THE GROUP AND UNDERLYING CONDITIONS

STRUCTURE AND BUSINESS ACTIVITY

Positioning: Listed private equity company

Deutsche Beteiligungs AG (DBAG) is a publicly listed private equity company domiciled in Frankfurt/Main. It raises closed-end private equity funds ("DBAG funds") for investments in equity or equity-like financial instruments predominantly in non-quoted companies. Employing its own assets, it enters into investments as a co-investor alongside these private equity funds. Its investment focus as a co-investor and fund manager ("fund investment services") is on German "Mittelstand" companies.

List of subsidiaries and associates: Notes to the consolidated financial statements page 194

DBAG shares have been listed on the Frankfurt stock exchange since 1985. They are traded in the Prime Standard, the market segment with the highest transparency level, and are, among other things, a constituent of the S-Dax (national) as well as the LPX Direct and LPX Europe (international) indices. A stock market listing is exceptional for a private equity company: through the purchase of shares, it provides a unique opportunity for shareholders to profit both from fee income for investment services to funds as well as from earnings generated by a portfolio of unquoted companies.

www.deutsche-beteiligung.de/corporate-governance/

Deutsche Beteiligungs AG is recognised as a special investment company as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG) and is therefore exempt from municipal trade tax. Since 14 July 2014, it is also registered as an AIF management company in accordance with the German Investment Code (KAGB). The corporate structure is presented in the notes to the consolidated financial statements on pages 144 and 146.

Business model: Raising closed-end private equity funds and co-investing alongside these funds

Deutsche Beteiligungs AG invests alongside the DBAG funds in German "Mittelstand" companies. Its roots reach back to 1965, when Deutsche Beteiligungs GmbH (DBG), its predecessor firm, was founded. Since then, initially DBG and, since its founding in 1984, DBAG have entered into equity investments in more than 300 companies. From the very beginning, investments were (also) made through funds. At first, these funds exclusively bundled assets from its partnership or shareholder base; raised in 2002, the DBAG Fund IV was the first fund to which investors outside the group of shareholders committed capital.

DBAG funds are structured as closed-end private equity funds and invest on their own account. They bundle the assets of German and international institutions. These institutional investors – pension funds, funds of funds, banks, foundations, insurance companies or family offices – generally do not themselves hold direct investments in our target market.

Fund details: Notes to the consolidated financial statements page 182

DBAG and DBAG funds invest on the same terms in the same investee businesses and in the same instruments. To that end, DBAG has concluded co-investment agreements with the DBAG funds. The co-investment agreements provide for a fixed investment ratio over the entire life of a fund. The monitoring of investments and their disinvestment also take place in parallel.

Fund	Target	Start of investment period ("vintage")	End of investment period	Size	Thereof DBAG	Investment ratio Fund : DBAG
DBAG Fund IV	Buyouts	September 2002	February 2007	€322mn	€94mn	1:3.43 (29.2%)
DBAG Fund V	Buyouts	February 2007	February 2013	€539mn	€105mn	1:5.14 (19.4%)
DBAG Expansion Capital Fund	Expansion financings	May 2011	May 2017	€242mn	€100mn	1:2.39 (41.8%)
DBAG Fund VI	Buyouts	February 2013	February 2018	€700mn[1]	€133mn	1:5.33 (18.8%)

1 Without the shares of the entity through which the members of the investment team invest (“carry entity”)

Risk arising from co-investment agreements page 116

In the current and the coming three financial years, the co-investment agreements could trigger outflows of 199 million euros for DBAG, insofar as DBAG does not make use of its right of refraining from a co-investment.

At the end of the reporting period, DBAG had financial resources of 150.7 million euros available for investment. To fulfil the investment commitments, DBAG will also be able resort to proceeds from future disinvestments or raise loans, if appropriate.

Business activity: Fund management services (“investment services”) to DBAG funds and co-investments in industrial and services companies

Realisation of value creation from investments a major source of income

Investment criteria page 62

Within the scope of its activity for DBAG funds, Deutsche Beteiligungs AG seeks investments in healthy companies with good prospects for development and (co-)invests in these companies. It backs these companies for a period of usually four to seven years as a financial investor in a focused-partnership role. It pursues the objective of appreciating the value of the portfolio companies. Deutsche Beteiligungs AG realises that value upon a portfolio company’s ultimate disinvestment. The portfolio companies continue their development under a different constellation, for example, alongside an industrial partner, a new financial investor or as a quoted company.

