



DUBAG
GROUP

ESG 2022

Annual Report

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Environmental, social, and governance issues are not only ethical concerns but also integral components of effective strategic planning, risk management, sustainable growth, and long-term value creation.



“

We are a company that is deeply committed to sustainable and responsible investment practices.

Dr. Michael Schumann, CEO

Message from our CEO

Dear Stakeholders,

I am thrilled to present our 2022 ESG report, highlighting the remarkable progress and positive results achieved by DUBAG.

As CEO, I am proud to lead a company that is deeply committed to sustainable and responsible investment practices, generating both strong financial returns and a meaningful impact on our world.

Last year, we made significant strides in our journey towards sustainability, fostering positive environmental stewardship, social responsibility, and robust governance across our portfolio. Our achievements demonstrate that profitability and positive impact can go hand in hand.

We are immensely grateful to all our stakeholders for their unwavering support and collaboration, which have been vital to our success. Together, we will continue to learn, refine, and address emerging challenges while capitalizing on new opportunities.

About this report

Our ESG Report serves as a comprehensive overview of our efforts to integrate such considerations into every stage of our investment lifecycle. Within the pages of this report, you will find an overview of DUBAG and an introduction to our investment policy and its effect on all phases of our investment process. Finally, you will find details about our LEO funds and different case studies, showing the impact of our strategy on our portfolio companies with real-life examples.

By addressing material ESG issues and opportunities, we aim to generate better returns while minimizing risks and fostering positive change. We are delighted to show you how our “recreating value” strategy goes hand in hand with making a positive difference in the world.

Our Year in Numbers

A variety of success stories show our clear commitment to ecological and economic progress in 2022

Holding Level

3

new team members

1st

ESG membership

4

concluded acquisitions

SPICA

40

new team members

+3m€

total investments

+10%

volumes over 2021

Epsotech

100%

green electricity at sites in Germany and Austria

1st

EcoVadis assessment

1

new sustainable product line

...and several additional achievements within our portfolio.

SPICA is contributing to a sustainable future by minimising waste and the consumption of resources. For example with the launch of the revolutionary, eco-friendly SICO-R range, a film made with 100% recycled PVC.



DUBAG at a glance

The DUBAG Group is a specialised Munich based investment advisory team with a proven track record.

We manage private equity funds, which aim at the acquisition and active development of companies in special situations. With the implementation of our financial and professional resources, applying our pragmatism, expertise, strategy and long-term vision, we support our portfolio companies in their day-to-day business, keeping a close eye on continuous improvement and sustainable growth.

Geographic focus

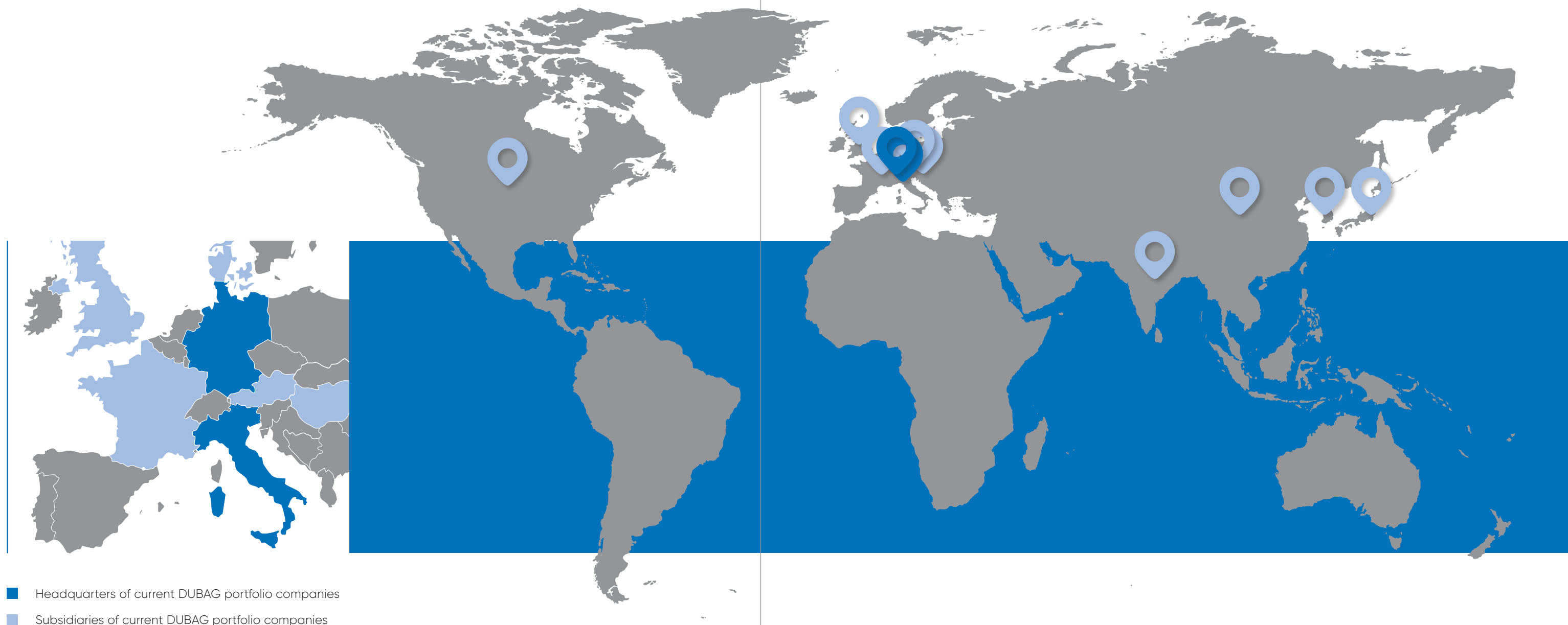
We focus on the DACH region and Italy, one of the most developed areas in the world with strong commitments to sustainability and innovation.

