Importance of ESG for the AURELIUS Equity Opportunities Group

The business activity of AURELIUS Equity Opportunities SE & Co. KGaA and its Group companies is based on a solid foundation of ethical conduct and full awareness of social and environmental responsibility. The Company has therefore firmly embedded the values of environmental protection, social responsibility, and sound corporate governance (Environmental, Social, Governance: ESG) into its business strategy.

Corporate social responsibility (CSR) is understood to mean the social responsibility of the AURELIUS Equity Opportunities Group as a member of the larger community. CSR is closely linked with the goal of sustainable business. The AURELIUS Equity Opportunities Group has established a values-based corporate culture in which corporate objectives are strategically linked with a firm commitment to the welfare of the broader community.

The AURELIUS Equity Opportunities Group is fully aware of the fact that success in business goes hand in hand with ESG factors. The Company’s focus on sustainability is an important aspect of its mission to create enduring value. Therefore, the Company always adheres to ESG principles in its business activities and has integrated sustainability aspects into its core business activities.

The main goal is to serve the interests of the Company and its stakeholders by observing and building on ESG principles in the portfolio companies. To this end, the Company has adopted a number of comprehensive guidelines for responsible investment in order to formalize the sustainable investment approach of the AURELIUS Equity Opportunities Group. By integrating ESG into the monitoring and operational improvement process of the portfolio companies, the Company effectively combines risk minimization with value creation.

The AURELIUS Equity Opportunities Group is firmly convinced that responsible conduct is an absolutely essential prerequisite for long-term business success. An important expression of the company’s commitment to sustainability is its membership in the UN PRI (United Nations Principles for Responsible Investment) network and its observance of the principles of the UN Global Compact.

The Managing Director Matthias Täubl is responsible for the implementation of ESG topics within the AURELIUS Equity Opportunities Group.

Key topics

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies conducted a new materiality analysis as part of the ESG project launched in the past financial year. At the time of preparation of the present report, the Company had conducted surveys of employees, workshops with the senior management, and a comprehensive benchmark analysis.

The Company has identified environmental, social, and governance values and committed itself to implementing them within AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies, including within some of the portfolio companies.
In the area of environmental protection, the Company has identified the following two goals as being essential for the Company and its stakeholders:

- Energy consumption and the parallel issue of greenhouse gas emissions,
- Environmentally friendly mobility.

In the area of social responsibility, the Company focuses on four employee-related topics:

- Attractiveness as an employer,
- Health of employees,
- Professional development of employees, and
- Diversity and equal opportunity.

The following core topics have been identified in the area of sound corporate governance:

- Data protection,
- Independence of the Supervisory Board,
- Diversity of the Supervisory Board,
- Communication with stakeholders, and
- Exerting ESG influence on the portfolio companies.

This latter point is how the AURELIUS Equity Opportunities Group can achieve the greatest effect in serving the interests of the Company and its stakeholders.

**Future topics and ESG objectives**

**Improvement initiative on all levels of sustainability**

It has since become increasingly evident that all ESG topics are closely linked to each other. Social responsibility topics are often related to the environment, for example: Improvements and remedial measures in one area can have positive effects on the other area.

Most of today’s social responsibility topics are closely linked to environmental protection and therefore they cannot be tackled in isolation from each other. The Company is making assiduous efforts on all three levels of sustainability (Environment, Social, Governance) with the goal of improving its performance to the benefit of stakeholders and society at large.

New ESG guidelines are being established and existing ones expanded both at AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies and in the portfolio companies with the goal of reaching the next level of the Company’s sustainability ambitions in 2022.

**Dialog with stakeholders**

Since its founding in 2006, the AURELIUS Equity Opportunities Group has earned an honorable reputation for the acquisition, restructuring, and sale of companies. In all this time, the Company has strived to evince a strong sense of responsibility in its dealings with all parties involved.

Every company has a direct impact on the environment and society. Therefore, companies are accountable not only to their investors, but to all stakeholders.
The Company places the highest priority on maintaining a continuous dialog with its stakeholders. By this means, the Company can identify other important topics that are essential from the standpoint of stakeholders now and in the future. The dialog with stakeholders makes it possible to consistently and systematically refine the Company’s transparency initiative. Having initiated a comprehensive ESG project at the end of 2021, the Company plans to conduct an even more intensive and systematic dialog with the stakeholders of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies in financial year 2022. Within this framework, the Company’s engagement with employees and investors was intensified further in 2021. The insights gained from the systematic dialog with stakeholders are incorporated into the ESG strategy.

**Employees:** The employees of the AURELIUS Equity Opportunities Group represent the foundation of the Company’s success. Therefore, the Company strives to create conditions that enable all employees to optimally develop their personal and professional capabilities in line with their own beliefs and goals. To ensure the achievement of this goal, the Company is committed to guaranteeing a work environment of mutual respect and equal opportunity. The Company appreciates and promotes inclusion and diversity.

With the goal of continuously improving the work environment, the Company remains in constant dialog with its employees and will conduct additional employee surveys on the subject of diversity management, among other topics, in the future. The dialog with employees is promoted by means of talks, feedback encouragement, and transparent communication. Thanks to flat hierarchies, the Company is able to conduct exchanges across all management levels. This communication within the ranks of management is extended further with strategy conferences such as the recent Operational Managers Meeting in November 2021, which is normally held twice a year.

