

# »»» Corporate Governance Report

As a member of KfW Group, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) has made a commitment to act responsibly and transparently, and to open up its actions to scrutiny. DEG's Management Board and Supervisory Board accept the principles of the German Federal Government's Public Corporate Governance Code (Public Corporate Governance Kodex des Bundes – PCGC) on behalf of DEG. A first Declaration of Conformity, detailing compliance with the PCGC's recommendations, was made on 30 March 2011. Since then, any departures from the code have been declared and elucidated annually.

DEG has operated as a non-profit limited company and a legally independent, wholly owned subsidiary of KfW since 19 June 2001. Its rules and regulations (articles of association, rules of procedure for the Supervisory Board and its committees, and rules of procedure for the Management Board) specify the basic features of the system via which it is managed and controlled by its corporate bodies.

## Declaration of Conformity

The Management Board and Supervisory Board of DEG make the following declaration: "Since the previous Declaration of Conformity on 21 March 2022, the recommendations of the German Federal Government's PCGC, as adopted on 16 September 2020, have been and are being complied with, excepting only the recommendations below."

### Deductible for D&O insurance

KfW has arranged D&O insurance policies which, as group insurance, also extend protection to the members of DEG's Supervisory Board and which – in a departure from paragraph 4.3.2 PCGC – only provide for an option to introduce a deductible in the period under review. Since many members of the Supervisory Board waive their right to compensation, the contracts do not provide for any deductible. For members of the Management Board, the D&O insurance policies include a deductible that meets the requirements of paragraph 4.3.2 PCGC.

### Transfer of former members of the Management Board to the Supervisory Board

Christiane Laibach was a member of DEG's Management Board until 31 May 2021. Based on the shareholder's decision of 24 May 2022, she has been a member of the Supervisory Board since 13 June 2022. This means that, in a departure from paragraph 6.2.4 PCGC, she was appointed as a member of DEG's Supervisory Board less than five years after leaving the Management Board. The Supervisory Board has elected her as a member of its committees – including the Audit Committee, in a departure from paragraph 6.1.6 PCGC – and as chair of the Risk and Credit Committee. Ms Laibach was appointed to the Executive Board of KfW with effect from 1 June 2021 and since then has been responsible for KfW's activities in foreign countries. In order for her to fulfil the duties associated with this position after her transfer within the group, it is necessary for her to have a seat on the Supervisory Board of DEG and on its committees with special responsibility for credit and risk issues. To ensure that the

requirements arising from the seat on the Executive Board are appropriately balanced with the requirements of the PCGC, a transition period of one year was agreed with the legal supervisory authority during which she is excluded from the assessment of a financial year that fell within her responsibility as a member of the Management Board.

### Forwarding of documents to the Supervisory Board

In a departure from paragraph 4.1.3 PCGC, the documents required in order to make a decision were not forwarded in full to members of the Supervisory Board 14 days in advance of one meeting, owing to a last-minute change in circumstances.

### Committees

The Supervisory Board is relieved of a portion of its workload by its committees, which benefit from more familiarity with the issues and greater flexibility of scheduling. The Risk and Credit Committee not only prepares decisions for the Supervisory Board in some cases, but also – in a departure from paragraph 6.1.7 PCGC – decides definitively, in connection with DEG's financing business, on measures and transactions of special significance, which, according to Article 10 Section 5 Nos. 4 and 5 of DEG's articles of association, require the approval of the Supervisory Board. Having the Risk and Credit Committee make the final decision on such matters is necessary for reasons of practicality and efficiency. In addition, the Executive and Nomination Committee has the authority to make the final decision in some areas with respect to the suitability assessment of Management Board and Supervisory Board members in accordance with the suitability guidelines required by the supervisory authority.

In a departure from paragraph 6.1.8 PCGC, the proportion of employee representatives on two committees did not reflect the power relations between shareholder representatives and employee representatives on the Supervisory Board as a whole. For the Executive and Nomination Committee and the Remuneration Control Committee, however, the legitimate interests of shareholders in ensuring that the committees operate efficiently, in accordance with paragraph 6.1.8 PCGC, take precedence; moreover, the issues discussed by these committees are regularly addressed again in detail at plenary meetings of the Supervisory Board. Representation of these interests is ensured by retaining a lower number of committee members, who also reflect the perspectives of the various interest groups represented on the Supervisory Board.

## Cooperation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work together closely for DEG's benefit. The Management Board, especially the CEO, maintains regular contact with the Chair of the Supervisory Board. The same applies to the chairs of the committees in their relevant areas of responsibility. The Management Board informs the Chair of the Supervisory Board of all events of material significance to the assessment of DEG's situation and development. The Chair of the Super-

visory Board informs the Supervisory Board of any issues of major significance and convenes an extraordinary meeting if necessary.

In the year under review, the Management Board reported to the Supervisory Board as per the provisions of Article 90 of the German Stock Corporation Act (Aktengesetz – AktG) and provided comprehensive information on all relevant corporate issues related to strategy, planning, business development, profitability, the risk situation, risk management, compliance, the remuneration strategy and the financial situation, sustainable governance and implementation and results thereof, transactions of special importance to the profitability or liquidity of the company and any changes in the economic environment of significance to the company.

## Management Board

The Management Board conducts DEG's business with the care of a fit and proper business person in accordance with the law, the articles of association, the rules of procedure for the Management Board and the decisions of the shareholder's meeting and the Supervisory Board. The allocation of responsibilities among members of the Management Board is regulated by a schedule of responsibilities.