Our target

We invest in scalable businesses from 20m€ to 400m€ in revenues operating in innovative sectors as well as mature businesses, which propose for value-creation possibilities.

Special Situations

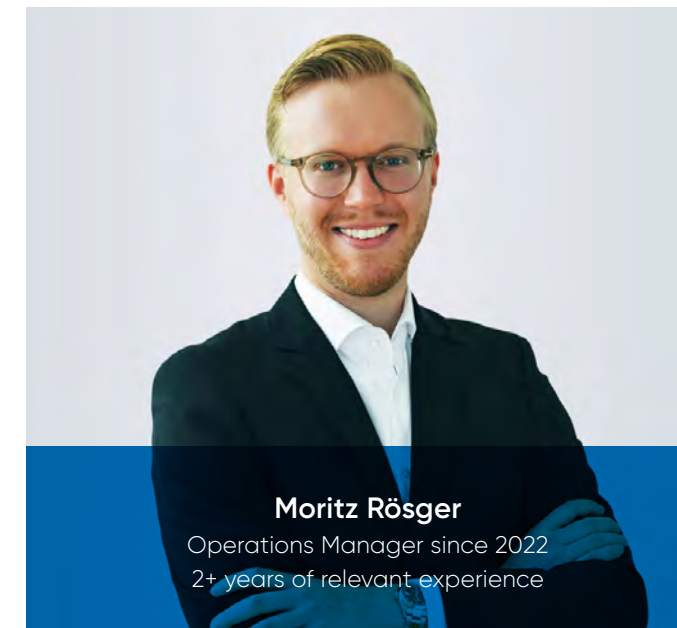
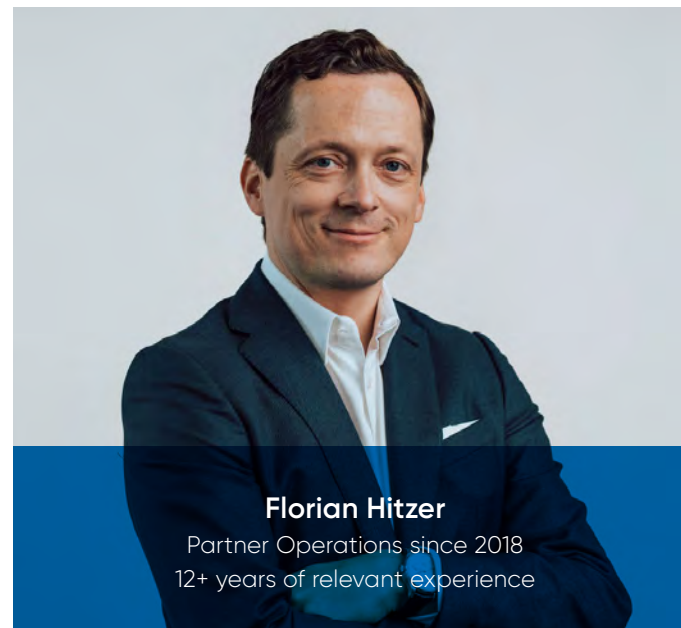
Our expertise is concentrated on carve-outs of non-core activities from groups, tail ends of financial investors, succession issues in the SME sector and companies in financial distress / turnarounds.



