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# REPORT OF THE SUPERVISORY BOARD

Deutsche Beteiligungs AG has been holding its own as an investor in a highly competitive market for many years now and enjoys a high level of trust from mid-sized companies. This is shown not least by the numerous transactions in the past financial year.



**GERHARD ROGGMANN**  
*Chairman of  
the Supervisory Board*

In the financial year 2017/2018 (1 October 2017 to 30 September 2018), we dealt with the position and development of the Company in depth. We consistently and conscientiously discharged the duty of overseeing the managerial activities of the Board of Management required of us by law, the Articles of Association and the rules of procedure. The Board of Management regularly provided the Supervisory Board with comprehensive and prompt information, both in writing and verbally, about the Company's course of business, its asset, financial and earnings position, the competitive environment and the prospects, as well as the risk management and compliance systems installed at DBAG. We discussed these issues in detail. Any divergences from the planned course of business were elucidated and substantiated by the Board of Management. The Board of Management also reported on strategic and major operational decisions as well as on the business policies it intends to pursue.

## **Supervisory Board meetings in the reporting year**

In the financial year 2017/2018, the Supervisory Board held twelve meetings, six of which were telephone conferences. Among other things, the telephone conferences served informational purposes regarding imminent investment projects as well as allowing for the passing of resolutions on the amount of variable income components for the Board of Management. In several instances, the Supervisory Board met without the attendance of the Board of Management.

An integral part of the face-to-face meetings were detailed reports on current developments in individual portfolio companies. We received comprehensive quarterly reports in writing on those issues from the Board of Management. We were informed promptly and comprehensively about investments that were not performing as expected.

At the first regular meeting held on **15 NOVEMBER 2017**, we confirmed the dividend proposal put forward by the Board of Management that had previously been discussed in the Audit Committee and passed a unanimous resolution on the submission of this proposal to the 2018 Annual Meeting. At this meeting, the Board of Management also reported on the Company's investor relations activities and on the preparations for the changes to the Company's IR work expected to come as a result of MiFID II. We also looked at the Supervisory Board's report on its activities in the previous financial year.

After the auditors had previously reported on the results at 30 September 2017 of their audit of the separate financial statements and the consolidated financial statements at the meeting of the Audit Committee, which was also attended by members of the Supervisory Board who are not members of the Audit Committee as guests, we adopted the separate financial statements and approved the consolidated financial statements for the financial year 2016/2017 at the regular meeting held on **1 DECEMBER 2017**. We also approved the agenda for the 2018 Annual Meeting. We followed the Board of Management's proposal of subjecting the 2017/2018 half-yearly financial statements to a review by the auditors again. Detailed information was provided on the market and the competitive situation facing DBAG. The Board of Management reported on the successful conclusion of status proceedings before the District Court (*Landgericht*) of Frankfurt am Main. The court rejected the motion put forward in November 2017, which was intended to clarify whether the Supervisory Board of DBAG had been constituted in a lawful manner. We also authorised the Supervisory Board Chairman at the time to appoint a remuneration consultant to prepare an expert opinion on the appropriateness of remuneration paid to the Board of Management members and the carried interest agreements.

We discussed the results of the expert opinion on the remuneration paid to the Board of Management members at our meeting held on **7 FEBRUARY 2018**. We acknowledged the fact that the status proceedings referred to above have now been concluded and the outcome is legally binding, meaning that the Supervisory Board of DBAG has been constituted in a lawful manner.

Our meeting following the Annual Meeting on **21 FEBRUARY 2018** focused on a presentation delivered by the Board of Management on portfolio development.

In our meeting on **7 MAY 2018**, the Board of Management provided us with information on its ideas for the strategic further development pursued by Deutsche Beteiligungs AG. We

discussed various investment strategies within this context, alongside the associated opportunities and risks. We approved the Board of Management's proposal to extend the credit line, and addressed the extension of one Board of Management member's appointment and the details of his employment contract. The Board of Management informed us of proceedings initiated by the German Federal Financial Supervisory Authority (BaFin) in connection with adherence to disclosure and publication deadlines.

We passed a resolution on the renewed appointment of Mr Grede as member and Spokesman of the DBAG Board of Management until 31 December 2023 during a telephone conference held on **21 JUNE 2018**. We used the same meeting to discuss adjustments to the Board of Management remuneration paid to all three members of the DBAG Board of Management as well. We took an in-depth look at the question as to whether the long-term variable remuneration paid to the Board of Management members should be forward-looking, and opted to retain the criteria that have applied to date but to change the composition of the variable remuneration to attach more weight to the component based on corporate performance over a period of several years.

At the meeting held on **12 SEPTEMBER 2018**, we continued our discussion of the strategic further development of Deutsche Beteiligungs AG. We also dealt with the budget for the financial year 2018/2019. We were presented with the medium-term plan, which covers the financial year mentioned above and the next two financial years. The Board of Management provided us with information on the projected earnings for the financial year 2017/2018. We shared the Board of Management's view regarding the amount of the dividend proposal for the financial year 2017/2018, which is based on the dividend policy that has been in place for two years now. At this meeting – as in almost all of our meetings – we were once again informed of current investment projects and the development of individual portfolio companies. However, the focus in this meeting was on companies whose business has not developed as expected at the time the investment was made. We were also involved in the Management Declaration and submitted the Declaration of Conformity as well as the joint report by the Board of Management and the Supervisory Board on the corporate governance practised at DBAG. Finally, we dealt with internal topics concerning the Supervisory Board.

