

ESG REPORT 2022



Genesis Capital
Growth Equity Funds





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Genesis Capital
Growth Equity Funds

SENIOR LEADERSHIP STATEMENT

Dear readers,

I am pleased to present Genesis Capital Growth's first Environmental, Social and Governance (ESG) report. This report serves as a resource for our stakeholders and presents our ESG approach, key developments in our fund and portfolio companies and related ESG performance.

As private equity managers responsible for managing investments in a diverse range of portfolio companies, we acknowledge the impact our decisions have on both financial returns and the broader environment. Environmental, Social, and Governance considerations are central to our mission and integral to our long-term success.

Genesis Capital Growth currently advises the first fund Genesis Growth Equity Fund I, which was established to support high-growth companies primarily in the Czech Republic and Slovakia, but also other markets in Central Europe. As our portfolio companies are primarily SMEs without dedicated ESG teams and processes, we need to take the initiative and be practical in implementation of ESG principles.

We help our investee companies to efficiently use the invested capital supporting growth and operational excellence and to improve their competitive position by expanding into new products and markets, grow productivity and strengthen their core competencies. Ultimately, integral part of our efforts is also integration of ESG standards into all our investment analyses and processes as well as promoting sustainable and responsible activities of our portfolio companies. This should result in stronger companies that deliver robust returns over the long-term and contribute to the overall economic growth.

At the heart of our commitment to ESG is the recognition that responsible investing is not an ordinary checkbox, but a fiduciary duty. ESG is clearly an increasingly important risk management tool as investing in a sustainable manner can substantially mitigate various investment risks. Also, we understand that sustainable and ethical practices are not only compatible with healthy financial performance but are necessary to it.

In conclusion, we recognize that ESG considerations are integral to our core mission of delivering value to our investors. We pledge to uphold these principles and promote responsible, sustainable investing in every component of our work.

Jiří Beneš
Managing Partner





ORGANISATION OVERVIEW

About Us

Genesis Capital Growth mandate is to support smaller and mid-size companies primarily in the Czech Republic and Slovakia. We currently advise one fund, the Genesis Growth Equity Fund I (“GGEF I”). The Fund is focused on investments into SMEs with a significant growth potential in the Czech Republic, Slovakia and neighbouring EU countries.

Team



Jiří Beneš – Managing Partner

Jiří is Managing Partner at Genesis Capital Growth, responsible for ESG agenda at GCG partner level, supporting the acting ESG Officer.

Prior to establishing Genesis Capital Growth together with Radim and Marek, Jiří was Partner with 3TS Capital Partners, a leading growth capital investor operating across the CEE region. Before that he worked for Corporate Finance team at PwC focusing on TMT sectors and also covered CEE equity markets in London as an Equity Analyst for Deutsche Morgan Grenfell / Deutsche Bank.

Jiří has more than 20 years of private equity experience, served as a Board Member at a number of portfolio companies and currently acts as President and Chairman of the Board of Czech Private Equity and Venture Capital Association.



Marek Hoščálek – Partner

Marek has been with Genesis Capital since 2001. Prior to that, he spent ten years in various Czech financial institutions, where he was involved in several private equity, M&A and corporate restructuring transactions. While with HSBC Investment Bank, he advised the fifth-largest Czech bank in its sale to GE Capital. Marek also worked for the restructuring agency managed jointly by Latona Europe and Lazard Brothers, where he advised one of the top three Czech steel producers in its successful composition settlement with creditors. Marek holds an M.Sc. in mathematics from Charles University, Prague.



Radim Jasek – Partner

Radim has been working as a private equity manager since 2001 when he, together with Marek Hoščálek and Jan Tauber, took over non-performing PE fund named Czech and Slovak Private Equity Fund. Then with the same team, Radim raised and managed GPEF I which laid foundation to the current family of Genesis Private Equity funds.

In 2015 Radim led the team building a private equity vehicle at ČEZ - Czech energy conglomerate – focused specifically on investments in new energy (cleantech and renewable resources). Before joining Jiří and Marek to establish GCG he worked as a restructuring manager at a nonperforming portfolio company of Genesis Private Equity Fund II.



ORGANISATION OVERVIEW (CONTINUED)

Our mission and our focus

At the heart of our mission lies the goal of delivering attractive returns on invested capital to our valued investors. We help the companies we invest in to effectively use the capital provided to accelerate growth, increase operational efficiency or improve competitiveness.

