



**Responsible Investment Strategy**  
**Beyond Capital Partners Fund III GmbH & Co. KG**

**2023**

## Foreword

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.

**Stewardship:** 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, knowledge transfer between portfolio companies, 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, but does not have sustainable investments as its primary/sole objective.

The ESG characteristics promoted by the Fund include:

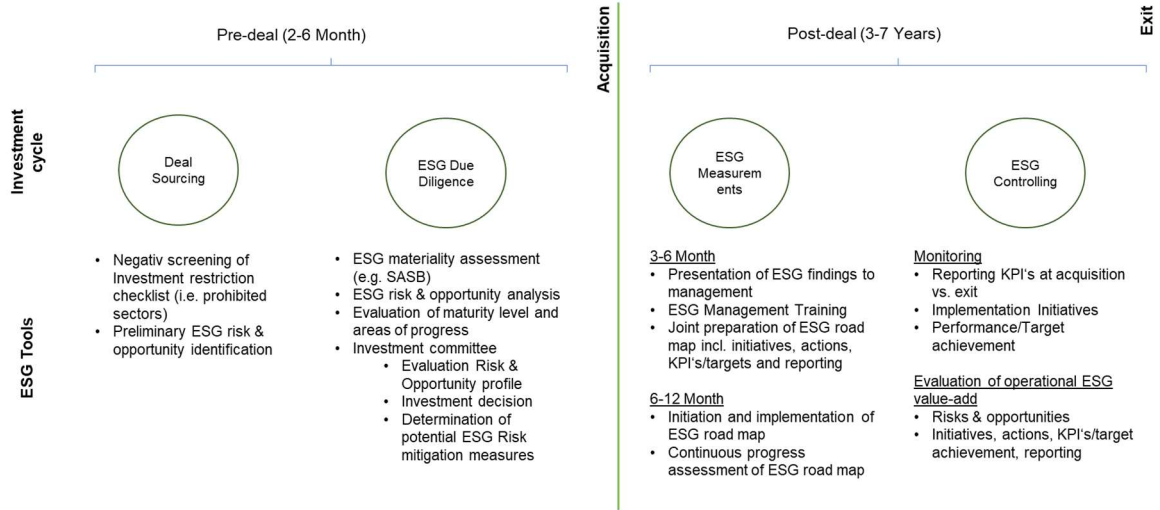
- promotion of good entrepreneurship by advising on the implementation of best governance and management practices and processes
- promotion of climate change mitigating actions with respect to Portfolio Companies
- promotion of diversity & inclusion across dimensions such as gender, age, culture, religion,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

- 3 Good Health & Wellbeing
- 4 Quality Education
- 8 Decent work and economic growth
- 10 Reducing inequalities
- 13 Climate action

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.

**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.
- that we consider unethical or not to be following good ESG practices

### **ESG Due Diligence**

To ensure full transparency on ESG risks and opportunities before investing in a potential target company, due diligence must be carried out by a qualified external advisor in consultation with Beyond Capital Partners GmbH's Head of ESG. This is a mandatory part of the Investment Committee's documentation and an integral part of the Investment Committee's investment decision. This includes an assessment of a company's ESG performance, governance practices and exposure to ESG-related risks and opportunities.

### **ESG Measurements**

Active Ownership and Engagement – We act as responsible owners by actively engaging with companies to encourage better ESG practices and advocate for positive change. This can involve dialogue with management, proxy voting, and collaboration with other investors to address sustainability issues.

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 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 Controlling**

#### **Reporting, Transparency and Measurement**

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 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
- includes metrics to measure and report the social and environmental development and impact of our investees
- 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 organisation of our small-cap portfolio companies is not hampered by unnecessary KPIs, but paves the way for innovation and value creation and focuses on sustainable growth.

### **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.

Furthermore, we always seek to keep our existing ESG guideline up to date and ensure that our investment and management teams are steadily trained and updated on ESG and related developments.