**Investors:** As an exchange-listed company, the Company conducted intensive communication with capital markets participants again in 2021. More than 50 press releases were published in order to promptly provide important, detailed information about current business developments. The level of detail of the Company’s quarterly financial reports has been deepened to further enhance transparency.

The most important instrument of communication, also in 2021, was the regular meeting of shareholders at which shareholders were extensively informed about the past financial year and were given the opportunity to ask questions of the Company’s directors and officers.
The Company also conducts a regular dialog with stock analysts (2021: 3; 2020: 3) and investors. To this end, the Executive Board participated in seven (2020: 6) investor conferences and conducted five (2020: 2) in-person or virtual roadshows.

In addition, AURELIUS Equity Opportunities AB, a wholly-owned subsidiary of AURELIUS Equity Opportunities SE & Co. KGaA, successfully increased the existing bond issue (Nordic Bond) by EUR 45 million to EUR 120 million in October 2021. In this connection, the Company held three days of intensive discussions with investors.

Media: AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies also place a high priority on communication with journalists and the trade press as a means of providing extensive information to stakeholders and further increasing the public’s awareness of the Company. To achieve this goal, the Company also communicated regularly with the press, particularly in discussions with the Managing Directors, in the past financial year.

Rating agencies: Also in 2021, the Company maintained a continuous dialog with the most important ESG rating agencies with the goal of intensifying communication with stakeholders and enhancing transparency particularly in relation to ESG issues. The Company plans to further intensify its dialog with the ESG rating agencies in 2022.

Cooperation partners: AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have for many years cultivated trustful business relationships with many M&A consultants who provide support to the Company’s transactions.

Public authorities: Not only the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungen, BaFin), but also the European antitrust authorities and other public authorities are important contact partners in the Company’s day-to-day activities. For this reason, the Company conducts open communication and a lively dialog with the relevant institutions.

Portfolio companies: In the last 15 years, the Company has evolved from a local turnaround investor into an international multi-asset manager across numerous sectors and all capital structures. The Company minimizes risks and supports the portfolio companies in the development of their own ESG policies by integrating ESG aspects into its investment and operating decisions.

International frameworks

The 10 Principles of the UN Global Compact

The AURELIUS Equity Opportunities Group is committed to compliance with the UN Global Compact. For this reason, it initiated the process of joining the UN Global Compact at the end of the 2021 financial year.

The Global Compact was founded in 1999 at the initiative of the UN Secretary General Kofi Annan at the time to serve the intention of the UNO (United Nations Organization) to involve business and industry more closely in the work of the UNO. Companies that sign the Global Compact undertake to support the ten principles on human rights, labor, environment, and anti-corruption.

The UN Global Compact is the world's biggest and most important initiative for sustainable and responsible corporate governance. With more than 780 members from the worlds of business, civil society, and politics, the German Global Compact Network (Das Deutsche Global Compact Netzwerk, DGCN) helps companies in their quest to embed sustainability as a key element of their business strategies on the basis of ten universal principles and contribute to the implementation of Sustainable Development Goals (SDGs).
As a supporter of the UN Global Compact, the AURELIUS Equity Opportunities Group is committed to compliance with its values and principles. The ten principles cover the areas of human rights, labor, environment, and anti-corruption:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should uphold the effective abolition of child labor.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

**UN Principles for Responsible Investment**

**Signatory of:**

The Principles for Responsible Investment (PRI) are a UN financial initiative launched with the goal of promoting responsible investment. The AURELIUS Equity Opportunities Group has been a member since 2021 and supports the Principles for Responsible Investment.

By implementing the PRI, the AURELIUS Equity Opportunities Group strives to improve the sustainable investment approach, promote sustainable business practices, and encourage market participants to do the same actively and transparently.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies achieve the greatest impact in helping a portfolio company make the transformation to a more sustainable world by supporting its efforts to improve its ESG approach. For this reason, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies promote “active ownership” and help the portfolio companies implement and monitor an improved ESG set-up.

The Company firmly believes that long-term value creation is only possible in an economically efficient, sustainably designed global financial system. Such a system rewards long-term responsible investments and benefits both the environment and society as a whole.

Together with its international network of signatories, the PRI Initiative is devoted to the practical implementation of the six Principles of Responsible Investment. The goal is to better understand the effects of investment activities on environmental, social, and governance issues and help the signatories incorporate these issues into their investment decisions.

The six principles were developed by investors in partnership with the Finance Initiative of the United Nations Environment Program (UNEP) and the UN Global Compact. In addition to the AURELIUS Equity Opportunities Group, the Initiative had more than 4,000 members from 60 countries with collective investment capital of more than USD 120 trillion in 2021.

By assisting with the introduction and implementation of these principles, the PRI Initiative supports a sustainable international financial system. Sound corporate governance, integrity, and accountability should be promoted.
and obstacles thrown up by prevailing structures and regulations that hinder the development of a sustainable financial sector should be removed.

