

## **Corporate Governance Statement consistent with §§ 289f, 315 (5) HGB (German Commercial Code)**

### **1. Declaration pursuant to § 161 *Aktiengesetz* (German Stock Corporation Act) on the “German Corporate Governance Code” (“Declaration of Conformity”)**

The Board of Management and the Supervisory Board of Deutsche Beteiligungs AG made the following declaration in September 2018:

#### **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

## **2. Information on corporate governance practices**

The activities of Deutsche Beteiligungs AG and its subsidiaries are aimed at achieving long-term sustainable performance. An emphasis on stability and transparency are key components of our corporate culture. We aim to foster confidence in the management and supervision of the Company among investors, business partners, our portfolio companies' staffs and their lending banks, as well as the general public. To that end, we consider both the legal and company-specific requirements placed on the management of a listed company and the particular requirements that apply to private equity investment companies.

Deutsche Beteiligungs AG and its subsidiaries comply with the legal requirements as well as the provisions set out in their respective Articles of Association. As a listed company, Deutsche Beteiligungs AG follows all of the recommendations of the "German Corporate Governance Code" with one exception (see "Declaration of Conformity", p. 1).

### **Assuming responsibility**

Deutsche Beteiligungs AG has its roots in predecessor companies that were founded as early as 1965. These companies played a pivotal role in shaping the private equity business in Germany. Since that time, we have also gained a firm position as a successful advisor to private equity funds. We can proudly lay claim to being one of the leading German private equity companies. As one of the few German private equity companies that are listed on the stock exchange, we have a particular responsibility as regards the public perception of our sector.

We are aware of the responsibility this entails and are therefore particularly committed to the transparency of our activities. We use our influence to draw attention to the needs of our industry and to promote a competitive framework for our business.

We also want to use our commitment to social issues as a way of living up to our good citizenship responsibilities. For years, we have been a sponsor of the Kunsthalle Schirn art gallery, a reputed cultural institution in the city of Frankfurt, where our Company is headquartered. The "Gemeinnützige Stiftung der Deutschen Beteiligungs AG", a charitable foundation established in 2010, provides emergency assistance primarily to employees of current and former portfolio companies and their families. The foundation is also dedicated to the promotion of the arts and cultural projects at its domicile in the city of Frankfurt.

## **Creating value**

Our aim is to sustainably increase the value of DBAG and the DBAG Group. We create value in two ways: by advising the private equity funds initiated by DBAG and by DBAG's investment activity as a co-investor in these funds. In view of the long investment horizons and the long terms of DBAG funds, we measure the performance of DBAG and the DBAG Group on the basis of value growth over an extended period.

Shareholders are to participate in the Company's success through a regular dividend.

Since its foundation more than 50 years ago, DBAG has been a partner to Germany's "Mittelstand" (mid-sized companies). This means that it is more than familiar with the needs and expectations of Mittelstand companies and their owners. The managements and co-owners of portfolio companies can count on DBAG in multiple ways: our customised equity solutions create scope for managements to implement their entrepreneurial plans and sustainable value-adding concepts; our sector expertise and experience make us an ideal partner in supporting growth strategies and change processes.

## **Adhering to rules**

The corporate governance practices at Deutsche Beteiligungs AG and its subsidiaries are founded on a Code of Conduct, which is a key constituent of our compliance system and which can be viewed on the Company's website. We know that only by adhering to the highest standards of responsible and ethical conduct will we be able to safeguard the interests of the Company and of the partners with whom we interact, such as our portfolio companies. These principles are set out clearly in our Code of Conduct.

This binding framework for the acts of all employees of the DBAG Group defines a set of fundamental rules on the treatment of confidential information, on our dealings with business partners, on donations and on respectful conduct within the Company. They aim to raise awareness among all staff members of the necessity to avoid any kind of conduct that may be detrimental to DBAG or the Group. These principles also contain restrictive rules for trading in DBAG shares. The DBAG staff is not permitted to deal in shares of portfolio companies of Deutsche Beteiligungs AG, or of companies undergoing the due diligence process; the same applies to corporate groups whose portfolio contains companies in which Deutsche Beteiligungs AG is specifically considering an investment.

