

palero



ESG Report 2019/2020

TABLE OF CONTENTS

Our responsibility	2
...is clear to us.	2
ESG Report 2019/2020	2
About palero	3
Our focus	3
Our investments	4
Fact & figures for the palero Group	4
Added value for our investments	5
ESG as an opportunity	5
Member of the PRI Initiative	6
Our value creation approach	7
Responsible investing	7
Our commitment	8
Dornier Group	9
Melle Gallhöfer Dach GmbH	12
ipm gruppe	15
SANIMED Group	18
palero capital GmbH & palero experts GmbH	21
ESG during the pandemic	24
Yesterday a trend, today a priority and tomorrow?	27
Work 4.0	28

Our responsibility

...is clear to us.

We are the operators, the doers, the ones who roll up their sleeves. Our aim is to improve a bit every day and shape the future of our companies. We implement a sustainable approach to create significant added value for our investments. At the same time, we are aware of our responsibility and act in accordance with the sustainability guidelines of our companies and our ESG principles. In the future, we aim to place a stronger emphasis on ESG aspects such as Environmental, Social and Corporate Governance and integrate them in our assets.



ESG Report 2019/2020

This ESG Report provides information about our commitment to "Responsible Investing" and the application of ESG factors for 2019/2020. We explain the challenges, implementations, plans and goals of our activities and illustrate this with the help of practical examples. The report covers the entire palero Group (see "About palero"). If you have any questions, feedback or suggestions regarding this report, please do not hesitate to contact Mrs Livia Eichhorn (eichhorn@palero.de).



"RESPONSIBILITY | VALUATION | SUSTAINABILITY"

Our company principles

About palero

Our focus

palero is a private equity company with a focus on the sustainable positioning of medium-sized businesses through the spin-offs from previous group structures and potential restructuring. We refrain from focusing on any specific industry and instead concentrate on the particular situations and challenges of the companies. The target companies have a revenue between EUR 30 million and EUR 300 million, are important market

players within their business sectors and are based in the DACH region.

Through our operational approach at palero, we continuously endeavour to develop improvement projects with the help of our in-house employees and implement the required processes on a permanent basis. Our goal is to work with the management to successfully align the investment on a sustainable basis - we want to secure the companies and the jobs.

Our investments

- Dornier Group | Technology consulting & engineering services
(consisting of Conwico, Dornier Consulting International, Encotec Energy, Suntrace, VPC and VPC Nukleare Dienstleistungen)
- Melle Gallhöfer Dach GmbH | Building materials supplier
- ipm|gruppe | Full-service provider for advertising products
(consisting of ipm and CD Werbemittel)
- SANIMED Group | Full-service provider in the fields of medical homecare, medical technology and rehabilitation technology
(consisting of SANIMED and MEDICUS)

Fact & figures for the palero Group

Employees

> 3,300

Revenue

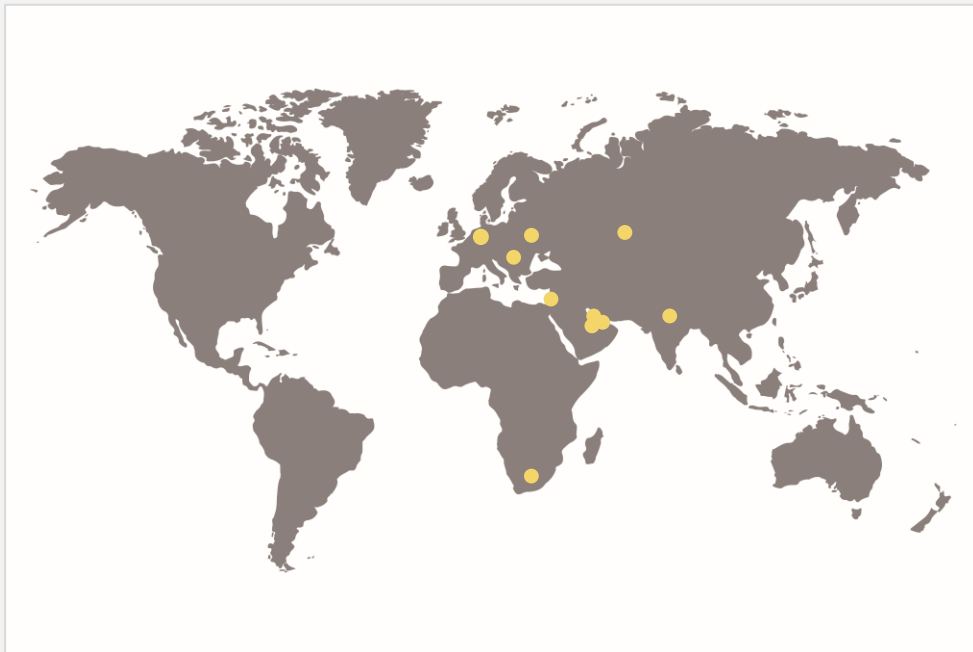
> €500 M

Countries
in which we operate

10

Invested capital

€ 56.8 M





**We stand for sustainable investments
and are committed to them.**

Added value for our investments

ESG as an opportunity

For over 12 years, palero has successfully invested in more than 30 companies. During that time, we have made it our duty to better understand how ESG principles can be used and implemented not despite, but with the aim of increasing the value of our companies.

