

ESG Report 2022



Genesis Capital

Private Equity Funds

Genesis Capital Equity's (GCE's) 2022 annual report, provides an overview of our ESG activities and the progress made by our portfolio companies.

The report is structured as follows:

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Foreword from managing partner

Dear readers,

Last year marked a significant milestone for us as we released our inaugural ESG report, formalizing our commitment to the sustainability of our investee companies and our organization. Throughout the year we have continued to improve operational integration and communication of sustainability topics with our portfolio companies, aiming to raise awareness of sustainability topics and their positive impact on businesses.

Given the nature of our portfolio companies, primarily small to medium-sized enterprises often lacking dedicated ESG teams and infrastructure, we strongly advocate for a proactive and practical approach to ESG integration.

This approach allows us to effectively address ESG considerations while remaining responsive to the specific needs and circumstances of our portfolio companies.

Looking ahead, in 2023 we plan to launch a pilot program to track scope 1 and 2 emissions across selected portfolio companies, with the intention to subsequently apply the methodology across our entire portfolio. We see this as a natural step forward in our commitment to mitigation of the negative environmental impact of our businesses.

In this report, we highlight our ESG implementation approach and provide an overview of the developments in our funds. The primary objective of this ESG report is to offer a higher level of transparency regarding how we manage ESG factors, both at the firm and investment levels. We take pride in continuously evolving our responsible investment framework.

Thank you for your continued support and enjoy the reading.



Ondřej Vičar
Managing Partner

Genesis Capital Equity at a glance

GCE seeks out investment opportunities in dynamic small and medium-sized companies with high-growth potential operating in the Czech Republic, Slovakia, Poland, Hungary, and Austria. Since our foundation in 1999, we have managed six private equity funds with a cumulative size of over €300 million, or 7 billion Czech crowns.

We have supported the growth and development of over 60 companies, covering a range of diverse sectors and businesses. Many of the supported companies became business leaders in their respective segments, also thanks to their cooperation with GCE. Investors in Genesis funds are international financial institutions and investment firms.

Key GPEF III and GPEF IV investors include KB Private Equity (IKS KB), the European Investment Fund, SPM Invest, Alpha Associates, eQ Private Equity, Česká podnikatelská pojišťovna, Raiffeisen IS, Sirius IS, Kooperativa pojišťovna, Amundi IS, Česká spořitelna, RSJ Investments, INVL, and the European Bank for Reconstruction and Development (EBRD).

€300+
million

Total funds committed since establishment.

60+

Companies supported

€150
million

Size of active fund GPEF IV

8
portfolio companies

As of 12/2022

6,000+

Employees in portfolio companies

€1.3
billion

Portfolio revenue generated

Developments in our funds

At the end of 2022, we were operating two active funds: Genesis Private Equity Fund III (GPEF III) and Genesis Private Equity Fund IV (GPEF IV). GPEF III had reached the late fund stage and closed for new investments in the middle of 2021.

Throughout 2022, the funds' focus was add-on investments and preparation of exit strategies. During 2022, GPEF III successfully completed the exit process for one of its portfolio companies.

Fundraising of the new fund, GPEF IV, was successfully finalised in June 2022 attracting commitments from a number of renowned institutional investors and it reached its hard cap of €150 million.

GPEF IV focuses on situations where successful founders are considering suitable successors, or are looking for capital to grow their businesses, expand internationally or invest in innovations. Additionally, the fund addresses situations where multinational groups are searching for a suitable partner to divest their non-core business units.

In 2022 GPEF IV completed two new investments.



Provider of comprehensive engineering and technical building services

GPEF III and Avallon MBO Fund II sold their majority ownership stake in Stangl Technik Holding to SPIE, the independent European leader in multi-technical services.

Stangl Technik was acquired via a successful carve-out from a European corporate group specializing in the electrification of networks.

An experienced long-standing management team, which had led the Polish and Czech entity since their establishment in 2010, became minority shareholders and played an indispensable role in the successful transition into an independent company with a stable client base and culture of continuous improvement.

During the four-year period, Stangl Technik Holding reaffirmed its position among a few leading companies in the Czech and Polish markets.

Stangl Technik successfully navigated through a turbulent period with continuously improving profitability. The same management team stays in the company and expects further growth alongside the new owner.





Czech developer and producer of seats for passenger trains

GPEF IV has joined forces with a fund advised by Integral Venture Partners to acquire a majority ownership stake of BORCAD cz s.r.o., an innovative producer of train seats and interior equipment for passenger trains based in Fryčovice, Czech Republic.

Founded in 1990 by Mr. Ivan Boruta as a design and development studio, BORCAD has evolved into a leading European provider of railway seats.

The company offers a comprehensive range of seats for personal carriages, including standard seats for regional trains and luxury, fully electrically operated seats for long-distance trains.