After the previous Chairman of the Supervisory Board, Andrew Richards, resigned for health-related reasons, a further meeting had to be held. On **26 SEPTEMBER 2018**, we elected a new

Chairperson and Vice Chairperson of the Supervisory Board, a new Chairman and Vice Chairperson of the Audit Committee, and a new member of the Audit Committee.

Between meetings, the Spokesman of the Board of Management promptly informed the Chairperson of the Supervisory Board about significant business issues; the complete Supervisory Board was briefed accordingly on each issue afterwards. We were involved in all material decisions.

In addition to the extension of the credit line mentioned above, there were no other transactions requiring our consent in the financial year 2017/2018.

This past financial year, the Supervisory Board met in the presence of all of its members seven times; Mr Möller missed two meetings, with Ms Edeler unable to attend one. All committee members attended all meetings of the Audit Committee and the Executive Committee during the reporting period.

## Corporate Governance

We regularly evaluate the efficacy of our work on the Supervisory Board. We also observe the developments in corporate governance practices taking place in Germany on an ongoing basis and are seizing the opportunity to contribute to the formation of opinions among the institutions and organisations that deal with corporate governance issues. The Board of Management's report on the Company's corporate governance is also presented on behalf of the Supervisory Board; we publish that report in the Annual Report (see pages 194 to 197) and also make it accessible to the general public on the Company's website with the Management Declaration. The Board of Management and the Supervisory Board jointly submitted their yearly Declaration of Conformity in September 2018 based on the German [Corporate Governance Code](#) amended at 7 February 2017 (§ 161 German Stock Corporation Act – AktG), which is permanently accessible to any interested party on the Company's website.

In accordance with the recommendations of the Code, every Supervisory Board member is required to disclose to the Supervisory Board any conflict of interest that may possibly arise. There was no notice of a conflict-of-interest issue this past financial year.

To disseminate its responsibilities and increase efficiency, the Supervisory Board formed an Executive Committee, which also performs the functions of a Nominations Committee, as well as an Audit Committee. The committees' chairpersons regularly reported to the Supervisory Board in the past financial year on the work of their committees.

### Work of the Executive Committee (also acts as Nominations Committee)

The Executive Committee convened four times this past financial year: on 15 October 2017, it used a telephone conference to set the short-term performance-related and the long-term component of the remuneration paid to Board of Management members for the financial year 2016/2017. The Supervisory Board approved the recommendation following an in-depth discussion during a telephone conference on 17 October 2017. At a face-to-face meeting held on 7 May 2018 and once again at a meeting held on 6 August 2018, the Executive Committee discussed further Board of Management matters in connection with the renewed appointment of Mr Grede and in connection with the adjustments to the Board of Management remuneration. On 24 September 2018, the Steering Committee met to advise on the consequences of the resignation of the previous Chairman of the Supervisory Board.

In the financial year 2017/2018, there were no meetings of the Executive Committee in its capacity as a Nominations Committee.

### Work of the Audit Committee

The Audit Committee held a total of seven meetings this past financial year. It initially addressed issues concerning the separate and consolidated financial statements, the half-yearly financial report and the quarterly statements, all of which were discussed with the Board of Management prior to their publication. As in the previous year, the enforcement procedure at BaFin level was given particular attention during the meetings held in the financial year 2017/2018 following a spot check on the consolidated financial statements at 30 September 2015.

In the meeting held on **15 NOVEMBER 2017**, the provisional earnings for the financial year 2016/2017 were presented. We discussed the dividend proposal and recommended that the

Supervisory Board approve the proposal. The auditors reported on the status and initial results of the audit of the annual financial statements. The Board of Management used this and other meetings in the course of the financial year to report on the status of the enforcement procedure. At this meeting, we also discussed the draft consolidated and separate financial statements at 30 September 2017 and the audit reports on both annual financial statements, before recommending on **1 DECEMBER 2017** that the Supervisory Board adopt the separate financial statements and approve the consolidated financial statements.

On **7 FEBRUARY 2018**, we discussed the interim financial statements at 31 December 2017 and the quarterly statement.

On **7 MAY 2018**, the auditors reported on the outcome of the review of the interim financial statements at 31 March 2018, which we also discussed with the Board of Management at this meeting.

After being sent an announcement letter including a draft notice on the identification of an error by BaFin, we used a telephone conference with the Board of Management on **28 JUNE 2018** to discuss the next steps to be taken. We noted the decision made by the Board of Management not to provide any further facts on the accounting method we chose.

At the meeting held on **8 AUGUST 2018**, we acknowledged what was, by this point, the conclusion of the enforcement procedure and its consequences on our accounting. The amendments had already been taken into account in the interim financial statements at 30 June 2018 and in the quarterly statement at this reporting date; we discussed both documents in detail. We also acknowledged the Board of Management's risk report, and received and discussed the internal audit report of DBAG at this meeting. Among other issues, the 2018 report had dealt with the audit of DBAG's internal processes in connection with the recent moves to step up the money laundering legislation.

On **12 SEPTEMBER 2018**, the auditors explained their plans for the audit of the annual financial statements at 30 September 2018 and the focal points of their audit. We also reviewed the

policy on non-audit services; since the policy was adopted on 1 December 2017, no amendments or supplements have had to be made.

During the course of the reporting year, we monitored the accounting process as well as the effectiveness of the internal control and auditing system and the risk management system. From our point of view, there were no grounds for objections to the Company's current practices. In the meeting, we reviewed the required independence and objectivity of the Company's auditors and the additional services the auditors provide (non-audit services). We also discussed the determination of the audit's focal points and audit fees.