The implementation of ESG criteria offers us and our investments a decisive potential to minimise operational risks at an early stage, to improve our corporate governance and to exert a positive influence on our employees, customers, external partners or other interest groups. The positive momentum

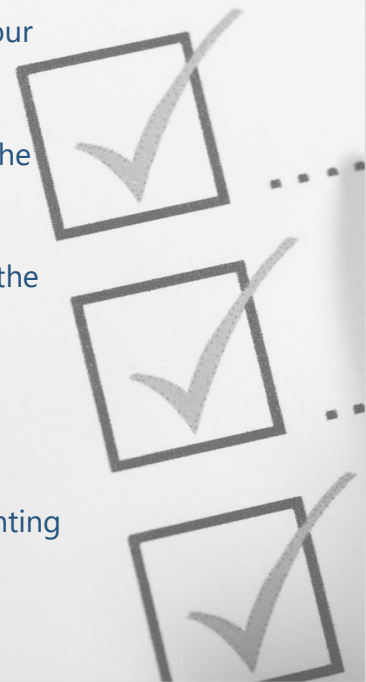
associated directly or indirectly with this for the company's development and operating results can lead to a higher company valuation and ultimately yield higher returns. In addition, we place an emphasis on our contribution to environmental and climate protection and on meeting the ever-increasing demand from our stakeholders and shareholders to act and report in accordance with ESG principles. We will also knowingly forego returns in the future if they allow us to achieve the desired ESG targets.



Member of the PRI Initiative

Our operational approach gives us the incentive to act on our ideas and intentions. We have therefore committed ourselves to sustainability in the private equity investment sector by signing the United Nations "Principles for Responsible Investment Initiative (PRI)" in 2010. Founded in 2006, this initiative aims to raise investors' awareness of the investment implications of ESG factors and at the same time assist them in implementing these measures. The PRI comprises the following 6 principles, which palero implements in its daily work:

- ✓ 1. We will integrate Environment Social Governance (ESG) criteria in investment analysis and decision making processes.
- ✓ 2. We will be active owners and integrate ESG criteria into our ownership policies and practices.
- ✓ 3. We will ensure appropriate disclosure of ESG criteria by the companies in which we invest.
- ✓ 4. We will promote the acceptance and implementation of the principles in the investment industry.
- ✓ 5. We will work together to increase our effectiveness in implementing the principles.
- ✓ 6. We will report on our activities and progress in implementing the principles.



As a signatory to the "PRI", we are required to manage ESG criteria strategically. This serves the environment, our stakeholders and our return on investment. Respect, social responsibility and the environment are therefore also decision drivers in our investment and management work, with which we stand for sustainable investments.

Our value creation approach

Responsible investing

In recent years, "Responsible Investment" (RI for short) has become increasingly popular in our industry and is now considered a "key issue" at palero. We are convinced that RI will continue to gain traction in the future, and we are working hard to strengthen and develop this area in our corporate culture. Every day that we venture on our responsible investment journey, we sharpen our awareness of the need to achieve the right balance between sustainability and the hard facts and figures.



From day one, when evaluating investment opportunities, we have actively decided against ethically unacceptable industries (e.g. the weapons industry, addictive substances such as tobacco or alcohol, industries with human rights violations such as the sex industry or corruption).

In the future, we will focus our targeting even more strongly on companies whose business models, products or service solutions are subject to critical ESG

problems or are themselves facing major ESG-related challenges. We aim to support the latter in recognising their value creation potential, developing ESG strategies and achieving added value for the company through operational implementation.

"We've always done it this way."

Our chance to make a difference

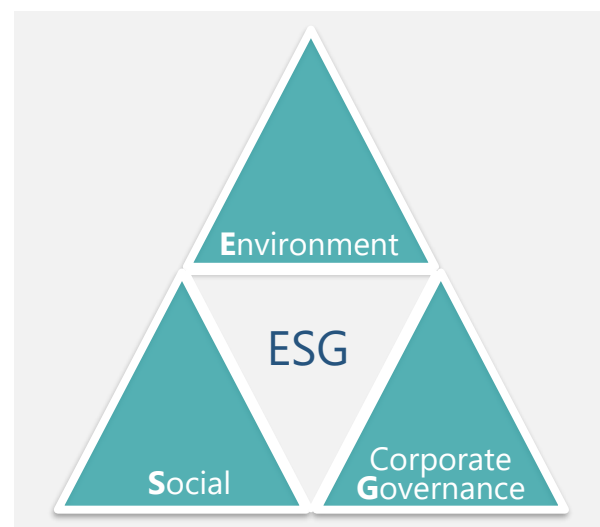


Our commitment

palero stands for active management. We question existing structures, improve processes and develop companies together with their employees. We consider statements such as "We've always done it this way ..." as an opportunity to take a closer look and check where improvements can be made - in every entrepreneurial respect.

When we think of restructuring, the implementation of ESG criteria is not exactly the first thing that springs to mind. But this is exactly where we see our chance. The "breaking down of structures" offers the perfect potential for us to firmly integrate ESG criteria in our investments and give them the necessary status in "daily business".

