

## A HOLISTIC APPROACH TO RESPONSIBILITY INCLUDES INVESTMENTS

Deutsche Beteiligungs AG is committed to the principles of sustainable corporate behaviour. Taking responsibility for the impact that our decisions have on others, both now and in the future, is consistent with the long-term nature of our business. This includes the decisions we make in the investment process, in the development and subsequent disposal of our portfolio companies, and in managing our company. Our focus is on the criteria of corporate governance, business ethics, employment matters, as well as social affairs and the environment.



### CORPORATE GOVERNANCE

#### **Voluntary commitment: sustainability policy and German corporate governance code**

Development can only be deemed sustainable when it meets the needs of the present while ensuring that the needs of future generations are also met. With this in mind, we developed an ESG Policy (Environment – Social – Governance) to lay down our sustainability principles. Our ESG Policy addresses both the integration of the Principles for Responsible Investment in our investment process as well as corporate governance issues. It also bans us from investing in certain sectors and companies, in particular, weapons manufacturers. We do not engage in hostile takeovers either.

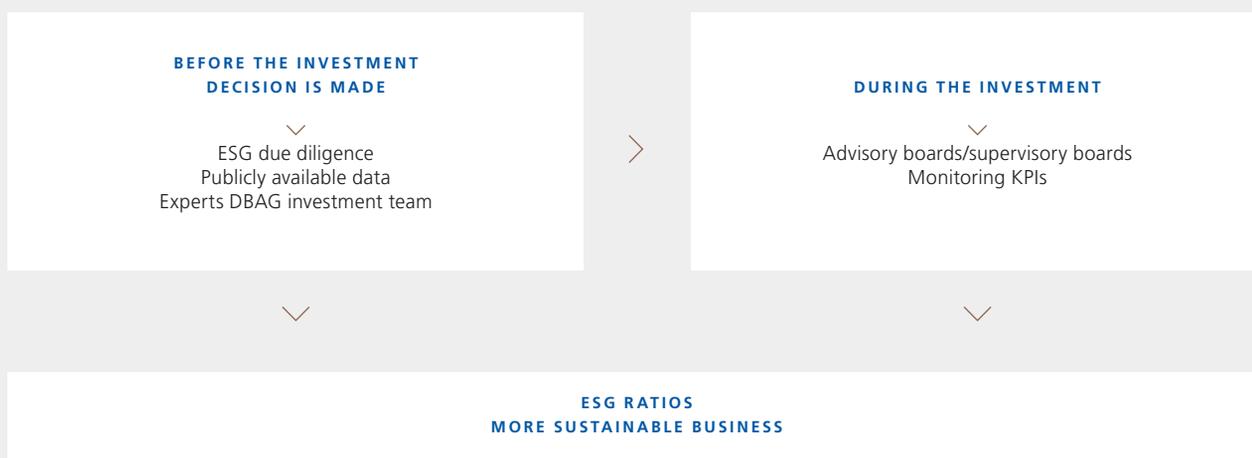
In addition, we have consistently followed nearly all of the recommendations and suggestions of the German Corporate Governance Code since its introduction.

#### **Conviction and values that go beyond our company**

As a company with firmly established ethical, social and ecological principles, we attach a great deal of importance to ensuring that our portfolio companies also meet our high standards. In order to ensure that they do, we have established an ESG review process; before any investment decision is taken, we examine whether our ESG criteria are met as we perform due diligence.

To gain as comprehensive a picture as possible, we observe as many ESG criteria as possible along the value chain focusing not only on risks, but especially on opportunities. An example for such an opportunity is the reduction of energy consumption in energy-intensive production; this will considerably increase a company's result and thus its value. The same applies if occupational safety can be increased or the loyalty of experienced employees strengthened.

## THE ESG REVIEW PROCESS



For this examination, we do not solely rely on our own expertise (acquired through numerous investments in mid-market enterprises), but also on that of seasoned, specialised advisors. During the investment period, we exert an indirect influence by taking offices on advisory councils and supervisory boards. The advisory councils and supervisory boards of our portfolio companies address sustainability issues at least once a year. Furthermore, a direct exchange on related topics takes place with the management team. Ultimately, the idea behind the review process is to enable our portfolio companies to define and report ESG indicators, and to use these indicators for specific measures that will make their business operations even more sustainable.

The portfolio companies report on their general business performance on a quarterly basis; this also includes improvements in ESG issues as well as climate-related aspects such as energy consumption.

The funds managed or advised by DBAG have a contractual obligation to introduce an ESG Policy, which includes regular reporting to the fund investors. This also allows the DBAG

funds to take account of the increased demands placed on them by their investors, in terms of the sustainability of their investments.

