



ESG Report 2021



Genesis Capital
Private Equity Funds



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Foreword

Dear readers,

I am proud to introduce Genesis Capital Equity's (GCE's) first Environmental, Social and Governance (ESG) report, where we lay out our action plan to address ESG issues relevant to our business. Responsible investing has always been important to us but changing times have made it necessary to formally state our ESG strategy and principles and begin to report annually on our progress.

We live in a time when not only our portfolio companies, but all businesses, are subject to risks stemming from the effects of climate change, current social issues such as the COVID-19 pandemic and the war in Ukraine, as well as broader ESG topics such as diversity and human rights.

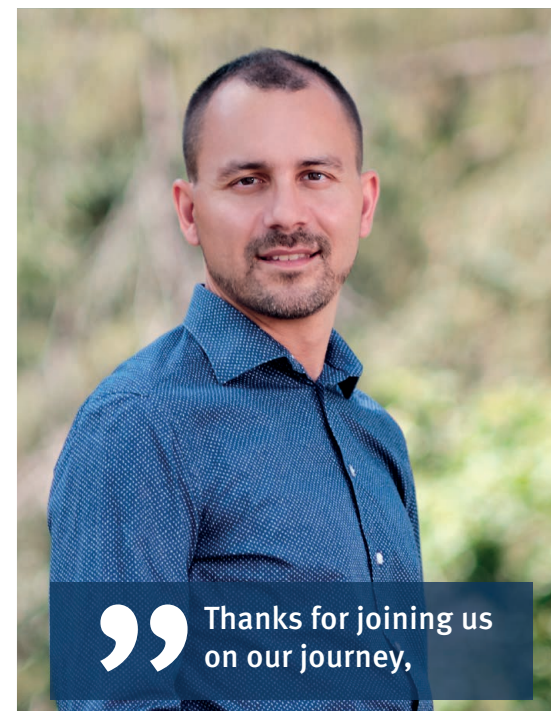
The pressure to act on these issues is coming from a wide range of stakeholders: investors, regulators, employees, and international organisations, as well as from our portfolio companies.

As a private equity firm with 16 employees, we feel that our main impact lies in our ability to engage not only in active, but proactive ownership of our portfolio companies. These companies collectively have thousands of employees, operate in diverse industries, and conduct their business in several geographies.

We will aim to help them set and achieve the kinds of bold ESG goals that are required to address the urgent challenges of our times.

In 2021 we officially set up our first ESG Policy including our Responsible Investment Process to establish our response to a growing international movement towards transparent management of a wide range of sustainability issues. With dedicated ESG experts in our team, we carefully select our portfolio companies according to strict criteria and then monitor their ESG performance during our phase of active ownership.

Here we present some of the steps our portfolio companies have already taken to be more environmentally and socially conscious – and compliant – with the hope that we will continue to help them build on these achievements in the coming years.