Responsibilities were allocated between the individual members of the Management Board as follows:<sup>1)</sup>

### **Roland Siller**

CEO

- Corporate Management division
- Communication and Politics division
- Legal division
- Customer Solutions division
- Internal Audit

### **Philipp Kreutz**

- Credit Management/Analysis division
- Compliance and Risk Controlling division
- Digitalisation division

### **Monika Beck**

- Industries & Services, Private Equity and Venture Capital division
- Infrastructure & Energy division
- Banking & German Business division

The members of the Management Board are committed to DEG's corporate interest, may not pursue personal interests in their decision-making, and are subject to a comprehensive non-compete clause during their employment with DEG. Members of the Management Board must immediately inform the shareholder and the Supervisory Board of any conflicts of interest that arise. No such instance occurred in the year under review.

## Supervisory Board

The Supervisory Board monitors and advises the Management Board on its leadership of DEG. Under DEG's articles of association, the Supervisory Board consists of 15 members. Five of these are employee representatives elected under the provisions of Germany's One-Third Participation Act (Gesetz über die Drittelbeteiligung der Arbeitnehmer im Aufsichtsrat – DrittelbG), while the other members are appointed by the shareholder's meeting. The members of the Supervisory Board who are not elected in accordance with the One-Third Participation Act are selected in consultation with the Federal Ministry for Economic Cooperation and Development (BMZ). The German Federal Government has the right to propose four members, who are intended to represent the BMZ, the Federal Ministry of Finance (BMF), the Federal Foreign Office (AA) and the Federal Ministry for Economic Affairs and Climate Action (BMWK), respectively.

The period of office of the Supervisory Board ended with the board's meeting on 21 March 2022. A new Supervisory Board for the period from 2022 to 2027 was constituted at the subsequent meeting on 21 March 2022.

The employee representatives were elected on 26 January 2022. Caroline Kremer, Esther Kabey-Wuntke, Isabel Thywissen, Bertram Dreyer and Ulrich Müller-Gaude were all elected as new members of the Supervisory Board. Professor Maja Göpel and Carl Martin Welcker were elected as new members of the Supervisory Board with effect from 24 May 2022. Professor Christiane Weiland and Jürgen Gerke also remain in place as members of the Supervisory Board. In a decision of the shareholder's meeting of 24 May 2022, Niels Annen (Parliamentary State Secretary at the Federal Ministry for Economic Cooperation and Development), Professor Luise Hölscher (State Secretary at the Federal Ministry of Finance), Dr Günter Sautter (head of department at the Federal Foreign Office) and Anja Hajduk (State Secretary at the Federal Ministry for Economic Affairs and Climate Action) were appointed as representatives of the Federal Government.

In the year under review, Norbert Barthle, Parliamentary State Secretary under the Federal Minister for Economic Cooperation and Development, served as Chair of the Supervisory Board from 1 January 2022 to 28 February 2022. Bernd Loewen was acting Chair of the Supervisory Board from 28 February 2022 to 21 March 2022 and Chair of the Supervisory Board from 21 March 2022 to 20 June 2022. Niels Annen, Parliamentary State Secretary at the Federal Ministry for Economic Cooperation and Development, was elected Chair of the Supervisory Board on 20 June 2022.

The members of the Supervisory Board possess, individually and collectively, the knowledge, skills and professional experience required in order to perform their duties correctly. The

<sup>1)</sup> The Corporate Management, Communication and Politics, Digitalisation and Compliance and Risk Controlling divisions were reorganised during the year and have new names. Responsibility for Compliance was transferred from Roland Siller to Philipp Kreutz on 1 November 2022, when the new Compliance and Risk Controlling division was created.

Supervisory Board is made up of eight women and seven men. The target of 33% female membership by 1 June 2022, set by the Supervisory Board in 2017, was thus exceeded. The legal quota of 30% male and female members, set in 2021, and the internal target adopted voluntarily by the Supervisory Board in 2022 of 40% male and female membership for the period up to 30 June 2027 were met in the year under review.

Article 2 Section 3 of the rules of procedure of the Supervisory Board states that anyone who would exceed the statutory or regulatory limits on the number of Management or Supervisory Board mandates by taking up or continuing a Supervisory Board mandate at DEG, and anyone who cannot guarantee that they can dedicate the time required for the role for other reasons, may not be a member of the Supervisory Board. DEG also follows Article 25d Section 3a of the German Banking Act (Kreditwesengesetz – KWG) in this regard. The recommendations of the PCGC also apply to members of the Supervisory Board appointed at the instigation of the German Federal Government.

Every member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board. Where a conflict of interest is assumed to exist, the board member in question shall not participate in discussions or decisions on that item on the agenda. Any conflicts of interest in the person of a member of the Supervisory Board that are likely to prevent that member from meaningfully exercising his or her mandate over a sustained and prolonged period of time shall result in the termination of the mandate. No such instance occurred in the year under review.