Our investment focus is on the sector of manufacturing companies with significant added value, engineering companies with sophisticated manufacturing programs, companies with technologically advanced products and services, business models based on digitalization, new energy technologies, B2B and B2C services companies.

The types of transactions are usually growth investments, corporate buyouts or recapitalizations.

GGEF I

Currently, we advise one active fund - the Genesis Growth Equity Fund I (GGEF I), totalling EUR 40 million. The fund typically invests individual amounts ranging between EUR 2-4 million. The maximum amount invested into a single project is EUR 6 million.





GGEF I was established in November 2019, with the invaluable support of prominent European institutional investors, including the European Investment Fund (EIF), the insurance companies Kooperativa, Česká podnikatelská pojišťovna and VIG RE zajišťovna (Vienna Insurance Group), Komerční banka Private Equity (Amundi Czech Republic), the financial group RSJ and the Czech family investment company SPM Capital. In 2020, GGEF I's investors were joined by Sirius Investments SICAV, a fund of funds. We appreciate the trust of these experienced and reputable partners.





ORGANISATION OVERVIEW (CONTINUED)

Our current Portfolio

Company	Country	Sector	Year of investment	No. of employees
	Czech Republic	Programmatic internet advertising	2020	24
	Czech Republic	Professional home health care	2020	42
	Czech Republic	Electronics manufacturing	2022	128
	Czech Republic	Custom manufacturing of industrial products	2022	64



ORGANISATION OVERVIEW (CONTINUED)

Highlights of 2022 in GCG

- Over the course of 2022, GGEFI successfully closed two transactions: HC electronics in March and JP-PROLAK in October.
- In April 2022, GCG became formally a signatory of the United Nations-backed Principles for Responsible Investment (UN PRI). GCG has been applying ESG practices in entire investment process and decision making in GGEFI since its inception in 2019. However, we believe that the adoption of formalised principles will lead to better and more systematic approach to ESG topics.
- Mr. Ondřej Pernica was appointed to become GCG's ESG Officer on a part-time basis (i.e. besides other duties at GCG). Oversight of ESG agenda is guaranteed by Mr. Jiří Beneš, managing partner of GCG.
- Operations of GCG and its fund's portfolio companies have not been directly impacted by the Russian invasion in Ukraine. However, challenging macroeconomic conditions and market sentiments have influenced the transaction deal pipeline (business owners often became reluctant with respect to potential transactions, certain potential targets came under stress from rising energy prices, etc.) and prospects of businesses across European economies in general.
- Management and shareholders of R2B2, a GGEFI's portfolio company, decided to contribute financially to support humanitarian aid in Ukraine after the Russian invasion. This effort was supported by GCG, and further funds were contributed by GCG directly.



INVESTMENT AND STEWARDSHIP POLICY OVERVIEW, INCLUDING ESG ISSUES AND CLIMATE RISKS

Responsible investment

At Genesis Capital Growth, a responsible investment approach has always been deeply ingrained in our culture. Our primary focus is on supporting reputable companies that conduct business ethically, aligning with environmental, social, and governance principles. We are committed to enhancing the competencies of our portfolio companies in these aspects, firmly believing that fostering a responsible approach to business not only generates value for our investors but also serves the best interests of all entities, individuals, and communities that engage with us in any way.

Throughout our investment endeavours, we uphold the highest standards of ethics and professionalism. Our commitment to fairness and integrity is an essential pillar that guides all aspects of the investment process. We firmly believe that our principled approach will be recognized and valued by all parties involved in our shared investment journey.





INVESTMENT AND STEWARDSHIP POLICY OVERVIEW, INCLUDING ESG ISSUES AND CLIMATE RISKS (CONTINUED)

UN PRI

We seek to invest in sound companies operating in ethical ways and in line with the United Nations' (UN's) Principles of Responsible Investment (PRI). The UN PRI's goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

We recognize that sustainable business practices are essential not only for the well-being of our planet and society but also for fostering long-term value for our investors. For this reason, we have decided to join the commitment and become a signatory to the Principles for Responsible Investment promoted by the United Nations („UN PRI“). With this voluntary commitment, GCG joins a global network of asset managers adhering to the Principles, incorporating environmental, social responsibility and corporate governance issues into investment decision-making and portfolio management practices.

As signatories of UN PRI, we are committed to the following principles when investing:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.