The six Principles for Responsible Investment are the following:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

ENVIRONMENT
What does the environment mean for the AURELIUS Equity Opportunities Group?
The AURELIUS Equity Opportunities Group strives to reduce the impacts of its products and business activities on the environment by means of ecologically responsible conduct and careful processes.

The goal is to minimize adverse environmental impacts as much as possible in order to permanently maximize the contribution to environmental protection. As the Company continues to grow in size, it strives to incorporate environmental protection aspects into its business decisions to a greater degree.

The main environmental protection topics of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies are energy consumption and the parallel issue of greenhouse gas emissions, as well as environmentally friendly mobility. The Company has already made considerable progress on the latter issue in collaboration with atmosfair (purchase of certificates) in the last few years.

For its portfolio companies, AURELIUS Equity Opportunities SE & Co. KGaA has identified

- Climate protection,
- Biodiversity, and
- Circular economy

as the most important environmental protection issues and works with them to achieve progress in these three core areas.

The portfolio companies are committed not to invest in emissions-intensive companies and in companies that have a significantly adverse impact on biodiversity as much as possible. In the acquisition process, it is assured that the target company complies with all local requirements for plant safety and environmental protection, can demonstrate such compliance, and has taken all necessary precautions to avoid environmental damage.

The managing directors of the local portfolio companies are required to handle natural resources in a responsible manner and devise suitable resource conservation measures wherever possible.

In addition, the portfolio companies are expected to comply with the environmental protection laws in effect at their respective locations and avoid environmental damage by means of professional risk management. They are expected to reduce the consumption of energy, hazardous materials, and water. Waste is to be avoided or minimized when avoidance is impossible. The Group companies are expected to aim for the highest possible rate of reuse and recycling.
Current environmental protection issues and measures
The AURELIUS Equity Opportunities Group expects all its responsible managers to continuously identify environmental risk and opportunity factors in all companies, processes, products, and supply chains with the goal of reducing risks and/or creating value in order to bring about long-term, sustainable change. Such risks may involve a number of factors including the consumption and/or scarcity of resources, shortage of water, waste production and disposal; emissions into air, soil, and water; energy usage, carbon costs, and climate change; biodiversity and habitat preservation.

Conversely, environmental opportunities may also relate to energy (or other resources), waste avoidance, or the development of new products with positive environmental protection characteristics.

For the sake of better orientation, the various ESG topics are labelled in the following in accordance with the topic classification scheme of the internationally leading ESG framework GRI (Global Reporting Initiative) and the Principles of the UN Global Compact.

Focal topic Climate Protection (UN GC Principles 7, 8 and 9, GRI 305)
Climate change poses special challenges for the world community. Human activities are contributing to global warming, which impacts eco-systems and therefore human societies. To address these challenges, 195 countries agreed in Paris in 2015 to limit global warming by the year 2100 to well below two degrees Celsius from the level from before industrialization. The Paris Climate Agreement is now being implemented in the form of policy frameworks and national targets. Various scientific institutions have developed methods and action recommendations to achieve this ambitious goal in practice.

Central objectives for the AURELIUS Equity Opportunities Group are the reduction of greenhouse gases (mitigation) and adaptation to already realized and to be expected effects of climate change (adaptation), derived from the first two environmental goals of climate change mitigation and climate change adaptation according to the EU taxonomy.

A risk assessment project modeled after the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) will be launched in 2022 to register the effects of climate change for the Company. This assessment will cover both physical and transition risks arising from climate change and/or the transition to a climate-friendly economy. The assessment of climate risks will be conducted particularly from an outside-in perspective, meaning that the Group will analyze the question of whether and how physical or transition climate risks will impact the operating activities of the Company. Physical climate risks include, for example, damage to buildings or infrastructure resulting from the consequences of climate change such as floods, storms, or droughts. Transition climate risks arise from the transition from the currently prevalent economic models, which are mostly based on fossil fuels (petroleum, coal, natural gas), to a low greenhouse-gas economy.

The AURELIUS Equity Opportunities Group will make its contribution to limiting global warming and achieving the goals of the Paris Climate Agreement. For this purpose, the Group will follow the strategic approach based on the principle summarized as “avoid first, reduce second, and only then compensate.”

The Group will implement a full package of measures to reduce greenhouse gas emissions within AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies by at least 30 percent by 2025.

Avoid: As much as possible, the Company strives to not cause any greenhouse gas emissions in the first place. Thus, all employees are required to plan their business travel as efficiently as possible and avoid unnecessary travel. To this end, video conferencing systems and other modern communication media have been introduced to minimize the need for travel between individual locations.
Reduce: To the extent that emissions cannot be avoided, the Company strives to improve energy efficiency and reduce greenhouse gas emissions. Moreover, travel management is continuously optimized to reduce greenhouse gas emissions.

Compensate: As of the 2019 financial year, the Company has been offsetting the CO2 emissions generated by all the flights of holding company employees. These flights caused 275,000 kg of CO2 emissions in the past financial year, which have been offset by compensation payments to the climate change organization atmosfair. atmosfair uses these compensation payments to fund climate protection projects that primarily aim to increase the use of energy from renewable sources. The projects are subject to internationally recognized certification standards such as the CDM Gold Standard, the strictest available standard for climate change projects. The funds are used transparently and completely for the respective project.

