

GENUI

Operating Principles for Impact Management Disclosure Statement

— 2022/23 —

Operating Principles for Impact Management Disclosure Statement

- On April 12, 2019, the International Finance Corporation, together with a core group of external stakeholders, launched the Operating Principles for Impact Management. The objective of this effort is to establish a common discipline and market consensus around the management of investments for impact.
- GENUI GmbH (the “Signatory”, the “Manager”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”, February 2019, June 2021 updated version).
- This Disclosure Statement applies to the following assets (the “Covered Assets”):
 - GENUI II GmbH & Co. geschl. InvKG (“GENUI II”)
- The total assets under management¹ in alignment with the Impact Principles is US\$ 1,090 million as of December 31, 2022.

Signed:

Name of Institution: GENUI GmbH

Authorised Representative: Dr Max Odefey

Title: Managing Director

Date: March 31, 2023

Strategic Intent (I/II)

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and the investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Incorporation in GENUI investment process

- Over the course of establishing GENUI II, we set ourselves the goal to encourage our portfolio companies to contribute accelerating the transition to a more sustainable economy and society. Certified as a B Corp ourselves, GENUI's strategic sustainability objective is to achieve positive and measurable social or environmental effects. Focusing on the German speaking region GENUI invests in three themes focusing on businesses that contribute to advancing what GENUI regards as among society's central tasks: good health, digitalisation and environmental transformation. Further, GENUI supports leading sustainability initiatives and principles (e.g. UN PRI, UN GC, GIIN, Bundesinitiative Impact Investing) promoting engagement and advocacy for a transition towards net zero.
- Within those three investment themes GENUI's objective is to pursue alignment of its investments with the United Nations Sustainable Development Goals focusing on SDG 3 (Good Health), SDG 5 (Gender Equality), SDG 12 (Responsible Production and Consumption) and SDG 13 (Climate Action).
- To achieve those impact objectives GENUI has set quantitative and qualitative goals as outlined in the [GENUI Sustainable Investing Framework](#) and monitored via the GENUI ESG Reporting KPI Set¹ with results made transparent in [GENUI's annual ESG reports](#) publicly available on the GENUI website.

Note: 1) For details on GENUI ESG Reporting KPI Set please refer to page 42 of the [GENUI II Annual ESG Report](#).

Strategic Intent (II/II)

Principle 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Incorporation in GENUI investment process

- Both at GENUI management company level and at the portfolio companies, GENUI encourages initiatives for achieving tangible environmental, social and governance (ESG) outcomes. GENUI encourages that ESG responsible persons at portfolio companies are nominated at least at C-level. Core objectives include (i) achieving carbon footprint measurement, reduction and compensation of the unavoidable footprint, (ii) realising equal pay and increasing gender diversity in management board and (iii) implementing robust governance mechanisms and policies during GENUI's ownership. Initiatives are consistently tracked through a continuous dialogue with portfolio companies and monitored and reported based on the GENUI ESG Reporting KPI Set.
- GENUI invests in companies with neutral to positive external societal impact and/or with significant potential additionality. A quantitative and qualitative measurement of the individual investments' social impact is carried out on an annual basis by an independent specialist social impact advisory firm. The quantitative methodology to derive a social impact KPI (net value to society) is based on available evidence from third-party academic research which translates the social outcomes into economic terms representative for the business model or sector of each portfolio company. The qualitative impact analysis approach aligns with norms established by the Impact Management Project framework (IMP). To monitor impact on a portfolio level, the impact evaluation is aggregated as part of the assessment.¹
- As part of the annual employee review GENUI conducts anonymised 360° feedback, which forms the basis for the employees' feedback, performance and compensation reviews. This also takes into account an individual's contribution to ESG value creation and management of ESG risks across the portfolio. Further, GENUI encourages its portfolio companies to conduct a 360° employee feedback.

Note: 1) For details on methodology and approach please refer to page 41 of the [GENUI II Annual ESG Report](#).

