



MAGUAR

2022 Annual ESG Report

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Introduction and ESG highlights



We are dedicated to contribute to a more sustainable world and investment industry. Our investments in ESG activities resulted in strong progress across Maguar’s portfolio.

Introductory statement

by the Maguar team and our portfolio company executives

“At Maguar we understand the critical role sustainability plays, for our companies but also for their B2B customers. As a result, we believe that it is value creating that drives sustainability in our portfolio companies. Our Maguar ESG principles guide companies to operate in an ethical, sustainable, and responsible manner, which benefits all stakeholders, including employees, customers, and the environment. By focusing on ESG during the entire investment horizon, we can make a positive impact while also creating long-term value for our investors.”

Matthias Ick, Founding Partner of Maguar Capital

“We believe that organizations that don’t identify ESG as a key driver will fall behind. A proactive approach to ESG improvements is fundamental for sustainable organizational success: having a positive societal impact, adhering to new regulations, and attracting and retaining the right talent for the firm will set you apart from the competition.

Effactory is heading for a pole position in this domain by developing a range of effective ESG solutions. Our solutions are setting the standard in ESG reporting, providing deep insights into ESG performance, and driving organizational performance.”

Christian De Waard, CEO of Effactory

“Sustainability at HRworks is becoming increasingly important, not only for our current employees but also for employee attraction. Therefore, we have introduced social days as part of corporate volunteering, support women in STEM professions through our cooperation with *femtec*, and have committed to plant one tree for every new customer in cooperation with *Aktion Baum* in Germany.”

Markus Schunk, CEO of HRworks

ESG highlights across the portfolio

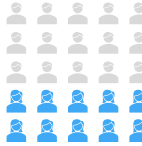
Focused on social aspects

To strengthen our ESG approach, we provide questionnaires to all portfolio companies to collect, analyze, summarize, and create an outlook of the current state of the portfolio companies. All numbers below are as of Q3 2022.



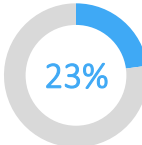
+ 5%

Net growth of the total employees vs 2021



38%

Share of female employees +9% vs 2021

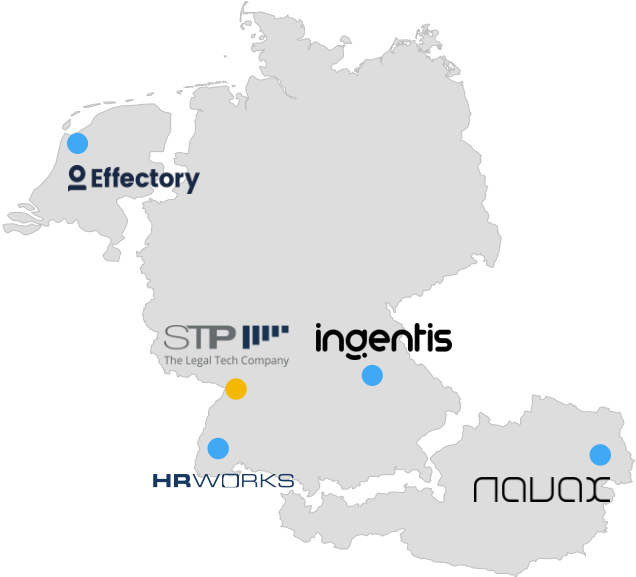


Share of female management members +106% vs. 2021

About Maguar and our Portfolio



We pursue a focused and thematic investment strategy – small cap mission critical B2B software investments in DACH.
 The Maguar portfolio currently consist of five platform investments.



- Maguar controlled investment
- Minority ownership rights

Our Investment Criteria



B2B Software



Small Cap Buy-outs



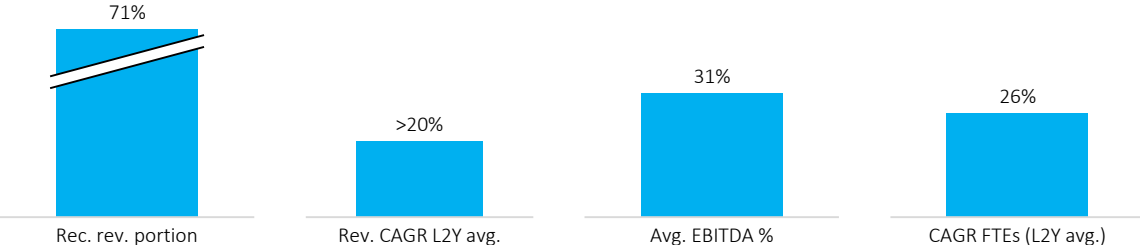
DACH



“Good to great investments”

