requirements and regulations related to climate change. The annual scenario analyses carried out for GENUI investments assess different climate-related scenarios including the physical and transition risks associated with a 1.5°C scenario, and reflecting factors such as carbon pricing.[2] • As these risk analyses are taken into account when making decisions on new investments and monitoring existing investments, GENUI's strategy should prove resilient in different climate-related scenarios.
Engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and the asset managers' ability to assess climate-related risks. How are material climate-related risks for each product or investment strategy identified and assessed?[1]	• The GENUI ESG team conducts regular update calls with the ESG responsible persons at the portfolio companies to advise on ESG-related matters. Since 2022 an independent external ESG software provider supports the carbon data collection and calculation in line with GHG protocol. At advisory board level, progress at portfolio companies is reviewed at least annually, and improvement actions are defined by the portfolio management teams for the subsequent period, including those required to address potential gaps in ESG systems, processes and standards.[2] • In addition, the GENUI ESG Portfolio Roundtable provides a forum for exchange comprising the sustainability representatives of the GENUI portfolio companies coming together twice a year to discuss ESG initiatives and share best practice on measurements and reporting.

Note: Based on TCFD's implementation recommendations as of October 2021. 1) Based on TCFD's supplemental implementation recommendations for Asset Managers as of October 2021. 2) Starting with the investments of GENUI II.

Risk management (2/2)

Disclose how the company identifies, assesses, and manages climate-related risks.	
Describe the company's processes for managing climate-related risks.	• At GENUI firm level, management and assessment of climate-related risks and opportunities lies with a founder partner responsible for sustainability and GENUI's Chief ESG & Investor Relations Officer, reflecting its strategic importance for GENUI. In addition, a GENUI ESG manager advises portfolio companies on climate-related matters. • GENUI's investment committee is responsible for managing climate-related matters with regards to investments as part of its responsibility for GENUI's investment strategy, supported by a specialist consultancy firm.
Describe how the company manages material climate-related risks for each product or investment strategy.[1]	• Starting 2022, a specialist consulting firm conducted the first climate-related scenario analysis for our GENUI II portfolio in accordance with the TCFD recommendations assessing the exposure towards physical and transition risk and opportunities. These analyses will be conducted on an annual basis in order to identify potential material risks earliest possible and develop appropriate measures.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	• Processes for identifying, assessing, and managing climate-related risks are integrated into GENUI's Sustainable Investing Framework, as disclosed on GENUI's website, which forms part of GENUI's Code of Conduct, the core of GENUI's risk management process.

Note: Based on TCFD's implementation recommendations as of October 2021. 1) Based on TCFD's supplemental implementation recommendations for Asset Managers as of October 2021.

Our screening process ensures that we consider ESG from the start

Beyond negative screening, we assess for ESG impact, management commitment, and value creation.

Negative Screening	• No investment in companies from the fossil gas and nuclear energy sectors or suspected of unethical or illegal business practices, such as those linked to arms, narcotics, alcohol, tobacco, gambling, adult entertainment, animal torture, genetic engineering, modern slavery or child labour.
Sustainability Due Diligence	• Sustainability assessment of potential investments prioritising industry-specific material topics identified by SASB. • Due diligence conducted by a specialist consulting firm assessing ESG risks and opportunities, taking into account international requirements and guidelines.
Climate Risk Analysis	• High-level climate-related risk scenario analysis in accordance with the TCFD guidelines conducted by a specialist consulting firm.
Socio-economic Impact	• Assessment of the most material positive and negative externalities related to ESG factors, where appropriate, and alignment with selected Sustainable Development Goals.
Value Creation	• Evaluation of ESG opportunities and advice on improvement potential considering the industry, strategy and processes of the company. • Advisory of management on development of mitigation plan for any material issues and negative externalities identified during due diligence.
Management Commitment	• Intrinsic motivation of management to implement identified ESG actions and the ESG KPIs as reflected in transaction documentation and the post-transaction value creation plan designed by management.

Metrics & targets (1/2)

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.

- To assess climate-related risks and opportunities in line with its strategy and risk management process, GENUI annually tracks the following metrics both for GENUI and its GENUI II investments:
  - Scope 1, Scope 2 and Scope 3 greenhouse gas emissions (GHG)
  - GHG emissions per FTE
  - Total energy consumption / Share of renewable energy sourced
  - Impact on bio-diversity sensitive areas, water emissions, hazardous waste (spills)

Describe metrics used to assess climate-related risks and opportunities. Describe how these metrics have changed over time.
Provide metrics considered in investment decisions and monitoring.
Describe the extent to which the assets under management and products and investment strategies, where relevant, are aligned with a well below 2°C scenario, using whichever approach or metrics best suit the organisational context or capabilities.[1]