The modes and specific structuring of investments are geared to individual financing situations. These could be

- a generational transition in a family-owned business,
- a capital requirement to fund a company’s growth
- split-offs of peripheral activities from large corporations, or
- a sale from the portfolio of another financial investor.

Depending on the individual situation, an investment can involve equity or equity-like instruments and taking either majority or minority positions. A generational transition, for example, will usually be structured as a management buyout (MBO). In an MBO, financial investors acquire a *control interest;* the respective management team will also take an equity stake. Split-offs of peripheral activities from large corporations or a sale from the portfolio of another financial investor ("secondary buyout") are also usually structured as majority takeovers. Growth financings are made by way of a *minority interest* or by providing equity-like funding for businesses in the hands of families wishing to retain control over their companies.

Our investment performance is, first and foremost, based on proven private equity business processes. These include

- access to and assessment of transaction opportunities,
- an in-depth due-diligence process prior to making an investment,
- supporting the portfolio companies' managements in implementing their corporate concepts by taking offices on advisory councils and supervisory boards,
- a disinvestment process that is well-timed and well-structured.

Investment services to DBAG funds as a source of income

Raising capital for DBAG funds is advantageous both for the Company and, consequently, for its shareholders, as well as for the investors in the fund. As a private equity company, DBAG is not permitted to take majority positions by itself; structuring management buyouts together with the DBAG funds is, however, possible. The fund investors can, in turn, be assured of a strong identity of interest that ensues from their fund adviser's investment activity alongside the fund. The funds' assets also create a substantially larger capital base, which enables diversifying the portfolio more broadly. In addition, DBAG earns fee income for management or advisory services to the funds, which serves to cover a large part of its operating costs.

Fee income from investment services to funds page 77

Deutsche Beteiligungs AG provides management or advisory services to DBAG funds through two Group companies, both of which do not employ a staff of their own. Their business is discharged by DBAG or its staff.

Consolidated DBAG group of companies: Notes to the consolidated financial statements page 144

DBG New Fund Management *manages* DBAG Fund IV (fully invested), whereas DBAG Fund V (also fully invested) and the DBAG Expansion Capital Fund are managed by DBG Managing Partner. This means that they take decisions on the acquisition and disposal of investments. DBAG Fund VI has its own management company with its place of business in Guernsey, Channel Islands; it is therefore exclusively *advised* by DBG Managing Partner.

The range of services provided by the management or advisory firms is broad: they seek, assess and structure investment opportunities, negotiate investment agreements, compile investment memoranda for all funds (and, for DBAG Fund IV, DBAG Fund V and the DBAG Expansion Capital Fund, take investment decisions), support the portfolio companies during the holding period and realise the funds' portfolios. This range of services is referred to as "investment services to funds", or "investment services" for short.

The fees for these investment services to funds are in line with the industry standard: the amount is volume-related. During the investment phase, fees are based on the capital committed by the fund investors. After that, they are measured by the historical cost of the recoverable investments remaining in the respective fund's portfolio (DBAG Fund V, DBAG Fund IV, DBG Fonds III and DBG Fonds I).[1] In that respect, fee income for investment services is at least partially linked to the portfolio companies' value appreciation.

Portfolio profile: MBOs and expansion financings predominate

Details on the portfolio page 83 ff.

From 2000 to 2012, Deutsche Beteiligungs AG invested exclusively in MBOs. This evolved from a market environment in which expansion capital investments by private equity companies were less in demand. Today, the largest part of the portfolio[2], or 79 percent, is attributable to co-investments in eleven management buyouts. There were five expansion capital investments in the portfolio (15 percent of portfolio value) at the end of the period. Investments in three international buyout funds now account for a little less than six percent of the portfolio value; they consist of older investments that are gradually liquidated through the sale of the underlying portfolio companies.

Our track record confirms the success of our investment activity: since 1997, DBAG has sponsored 31 MBOs together with DBG Fonds III, DBAG Fund IV, DBAG Fund V and DBAG Fund VI. Of these investments, 21 have been realised completely or for the most part up to the end of this reporting year. Based on the realisations and the value of the current investments in the portfolio, these MBOs have generated 2.2 x the invested capital.[3]

Expansion capital investments are also attractive. These investments differ from MBOs in that, among other things, the companies' debt level is mostly lower. The holding period for a minority expansion capital investment is usually longer. The rate of return is therefore generally lower than those for MBOs, whereas earnings in absolute terms are comparable.