The concrete commitment of the entire palero Group regarding Environment, Social and Corporate Governance is explained in more detail below using **practical examples**. They show our commitment to climate change mitigation, our human capital efforts and our corporate governance initiatives.





Dornier Group

The Dornier Group offers a complete portfolio of infrastructure services with excellent references in the fields of energy, water, mobility, aviation and real estate. In 2019, the following six companies were united under the banner of the Dornier Group: VPC GmbH, Dornier Consulting International GmbH, Encotec Energy (India) Pvt. Ltd, Suntrace GmbH, Conwico GmbH und VPC Nukleare Dienstleistungen GmbH. All of the companies are tightly connected and have been successfully advising their international clients for more than 50 years.



- Technology consulting & engineering services
- Revenue EUR 70 M*
- over 2000 employees*
- 18 locations worldwide*
- Acquired:
 - > VPC Group 01/2014
 - > Encotec Energy 06/2016
 - > Dornier Consulting Intern. 01/2018
 - > Suntrace 05/2019

* Reference year 2020

A life without electricity, heat, clean water or mobility is unimaginable today. Developments in infrastructure have already significantly changed our lives in the past and will continue to require our full attention in the future. The current challenge is to drive these advancements forward in order to further improve our standard of living while protecting our environment. As the saying goes: "Lay the foundation for tomorrow today."

This is exactly what motivates the experts at Dornier Group every day. Whether it's (renewable) energy, urban water supply, e-mobility or intelligent transport system, Dornier Group

engineering and consulting services help clients find the best solution for a sustainable, environmentally friendly operation.

In addition to providing professional solutions in the areas of **wind and solar energy and biomass**, Dornier Group also offers in-depth consulting services for **electricity storage** and **complete energy self-sufficiency**. The complete transition to clean energy production from renewable energies will take some time and effort. The Dornier Group is also involved in the safe **dismantling of nuclear facilities**, from dismantling planning to highly complex final disposal, and secures energy generation in the transition period through the responsible construction of conventional energy facilities.

Even internally, environmental protection plays an important role at the Dornier Group. We implement measures to conserve resources much as possible, for example by focusing on renewable energies in **energy purchasing** or by reusing **packaging materials** for shipping. In addition to the positive contribution to climate protection, it also achieves cost savings. The Dornier Group also pays attention to **waste prevention, separation and recycling**.

Occupational safety is ensured by a designated safety officer who advises Dornier Group employees on all safety-related issues to create a working environment with the highest safety standards. This also includes, for example, a flawless protective environment and fully functional employee protection equipment and its proper use. In addition, detailed risk assessments of the office locations are compiled by an occupational safety specialist. The Dornier Group places high priority on the implementation of the respective safety recommendations and annual safety training courses.

The Dornier Group's corporate values offer every employee the opportunity for **professional and personal development**. Discrimination on the grounds of race, ethnic origin, sex, religion, belief, disability, age or sexual orientation is strictly prohibited. The Dornier Group condemns unlawful discrimination or harassment of any kind. These standards of conduct are based on the provisions of the Gender Equality Act and the Anti-Discrimination Act, the principles of the

United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, core labour standards of the International Labour Organisation, the UN Convention on the Rights of the Child and the UN Convention on the Elimination of All Forms of Discrimination against Women.

The Dornier Group prides itself on providing consulting services of the **highest quality**. In order to live up to this claim, defined standards are needed. The Group is therefore certified according to ISO 9001:2015 and KTA 1401. To maintain its high standards, all requirements are continuously analysed and appropriate measures are initiated as required.

G Compliance with rules and laws is essential for every company. Serious infringements often lead to high penalties, fines or immense damage to the company's image. The Dornier Group's strict **compliance culture** therefore aims to prevent white-collar crime and encourage employees and external partners or suppliers to behave in accordance with the rules. The contents of the Dornier Group Compliance Management System include the Compliance Questionnaire, which assesses business partners for possible compliance risks, and special contractual arrangements that oblige subcontractors to comply with international legal standards, such as the payment of minimum wages and the prohibition of child labour.



Melle Gallhöfer Dach GmbH



- Building material supplier
- Revenue EUR 317 M*
- 752 employees*
- 48 locations throughout Germany*
- Acquired:
 - >Gallhöfer 12/2015
 - >Joint Venture since 02/2017

* Reference year 2020

Melle Gallhöfer specialises in roof and facade products for the building trade and, in addition to pure sales, offers expert advice and first-class services. It was formed by merger between Melle and Gallhöfer and is now a leader in the roof and facade segment of the construction industry.

Environmental and climate protection do not stop at the construction industry – quite the opposite: Energy-efficient construction and refurbishment of existing buildings are becoming more and more important and are increasingly in demand by building owners, partly due to state subsidies and potential savings.

As a supplier of building materials Melle Gallhöfer, recognises its obligation to act and therefore offers an ever-growing **portfolio of environmentally friendly products** in its effort to create ecological added value through a variety of measures:

E

Melle Gallhöfer sites generate large amounts of packaging waste every day, which must be disposed of in accordance with the strictest waste disposal regulations. The company has

therefore joined forces with a recycling specialist to guarantee the **proper separation, disposal and recycling of waste**.