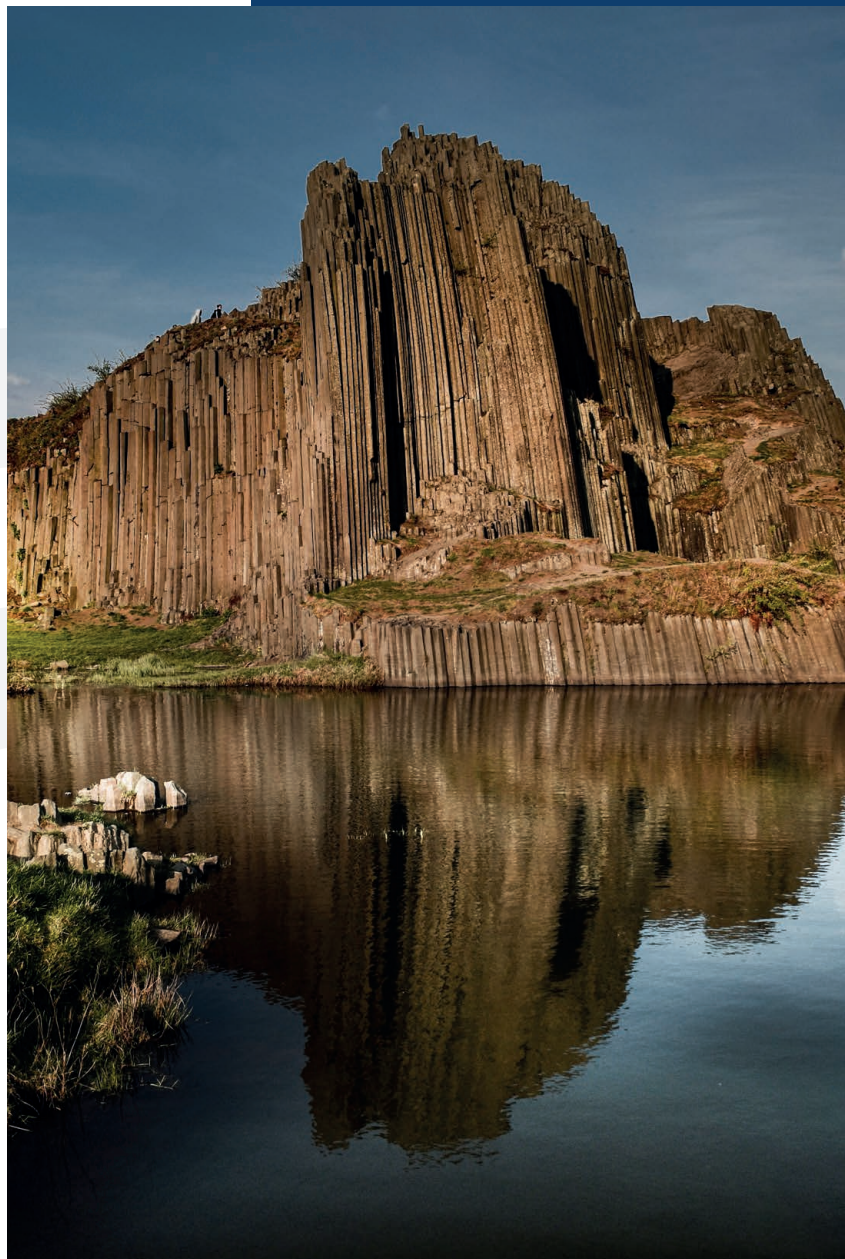


Ondřej Vičar
Managing Partner

About this report

This is GCE's first report providing an overview of our ESG activities.

We plan to report annually to enhance our accountability in ESG management.



We begin with an introductory chapter covering the profile of our company, overview of our fund and key portfolio data as well as our acknowledgement of recent developments in European legislation that resulted in the current Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR).

We follow up with a description of our Responsible Investment Approach. The final chapter provides insight into our portfolio companies and their ESG highlights.

This report covers Genesis Capital Equity s.r.o. and does not report corresponding information for Genesis Capital Growth s.r.o. as these operate as separate entities and their activities in terms of ESG management might differ.

About Genesis Capital Equity

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.

€320+ million

Total funds committed since establishment

60+

Companies supported

€150 million

Size of active fund GPEF IV

7 portfolio companies

As of 12/2021

5,900+

of employees in portfolio companies

€1.12 billion

Portfolio revenue generated

Investors in Genesis funds are international financial institutions and investment firms. Key GPEF III and GPEF IV investors include KB Private Equity (IKS KB), 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).

Our mission

GCE's mission is to invest in and support the building of successful companies, to create long-term value and to generate superior returns for investors of the funds we advise.

At the same time, GCE acknowledges its responsibility towards stakeholders and society in general to act in a sustainable and socially responsible manner, and to use its shareholder position to influence its portfolio companies to do the same.

Therefore, while preserving the commercial focus, GCE commits to integrating ESG-related issues into its activities to the extent reasonably practical under the relevant circumstances.



Developments in our funds

At the end of 2021 we operated two active funds - **Genesis Private Equity Fund III (GPEF III)** and **Genesis Private Equity Fund IV (GPEF IV)**. GPEF III has already been closed for new investments since the middle of 2021 with a focus on add-on investments and all our portfolio firms that are mentioned in this report are part of the investment fund GPEF III established in 2015, with a size of €82 million.