We continue to comply in multiple ways with the requirements under §§ 100 (5), 107 (4) of the German Stock Corporation Act (Aktiengesetz – AktG), which stipulate that at least one independent member of the Supervisory Board or Audit Committee must have expert knowledge of accounting or auditing. Mr Roggemann, the Chairman of the Audit Committee until 13 October 2018, who is also Vice Chairman of the Supervisory Board and an independent member of the Supervisory Board in accordance with the German Corporate Governance Code, has profound knowledge of and experience in the application of accounting principles and internal control processes; the same applies to Dr Otto, who assumed the position of Chairman of the Audit Committee with effect from 14 October 2018.

### **Separate and consolidated financial statements endorsed**

Prior to recommending KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Frankfurt am Main, for election as auditors for the financial year 2017/2018 to shareholders at the Annual Meeting, the Supervisory Board requested and received an independence statement from KPMG. Subsequent to the 2018 Annual Meeting, at which our recommendation was adopted, the Supervisory Board Chairman at the time commissioned KPMG to perform the audit. The auditors were required to immediately report all major findings and occurrences to

us that might come to light during the audit. At a meeting of the Audit Committee on 12 September 2018, the auditors presented their audit plan.

KPMG audited the separate financial statements of Deutscheeteiligungs AG for the financial year 2017/2018 and the combined management report on Deutscheeteiligungs AG and the Group, including the underlying accounting, and endorsed them with an unqualified certificate. The same applies to the consolidated financial statements for the financial year 2017/2018. The consolidated financial statements were drawn up in conformity with the International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements comply with the IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (*Handelsgesetzbuch – HGB*), and that the consolidated financial statements in their entirety present a true and fair view of the position of the Group as well as the opportunities and risks involved in its future development.

The Supervisory Board received the audited and certified financial statements of Deutscheeteiligungs AG for the year ending 30 September 2018 and the combined management report on the state of Deutscheeteiligungs AG and the Group in due time, reviewed them in conjunction with the report of the Chairman of the Audit Committee and the auditors, and discussed these documents in detail with the Board of Management in the presence of the auditors. The same applies to the consolidated financial statements as well as to the recommendation for the appropriation of profits.

The auditors explained the findings gathered within the scope of the pre-audit at our meeting on 14 November 2018. At our meeting on 29 November 2018 as well as the meeting of the Audit Committee on the same day, the auditors reported on the results of their audit. There were no grounds for objection. The auditors also reported on the services they had rendered in addition to performing the audit. The auditors provided detailed answers to our enquiries. After its own in-depth review of all documents, the Supervisory Board found no grounds for objection. We approved the results of the audit. On 29 November

2018, we followed the Audit Committee's recommendation and approved the consolidated financial statements and adopted the separate financial statements of Deutscheeteiligungs AG. The financial statements are thereby adopted.

The Supervisory Board reviewed the Board of Management's recommendation on the appropriation of the retained profit. After its review, the Supervisory Board agreed to the Board of Management's recommendation to distribute the sum of 21.8 million euros to shareholders and carry forward the residual retained profit of 149.0 million euros to the new account.

In October 2018, Andrew Richards, who has been Chairman of the Supervisory Board for many years, resigned from the Supervisory Board due to health reasons. He has been a member of the Supervisory Board since March 2004 and its Chairman since March 2006. We thank Mr Richards for his high level of commitment to the role and for the important contributions he has made since he was first elected to the Supervisory Board. He served as an important advisor on the development of Deutscheeteiligungs AG over the past 15 years.

Over the past financial year, DBAG has agreed seven new equity investments. This is once again a testament to the Company's good market position, as well as to its ability to identify and evaluate attractive investment opportunities in a demanding competitive environment and turn these opportunities into equity investments. The Supervisory Board wishes to express its greatest appreciation and special thanks to the Board of Management and all staff who contributed with maximum effort and commitment to the successful performance once again this year.

Frankfurt am Main, 29 November 2018



Gerhard Roggemann  
Chairman of the Supervisory Board

## CORPORATE GOVERNANCE REPORT

Corporate governance refers to the way a company is responsibly managed and overseen. The Supervisory Board and the Board of Management acknowledge and endorse these principles. We have therefore set out the central values and guiding principles of our Company in a Code of Conduct. Our intention is to give every member of our staff a set of guidelines and to communicate to our business partners and investors that our dealings are firmly rooted in ethical principles and that we will always interact fairly in good partnership. Our guiding principles also encompass the avoidance of conflicts of interest and acknowledgement of our social responsibility. We act politically neutral, but support social projects and commit to fair competition. We commit to sustainable corporate governance and meet high ESG standards.

Our Management Declaration sets out the basic principles behind the conduct of our business; it is published on our website [www.dbag.com](http://www.dbag.com) and is accessible there with this report. The subject of sustainability is discussed in the Annual Report; we are not required to issue a comprehensive sustainability report ("non-financial information") pursuant to § 289b HGB (German Commercial Code).

Consistent with the recommendation of the German Corporate Governance Code, the following is a combined report by the Supervisory Board and the Board of Management on the corporate governance practised at Deutsche Beteiligungs AG. Further information can be found in the Management Declaration and the Report of the Supervisory Board; the information contained therein is an integral part of our combined Corporate Governance Report. We will refer to other sections of this Annual Report on particular issues.

### **Compliance: employees, transaction process, portfolio companies**

Compliance by the management and staff with all legal requirements applicable to Deutsche Beteiligungs AG and its subsidiaries and with all internal rules has long been a company objective and an integral part of our corporate culture. However, as a private equity firm, that objective extends not just to our own Company. DBAG also endorses the installation and ongoing development of compliance schemes at current and future portfolio companies. The compliance system of DBAG therefore consists of three components:

- compliance by DBAG staff,
- compliance in the transaction process and
- compliance at portfolio companies.

