

## Corporate Governance

Corporate governance refers to the way a company is responsibly managed and overseen. The Board of Management and the Supervisory Board of Deutsche Beteiligungs AG acknowledge and endorse these principles. Therefore we have created a Code of Conduct that contains our Company's key values and principles of conduct. Our aim is to provide a set of guidelines for employees, and to communicate to our business partners and investors that our actions are firmly rooted in ethical principles – and that we will always interact fairly in good partnership. Furthermore, our principles of conduct encompass avoiding conflicts of interest and acknowledging our social responsibility. We act politically neutral, but support social projects and commit to fair competition. We are also committed to sustainable corporate governance and comply with high ESG standards.

Our Corporate Governance Statement sets out the basic principles behind our business conduct; it is published online and accessible on our website, together with this Report. We discuss the topic of sustainability in our Annual Report; we are not required to publish a comprehensive sustainability report ('non-financial statement') pursuant to section 289b of the German Commercial Code (Handelsgesetzbuch – "HGB").

Consistent with the recommendation of the German Corporate Governance Code, as amended on 7 February 2017 (the "German Corporate Governance Code"), the following is a combined report by the Board of Management and the Supervisory Board on the corporate governance practised at Deutsche Beteiligungs AG. The Corporate Governance Statement and the Report of the Supervisory Board contain more information on the subject; the information therein is part of our corporate governance reporting. We will refer to other sections of this Annual Report for the individual aspects.

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

Compliance with all legal provisions applicable to Deutsche Beteiligungs AG and its subsidiaries, as well as adherence to all internal rules by management and employees have been Company goals and core elements of our corporate culture for a long time now. However, as a private equity company, this commitment does not only refer to our Company: it also includes current and future portfolio companies, where we endorse the establishment and development of compliance systems. DBAG's compliance system therefore consists of three components:

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

A Compliance Officer oversees adherence by **employees** to the rules established in the Code of Conduct and in the Compliance Policy. Within this function, the Compliance Officer is independent, reporting directly to the Spokesman of the Board of Management. Four times a year, the Compliance Manager submits a report to the entire Board of Management. The Compliance Policy establishes, for example, the rules for accepting and offering gifts, for entertainment and invitations to events.

As requested by the German Corporate Governance Code, we have appointed an ombudsman, commissioning a lawyer from a specialised law firm for this task. DBAG employees may approach the ombudsman with confidential information on actual or suspected unlawful activity, especially regarding insider trading and money laundering legislation, but also with evidence of compliance violations, criminal offences or irregularities regarding DBAG. In the past financial year, no such reports were made to the ombudsman.

DBAG acts as a responsible investor, and thus we also consider compliance aspects within **transaction processes**, specifically in the due diligence process and in purchase agreements. Investigating compliance issues is an integral part of every due diligence process, typically carried out with a team of specialised compliance lawyers. To minimise the liability risk for DBAG in connection with compliance violations, warranty clauses to that effect are set to be included in every purchase agreement for a portfolio company.

DBAG employees holding office in a **portfolio company's** supervisory board or advisory board, or acting as representatives for a portfolio company shareholder, are asked to endorse the introduction and development of a compliance system within the portfolio company. The 'DBAG Compliance Standard for Portfolio Companies' serves as a guideline. All portfolio companies have introduced a compliance system, or are currently in the process of developing and launching such a system.

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

The German Corporate Governance Code recommends that the Supervisory Board has specific targets for its composition, develops a skills profile for the entire corporate body and reports on the status quo of target achievement.

The skills profile summarises the skills and requirements regarded as necessary by the Supervisory Board for the composition of the entire corporate body. Specifically, this includes the following areas of expertise and knowledge: industry knowledge, M&A processes, business strategy and planning, capital and financial markets, corporate governance, accounting/financial reporting and auditing financial statements, (regulatory) legislation, compliance and risk management, as well as IT and digitalisation. On top of these professional requirements, the following personal requirements apply: independence, availability, age, job tenure, and management experience. In addition, members

may not be exposed to any conflicts of interest and should speak the Company language (German) as well as English.

DBAG's Supervisory Board consists of six members, elected by shareholders at the Annual General Meeting. The key objective for its composition and guiding principle for the skills profile is the Supervisory Board's operability, which is best addressed when members are independent to a great extent and not exposed to conflicts of interest, when they 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 – i.e. at least four – of its members should be independent, the Chairperson of the Supervisory Board being one of them.

The current structure of the Supervisory Board fulfils this objective. None of the Supervisory Board members has a business or personal relationship with the Company or its bodies, or with a controlling shareholder or an entity affiliated with the controlling shareholder, which may cause a substantial and not merely temporary conflict of interest. Therefore, the Supervisory Board deems all current members to be independent in terms of section 5.4.2 of the German Corporate Governance Code: Gerhard Roggemann (Chairperson), Sonja Edeler, Wilken Freiherr von Hodenberg, Philipp Möller, Dr Hendrik Otto and Dr Maximilian Zimmerer. 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, they will be disclosed and the Supervisory Board will deal with them. The Supervisory Board members have a great variety of professional and personal experience, including management positions abroad or with international companies in Germany. The Supervisory Board members fulfil the skills profile requirements and are, in their entirety, familiar with the sector DBAG operates in.