With a staff of approximately 75 all working at one location, our organisation is small in terms of size. The Board of Management therefore personally requires the propagation of, and compliance with this Code, which is

monitored by a Compliance Manager who reports directly to the Spokesman of the Board of Management.

Our Code of Conduct and the compliance system are issues addressed in staff performance reviews and training sessions.

### **Fostering confidence**

We foster open communication with all of our Group's stakeholders. We maintain a constant dialogue with shareholders, investors in DBAG funds, the staff, business partners, banks and the media. The communication channels we use include our website, the quarterly reports and other public relations activities, as well as participation in public discussions.

## **3. Responsibilities and processes of the Board of Management and the Supervisory Board as well as composition and processes of its Committees**

Deutsche Beteiligungs AG is a stock corporation and is subject to German legislation governing stock corporations. It has a dual management and supervisory structure consisting of a Board of Management and a Supervisory Board. Both corporate bodies interact closely and collaboratively in the best interests of the Company.

### **Board of Management**

The members of the Board of Management are jointly responsible for the management of the Company's business. They work together closely and keep each other informed about all key issues in their sphere of responsibility. All major procedures and decisions are documented in writing and filed in the Company's records after being acknowledged and approved by the other Board of Management members.

The Board of Management generally meets once a week. The meetings are principally chaired by the Spokesman of the Board of Management, and minutes are kept of the meetings.

The general dissemination of responsibilities among the members of the Board of Management is set out in a schedule of responsibilities, which is attached to the rules of procedure of the Board of Management. The rules of procedure also stipulate the cases that require adoption of a resolution by the Board of Management and the transactions and dealings that require the consent of the Supervisory Board.

The Board of Management consists of three members. Two of its members, including its Spokesman, focus primarily on the investment business, with the Spokesman also carrying responsibility for DBAG's Strategy and Business Development, Corporate Communication, Compliance and ESG issues as well as the communication with the investors in DBAG funds. The third member of the Board acts as the Chief Financial Officer and is responsible for Finance and Accounting, Investor Relations (Capital Market), Legal and Fiscal, Portfolio Valuation, Risk Management and Internal Audit, as well as Personnel, IT and Organisation.

The members of the Board of Management who focus on the investment business are involved in the core processes of DBAG's business operations (i.e. investment management and advisory services). In their fund investment services, they specifically take decisions in conjunction with generating investment opportunities and with analysing or negotiating acquisitions and disinvestments. Additionally, they discuss key issues at weekly meetings with those members of the investment team who are involved in transactions or in supporting the portfolio companies.

The members of the Board of Management are concurrently members of the Valuation Committee, the Investment Policy Committee and the Risk Committee. The Valuation Committee values the portfolio companies at each of the valuation dates; this Committee also consists of the Head of Finance and Accounting as well as other members. Decisions on the investment policy of plan assets for pension obligations (CTA) are taken by the Investment Policy Committee, which consists of the Board of Management members, the Head of Finance and Accounting as well as a trustee's representative. In addition to the Board of Management members, the Risk Committee consists of the Risk Officer and the responsible Risk Administrators at departmental level. It reviews DBAG's risk profile once annually; the review also involves an analysis of the actions taken to manage risk.

The Board of Management has not formed any further committees.

The two Board of Management members in charge of the investment business decide on the acquisition or disposal of investments, or parts thereof, involving acquisition costs for DBAG of up to 27.5 million euros (or 35 million euros for transactions involving the DBAG Fund VII Top-up Fund) for an individual transaction. For acquisitions or disposals of investments, or parts thereof, involving acquisition costs in excess of that, the complete Board of Management decides with the consent of the Supervisory Board.

## **Supervisory Board**

The Supervisory Board appoints, monitors and advises the Board of Management and is directly involved in all decisions that are of fundamental importance to the Company. The Supervisory Board performs the duties required of it by law, the Articles of Association, its rules of procedure and its resolutions. It consists of six members, all of whom are shareholders' representatives. The Chairperson of the Supervisory Board chairs the meetings and coordinates the communication. The members of the Supervisory Board principally have the same rights and responsibilities. The Supervisory Board primarily adopts resolutions at Supervisory Board meetings, but it may also do so in writing or by way of other communication channels, if necessary. The Supervisory Board convenes at least four times every year; in financial year 2017/2018 (1 October 2017 to 30 September 2018), it met ten times, including teleconferences. The Supervisory Board assigns the audit of the separate financial statements and the consolidated financial statements to the auditors elected at the Annual Meeting, determines the main focus of the audit and agrees the audit fees with the auditors. The Chairperson of the Supervisory Board coordinates the work of the Supervisory Board.