Origination & Structuring (I/III)

Principle 3

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Incorporation in GENUI investment process

- GENUI advises portfolio companies with the expertise of the investment team and GENUI's network of entrepreneurs in their roles as Entrepreneur Board members: The GENUI Entrepreneurs¹ offer portfolio companies their advice in a non-executive role, including on how to promote "great" cultures and achieve significant growth and operational improvements. The involvement of the GENUI Entrepreneurs who have driven to live Good Entrepreneurship lends specific credibility to GENUI's objective of being a "good home" for businesses.
- Further, GENUI's dedicated ESG team brings to the table the technical advice, knowledge sharing on regulatory surroundings, industry standards and initiatives promoting the portfolio companies' ESG activities, accompanied by specialised external ESG and social impact consultancies.
- For each investment, an annual impact assessment includes the evaluation of GENUI's advice on the achievement of impact, including to what extent GENUI encourages management to adopt of higher environmental, social and governance standards during its ownership. When investing the GENUI funds/capital (financial additionality) GENUI strives to invest only in management teams that share our values and ESG approach manifested via the investment documentation.
- In addition to the performance measurement through the GENUI ESG Reporting KPI Set, GENUI's impact analysis approach aligns with norms established by the Impact Management Project (IMP) and IRIS+ framework of the Global Impact Investing Network (GIIN). Additionally, GENUI uses a conservative approach to estimate the value to society created by select portfolio companies.²

Note: 1) The investment team is supported by exceptional entrepreneurs, successful business leaders and investors with deep industry or functional expertise and unique access to networks in a variety of sectors and industries. 2) For details on methodology and approach please refer to page 41 of the [GENUI II Annual ESG Report](#).

Origination & Structuring (II/III)

Principle 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Incorporation in GENUI investment process

- GENUI focuses on businesses in the German speaking region from its strategic investment themes (see Principle 1) and has defined a list of exclusion criteria for certain industries (e.g. arms, tobacco, gambling etc.) and will not invest in companies from the fossil gas and nuclear energy sectors or suspected of unethical or illegal business practices. As part of the investment evaluation in the pre-deal phase, GENUI together with external consultancy firms conducts a due diligence on ESG-related risks and opportunities applying the SASB Materiality Map which visually reveals how general sustainability issues manifest across industries.
- Starting 2021, the due diligence also comprises a high-level assessment of the most material positive and negative externalities related to ESG factors (including socio-economic factors and a high-level climate-related risk scenario analysis in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines). It is GENUI's strategic objective that each investment contributes to people and planet by at least (i) becoming carbon neutral (CO₂e footprint = 0) and set-up a carbon balance assessment (in accordance with GHG protocol) incl. definition of adequate reduction measures, (ii) achieving equal pay (gender pay gap = 0), and (iii) promoting diversity in management board. Risks and objectives of achieving the expected impact are therefore continuously monitored via the GENUI ESG Reporting KPI Set starting right after investment.¹

Note: 1) For portfolio case studies, methodology and approach please refer to the [GENUI II Annual ESG Report](#).

Origination & Structuring (III/III)

Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Incorporation in GENUI investment process

- In alignment with the EU's Sustainable Finance Disclosure Regulation (SFDR), as amended from time to time, sustainability risk management is embedded in the way GENUI seeks to originate investments, make investment decisions and in ongoing portfolio management.
- GENUI commissions external due diligence assessments of principal adverse sustainability impacts¹ by an independent specialist sustainability consulting firm. Where due diligence uncovers material problem areas, GENUI assesses whether these can be successfully mitigated during GENUI's ownership, and if so, management devises a corresponding action plan. If not, this will constitute a reason for GENUI not to invest in the company.
- Pre-transaction, GENUI seeks buy-in from management to implement (i) ESG objectives incl. monitoring and reporting according to the GENUI ESG Reporting KPI Set, as reflected in transaction documentation, and (ii) identified ESG actions post-transaction.
- At portfolio company advisory board level (Entrepreneurs Board), progress is reviewed at least annually, and management identifies improvement actions for the subsequent period, including those required to address potential gaps in ESG systems, processes and standards (to assess potential ESG gaps GENUI adheres to the SASB Materiality Map).
- To ensure that ESG risks and potential negative effects of an investment can be effectively monitored, management implements adequate disclosure channels and monitoring frameworks at the portfolio companies, including: Robust compliance policies and mechanisms; dedicated ESG responsible person(s) to monitor ongoing compliance with ESG-related guidelines; whistleblower and grievance procedures; and the ESG incident reporting process.²

Portfolio Management

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Incorporation in GENUI investment process