### **Sustainable financing strategy as the basis for long-term success**

Our business activities are geared towards the overarching objective of increasing DBAG's enterprise value over the long term. The biggest value contribution comes from the Private Equity Investments segment, i.e. from investments in mid-market companies with growth potential that we make alongside the DBAG funds. Our sustainable financing strategy allows us to ensure that DBAG always has sufficient funds available to make these co-investments – using its own resources. DBAG finances its activities in the long term by way of the capital markets, and reinvests funds resulting from the disposal of its investments. Other than a credit line in place to temporarily offset irregular cash flows, the strategy does not involve taking any bank debt. This is reflected in our solid consolidated statement of financial position, with an equity ratio in excess of 90 per cent.

## BUSINESS ETHICS

### Extensive compliance system: zero tolerance for non-compliance

Ensuring that the relevant statutory provisions are adhered to within Deutsche Beteiligungs AG itself – and in the portfolio companies we lend our support to – is an absolute must for us. This is an area in which we pursue a zero-tolerance approach. We are strictly against all forms of corruption or other unethical business practices. In order to meet these high compliance standards both within our Company and in our dealings with portfolio companies, we have introduced a far-reaching compliance system that documents and regulates our obligations.

Our code of conduct sets out our central values and guiding principles. Our Compliance Guideline sets out detailed regulations and information on implementation with regard to business trips, hospitality, dealing with gifts and invitations, employee transactions, equal treatment and IT. There are also precise requirements governing the organisation and monitoring of the compliance system – including its enhancement, and regular training sessions for employees.

Our objective as a private equity company is not only to ensure that our own employees adhere to defined compliance standards. Rather, compliance regulations are also taken into account in the due diligence process when evaluating new investments. We have set out clear guidelines on what we expect from the compliance systems established at portfolio companies, and do everything in our power to check that these standards are met. In order to ensure uniform standards, we always work with the same experienced compliance experts from a renowned consultancy when carrying out assessments.

And last but not least, we also use our offices on advisory boards and supervisory boards to support our portfolio companies in promoting the establishment and enhancement of compliance systems within these companies.

### THE DBAG COMPLIANCE SYSTEM

#### COMPLIANCE IN TRANSACTION PROCESS

#### COMPLIANCE WITHIN DBAG

#### COMPLIANCE IN PORTFOLIO COMPANIES

#### "100% COMPLIANCE"

EQUAL TREATMENT  
IT/DATA SECURITY  
EMPLOYEE TRANSACTIONS  
GIFTS/PERQUISITES  
BUSINESS TRIPS  
HOSPITALITY

ORGANISATION  
CONTROL  
FURTHER DEVELOPMENT  
EMPLOYEE INFORMATION

## EMPLOYMENT &amp; SOCIAL AFFAIRS

**Employees: the best possible working environment for all staff**

Acknowledging that our employees are our most important resource, we want to offer all DBAG employees the best possible working environment. This includes health-promoting measures as well as well-equipped workstations. We promote a culture of respect, openness and flat hierarchies – just as we promote professionalism, stable processes and ongoing professional development. Our remuneration system ensures that all employees participate in the Company's success.

In relation to the size of the Company, DBAG invests an above-average amount in training. We had five apprentices working for us at the most recent reporting date; this corresponds to around seven per cent of our workforce.

**DBAG Foundation: social and cultural commitment**

The charitable foundation "Gemeinnützige Stiftung der Deutschen Beteiligungs AG" forms the basis of DBAG's ongoing social and cultural commitment. It aims to support active and former employees of current and previous portfolio companies and their relatives in times of need. These are, for example,



situations in which the standard social security systems cannot grant benefits. The DBAG foundation also promotes the arts and cultural projects in the greater Frankfurt area, for example a short film festival or the "Luminale", a festival of lighting culture.

DBAG takes part in the Malteser Social Day – a charitable event organised by the local chapter of the Order of Malta – every two years. This nationwide Social Day allows teams of employees from numerous companies to be released from their duties in order to work on projects at social institutions that could not otherwise be realised due to a lack of financial or staff resources.

## THE ENVIRONMENT

**Carbon Disclosure Project: ongoing reduction in greenhouse gas emissions**

DBAG has been involved in the Carbon Disclosure Project (CDP) surveys since 2011. The CDP is a global non-profit organisation that represents major institutional investors. It collects data on company greenhouse gas emissions, among other things, on behalf of institutional investors – i.e. also for our Company's shareholders. Participating in the CDP allows us to meet the transparency demands of investors and the general public. The annual survey provides us with a good pool of data to facilitate continuous improvements in our level of carbon emissions.

Our business model means that our carbon footprint is relatively small. It is influenced primarily by the operation of our business premises, as well as by the use of company vehicles and by the business trips that our employees make. Our regulation on travel expenses stipulates that they should take the train, whenever possible as well as economically efficient and viable in terms of timing.