1 DBAG Fund V is still invested in seven companies. DBAG Fund IV still holds one investment. DBG Fonds III and DBG Fonds I are of subordinate importance for the fund advisory business of DBAG.

2 All disclosures concerning the composition of the "portfolio" (also referred to as "portfolio value") relate to the portfolio recognised in financial assets totalling 127.1 million euros and to loans receivable from portfolio companies of 25.9 million euros recognised in item "Loans and receivables" (note 19 and note 20); the value of this portfolio totals 153.1 million euros.

3 Considers 31 buyouts structured up to 30 September 2014.

Organisational position: Large investment team

Deutsche Beteiligungs AG is relatively small in size, and hierarchic structures are lean. The Board of Management consists of three members, and the number of staff in the DBAG Group totalled 56. The largest entity is a team of 21 investment professionals.[4] This team has a broad skill set combined with multifaceted experience in the investment business. A project team of two to four individuals is generally responsible for each transaction and is always supported by a member of the Board of Management.

Two of the three Board of Management members are intensively involved in transaction activities, meaning identifying transaction opportunities and supporting the portfolio companies during the holding period. These two Board of Management members are also members of the investment team. The support functions for the investment process, the administrative activities at DBAG, and the responsibility for investor relations are bundled under a Chief Financial Officer.

All staff are employed by Deutsche Beteiligungs AG and are located at the Company's headquarters. This is conducive to communication and creates short decision-taking lines. DBAG is able to completely cover the entire investment process with its own resources. Efficient, well-attuned processes make it possible to quickly implement investment decisions as well as to regularly valuate the portfolio on a timely basis.

Balance sheet management: Financing via the stock market

DBAG finances itself exclusively through the stock market. Its balance sheet structure attests to the special nature of the private equity business with investments and realisations that are not schedulable. The Company maintains sufficient liquidity in order to take advantage of investment opportunities and meet co-investment commitments alongside the funds at any time. Loans are only taken up in exceptional cases and only to serve short-term liquidity requirements. For longer planning horizons, we manage the amount of equity capital via distributions, share repurchases (as in 2005, 2006 and 2007), or, if appropriate, capital increases (2004).