### Committees of the Supervisory Board

To ensure the efficient performance of its duties, the Supervisory Board has set up the following four committees from among its own members. The remits are based on Article 25d KWG:

The **Executive and Nomination Committee** deals with HR issues and the principles of corporate governance. When necessary, it carries out preparations for meetings of the Supervisory Board. The responsibilities of the Executive and Nomination Committee include the discussion of issues connected with appointing and relieving members of the Management Board. Since 1 October 2021, they also include advising the shareholder on job descriptions during the procedure for selecting members of the Management Board, and assessing the suitability of members of the Supervisory Board and Management Board in compliance with regulatory requirements. The Executive and Nomination Committee discusses the structure, size, composition and performance of the Management Board and the Supervisory Board, and reports to the Supervisory Board thereon, on a regular basis and at least once per year.

The **Remuneration Control Committee** handles remuneration issues. It specifically deals with drawing up appropriate remuneration systems for members of the Management Board and for DEG staff.

The **Risk and Credit Committee** advises the Supervisory Board on issues related to risk, in particular DEG's overall risk tolerance and risk strategy. It also acts on behalf of the Supervisory Board in connection with elements of DEG's financing business requiring approval by taking final decisions on measures and transactions of special significance, as well as on whether to initiate legal disputes, to waive debts beyond the scope of settlements, and to agree settlements where such legal disputes, waivers or settlements are of special significance. It is standard practice at banks for a committee to take the final decision on such matters. This serves to relieve the Supervisory Board of a portion of its workload and to pool expertise within the committee, and enables decisions on DEG financing to be taken on a continuous basis thanks to the larger number of meetings each year.

The **Audit Committee** deals specifically with monitoring the financial reporting process; with the effectiveness of the risk management system, especially the Internal Control System and Internal Audit; with the audit of the annual financial statements and with evaluating whether the auditor demonstrates the required independence. It also sets priorities for the audits, assesses the quality of the auditor and oversees the prompt elimination of any deficiencies uncovered by the auditor.

The committee chairs report regularly to the Supervisory Board. The Supervisory Board may disband the committees, regulate their duties and reclaim their powers at any time.

In its report, the Supervisory Board provides information about its own work and the work of its committees during the year under review. A summary listing the members of the Supervisory Board and its committees is provided on DEG's website.

## Shareholder

DEG's sole shareholder is KfW. The shareholder's meeting is responsible for all matters not assigned, by law or by the articles of association, to another body as its exclusive responsibility, and in particular for: approving the annual financial statements and the appropriation of the annual result or net income; establishing the sum available within the company for variable remuneration components; appointing and relieving members of the Supervisory Board; discharging members of the Supervisory and Management Boards from their liability; and appointing the auditor of the annual accounts. The members of the Management Board require the prior agreement of the shareholder's meeting to conduct any management activities that exceed the scope of the company's ordinary operations.

## Supervision

DEG is a credit institution within the meaning of Article 1 Section 1 of the Banking Act of the Federal Republic of Germany (KWG). The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) has

issued revocable exemptions to DEG as per Article 2 Section 4 KWG, which partially exempt it from the provisions of the Act. DEG nevertheless voluntarily applies provisions at individual institution level that represent “best practices” in the banking industry (e.g. the Minimum Requirements for Risk Management; Mindestanforderungen an das Risikomanagement – MaRisk), as well as regulatory requirements that DEG must fulfil as a subsidiary of KfW in connection with consolidation at group level for regulatory purposes.

## Public benefit

DEG exclusively and directly serves the public benefit within the meaning of the article “Tax-deductible purposes” of the German Fiscal Code (Abgabenordnung – AO). The company’s purpose is to promote development cooperation. DEG is non-profit-making.

## Transparency

As part of the fulfilment of its mandate, DEG provides transparent information about its methods of operation and financing. To that end, it has continuously refined its transparency and disclosure policy and practice over the last few years. DEG provides information on its work and the projects it finances in various publications and interview formats, including DEG’s website and social media channels, DEG’s annual report and the annual Development Report. Annual Corporate Governance Reports including the Declaration of Conformity with the PCGC are always available on DEG’s website. DEG also maintains regular contact with various operators involved in development cooperation.

Since 2015, DEG has made investment-related information available in a database on its website about projects financed with its own funds. This information shows the status at the time of approval of DEG financing and includes details of the relevant customer, the purpose of the project, the volume of financing and the environmental and social category. Since 2022, this information has been available for the entire period of the customer relationship. The customer must give consent before this information is published.

## Risk management

Risk management and risk controlling are key management tasks at DEG. The Management Board draws up the risk strategy, establishing the framework for business activities in relation to risk tolerance and risk-bearing capacity.

This ensures that DEG is able to fulfil its specific tasks sustainably and over the long term, while maintaining an acceptable risk profile. Monthly risk reports to the Management Board present a comprehensive analysis of DEG’s overall risk situation. The Supervisory Board receives a detailed update on the risk situation regularly and at least once per quarter.

## Compliance

DEG’s success depends to a significant degree on the trust that the shareholder, customers, business partners, staff members and the public place in its effectiveness and above all in its integrity. This trust is substantially rooted in its implementation of, and compliance with, the relevant legal and regulatory requirements and in-house rules, as well as other applicable laws and regulations. DEG’s compliance organisation includes, in particular, provisions to ensure that the regulatory requirements of the MaRisk compliance function are met, and that data protection rules are followed. It further includes provisions to guarantee securities compliance, to comply with the terms of financial sanctions, to prevent money laundering, to avoid financing terrorism and other criminal activities, and to ensure an adequate level of information security, appropriate business continuity management, the identification of operational risks and the mapping of an internal control system.

Accordingly, it has binding regulations and procedures that influence implemented values and corporate culture and are continuously updated to reflect the statutory framework and market requirements. Regular training in all aspects of compliance is available to DEG employees in the form of both e-learning programmes and classroom sessions.

