# Opportunities and risks

## Objective: contribution to value creation by balancing opportunities and risks

Deutsche Beteiligungs AG is exposed to multiple risks through its Fund Investment Services and Private Equity Investments business segments. These are founded, among other things, on the expected returns that are customary in the private equity industry, on our geographical and sector focus as well as on the new investment volume targeted annually. In its more than 50-year history, DBAG has proven its ability to successfully balance the risks and rewards of its business. We want to exploit our opportunities and moderately take on the exposure to the risk involved. Risk that endangers the continuity of the Company must basically be avoided.

DBAG's risk profile is influenced by our risk propensity. We steer it using the risk management activities that are set out in this report; they are meant to contribute to value creation by specifically balancing opportunities and risks. As a private equity company, we consider risk management to be one of our core competences. Our risk propensity derives from our objective of augmenting the value of DBAG; as described, we measure our performance by the increase in equity per share, taking into account the dividend paid. To that end, we pursue a conservative approach, which, among other things, is mirrored in DBAG's statement of financial position structure by its high equity ratio. DBAG activities are financed in the long term by equity; bank liabilities are acceptable only in the short term to bridge discrepancies between cash inflows and outflows.

## Risk management system

We understand risk management as a proactive and preventative process of controlling risk; risk, in our opinion, is potentially negative events that ensue from possible hazards. Hazards, in turn, are either non-predictable events or basically predictable, but nevertheless coincidental, events.

The risk management system is an integral part of our business processes. It takes into account the statutory requirements set out by legislation, the German Corporate Governance Code and international accounting standards.

The system is based on our values and our experience, and it serves the objective described of contributing to value creation by balancing rewards and risks. This will be achieved when our risk management ensures a comprehensive overview of the Group's risk profile. Particularly events involving material negative financial implications must be recognised promptly so that counteraction can be taken to avoid, mitigate or control these risks.

## Structures: decentralised organisation of risk management

Risk management is the direct responsibility of the Board of Management. It is overseen by the Audit Committee of the Supervisory Board. Furthermore, the Internal Audit department, as an independent constituent, monitors the efficacy of the risk management system; DBAG has delegated the internal audit services to an auditing firm.

A key element is the Risk Committee, the composition of which mirrors the decentralised organisation of the risk management system: it consists, on the one hand, of the Board of Management and the Risk Manager, who reports directly to the Chief Financial Officer. In addition, there are Risk Administrators at the next management level below the Board of Management; the Managing Directors in charge of the individual corporate departments support the Risk Manager in identifying and assessing risk in their areas of responsibility.

The Risk Manager develops the risk management system on an ongoing and systematic basis. In the financial year 2015/2016, the risk manual was revised and the risk report was redesigned. The manual was checked to ensure that it was up-to-date at the beginning of 2017. The objective is to inform the Board of Management and the Supervisory Board about the risks involving high and very high expected values (“significant risks”; expected value is a combination of probability of occurrence and extent of impact). The risk assessment criteria were aligned with the Board of Management’s risk strategy. Risks are recorded, monitored and managed on an ongoing basis. The aim is to avoid, mitigate or transfer the negative effects of risks.

## Instruments: risk register with 40 risk factors

The basis of the risk management system is a risk management manual and a risk register. The manual contains company-specific principles on the methodology of risk management and describes the risk management instruments and their mode of operation. The risk register presents and analyses all the risks that we consider significant. It is updated on a quarterly basis; at the period ending 30 September 2017, it contained 40 individual risks. The significant risks, their causes and effects, as well as the specified actions required to control and monitor these risks, are also documented in a risk report addressed to the corporate bodies of DBAG.

## Processes: risk identification in individual corporate departments

Risk management is an ongoing process that is firmly integrated into our workflows. The risk management process has been devised to ensure that risks are identified early on and risk management instruments are used appropriately; it is structured according to the following procedure:


Risks are identified directly at a departmental level by the Managing Directors responsible for these units. Particular attention is paid to risks that may jeopardise the continuity of the Company as well as risks of major significance to the asset, financial and earnings position of DBAG. To that end, appropriate early warning indicators are employed – measures, in other words, that are either themselves indicators of changes in a risk or suitable as measurement tools to identify changes in risk-driving factors. Such indicators include, for instance, the number of transaction opportunities screened, the employee turnover rate or employee satisfaction.

During the risk analysis and assessment process, identified risks are classified by the responsible Risk Administrator in coordination with the Risk Manager on the basis of a matrix. First, they are categorised according to the probability of their occurrence on a four-point scale. The probability of occurrence is designated as "unlikely" (less than 20 percent), "low" (20 to 50 percent), "possible" (50 to 70 percent) or "likely" (greater than 70 percent). In addition, the impact is classified according to the severity of financial consequences, reputational consequences, regulatory consequences or management action required; the potential impact is assessed subsequent to the action taken to avoid or mitigate the risk.