Focal topic Biodiversity (GRI 304)
According to the 2020 Global Risks Report of the World Economic Forum, the loss of biological diversity is one of the five greatest risks in terms of probability of occurrence and concrete effects in the next ten years. Biological diversity is an essential prerequisite for life itself. Both livelihoods and entire economies depend on it. It is estimated that 15 to 45 percent of global gross domestic product is directly related to biological diversity.

The AURELIUS Equity Opportunities Group has acknowledged the necessity of addressing biodiversity as an important dimension of the effort to achieve sustainability, especially at the level of the portfolio companies, given the critical importance of protecting biodiversity to ensure the survival of plant and animal species, genetic diversity, and natural eco-systems that are responsible for clean water and clean air. A deterioration of biodiversity could lead to economic and societal losses that would endanger our own well-being.

The Company supports the UN Convention on Biological Diversity (CBD) and the European Union Biodiversity Strategy für 2030 for the sake of protecting nature and reversing the deterioration of eco-systems.

The AURELIUS Equity Opportunities Group acknowledges the importance of ensuring the integrity of all eco-systems, including forests, oceans, and the cryosphere, and protecting biological diversity. The Company supports the recent initiative of more than 130 political leaders from all over the world who have pledged to end and reverse deforestation by the year 2030. The topic of biodiversity is integrated into the ESG portfolio management system. The reduction of land use and degradation, the cessation of deforestation and habitat loss, and the reduction of the adverse impacts of agriculture on biological diversity will be focal topics of the portfolio companies in the future.

Focal topic Circular Economy (GRI 301)
The transition to a circular economy system is crucial for the conservation and protection of the earth’s natural resources. As living standards rise and the world population continues to grow, especially in cities, the consumption of materials will increase further. The UN Environment Program and the International Resource Panel expect that consumption will double between 2015 and 2050. The internal conversion of largely linear (take-make-waste) industrial production harbors the potential for enormous environmental protection advantages in addition to the opportunities in other areas such as innovation, employment, and reduced dependence on imports of raw materials. The circular economy is a focal topic primarily at the level of the portfolio companies.

The AURELIUS Equity Opportunities Group views the circular economy from a holistic perspective that encompasses the entire lifecycle of a product, from the extraction of raw materials to product design, production, and distribution, the longest possible use phase, and recycling.
**SOCIAL**

What is the importance of social concerns within the AURELIUS Equity Opportunities Group?

Assuming social and societal responsibility is an integral part of the business philosophy of the AURELIUS Equity Opportunities Group. For the AURELIUS Equity Opportunities Group, corporate social responsibility (CSR) means taking social responsibility beyond the scope of the enterprise’s own activities and embedding it into the enterprise’s business strategy. Enterprises that are capable of understanding and responding to the needs of society are not only committed to social responsibility, but actually align their organizations with the needs of the future.

Therefore, social considerations are key factors not only for the business performance of enterprises, which become more diverse, stable, and resilient as a result of taking action in this area, but also for the overall improvement of society at large by making supply chains and society as a whole more robust.

According to a survey conducting by a leading accounting firm in 2021, three of the top four ESG issues for investors relate to employees and human rights.

Based on the results of the materiality analysis, the social-related focal topics for AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies are attractiveness as an employer, the safety and health of employees, continuing education, diversity, and equal opportunity. Respect for human rights is an additional focal topic for the portfolio companies. The Company’s understanding of corporate social responsibility also includes fair compensation and social engagement.

International and European human rights and social standards form the basis for the sustainability assessment of social issues. The AURELIUS Equity Opportunities Group endorses the UN Guiding Principles on Business and Human Rights (UNGP), the Labor Standards of the International Labor Organization ILO, the Principles of the UN Global Compact, and the UN Sustainable Development Goals (SDGs).

The international community created the UN Sustainable Development Goals (SDGs) in 2015 in full awareness of the necessity of ensuring the future well-being of society. These SDGs provide a framework to enterprises and investors that enables them to reconcile long-term value creation with the most pressing needs of society. 11 of the 17 SDGs are designed to better address social concerns.

**Current social topics and measures**

**Respect for and observance of human rights (UN GC Principles 1 and 2, GRI 412)**

The respect for and observance of human rights are essential principles guiding the actions of the Company. This is particularly relevant for the collaboration of the Group’s portfolio companies with their suppliers, especially in emerging-market and developing countries.

The responsibility for respecting human rights is a global standard expected of all companies wherever they conduct business. This responsibility is independent of the ability or willingness of individual states to fulfill their own human rights obligations. The responsibility for respecting human rights goes beyond compliance with national laws and regulations. A particular emphasis is placed on the management of human rights risks to those persons who are potentially affected by the Company’s business activities (employees in the own organization, the supply chain, neighbors, customers, etc.)

The AURELIUS Equity Opportunities Group is committed to respecting and observing international human rights standards, particularly including the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights (UNGP). The Company also supports the German National Action Plan for the UN Guiding Principles on Business and Human Rights.
The Company will place a high priority on helping its portfolio companies prevent child labor and forced and compulsory labor, particularly by its suppliers.