With a history spanning over 30 years, BORCAD has manufactured nearly 500,000 seats for customers in 24 countries worldwide.

Renowned for its unique design and original construction solutions, BORCAD stands as one of the most innovative companies in the industry.



European supplier and manufacturer of garden machinery and equipment

GPEF IV has acquired a minority shareholding in Hecht Motors s.r.o., a central European supplier and manufacturer of garden machinery and equipment.

Genesis Capital has partnered with Jan Kovačka and Rudolf Runštuk, the company's founders, to drive regional expansion and to enter new markets.

Since its establishment in 1994, the Hecht Motors group has become the largest supplier of garden equipment in the Czech Republic and Slovakia, with annual sales surpassing 130,000 mowers.

The management team at Hecht has a clear vision for the coming years, aiming to solidify the company's position in core markets (Czechia, Slovakia, Hungary, and Poland) and expand into new markets with significant growth potential.

SPM Invest, Czech investment group, joined GPEF IV as a minority co-investor in the transaction.



Active portfolio

At the end of 2022, there were six active businesses in GPEF III, and two new businesses were invested in by fund GPEF IV during the year.

GPEF III	Core markets	Number of employees	Main business activity
	Czech Republic	195	Specialised parts producer for energy, petrochemical and transportation industries.
	Hungary, Slovakia	43	Trampoline parks and indoor playgrounds operator
	Czech Republic	952	Business process outsourcing, activities of call centres
	Czech Republic, Slovakia	1 315	Provider of comprehensive catering services for industrial companies
	Czech Republic, Slovakia	2 800	Leading electronics retail and e-commerce
	Poland, United States, Canada, Denmark, Sweden, Norway, India	342	Multilingual data management solutions
GPEF IV	Core markets	Number of employees	Main business activity
	Germany, Czech Republic	197	Developer and producer of passenger train seats
	Czech Republic, Slovakia, Hungary, Poland	690	Specialized supplier of garden machinery

Portfolio ESG highlights

Investment

Commentary



The main goals for the year were defined as reducing the company's CO₂ footprint and implementing energy efficiency initiatives. To achieve this, the company optimized its factory layout, modernized machinery, and fully optimized the usage of metallic chips recycling. In 2023, Sanborn plans to install solar panels, further advancing its commitment to sustainable energy sources.



In 2022, the company made significant strides in reducing energy consumption by implementing an energy-saving assessment model across all jump parks. Despite facing substantial increases in electricity and heating prices, the company successfully maintained customer satisfaction while achieving an average reduction of 40% in energy consumption at its Hungarian entertainment centers. The company also took decisive action to eliminate plastic materials from canteens and buffets, replacing them with cutlery made solely from recycled or recyclable materials. Looking ahead to 2023, the company has several ongoing initiatives. It is actively developing new heating-cooling systems for Budapest parks. Additionally, a lighting system refurbishment is currently underway at Cyberjump Győr, with the goal of achieving a 20% reduction in energy consumption.



In 2022, the company launched the re-krabicka project, which aimed to eliminate single-use packaging. Despite challenges in the supply chain, the company took various steps to address rising fuel costs, labor shortages among suppliers, and inflationary pressures. Delivery routes, frequency, and timing were optimized, and minimum order quantities were established to maximize delivery efficiency.

Several measures were implemented to reduce energy consumption, including the replacement of approximately 120 energy-intensive open refrigerators used for supplementary sales with closed and more energy-efficient units.



In 2022, HPT concentrated on the gradual implementation of the ESG targets, as outlined in its 2021 ESG report, the first one in HPT's existence. The Company initiated a pilot project to construct a photovoltaic power plant on the roof of their warehouse in Planá nad Lužnicí. The project is anticipated to be completed in 2023, resulting in an estimated annual emission savings of around 295 tons. HPT also made significant efforts to identify the primary sources of energy consumption within the company, leading to cooling, heating, and lighting optimizations in selected stores. The implementation of optimization measures is currently underway across all stores. Moreover, the Company actively expanded waste separation practices throughout its operations. Sorted waste is responsibly handled, whether it is recycled for material use, composted, or utilized for energy generation.

Portfolio ESG highlights

Investment

Commentary

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The company implemented various initiatives to improve the remote work environment, such as virtual fitness training sessions and engagement activities, as well as mental wellness resource sharing and awareness sessions. Additionally, the company held annual in-person get-togethers in different office locations, promoting team building and reinforcing the company's commitment to fostering a supportive workplace culture.

BORCAD[®]

As part of the commitment to energy efficiency, Borcad has made significant investments in projects aimed at reducing the environmental impact. In 2022, Borcad successfully launched a photovoltaic project, utilizing solar energy in its operations. Additionally, the company has prioritized the replacement of classical fluorescent lamps with more energy-efficient LED lighting throughout its facilities. Looking ahead, Borcad is considering the implementation of a cogeneration unit in 2023.