The Risk Manager subsequently examines the individual risks and the actions adopted to diversify the risks to ascertain their completeness and effectiveness. The implementation of this action as well as its management and monitoring is the responsibility of the Risk Administrators in the respective corporate units.

**EXPECTED VALUE** (COMBINATION OF PROBABILITY AND IMPACT)

| PROBABILITY | | | | | | | |
|---|---|---|---|---|---|---|---|
| > 70% | **Likely** | **4** | Moderate | High | Very high | Very high |
| 50–70% | **Possible** | **3** | Very low | Moderate | High | Very high |
| 20–50% | **Seldom** | **2** | Very low | Moderate | High | High |
| < 20% | **Unlikely** | **1** | Very low | Very low | Moderate | High |
| | | | **1** Low | **2** Moderate | **3** High | **4** Very high |

| | **1 Low** | **2 Moderate** | **3 High** | **4 Very high** |
|---|---|---|---|---|
| **Financial consequences** | < €10mn | €10–50mn | €50–100mn | > €100mn |
| **Reputational consequences** | Isolated negative media coverage | Broader negative media coverage | Extensive negative media coverage and temporary loss of confidence by investors | Extensive negative media coverage and long-term loss of confidence by investors |
| **Regulatory consequences** | Conditional caution | Reorganisation | Reorientation of business activity | Suspension of business activity |
| **Management action required** | Event covered by normal routine | Critical event addressed with existing resources | Critical event requiring more extensive management action | Disaster requiring significant management action |
| | IMPACT | | | |

Risk control basically pursues the objective of keeping the overall risk at acceptable and manageable levels for DBAG. The objective of risk control is therefore not to completely preclude risk, but rather to ensure that a targeted risk level is not exceeded. Suitable action to control risk may avoid, reduce or transfer risks.

*Risk avoidance* means completely precluding risk. Since complete avoidance of risk generally also means precluding opportunities for reward, this form of risk intervention cannot be applied broadly. It is employed only in those instances of risk in which security has priority over other corporate objectives. Measures taken to *reduce risk* are meant to decrease the probability of the occurrence of the risk and/or limit the impact. The residual risk that remains after the action has been implemented is consciously accepted or transferred to third parties. Insurance contracts, a classical risk management instrument, serve to *transfer risk*. Special contractual arrangements and financial instruments are also examples of transferring risk to third parties.

Risks are reported to the complete Board of Management on a quarterly basis. In addition, the entire Board of Management is involved in risk management through the Risk Committee. Risks that are identified outside of these regular intervals are reported to the Risk Manager immediately. This ensures a comprehensive and current analysis of risk exposure at all times. Once every financial year, the Board of Management extensively informs the Audit Committee about DBAG's risk exposure. In the event of an unexpected material change in the exposure to risk, the Board of Management informs the Audit Committee of the Supervisory Board immediately.

## Description of risk factors

The table on page 122 describes all risks with a "high" expected value, based on our definition, which is determined by the probability of occurrence and extent of impact; in our estimation and assessment, risks with a "very high" expected value currently do not exist.

We have allocated operational risks to the business segment that is most strongly affected by the risk. However, over the long term, the consequences of risks allocated to the Fund Investment Services segment would also affect the Private Equity Investments segment and vice versa. In addition to the risk factors described, there are further risks that we regularly monitor and control. These risks have an influence on whether and to what extent we achieve our financial and non-financial objectives.

### Risks incurred by the Fund Investment Services segment

#### Inability to cover the personnel requirement

Performance in private equity is closely linked to the people acting in the field. Investors in funds also base their capital commitment decision on the stability and experience of the investment team. Dissatisfied employees or a high staff fluctuation rate can cause greater workloads for other employees; if DBAG were to earn a negative reputation as an employer, this would be detrimental to the Company's personnel recruitment. We address the risk of possible staff turnover by systematically developing the skills and knowledge of our people, as well as using a competitive remuneration scheme that fits to standard practice in the industry and allowing members of the investment team to make private investments in the DBAG funds, enabling them to enjoy participation in fund performance that is disproportionate to the capital contributed (carried interest).

*Staff turnover page 104*

We regularly offer individualised training programmes; personality-based training activities are an integral constituent of career plans.

We measure employee satisfaction in a survey every two years. In view of the Company's current position, we do not expect bottlenecks to occur over the short or medium term.