A compliance manager oversees adherence by **DBAG STAFF** to the Code of Conduct and the rules set out in the Compliance Guideline. He is independent in his role and reports directly to the Spokesman of the Board of Management; he reports to the complete Board of Management four times a year. The Compliance Guideline sets out the rules for receiving and giving gifts, for hospitality and invitations to events, for example.

In 2017, we appointed an ombudsman, as required by the German Corporate Governance Code. We have commissioned an external lawyer at a specialised law office to serve as the ombudsman. He is the contact for DBAG employees who may provide him with confidential information on actual or suspected unlawful activity particularly in respect of insider trading and money laundering legislation, or an offence or irregularities involving DBAG or compliance violations. No reports were made to the ombudsman in the past financial year.

DBAG acts as a responsible investor. Compliance aspects have therefore also been integrated into the **TRANSACTION PROCESS**, specifically in the due diligence process and in purchase agreements. An examination of compliance issues is an integral part of every due diligence process, which is typically carried out together with a team of specialised compliance lawyers. To minimise the liability risk for DBAG in connection with compliance violations, warranty clauses to that effect will be included in every purchase agreement for a portfolio company.

DBAG employees who hold offices on a supervisory board or an advisory council at a **PORTFOLIO COMPANY** or act on behalf of a shareowner of a portfolio company are required to firmly endorse the introduction or ongoing development of a compliance system within the portfolio company. The DBAG Compliance Standard for Portfolio Companies serves as guidance. All our portfolio companies have introduced a compliance system or are in the process of developing and launching such a system.

### **Composition of the Supervisory Board: operability is key objective**

The German Corporate Governance Code recommends that the Supervisory Board specify concrete objectives regarding its composition, issue a competence profile for the complete body and report on their implementation.

The skills profile summarises the competencies and requirements regarded as necessary by the Supervisory Board for the composition of the entire body. This includes the following fields of competence and expertise in particular: industry expertise, M&A processes, business strategy and planning, capital and financial markets, corporate governance, financial reporting and audits, (regulatory) law, compliance and risk management as well as IT and digitalisation. Additional personal details, such as independence, availability, age, length of job tenure

and management experience are also taken into consideration. Members may have no conflict of interest issues and must be conversant in the corporate language, German, as well as English.

The Supervisory Board of DBAG consists of six members elected by shareholders at the Annual Meeting. The key objective in its composition and guiding principle for its competence profile is the Supervisory Board's operability; this objective is best addressed when the majority of its members are independent and not exposed to conflicts of interest, and when its members are broadly experienced in the multifaceted operations of DBAG and have expert knowledge of applicable accounting principles. The Supervisory Board is of the opinion that the majority – or at least four – of its members should be independent, and the Chairperson of the Supervisory Board should be one of them.

The current composition of the Supervisory Board reflects this objective. None of the members of the Supervisory Board have business or personal relationships to the Company or its Boards, or to a controlling shareholder or a company with which that shareholder is affiliated, which could constitute a significant and not merely temporary conflict of interest. In the opinion of the Supervisory Board, all current members are independent in terms of Clause 5.4.2 of the German Corporate Governance Code: Andrew Richards (Chairperson), Sonja Edeler, Wilken Freiherr von Hodenberg, Philipp Möller, Dr Hendrik Otto and Gerhard Roggemann. With Mr von Hodenberg, a former member of the Board of Management joined the Supervisory Board. Should, contrary to expectations, conflicts of interest arise in individual instances, these are disclosed and dealt with appropriately by the Supervisory Board. The members of the Supervisory Board bring with them a wide range of professional and personal experience, including management responsibility abroad or in international companies in Germany. The members of the Supervisory Board comply with the competence profile and in their entirety are very familiar with the sector in which DBAG operates.



The age limit of 72, moreover, means that the Company can benefit as much as possible from these skills on the one hand; on the other hand, an age limit is conducive to introducing changes in the Board's composition. Also promotive of that is the regular limitation of the term of office for Supervisory Board members for a maximum of three full terms, in addition to any partial term of office, insofar as that election to the Supervisory Board took place at a different time to the regularly recurring general elections. The specified target for the proportion of female members on the Supervisory Board ("at least one woman") on which we have reported in the Management Declaration has been reached. Within the context of preparing for the most recent regular election of all six members to the Supervisory Board at the Annual Meeting (February 2016), the Supervisory Board had satisfied itself that the candidates were in a position to devote the required amount of time to their prospective offices.

**Independence of corporate bodies:  
no conflicts of interest**

Conflicts of interest on the part of members of the Board of Management and the Supervisory Board requiring immediate disclosure to the Supervisory Board did not come to our attention in the reporting year.

**Principle of equal treatment: timely information  
to all interested parties**

The principle of directing information on an event promptly and simultaneously to all interested parties ranks high in our communication policy. All major reports, announcements and presentations are accessible on our website [www.dbag.com](http://www.dbag.com) synchronously with the respective event. The key presentations we prepare for meetings with investors can also be viewed on our website. Any interested individual can take note of the dates

and locations of road shows and investors' conferences that we attend. We also issue recordings of our oral presentations during analysts' conference calls on our website.

Our Annual Meeting is webcast on the Internet. Shareholders may also elect to exercise their voting rights through a proxy of their choice or through a proxy appointed by the Company, who is bound by their directives. Postal voting is also possible. All documents and information on the Annual Meeting are accessible in German and in English on our websites

**Remuneration: for the Board of Management,  
linked to corporate performance**

The remuneration paid to the Board of Management is composed of fixed and performance-related components, most of which have a long-term incentive. We issue an individualised statement of emoluments paid to the members of the Board of Management. Shareholders at the 2011 Annual Meeting approved the remuneration scheme with a vote of approximately 92 percent.