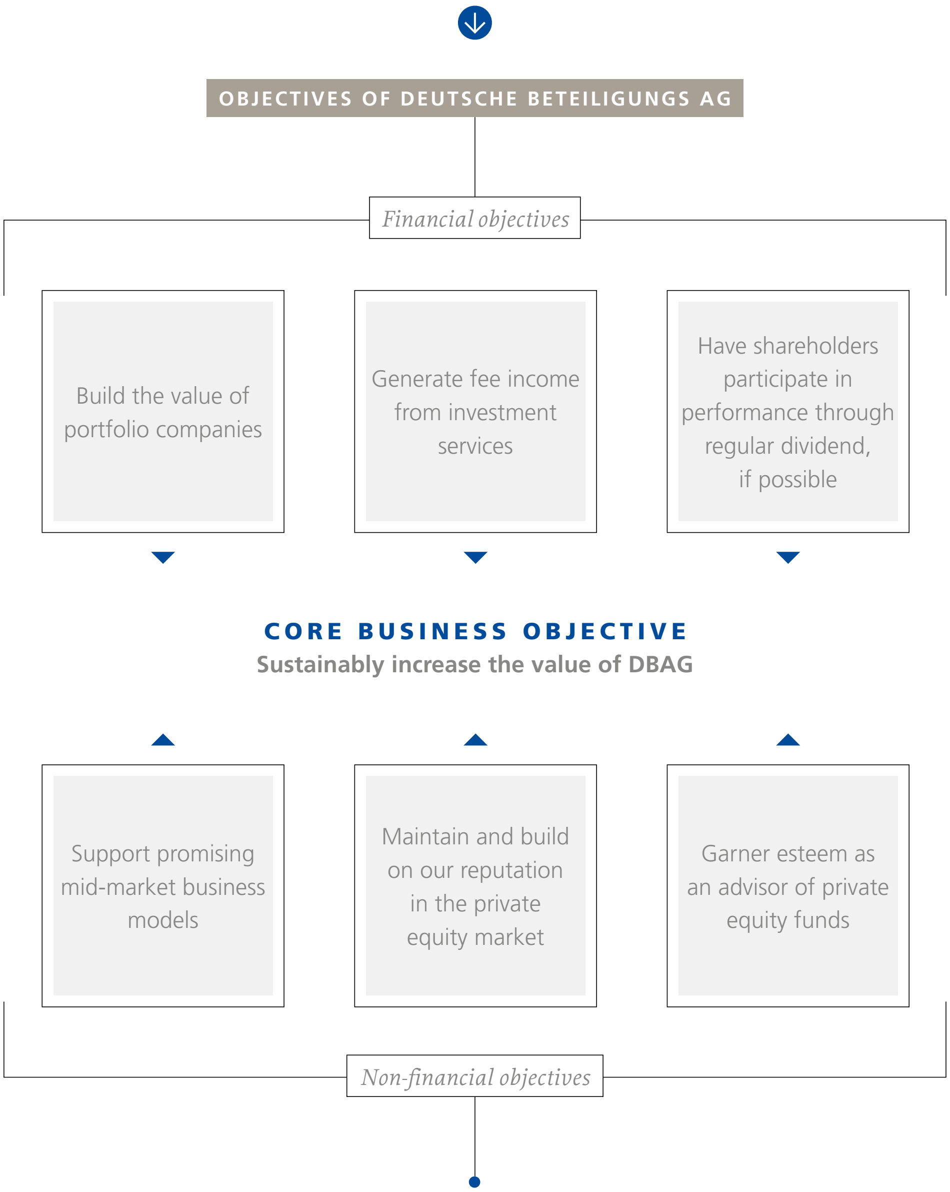
Co-investment commitments page 56

4 Without the members of the Board of Management

OBJECTIVES AND STRATEGY

Objective: To sustainably increase the value of DBAG by building the value of portfolio companies

The core **BUSINESS OBJECTIVE** is to sustainably increase the value of Deutsche Beteiligungs AG. DBAG reaches this objective in its role as an investor by rigidly implementing a strategy of "investing, developing and realising value growth", as well as by providing fund management and advisory services.



The value of DBAG is, first and foremost, determined by the value of the portfolio companies. To grow that value, DBAG supports the portfolio companies during a phase of strategic development in its role as a financial investor in a focused partnership. DBAG is invested in its portfolio companies for a mid- to long-term period, largely meaning a term of four to seven years. Value is built over that period and is mostly realised when the investment is exited. For expansion financings, the value growth is often partially realised during the holding period by way of current distributions. Investment decisions are based on assumptions concerning the holding period and realisable value gains upon an investment's ultimate disposal. The targeted average annual internal rate of return (IRR) based on these assumptions is approximately 20 percent for expansion financings and 25 percent for MBOs.

A sustainable positive value contribution, which is appropriately acknowledged by the capital market, is also to come from the business of investment services to funds. Its performance is measured by sustainable growth in fee income for these services and the return achieved from the surplus in fee income over the relevant expenses.

As is common in the private equity sector, the measure for our performance is a period of ten years. Support for portfolio companies in their development is limited in time. This, and the influence of external factors on value growth could entail strong fluctuations in the performance of individual years. Only when viewed over a sufficiently long time span is it possible to assess whether we have reached the core financial objective of our business activities. We measure the performance contribution of an individual year by comparison with the median performance over a ten-year horizon. On the average of this ten-year period, we aim to increase the net asset value per share by an amount that significantly exceeds the cost of equity.

Details on the return on net asset value per share page 88

We intend to have our shareholders participate in that value appreciation by paying a regular dividend (base dividend) and – in instances of particularly profitable realisations – a surplus dividend. This dividend model is consistent with the irregular cash inflows of our private equity business. The total return to shareholders therefore derives from the gain in the Company's value in terms of net asset value per share, plus dividends paid.

Besides its financial targets, Deutsche Beteiligungs AG also pursues a set of **NON-FINANCIAL OBJECTIVES**. We aim to support the development of promising mid-market business models and therefore give our portfolio companies the leeway they need to successfully pursue their strategic development – with our equity as well as with our experience, knowledge and network. Our portfolio companies should remain well poised beyond DBAG's investment period. We believe that the value of our investments at the time of their disposal will be particularly high, if the prospects for their further progress are favourable after we exit them.