## Accounting and annual audit

On 21 September 2021, the shareholder appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) as the auditor for the 2022 financial year after consulting with the Supervisory Board. The Supervisory Board subsequently issued the audit mandate to Deloitte on 20 June 2022 and established priorities for the audit with the auditor. It was agreed with the auditor that the chair of the Audit Committee would be informed immediately of any findings and circumstances of material significance to the duties of the Supervisory Board arising during the audit. It was further agreed that the auditor should inform the Audit Committee chair or include a note in the audit if, while carrying out the audit, it ascertained facts that negated the accuracy of the Declaration of Conformity with the PCGC. The audit contract awarded to the auditor also includes an inspection of whether the Declaration of Conformity with the PCGC for the year prior to the audit has been submitted and whether the Corporate Governance Reports from the past five financial years have been published on DEG’s website (paragraph 8.2.5 PCGC).

## Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. To that end, it carries out an annual evaluation of the Supervisory Board and the Management Board. Both efficiency reviews were carried out digitally in the year under review and, as in previous years, were based on structured questionnaires.

## Sustainability/non-financial report/ fair taxation

As part of KfW Group, DEG pursues a sustainable governance approach and applies the UN Sustainable Development Goals (SDGs). With its new impact and climate strategy, DEG plans over the coming years to intensify the focus of its financing on sustainable business activities that contribute measurably to the SDGs and aim to comply with the goals of the Paris Agreement. DEG is also working closely with KfW Group and other European development banks to prepare strategically for the provisions of the EU taxonomy, which are still to be defined, for sustainable investments outside Europe. Its objectives over the next few years are:

- To further develop and apply its impact management approach, based on the SDGs
- At group level, to gradually apply sector-specific guidelines that are compatible with the Paris Agreement pertaining to financing for particularly greenhouse gas-intensive industries and to establish greenhouse gas accounting processes (including carbon footprint) for the entire DEG portfolio and new business
- To systematically strengthen the analysis of ESG risks within risk management processes in line with requirements developed and applied for the entire KfW Group

DEG provides excerpts from its non-financial report, input for the TCFD report and input on reporting requirements relating to human rights as part of KfW Group's annual sustainability report. The declaration of compliance with the German Sustainability Code submitted by KfW Group every two years also applies to DEG.

DEG is recognised as a public-benefit corporation within the meaning of Section 51 of the Fiscal Code of Germany (Abgabenordnung – AO). In both the KfW tax model and code of conduct, which DEG applies without restriction, and its own tax rules, DEG commits to pay taxes on time and to present all of its tax items in a transparent and accountable manner. It therefore acts as a responsible taxpayer that makes a fair contribution to society in accordance with national and international tax laws. DEG does not develop or support tax models designed exclusively to achieve tax advantages or savings. In particular, DEG does not design, use or support any artificial tax avoidance practices within the meaning of the recitals of Directive 2016/1164/EU. DEG cultivates an open, transparent and cooperative relationship with German and foreign tax authorities. The principles of DEG's tax policy are anchored in the tax model of KfW's tax guidelines, which apply to the entire KfW Group in the form of an operating procedure, and in DEG's tax rules, which also describe the tax compliance management system (TCMS) of KfW Group and DEG. In 2021, an independent tax consulting firm confirmed that DEG's TCMS was adequate and was being implemented correctly.

DEG complies with the requirements of the EU Directive on Administrative Cooperation and meets its disclosure obligations under the law to introduce an obligation to submit information on reportable cross-border arrangements.

## Diversity and equal opportunities

For DEG, diversity and equal opportunities are mandatory. Nobody may be discriminated against because of their origin, ethnicity, gender, religion, world view, disability, age or sexual identity.

The equal treatment of men and women – including in terms of remuneration – is an important component of DEG's personnel policy. To anchor the equality objectives within DEG, the company adopted an equality plan for the first time in 2022. This contains four key areas where action is required in order to ensure equal opportunities for women and men at DEG, with measurable objectives and appropriate measures for each area of action. Activities undertaken to promote diversity and equal opportunities are presented to the Supervisory Board each year and also made clear internally.

As of 31 December 2022, women made up 33% of the Management Board. Women accounted for 20% of employees at the first management level below the Management Board and for 36% of employees at the second management level below the Management Board.

Mindful of its social responsibility, DEG is also committed to the inclusion of severely disabled persons, and is guided by the UN Convention on the Rights of Persons with Disabilities, which has been in force in Germany since March 2009. In targeting severely disabled employees, DEG relies on a solid network of institutions and universities, as well as job vacancies on specialised job portals, such as the International Placement Services (Zentrale Auslands- und Fachvermittlung – ZAV) of the German Federal Employment Agency. Positive examples of successful inclusion at work create awareness among employees of how to cultivate an open-minded approach to people with disabilities. DEG also offers internships to severely disabled persons to help them to gain work experience and thus have better access to the mainstream labour market. Digital accessibility is another focus, which is being put into practice on DEG's website, and by adapting internal IT systems. In individual cases, DEG seeks external assistance, such as speech-to-text interpreters for employees who are hard of hearing at a multi-day event. To make sure that their interests are represented, employees with severe disabilities elect a representative body.