With our sector focus on B2B software investment, we can leverage our expertise not only for the traditional value levers but also when it comes to ESG. The owner-run SME businesses in our investment focus often have a good awareness of sustainable business practices but are lacking structured reporting around ESG. We have addressed this challenge with our entrepreneurial approach, and the initiatives are very well received at our portfolio companies. As there is not always one right way to become more sustainable we are learning together with our portfolio companies.

Our portfolio in numbers¹



Notes:
 For the ESG Report, we included majority investment only.
 STP is not part of the scope
¹ As of Q4 2022

Portfolio Overview



HRWORKS

NAVAX

Company Profile

Name:	HRworks
Locations:	Germany – Freiburg (HQ), Frankfurt, Berlin
Founding Year:	1999
No. FTEs:	C. 110

Company Profile

Name:	NAVAX
Locations:	Austria – Vienna (HQ), others, Germany – Munich, Cologne
Founding Year:	1995
No. FTEs:	C. 300

Company Description

HRworks provides integrated SaaS HR software suited for small and medium-sized companies. The company focuses on business-critical HR functions, including time management, travel expenses, personnel management, recruiting, and corporate benefits. The most recent add-on DriversCheck provides an additional software solution for the automatic verification of driver's licenses.

Company Description

NAVAX is a full-service provider of IT Services which supports customers in optimizing and digitalizing their processes through solutions from the Microsoft Dynamics software suite and individual software solutions. For Financial Services covering leasing and factoring NAVAX has several proprietary software solutions such as HENRI and afb. The IT Services business has a diverse customer base including financial services, manufacturing, and construction.

Key Stats

Investment date:	2020
Industry:	HR Software B2B Software
Strategy:	Management-Buyout
Geography:	DACH Region
Add-ons:	DriversCheck

Key Stats

Investment date:	2021
Industry:	IT Services, B2B Software
Strategy:	Management-Buyout
Geography:	DACH Region
Add-ons:	afb

Portfolio Overview



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Effactory

Company Profile

Name:	Ingentis Softwareentwicklung
Locations:	Germany – Nuremberg (HQ); USA – Petaluma, CA (Sales Office)
Founding Year:	1997
No. FTEs:	C. 100

Company Profile

Name:	Effactory
Locations:	Netherlands – Amsterdam (HQ), Germany – Munich
Founding Year:	1996
No. FTEs:	C. 200

Company Description

Ingentis delivers leading HR Tech and workflow management software, focusing on organizational visualization and analytics for over 2.000 corporate clients in more than 100 countries. The company’s flagship product “org.manager” is the leading org charts solution that optimizes people management through implementing analytics solutions. In addition, Ingentis’ “Kanzlei Suite” product provides an administrative solution for law firms.

Company Description

Effactory offers a market-leading SaaS platform for continuous employee listening in more than 110 countries. The company provides an integrated approach to understanding the complete employee experience. Its SaaS offering comprises engagement surveys and feedback tools resulting in valuable insight and guidance to improve the overall employee experience and productivity. Effactory is launching a science-backed ESG measurement tool with comprehensive benchmarking data, portfolio ESG performance analytics, and stakeholder-ready ESG reporting.

Key Stats

Investment date:	2021
Industry:	HR Software B2B Software
Strategy:	Management-Buyout
Geography:	DACH Region & US

Key Stats

Investment date:	2022
Industry:	HR Software, Continuous Employee Listening
Strategy:	Management-Buyout
Geography:	Benelux & DACH Region

Why ESG

At Maguar we believe that engaging in responsible investment practice is not an elected strategy, marketing tool, or question of optionality – it's simply part of our duty as corporate citizens in the 21st century.

A long-term vision for our stakeholders from customers, to employees, to investors will only succeed if we make all critical decisions with sustainability in mind.

ESG within our investment process

At Maguar we apply a holistic ESG approach that spans across the entire investment life-cycle.