The remuneration paid to Supervisory Board members is solely composed of a fixed fee.

Details on the remuneration for the members of the Board of Management and the Supervisory Board are presented in the remuneration report (see pages 198 to 202).

**Strict rules on share ownership**

Apart from participating in the annual employee stock ownership plan, members of staff and the corporate bodies may only purchase DBAG shares within a limited frame. Shares may only be purchased or sold during specified periods of time and exclusively after receiving approval for each transaction. Trading periods start on the day after publication of (when

indicated, also preliminary) quarterly or annual financial reports and end at the following quarterly reporting date. In the event that these trading periods overlap with the statutory prohibition of trading for individuals in leadership positions (“directors’ dealings”), the trading period for DBAG staff will also be curtailed correspondingly.

Based on the nature of our business operations, there are further rules that apply to trading in securities for DBAG staff. Irrespective of the trading restrictions for DBAG shares, it is not permitted for members of the staff to deal in shares of portfolio companies held by DBAG-advised funds, or of companies undergoing the due diligence process or whose portfolio contains companies in which an investment is being considered.

### Reportable securities transactions (“directors’ dealings”)

The members of the Board of Management and the Supervisory Board of DBAG as well as related parties are required, in compliance with Art. 19 of the Market Abuse Regulation, to report transactions in DBAG shares or debt instruments or derivatives thereof or other financial instruments linked to them.

Individual subject to the reporting requirement	Body	Transaction date	Transaction	No. of shares	Share price (€)
Andrew Richards	Supervisory Board	8 May 2018	Purchase	3,000	36.77

At 30 September 2018, the members of the Board of Management held a total of 39,613 no-par value shares and members of the Supervisory Board a total of 5,000 no-par value shares, or less than one percent of the subscribed capital of Deutsche Beteiligungs AG.

### Declaration of Conformity pursuant to § 161 Aktiengesetz (German Stock Corporation Act)

The Board of Management and the Supervisory Board declare that, since issuance of the last Declaration of Conformity, Deutsche Beteiligungs AG (hereinafter: DBAG) has complied with the recommendations, in their entirety, of the German Corporate Governance Code (hereinafter: the Code) as amended on 7 February 2017 with one exception: in the contracts with the Board of Management members, variable remuneration components with a multi-year assessment basis are not essentially forward-looking in their characteristics (Clause 4.2.3 of the Code).

The remuneration system meets the statutory criteria for participation in sustainable corporate success. The financial success of a single DBAG financial year depends to a large extent on a small number of transactions executed by DBAG funds. Within this context, it can sometimes be more advantageous if planned transactions are not agreed during the period intended, but rather are postponed in anticipation of better conditions in the future. If the Board of Management’s variable remuneration were to be based on the planned measures, this could give its members an incentive to make decisions that would ultimately prove less than ideal. The Supervisory Board is convinced that the existing concept of variable remuneration is best suited to providing incentives for the long-term positive development of the Company. Apart from this exception, we will continue to comply with all of the recommendations.

We have, moreover, followed all of the suggestions in the Code since issuance of the last Declaration of Conformity and will continue to do so in the future.

Frankfurt am Main, September 2018

Deutsche Beteiligungs AG

The Board of Management      The Supervisory Board

## OTHER STATUTORY DISCLOSURES AND EXPLANATORY INFORMATION

### Remuneration report

The remuneration report summarises the principles applied in fixing the remuneration for the members of the Board of Management and the Supervisory Board of Deutscheeteiligungs AG. It presents the structure and amount of remuneration paid to the members of the Board of Management and the Supervisory Board. The remuneration report is an integral constituent of the combined management report.

#### **Management remuneration: geared to assignment, personal and company performance**

The remuneration framework for the members of the Board of Management depicted in the following was approved by shareholders at the 2011 Annual Meeting. The system has not changed materially since then; the Supervisory Board did, however, pass a resolution on adjustments in June 2018 that took effect at the start of the new 2018/2019 financial year. They relate to the amount of the fixed salary, the maximum amount of the variable remuneration and its distribution over the one-year and multi-year component.

#### **Remuneration system that applied in financial year 2017/2018**

Total remuneration for the members of the Board of Management consists of

- > a fixed base salary,
- > one-year variable remuneration,
- > multi-year variable remuneration,
- > fringe benefits, and
- > where applicable, pension benefits.

Criteria for the appropriateness of remuneration levels are, in particular, the responsibilities of the respective Board of Management member, their personal performance, and the economic position, performance and prospects of DBAG. To that end, the structure and level of remuneration schemes common to the private equity industry, which are required to attract and retain qualified key personnel, are considered.

Insofar as the members of the Board of Management receive emoluments for offices held in other portfolio companies, these are transferred to DBAG. A severance pay cap is provided for in the service contracts of all Board of Management members. The D&O (directors' and officers') liability insurance that the Company has taken out contains a deductible for the Board of Management members. No advances or loans have been granted to them.

**NON-PERFORMANCE-LINKED REMUNERATION** consists of a fixed base salary paid on a monthly basis and fringe benefits. Fringe benefits largely pertain to the amounts based on applicable tax rules for the use of a company car.

**ONE-YEAR VARIABLE REMUNERATION** is linked to the personal performance of the Board of Management members over the past financial year and, to date, can reach a maximum of half the fixed base salary. Personal performance is determined by the Supervisory Board at its equitable discretion.