Fundraising of the new fund, GPEF IV, was successfully finalised in June 2022 and it reached its maximum hard cap of €150 million. GPEF IV focuses on situations where successful founders are considering suitable successors, are looking for capital to grow their businesses, expand internationally or invest in innovations.

GPEF IV also looks to invest in cases where multinational groups divest their non-core business units and search for a suitable partner.

The fund invests across a wide range of industries, but with preference for sectors where Genesis Capital funds have had a strong historical track record.

These include B2B services, light and medium manufacturing, IT services and specialised retail/e-commerce and consumer-oriented services.



Active portfolio

At the end of 2021, there were seven active businesses in GPEF III. Any relevant portfolio ESG data for GPEF IV will be available and reported for the year 2022 based on the investment pace.

Company	Core markets	Number of employees	Main business activity
	Czech Republic	196	Specialised parts producer - machining (turning, milling, grinding and drilling)
	Czech Republic, Poland	371	Technical building systems - heating, cooling, ventilation, plumbing, BMS, heavy current, low voltage systems
	Hungary, Slovakia	24	Operating trampoline parks and indoor play-grounds
	Czech Republic	1498	Business process outsourcing, activities of call centres
	Czech Republic, Slovakia	1500	Provider of catering services for industrial companies
	Czech Republic, Slovakia	2039	Electronics retail and e-commerce
	Poland, United States, Canada, Denmark, Sweden, Norway, India	285	Language Solutions

2021 Exits



R&D and regulatory services for the pharmaceutical, biotechnology and generic drug industries

QUINTA-ANALYTICA is strongly focused on sustainability, innovation and social impact. Efforts of the company were awarded an EcoVadis bronze medal relating to environmental, labour & human rights and sustainable impact. In August 2020, the company opened a new laboratory with the highest standards relating to energy efficiency, quality of work and safety for its employees. Improved processes due to R&D have led to more efficient testing of samples, which is one of the major parts of its business.

GPEF III sold its ownership stake in QUINTA-ANALYTICA to a portfolio company of BBA Capital Partners (BBA). During its six-year partnership with Genesis Capital, QUINTA-ANALYTICA expanded its portfolio of services provided, diversified its client portfolio, and continued to expand not only into Europe but also North America. In 2021, the company was on track to reach revenues of €16 million with over two hundred highly qualified professionals.

The entry of GPEF III into QUINTA-ANALYTICA in 2016 was an example of a successful generational succession. GPEF III acquired the majority stake and supported the company's growth strategy. Its key element was strengthening of the company's management, whose members also became minority shareholders alongside GPEF III.



Software engineering & IT consulting

GPEF III sold its shareholding to Ciklum, a global product engineering and digital services company with the plan to facilitate ambitious growth in the Central and Eastern European (CEE) and German-speaking (DACH) markets.

CN Group was acquired by Genesis Capital from the founders in 2019 in a succession-driven Management Buyout. Over the last 2.5 years, Genesis Capital, together with the management team led by Michal Širica, has achieved outstanding levels of revenue and profitability, increasing both severalfold.

The company underwent an intense journey of dynamic development, transforming from a founder-based business into a modern and well-diversified IT organisation.



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, promote 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 they consider ESG issues throughout the whole investment process. See GCE's Responsible Investment Process section for more information.

Partners

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

Collectively, they are in charge of the coordination of GCE's activities, including the management of investing and fundraising as well as providing support for our investment team.





Jan Tauber - Chairman

Jan founded the company in 1999 and was instrumental in fundraising and managing funds CSPEF, GPEF I, GPEF II and GPEF III. He has been Chairman of investment committees since GCE's foundation. He is currently responsible for general management and investor relations.



Martin Viliš - Partner

Martin is responsible for deal origination, evaluation, due diligence and execution of investments and supervision of portfolio companies and is a member of the GPEF IV investment Committee. With his extensive experience in structured finance, he is also responsible for external debt financing and relationships with external debt and capital providers.