1 Underwriting

- Assess ESG risks and value creation opportunities during due diligence screening for investment decisions
- Include an ESG analysis in the investment committee materials when seeking Investment decisions

2 Investment

- Prior to the investment closing, we communicate to investee companies that we will fully act on all elements outlined in our ESG policy
- We also encourage our investment partners to adopt their own ESG policies and offer support, where needed

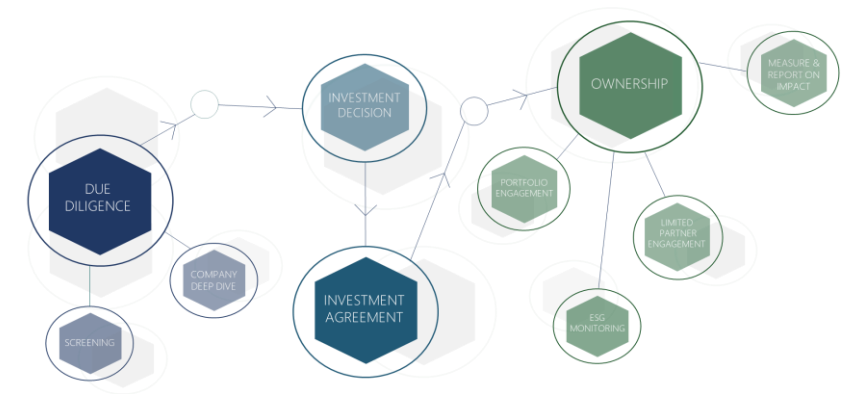
3 Ownership

- We collect and assess ESG data on a regular basis as part of the portfolio monitoring process
- We actively engage with portfolio companies to create action plans together and create more sustainable businesses

Exclusions

We will not invest in the following sectors:

Tobacco, alcoholic products, weapons, ammunition, gambling, casinos, pornography, illegal activities, property holding, asset stripping, genetically modified organism (GMOs), or related sectors.



Maguar and the UN Principles for Responsible Investment (PRI)



We incorporate the UN PRI into our ESG framework and business decisions at Maguar and became signatory in 2021

The UN PRI

“The PRI is the world’s leading independent proponent of responsible investment. It works to understand the investment implications of environmental, social, and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.”

Maguar became signatory of the PRI in 2021, the same year as our first fund launch.



Six principles

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 toward implementing the Principles.



Maguar’s Action towards the principles

We consider ESG issues at all stages of the investment cycle and incorporate ESG factors into the decision-making process. This process is anchored in the Maguar compliance manual.

We promote our established ESG policy at the portfolio companies and engage in regular exchange and monitoring.

Through our ESG monitoring, and reporting we seek to minimize risk and report any issues to our stakeholders.

We engage and partner with other players in the investment industry on the PRI Principles and openly disclose our commitment to the Principles.

We engage with other leaders and stakeholders in the industry to exchange knowledge and best practices.

With our ESG monitoring and reporting, we report on the progress toward the Principles at Maguar and our Portfolio companies.

Maguar's holistic ESG approach



We follow a holistic approach to ESG in accordance with the UN Principles of Responsible Investment; as a software-focused investor, we added a specific focus on the sustainability of technology

Guiding principles

Maguar is a proud United Nation's Principles for Responsible Investment (PRI) signatory. We use the UN PRI and SDG frameworks, to guide the implementation of our responsible investment practice.

ESG Framework 2.0



In 2022 we improved the existing ESG Framework further and rolled it out across our portfolio companies as the new benchmark. The collected survey data serves as the basis for our ESG agenda throughout the investment process.

Sustainability of technology



Technology is an important pillar for the success of our investments. This is why we pay special attention to the sustainability of technology on top of all general ESG considerations.

General ESG aspects



We focus our ESG initiatives on aspects that suit the business model of B2B software companies best. These are similarly distributed across the three ESG categories.



ESG management awareness
Sustainability is of high priority for the management and the board



Incident reporting
If an incident occurs, it is reported to all responsible parties



Office power supply
The energy for powering the office buildings is supplied by renewable sources



Organizational ESG awareness
The organization is aware of the sustainability impacts of the company's business model



Environmental impact tracking
The impact of the business on the environment is tracked with a proven framework



Employee satisfaction
The satisfaction of the employees is regularly tracked and is above average



ESG Risk management
Risks arising from ESG are covered with appropriate care



Work practices
Each employee has access to the same, fair work practices



ESG Risk monitoring
There is continuous monitoring of issues that could arise from a sustainability perspective



Travel policy
There is a travel policy that takes the environmental impact of travel into account

Tech-related ESG aspects

Technology is an important pillar for the success of our investments. This is why we customize our ESG approach to properly assess the sustainability of technology strategies.