### Work and family life/remote working

A work/life balance is essential for the health and employability of employees. This approach forms the basis of DEG's strategic, family-focused personnel policy. DEG offers its employees a range of working/lifestyle models, allowing them to combine work and private life in a way that works for them. It also offers a wide range of part-time models and remote working opportunities.

DEG has been certified as a family-friendly employer since 2012, and since then has undergone regular audits and had its family-friendly measures inspected by a neutral body. Having held this certification for many years, DEG was permanently certified as a family-friendly employer this year to mark its continued commitment in this area.

### Remuneration

DEG employees are subject to the provisions concerning working hours, holiday entitlement and remuneration set out in the collective bargaining agreement for the public and private banking sector. DEG is expressly committed to fair, transparent and non-discriminatory remuneration policies and appraisal processes. Its remuneration systems do not discriminate on the basis of gender, nationality, ethnic origin or religion. Activities that fall under collective bargaining agreements are assigned in accordance with the pay scale groups set out in the collective bargaining agreement for the private banking sector and public banks. Details regarding the remuneration of employees not subject to the collective agreement are laid down in corresponding company agreements. Different pay scale bands are specified for the individual levels not covered by the collective agreement; these form the basis for remuneration. Furthermore, the variable component is based on a performance-related assessment that takes into account qualitative and quantitative objectives achieved. The overall content and material design of the DEG remuneration system is based on its business model as a development bank. It is designed as a performance-based remuneration system with a focus on fixed remuneration and including a variable remuneration component that is low compared with traditional commercial banks. Variable remuneration is measured using the criteria of development, return and risk, taking into account the sustainability of the business performance in particular. To measure employee performance, DEG applies a structured annual procedure. Objectives management and performance assessment are key corporate management instruments and provide tools for boosting leadership and motivation. The outcome of the performance management procedure forms the basis for determining remuneration at DEG. Since 2018, all DEG employees have been able to exercise their individual right to information pursuant to Article 10 of the German Transparency in Wage Structures Act (Entgelttransparenzgesetz – EntgTranspG), through which they can obtain information about the criteria and processes used to determine remuneration and the median monthly gross remuneration, as well as up to two salary components of a comparable group of the other gender.

## REMUNERATION REPORT

The remuneration report describes the basic structure of the remuneration system for the Management Board and the Supervisory Board and discloses the individual remuneration for members of both boards. The remuneration report is part of the Notes to the annual financial statements. A summary

of the total remuneration of the Management Board and members of the Supervisory Board is provided in Table 1 (page 16).

## Remuneration of the Management Board

The remuneration system for DEG's Management Board is designed to provide appropriate compensation for board members in accordance with their remit and areas of responsibility, taking into account their performance and the company's success.

Management Board contracts are drawn up based on the 1992 version of the principles for the appointment of board members at German federal credit institutions (Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes). The contracts take PCGC requirements and further relevant legal provisions into account.

## Remuneration components

On 21 March 2022, DEG's Supervisory Board voted to retain the variable remuneration system for DEG's Management Board, based on the system that was first adopted on 18 March 2010 and has been agreed each year, essentially without changes. This system includes a balanced mix of short and medium-term incentives. For instance, only half of the performance-related management bonuses, as measured by the fulfilment of objectives, is immediately disbursed to the Management Board. The other half constitutes a provisional claim only, and is paid from a "bonus account" in equal instalments over the following three years, provided there is no significant decline in business performance. If the agreed profitability objective is not met over the following years, payments from the bonus account shall be subject to a penalty. In the year under review, penalties were imposed on all outstanding payments from the bonus accounts of Management Board members.

The summary in Tables 2 and 2a (page 17) shows total remuneration for individual members of the Management Board, broken down by fixed and variable components and benefits in kind. It also shows transfers to pension provision for the individual board members and the balance of their bonus accounts.

## Responsibility

The shareholder consults on the remuneration system for the Management Board, including its contractual elements, and reviews it regularly. The shareholder's meeting agrees the remuneration system after consultation with the Supervisory Board.

## Contractual fringe benefits

Benefits in kind primarily include contractual fringe benefits. Members of the Management Board are entitled to a company car for both business and personal use. Costs incurred as a result of personal use of a company car are borne by members of the Management Board in accordance with current tax legislation.

Members of the Management Board are insured under a group accident insurance policy. Health insurance and long-term care insurance are subsidised. In respect of the risks associated with their management activities on the governing body, members of the Management Board are insured under a policy that covers liability for monetary damages (D&O insurance) and a supplementary policy covering them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. Since 2017, the D&O insurance policies for members of the Management Board have included a deductible to meet the requirements of paragraph 4.3.2 PCGC.

Members of DEG's Management Board are also covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

Like all senior executives, members of the Management Board are entitled to participate in the Deferred Compensation scheme, a supplementary company pension plan via deferred compensation payments deducted from salary. Under DEG's general rules, they are also entitled to long service awards.

Where contractual fringe benefits cannot be granted on a tax-free basis, they are subject to taxation as non-cash benefits. Any tax due is payable by members of the Management Board.

In the past financial year, no member of the Management Board received benefits, or a pledge to that effect, from a third party in respect of his or her activities as a member of DEG's Management Board.

## Entitlement to a pension and other benefits in case of early retirement

Under Article 5 Section 1 of DEG's articles of association, the appointment of a member of the Management Board shall not extend beyond the attainment of statutory retirement age. After they reach the age of 65 or statutory retirement age, and following the expiry of their contract of employment as members of the Management Board, board members are entitled to pension payments. This also applies if their service ends due to invalidity.