Our stance on sustainability issues is also discussed as an aspect of corporate governance page 67

Financial and non-financial performance indicators page 88

A key aspect linked to an investment is to appropriately consider the interests of all stakeholders involved. By successfully supporting our portfolio companies, we want to substantiate the confidence we have gained in the market and among investors over nearly five decades and thereby maintain and underpin our good reputation. We are convinced that this also involves adhering to ESG (Environmental, Social and Governance) principles, which includes compliance with our business policies.

The assets of the DBAG funds constitute a substantial part of DBAG's investment base. The funds are organised as closed-end funds; regularly raising successor funds is therefore a requirement. These efforts will only succeed if investors in these funds achieve commensurate returns and we are perceived to be reliable and trustworthy. We therefore attach great importance to open, responsible interaction with the partners ("limited partners") in DBAG funds.

Strategy: Investments in German "Mittelstand" companies with exceptional potential for development

Broad spectrum of investment criteria

Deutsche Beteiligungs AG and its advised funds invest in companies with promising potential for development. That potential should enable the companies to augment their value, for example, by enhancing their strategic positioning, improving operational processes or by earnings growth. Such companies are, for instance, characterised by leadership positions in their (possibly small) markets, seasoned managements, strong innovative capacity and future-viable products.

Many such companies can be found in Germany's "Mittelstand", for example in mechanical engineering and plant construction, among automotive suppliers and industrial support services providers. DBAG's investment team is particularly experienced in these sectors: about half of all transactions in the past 15 years stem from these particularly strong sectors of Germany's "Mittelstand". It follows that the investment team has in-depth expertise in these sectors. Based on this expertise, even complex transactions are conceivable in these core sectors, such as spin-offs from large corporations or conglomerates or mergers. In recent decades, other new sectors, such as telecommunication or services, have increasingly gained in significance. There are companies operating in such sectors that also meet DBAG's investment criteria. Geographically, we concentrate our investments on companies domiciled in German-speaking countries.

We consider a broad range of criteria when taking our investment decisions. We principally examine whether the products and services of potential investee businesses address the needs arising from changing economic and societal conditions. Our particular focus is on the following trends:

- efficient generation and utilisation of energy,
- stewardship of natural resources,
- the challenges of climate change,
- growing mobility,
- efforts to increase productivity and
- progressive industrialisation in emerging countries.

We concentrate on mid-market companies. This means that our portfolio companies typically generate annual revenues of between 50 million and 500 million euros. Depending on the sector, size and earnings performance, the debt-free enterprise value of such companies will generally range from 50 million to 250 million euros. This magnitude basically applies irrespective of the type of investment. Investments in smaller companies may also be considered, if there is potential for significant growth. Neither do we exclude larger transactions. If appropriate, we structure such investments together with other investors who pursue a similar investment strategy.

We endeavour to achieve a diversified portfolio. That way, we avoid cluster risks and increase the probability of sharing in numerous growth opportunities. We may invest in companies operating in the same industry, but we take care that the companies serve different niche markets or operate in different geographical regions. Most of our portfolio companies operate internationally. That applies to the markets they serve and, increasingly, to their production sites.

Many of our portfolio companies produce capital goods. The demand for these products is generally subject to stronger cyclical swings than the demand for consumer goods. When we enter into such investments, we see to it that, among other things, finance structures are resilient. Co-investments in companies whose performance is more strongly linked to consumer demand mitigate the effects of cyclical business models on the value of the portfolio.

Deutsche Beteiligungs AG invests in established companies with a proven business model. This approach excludes investments in early-stage companies. Moreover, we attach importance to the companies being led by seasoned and dedicated managements who are able to successfully realise the objectives that were mutually agreed.

Investment performance is prerequisite for growth in fund advisory business

Investors’ assets are only available for a limited period of time. Beyond that, once invested, the capital committed by investors – unlike assets from the balance sheet of DBAG – cannot be invested another time: following a realisation, the capital is returned to investors. To ensure continuity in the fund advisory business, new funds must therefore be raised at regular intervals.

Our aim is to have a successor fund exceed the size of its predecessor. That way, total managed and advised assets will grow on a several-year average and with that the basis for fee income from investment services to funds.

Capital commitments to a (successor) fund are significantly influenced by the performance of a current fund. Thus, a prerequisite for an increase in managed and advised assets is, among other things, an excellent track record. Investors also value the investment team’s experience, size and network.