Green energy supply (hosting)

The infrastructure is operated with energy from sustainable sources



Quality assurance

The quality of the product is tested before it is delivered to the broader customer base



Penetration testing

The expected strength of the security practices is confirmed by the regular tests



Customer involvement

Customers are regularly informed about new products and can provide direct feedback



Business continuity

The continuity of IT and business operations is ensured – both technically and organizationally



Development resources

The developers are supported with industry-standard tools to keep up productivity



System monitoring

The production systems are continuously monitored to detect errors proactively



Open source usage

The company is sensitive towards the license agreements



IT security practices

The business has an appropriate protection setup against cyber threats

Deep-dive into proprietary ESG framework

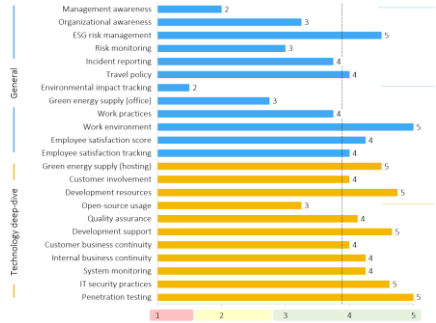


All portfolio companies carry out a self-assessment by means of an annual survey. The standardized set of questions enables a comparison in every phase of the investment and generates little effort for all participants.

1 Data collection via survey

Data is collected through a questionnaire answered by the portfolio company management with limited effort. For each aspect, there is a qualitative answer that represents a value on the assessment scale (1-5).

2 Benchmarking



The used scale translates the qualitative information to quantitative data which we use to benchmark our portfolio against our ESG expectations and each portfolio company against the portfolio average

3 Actional insights



Each score below 5 represents an opportunity for improvement. Together with the management, these action items are prioritized based on the Maguar ESG expectations and the portfolio benchmark.

4 Improvement over time

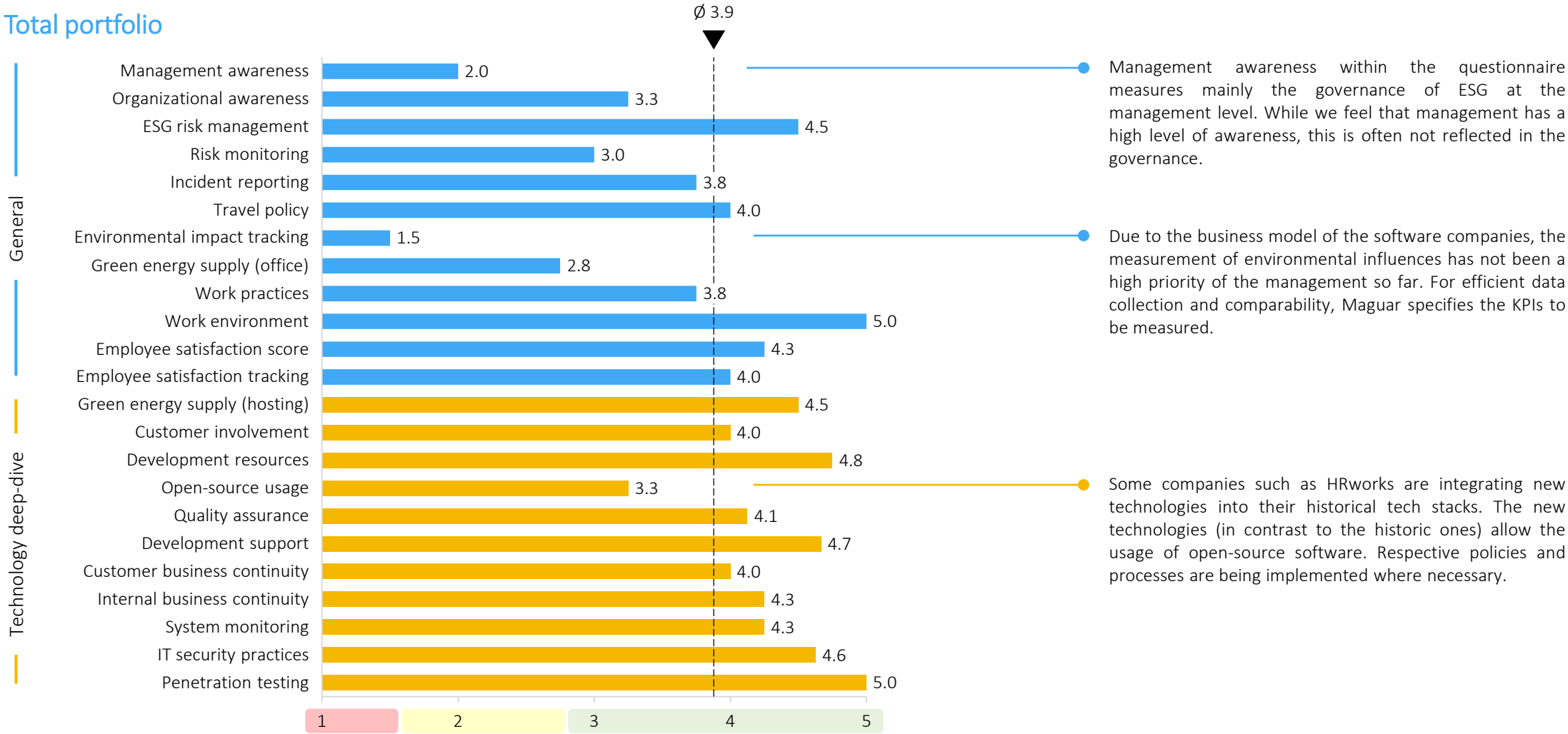
The survey is performed at least once a year and in all phases of the investment. This allows a clear comparison of the improvement over time with limited portfolio management efforts and regardless of the growth of the portfolio.