By conducting **energy audits at the prescribed intervals**, it was revealed that there was an increase in energy values within the company. As a result, the company was able to implement countermeasures such as switching to energy-saving LED lighting quickly and easily. In cases where excessively high energy consumption values were found, the main energy drivers were identified and eliminated with the aid of smart meters.

Creating a sustainable future with **electric mobility**. Melle Gallhöfer has taken this guiding principle as an opportunity to carefully examine the company fleet of around 290 vehicles: depending on requirements, old lorries are replaced with lower-emission vehicles or new hybrid or electric vehicles are added to the fleet. To ensure that this e-mobility is CO²-neutral, **100% green electricity** is being used throughout the company as of January 1, 2019. In addition, Melle Gallhöfer is also focusing on optimising the logistics of its lorry fleet in order to further reduce emissions.

For all environmental initiatives, the company offers **online training in resource conservation** to raise employee awareness. This involves, for example, topics such as waste separation and the economical use of water and energy.

Melle Gallhöfer places great emphasis on the health of its employees. **B·A·D Gesundheitsvorsorge und Sicherheitstechnik GmbH** conducts periodical **medical check-ups** at all company locations in order to ensure the wellbeing of employees and to prevent harmful influences from working life. In addition, employees who require **workplace glasses** receive them at a subsidised rate and the introduction of **work bikes** to promote the use of bikes and e-bikes.

To ensure the **highest degree of occupational safety**, Melle Gallhöfer regularly prepares risk assessments and ensures optimum employee safety by providing the necessary work safety

clothing. The planning, implementation and documentation of employee instructions and employee training on the topic of occupational health and safety are an integral part of the company. Even during the on-boarding of a new employee, this topic is assigned special importance in the form of an e-learning programme.

As a **Chamber of Industry and Commerce (IHK) apprenticeship company**, Melle Gallhöfer aims to give young people a good start to their careers. In 2020, a total of 35 apprentices were employed for training as wholesale and foreign trade clerks specialising in wholesale, warehouse logistics clerks and office management clerks under the supervision of 38 certified trainers. Combined with their school education, the theoretical and practical knowledge received, give our junior staff at Melle Gallhöfer the basis for a successful career.

Due to the nature of the profession, it is very challenging for Melle Gallhöfer to achieve gender equality. Unfortunately, roofers, lorry drivers and warehouse clerks are still predominantly male professions. Despite this fact, Melle Gallhöfer is proud to report a further increase in the **female quota** to 20.1% in 2020 (previous year: 18.2%). In terms of **diversity**, Melle Gallhöfer ensures equal opportunities and transparency. The individual performance and skills of each and every employee are the primary focus. Discrimination based on age, gender, background or religion is strictly prohibited.

Strong data protection regulations gave Melle Gallhöfer an opportunity to examine the current **data protection standards** in detail. The company has now improved its data protection department, updated data protection-relevant processes and provided extensive data protection training for regional and branch managers. All relevant information is made permanently available to employees in an e-learning module for them to regularly review.



ipm|gruppe

The ipm|gruppe has established itself as a professional and reliable partner in advertising media and promotional products. The company was formed by merger between four companies: Inter Werbung GmbH, Präsentia Promotion International GmbH, mansard werbemittel gmbh and CD Werbemittel Vertriebs GmbH. The group offers a wide range of services including full service, project business and bonus systems, and is today one of the largest promotional products dealers in Germany.

ipm|gruppe



- Advertising media full service
- Revenue EUR 24 M*
- 69 employees*
- 4 locations throughout Germany*
- Acquired:
 - >Inter Werbung 9/2016
 - >Präsentia 7/2017
 - >mansard 10/2017
 - >CD Werbemittel 12/2019

* Reference year 2020

More and more companies are using merchandising articles to underpin their commitment to environmental and climate protection. As a result, there is an increase in demand for environmentally friendly, climate-neutral produced promotional products.

The ipm|gruppe has reacted accordingly, offering a versatile spectrum of **eco-friendly advertising media**. These include, for example, products that are either recyclable and reusable, or contain recycled materials or renewable raw materials or whose producers ensure that the logistics are as environmentally friendly as possible. In addition to this, the ipm|gruppe also offers an environmentally conscious printing process for finishing the eco-friendly advertising media. Legal guidelines defining organic goods and products are also taken into account.

Depending on the composition, a chemical-free print is chosen, which is especially durable for conveying the advertising message.

As a member of the "**ClimatePartner**" initiative, the ipm|gruppe distributes the advertising material climate neutrally on request. Customers are given the opportunity to fully offset the CO² emissions generated in the production and delivery process by supporting selected ClimatePartners environmental protection projects in developing countries, depending on the degree of environmental impact.

CD Werbemittel, as part of the ipm|gruppe, also invests in **climate protection projects** to offset its own carbon footprint. Every year, it offsets greenhouse gas emissions through additional projects aimed at strengthening climate protection in different countries. Examples of this would be a hydropower project in Renun/Indonesia, a forest protection project in Pará/Brazil, as well as its involvement with beeswe.love, where the company has taken over the sponsorship of a bee colony, enabling the creation of 100 sqm of natural meadow, the "bee pasture".