The specified age limit of 72 means that, on the one hand, the Company can benefit from their knowledge as long as possible, whilst the age limit is conducive to introducing the desired changes in the Board's composition on the other. The limited job tenure for Supervisory Board members of three full terms maximum, plus a potential partial term of office, insofar as that a Supervisory Board member was not elected at a regular election, also induces change. We have achieved the target specified in the Corporate Governance Statement of "at least one woman" on the Supervisory Board. Within the context of preparing for the most recent by-election of one Supervisory Board member at the Annual General Meeting (February 2019), the Supervisory Board ensured that the candidate is in a position to devote the required amount of time to his prospective office.

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

No conflicts of interest on the part of Board of Management and Supervisory Board members requiring immediate disclosure to the Supervisory Board came to our attention in the year under review.

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

We attach great importance to the principle of informing all interested parties about an event promptly and simultaneously, publishing all material reports, announcements and presentations online as soon as an event takes place. The key presentations we prepare for meetings with investors are also available on our website, as are the dates and locations of road shows and investors' conferences. We also make recordings of our oral presentations during analysts' conference calls available on our website.

Our Annual General Meeting is usually webcast on the internet. Shareholders can also exercise their voting rights via a proxy of their own choice, or via a proxy appointed by the Company and bound to vote in accordance with their instructions. Casting a vote per post is also possible. All documents and information on the Annual General Meeting are accessible on our website in German and in English.

### **Board of Management remuneration: based on corporate performance**

The remuneration paid to the Board of Management is composed of fixed and performance-related components, the latter of which take effect mainly in the long term. We disclose Board of Management remuneration individually. At the 2011 Annual General Meeting, the remuneration scheme was approved with an affirmative vote of approximately 92 per cent.

Supervisory Board remuneration is exclusively fixed.

For details on the Board of Management and Supervisory Board remuneration, please refer to the Remuneration Report of the Annual Report 2018/2019.

### **Strict rules on share ownership**

Apart from participating in the annual employee share ownership plan, employees and members of the bodies may only purchase DBAG shares within a limited timeframe. Shares may only be purchased or sold during specific periods of time and exclusively after receiving approval for each transaction. Trading periods begin on the day after publication of (if applicable, 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 trading prohibition of managers' transactions, the trading period for DBAG employees is also curtailed.

Based on the nature of our business operations, further rules apply to stock trading by DBAG staff. Irrespective of the trading restrictions for DBAG shares, employees are not permitted to trade shares of companies in which the DBAG-advised funds are invested, are reviewing an investment, or shares of companies whose portfolios contain companies in which an investment is being considered.

**Reportable securities transactions (managers' transactions)**

Pursuant to Article 19 of the EU Market Abuse Regulation, DBAG's Board of Management and Supervisory Board members as well as related parties are required to report managers' transactions in DBAG shares, debt instruments and derivatives or other financial instruments linked thereto.

<b>Individual subject to the reporting requirement</b>	<b>Body</b>	<b>Transaction date</b>	<b>Transaction</b>	<b>No. of shares</b>	<b>Share price (in €)</b>
Susanne Zeidler	Board of Management	12 August 2019	Purchase	1,000	30.59 (aggregated)

As at 30 September 2019, the members of the Board of Management held a total of 40,613 no-par value shares, and the Supervisory Board members a total of 2,000 no-par value shares, and thus less than one per cent of Deutsche Beteiligungs AG's share capital.

## **Declaration of Compliance pursuant to section 161 of the AktG**

The Board of Management and the Supervisory Board declare that Deutsche Beteiligungs AG ("DBAG") has complied with the recommendations of the German Corporate Governance Code (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 (section 4.2.3 of the Code).

The remuneration system meets the currently applicable statutory criteria for participation in sustainable corporate success. The financial performance of a single DBAG financial year depends to a large extent on a small number of transactions executed by DBAG funds. Within this context, postponing transactions to a subsequent period can make sense if better conditions are anticipated for the future. If the Board of Management's variable remuneration were to be based on the planned measures, its members could be incentivised to make decisions that would ultimately prove less than ideal. The Supervisory Board is convinced that the existing variable remuneration concept is best suited to provide incentives for the Company's long-term positive development. Apart from this one exception, we will continue to comply with all of the Code's recommendations.

Moreover, we have followed all of the Code's suggestions since issuance of the last Declaration of Compliance, and will continue to do so.

Frankfurt/Main, September 2019

Deutsche Beteiligungs AG  
The Board of Management    The Supervisory Board