Ondřej Vičar - Managing Partner

Ondřej has been a member of investment committees since 2012 and a Managing partner since 2020. His main responsibilities include strategic development, team management and HR, investors and public relations and VC associations, as well as current and past responsibilities in the investment area - transaction sourcing, investments execution, portfolio companies' supervision and exits.



Pavel Kvíčala - Legal Partner

Pavel oversees and manages legal matters on the investments of Genesis Private Equity Funds. His main responsibilities are coordination of other suppliers of legal advisory services to the funds and management of legal aspects of transactions (structuring, negotiations, and acquisition transaction documentation).



Radan Hanzl - Partner

Radan is a co-founder of several of GPEF's latest funds and a member of investment committees since 2009. Radan led and co-led dozens of investments and exits. His responsibilities include investor relations, fundraising and GCE finance, as well as current and past responsibilities in the investment area - transaction sourcing, investments execution, portfolio companies' supervision and exits. He is also responsible for ESG topic management on the GCE partner level.

Our approach to ESG issues

ESG philosophy

A responsible approach to investing has always been inherent to GCE's culture. 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). 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.

Compliance with EU legislation

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.

ESG Policy

Our [ESG Policy](#) was developed as a reaction to the changes in the international environment and subsequent changes in EU legislation. It describes the procedures that we have applied to incorporate the management of ESG issues into operations.

On a practical level, we monitor that the basic principles and conditions for ensuring the relevant UNSDGs are in place in our portfolio investment companies.

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.



Responsible investing initiatives



UN-Supported Principles of Responsible Investment (PRI)

We are a signatory of the UN's Principles of Responsible Investment (PRI) and adhere to their core principles. See our Responsible Investment Process to get an overview of how we uphold its six principles in our operations as well as in our relationship with our portfolio companies.

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

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In order to adhere to the internal procedures of PRI, Genesis Capital Equity and Genesis Growth Equity are registered under joint application and will report on the application of ESG progress together.



Invest Europe Code of Conduct

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.”

Responsible Investment Process

At GCE, we assess ESG-related issues throughout the entire investment cycle. Individual assessments are tailored to the size, nature, and market of the business.

Others might depend on GCE's role in the portfolio company (for example majority/minority shareholder, board representation, etc.), resulting in limited influence under some circumstances.

Our formalized approach to responsible investing was formulated in 2021 and therefore, companies under GPEF III were not acquired under its conditions.

Nevertheless, GCE started incorporating new ESG practices in the active ownership phase and cooperated with all portfolio companies to establish the new process of ESG management and monitoring.

GCE Investment Process



Pre-investment phase

Selection of investment opportunities

Our funds adhere to Limited Partnership Agreements and investor side-letters that stipulate the basic criteria of our investments. Specifically, we are committed to comply with the European Bank for Reconstruction and Development (EBRD) Environmental Social (E&S) Exclusion List and European Investment Fund (EIF) Guidelines on the EIF Restricted Sectors. Investment opportunities restricted under these documents or that otherwise contravene the content of the Policy are not considered, even if economic prospects might be attractive.

Assessment of potential investments

Team of investment professionals of GCE assess ESG-related risks and identify 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. In case internal resources are not sufficient to assess potential risks, external advisors are engaged.

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 and identification/revision of material topics

GCE takes a proactive approach to portfolio management. Where material ESG risks have been identified and action plans have been established pre-investment, GCE works with the management of portfolio companies to execute the action plans. GCE also continually engages with representatives of portfolio companies to reach a mutual understanding on ESG matters. Additionally, a set of valid Key Performance Indicators (KPIs) is set to enable regular monitoring and evaluation in this field .

Investment monitoring and continuous support

Annual monitoring of ESG management is conducted with the use of the GCE ESG questionnaire focused on ESG issues material to every individual company. Throughout the holding period, GCE encourages portfolio companies to grow and improve with a view to long-term sustainability and to the benefit of multiple stakeholders, and to mitigate ESG-related risks and utilise ESG-related value creation opportunities.