**Child labor (UN GC Principle 5, GRI 408)**
Child labor is strictly prohibited. No one below the minimum employment age defined by the International Labor Organization (ILO) may be employed. In addition, the employment of persons below the legal minimum employment age in the country in which the work is performed must be prevented. All companies are obligated to comply with the national laws and regulations enacted in each country to protect children and youths.

**Free choice of employment (forced or compulsory labor, UN GC Principle 4, GRI 409)**
All forms of forced or compulsory labor are strictly prohibited. Employees, particularly including those of suppliers, may not be compelled to perform work or enter into an employment relationship by force or threats (e.g., bonded labor or slavery).

Also prohibited is the coercion of employees to continue working by withholding pay, employee benefits, property, or documents. Suppliers are also required to comply with all local laws and regulations enacted to prevent forced or compulsory labor in the countries in which they operate. In addition, no employee may work more hours per week than the maximum number of hours permitted by applicable national laws and industry standards.

**Employees**
As the highest-level parent company, AURELIUS Equity Opportunities SE & Co. KGaA bears responsibility for more than 11,000 employees, all of whom make decisive contributions to the Group's success. Therefore, the basic working conditions established by the Group should enable all employees to develop themselves personally and professionally in accordance with their personal beliefs and objectives. To make this possible, the Company is committed to guaranteeing a work environment characterized by mutual respect and equal opportunity. The Group employed people from all regions of the world in 2021. It is firmly convinced that cultural diversity is crucial to maintaining a positive work environment and achieving entrepreneurial success. According to the Company's internal materiality analysis, three of the essential ESG topics of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies relate to our employees: health of employees, professional development of employees, and attractiveness as an employer.

**Attractiveness as an employer (GRI 401)**
The Company has observed that the demands placed on employers, especially by young talents, are changing and that the importance of issues such as work-life balance, flexible working, and job satisfaction is continually growing. It is therefore all the more important for the Company to position itself as an attractive employer that anticipates and addresses the needs of employees. In view of the prevailing scarcity of skilled workers, this orientation can be a critical factor in the competition for qualified employees.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have implemented various measures to ensure a good work-life balance for its employees, including flexible worktime models and mobile working. They also offer their employees an open corporate culture geared to teamwork.

The work environment is designed in accordance with the core labor standards of the International Labor Organization (ILO) and the Principles of the UN Global Compact. These are minimum standards for AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies, which are far exceeded by the Company’s measures.
Fair compensation (UN GC Principle 6, GRI 102-35)
The compensation offered to the employees of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies is well above the industry average (private equity, average compensation of employees). Even career beginners benefit from the Company’s attractive compensation structure. The Company will continue to offer attractive compensation packages to employees so that they can participate in the Company’s success.

The Compensation Guideline adopted for all employee groups in the 2022 financial year defines the basic conditions and minimum requirements for the configuration of compensation systems. Among other things, it provides that the amount of compensation is determined on the basis of the demands of the job in question (including knowledge and skills, responsibility, and scope of decision-making) and where applicable, the employee’s performance. It is not in any way determined by gender, ethnic background, or other personal characteristics.

Selected aspects of the Guideline and compliance with the Guideline are reviewed annually by means of sample-based internal audits.

In addition, employees and supervisors hold compensation review meetings on a regular basis. The employee’s development potential is also discussed in these meetings. If employees are dissatisfied with their compensation, they are at liberty to discuss the matter with their supervisor.

Management and compensation instruments (GRI 401-2, 405-2)
The work of senior managers and employees is supported by standardized management instruments. These instruments help to promote consultative work processes and assess the results of implemented measures.

This process includes an end-of-year meeting at which supervisors and their team members jointly adopt goals and work priorities. Expectations for work behavior and training measures may also be defined at this meeting. Additional meetings may be held in the middle of the year to assess interim results. Potential topics include the progress achieved to date and the formulation of potential measures to support the employee or employees in the remainder of the year.

At the end of the year, the progress achieved and work behavior and development potential of employees are assessed and discussed in the various management teams.

After that, the supervisors personally discuss the results of the standardized management process with their employees. At these meetings, agreements are also reached on the subject of professional development.

Training and continuing education (GRI 404)
The topic of sustainability also plays an important role in the in-house continuing education programs of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies. The training courses and projects planned for 2022 will give employees and senior managers insights into general and specific sustainability issues. Training programs are also offered to raise employees’ awareness for topics such as equal opportunity, diversity, and anti-discrimination.

Employee safety and health (GRI 403-1)
The Company attaches great importance to the health and safety of its employees, and AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies place the highest priority on the health and safety of their employees.

As a responsible employer, the Company always strives to provide a healthy and safe work environment for its employees. The Company follows a holistic occupational health and safety approach to prevent workplace
accidents and diseases. Above all, the Group focuses on preventive measures, which are continually reviewed and refined.

The Company’s overriding goal is to prevent health risks and permanently protect the health of all employees.

Information on occupational accidents and risks is systematically recorded by the Human Resources Department of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies, which involve their employees in the design of their workplaces, their work environment, and their work processes with the goal of continuous improvement.

**Sensitizing employees to the importance of occupational safety (GRI 403-4, 403-5)**
The Human Resources Department coordinates occupational safety and health and sensitizes employees to the importance of these two issues. New employees are instructed in safety-relevant aspects of their workplaces in the initial training phase.