- Quantitative measurement of the investments' social impact¹ is conducted based on third-party research and is complemented by a qualitative evaluation of impact using the Impact Management Project's (IMP) five dimensions of impact². Both the annual quantitative and qualitative measurement and assessment (incl. an evaluation of the limitations of the applied methodologies) are carried out right after investment by an independent specialist advisory firm based on portfolio data provided by GENUI and its portfolio companies. GENUI has engaged an external assurance and verification company, to provide independent assurance of the social impact KPI (net value to society, in €m) for selected GENUI II portfolio companies on an annual basis.
- ESG initiatives are consistently tracked across the portfolio by the GENUI ESG team based on the GENUI ESG Reporting KPI Set accessible to portfolio companies via a third-party ESG software and made transparent in the GENUI's annual ESG report publicly available on the GENUI website. The usage of a dedicated ESG software improves the data collection process and data quality (audit trail) while allowing customised surveys, independent analysis and a standardised approach in comparing and editing the information provided by portfolio companies.³
- While the GENUI ESG team maintains a dialogue with each of the portfolio's ESG teams, wider knowledge sharing and exchange is also provided via the bi-annual ESG portfolio roundtable. At portfolio company advisory board level (Entrepreneurs Board), progress is reviewed at least annually, and management identifies improvement actions for the subsequent period.

Notes: 1) For details on methodology and approach please refer to page 41 of the [GENUI II Annual ESG Report](#). 2) Please refer to [The Impact Management Project \(IMP\)](#) to help enterprises and investors identify the stakeholders they affect. 3) For portfolio case studies, methodology and approach please refer to the [GENUI II Annual ESG Report](#).

Impact at Exit (I/II)

Principle 7

Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Incorporation in GENUI investment process

- The impact achieved on positive climate action, gender equality and social impact at a portfolio company during GENUI's ownership should 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 reputation and track record with respect to ESG matters
 - Whether the investor is committed to principles of responsible investing
 - Investor's plans for the portfolio company with regard to ESG factors and achieved impact

Impact at Exit (II/II)

Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Incorporation in GENUI investment process

- The GENUI ESG Reporting KPI Set serves as a basis for reviewing the performance of each investment with regards to the achievement of expected, i.e. targeted impact, with results made transparent in GENUI's annual ESG reports publicly available on the GENUI website. This includes an assessment of whether core ESG objectives such as climate action and measures to promote gender equality (see Principles 1 & 2) have been realised, and whether the positive social impact expected (see Principle 6) has been achieved. The annual ESG report is shared with the portfolio companies' management and ESG teams and discussed in the ESG Portfolio Roundtable, a forum for exchange of best practices and feedback on processes and initiatives.
- GENUI regularly reviews the GENUI Sustainable Investing Framework to improve operational and strategic investment decisions as well as management processes, and to identify new ESG initiatives and KPIs.
- With this in mind, GENUI has established the GENUI LP Sustainability Council, an advisory body comprising selected GENUI investors' ESG representatives, that comes together on a semi-annual basis to discuss potential improvement measures and industry best practice. Further, GENUI shares experiences and lessons learned via industry working groups or participating in relevant panel discussions and events.

Independent Verification

Principle 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

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

Incorporation in GENUI investment process

- We place strong emphasis on measurement and transparent reporting. This disclosure document constitutes our public disclosure of alignment with the Operating Principles for Impact Management.
- GENUI discloses the social impact calculations and assessment in the annual ESG reports (net value to society in €m, including a summary of the estimated social impact for the period covered by the report). The quantitative measurement of the individual investments' social impact is carried out by independent specialist advisory firm Value for Good GmbH.
- GENUI has engaged ERM CVS, an external assurance and verification company, to provide independent assurance of the social impact KPI (net value to society, in €m) for selected GENUI II portfolio companies for the reporting period ending 2022, December 31, as disclosed in the [2022 GENUI II ESG Report](#). Further, GENUI has engaged ERM CVS to provide limited assurance of the alignment of GENUI's impact management system for the reporting period 2022, January 1 to December 31, as summarised in this Disclosure Statement, with the Operating Principles for Impact Management (February 2019, June 2021 updated version).
- ERM UK CVS issues an assurance report on the basis of the engagement agreed with GENUI GmbH. The assurance engagement has been performed for the purpose of the GENUI GmbH and the report is solely intended to inform GENUI GmbH as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions. ERM CVS' independent Assurance Statement related to this assurance engagement is available [here](#).
- The next publicly available limited assurance engagement is planned for March 2024.

GENUI

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