Reporting

To encourage accountability and improvement in key ESG areas, GCE seeks to include ESG-related issues into reporting from portfolio companies on an annual basis. Furthermore, GCE is transparent in its own approach to incorporating ESG considerations by regularly reporting on its progress. The format of the reporting may vary among written reports and verbal informal reports.



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.



Portfolio ESG Performance

We believe in close cooperation with portfolio companies that will drive their long-term performance as well as the prosperity of society. We plan to strengthen the ESG performance of our portfolio companies in the coming years by assisting them in the formulation of appropriate ESG goals based on their individual material topics and definition of appropriate Key Performance Indicators (KPIs) that will support monitoring and progress.

To assist us in assessing the ESG performance of our portfolio companies, we use a questionnaire in which they can report on key indicators. Our goal therein is to help them identify and manage risks related to climate change and other social and environmental issues. The following case studies depict some of the highlights from this year's questionnaire.

ESG Highlights of 2021

According to our ESG questionnaire, we have found that most of our portfolio companies:



Use an ISO management system such as ISO 9001, ISO 14001 and ISO 27001



Implement energy efficiency initiatives such as LED lighting, efficient heating/cooling of office spaces and energy-efficient machinery



Work primarily with local or European suppliers



Regularly interact with stakeholders



Offer training and other benefits for employees

A photograph of a snowy mountain peak at sunrise. A wooden cross stands on the summit, with the sun rising behind it, creating a lens flare. The sky is a mix of blue and orange, and the foreground is covered in snow.

Case studies

Below we present selected case studies from our active portfolio and include their key ESG achievements from 2021 that serve as a starting point in their ESG journey.



Leading omnichannel retailer of electronics and home appliances



Primary brands	Datart, ETA, Euronics
Core markets	Czech Republic and Slovakia
Headquarters	Zlín, Czech Republic
Total number of employees	2,039

ESG Highlights

Operational efficiency

- Measures to reduce operational footprint especially in areas of transportation, energy savings, and electronic devices recycling.
- Semi-automated central distribution centre in Jirny, Czech Republic (30,000 sqm) was opened in 2018 and reduced transportation of goods between warehouses and stores resulting in notable CO₂ savings.
- In November 2021, a new fully automatic packaging line was installed in the central distribution centre in Jirny, making packaging twenty times faster and allowing for waste minimization by producing tailor-made fit-to-size boxes that optimise the consumption of cardboard as well as use of fillers. Its installation was the first of its kind in the Czech Republic.

Energy efficiency

- Installation of LED lights at all retail stores of Datart in the Czech Republic and Slovak Republic in progress, with more than half completed.
- Improvement of energy efficiency of small household appliances under its own brand Eta.

Philanthropy

- The Datart for People program is intended for non-profit organisations that can apply for financial support for the implementation of their projects via the Datart social responsibility website.

Manufacturer of specialised parts for generators and turbines with a global reach



Primary products and services	Components for generators and turbines, energy companies, heating plants and diesel engine manufacturer
Core markets	Global exports
Headquarters	Velké Meziříčí, Czech Republic
Total number of employees	197

ESG Highlights

Recycling

- The main material used for production is steel, a durable and highly recyclable material; 100% of the 656t of waste Sanborn produced in 2021 – mostly chips from machining operations – was recycled.
- Sanborn operations cover a share of its steel and plastic demand (20%) by purchasing recycled materia

Energy efficiency

- Sanborn uses innovative engineering technology, state-of-the-art manufacturing facilities, measuring instruments and test equipment to ensure the highest quality levels.
- Sanborn is certified with ISO 9001, ISO 14001, AD 2000 and PED 2014/68/EU, meaning they uphold strict quality processes in manufacturing and apply environmental management in their operations.
- Sanborn investment activities are environmentally focused; in the last three years, Sanborn realised many energy and resource efficiency projects and their mid-term plan includes significant investment in more efficient equipment and renewable energy sources (solar).
- All machinery acquisitions (eight machines in the last three years) are focused on energy efficiency.
- In 2021, Sanborn continued the process of replacing halogen lights with LED lights in their raw material warehouse (in 2019, LED lights were installed in production halls), and new installations are planned for 2022. Total annual savings in 2021 were approx. 200 MWh and 86t of CO₂ (coefficient 0,43 tCO₂/MWh for the Czech Republic).
- New efficient gas boilers were also implemented, and in combination with reducing temperatures at various working stations, a yearly savings in gas consumption of around 20% is anticipated.