HECHT[®]
made for garden

Hecht is a leading company in the Czech Republic for registered battery-powered vehicles for road use. The product portfolio offers a diverse range of battery-powered garden and workshop products. Throughout the year, Hecht implemented a remote system to track energy consumption in all their retail stores. This initiative resulted in significant reductions in energy usage. The company also prioritized optimizing logistics and incorporated reusable packaging materials.

OUR ESG APPROACH and Commitments

Mission and ESG philosophy

Our mission is to invest in and support the building of successful companies, creating long-term value and generating superior returns for our investors. However, we also acknowledge our responsibility towards stakeholders and society in general.

We strive to act in a sustainable and socially responsible manner, and we use our shareholder position to influence our portfolio companies to do the same.

We are committed to integrating ESG-related issues into our activities to the extent that is reasonably practical under the relevant circumstances, while preserving the commercial focus.

This means that we take environmental, social, and governance factors into account when evaluating investment opportunities and managing our portfolio companies, in order to align their activities with our sustainability goals.

We fully support the UN's Sustainable Development Goals (SDGs) as well as the conclusions stemming from the Paris Agreement regarding the need to limit global warming.

As a stable partner of management teams and businesses, we support the implementation and development of ESG capabilities and initiatives of our portfolio companies.

We believe that promoting responsible business conduct creates value for all stakeholders and communities we cooperate with.



We are a signatory of the UN's Principles of Responsible Investment (PRI) and adhere to their core principles.



As a member of the Czech Venture Capital Association, we also adhere to Invest Europe's Code of Conduct through which we commit to "the collective observance of high standards of integrity and just and equitable principles of trade and investment."

ESG Policy

Our ESG policy defines the procedures that we have applied to incorporate the management of ESG issues into operations.

In addition to our ESG Policy, there are several other formal policies which Genesis funds adhere to, as stipulated in their respective Limited Partnership Agreements and investor side-letters (EIF, EBRD, etc.) that relate mainly to environmental and CSR principles.

Legislation compliance

We recognise the necessity of adhering to legislative changes in the EU that are emerging as the international focus on ESG issues grows. As a consequence of scientific developments and international agreements, the EU has agreed to a new sustainable policy roadmap – the EU Green Deal – and subsequently applied legislative changes in order to support its commitments of decoupling growth from natural resources and becoming the first climate-neutral continent.

In terms of its Sustainable Finance package, the EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR) were introduced. GCE's website offers details on our SFDR disclosure as well as a brief overview of our ESG Policy, which can also be found in this report.

Responsible investment process

At GCE, we conduct comprehensive assessments of ESG-related issues throughout the entire investment cycle. Individual assessment and defined ESG goals are tailored to the GCE's role in the portfolio company, size, nature, and industry of the business.

Pre-investment phase

Selection of investments

Besides complying with Limited Partnership Agreements and investor side-letters stipulating the basic criteria of our investments, we are committed to complying with EBRD and EIF Guidelines. Investment opportunities that are restricted under these documents or contravene the content of the Policy are not considered, even if their economic prospects might be attractive.

Investment assessment

Team of investment professionals of GCE assesses ESG-related risks and identifies ESG-related opportunities during the due diligence phase. The extent of due diligence activities is adapted to what is deemed material and appropriate for each potential investment.

Investment decision

The Final Deal Qualifying Memorandum of GCE includes a standardised ESG assessment based on the results identified in the completed GCE ESG Risk Management Evaluation and assessment of potential ESG related risks and value creation opportunities.

Active Ownership phase

Supervisory board membership

Investment agreements of funds advised by GCE, where applicable, include 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

Where material ESG risks have been identified a set of valid Key Performance Indicators (KPIs) is set to enable regular monitoring and evaluation in this field.

Annual reporting

Annual monitoring of ESG management is conducted with the use of the GCE ESG questionnaire. Throughout the holding period, GCE encourages portfolio companies to grow and improve with a view to long-term sustainability.

Responsible exits

Added value and ongoing ESG performance

GCE 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.



Partners

GCE is owned and managed by its partners, who are a highly experienced team of professionals responsible for providing the strategic direction of our business.

Collectively, they are in charge of coordinating GCE's activities, including managing investments and fundraising, as well as providing support for our investment team

Governance structure

GCE top management provides support on ESG issues and acknowledges its responsibility to ensure an overview of all strategic decision-making in this area, promotes awareness and provides all required resources.

We have also appointed an ESG Officer, Jiří Kolísko, who is responsible for knowledge sharing and development of ESG issues within the organisation.

Radan Hanzl is responsible for ESG topic management on the GCE partner level. All GCE investment professionals are required to ensure consideration of ESG issues throughout the whole investment process. See GCE's Responsible Investment Process section for more information.



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