**Management approach (GRI 103-3)**
AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies strive to design health-promoting workplaces and effectively prevent accidents. To achieve this goal, all incidents are documented and transparently reported within the Human Resources Department.

**Documentation of accidents (GRI 403-9)**
Documented lost-work days and responsive organizational structures form the basis for the documentation of accidents. The documentation of accidents at the level of the holding company makes it possible to identify causes of accidents and activities that cause accidents. As in the previous year no occupational accidents were recorded in the 2021 financial year at AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies.

**Diversity and equal opportunity (UN GC Principle 6, GRI 103-1)**
The AURELIUS Equity Opportunities Group is firmly convinced that people are more motivated and satisfied at work when their personality and identity are accepted and appreciated. The Company therefore demands equal opportunity and a culture of appreciation and respect. The origin, age, or gender of employees play no role whatsoever.

**Diversity management approach (GRI 103-2)**
All employees are expected to treat each other with respect, openness, and fairness. In this respect, managers are expected to lead as role models and bear particular responsibility for a fair corporate culture. The topics of diversity and equal opportunity will be coordinated at the level of the Supervisory Board in the future.

The AURELIUS Equity Opportunities Group understands diversity to be a key driver of ideas, renewal, and ingenuity. It enhances innovative energy and creativity. The Company understands inclusion to mean a conscious attitude of integration and appreciation towards the diversity of its staff and the equal treatment of all employees.

Diversity is to be fostered in all its dimensions: age, ethnic background and nationality, gender and gender identity, physical and mental abilities, religion and worldview, sexual orientation, and social background.

The AURELIUS Equity Opportunities Group champions equal opportunity for women and men and supports the German Diversity Charter – for diversity in the workplace – and the UN Women’s Empowerment Principles.
The AURELIUS Equity Opportunities Group also exhibits diversity in terms of the geographical origin, length of service, and age of its employees. These dimensions are detailed in the graphs below:

Diversity in teams (GRI 405-1)

Diverse perspectives make a company more successful. Therefore, the Company strives to bring different people together in mixed teams characterized by equal opportunity and the complete absence of discrimination in order to master the challenges arising in the Company’s day-to-day business in the best possible way. The goal is to recruit and develop the best-qualified experts and senior managers for the Company regardless of age, origin, gender, sexual orientation and identity, and physical limitations.

The Company strives to create a motivational work environment characterized by appreciation and equal opportunity. Diversity and inclusion are promoted by means of sensitization and training programs for employees. AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies also offer other programs such as international delegations and mentoring programs.

Women accounted for 26 percent of the staff at the AURELIUS Equity Opportunities Group in 2021. The Company will strive to further increase the proportion of women in hiring new employees. The Company is also taking steps to improve work-life balance for employees, including a wide range of measures that enable employees to flexibly adapt their work schedules to their life situation. The Company also promotes the continuous development of all employees and helps them integrate new work methods and learning techniques into their everyday work.

Social responsibility (GRI 203)

The Company believes that success in business is inseparable from social responsibility. Therefore, the AURELIUS Equity Opportunities Group sees it as an ethical obligation to make a contribution to the welfare of society. The main focus of the Company’s social engagement activities is to support socially disadvantaged groups.

In October 2015, the employees of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies launched a long-term refugee aid program under the aegis of the entire AURELIUS Group. AURELIUS Refugee Initiative e.V. is today one of the cornerstones of the Company’s social engagement activities.

As a sponsor of the foundation START Stiftung, AURELIUS Refugee Initiative e.V. has since 2018 aided young people with an immigration background and supported their political engagement in the interest of strengthening democracy in Germany.
GOVERNANCE

What does governance mean for the AURELIUS Equity Opportunities Group?

The AURELIUS Equity Opportunities Group is firmly convinced that responsible corporate governance is an indispensable prerequisite for long-term, sustainable success in business. Therefore, this aspiration is firmly embedded in the company’s business strategy.

The AURELIUS Equity Opportunities Group understands sound corporate governance to mean a clear commitment to social responsibility and ethical values. The Company stands for a visible culture of ethics, an actively practiced, readily recognizable corporate culture, and integrity.

The Company is proud of its reputation for always conducting business fairly and in accordance with ethical principles. This reputation is grounded in its corporate principles, the moral values of its employees, and the collective commitment to acting with integrity in every position of its organization.

The Company’s main guiding principle is to conduct all business activities in an honest and ethical manner. The Company has a policy in place for minimizing the risk of bribery and corruption and expects fairness and integrity to be exercised in all business deals and relationships. In addition to the overriding ethical principles, the Company’s corporate governance approach includes measures to combat money laundering and ensure data security, a prohibition of lobbying and donations to political parties, and an independent Supervisory Board.

AURELIUS Equity Opportunities SE & Co. KGaA understands sound, responsible corporate governance to also mean transparency in all dealings with all stakeholders. To this end, an extensive transparency and governance initiative was launched in 2020 to continuously improve corporate governance.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have identified data protection, independence of the Supervisory Board, diversity of the Supervisory Board, and transparent communication with all its stakeholders as essential governance topics.