INVESTMENT AND STEWARDSHIP POLICY OVERVIEW, INCLUDING ESG ISSUES AND CLIMATE RISKS (CONTINUED)

ESG in the company

As a stable partner to management teams and businesses, we support the integration and growth of ESG capabilities within our portfolio companies. Our firm believes that promoting responsible business practices not only generates value for all stakeholders involved but also fosters stronger growth.

To stay in line with these transformative developments, our company embraces the EU's Sustainable Finance package, which includes the introduction of the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR). By adhering to these regulations, we demonstrate our dedication to responsible and sustainable practices while actively contributing to the EU's broader mission of fostering sustainable finance and ensuring a greener, more sustainable future.

SFDR Compliance

GGEF I does not promote environmental or social characteristics and does not have as its objective sustainable investment (classified as Article 6 fund).

While GCG does apply its proprietary ESG due diligence criteria on potential investee companies, principal adverse impacts ("PAI") of investment decisions on sustainability factors are not considered at neither company nor fund level. The fund targets small and medium sized companies that often have with very lean management structure and do not have the resources to systematically monitor adverse impacts on sustainability factors. GCG is currently reviewing its due diligence processes and assessing potential effects of including PAI considerations into its investment process and in its portfolio companies.

Responsible investment process

Throughout our investment activities, we uphold ethical and professional standards. We firmly believe that our equitable and just approach to investments will be embraced and valued by all parties engaged in the investment process. By fostering an environment of trust and fairness, we aim to cultivate strong and long-lasting partnerships that contribute to the success and prosperity of all stakeholders involved.



INVESTMENT AND STEWARDSHIP POLICY OVERVIEW, INCLUDING ESG ISSUES AND CLIMATE RISKS (CONTINUED)

Pre-investment phase	Active ownership phase	Exit
<p>Selection of Investment Opportunities: EBRD Environmental Social Exclusion List and EIF Restricted Sectors</p> <p>Assessment of potential investments: GCG ESG Risk Management Evaluation</p> <p>Investment decision: ESG assessment, action plan</p>	<p>Supervisory Board Memberships</p> <p>Portfolio Management</p> <p>Investment monitoring: GCG ESG questionnaire</p> <p>Annual reporting</p>	<p>Identification of added value due to ESG</p> <p>Ensuring continuous ESG performance</p>

Pre-investment phase

Selection of investment opportunities: GCG adheres to the EBRD (European Bank for Reconstruction and Development) Environmental Social (E&S) Exclusion List and EIF (European Investment Fund) Guidelines on the EIF Restricted Sectors. Investment opportunities restricted under these documents or otherwise contravene the content of the Policy are not considered, even if economic prospects might be attractive.

Assessment of potential investments: GCG assesses ESG-related risks and identifies ESG-related opportunities before and during due diligence. This assessment is carried out using the GCG ESG Risk Management Evaluation, which has three components: E&S Risk Screening, E&S Risk Assessment and Decision and ESG Risk Control. The extent of due diligence activities is adapted to what is deemed material and appropriate for each potential investment. In case internal resources are not sufficient to assess potential risks (such as in cases of potential environmental issues), external advisors are engaged.

Investment decisions: Documents supporting decision making within GCG (Deal Alerts, Deal Qualifying Memorandums) include a standardised ESG assessment, based on the results identified in the completed GCG ESG Risk Management Evaluation and an assessment of potential ESG related risks and value creation opportunities. Furthermore, if material ESG risks have been identified, a mitigation plan is established and discussed with managers of potential portfolio companies.



INVESTMENT AND STEWARDSHIP POLICY OVERVIEW, INCLUDING ESG ISSUES AND CLIMATE RISKS (CONTINUED)

Active Ownership phase

Supervisory Boards Memberships: Shareholding agreements of funds advised by GCG include, where applicable, provisions to implement ESG-related measures throughout the governance structures, to encourage the setting of ESG agenda topics where appropriate and influence ESG-related decisions.

Portfolio management and identification/revision of material topics: GCG takes a proactive approach to portfolio management. Where material ESG risks have been identified and action plans established prior to investment, GCG works with managements of portfolio companies to execute the action plans. GCG also continually engages with representatives of portfolio companies to reach a mutual understanding on ESG matters material to every individual company.

Investment monitoring and continuous support: Annual monitoring of ESG management is conducted with the use of the GCG ESG questionnaire focused on ESG issues relevant for each individual company. Throughout the holding period, GCG encourages portfolio companies to grow and improve with a vision of long-term sustainability and benefit of multiple stakeholders. Mitigation of ESG-related risks and utilisation of ESG-related value creation opportunities are among other important considerations for companies in GCG's fund's portfolios.

