



Responsible Investment Strategy

Beyond Capital Partners Fund III GmbH & Co. KG

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Table of contents

- Pre-ambel 3
- Integration of ESG Factors..... 5
- ESG along the Investment Cycle..... 7
 - Deal Sourcing..... 7
 - ESG Due Diligence 8
 - ESG Measurements 8
 - ESG Reporting & Controlling 9
- Stewardship..... 9
- Collaboration and Standards..... 10

Pre-ambel

In an ever-evolving world, where societal and environmental challenges continue to mount, the role of responsible investing has never been more vital. As the global community grapples with issues such as climate change, social inequality, and corporate governance, there is a growing recognition that the investment community has a profound impact on shaping the future.

Within the realm of private equity, where capital has the potential to catalyze transformative change, the concept of responsible investment has gained significant traction. Today, it is no longer sufficient for private equity funds to focus solely on financial returns. The pursuit of profits must be coupled with a commitment to sustainable and ethical practices that serve the best interests of all stakeholders.

This Responsible Investment Strategy, presented by Beyond Capital Partners GmbH, reflects the dedication of our fund to integrating environmental, social, and governance (ESG) considerations into our investment decision-making processes. We firmly believe that responsible investing is not just a moral imperative, but also a prudent approach to long-term value creation.

The development of this strategy has been a collaborative effort involving extensive research, engagement with industry experts, and an unwavering commitment to the UN principles of responsible investing (UN PRI). It sets out a framework that encompasses a range of responsible investment practices, tailored to the unique needs and aspirations of Beyond Capital Partners GmbH.

An essential part of our personal and professional understanding and values of doing good business and generating valuable returns is to participate in the sustainable development of our environment, our society and economy. In particular, but not conclusively, the following areas are close to our hearts:

- Good entrepreneurship
- Climate change mitigation
- Comprehensive and valuable education and support
- Diversity & Inclusion
- Well-being and mental health

As you delve into the pages that follow, you will discover a comprehensive approach to responsible investment, touching upon key pillars such as:

Integration of ESG Factors: We recognize the profound influence that environmental, social, and governance factors can have on the performance and resilience of our investments. We have embedded ESG considerations into our due diligence processes, investment decisions, and portfolio monitoring, ensuring that we are well-informed and proactive stewards of capital.

Responsible Investing: We actively seek opportunities to generate positive social and environmental impact alongside financial returns. Our fund seeks investments that align or support with the United Nations Sustainable Development Goals (SDGs) and contribute to building a more sustainable and inclusive future, even though sustainability is not the primary angle of the business models we invest in.

Active Ownership and Engagement: We understand that responsible investing extends beyond the initial investment stage. We embrace our role as active owners and engage with portfolio companies to promote responsible practices, encourage transparency, and foster long-term value creation.

Risk Management: We acknowledge that responsible investing is also about managing risk. By identifying and mitigating ESG-related risks within our portfolio, we aim to safeguard our investors' interests and protect the long-term sustainability of our investments.

At Beyond Capital Partners GmbH we firmly believe that the pursuit of financial returns should never come at the expense of our planet, our communities, or our shared values. This Responsible Investment Strategy serves as our compass, guiding our actions and shaping our investment decisions. By aligning financial goals with responsible practices, we strive to drive positive change and make a meaningful contribution to a more sustainable and equitable future.

It is with great pride that we present this Responsible Investment Strategy to our investors, partners, and the broader investment community. We invite you to join us on this transformative journey as we harness the power of capital to create a brighter, more sustainable world.

Integration of ESG Factors

The Fund adopts a thematic investment strategy to invest in a portfolio of owner-managed small and medium-sized enterprises ("SMEs") and growth businesses and seek to generate attractive returns primarily through equity and value-adding improvements. Beyond is a signatory to the United Nation's Principles of Responsible Investment (the "UN PRI") as well as of Level20 (a not-for-profit organisation founded with the aim of improving gender diversity in the private equity industry) and promotes environmental, social and governance ("ESG") characteristics. With the Beyond Capital Partners Fund III GmbH & Co. KG, Beyond Capital Partners decided to further strengthen the ESG focus of its investment strategy and classified the fund as SFDR Article 8+ fund, promoting ESG characteristics, but also investing 20% of its capital commitments into environmental and social sustainable business models.