Our Team

of professionals who recognise opportunities and realise potential responsibly

Our team consists of a diverse group of seasoned professionals with extensive experience in the private equity sector. Each team member brings a unique set of skills, expertise, and industry knowledge to the table, allowing us to approach investments from multiple perspectives and to ensure delivering value and driving sustainable growth.



Our Track Record

Our team's experience is backed by a proven track record of successful investments, value creation, and lucrative exits.

Over the years, we have generated substantial returns for our investors by employing a disciplined and rigorous investment approach coupled with proactive portfolio management.

Our ability to adapt to market conditions, identify emerging trends, and leverage our team's collective expertise has consistently yielded strong results.

Acquisitions

Sigam



2010

2012

2014

2016

2018

2020

2022



Sigam



Exits

Our funds are called "Lenbach Equity Opportunities" or shortened to "LEO".

They have been closed in 2017 and 2019 and are exclusively managed by the DUBAG Group.

Start of our first fund generation "LEO I"

Start of our second fund generation "LEO II"

Our Investment Policy regarding ESG

DUBAG's Investment Responsibility

DUBAG seeks to act with the highest level of integrity, taking a responsible approach when interacting with our portfolio companies, our advisors, investors of the funds managed by DUBAG, local communities, and the environment. To this end, we believe that the active identification and mitigation of ESG-related risks and the continuing pursuit of opportunities aid to maximize long-

term value creation with respect to the investment portfolio entrusted to us and to protect and enhance the reputation of both the investors of the funds managed by DUBAG and the firm. We thus consider taking an active stance on ESG matters to be in the best interest of the investors of the funds managed by DUBAG whilst benefiting the wider society impacted by our business activities.

Principles for Responsible Investment

In 2022, DUBAG became a signatory of the organization PRI – Principles for Responsible Investment. PRI promotes integrating ESG perspectives into the investment process and active ownership policy. As a member,

being compliant with the six PRI principles is a natural part of an investment strategy to safeguard and enhance return of our portfolio investments:

DUBAG is a signatory of:



1

We will incorporate ESG issues into investment analysis and decision-making processes.

2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4

We will promote acceptance and implementation of the Principles within the investment industry.

5

We will work together to enhance our effectiveness in implementing the Principles.

6

We will each report on our activities and progress towards implementing the Principles.

DUBAG's Exclusion Criteria

We have clearly defined exclusion criteria that are strictly reviewed for each investment. Accordingly, funds managed by DUBAG are not allowed to invest in companies that:

Have a very poor environmental track record, such as those that have been fined for violations of environmental policies.

Have contributed to systematic denial of human rights, show a pattern of engaging in child labour or forced labour or produce weapons that through their normal use may violate fundamental humanitarian principles (e.g., anti-personnel land mines, production of cluster munitions, production of nuclear arms).

Have poor governance structures, such as those with weak board oversight or a history of corporate scandals.



Anti-Money-Laundering

In its scope of application, the Money Laundering Act obliges companies to prevent the abuse of the financial system through the concealment and movement of assets of illegal origin and the financing of terrorism.

We at DUBAG take this responsibility very seriously. To ensure compliance, we adhere to our Money Laundering Prevention Handbook, our employees are sufficiently educated and trained on these issues, and we are in constant exchange with all relevant stakeholders.

Active Monitoring & Support

Of course, no ESG policy serves its purpose if it is just a formal document without being monitored.

Therefore, Florian Hitzer, Head of Operations at our company, carries out the responsibility as ESG officer and supervisor. He is not only responsible for monitoring ESG related topics at our portfolio companies, but also actively advises the management and assists in driving related projects forward.

