

No consideration of Principal Adverse Impacts (“PAIs”)

The Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019) requires Genesis Capital Growth to make a “comply or explain” decision whether to consider the principal adverse impacts (“PAIs”) of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR. PAIs are described as impacts that result, or might result, in negative effects on sustainability factors, such as social and employee matters, respect for human rights, anti-corruption or anti-bribery matters.

GCG has decided not to comply with that SFDR regime. As such, GCG is required to publish and maintain on our website a statement to explain our reasons for not complying with the PAI regime in SFDR.

1. GCG has carefully evaluated the requirements of the PAI regime in Article 4 SFDR.
2. GCG is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors, and the market, as to how financial market participants integrate consideration of the adverse impacts of their investment decisions on sustainability factors. However, considering GCG’s size and investment focus – high growth potential small and medium sized business, we decided not to comply with the specific regime in the SFDR at this point in time. Very few if any small or medium sized companies in our focus areas currently address or monitor all the mandatory PAI or have the capacity to do so. In addition, there are currently limited tools available for cost-effective implementation of a proper monitoring regime.
3. GCG has started collecting information on some PAI metrics in 2023 for the reporting year 2022. Due to their size, our portfolio companies are not obliged to report ESG data. While all the portfolio companies have provided requested PAI data and information, the accuracy of the information has not been validated and cannot be guaranteed. As such, GCG cannot ensure that the information will meet the necessary standards outlined in Article 4 of the SFDR in terms of completeness and quality.
4. GCG will keep its decision not to comply with the PAI regime under regular review and reserves the right to change its position in the future.

Despite GCG’s decision not to comply with the PAI regime and as part of its overall commitment to ESG matters, GCG is monitoring and reporting on several sustainability related indicators and encouraging sustainability motivated initiatives at its portfolio companies, as reported in GCG’s ESG Report for 2022 available [online](#).

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