#### Inability to raise capital commitments from external investors to DBAG funds

We will be able to pursue our strategy in its present form in the long term only if we succeed in soliciting capital commitments to DBAG funds. This requires that the Company or its investment team establishes a proven track record of successful investment activity yielding attractive returns, which depends on the solid performance of the investments and on the investment progress of a fund. Further influencing factors are the macroeconomic environment, the sentiment in the stock markets and general readiness of private equity investors to make new capital commitments. Fundamental changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund entities would have serious disadvantages for DBAG. Without further capital commitments, the stability of the management and staff that we need to support the portfolio would not be ensured.

We address this risk, among other things, by a regular dialogue with existing and potential investors in DBAG funds. In selecting investors, we place special emphasis on their ability to possibly also invest in follow-on funds. Additionally, we regularly review our investment strategy.

#### Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds

The investment period of DBAG funds ends automatically when Fund Investment Services are no longer provided by certain key persons defined in the fund agreements (the leading members of the investment team). Moreover, the fund investors have the right (typically with a 75 percent majority) to end the investment period of that respective fund. The reasons that could cause them to initiate such a resolution include an unsatisfactory performance of the fund's investments, insufficient investment progress or a fundamental lack of confidence. In cases involving serious contractual breaches, investors have the right to replace the fund management company or liquidate the fund.

Ending the investment period of a fund would consequently lead to a considerable reduction in fee income for advisory services to that fund. Should fund investors revoke DBAG's advisory mandate for a DBAG fund, DBAG would forfeit the fee income from that fund. Should this happen with all funds, it would forfeit fee income from Fund Investment Services altogether. Furthermore, DBAG would no longer be able to exert any influence over the management of the investments entered into with the fund in question. Without the funds at its side, DBAG's opportunities to make its own investments would also be limited. Ongoing communication and early response to the wishes of fund investors serve to mitigate this risk. Above all, however, our sustained investment performance counteracts this risk.

### Risks incurred by the Private Equity Investments segment

#### Investment strategy proves to be unattractive

A key prerequisite for our performance is an attractive investment strategy. Without successful investing activity, it would not be possible to generate the targeted returns on equity, investors would withdraw their committed capital and new commitments to funds could not be raised. The Board of Management and the investment team therefore examine on a regular basis the extent to which our sector focus and geographical emphasis provide an adequate deal flow and a sufficient number of promising investment opportunities.

To mitigate this risk, we regularly review our investment strategy and monitor the market.

#### Insufficient access to new, attractive investment opportunities

Access to new investment opportunities is crucial for our operations. If we did not make new investments, the structure of our statement of financial position would change. The portfolio value would exhibit slower growth and the proportion of financial resources on the statement of financial position that hardly bear interest would increase – both would come at the expense of the return on equity. In the medium term, the performance of the Fund Investment Services segment would also be adversely affected: the investors in the funds expect investment progress that is commensurate with the committed fund size. If this were not achieved, our chances of raising a successor fund would be diminished, thus impacting the performance of Fund Investment Services in the medium term.

However, we have no influence on developments in the private equity market. With a view to the persistent low interest rate phase and the abundant stream of capital associated with it, we are competing not only with strategic investors, but also with foundations and family offices seeking more profitable investment opportunities. Insufficiently cultivating our network and inadequate marketing efforts are, however, factors subject to our own sphere of influence.

*Investment opportunities page 106*

Our ability to mitigate the risks arising from a decline in the number of potential transactions is very limited. If we invest less, the potential for value growth in the segment of Private Equity Investments will decline in the medium term. We address this risk, among other things, by originating investment opportunities that are not broadly available in the market. We have implemented an ongoing process to improve how we identify investment opportunities. This also includes the constant expansion of our network of M&A consultants, banks and industry experts.

#### Transaction opportunities are not transformed into investments

Even if there is a sufficient supply of attractive investment opportunities, there is a risk of these not culminating in concrete investments. One reason for this may be a lack of competitiveness – because we react too slowly due to insufficient processes or are unable to arrange the acquisition financing. To avoid the consequences arising from this risk – inadequate investment progress, negative effects for future DBAG funds – we continually strive to improve our internal knowledge transfer and to adapt the relevant processes to a changed competitive environment.

### External risks

#### Negative impact of the general economy and economic cycles in individual sectors on portfolio companies

The development of our portfolio companies is influenced by market factors such as geographical and sector-related economic cycles, political and financial changes, commodity prices and exchange rate trends. These market factors are subject to a variety of influences. Cyclical impacts in the wake of political instability or limited capability of the banking system can also affect the portfolio companies' earnings, financial and asset position. Technological changes can also have a negative impact on individual companies or on the companies operating in a certain sector. This could extend the holding periods of investments, resulting in the gains on disposal being postponed or reduced. In extreme cases, it could lead to a total loss of capital for individual investments. In such an event, our reputation would be at stake.

*Information on the holding periods of current investments page 84*

Market factors, in particular, sometimes change at very short notice, and our ability to address them is limited. Short-term results, however, are not decisive for success in private equity. Our investment decisions are based on plans that target value development over a span of several years. The holding periods for investments generally extend beyond the duration of individual cyclical phases.