The corporate culture at the ipm|gruppe is characterised by openness and honesty. Employees are regularly informed about current projects and latest results of the company. The company also conducts regular employee surveys in order to better understand **employee satisfaction** and the development of satisfaction in various assessment areas (salary, leadership, culture, etc.), with countermeasures implemented when required. The ipm|gruppe also has a **Code of Conduct** which governs communication and interaction with employees. This includes the principles of good corporate governance, such as working hours, safety, violence, child labour, health, freedom of association and discrimination. In the latter respect, it should be mentioned that the ipm|gruppe is proud of its female quota of 61% (including apprentices) in 2020 as well. As a member of the **Business Social Compliance Initiative (BSCI)** of the Foreign Trade Association, the ipm|gruppe is committed to socially acceptable and humane conditions in its production facilities. The non-profit organisation requires its members to integrate two thirds of their suppliers' production sites in defined risk countries into the BSCI process within a certain

period of time. The overarching goal is to be able to offer products that are manufactured without harming people or the environment.

When **selecting suppliers**, regional proximity plays an important role, especially for manufacturing partner suppliers. If it is also economically viable, we tend to rely more on partners in the vicinity of the ipm|gruppe's central warehouse. This has been working so well that a strong partnership has been established with a regionally based supplier of confectionery promotional products. In the case of bids that are equally economically viable and of the same product quality, suppliers who give priority to environmentally friendly factors will be awarded the contract.

Since the beginning of 2019, the ipm|gruppe has been offering customers a so-called **"ipm|sustainability audit"**. This involves examining advertising material portfolios according to the three criteria of sustainability - ecological, social, economic - and developing corresponding recommendations for action.

The introduction of **modern CRM software** as well as a **cloud data storage solution** supports digital collaboration among employees within the ipm|gruppe. This ensures optimal data security and allows working from home or on the road without any problems.

By implementing an **ISO 9001-certified quality management system (QMS)**, the ipm|gruppe guarantees to provide products and services that meet the requirements of customers as well as those of legislators and authorities. The primary goal is to increase transparency and improve customer satisfaction through optimised processes.



SANIMED Group

As one of the leading German homecare companies in all of Germany, the SANIMED Group helps chronically ill people and those in need of care or with limited mobility to feel well cared for at home and in nursing homes. For nearly 40 years, the company has been a close partner in outpatient care with a very wide range of medical aids as well as the associated services and care concepts. More than 100,000 patients already place their trust in SANIMED's high quality of service.



- Medical homecare provider
- Revenue EUR 87 M*
- 580 employees*
- 24 locations throughout Germany*
- Acquired:
 - > SANIMED+MEDICUS 04/2020
 - > Byhain medical supplies 01/2021

* Reference year 2020

Humans can only get healthy and stay healthy in an intact community and an unspoiled environment. That is why health and the environment are inextricably linked for the SANIMED Group. Thus, making an important contribution to environmental and climate protection is a matter close to the company's heart.

As a modern company, it focuses very seriously on the topic of "**digitisation**", for example, in order to get closer to the medium-term goal of a completely paperless office and simultaneously do something good for the environment. Thanks to the use of tablets by the entire sales force and the introduction of digital document management, with the positive side effect of a fast and smooth document flow, a major milestone in **paper savings** has already been achieved.

To save even more resources, the SANIMED Group relies on **LED lighting**. Half of all of the company's lighting has already been converted to LED lamps. Together with the use of **controllable sockets** to reduce standby power consumption overnight and the replacement of the boiler with a **condensing boiler**, the company's energy consumption was noticeably reduced. The **hybrid vehicles** recently added to the fleet have also improved the environmental footprint.

The company is very keen to make its daily processes as resource-efficient and climate-friendly as possible. That is why the SANIMED Group actively strives to make the company more sustainable every day.

S At the SANIMED Group, not only are the patients at the centre of our activities, but also our own employees. In order to bind them to the company as early as possible and to give them the best possible opportunities, the SANIMED Group offers several **apprenticeships** in the field of commerce, logistics and IT. Currently **25 instructors** look after the well-being of **around 30 apprentices** on a daily basis and put their heart and soul into making today's young people the future of tomorrow.

A systematic and successful approach to **health management** forms the basis of a safe workplace. To ensure the best possible occupational health and safety for each employee, the SANIMED Group conducts regular **risk assessments**. The resulting targeted company prevention measures (such as protective clothing to combat coronavirus) protect against occupational accidents or work-related illness and benefit the health of employees. Employees are encouraged to attend **internal training courses** on occupational and fire safety at regular intervals.

G SANIMED works closely with clinics and health insurance companies. **Strict regulations in the German Social Security Code**, which primarily ensures a high quality of care for patients, form the basis for this. SANIMED strictly adheres to and even exceeds these requirements. In order

to take the legal framework conditions into account, there are various **compliance guidelines** that must be adhered to. These include, for example, an internal control system (ICS) and a compliance report. At SANIMED, the entire process is overseen and monitored by a dedicated "Compliance Manager". The company also offers its employees regular training on this subject.