2022 ESG portfolio summary



The overall ESG score for the portfolio is fully satisfactory, all tech-ESG scores are very advanced and there has been a great development of the Human Capital within the portfolio companies.

Total portfolio



Management awareness within the questionnaire measures mainly the governance of ESG at the management level. While we feel that management has a high level of awareness, this is often not reflected in the governance.

Due to the business model of the software companies, the measurement of environmental influences has not been a high priority of the management so far. For efficient data collection and comparability, Maguar specifies the KPIs to be measured.

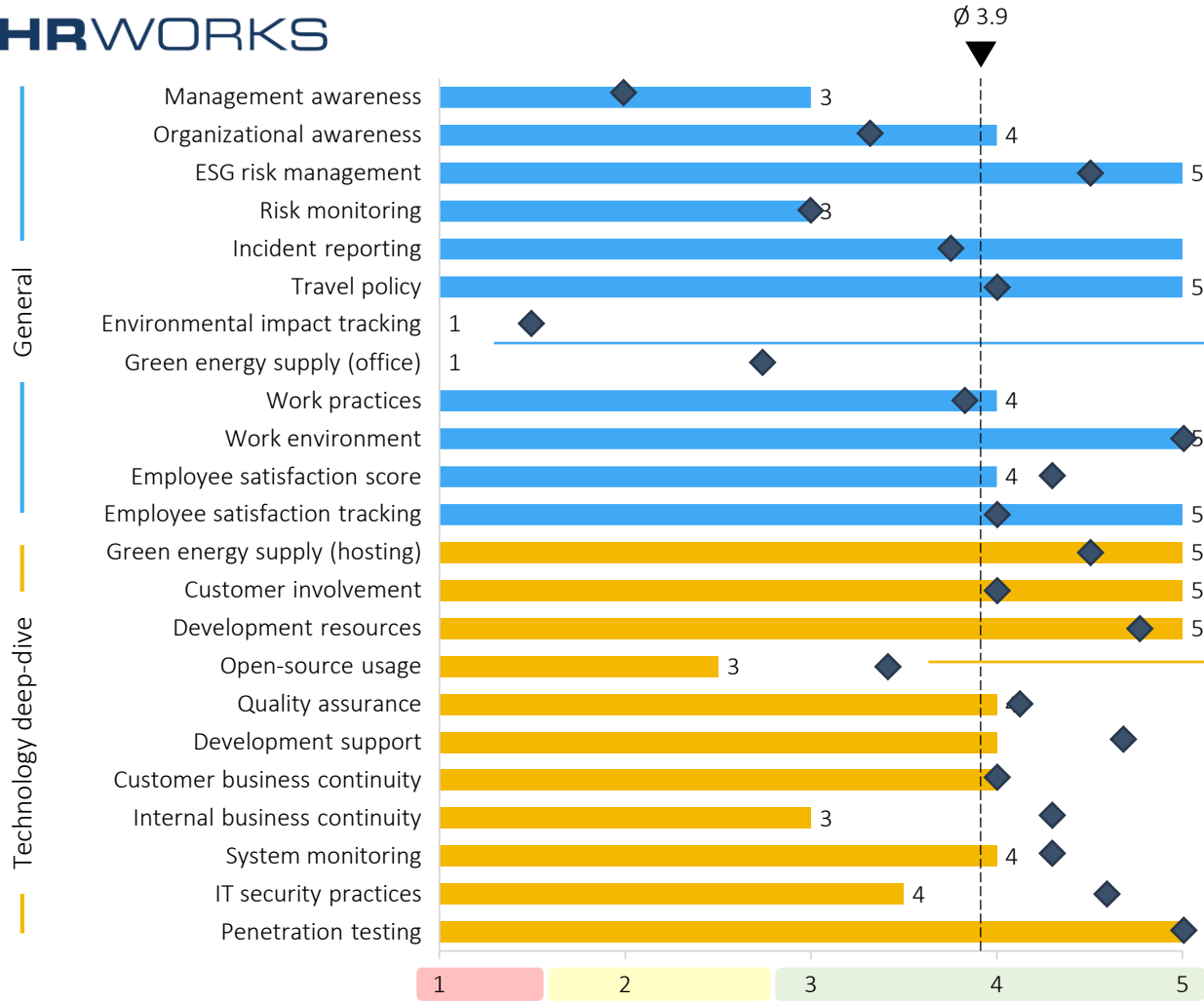