**MULTI-YEAR VARIABLE REMUNERATION** is based on the Group's performance over the reference period. It comprises the reporting year and the two prior financial years. The Supervisory Board determines the Company's performance based on the return on equity. Eligibility for this component starts when the return reaches a minimum of the average cost of equity over a three-year period; the maximum amount of remuneration – which has corresponded to half of one fixed salary to date – is reached at a return on equity of 20 percent.

In its meeting on 17 October 2018, the Executive Committee of the Supervisory Board discussed the amount of both variable remuneration components for financial year 2017/2018 and recommended them to the Supervisory Board. The Supervisory Board approved the recommendation and fixed the variable remuneration for the Board of management at a total of 1,361 thousand euros. Of that amount, 785 thousand euros are attributable to one-year variable remuneration and this represents the maximum amount possible for each Board of Management member. The multi-year variable remuneration was fixed uniformly at approximately 73 percent of the maximum amount possible and totals 576 thousand euros.

#### Follow-on variable remuneration from old remuneration models

The two Board of Management members who are members of the investment team also received follow-on variable remuneration components from one of the two old remuneration models for members of the investment team in the financial year 2017/2018. Both models had one thing in common: the particularly long-term measurement of investment performance. They are now only relevant to a small number of investments in the portfolio that were entered into before 2007.

- › The profit-sharing scheme for investments entered into up to 31 December 2000 is geared to the return on equity of DBAG. Profit-sharing awards are only granted if the return on equity for the reporting year exceeds the mark of 15 percent before taxes and bonuses. The computation base of equity relates exclusively to these investments. The remuneration for 2017/2018 is based on the profit distribution of the investment in JCK Holding.
- › For investments made from 2001 to 2006, profit-sharing awards are granted beginning at a minimum return on the investments of eight percent annually after calculated costs of two percent. They are exclusively paid from realised profits. Two-thirds of these entitlements are paid after the close of the respective financial year. Entitlement to the remaining one-third is subject to a final review after the divestment phase of all investments involved has been completed, and is paid out in the amount of the remaining final entitlement.

In 2017/2018, remuneration was paid based on income from the two externally managed international buyout funds, DBG Eastern Europe and Harvest Partners IV.

#### Profit-sharing awards from personal co-investments in the DBAG funds

Since the start of the investment period of DBAG Fund V at the start of 2007, Board of Management members who are also members of the investment team have had to support DBAG's investments by acquiring a stake in the DBAG funds under company law using their own money. In order to promote initiative and commitment to the success of the investments made by the DBAG funds, they have to take a personal investment risk. If the funds are successful, these Board of Management members receive a profit share that is disproportionate to their capital commitment, subject to certain conditions ("carried interest"), as is common worldwide in the private equity sector. Investments and amounts paid in connection with these private investments in DBAG funds can be found in Note 39 to the consolidated financial statements "Information on related parties, carried interest investments by current and former key management staff".

#### Adjustments with effect from the start of the new financial year

Adjustments to the remuneration of all Board of Management members came into effect at the start of the financial year 2018/2019. The fixed base salary was adjusted as follows:

##### FIXED SALARY BOARD OF MANAGEMENT MEMBERS

<i>p.a., €'000</i>	Until 2018/2019	Since 2018/2019
Torsten Grede	560	640
Dr Rolf Scheffels	560	640
Susanne Zeidler	450	550
<b>Total</b>	<b>1,570</b>	<b>1,830</b>

In the future, the variable remuneration can correspond to 1.2 times the fixed base salary (previously: 1.0 times). The distribution has been changed in favour of multi-year remuneration;

in the future, this can correspond to 80 percent (previously: 50 percent) of the fixed base salary, whereas the one-year variable remuneration is limited to a maximum of 40 percent (previously: 50 percent) of the fixed base salary. The criteria for assessing the two remuneration components remain unchanged.

In the future, fringe benefits will be limited to 50 percent (previously: 100 percent) of the fixed base salary. The follow-on variable remuneration components from the two old remuneration models are now limited to 65 percent (previously: 150 percent) of one fixed base salary.

### **Pension commitments under two models**

Pension commitments to members of the Board of Management are based on two models. Commitments to Board of Management members initially appointed to the Board up to 1 January 2001 for the first time provide for defined annual pension benefits. Members appointed later to the Board participate in a contribution plan. This plan is also applicable to other staff of Deutsche Beteiligungs AG; it has been closed to employees exempt from collective agreements and members of the corporate bodies since the beginning of the financial year 2004/2005.

Board of Management members appointed for the first time to the Board since then do not receive defined pension benefits; this is applicable for Susanne Zeidler. Pension arrangements

for Torsten Grede provide for defined annual pension benefits; they amount to 87 thousand euros. At 30 September 2018, the present value of this pension obligation was 2,020 thousand euros (previous year: 1,922 thousand euros). Dr Rolf Scheffels participates in a contribution plan: for each year of service, a one-time pension contribution is paid that is measured by a percentage of the fixed salary for the year in question. The annual retirement benefit component amounts to 0.75 percent of these emoluments, and six percent of those parts of the emoluments exceeding the income threshold set by the state pension plan, each multiplied by an age factor that decreases with increasing age. The accrued pension capital for Dr Scheffels is capped at a contribution that corresponds to an annual pension entitlement of 87 thousand euros. At 30 September 2018, the cap did not have an effect. The present value of pension commitments to Dr Scheffels at 30 September 2018 amounted to 1,448 thousand euros (previous year: 1,361 thousand euros).

### **Perquisites granted**

The remuneration granted to Board of Management members in the financial year 2017/2018 totalled 3,274 thousand euros (previous year: 3,987 thousand euros); of that amount, 118 thousand euros are attributable to pension expenses (previous year: 120 thousand euros).