As part of the Group carve-out, the entire **IT infrastructure** and corresponding applications of the SANIMED Group were separated and restructured. In this context, the company focused above all on the highest quality and IT security. In the field of IT, SANIMED now uses the most up-to-date standard and is thus perfectly equipped for the future in terms of its systems.



palero capital GmbH & palero experts GmbH

palero capital exclusively advises palero invest S.á r.l. and palero S.á r.l., two independent investment companies based in Luxembourg. palero invest is backed by a select group of institutional investors who provide up to EUR 20 million in equity per transaction. palero bundles its "operational performance" in its 100% subsidiary palero experts. It supports the portfolio companies in all business management issues.

palero palex

palero capital / palero experts

- Private Equity / Consulting
- Revenue EUR 3.1 M / EUR 1.7 M*
- 6 employees / 9 employees*
- 1 location / 1 location* throughout Germany

* Reference year 2020

palero employees tended - up until now - to travel quite a lot due to the nature of their jobs. However, the pandemic has shown us that our travel can be reduced drastically and that many face-to-face meetings with long journeys and adverse environmental impacts can be conducted digitally in a simple, time-saving and environmentally friendly way. In order to limit the negative environmental impact of our travel behaviour in the long term, we will continue to carefully consider which trips are essential and which meetings we can use video conferencing for, even after the COVID-19 pandemic. In order to be up-to-date, all conference rooms in our office are equipped with a modern **telephone and video conferencing system**. In addition, our internal IT system enables, among other things, **wireless presentation sharing, separate chatrooms** and **video meetings** for quick and easy employee communication – completely location independent. All this should help to reduce the travel activities of our employees and thus reduce the burden on the environment.

Furthermore, the "**palero Bike**" at our Munich office, encourages our employees to do without a car or train for shorter distances. It promotes daily exercise, keeps us fit and protects the environment.

Our employees are the key to our success. We therefore pay particular attention to our human capital. Showing appreciation, good communication and trust for high responsibilities motivate our team to perform at its best. In addition, we organise regular **employee events**, such as for example the annual team building event. All this strengthens the "**palero Spirit**" and promotes employee interaction.

Healthy employees are one of the most important resources of our company. In order to promote and maintain the health of our team, we offer **free drinks and fresh fruit**, and we provide **large screens and standing desks or height-adjustable desks** at fixed workplaces for a pleasant and optimal working environment.

S

Standing still is a step backwards - this also applies to the career ladder. For this reason, we always try to show our employees interesting internal development paths and expand their skills through "**learning on the job**" **programmes** or specific **further training measures**. We respond individually to the needs of each individual and promote their strengths.

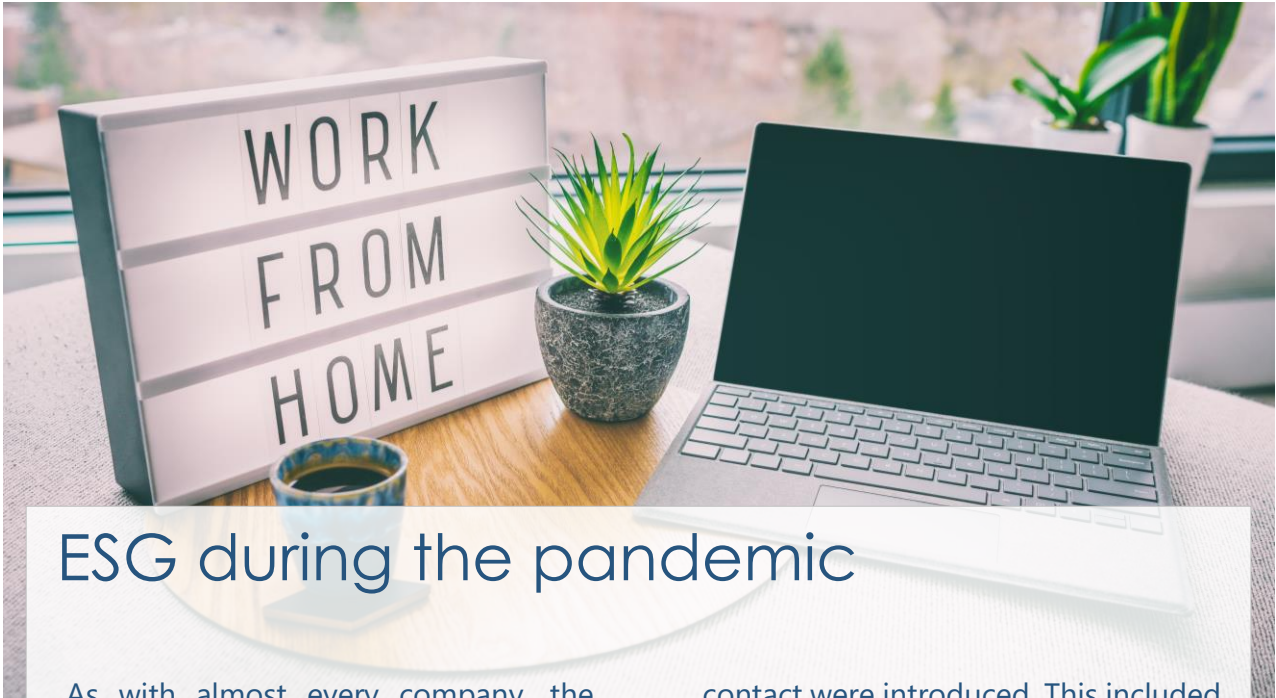
As an anchor sponsor, palero has supported the "**Center for Corporate Transactions and Private Equity**" (**CCTPE**) of the HHL Leipzig Graduate School of Management – one of the leading business schools in Europe – from the very beginning. This centre is a think tank for private equity buyouts that closely examines the success factors of PE investments. By creating a competitive database on PE buyouts, the aim is to promote high-quality research and provide a platform for renowned academics and industry experts. In 2020, the CCTPE presented the "**palero capital Award**" to HHL graduates for the best master's thesis in private equity, including a certificate and prize money.