Some companies such as HRworks are integrating new technologies into their historical tech stacks. The new technologies (in contrast to the historic ones) allow the usage of open-source software. Respective policies and processes are being implemented where necessary.

2022 ESG performance - HRworks



HRworks meets our ESG expectations and scores at the high average score of the portfolio. HRworks is driven to further improve sustainability with a range of initiatives which will contribute to the company's commercial success.

HRWORKS



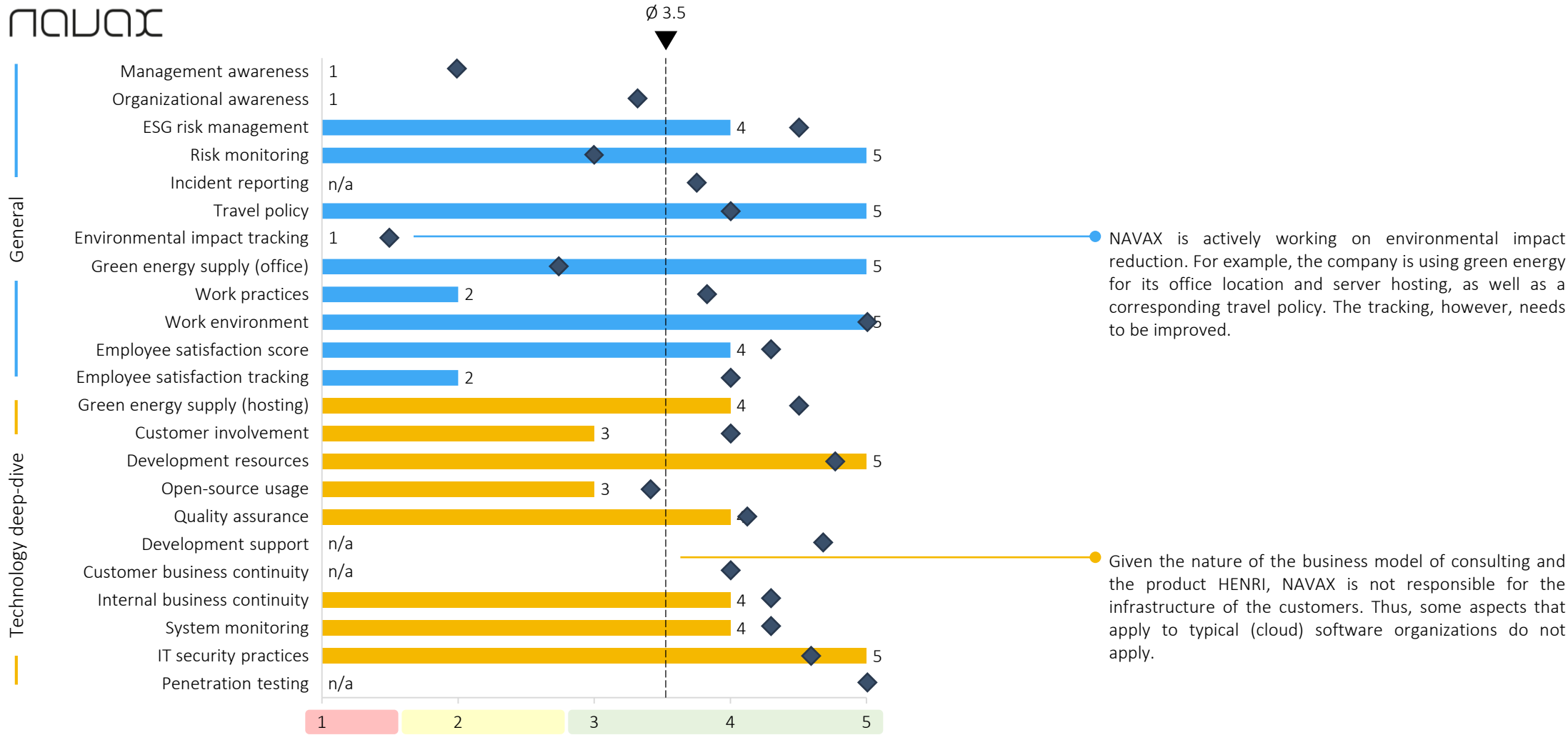
As with the other companies in our portfolio, HRworks is currently working on improving the areas that weren't a focus of past shareholders. This is particularly about initiatives to reduce environmental impact.