Remuneration granted	Torsten Grede Spokesman of the Board of Management				Dr Rolf Scheffels Member of the Board of Management				Susanne Zeidler Chief Financial Officer			
	2016/ 2017	2017/2018		2016/ 2017	2017/2018		2016/ 2017	2017/2018				
	€'000		min.	max.		min.	max.		min.	max.		
Fixed salary (not linked to performance)	560	560	560	560	560	560	560	560	450	450	450	450
Fringe benefits	12	12	12	12	11	10	10	10	16	19	19	19
<b>Total</b>	<b>572</b>	<b>572</b>	<b>572</b>	<b>572</b>	<b>571</b>	<b>570</b>	<b>570</b>	<b>570</b>	<b>466</b>	<b>469</b>	<b>469</b>	<b>469</b>
Performance-linked component (one-year variable remuneration)	280	280	0	280	280	280	0	280	225	225	0	225
Component with long-term incentive effects (multi-year variable remuneration)												
Bonus for Company's long-term performance	243	205	0	280	243	205	0	280	195	165	0	225
Profit-sharing up to 2000	397	6	0	840	397	6	0	840	0	0	0	0
Profit-sharing 2001 to 2006	0	108	0	840	0	65	0	840	0	0	0	0
<b>Total</b>	<b>1,491</b>	<b>1,171</b>	<b>572</b>	<b>2,812</b>	<b>1,490</b>	<b>1,126</b>	<b>570</b>	<b>2,810</b>	<b>886</b>	<b>859</b>	<b>469</b>	<b>919</b>
Pension service costs	69	70	70	70	51	48	48	48	0	0	0	0
<b>Total remuneration</b>	<b>1,560</b>	<b>1,241</b>	<b>642</b>	<b>2,882</b>	<b>1,541</b>	<b>1,174</b>	<b>618</b>	<b>2,858</b>	<b>886</b>	<b>859</b>	<b>469</b>	<b>919</b>

## Remuneration paid

The following disbursements were paid out to the members of the Board of Management:

Remuneration disbursed	Torsten Grede Spokesman of the Board of Management		Dr Rolf Scheffels Member of the Board of Management		Susanne Zeidler Chief Financial Officer	
	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017
€'000						
Fixed salary (not linked to performance)	560	560	560	560	450	450
Fringe benefits	12	12	10	11	19	16
<b>Total</b>	<b>572</b>	<b>572</b>	<b>570</b>	<b>571</b>	<b>469</b>	<b>466</b>
Performance-linked component (one-year variable remuneration)	280	280	280	280	225	225
Component with long-term incentive effects (multi-year variable remuneration)						
Bonus for Company's long-term performance	205	243	205	243	165	195
Profit-sharing up to 2000	397	6	397	6	0	0
Profit-sharing 2001 to 2006	51	543	31	327	0	0
<b>Total</b>	<b>1,505</b>	<b>1,644</b>	<b>1,483</b>	<b>1,426</b>	<b>859</b>	<b>886</b>
Pension service costs	70	69	48	51	0	0
<b>Total remuneration</b>	<b>1,575</b>	<b>1,713</b>	<b>1,531</b>	<b>1,477</b>	<b>859</b>	<b>886</b>

Total cash payments of 1,497 thousand euros were made to former Board of Management members and their surviving dependants over the last financial year (previous year: 1,808 thousand

euros). These payments also include follow-on remuneration for former Board of Management members arising from older investments (investments agreed up to 31 December 2000 or entered into from 2001 to 2006). In the past financial year, these payments amounted to 558 thousand euros (previous year: 877 thousand euros). The present value of pension obligations to former Board of Management members or surviving dependants totalled 22,516 thousand euros at the end of the reporting period (previous year: 23,060 thousand euros). Amounts paid to former members of the Board of Management from private investments in DBAG funds can be found in Note 39 to the consolidated financial statements "Information on related parties, carried interest investments by current and former key management staff".

### Supervisory Board compensation: two components

The remuneration for members of the Supervisory Board is geared to the resolution passed at the Annual Meeting on 26 March 2013. It consists of two components: an annual fixed fee of 50 thousand euros ("base remuneration") and bonuses for the Chair, Vice Chair and committee membership ("additional remuneration"). The Chairperson of the Supervisory Board receives a maximum of twice the base remuneration, irrespective of their membership on various committees. The Vice Chairperson of the Supervisory Board and the Chairperson of the Audit Committee receive a maximum of one and a half times the base remuneration. Membership on the Executive Committee is compensated by one-quarter of this amount.

Remuneration paid to members of the Supervisory Board totalled 388 thousand euros in financial year 2017/2018 (previous year: 388 thousand euros).

€'000	Fixed fee	Bonus	Total
Andrew Richards (Chairman)	50	50	100
Sonja Edeler	50	–	50
Wilken Freiherr von Hodenberg	50	–	50
Philipp Möller	50	13	63
Dr Hendrik Otto	50	–	50
Gerhard Roggemann (Vice Chairman)	50	25	75
<b>Total</b>	<b>300</b>	<b>88</b>	<b>388</b>

In the financial year 2017/2018, members of the Supervisory Board did not receive fees for consultancy services.