ESG throughout our investment process

ESG as part of our "Recreating Value" Strategy

We see ESG as a differentiated driver of value across the full investing value chain and therefore as an incremental part of our "recreating value" strategy. It helps us to identify risks and opportunities during the due diligence phase, to have a clear development agenda during the

ownership period and to address a broader universe of potential investors when it comes to an exit. Like this, an improved ESG performance leads to an impact throughout our whole investment process.

Pre-Investment

When **sourcing a deal**, we check its compliance with our investment policy and our exclusion criteria before we start a deeper analysis.

The identification and the assessment of ESG risks and opportunities is a mandatory part of our **due diligence phase**.

Unsatisfactory ESG performance does not necessarily lead to a negative **investment decision**. Instead, intensive consideration is given to whether the optimisation of these factors can be used as additional leverage for value creation.

Sourcing

Due Diligence

Investment decision

Ownership Period

As a part of the initial **onboarding meeting**, we present our ESG targets for the newly acquired company and communicate a clear path for further development.

During the **ownership phase**, we aim to achieve a measurable positive impact on the ESG criteria. In order to create intensive awareness, ESG is to become an integral part of all board meetings. In addition, an external ESG audit should take place annually in all companies.

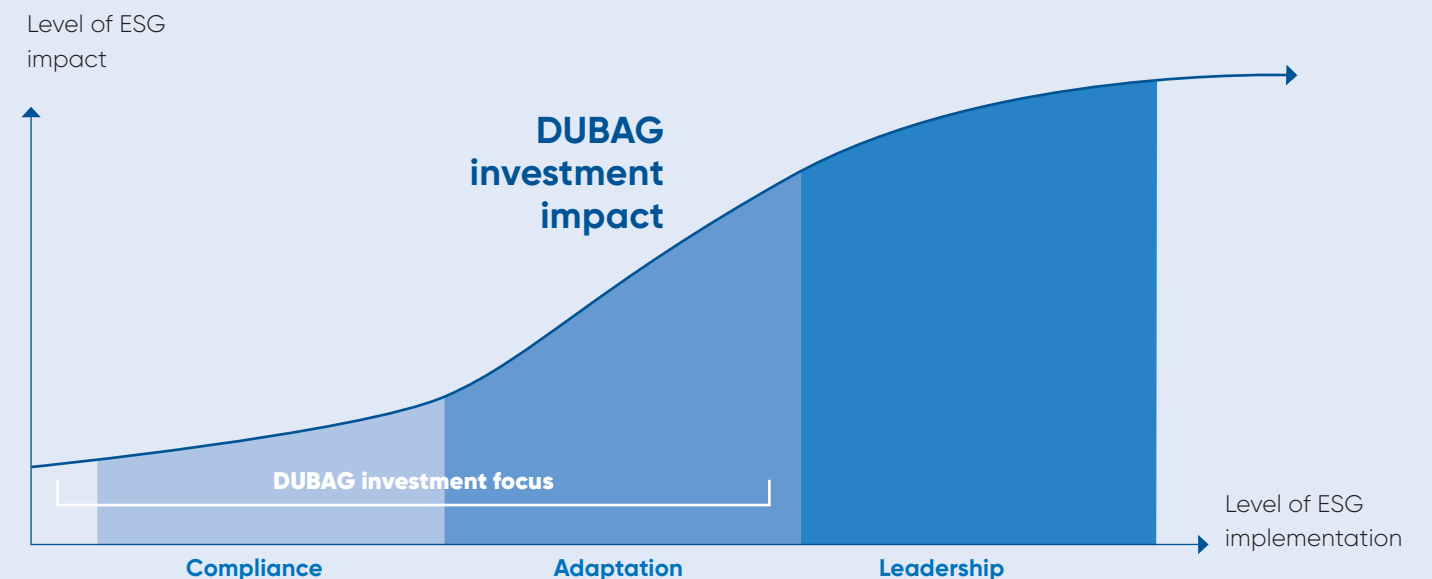
When it comes to an **exit**, our ambition is to have successfully improved ESG performance.