In respect of contracts of employment for a term that began in 2014 or earlier, members of the Management Board may, at their own request, take early retirement after they have reached the age of 63. These contracts of employment also

provide that, if the board member's employment is not extended before reaching retirement age, and no important reason as per Article 626 of the German Civil Code (Bürgerliches Gesetzbuch – BGB) applies to the person of the member of the Management Board, he or she is entitled to agree a transitional allowance for the period until pension payments fall due.

Pension commitments for members of the Management Board and their surviving dependants are based on the principles governing the employment of board members at German federal credit institutions (1992 version). PCGC provisions are taken into account when drawing up contracts of employment for members of the Management Board.

These contracts also include a severance payment cap in accordance with the recommendations of the PCGC. This cap limits payments to a member of the Management Board following premature termination of employment without good cause as per Article 626 BGB to two years' annual salary or the remuneration including fringe benefits for the remainder of the contract, whichever is lower. In general, the full retirement pension entitlement is equivalent to 49% of annual fixed remuneration components. The retirement pension entitlement routinely amounts to 70% of the full entitlement at initial appointment and rises over a period of ten years by 3% for every completed year of service. In a departure from this, the entitlement of Monika Beck, who was appointed to DEG's Management Board on 1 July 2018, will increase by 0.82% for every full year of service, up to a pension entitlement of 46.6% when she reaches retirement. In another departure from this, the entitlement of Roland Siller will increase by 1.34 percentage points up to a maximum pension entitlement of 49%.

If the employment contract of a member of the Management Board is terminated or not renewed due to a significant reason as per Article 626 BGB, any pension entitlements are void, in keeping with the principles established by employment contract case law.

Pensions for former members of the Management Board and their surviving dependants amounted to EUR 990.2 k in 2021 and EUR 917.6 k in 2022 (cf. summary of retirement pensions for former members of the Management Board and surviving dependants in Table 3).

Write-backs of pension provision for former members of the Management Board and their surviving dependants amounted to EUR 1,326.7 k at the end of the 2022 financial year (previous year: transfer of EUR 96.0 k).

## Compensation of the Supervisory Board

Members of the Supervisory Board receive compensation at a level set by the shareholder's meeting as per Article 13 Section 1 of DEG's articles of association and in keeping with the company's character as an institution serving the public benefit.



As agreed at DEG's extraordinary shareholder's meeting on 3 April 2018, compensation for ordinary members in the year under review amounted to EUR 5,000. Chairmanship of the Supervisory Board attracts compensation of EUR 9,000, while the two deputy chairs each receive EUR 8,000. Committee members each receive annual compensation of EUR 500, while the committee chairs receive compensation in the amount of EUR 1,000 per annum.

Compensation is paid on a pro rata basis for members who commence or finish board duties during the year.

An attendance fee of EUR 500 per meeting is paid, along with a daily allowance of EUR 12 per day of attendance. Any travel expenses incurred and any value-added tax payable are reimbursed.

Tables 4 and 5 provide details of the Supervisory Board's compensation for the 2021 and 2022 financial years. The sums shown are EUR net and have all been paid. Travel costs and other miscellaneous expenses were reimbursed upon presentation of receipts and are not included in the tables.

There are no pension obligations towards members of the Supervisory Board.

In the year under review, members of the Supervisory Board received no remuneration for services provided in a personal capacity.

In respect of the risks associated with their activities as corporate officers on the Supervisory Board, board members are insured under a policy that covers their liability for monetary damages (D&O insurance). A supplementary policy covers them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. A deductible has not been agreed at present. Members of DEG's Supervisory Board are also covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

No service or consultancy contracts were concluded with members of the Supervisory Board during the year under review.

Cologne, 20 March 2023

The Management Board      The Supervisory Board

**Table 1: Summary of total remuneration for the Management Board and members of the Supervisory Board**

| EUR k   | 2022         | 2021         | Change     |
|---|--------------|--------------|------------|
| Management Board  | 1,131        | 1,086        | +45        |
| Former members of the Management Board & surviving dependants | 918          | 990          | -72        |
| Members of the Supervisory Board                              | 92           | 81           | +11        |
| <b>Total</b>  | <b>2,141</b> | <b>2,157</b> | <b>-16</b> |

**Table 2: Annual compensation of the Management Board and transfers to pension provision for 2021 and 2022 in EUR k<sup>1)</sup>**