HRworks is customer-focused and scores high in the related categories. In all technology-related aspects, HRworks scores at or above our expectations. The next organization evolution (score 4 or higher) will be target over the next two years with the dedicated tech leadership team.

2022 ESG performance - NAVAX



NAVAX has made important first steps towards sustainability initiatives which we can see according to the ESG scores. However, there is room for additional improvements. NAVAX will implement the Effectory solution in 2023.

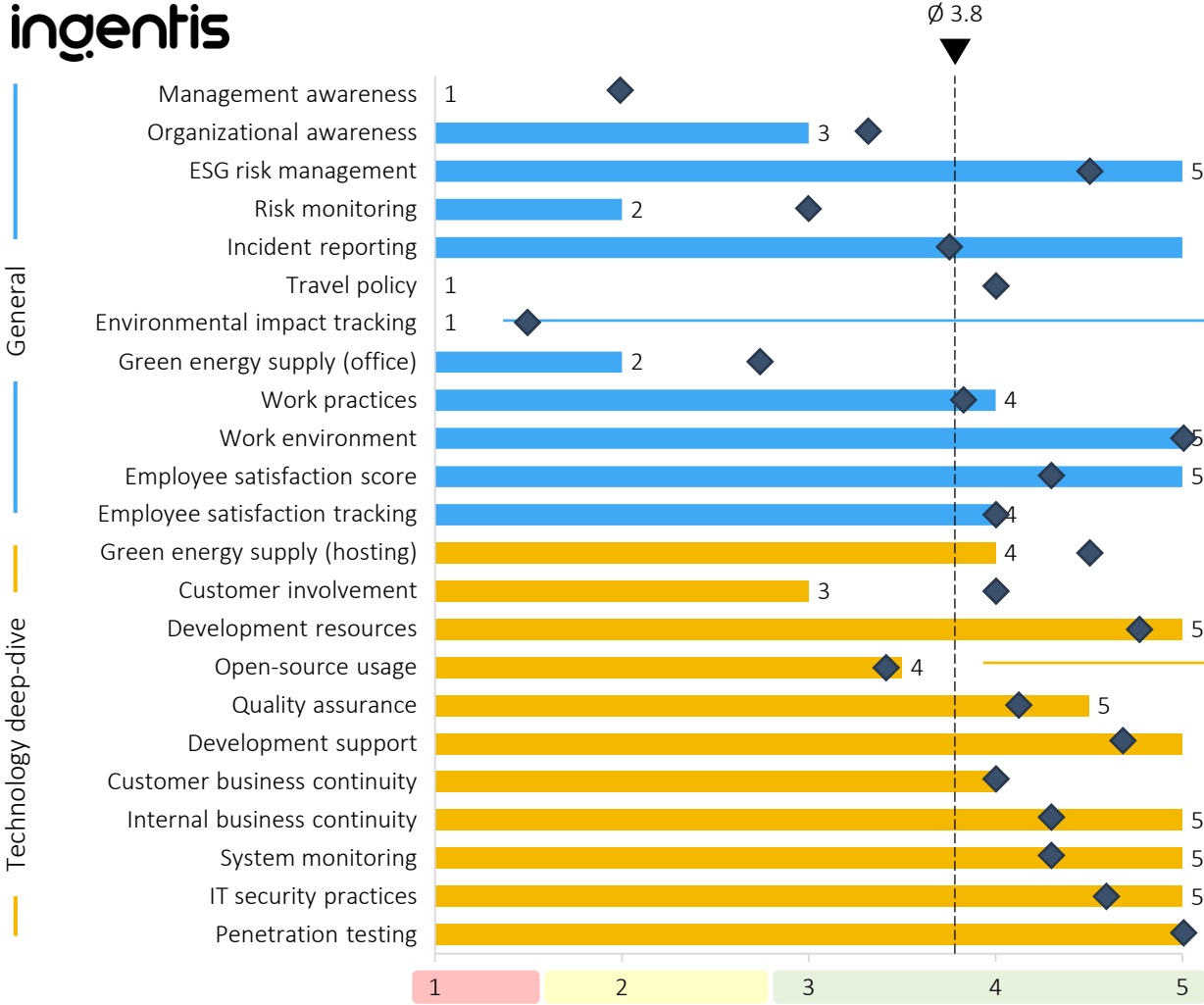


2022 ESG performance – Ingentis



Ingentis meets our ESG expectations and performs on average with the rest of our portfolio. There is improvement potential in terms of the reduction of Ingentis’ environmental impact.

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At Ingentis, the analysis revealed improvement potential when it comes to environmental impact. This starts with measuring this impact as a baseline and includes the introduction of a corresponding travel policy as well green energy for the office locations.

In terms of technology, Ingentis demonstrates a high level of professionalism, scoring above average in most of the categories.

2022 ESG performance – Effactory

Effactory scores the highest in the portfolio, which shows the clear dedication of the management towards ESG. In addition, the IT organization shows above-average standard of implementing sustainable processes.

Effactory



At Effactory, ESG is already embedded deeply in many areas of the organisation. The next step is to professionalise ESG management. This will enable Effactory to become the ESG spearhead in the Maguar portfolio.

ESG Outlook for 2023



Continued ESG improvements and roll out of ESG solution from Effactory

General ESG Improvements