Current governance topics and measures

The Company has instituted a compliance approach for its organization. Core topics are ethical principles and the prevention of money laundering, lobbying and donations to political parties. AURELIUS Equity Opportunities SE & Co. KGaA has also adopted extensive insider trading guidelines.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have defined Groupwide minimum standards to prevent money laundering and terrorism financing. Based on the results of the annual risk analysis, the Company’s overall risk with respect to money laundering and terrorism financing is deemed to be low. Nonetheless, the Company is fully aware of the obligations and challenges related to money laundering. A solid framework has been established to ensure that the Company is not used as a channel for money laundering.

The new requirements of the 5th EU Anti-Money Laundering Directive have been taken into account in the design of these processes. The new requirements particularly include stricter duties of care in the identification of enterprises owned in full or in part by high-risk third countries.

The Company is required to prevent money laundering, terrorism financing, and violations of sanctions-related regulations. All relevant employees receive special training particularly on the subject of the process for escalating and reporting suspicious incidents. All violations of law are monitored internally and the Company cooperates with the relevant authorities on such matters to the best of its ability.
Lobbying, donations to political parties (GRI 415)
AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies endorse a prohibition of political lobbying by its employees in Germany and abroad. Moreover, the Company does not engage persons or organizations to lobby government representatives, government agencies, and political organizations. The Company supports the introduction of transparency rules in political systems in which companies lobby for their own interests (e.g., lobby register).

Moreover, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies do not make donations to political parties, politicians, or candidates for political office.

Anti-corruption (UN GC Principle 10, GRI 205)
The AURELIUS Equity Opportunities Group condemns corruption in all its forms and tolerates it neither in its own business activities nor in those of its business partners. In 2022, the first portfolio companies will receive support in this regard with a Code of Conduct for their suppliers.

The AURELIUS Equity Opportunities Group always conducts its business activities in conformity with the OECD (Organization for Economic Co-operation and Development) Convention on Combating Bribery of Foreign Officials (1997) and the UN Convention against Corruption (2003).

Data protection (GRI 418)
Taking responsibility for data means more than just data protection. AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have established a data governance approach that encompasses not only legal aspects, but cultural and organizational aspects as well. The goal is to ensure the responsible handling of data in the interest of all stakeholders. The Company is committed to observing and implementing all relevant data protection standards for the Company.

The respective data protection officers within the Group perform the legally prescribed tasks to ensure compliance with data protection regulations. The applicable provisions of data protection law are observed in every case.

Internal guidelines and the General Data Protection Regulation limit and govern the collection, use, storage, and transfer of personal data in the interest of data subjects. Data are only used and stored for the purpose indicated to the data subjects.

Affected individuals or organizations are promptly informed of any changes in the Company’s Data Protection Guideline or any identified impermissible use of their data. All reports and complaints concerning possible violations are reviewed, processed, and documented. No complaints of possible data protection violations were lodged in 2021.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies place the highest priority on ensuring the protection of all company data and processes and respecting and protecting the privacy of employees and all stakeholders. The security of company data and the trust of employees and stakeholders are critical to the Company’s success.

The Company’s goal in the deployment and use of IT equipment is to ensure the confidentiality and data protection interests of all individuals and legal entities who conduct business with AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies, the safeguarding of the Company’s business interests, and compliance with statutory, contractual, and professional responsibility regulations.
This goal is pursued with respect to all of the Company’s temporary and permanent employees and employees who perform work under consulting agreements or service agreements. AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies are supported in this work by an outside service provider.

Data must be regarded as a sensitive asset, worthy of protection, which is subject to strict legal requirements. The regulatory requirements have risen considerably in the last few years, particularly in the area of data protection. For example, the General Data Protection Regulation (GDPR) of the European Union imposed additional obligations on enterprises relative to the handling of personal data. Moreover, public awareness of this issue has increased as well. For this reason, the responsible handling of data is also a critical success factor in competition today.

AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies treat all personal data as confidential, as a rule. We protect such data in accordance with the applicable legal requirements.

**Independence of supervisory bodies**
The quality of operational management of an enterprise and its supervisory bodies is an essential component of sound corporate governance. This includes a high degree of transparency, the effectiveness and independence of supervisory bodies, and the composition of committees. The Supervisory Board and the committees are staffed mostly with independent members.

**Diversity of the Supervisory Board**
Although the Company is not subject to the statutory requirement by which women must account for 30 percent of Supervisory Board members, women do in fact represent more than 30 percent of the members of the Supervisory Board of AURELIUS Equity Opportunities SE & Co. KGaA.

**ESG IN THE PORTFOLIO COMPANIES**

**What does ESG mean for the Company’s portfolio companies?**
Based on the results of its materiality analysis, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have placed the highest priority on the topic of the impact of ESG on the portfolio companies, which are supported in expanding their ESG measures. This enables the Company to achieve the greatest benefits for the community at large with respect to key ESG topics such as human rights, adherence to social standards, and the reduction of greenhouse gas emissions.

**Current topics and measures in the portfolio companies**
AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies incorporate ESG aspects into their investment cycle, that being the full period of interaction with the portfolio companies, ranging from selection and due diligence to acquisition, affiliation with the AURELIUS Equity Opportunities Group, and eventual exit.