Reporting: To encourage accountability and improvement in key ESG areas, GCG seeks to include ESG-related issues into reports of portfolio companies. The format of the reporting may vary among written reports and verbal informal reports.

Exit

Added value and ongoing ESG performance GCG aims to create sustainable value in its portfolio by promoting financial return for shareholders as well as the business' long-term success. Depending on the length of investment, portfolio companies will be able to present financial and/or non-financial added value resulting from the application of an ESG strategy. GCG will furthermore strive to ensure mitigation of risks to an investment's business after its exit by preferably seeking investors who will ensure companies leaving the GCG portfolio will continue to drive performance with consideration for material ESG issues.



MANAGER SELECTION, APPOINTMENT, AND MONITORING

Governance structure

GCG investment professionals are responsible for ensuring that ESG related issues are considered in their activities throughout the investment process and the investment committee will include ESG considerations into the decision making and approval process.

Investment Committee

The four-member investment committee, comprising the three founding partners of GCG and one external member (Mr. Ondřej Vičar, managing partner of Genesis Capital Equity), plays a pivotal role in ensuring that ESG factors are conscientiously incorporated into decision-making on fund level.

To establish clear responsibilities with regard to ESG related issues, an ESG Officer (the “**ESG Officer**”) has been appointed. The acting ESG Officer (part-time) is Mr. Ondřej Pernica with Mr. Jiří Beneš being responsible for the ESG topics at GCG partner level. The ESG Officer drives the knowledge sharing of ESG issues within the GCG organization, is responsible for further development of ESG issues at GCG and acts as primary contact person to the investment professionals for ESG related questions. GCG management acknowledges that consideration of ESG issues requires top-down support and is committed to provide any support needed. This includes among others the creation of a favourable environment for ESG considerations, promoting awareness and knowledge, making available the required resources, and implementing ESG related incentive structures where appropriate.

PORTFOLIO ESG REPORTING DISCLOSURE – COMPANY OVERVIEW



R2B2

Business focus	High Impact Climate Sector	Markets served
Programmatic advertising services	No	EU and non-EU
No. of employees	Sustainability Ratings and Certification	Internal policies
24	ISO 9001	Remuneration Policy

Key initiatives (climate change targets, renewable energy, etc.)

Incentive based benefit scheme.

Part time employment contracts offered to parents with small children or other life plans.

Philanthropic giving to a major humanitarian and social aid organisation in the Czech Republic.

CEO insight

We do try to reduce our carbon footprint where we can: Our managers do not have company cars, which is otherwise a common benefit. We intentionally avoid air travel and rely on online communication for contact with our business partners in other countries and overseas. Furthermore, our servers, the most energy-hungry part of our business, are outsourced to a data centre manager that has sourced certified green energy since 2022.

GCG input

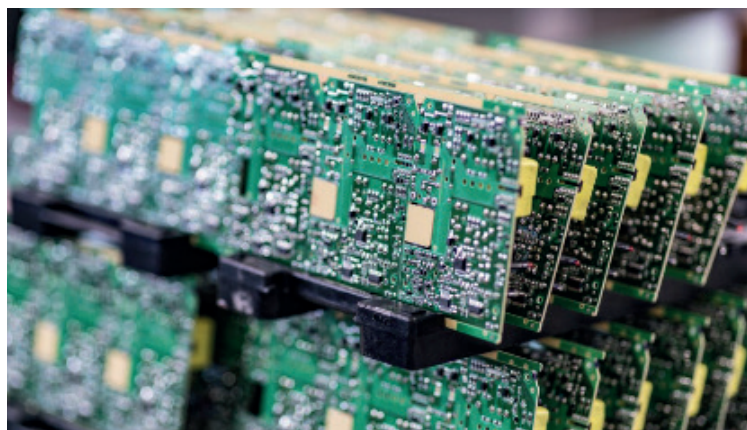
At R2B2 GGEF I faced a succession situation where two founders were selling majority of their stakes. Two managers from within the company were promoted to CEO and CTO roles, followed by the addition of a new CFO. With this, the Fund took the opportunity to introduce more diversity into the leadership team and implement standard reporting and governance.