STEERING AND CONTROL

Key performance mark: Return on net asset value

Our business policy is geared to appreciating the value of DBAG over the long term by successful investments in portfolio companies and a successful fund advisory business. It follows from the nature of the business and the financial accounting methodology that the Company’s value may decrease in individual years. The Company’s value is largely determined by the fair value of the portfolio companies at the end of a reporting period; that value is subject to influences beyond DBAG’s control, such as those from the stock market. The Company’s value is understood to have increased over the long term when, on an average of, for example, ten years, the return on net asset value per share exceeds the cost of equity. The key performance mark is the return on net asset value.

We determine the return on net asset value by comparing the NAV per share at the close of the financial year with the opening NAV per share, less dividends, at the onset of the financial year. To that end, we use the net asset value as stated in the consolidated financial statements, which are drawn up in compliance with the International Financial Reporting Standards (IFRS).

We derive the cost of equity (rEK) based on the capital asset pricing model (CAPM) from a risk-free base rate (rf) and a risk premium for the entrepreneurial risk (ß). We determine the risk premium by also considering a risk premium for the stock market (rM) as well as DBAG’s individual risk. The cost of equity is then derived as follows: **rEK = rf + ß * rM.**

We derive the risk-free base rate from a zero bond interest rate with a residual term of 30 years, based on the yield curve at the reporting date. At 31 October 2014, this value was 2.0 percent (previous year: 2.5 percent).

The market risk premium used was an unchanged 7.0 percent.

For the individual risk measure we use an adjusted ß (beta) of 0.5. This value is based on the most recently utilisable observable levered beta factor for Deutsche Beteiligungs AG of 0.60 (at 31 October 2012; all subsequent values are not applicable due to the low liquidity of the shares). Since the ratio of (safe) financial resources to (risk-exposed) portfolio has since shifted in favour of financial resources, a discount of 0.10 is applied to the value of 0.60.

Inserting the three input factors in the formula, we arrive at a cost of equity for DBAG of 5.5 percent as at the most recent reporting date (previous year: 8.1 percent). This calculatory result is strongly influenced by the historically low interest rate level and the low risk position of DBAG on the reporting date following its recent profitable realisations. This is set against what we believe are shareholders' expectations of sustainably stable returns. In measuring our business performance, we will therefore use, unchanged, an alternative return of eight percent for the time being as a basis, instead of the arithmetically calculated cost of equity. We will, however, continue to monitor the developments in capital market data and adjust the cost of equity, if appropriate.

Details on the return on net asset value page 88

Controlling: Regular assessment of portfolio companies and of investment performance of DBAG funds

Mid-term performance of portfolio is key measure

The intrinsic value of our shares is determined to a significant degree by the value of the investment portfolio and its development. Valuations may be subject to considerable fluctuations at short notice. The reasons are the portfolio companies' susceptibility to industry-related cycles and valuation ratios in the stock markets. Short-term changes therefore ordinarily do not convey a true picture of the success of an investment. We will frequently only know whether a private equity investment can actually be termed successful after a number of years, upon its disposal. We therefore measure our performance by the average return on net asset value per share over a longer horizon, and not by the results of a single financial year.

Because of the particularities of our business activity, we do not steer the business of DBAG by traditional annual indicators such as EBIT or profitability. The key influential parameter at Group level is the medium-term performance of the portfolio or of an individual investment.

At the portfolio company level, traditional indicators, however, play a direct role: when taking our decision to invest, we clearly define performance targets based on the business plans developed by the portfolio companies' managements – such as for revenues, profitability and debt. During the time of our investment, we valuate our portfolio companies at quarterly intervals using their current financial metrics (EBITDA, EBITA and net debt). Based on these monthly or quarterly reports, we closely follow the business trend in each portfolio company in a year-over-year and current budget comparison. We also consider other indicators, such as order intake and orders on hand.

The members of the Board of Management and investment professionals of Deutsche Beteiligungs AG regularly inform themselves about operational, financial and strategic developments at our portfolio companies through their work on advisory councils and supervisory bodies. They do so in keeping with the principles of good corporate governance.

Assessment of DBAG funds by commonly used indicators in the private equity industry

The success of DBAG funds is based on the investment performance. We measure it by indicators that are commonly used in the private equity industry. These include the relationship between the portfolio value or the relationship between distributions to investors and the capital called as well as the return on the capital called, determined by the internal rate of return method.