The ESG characteristics promoted by the Fund include:

- promotion of good entrepreneurship by advising on the implementation of best governance and management practices and processes
- promotion of climate change mitigating actions with respect to Portfolio Companies
- promotion of diversity & inclusion across dimensions such as gender, age, culture, religion, and disability
- promotion of comprehensive and valuable education and support
- promotion of good health and well-being for its employees and customers

To act in accordance with our values and the ESG characteristics we are promoting, we committed ourselves to adopt and implement the UN-supported principles for responsible investing (PRI) and to promote the following SDGs (UN Sustainable Development Goals) by advising and supporting our investee companies on initiatives and measures, that positively influences the following goals:

- **SDG 3 Good Health & Wellbeing**
Beyond Capital Partners is committed to positively influence corporate well-being and mental health within its portfolio companies and to positively contribute to the well-being and mental health of society by sourcing, investing in, and developing companies that provide services or products which serve this Sustainable Development Goal.
- **SDG 4 Quality Education**
Beyond Capital Partners focuses on the further development of quality education within the portfolio companies by prioritizing and supporting the education, training, and development of their employees. Thereby, we help to address and mitigate today's challenges such as skilled labour shortage, social prosperity and child and youth poverty, linked to education, by positively impacting the society in which they operate, thereby contributing to an overall increase in valuable education and support.
- **SDG 8 Decent work and economic growth**
Strong governance structures are an integral part of good entrepreneurship and the basis for the sustainable growth of the companies in which we invest. We therefore attach great importance to the continuous development and implementation of

principles, guidelines, and risk frameworks for best practices to strengthen the resilience of our portfolio companies and help to overcome future challenges and ensure sustainable growth of our portfolio companies.

- **SDG 10 Reduced inequalities**

Beyond the boundaries of Beyond Capital Partners, we want to support Diversity, Equality & Inclusion in and with the companies we invest in, wherever possible. For this reason, we advise and follow-up on various Diversity, Equality, and Inclusion (DEI) measures in our portfolio companies. Furthermore, we exchange ideas with the portfolio companies on how they can leverage the benefits of increasing equality in all aspects, for employees and/ or customers, with the help of relevant DEI initiatives.

- **SDG 13 Climate action**

“Every drop in the ocean counts” (Yoko Ono) – although we invest in asset-light business models with no production sites, and relatively low carbon footprints, we believe that every drop counts.

In addition to our commitment to invest 10% of the committed capital in portfolio companies with an environmental business objective that supports climate change mitigation and adaptation, protection and restoration of biodiversity and ecosystems or the circular economy. We measure the carbon footprint of all of our portfolio companies of Beyond Capital Partners Fund III and actively support them in finding ways to reduce emissions, by i.e. using renewable energy and improving resource efficiency.

By integrating ESG factors and measurements into every step of our investment cycle, we ensure, that ESG risks as well as opportunities are thoroughly validated, incorporated in the investment decision, and actively mitigated or promoted during the holding period.

For this reason, we have summarised all ESG-related initiatives, processes and measures in our ‘ESG along the investment cycle’ programme and provide a clear overview of the relevant instruments and processes at every stage of the investment cycle of our portfolio companies.

ESG along the Investment Cycle

ESG along the Investment Cycle



Deal Sourcing

Origination: When screening investment opportunities, we are a hundred percent committed to our investment framework of owner-managed small and medium-sized enterprises ("SMEs") and growth businesses and seek to generate attractive returns primarily through equity and value-adding improvements. A major development in our investment strategy is, that we seek investments that generate positive social and environmental impact alongside financial returns and enables us to ensure sustainable value creation while positively influencing the environment or the society overall. This may involve focusing on themes such as business services around renewable energy, clean technology, sustainable agriculture and forestry, or social infrastructure, with the aim of addressing societal challenges.

Screening & Exclusion list: In line with the Fund's Responsible Investment Strategy, the Fund will not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

- whose business activity consists of an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the

Partnership or the relevant Portfolio Company, including without limitation, human cloning for reproduction purposes);

- which is engaged in human cloning or genetically modified organisms.
- which substantially focus on the production of and trade in tobacco products and distilled alcoholic beverages and related products.
- whose business activity is directly linked to gambling or pornography.
- which substantially focus on the financing of the production of and trade in weapons and ammunition of any kind; it being understood that this restriction does not apply to the extent such activities are part of or an accessory to explicit European Union policies.
- which substantially focus on casinos and equivalent enterprises.
- which substantially focus on or are intended to enable illegality by entrance into electronic data networks or the illegal downloading of electronic data; and/or
- which substantially focus on the research, development or technical applications relating to electronic data programs or solutions, which is aimed specifically at internet gambling and online casinos or pornography.
- which substantially focuses on the production or distribution of fossil fuels or nuclear energy.

