

## 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 of the Annual Report 2017/2018 (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	Trans- action date	Trans- action	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