Onboarding

Ownership period

Exit

DUBAG's ESG Impact



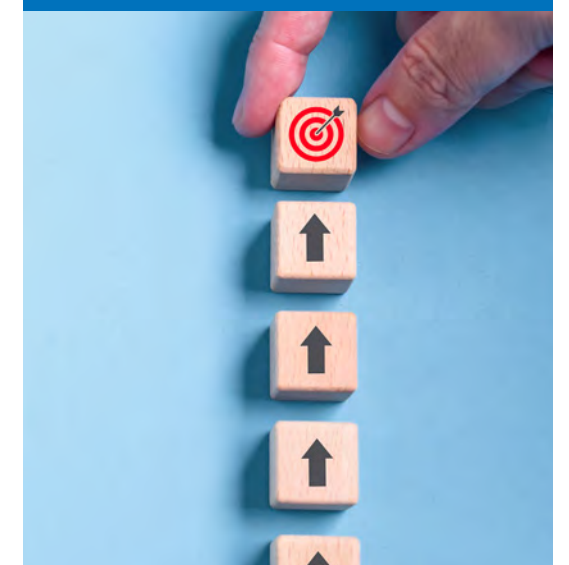
All companies and industries will be affected by the increasing importance of ESG, likely leading to an increasing level of ESG implementation.

Starting from a "Compliance" phase where companies do not go further than is mandatory related to the local laws, they can go through an "Adaptation" and finally a "Leadership" phase. We believe that investing in companies that are in an early stage of ESG implementation creates high potential for making a substantial impact on all ESG dimensions. We especially foster to accompany companies through the highly value-adding "Adaptation" phase.

If companies treat ESG only as a "soft issue" and do not go further than to comply with current regulations, they may be undervalued due to negative sentiment. If we believe that a company has the ability and commitment to address these issues, investing early in their turnaround journey could yield substantial returns both ecologically and economically. If a company already is an ESG-leader, most of the potential is already realized and further impacts are difficult to make.

When acquiring a company, DUBAG actively engages with the management and board to drive positive change and to increase the level of ESG implementation. We gain a voice in influencing corporate decisions and are pushing for improved ESG practices. Our investment serves as leverage to encourage the company to enhance its sustainability initiatives, corporate governance, and social responsibility.

The goal is not only to buy companies championing sustainability, but rather turn the tide for those lagging behind



ESG Due Dilligence

Identify ESG Risks and Opportunities

We are highly committed to identifying ESG risks associated with our target companies. This involves conducting a preliminary assessment of the company's operations, industry, and supply chain to identify areas of potential ESG risk:



ENVIRONMENTAL

We evaluate the target's environmental risks, such as resource consumption, waste management, emissions, and compliance with environmental regulations. This analysis helps us to identify environmental liabilities, regulatory risks and opportunities for improving sustainability.

SOCIAL

We assess the target's social impact, considering factors such as labour practices, employee health and safety, product quality and safety, compliance with human rights. This assessment helps to identify potential risks related to reputational damage, supply chain disruptions, or customer backlash.



GOVERNANCE

We check the target's governance practices, such as board composition, independence, diversity, and executive compensation. This evaluation helps to determine if the company holds tight structures and practices in place.



ESG Due Dilligence

Engage Stakeholders

After the assessment of the target company, we engage with relevant stakeholders, including employees, customers, suppliers, local communities, and industry experts, to gain insights into the target company's ESG performance and reputation. By involving stakeholders, we can collect data and information about the target company's ESG performance that might not be available via public sources. This knowledge helps us to maximize the potential for positive ESG outcomes.

Additionally, engaging with stakeholders helps to build and maintain positive relationships. This is particularly important for stakeholders who may have concerns about the potential impact of the transaction. Open communication and involvement can alleviate fears, increase trust, and foster a more cooperative and supportive environment throughout the deal.



