



**ProCredit**  
H O L D I N G

# DECLARATION OF CONFORMITY

**22. March 2018**

ProCredit Holding AG & Co. KGaA



## Statement from ProCredit Holding AG & Co. KGaA on the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to section 161 of the German Stock Corporation Act

Pursuant to section 161 of the German Stock Corporation Act (AktG), the "Management Board" of ProCredit General Partner AG, as the sole "General Partner", and the "Supervisory Board" of ProCredit Holding AG & Co. KGaA ("Company") declare that the Company, in accordance with the special legal characteristics of a partnership limited by shares, has been in compliance with the recommendations of the German Corporate Governance Code ("CGC") of 5 May 2015, as published by the Federal Ministry of Justice in the official part of the German Federal Gazette on 12 June 2015, since its last statement of compliance on 13 February 2017, with the deviations listed therein. Excepting the deviations listed in the following, the Company shall comply in the future with the recommendations of the CGC of 7 February 2017, as published by the Federal Ministry of Justice in the official part of the German Federal Gazette on 24 April 2017.

### *Deviations based on the legal form of the Company*

- The Company's legal form is that of a partnership limited by shares ("KGaA" – *Kommanditgesellschaft auf Aktien*). In the case of a KGaA, the managerial duties of a stock corporation ("AG" – *Aktiengesellschaft*) are incumbent upon the General Partner. The sole personally liable general partner of the Company is ProCredit General Partner AG, whose Management Board is thereby responsible for managing the Company's business operations.
- Compared to the supervisory board of an AG, the rights and obligations of the supervisory board of a KGaA are more restricted. In particular, the Company's Supervisory Board has no authority to appoint the General Partner and to set the terms of the contractual agreement with the General Partner, nor to issue any internal rules of procedure governing the Company's management, nor to determine which transactions require authorisation. These duties are performed by the supervisory board of ProCredit General Partner AG.
- The General Meeting of a KGaA has substantially the same rights as that of an AG. It also decides upon the approval of the Company's annual financial statements as well as the ratification of the acts of the Supervisory Board and of the General Partner. Many of the resolutions of the General Meeting require the consent of the General Partner; this includes the approval of the Company's annual financial statements.

### *Deviations from the recommendations of the CGC*

#### *3.8 (3)*

The CGC recommends that when a D&O insurance policy is concluded for the Supervisory Board, a deductible of at least 10% of the loss should be agreed, up to an amount equal to at least one and a half times the fixed annual remuneration of the Supervisory Board member.

The D&O insurance for the members of the Supervisory Board does not include a deductible, as it is the opinion of the Company that such a deductible would neither improve the performance of the Supervisory Board members nor strengthen their sense of responsibility. Moreover, the Supervisory Board members receive a relatively low remuneration, therefore the Company has determined that a deductible is unnecessary.

#### *4.2.1 sentence 1*

The CGC recommends that the Management Board shall consist of several persons and that it shall have a chairperson or spokesperson.

Although the duties of the Management Board are performed by a General Partner, this is run by a management team consisting of three persons.

The Management Board has neither a chairperson nor a spokesperson, as all Management Board members work on an equal footing in their respective, clearly defined areas of competence; they therefore jointly bear the overall responsibility for the Company. The Supervisory Board and the Management Board are of the opinion that there is no need for a Chairperson or Spokesperson in the Management Board.

#### *4.2.3 (2) sentences 2 et seq.*

The CGC recommends that the monetary element of the remuneration shall comprise fixed and variable components and that the variable components shall be based on an assessment made over several years. Furthermore, both positive and negative developments shall be taken into account when calculating the variable component of the remuneration. The variable component of the remuneration shall also bear a direct relationship to demanding relevant benchmarks. Any subsequent modifications to the performance targets or the comparison parameters shall be ruled out.

The remuneration of the Management Board members of the Company's General Partner includes no variable components, because the corporate culture of the group as a whole does not advocate any form of variable remuneration. The approach of the Company and its business group towards staff remuneration sees no added value in including any variable components. In the opinion of the Company, fixed salaries are enough to guarantee sustainable growth for the Company and that no additional incentives are required. In rare individual cases, the Supervisory Board may at its discretion award an unannounced special remuneration in order to reward specific instances of outstanding performance.

#### *5.3.2*

The CGC recommends that the Supervisory Board shall set up an audit committee, which – insofar as no other committee is responsible therefore – shall be entrusted with monitoring the accounting process, the effectiveness of the internal control mechanisms, the risk management system, the internal audit system and the external auditing of the annual financial statements – in particular the independence of and the additional services provided by the external auditor, the awarding of the contract to the external auditor, the determination of the main focus of the audit and concluding the fee agreement as well as overseeing compliance issues.

There is no audit committee within the Company's Supervisory Board, because the Company is of the opinion that the relatively small Supervisory Board, which has only six members, and the limited scope of the business activities of the Company and the group as a whole, generally make the formation of committees, particularly an audit committee, superfluous. This opinion is reinforced by the fact that all of the Supervisory Board members are sufficiently qualified to perform the duties of an audit committee, that they meet on a regular basis and that they devote sufficient time. Moreover, the Company's Supervisory Board deems it important that all of its members are familiar with the areas of responsibility that normally fall within the remit of an audit committee.

#### *5.3.3*

The CGC recommends that the Supervisory Board shall set up a nominations committee, which comprises solely of shareholders' representatives and whose purpose it is to nominate to the Supervisory Board suitable candidates to be elected to the Supervisory Board by the General Meeting.

There is no nominations committee within the Company's Supervisory Board, because the Company is of the opinion that the relatively small Supervisory Board, which has only six members, and the limited scope of the business activities of the Company and the group as a whole, make the formation of committees superfluous. The relatively

small size of the Supervisory Board, which is in any case made up solely of shareholder representatives, and the shareholder structure of the Company do not warrant setting up a dedicated committee to propose shareholder representatives. Moreover, the Company's Supervisory Board deems it important that all of its members are familiar with the areas of responsibility that normally fall within the remit of a nominations committee.

*5.4.1 (2) sentence 1*

The CGC recommends that the Supervisory Board shall set concrete targets with regard to its composition which, considering the Company's specific business situation, shall take into account its international activities, potential conflicts of interest, the number of independent Supervisory Board members as per item 5.4.2 of the CGC, setting fixed limits on age and length of service for Supervisory Board members as well as ensuring its diversity. Although the Company's Supervisory Board regularly sets concrete targets for its composition in compliance with the criteria stipulated under item 5.4.1 (2) sentence 1 of the CGC, there is no fixed limit on length of service for its members. The Supervisory Board takes the view that any decision on an individual member remaining in office shall be taken on a case by case basis. Setting a fixed limit would constitute an unreasonable restriction, as the Company fundamentally relies on the expertise of its experienced Supervisory Board members.

*5.4.6 (1)*

The CGC recommends that the positions of chair and deputy chair of the Supervisory Board, as well as serving as chair or a member of a committee, shall be taken into account when determining the remuneration for Supervisory Board members.

The Supervisory Board members receive a uniform remuneration of EUR 10,000 per annum. Although the Supervisory Board does have a chair, this person receives no additional remuneration; moreover, there are no committees within the Supervisory Board. The Management Board and the Supervisory Board are therefore of the opinion that the current level of remuneration for the Supervisory Board members is adequate and that any additional remuneration is unnecessary.

Frankfurt am Main, 22 March 2018

Management Board of  
ProCredit General Partner AG

Supervisory Board of  
ProCredit Holding AG & Co. KGaA



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