| EUR k <sup>1)</sup>                    |             | Fixed salary   | Variable remuneration <sup>2)</sup> | Benefits in kind <sup>3),4),8)</sup> | Total          | Bonus account | Transfer to pension provision |
|--|-------------|----------------|-------------------------------------|--------------------------------------|----------------|---------------|-------------------------------|
| Bruno Wenn                             | 2022        | -              | -                                   | -                                    | -              | -             | -                             |
|  | 2021        | -              | -                                   | -                                    | -              | 6.2           | -                             |
| Christiane Laibach (CEO) <sup>6)</sup> | 2022        | -              | 11.1                                | -                                    | 11.1           | 41.3          | 95.2                          |
|  | 2021        | 143.7          | 25.8                                | 6.0                                  | 175.5          | 60.9          | 553.5                         |
| Monika Beck                            | 2022        | 344.9          | 21.3                                | 17.3                                 | 383.5          | 53.2          | 109.5                         |
|  | 2021        | 344.9          | 20.7                                | 17.3                                 | 382.9          | 54.7          | 283.1 <sup>5)</sup>           |
| Philipp Kreutz                         | 2022        | 344.9          | 13.6                                | 6.6                                  | 365.1          | 17.5          | 197.0                         |
|  | 2021        | 344.9          | 11.4                                | 6.4                                  | 362.7          | 27.1          | 424.1                         |
| Roland Siller (CEO) <sup>7)</sup>      | 2022        | 344.9          | 12.2                                | 14.0                                 | 371.1          | 12.2          | 221.3 <sup>5)</sup>           |
|  | 2021        | 160.0          | -                                   | 5.1                                  | 165.1          | -             | 1,677.8 <sup>5)</sup>         |
| <b>Total</b>                           | <b>2022</b> | <b>1,034.7</b> | <b>58.2</b>                         | <b>37.9</b>                          | <b>1,130.8</b> | <b>124.2</b>  | <b>623.0</b>                  |
|  | 2021        | 993.6          | 57.9                                | 34.8                                 | 1,086.3        | 148.9         | 2,938.5                       |

<sup>1)</sup> For computational reasons, the table may contain discrepancies due to rounding.

<sup>2)</sup> In a departure from the figures in the Notes to the annual financial statements, this table includes the variable compensation actually paid as part of a phased system. Christiane Laibach received variable remuneration in respect of her activities on the Management Board based on this regulation.

<sup>3)</sup> In a departure from the figures in the Notes to the annual financial statements, this table excludes the employer's contribution under pensions and unemployment insurance. The total for 2022 was EUR 26.6 k (previous year: EUR 25.7 k).

<sup>4)</sup> In a departure from Corporate Governance Reports from previous years, employer contributions to health and long-term care insurance are taken into account.

<sup>5)</sup> Includes entitlements from earlier periods of employment with the group.

<sup>6)</sup> Christiane Laibach left DEG's Management Board as of 1 June 2021.

<sup>7)</sup> Since 15 July 2021.

<sup>8)</sup> In contrast to the information reported in Table 2a, benefits in kind also include employer contributions towards the use of public transport.

**Table 2a: Breakdown of benefits in kind for the Management Board in 2022 and 2021 in EUR k<sup>1)</sup>**

|                                  | Company cars |             | Group accident insurance policy |            | Health insurance |             | Long-term care insurance |            | Dual household |          |
|----------------------------------|--------------|-------------|---------------------------------|------------|------------------|-------------|--------------------------|------------|----------------|----------|
|                                  | 2022         | 2021        | 2022                            | 2021       | 2022             | 2021        | 2022                     | 2021       | 2022           | 2021     |
| Christiane Laibach <sup>2)</sup> | -            | 4.0         | -                               | -          | -                | 1.8         | -                        | 0.2        | -              | -        |
| Monika Beck                      | 10.9         | 10.8        | 0.8                             | 0.8        | 4.6              | 4.6         | 0.4                      | 0.4        | -              | -        |
| Philipp Kreutz                   | -            | -           | 0.8                             | 0.8        | 4.6              | 4.6         | 0.4                      | 0.5        | -              | -        |
| Roland Siller <sup>3)</sup>      | 7.2          | 2.5         | 0.8                             | -          | 4.6              | 2.1         | 0.4                      | 0.2        | -              | -        |
| <b>Total</b>                     | <b>18.1</b>  | <b>17.3</b> | <b>2.4</b>                      | <b>1.6</b> | <b>13.8</b>      | <b>13.1</b> | <b>1.2</b>               | <b>1.3</b> | <b>-</b>       | <b>-</b> |

<sup>1)</sup> For computational reasons, the table may contain discrepancies due to rounding.

<sup>2)</sup> Christiane Laibach left DEG's Management Board as of 1 June 2021.

<sup>3)</sup> Since 15 July 2021.

**Table 3: Retirement pensions for former members of the Management Board or surviving dependants**

|  | Number 2022 | EUR k 2022   | Number 2021 | EUR k 2021   |
|--|-------------|--------------|-------------|--------------|
| Former members of the Management Board | 5           | 581.6        | 5           | 659.2        |
| Surviving dependants                   | 3           | 336.0        | 3           | 331.0        |
| <b>Total</b>                           | <b>8</b>    | <b>917.6</b> | <b>8</b>    | <b>990.2</b> |

Tables 4 and 5: Compensation of members of the Supervisory Board for the 2021 and 2022 financial years in EUR