Quantify and Prioritize Risks

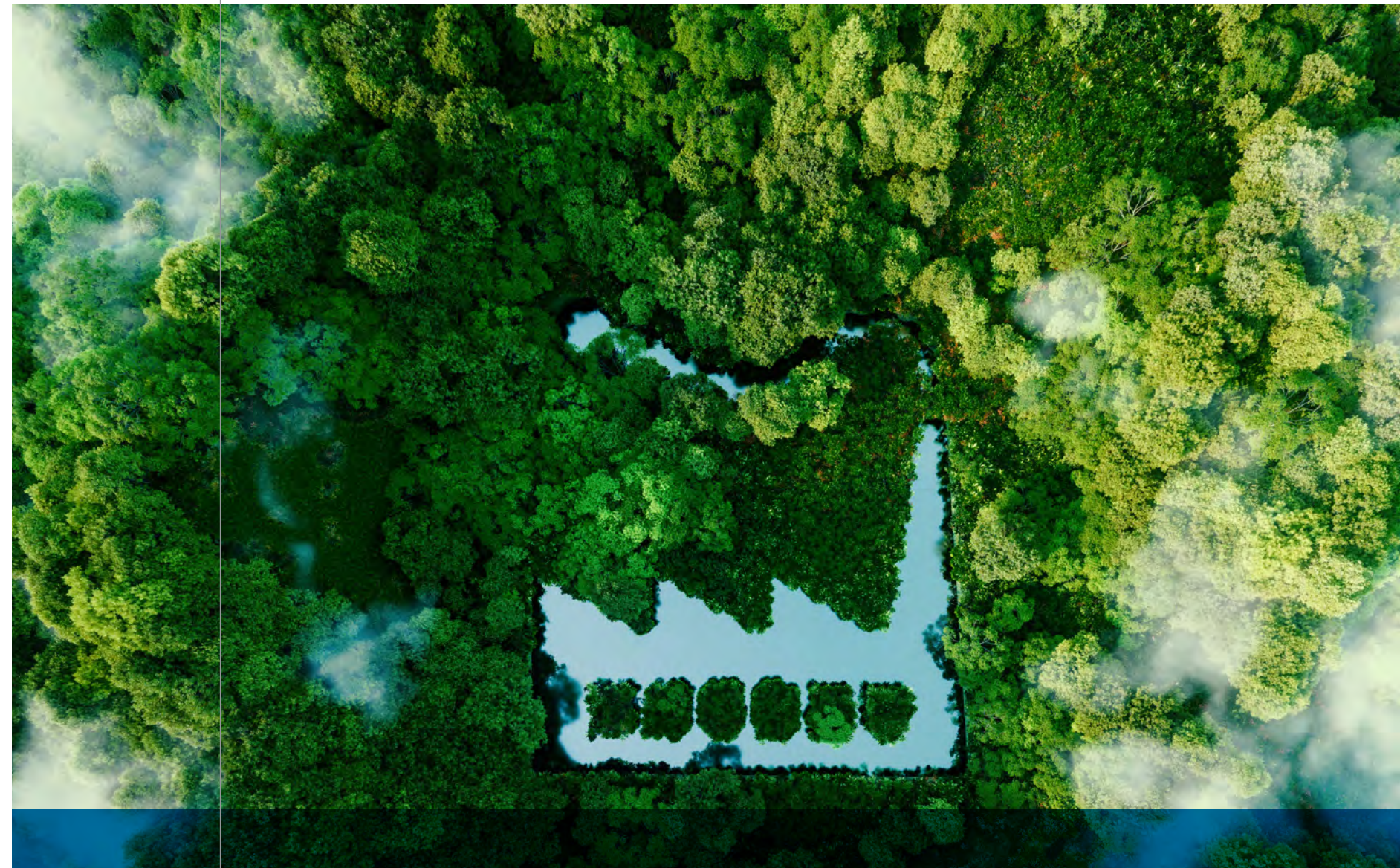
We quantify and prioritize the identified ESG risks based on their potential impact on the target company's financial performance and long-term sustainability.

This step helps to determine the materiality of each risk and prioritize areas that require further attention or mitigation.

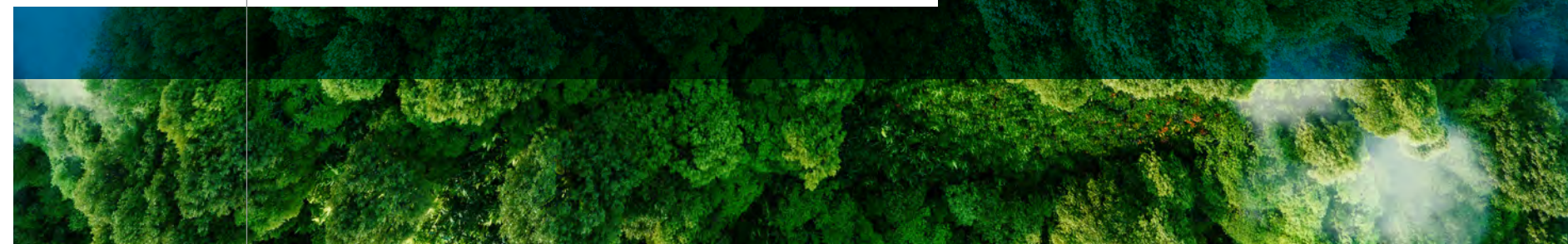
Develop Mitigation Strategies

We develop mitigation strategies for the identified ESG risks, considering both short-term and long-term objectives. This may involve collaborating with management

to develop an action plan that addresses the identified risks and incorporates ESG best practices into the target company's operations.