palero has embraced the issue of "**diversity**" as part of **Women Entrepreneurship Week 2019**. The presentation by palero partner Ms Wuppermann on "investing in women as entrepreneurs" encouraged young women to follow the path of entrepreneurship. The event was crowned with a pitch contest in which a jury consisting of Ms Wuppermann and two other successful female entrepreneurs chose a winning idea from teams of predominantly female founders.

As part of our **Christmas 2020 fundraising campaign**, palero supported three great social projects – our closest business partners made the selections. In total, palero was able to donate EUR 17,601 to Tafel Deutschland e.V., EinDollarBrille e.V. and the Against Malaria Foundation.

Transparency is a core component of our corporate principles and is intended to uncover corruption, bribery and fraud as quickly as possible or, at best, to completely prevent them. All of the important company decisions by the palero Group are made on the basis of clearly communicated decision criteria. The periodical audits conducted by external auditors also serve to strengthen our internal control system and prevent criminal fraud.

In today's data world, cybercrime poses an enormous threat. In order to be optimally protected against such illegal attacks, palero has invested in a modern IT system. When selecting this system, the main focus was on a high and yet user-friendly **IT security**.



ESG during the pandemic

As with almost every company, the global COVID-19 pandemic presented the palero Group with a significant challenge. Balancing the best possible protection for each individual employee while maintaining business operations required our management to make many quick decisions as well as some very drastic ones.

As early as the beginning of March 2020, a Covid Task Force was set up in all subsidiaries, which reported daily on the current pandemic situation in the companies, developed measures that were individually adapted to their situation and implemented them:

In addition to standard hygiene measures, such as mandatory masks in office corridors or distance regulations between colleagues, strict rules on

contact were introduced. This included, for example, the reduction in team sizes, workplace rotations in order to separate departments, local team separations, systematic distribution of employees in the offices, as well as clear arrangements for home/mobile offices, if the respective workplace permitted this. In the meantime, more than 700 employees throughout the palero Group in Germany have been working from home. To ensure a smooth workflow, the entire palero group invested in IT without delay and provided not only the necessary hardware for employees but also the corresponding digital, cloud-based working environment. As a result, working digitally, including the switch from real face-to-face meetings to digital video conferences, was

straightforward and quick for the staff to implement.