The Supervisory Board of Deutsche Beteiligungs AG includes several members who have "expert knowledge and experience in the application of accounting principles and internal control processes", in terms of the German Corporate Governance Code; among them is the independent Chairperson of the Audit Committee.

## **Working relationship between the Board of Management and the Supervisory Board**

The Board of Management agrees the Company's and Group's strategic direction with the Supervisory Board and regularly discusses the status of its implementation. Furthermore, the Board of Management regularly provides the Supervisory Board with comprehensive information, both in writing and verbally, about the course of business and the Company's position. The Supervisory Board receives from the Board of Management detailed quarterly reports on current trading and developments in major portfolio companies, a risk management report addressing the exposure of the Company's business to key risks, and information on the performance of the investee businesses.

Based specifically on these reports, the Supervisory Board oversees the managerial activities of the Board of Management. The transactions and dealings that require the consent of the Supervisory Board are set out in the rules of procedure, which the Supervisory Board issued for the Board of Management. This applies, among other things, to acquisitions and disposals of investments that exceed a maximum permissible investment amount, as mentioned above. Material transactions with parties related to a member of the

Board of Management are only undertaken with the consent of the Supervisory Board.

Together with the auditors and based on their audit report, the Supervisory Board reviews the separate financial statements and the consolidated financial statements, the combined management report on Deutsche Beteiligungs AG and the Group, as well as the Board of Management's recommendation on the appropriation of the retained profit. It gives its legally required approval and endorsement based on the results of its review.

### **Supervisory Board committees**

For greater efficiency in its work, the Supervisory Board has installed an Executive Committee that also performs the functions of a Nominations Committee as well as an Audit Committee.

The Executive Committee consists of Andrew Richards as Chairperson of the Supervisory Board, Gerhard Roggemann as Vice Chairperson of the Supervisory Board, and Philipp Möller. The Executive Committee's responsibilities in particular comprise personnel issues relating to the Board of Management, insofar as these do not require consideration by the complete Supervisory Board pursuant to the German Stock Corporation Act and the German Corporate Governance Code. The members of the Executive Committee are also members of the Nominations Committee. The Chairperson of the Audit Committee (and one of the "financial experts") is Gerhard Roggemann; the other members on this committee are Wilken von Hodenberg, Dr Hendrik Otto and Andrew Richards.

The composition of the complete Supervisory Board, including information in accordance with § 285 No. 10 HGB (German Commercial Code), can be found in the notes to the consolidated financial statements.

## **4. Information on targets for the share of female members on the Supervisory Board, the Board of Management and the two management levels below the Board of Management**

As a listed company not subject to the Co-Determination Act, DBAG is required to specify targets for the share of women on the Supervisory Board, the Board of Management and the two management levels below the Board of Management and the dates for their achievement.

The Supervisory Board specifies the target for the proportion of women on the Supervisory Board and the Board of Management. In its meeting on 8 May 2017, the Supervisory Board again resolved that there should continue to be at

least one woman on each of the two bodies, and that each of the targets should be realised until 30 June 2022. Subsequent to the regular election of all six members to the Supervisory Board at the Annual Meeting in February 2016, this target is currently achieved for both bodies.

Specifying the targets for the share of women at the first and second management levels below the Board of Management rests with the Company's Board of Management. At DBAG, however, there is only one management level below the Board of Management. For that reason, the obligation only relates to this one level, in which the percentage of female executives is currently zero.

The DBAG Board of Management endorses gender equality in leadership positions. Based on this principle of equal opportunities, when filling vacancies the Board of Management decides exclusively by candidates' qualification, not by their gender. Correspondingly, on 4 April 2017, the Board of Management reviewed the target quota for women at the first management level below the Board of Management specified on 20 May 2015 ("at least zero percent") and resolved its further validity. The deadline for the achievement of that target was set for 30 June 2022.

Frankfurt am Main, September 2018