ESG Due Diligence

To ensure full transparency of ESG and PAI risks and opportunities before investing in a potential target company, due diligence by a third-party advisor must be carried out in consultation with Beyond Capital Partners Head of ESG. Furthermore, an internal due diligence questionnaire measuring ESG risks and maturity is being conducted. The ESG risk & opportunity profile of the potential asset is a mandatory part of the Investment Committee's documentation and an integral part of the Investment Committee's investment decision. The profile includes an assessment of a company's ESG performance, practices and guidelines and exposure to ESG-related risks and opportunities, specifically the principal adverse impacts (PAIs) associated with Beyond Capital Partners investments.

ESG Measurements

Following the acquisition, Beyond Capital Partners Head of ESG will provide ESG training to the portfolio company's management and appoint an ESG manager. A dedicated ESG roadmap focusing on Principal Adverse Impacts (PAI) and any other relevant ESG areas that require remediation or have a development focus is created in collaboration with the company management, the appointed ESG manager and the deal and execution team. Implementation progress and target achievement are monitored using the relevant KPIs.

Following the acquisition, the ESG team of the fund ensures ESG training of the portfolio company management and the designation of an ESG responsible in the portfolio company management team

In collaboration with the designated ESG manager and the portfolio management a dedicated ESG roadmap including individualized measures, initiatives, actions as well as KPI's and goals is being set-up and jointly adopted.

We want to ensure from Day-1, that ESG considerations are transferred into the DNA of our investees, and that the overall business development always reflects our ESG value

proposition and our commitment to support a sustainable environmental and social development.

ESG Reporting & Controlling

To ensure the incorporation of relevant ESG initiatives and targets and ensure performance improvement validation, the portfolio company management and its ESG responsible will be supported in setting up an annual digitalized ESG reporting based on Beyond Capital Partners ESG Reporting Platform.

The Reporting Platform, as part of the ESG Toolkit, has been set-up, to measure and report the social and environmental impact of our investees over the holding period. Ensure compliance with the SFDR Art. 8+ requirements of Beyond Capital Partners Fund III GmbH & Co. KG and the requirements, that all Portfolio Companies are facing in the future by disclosure regulations (i.e. CSRD) and other stakeholders like employees, customers, suppliers and current as well as future investors.

Together with our external advisors and the reporting platform provider we developed an ESG KPI framework that

- covers our Beyond Capital Partners Fund III GmbH & Co. KG portfolio companies' compliance with the requirements of Article 8+ of the SFDR including PAI reporting.
- includes metrics to measure and report the social and environmental development and impact of our portfolio companies.
- ensures, we have the relevant metrics to become signatories to initiatives such as TCFD, SbTI or GRI or be prepared to report accordingly in the future.
- ensures that each KPI serves a specific purpose and that the organisations of our smaller mid-cap portfolio companies are not hampered by unnecessary KPIs but paves the way for innovation and value creation and focuses on sustainable growth.

Stewardship

Beyond Capital Partners stands for active ownership and stewardship, accompanying management in their sustainable growth journey and focusing on value-enhancing improvements such as:

- professionalization of governance structures and practices
- mitigation of key-person risks by building up 2nd line management and/or co-managing directors
- acceleration of top-line growth through organic growth (i.e. increasing sales force, adding additional service products) or inorganic growth through add-on acquisitions for buy-and-build platforms
- implementation of ESG-related initiatives and measures to ensure positive impact of our portfolio companies in these areas and to build organizational resilience in relation to environmental or societal challenges that are increasingly impacting the success of companies.

Our investment approach, where we act as a sparring partner and accompany portfolio companies on their growth path, includes supporting portfolio companies in improving their ESG practices to bring about positive change, an open and active dialogue with

management, as well as proxy voting and collaboration with other investors to drive sustainability issues.

All of this allows us to build scaled champions with solid business, financial, controlling and governance structures for an even larger universe of buyers who are ready for their next successful step.

Collaboration and Standards

We actively seek to engage in collaborative initiatives, industry associations, and international frameworks to share best practices, develop industry standards, and promote responsible investment principles. This includes aligning with global initiatives such as the Principles for Responsible Investment (PRI), being sponsor, mentoring partner and member of Level20 as well as becoming signatory of the UN Global Compact and supporting the UN SDGs. Furthermore, we are actively sharing best practices and exchange ideas within the industry and by participating in conferences and taking part in i.e., panel discussions.