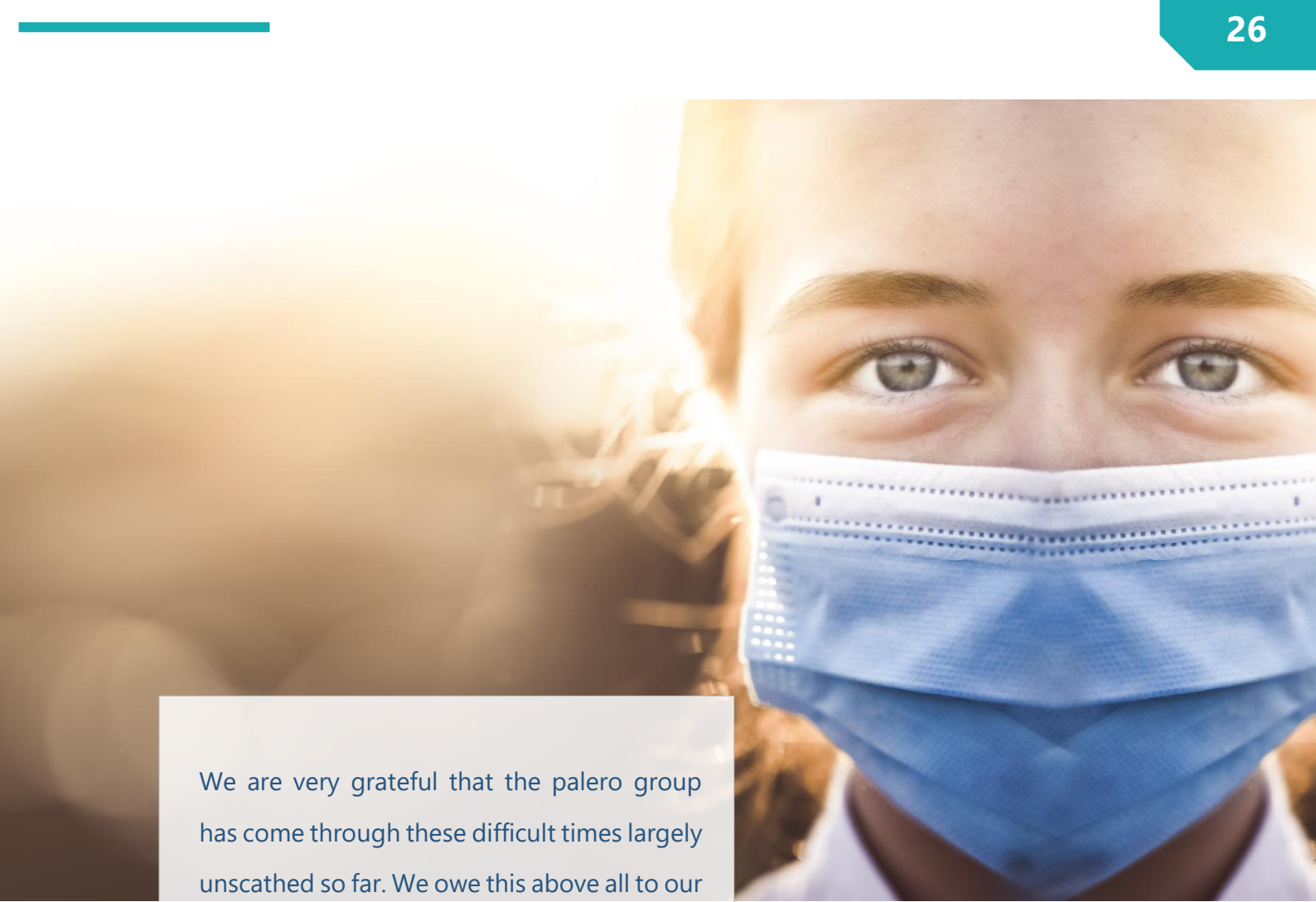
Last but not least, strict bans were imposed on business trips and visitors, trade fairs and company events were cancelled, and employees were asked to refrain from using public transport as much as possible and instead to use their private cars to get to work if it was not possible for them to work from their home/mobile offices.

Unfortunately, the virus did not stop before reaching palero. However, thanks to our collective, quick action and consistently implemented measures, we were fortunately able to keep the number of internal infections very low and only 45 employees in Germany became ill with Covid.

All our staff were faced with the difficult task of balancing work, home schooling, daycare closures, quarantine regulations and many other situations that were previously unheard of on such a scale. Both from their home/mobile offices and under difficult conditions - with masks and distance - they displayed great enthusiasm and commitment. As a

small token of appreciation for this, the ipm|gruppe organised a "perseverance gift" for all employees of the palero group in Germany in the form of a social game, which was sent home to each employee by post. Furthermore, we expressed our gratitude to our shareholdings in the form of distributed Covid bonuses.

Especially during times like these, when social life has to be cut back to the minimum and it feels like the "S" (social) has been dropped as an essential part, it is especially important for us as a company to focus on our employees and to make sure that they are doing well.



We are very grateful that the palero group has come through these difficult times largely unscathed so far. We owe this above all to our most valuable asset, our employees. By taking ESG factors into account, we as a Group have succeeded in motivating our employees even during difficult times. This meant that we had a very strong team to fight the pandemic with. Although the battle is not over yet, our employees are fully committed to doing their best every day.

Yesterday a trend, today a priority and tomorrow?



In view of the increasing importance of "Responsible Investment", the continued expansion of the ESG commitment is a high priority within the palero Group. The concept of sustainability is already firmly anchored in our corporate values and many initiatives are currently being successfully implemented to this end. Now it is a matter of reaching new milestones, in order to "improve a bit every day".

Our aim is to further professionalise the idea of "responsible investing" by, for example, formalising a standardised ESG analysis

within the due diligence or investment process. Other ESG efforts include raising awareness among our employees about sustainable economic measures through training courses and workshops. We also aim to guarantee transparent reporting to our shareholders and stakeholders through regular reporting by our portfolio companies on the development of ESG practices.



Work 4.0

Globalisation, digitisation and, last but not least, the pandemic have caused a complete change in our working world and will continue to influence our companies and employees in the future. No matter what our day-to-day work will look like in a few years' time - it is essential to act today and lay the foundations for a healthy future.

We at palero stand for change. We therefore accept this challenge and will work even harder to implement ESG practices in the future.

Work 4.0 in smart companies with a sustainable approach - that is our goal and we are committed to it.

This ESG Report 2019/2020 has been prepared with the utmost care and accuracy. Nevertheless, palero capital GmbH does not assume any liability for the topicality, correctness and completeness of the contents. Any use of this report requires the written consent of palero capital GmbH. palero capital GmbH accepts no liability whatsoever for any damage or loss arising directly or indirectly from the distribution or use of this document or its contents.

Contact: palero capital GmbH, Rosental 6, 80331 Munich, Phone: +49 (0)89 88 98 871-00, Email: contact@palero.de

Date of all information: May 1, 2021, unless otherwise stated.