We will continue to encourage our portfolio companies to improve sustainability. From the results of the current ESG questionnaires, we were able to identify areas of improvement and will work on these throughout the year. Furthermore, we are proud to have an ESG solution from within our portfolio, provided by Effactory. We are excited about the additional insights, reporting, and most of all the value creation which we believe the ESG product of Effactory can bring to our portfolio. The roll-out of the Effactory product will be completed across all of our majority investments within 2023. It will also become the standard for future investments.

Description of Effactory ESG Product

The newly developed product will meet the rising demand of generating smart insights to address the ESG impact and increasing reporting requirements at the company level as well as the investment manager level. Effactory is strengthening its employee listening solutions by providing a tool that measures and reports the ESG performance in portfolios. Especially with a focus on measuring governance and positive social outcomes. Furthermore, this will help identify businesses with stronger ESG performance and give management the possibility to benchmark with peers and best practices.

What impact does this have for Maguar?

The roll out of the new solution provides multiple benefits to Maguar. Firstly, it will help us in adhering to the investment mandates on ESG which are becoming increasingly important in the private equity sector. Secondly, giving the employees of our portfolio companies a voice reveals actionable insight to the portfolio company management while Maguar as a GP will obtain high-level insight. Thirdly, it will help us identify areas that need more attention and make necessary improvements. Lastly, it will improve employee retention, which will in turn lead to an increase in business performance and overall success.

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