| No.                | Name                                       | Period of membership 2022 | Supervisory Board membership | Committee membership | Daily allowance & attendance fee | Total         |
|--------------------|--|---------------------------|------------------------------|----------------------|----------------------------------|---------------|
| 1.                 | Niels Annen <sup>1)</sup>                  | 24.05.–31.12.             | -                            | -                    | -                                | -             |
| 2.                 | Norbert Barthle <sup>1)</sup>              | 01.01.–28.02.             | -                            | -                    | -                                | -             |
| 3.                 | Susanne Baumann <sup>1)</sup>              | 01.01.–04.03.             | -                            | -                    | -                                | -             |
| 4.                 | Anja Hajduk <sup>1)</sup>                  | 31.05.–31.12.             | -                            | -                    | -                                | -             |
| 5.                 | Prof. Dr Luise Hölscher <sup>1)</sup>      | 31.05.–31.12.             | -                            | -                    | -                                | -             |
| 6.                 | Dr Günter Sautter <sup>1)</sup>            | 02.06.–31.12.             | -                            | -                    | -                                | -             |
| 7.                 | Elisabeth Winkelmeier-Becker <sup>1)</sup> | 01.01.–21.03.             | -                            | -                    | -                                | -             |
| 8.                 | Michael Junginger                          | 01.01.–21.03.             | 1,096                        | -                    | 512                              | <b>1,608</b>  |
| 9.                 | Jürgen Gerke <sup>1)</sup>                 | 01.01.–31.12.             | -                            | -                    | 512                              | <b>512</b>    |
| 10.                | Prof. Dr Maja Göpel                        | 24.05.–31.12.             | 3,041                        | -                    | 1,024                            | <b>4,065</b>  |
| 11.                | Christiane Laibach <sup>1)</sup>           | 13.06.–31.12.             | -                            | -                    | -                                | -             |
| 12.                | Bernd Loewen <sup>1)</sup>                 | 01.01.–31.12.             | -                            | -                    | -                                | -             |
| 13.                | Prof. Dr Christiane Weiland                | 01.01.–31.12.             | 8,000                        | 1,884                | 11,500                           | <b>21,384</b> |
| 14.                | Carl Martin Welcker                        | 24.05.–31.12.             | 3,041                        | -                    | 1,524                            | <b>4,565</b>  |
| 15.                | Dr Amichia Biley                           | 01.01.–21.03.             | 1,096                        | 219                  | 1,500                            | <b>2,815</b>  |
| 16.                | Marina Dietz                               | 01.01.–21.03.             | 1,096                        | -                    | 512                              | <b>1,608</b>  |
| 17.                | Sarah Madew                                | 01.01.–21.03.             | 1,095                        | 110                  | 1,012                            | <b>2,217</b>  |
| 18.                | Bertram Dreyer                             | 01.01.–31.12.             | 5,000                        | 377                  | 7,108                            | <b>12,485</b> |
| 19.                | Esther Kabey-Wuntke                        | 21.03.–31.12.             | 3,918                        | 267                  | 4,560                            | <b>8,745</b>  |
| 20.                | Caroline Kremer                            | 01.01.–31.12.             | 5,000                        | 753                  | 5,536                            | <b>11,289</b> |
| 21.                | Ulrich Müller-Gaude                        | 21.03.–31.12.             | 3,918                        | 267                  | 6,036                            | <b>10,221</b> |
| 22.                | Isabel Thywissen                           | 21.03.–31.12.             | 3,918                        | 267                  | 6,096                            | <b>10,281</b> |
| <b>Total (net)</b> |  |                           | <b>40,219</b>                | <b>4,144</b>         | <b>47,432</b>                    | <b>91,795</b> |

<sup>1)</sup> Compensation not claimed.

| No.                | Name                                       | Period of membership 2021 | Supervisory Board membership | Committee membership | Daily allowance & attendance fee | Total         |
|--------------------|--|---------------------------|------------------------------|----------------------|----------------------------------|---------------|
| 1.                 | Norbert Barthle <sup>1)</sup>              | 01.01.–31.12.             | -                            | -                    | -                                | -             |
| 2.                 | Susanne Baumann <sup>1)</sup>              | 01.01.–31.12.             | -                            | -                    | -                                | -             |
| 3.                 | Eberhard Brandes <sup>1)</sup>             | 01.01.–31.03.             | -                            | -                    | -                                | -             |
| 4.                 | Michael Junginger                          | 01.01.–31.12.             | 5,000                        | -                    | 2,560                            | <b>7,560</b>  |
| 5.                 | Jürgen Gerke <sup>1)</sup>                 | 01.01.–31.12.             | -                            | -                    | -                                | -             |
| 6.                 | Dr Ingrid Hengster <sup>1)</sup>           | 01.11.–31.12.             | -                            | -                    | -                                | -             |
| 7.                 | Bernd Loewen <sup>1)</sup>                 | 01.01.–31.12.             | -                            | -                    | -                                | -             |
| 8.                 | Wolfgang Schmidt <sup>1)</sup>             | 01.01.–08.12.             | -                            | -                    | -                                | -             |
| 9.                 | Prof. Dr Christiane Weiland                | 01.01.–31.12.             | 8,000                        | 2,500                | 12,524                           | <b>23,024</b> |
| 10.                | Elisabeth Winkelmeier-Becker <sup>1)</sup> | 26.08.–31.12.             | -                            | -                    | -                                | -             |
| 11.                | Dr Amichia Biley                           | 01.01.–31.12.             | 5,000                        | 553                  | 5,012                            | <b>10,565</b> |
| 12.                | Marina Dietz                               | 01.04.–31.12.             | 5,000                        | -                    | 3,000                            | <b>8,000</b>  |
| 13.                | Sarah Madew                                | 01.01.–31.12.             | 5,000                        | 500                  | 3,548                            | <b>9,048</b>  |
| 14.                | Bertram Dreyer                             | 01.01.–31.12.             | 5,000                        | 500                  | 6,608                            | <b>12,108</b> |
| 15.                | Caroline Kremer                            | 01.01.–31.12.             | 5,000                        | 553                  | 5,012                            | <b>10,565</b> |
| <b>Total (net)</b> |  |                           | <b>38,000</b>                | <b>4,606</b>         | <b>38,264</b>                    | <b>80,870</b> |

<sup>1)</sup> Compensation not claimed.



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