End-to-end supplier of technical building systems and electronic security systems



Primary products services	Technical building systems (heating, cooling, ventilation, plumbing) and electronic security systems.
Core markets	Czech Republic and Poland
Headquarters	Prague, Czech Republic & Świdnica, Poland
Total number of employees	93 (Czech Republic) 239 (Poland) 39 (ST Security)

ESG Highlights

Carbon efficiency

- Stangl Technik provides its services to install new efficient technologies for heating, ventilation and air-conditioning, thus helping its customers to lower their carbon emissions.

Lifecycle approach

- Stangl Technik offers clients comprehensive services for the whole life cycle of buildings – from developing the initial draft of a system through its design, implementation, and service throughout its lifetime. When equipment reaches the end of its useful lifespan, the company offers customers refurbishing or disassembly and environmentally friendly disposal.

Quality management

- Stangl Technik Czech Republic operates in line with its integrated management system certified with ISO 9001, 14001 and 45001.
- ST Security holds a quality management system certificate according to the international standard ČSN EN ISO 9001: 2016, an environmental management system certificate ČSN EN ISO 14001: 2016 and a certificate for their information security management system ČSN EN ISO / IEC 27001: 2014.

Recycled materials

- An estimated 25% of recycled materials are used in ST Security production – mainly the use of plastic and metal recyclates, including precious metals used in the manufacturing of electronics.

Electric cars to minimise security risks

- ST Security uses electric cars for service activities in high-security areas such as airports. In addition to being a low emission alternative, this also helps to minimise security risks during entry checks and saves time.

The largest contact centre provider in the Czech Republic



Primary brands	Wide range of BPO services, including complete customer care, new customer acquisition, lead generation and back-office services.
Core markets	Czech Republic
Headquarters	Prague, Czech Republic
Total number of employees	1,500

ESG Highlights

COVID-19 support

- During the COVID-19 pandemic, Conectart acted as a provider of business process outsourcing (call centre operator) engaged in COVID tracing and operation of a COVID info-line for the Czech government.

Energy efficiency

- Relocation to new rented premises with refurbished energy-saving air conditioning and lighting systems.

Helping senior citizens

- Tens of millions of Czech crowns annually are being taken from senior citizens in the Czech Republic, when someone calls them impersonating their family members with a variety of fake stories to receive money. Conectart partnered with the Czech Police to launch a special project with a goal to eliminate these practices. A voice-bot is used to conduct targeted automatic calls to phone numbers of senior citizens and warn them about such fraudulent calls with an automated voice message from the Police.

Quality management

- Conectart is ISO 9001 a ISO 27001 and PCI DSS compliant.

SUMMA LINGUÆ

Innovative provider of a highly adaptable language and localisation solutions



Primary brands and products	Data Solutions, Localization, Managed Services
Core markets	Poland, United States, Canada, Denmark, Sweden, Norway, India
Headquarters	Kraków, Poland
Total number of employees	285

ESG Highlights

Flexible work

- Even after COVID-19 restrictions came to an end, employees were given the choice to work remotely. This has been beneficial for many employees, especially new mothers who might not have come back to work if they had to be present in the office, thereby helping to protect workplace diversity.

Intercultural training

- Summa Linguae offers its employees training with an external expert on how to understand/manage communication from different people in varying cultures.

Ergonomics

- Instead of storing unused chairs and other equipment in the office, they were provided to employees in their home offices to ensure that they can work in the most efficient manner possible. Noise cancellation headphones were also provided to multimedia teams to help them work effectively.

Wellness

- The company invested in monthly activities to engage the mind and body of employees, including quizzes, yoga sessions, and games which advocate teamwork, agility, and other values.

Contacts

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