We were impressed with the technical expertise of R2B2 employees, which is invaluable when servicing their online publishing clients, but also with the company’s open and transparent culture, which we aim to develop further with employee additions, considering among other things also gender and diversity factors.

PORTFOLIO ESG REPORTING DISCLOSURE – COMPANY OVERVIEW (CONTINUED)



HC electronics



Business focus Electronics manufacturing services	High Impact Climate Sector Yes	Markets served EU and non-EU
No. of employees 128	Sustainability Ratings and Certification ISO 9001 Ecovadis rating (2021)	Internal policies Energy and water efficiency instructions. HR Policy / Code of conduct. CSR Policy. Environmental Policy Health & Safety Policy.

Key initiatives (climate change targets, renewable energy, etc.)

Installing own PV generation of 94 kWp, to be in place in 2024).

Rainwater management (retention tanks).

Regular employee training and professional development.

CEO insight

The company has its approach to ESG described and formalised at the company strategy level and we regularly update our goals. For 2023, we have set ourselves the job of creating an equal pay control mechanism that will be used on an annual basis to assess any potential irregularities. Our activities are, however, broader in scope. We are installing a rooftop PV system, manage our environmental impact with due care, promote employee development and adequate remuneration.

Last, though by no means least, we insist on and train our employees to treat all our stakeholders with the utmost respect, including our suppliers, neighbours, or competitors.

GCG input

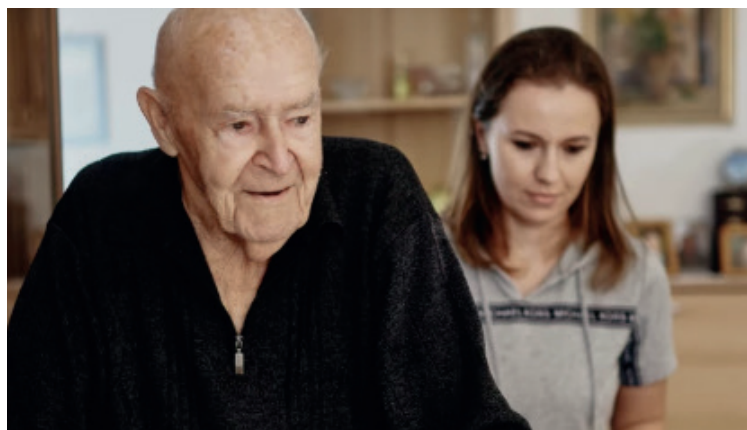
At HC electronics two out of five founders were retiring (and selling their shareholdings in the company to GGEF I). Two managers from inside the company were promoted and GCG initiated the addition of a CFO (leading implementation of reporting and governance standards), with the view of using this opportunity to increase the diversity of the board.

We are certain that improvements in reporting, accounting, and overall governance standards together with bringing diversity to the top management team will have positive impact on both value creation and the long-term sustainability of the company.

PORTFOLIO ESG REPORTING DISCLOSURE – COMPANY OVERVIEW (CONTINUED)



Léčíme vás doma
HEMOCARE HOLDING



Homecare Holding

Business focus	High Impact Climate Sector	Markets served
Healthcare	No	Czech Republic
No. of employees	Sustainability Ratings and Certification	Internal policies
42	-	Code of Conduct. Employee benefits scheme. Fair remuneration policy. Hazardous waste treatment policy.

Key initiatives (climate change targets, renewable energy, etc.)

Energy efficiency guidelines.

Hazardous waste handling guidelines.

CEO insight

We strive for a healthy organizational culture, promoting teamwork, fairness, transparency, and open communication.

We emphasize regular training and increasing of qualification of all employees: With respect to professional qualification as well as general working skills.

Digitalisation initiatives concluded during 2022, mean increased efficiency and transparency in almost every aspect of our company's operations, but also a great step towards the „paperless world“: We estimate our consumption of paper will decrease by up to two tonnes annually.

Efficient operations management results in a gradual reduction of average mileage per client visit and thus reduced carbon footprint. We aim to reduce our footprint further by switching to electric vehicles in the mid to long-term.

GCG input

A major redesign of governance standards and improvement in overall company culture were among the key strategic initiatives set at the beginning of GCG's investment. Focusing on these areas has demonstrably contributed to improvements in both operating and financial indicators and serves as a case in point in how good ESG practices lead to value creation.