Ensuring performance: Board of Management members directly involved in all relevant operating processes

The members of the Board of Management are personally involved in the core processes of business operations at Deutsche Beteiligungs AG (i.e. investment management and fund advisory services). In their fund investment services, they specifically take decisions in conjunction with generating investment opportunities (deal flow) and with analysing (due diligence) or negotiating acquisitions and disinvestments. Additionally, they discuss key issues at weekly meetings with those members of the investment team who are involved in transactions or in supporting the portfolio companies. The members of the Board of Management take joint decisions on co-investments that DBAG enters into with the DBAG funds.

Opportunity and risk management page 108

A key instrument in ensuring performance is the risk management system. It addresses exposure to both operational risk and to risk inherent in the portfolio companies' development. The insight gained from the risk management system is discussed on a continual basis in the meetings on the state of the portfolio companies.

SUSTAINABILITY

Deutsche Beteiligungs AG has committed to sustainable corporate governance and meets high ESG standards. We take our guidance from our firm belief that development can only be termed sustainable when it meets the needs of the present without compromising the ability of future generations to meet their own needs.[5] As a private equity company, this commitment encompasses both the integration of the principles of responsible investment in our investment process as well as corporate governance issues. Through our engagement on advisory councils and supervisory boards, our efforts are also directed towards helping our portfolio companies pursue sustainable corporate governance goals. We have set out our sustainability principles in an ESG guideline.

At DBAG, our focus regarding sustainability is on the following issues:

- Environmental: minimisation of greenhouse gas emissions and high levels of resource efficiency;
- Employment and social affairs: we acknowledge that our employees are our most important resource;
- Corporate governance: we commit to the highest standards in corporate governance.

In practice, this means that we consciously reduce business travel to a necessary minimum and, instead, use alternative forms of communication to the extent possible. Our offices comply with the most modern environmental standards in respect of ventilation and air conditioning, heating and illumination. We report in detail on greenhouse gas emissions on an annual basis within the scope of the Carbon Disclosure Project.

Non-financial performance indicators – Sustainability page 92

The protection of our employees' health and maintenance of a discrimination-free workplace are key priority issues for us. In relation to the size of our Company, our engagement in training and education is very much above average.

The Board of Management and the Supervisory Board have always committed to responsible, transparent and sustainable value creation. Since its introduction, we have consistently followed nearly all of the recommendations and suggestions of the "German Corporate Governance Code" and have therefore subjected ourselves to the rules of good fiduciary corporate governance and surveillance. In respect of the currently valid Code, DBAG declared that there are no discrepancies.

Further regulatory information and commentary page 101

In our ESG guidelines, we have set out that all potential investments must also be analysed by ESG criteria. Investments in certain sectors and companies, in particular the armament industry, are excluded from the outset. Moreover, we do not engage in unfriendly takeovers. In the due-diligence process, we examine opportunities and risks linked to compliance or non-compliance with ESG criteria. There are special compliance rules in effect for the investment process itself, that is, for our conduct in transaction situations.

5 As defined in the United Nations report dated 1987 "Report of the World Commission on Environment and Development" ("Brundtland Report")

Increasing DBAG's value depends on the extent to which we succeed in augmenting the value of our portfolio companies. Ways to achieve this could extend to a company investing in research and development and strengthening its competitiveness through innovation. That, however, also implies a motivated staff and a high degree of acceptance among customers and suppliers. In short, the company must act in conformity with its social environment. We therefore attach great significance to our portfolio companies respecting social and ethical principles and minimising negative effects on nature. We are convinced that companies that uphold high ESG standards are managed better, are exposed to lower business risks and, ultimately, create more value.

Since every portfolio company is governed by very individual internal and external factors, the following ESG criteria may vary as to their relevance. Due to the allocation of roles between our portfolio companies and DBAG, we exert a *direct* influence only in respect of selecting an investment. During the holding period, we have an *indirect* influence by taking offices on advisory councils and supervisory boards. We focus on the following ESG criteria:

- Environment: minimisation and professional management of negative effects on nature;
- Employment and social affairs: furtherance of good work conditions, high social standards and provision of a positive contribution to society;
- Corporate governance and business ethics: maintenance of best-possible standards and furtherance of good business practices.