The sustainable investment approach of AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies is brought to bear in the investment phase. In order to optimally manage ESG risks and opportunities during the investment phase, the Company works closely together with the management teams of potential portfolio companies to identify essential ESG topics and bring them to the attention of the relevant decision-makers.

**ESG measures in selected portfolio companies (here: VAG and Silvan)**
VAG offers products and services for global water, wastewater, and hydroelectric power applications. VAG therefore makes an important contribution to the clean water and clean energy goals adopted by the United Nations (UN Sustainable Development Goals, SDGs) and to the sustainable use and protection of water resources, which is an environmental protection goal of the EU Taxonomy Regulation.
In 2019, VAG in collaboration with the prestigious international law firm Baker McKenzie replaced its previous compliance system with a comprehensive Compliance Management System tailored to the risks of VAG’s business model. With a view to international standards and guidelines (e.g., German law, U.S. FCPA, UK Bribery Act, ISO 37001), VAG updated its existing guidelines and procedures in the areas of combating corruption (including due diligence reviews of third parties), anti-trust law, combating money laundering, conflicts of interest, and whistleblowing.

VAG also improved its governance structure in conjunction with the adaptation of its Content Management System (CMS). All initiatives related to this endeavor were completed in 2021. Given that VAG seeks to further advance ESG-relevant measures in other areas as well, the company decided to incorporate environmental and social initiatives in a systematic and comprehensive manner in 2021. At the time of preparation of this report, VAG had conducted risk assessments in these areas and has already defined various goals such as attaining certification according to ISO 45001 (Health and Safety) and ISO 14001 (Environment) for all production sites. VAG will also conduct a thorough review of its supply chain and formulate suitable measures to ensure that its global procurement partners are held to the same environmental and social standards as VAG.

Silvan is a leading Danish “Do-It-Yourself” (DIY) retail chain with the highest brand recognition in this sector. The company mainly serves individuals with its more than 40 DIY stores and one online shop in Denmark. Silvan is successively implementing further initiatives to embed ESG topics into its own internal guidelines.

Silvan purchases all its products from external suppliers. Therefore, Silvan goes to great lengths to ensure that its suppliers fulfill the applicable framework conditions and standards. In this context, a new Code of Conduct was developed for 2020 and is being progressively implemented. Silvan also maintains multiple financial controls to counteract any unlawful financial arrangements.

As a company that fully respects human rights, Silvan goes to great lengths to ensure that its suppliers also respect and observe human rights. No violations of Silvan’s Code of Conduct for Suppliers were registered in 2021.

Silvan implemented several measures in 2021 to reduce the company’s environmental footprint. To this end, the company placed great emphasis on making its product assortment more sustainable and broadened this initiative continuously in 2022. The company also replaced many products with certified sustainable products (e.g., moving boxes, packaging materials, charcoal).

Silvan optimized its entire logistics operation to considerably reduce the number of transports between the central warehouse and the company’s stores (in some cases reducing daily transports to less than one transport per week).

Moreover, many elements of the new store concept, which has already been implemented in five stores, are geared to sustainability (including the nearly complete replacement of plastic parts with wooden or metallic solutions, extensive shared services offerings (such as free rental of trailers, free rental of e-cargo bikes, paid tool rentals, etc.)

Silvan has developed a new marketing approach by which it considerably reduced the number of physically distributed catalogs in 2020 and 2021, saving 134,000 km of paper per year. The outdoor spaces of the stores and headquarters are now managed more sustainably (with much less grass-cutting and a generally more insect-friendly design, for example). The installation of LED lighting in all stores was completed in 2021 (saving approx. 1,800,000 kw/h per year).
The company has replaced disposable plastic shopping bags with environmentally friendly paper bags and reusable bags made of recycled plastic. On Black Friday in 2020 and 2021, the company conducted a campaign together with “Plant et træ” to plant more trees in Denmark. Silvan donated five percent of all revenues generated on Black Friday weekends to “Plant et træ” (this corresponds to more than DKK 1.4 million for 2020 and 2021).

Silvan has already planned several additional measures to further sharpen the company’s focus on sustainability in 2022. In particular, the company plans to introduce its own label for sustainable products (“Skabt med omtanke”). The company is also in talks with its suppliers to introduce more sustainable product packaging solutions.

Silvan will also study the possibility of installing electric vehicle charging stations at selected parking spaces of its stores in 2022. In addition, the company strives to fully electrify its own vehicle fleet in collaboration with business partners.

**Future topics and improvements at the portfolio companies**

Because risk reduction and value creation go hand in hand, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies have adopted a number of guidelines for responsible and sustainable investing, which are currently being expanded further. The Company achieves the greatest ESG impact by helping its portfolio companies implement their own ESG measures.

In the future, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies will provide even greater support to its portfolio companies particularly in the implementation and expansion of ESG measures during the investment phase. In this endeavor, the Company will benefit from its own, considerably extended ESG organization.

Standards and guidelines on multiple ESG topics will be successively introduced at all the portfolio companies. Already in the 2022 financial year, moreover, AURELIUS Equity Opportunities SE & Co. KGaA and its holding companies are providing greater support to individual portfolio companies in the identification and implementation of more extensive ESG projects.