### Takeover-related disclosures (§ 289a (1) and § 315a (1) HGB)

At 30 September 2018, the share capital of Deutsche Beteiligungs AG amounted to 53,386,664.43 euros. It is divided into 15,043,994 no-par value registered shares with an arithmetic nominal value of 3.55 euros (rounded). There is only one class of shares. All shares carry the same rights and obligations. In accordance with § 67 (2) German Stock Corporation Act (*Aktengesetz – AktG*), only shareholders who are listed in the share register are considered shareholders of the Company. With the exception of any possible own shares over which the Company is not entitled to exercise rights, each no-par value share carries one vote. The voting right does not begin until the contribution has been made in full. Rights and obligations attached to the shares ensue from the statutory provisions, in particular §§ 12, 53a ff., 118ff., and 186 German Stock Corporation Act (*AktG*).

In June 2018, the Company was last notified in accordance with § 33 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) that 15.20 percent of the voting rights were held directly by Rossmann Beteiligungs GmbH, Burgwedel, Germany. An agreement for the relinquishing of control has existed between DBAG and this company since March 2013. The agreement initially had a term of five years until the end of the 2018 Annual Meeting; the agreement is extended automatically and can now be terminated annually with effect from the end of the next Annual Meeting. According to the agreement, Rossmann Beteiligungs GmbH undertakes to exercise, for resolutions concerning the election or dismissal of Supervisory Board members, the voting rights attached to shares in DBAG attributable to the Rossmann group as a whole, now and in the future, within a scope of no more than 45 percent of the voting capital present at an Annual Meeting. The Board of Management knows of no other restrictions relating to voting rights or the transfer of shares.

In accordance with the Articles of Association of DBAG, the Board of Management consists of at least two individuals. The appointment of these members to the Board of Management requires a simple majority of the votes cast by the Supervisory Board members. In the event of a tie, the Chairman has the casting vote (§ 11 (4) of the Articles of Association). The Supervisory Board may exempt all or individual members of the Board of Management, in general or in individual cases, from the restrictions in § 181 German Civil Code (*Bürgerliches*

*Gesetzbuch* – BGB). To date, no use has been made of these provisions.

Amendments to the Articles of Association may be adopted pursuant to the provisions of §§ 179, 133 of the German Stock Corporation Act (AktG) and pursuant to § 5 (3) and (4) and § 17 of the Articles of Association. The Supervisory Board may adopt amendments to the Articles of Association that relate merely to wording. The Articles of Association provide that resolutions at the Annual Meeting shall be generally adopted with a simple majority of the votes, or, insofar as a majority of the share capital is required, by a simple majority of the share capital, except where the law or the Articles of Association demand otherwise.

At the Annual Meeting on 21 February 2018, the Board of Management was authorised, in accordance with § 71 (1) no. 8 German Stock Corporation Act (AktG), to purchase own shares of up to ten percent of the share capital existing at the time of the Annual Meeting (53,386,664.43 euros) up to and including 20 February 2023. The Board of Management may choose to acquire shares via the stock exchange or via a public tender to all shareholders or an invitation to submit such a tender. The Board of Management is authorised, subject to the consent of the Supervisory Board, to resell its own shares, for example, as consideration in conjunction with corporate acquisitions or mergers or acquisitions of investments in enterprises under exclusion of shareholders' subscription rights in other ways than via the stock exchange or by public offer to all shareholders. In the past financial year, the Board of Management did not make use of these authorisations.

Shareholders at the Annual Meeting on 22 February 2017 authorised the Board of Management to raise the share capital of the Company, with the consent of the Supervisory Board, until 21 February 2022 by up to a total of 13,346,664.33 euros through one or more issues of new no-par registered shares in exchange for cash or non-cash contributions (Authorised Capital 2017). Shareholders are generally to be granted subscription rights in such cases. The Board of Management is, however, authorised to exclude shareholders' subscription rights in certain instances and within a certain capital range. In the past financial year, the Board of Management did not make use of this authorisation.

In conjunction with the authorisation adopted at the Annual Meeting on 22 February 2017 concerning the issuance of warrant-linked bonds and/or convertible bonds for a total of up to 140,000,000.00 euros until 21 February 2022, with the option of excluding shareholders' subscription rights in

certain instances and within a certain capital range, the share capital of the Company will be conditionally raised by up to 13,346,664.33 euros through the issuance of 3,760,998 new no-par registered shares (Conditional Capital 2017/I). The conditional capital increase will only be executed insofar as holders or creditors of warrant-linked bonds and/or convertible bonds exercise their option or conversion rights or fulfil their option/conversion obligation, or to the extent that the Company or the Group company issuing the debt security exercises an option to service the entitlements by delivering shares in the Company instead of a cash settlement (in whole or in part), and insofar as, in each case, cash compensation is not granted and treasury shares or shares from authorised capital or shares of another listed company are not used for servicing. In the past financial year, the Board of Management did not make use of this authorisation.

The existing authorisations are detailed in the respective resolutions passed at the Annual Meetings mentioned above. Information on Authorised and Conditional Capital and on the repurchasing of own shares can also be found in the Notes to the consolidated financial statements in section "Notes to the consolidated statement of financial position".

The members of the Board of Management do not have a special right to terminate their service contracts in the event of a change of control at Deutsche Beteiligungs AG. In this event, they are also not entitled to severance payments based on compensation agreements.

## Management declaration (§ 289f and § 315d HGB)

The Management Declaration pursuant to § 289f and § 315d HGB is permanently available in the Investor Relations section of our website under Corporate Governance ([www.dbag.com/management-declaration](http://www.dbag.com/management-declaration)). It includes the Declaration of Conformity in accordance with the German Corporate Governance Code, pursuant to § 161 of the German Stock Corporation Act (AktG), information on corporate governance practices and a description of how the Board of Management and the Supervisory Board work, as well as information on targets for the share of female members on the Supervisory Board, the Board of Management and the management level below the Board of Management.