PORTFOLIO ESG REPORTING DISCLOSURE – COMPANY OVERVIEW (CONTINUED)

JP - PROLAK

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JP - PROLAK

Business focus	High Impact Climate Sector	Markets served
Industrial Manufacturing	Yes	Czech Republic
No. of employees	Sustainability Ratings and Certification	Internal policies
64	ISO 9001:2016 ISO 9001:2015	<p>ESH&E Policy (drafted and assessed regularly by an external company specialized in providing on-site ESH Coordinator and comprehensive workplace safety services and training).</p> <p>Remuneration Policy.</p> <p>A comprehensive set of internal guidelines and policies for full compliance with laws and regulations in the areas of worker safety, handling of hazardous substances, air pollution and waste management.</p>

Key initiatives (climate change targets, renewable energy, etc.)

Modern, energy efficient production technologies acquired with assistance of EU funds.

CEO insight

JP - PROLAK proactively and responsibly manages all its legal compliance obligations in the areas of environmental protection and employee safety, specifically in waste management, air pollution and handling of hazardous chemicals.

We value employee loyalty and have a system of employee benefits in place to maintain our position as an employer of choice in our region.

GCG input

In JP - PROLAK we saw a typical example of a successful family-owned business: Using modern technologies, building quality products, and experiencing growth while being managed mostly spontaneously by its founder. We believe that improvements in governance and reporting standards and bringing diversity to the top management levels will have positive impacts on both near-term value creation and long-term sustainability of the company.

REPORTING DISCLOSURE ON ESG PORTFOLIO

Key indicators

We currently do not consider the PAI indicators in the investment management process. To be able to do, however, in the future, we have started collecting data on the core mandatory PAI. Our reporting is per company and not aggregated for GCG as an entity or GGEF (product level). This may change as we invest further.

	R2B2	HC electronics	Homecare Holding	JP - PROLAK	Comment
Taxonomy eligible	No	No	No	No	
High Impact Climate Sector	No	Yes	No	Yes	
Selected principle adverse impacts					
GHG Emissions*	Not calculated	Not calculated	Not calculated	Not calculated	
Share of non-renewable energy consumption	94,54%	94,54%	94,54%	94,54%	As per the Czech energy mix in 2022*
Energy consumption intensity per high impact climate sector	N/A	0,05	N/A	0,1	
Activities negatively affecting biodiversity sensitive areas	None	None	None	None	
Emissions to water	None	None	None	None	
Hazardous waste	None	1,47 t	0,05 t	7,71 t	

REPORTING DISCLOSURE ON ESG PORTFOLIO (CONTINUED)

		R2B2	HC electronics	Homecare Holding	JP - PROLAK	Comment
Unadjusted gender pay gap		Not monitored	Monitoring to be implemented in 2023/24	Not monitored	Not monitored	
Board gender diversity	Ratio of females among board members	0%	0%	100%	0%	Small companies with narrow BoDs. Females represented at C-level in each company.
Exposure to controversial weapons	Companies involved in the manufacture or selling of controversial weapons	No	No	No	No	
ESG metrics tracked by the ESG Data Convergence Initiative						
Work-related injuries	Injuries	0	1	1	2	
	Fatalities	0	0	0	0	
	Days lost due to injury	0	0	0	10	
New net hires	New hires	0	26	39	0	
	Turnover	11%	14%	47%	6,5%	Turnover in Homecare Holding in 2022 was strongly influenced by a deeper transformation of the company and is expected to decrease significantly in the upcoming periods.

REPORTING DISCLOSURE ON ESG PORTFOLIO (CONTINUED)

		R2B2	HC electronics	Homecare Holding	JP - PROLAK	Comment
Employee engagement	Employee survey Y/N	No	Yes	Yes	No	
Proxy indicators (in place of indicators related to UN Global Compact or OECD Guidelines on Multinational Enterprises)						
Anti-corruption policy		No	Yes	Yes	No	
Breach of law		None	None	None	None	
Fines		None	None	None	None	
Mechanism for employees to raise concerns		No	No	Yes	No	
Complaints from people in the vicinity of company sites		None	None	None	None	
Monitoring impact on customers and end-users		No	No	Yes	No	

*<https://www.ote-cr.cz/cs/statistika/zbytkovy-energeticky-mix>

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises are not actively monitored. All our investee companies are SMEs with limited resources to actively monitor such compliance. Nonetheless, we monitor any breach of law, fines and other non-compliance as well as any adverse impacts on employees or communities in the vicinity of our investee companies.



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