"By following this process, DUBAG can systematically assess ESG risks and integrate sustainability considerations into investment decisions, thus promoting responsible practices."



Strategy Development

If we acquire a company, we start to develop an individual ESG strategy at an early stage. This strategy development can strongly profit from the conducted due diligence. We follow a simple and hands-on, three-step approach:

Assessment and Benchmarking

Goal Setting and Strategy Formulation

Monitoring, Reporting and Continuous Improvement

Due Diligence

Holding Period

ESG Strategy Development

Assessment and Benchmarking

We begin by assessing the company's existing environmental, social, and governance practices to identify strengths, weaknesses, and areas for improvement and compare the company's ESG performance with industry

peers to gain insights into best practices and identify areas where the company may be lagging behind or excelling.

Goal Setting and Strategy Formulation

Based on the assessment and stakeholder engagement, we define specific and measurable ESG goals that align with the company's overall mission, values, and long-term sustainability.

Then we determine the strategies and initiatives that are necessary to achieve the defined ESG goals. This could involve implementing renewable energy sources, enhancing diversity and inclusion practices, improving supply

chain transparency, or strengthening corporate governance structures.

Already during the definition of the strategies, we clearly assign responsibilities to individuals or teams within the company to drive the ESG initiatives forward. This includes the allocation of necessary resources, including budgets, personnel, and technology, to support the successful implementation of the ESG strategy.

Monitoring, Reporting, and Continuous Improvement

We establish a monitoring and reporting system to track the target company's progress in addressing ESG risks post-investment. Based on the regular monitoring of KPIs,

we engage with the management team to ensure the successful implementation of the mitigation strategies.





The LEO Funds
and their companies

Portfolio Overview

5

Active portfolio companies
(as of Dec 2022)

660m€

Portfolio turnover
(FY 2022)

2750

Portfolio employees
(as of Dec 2022)



Key performance indicators for 2022 portfolio	number of companies
ESG on agenda in every board meeting	0
Code of Conduct ¹	2
Code of Conduct training ²	1
Anti Money Laundering policy	3
Anti Money Laundering training	0
Whistleblower policy ³	2
Whistleblower system ⁴	1
ISO 9001 certification	4
ISO 50001 certification	3
ESG rating (EcoVadis or similar)	2
Diverse board ⁵	0

1) Have a written Code of Conduct which is available for all employees
2) Offer training regarding the Code of Conduct
3) Have a written whistleblower policy which is available for all employees
4) Have a whistleblower system in place
5) At least one female and one international board member (without double counting)

Case Study

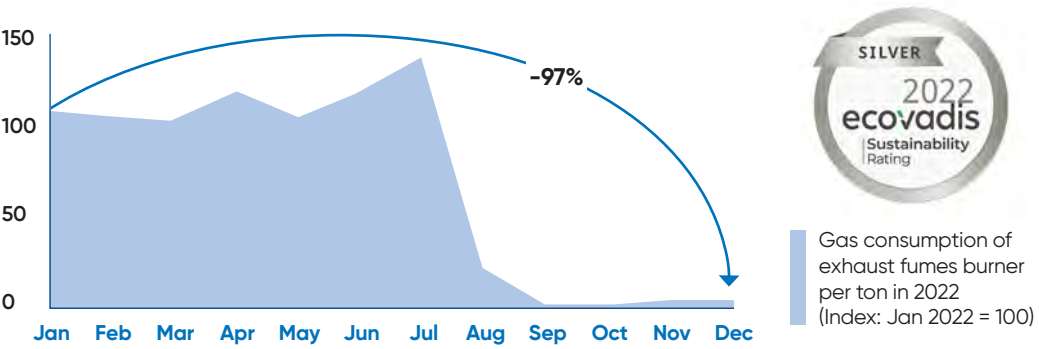
Spica

Spica is not only the leading supplier of film material used for plastic cards, but also offers the broadest variety of sustainable products in the market. This includes "SICO-R", a PVC film which is made from 100% recycled PVC and which is suitable for a large application field.