- The metrics used to assess CRROs are in line with the Greenhouse Gas (GHG) Protocol. Furthermore, the external service provider we are using since 2022 for GENUI's and the GENUI II portfolio carbon footprint conducts the analysis of the footprint via an audited Scope 1-3 emissions methodology in full compliance with the GHG Protocol.
- Over time we enlarged the set of our GENUI ESG Reporting KPI set and report to several initiatives such as ILPA EDCI. In addition, by implementing a dedicated ESG software in 2022, we continue to streamline the collection, monitoring and reporting (incl. audit trail) of GENUI and its investments. The service provider offers advice to portfolio companies on GHG protocol methodology and carbon accounting as well as data collection and quality checks.
- Our first climate-related scenario analysis as well as a CRRO assessment for our GENUI II portfolio in line with the TCFD recommendations considered a more stringent net zero scenario resulting in a 78% portfolio proportion with a low risk rating and a 22% proportion being moderately risked, regarding physical climate risks. For transitional climate risks, on average a portfolio company's EBITDA is impacted positively by the transition towards a net zero state.

Note: Based on TCFD's implementation recommendations as of October 2021. 1) Based on TCFD's supplemental implementation recommendations for Asset Managers as of October 2021.

Metrics & targets (2/2)

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• GENUI publishes an annual ESG Report on its website with detailed information on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, pre and post climate contribution projects, for GENUI and its investments. The annual carbon footprint measurement of GENUI and its investments is determined in alignment with the Greenhouse Gas (GHG) Protocol. • Carbon emissions are measured on an annual basis taking into account the activity-based and spend-based methodologies for Scope 1 & 2 as well as applicable Scope 3 categories, e.g. business travel, employee commuting or purchased goods and services.
Disclose GHG emissions for the assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. In addition to WACI, consider providing other carbon footprinting metrics believed to be useful for decision-making.[1]	• GENUI publishes an annual ESG Report with information on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, pre and post climate contribution projects, for GENUI and its investments, as well as the WACI. • Additionally, GENUI provides analyses of the carbon footprint by investment theme, per FTE and total energy consumption incl. the share of renewable energy usage.
Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	• GENUI's objective is to create long-term value by balancing attractive financial returns with social and ecological impact. As part of this objective, and over the course of establishing GENUI II, we set ourselves the goal to encourage all our portfolio companies to measure, reduce and contribute for their carbon footprint during our ownership, thereby accelerating the transition to a more environmentally sustainable economy. Our nine GENUI II portfolio companies have accounted for their respective carbon footprint by selected certified climate contribution projects. • In 2022, GENUI has committed to set science-based targets through the Science Based Targets initiative (SBTi), which were approved in 2023. We also encourage our portfolio companies to follow suit.

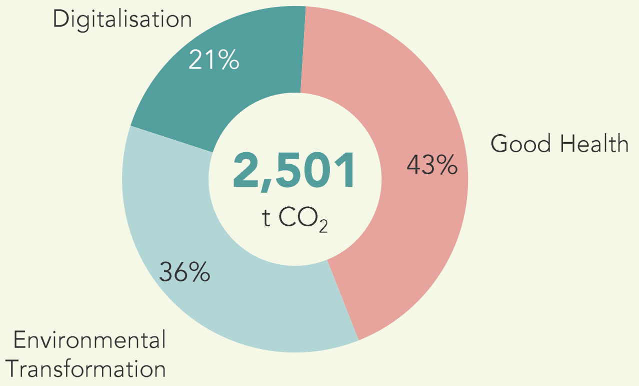
Note: Based on TCFD's implementation recommendations as of October 2021. 1) Based on TCFD's supplemental implementation recommendations for Asset Managers as of October 2021.

GENUI II 2022 year-end environmental figures

A successful transition to a carbon neutral economy is crucial for safeguarding our ecology, society and economy in the long-run.

GENUI is supporting this transition by encouraging our portfolio companies to reduce their negative environmental footprint. While our top priority is to save emissions, we also recognise the need to contribute for unavoidable emissions. Therefore, we work with recognised and certified providers, such as CAP_2, to achieve this goal.

Footprint by investment theme[1]



1) Scope 1 and 2.

CO_2 emissions & footprint

9/9
portfolio companies compensated for all carbon emissions

9,304
t CO_2 compensated by all portfolio companies

4.2
t CO_2 footprint per FTE

~6.0
t CO2e/ €million

Weighted Average Carbon Intensity (WACI): Carbon intensity per unit of revenue (t CO_2e/€m) of portfolio companies

At GENUI we contribute for our unavoidable carbon footprint through the cancellation of CO_2 emissions entitlement certificates (emission allowances) using CAP_2 as one of the leading German providers.

In the sustainability assessment of potential investments, we prioritise the topics identified by the SASB as particularly material regarding the respective industry. We also carry out impact analyses using IMP's five dimensions of impact. We are a member of the EDCI seeking to standardise ESG metrics and provide a mechanism for comparative reporting.

GENUI

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