In August 2022, Spica has also put a new exhaust fumes burner into operation. This burner uses exhaust gases from production to keep a combustion process running for which additional gas had to be introduced in the past. Compared to the first seven months of the year, when the burner was not yet in use, gas consumption per ton of coated film was reduced by 97% for this

particular process of waste treatment. The gas saved in this way per year is equivalent to the avg. CO2 emissions of 2.000 Italian citizens. Additionally, Spica commissioned its trigenerator in December 2022. This allows for particularly efficient simultaneous generation of electricity, heating, and cooling.


After being awarded the EcoVadis Silver rating in 2022, Spica is still strongly focusing on a continuous improvement of all ESG dimensions and already have clear ambitions for the upcoming years. In 2023, a photovoltaic plant and several charging stations for electric vehicles are planned to be installed.




Spica is the global leader in the production of film material used for the manufacturing of plastic cards. End products are bank, identity and travel cards with exceptionally high quality standards.




Industry:
ID & Financial Cards



FTE (2022):
156



HQ:
**Castiglione,
Italy**



Revenue (2022):
69.4m€



Case Study

epsotech

Epsotech is strongly committed to sustainability and, in particular, to the topic of the circular economy. The aim of the circular economy is to use plastics as efficiently and for as long as possible and then to recycle them. For this reason, the entire life cycle of a plastic product is considered from the very start: from raw material sourcing, through production, processing and use, to recycling. With a high recycling rate, epsotech actively contributes to a more economical and sustainable environment and is committed to continuously increase the rate of material that is collected and reprocessed.

With **epsoearth** a complete brand and product portfolio with a very special focus on the circular economy and CO2 reduction have been introduced. The epsoearth portfolio only contains products with at least 30% PCR content and is steadily expanding with products like Sea Plastics made from old fishing nets and ropes.

In 2022, epsotech has achieved another important milestone on the way to greater sustainability and has been awarded the EcoVadis Silver rating in all four reviewed areas – environment, labor and human rights, ethics and sustainable procurement. With this result epsotech is well above the industry average and among the top 23% of companies evaluated by EcoVadis in the plastic products manufacturing sector.



Epsotech produces plastic materials which are used in a variety of applications and markets including automotive, bus and rail, aerospace, marine and medical.



Industry:
Plastics Chemicals



FTE (2022):
508



HQ:
**Jülich-Kirchberg,
Germany**



Revenue (2022):
176.5m€

Case Study

Holzwerke Pfarrkirchen

Holzwerke Pfarrkirchen is clearly committed to sustainability and wood as its main raw material. In order to live up to its responsibility in dealing with this natural resource, Holzwerke Pfarrkirchen is committed to the principle of sustainability in the procurement of wood raw materials and relies on cooperation with certified suppliers who are also committed to this approach. The use of domestic timber ensures short transport routes and effective processing technologies optimise the yield. The total amount of sawn timber that is processed annually enables the construction of **ca. 5,000 single-family homes** entirely in wood and grows back in the German forest in only about 20 hours.

Responsible use of wood also includes the utilisation of the entire raw material without exception: cuttings and residual wood from production are either used for the company's own process heat in the drying kilns or for the company's own building heating or fed into a district heating network. The amount of heat generated in this way is equivalent to the heating energy for about 650 single-family homes. In addition, Holzwerke Pfarrkirchen produces pellets from scraps in cooperation with an external partner, leading to a yearly output of **15,000t pellets**.

Additionally, large-scale PV systems on the roofs of the buildings ensure a sustainable energy supply now and in the future.

Holzwerke Pfarrkirchen is one of the leading wood processing companies in Europe and has more than four decades of experience in finger-jointing technology. Its products are mainly used for construction purposes.



Industry:
Construction Timber



FTE (2022):
110



HQ:
**Pfarrkirchen,
Germany**



Revenue (2022):
48.8m€



Holzwerke
Pfarrkirchen



DUBAG

GROUP

recreating value – responsibly



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