If appropriate, we adapt our value development approach to an individual investment. This requires closely monitoring the portfolio companies' progress. The portfolio's diversification basically already counters the risk arising from cyclical trends in individual sectors.

## Low valuation level in the equity and financial markets

Valuation ratios in the equity and financial markets are reflected in the measurement of the fair value of our portfolio companies and, thereby, the portfolio value. A lower valuation level, expressed in lower valuation multipliers, generally results in a lower portfolio value. They can be a burden on the prices at which we are able to divest companies and thus impair our profitability. This, in turn, could cause dissatisfaction among investors in DBAG funds.

We cannot avert the risk arising from the equity and financial markets. We can, however, mitigate that risk by avoiding high entry prices. Achieving an improved strategic position of the portfolio companies would justify deriving a higher multiple from that. Since sectors are rarely all equally affected by changes in the equity market, diversifying the portfolio also counters exposure to this risk.

## Access to financial, credit and stock markets is not ensured

DBAG finances its activities in the long term by way of the stock market; over the short term, a credit facility may be used to cover temporal discrepancies between expected cash inflows and outflows. The capital increase and agreement on a credit line in the financial year 2015/2016 also have to be viewed in this context. Corporate action can only succeed if DBAG is considered an attractive investment opportunity. Rising market prices for and sufficient liquidity in our shares – both requirements for the membership of DBAG shares in the S-Dax – facilitate future corporate actions. Additionally, without adequate access to the financial, credit and stock markets, DBAG's autonomy would be jeopardised in the long run.

We therefore foster an intensive dialogue with current and potential investors. In addition to ongoing investor relations work, the dividend policy, for example, which has steady dividends as its goal, preferably on an upward trajectory, also aims to make shares in DBAG more attractive.

### Endangerment of DBAG's independence

A subpar valuation of DBAG shares could enable the entry of a principal shareholder and result in them exerting control in the Company. But since the investors in DBAG funds expect the DBAG investment team to provide their advisory services free from the influence of third parties, this loss of independence would basically jeopardise DBAG's business model: investors would neither commit to new DBAG funds (on the contrary, they could terminate existing advisory agreements), nor would another capital increase be possible on attractive terms. As described above, investors could also end the funds' investment period if (e.g. through the control of a principal investor) the key personnel defined in the fund agreements were no longer materially involved in investment services to the funds.

*Rules governing the revocation of management authority for DBAG Fund V, DBAG Fund VI, DBAG Fund VII and DBAG ECF: Notes to the consolidated financial statements, "Related party transactions", see page 189ff.*

Fostering intensive contact with current and potential investors also mitigates this risk. We have additionally set out a legal structure that shields the Fund Investment Services business from the influence of third parties. In the event that such control is exerted, the management authority of DBAG can be revoked for the Group company charged with providing advisory and management services to DBAG funds.

## Operational risks

### Insufficient protection of confidential data against unauthorised access

Our business not only requires suitable software and hardware, but also effective data security as well as data access by authorised persons at any time. Of key significance is secure protection against unauthorised access, for instance, to sensitive information about potential transactions, the portfolio companies or the economic data of DBAG. There is a risk of such unauthorised access through cyberattacks, weak spots in our network or, for example, through installation of undesirable software by DBAG staff. Our knowledge advantage would be lost, and we could be open to extortion.

DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. DBAG attempts to respond to the continually growing IT risk by, among other things, conducting regular internal and external reviews. In an additional security audit in September 2017, consultants verified that, in their opinion, DBAG's network is sufficiently protected against cyberattacks. We encrypt our communication channels through state-of-the-art technologies and use the latest virus protection software and security technology.

RISK FACTORS WITH A HIGH EXPECTED VALUE

| | Risk exposure vs previous year | Probability of occurrence | Extent of impact |
|---|---|---|---|
| **Risks of the Fund Investment services segment** | | | |
| Inability to cover the personnel requirement | Unchanged | Low | High |
| Inability to raise capital commitments from external investors to buyout funds | Unchanged | Unlikely | Very High |
| Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds | Unchanged | Unlikely | Very High |
| | | | |
| **Risks of the Private Equity Investments segment** | | | |
| Investment strategy proves to be unattractive | Unchanged | Low | High |
| Insufficient access to new, attractive investment opportunities | Unchanged | Possible | High |
| Transaction opportunities not tranformed into investments | Unchanged | Low | High |
| | | | |
| **External risks** | | | |
| Negative impact of general economy and economic cycles in certain sectors on earnings, financial and asset position of portfolio companies | Lower | Low | High |
| Low valuation ratios in equity and financial markets | Unchanged | Possible | High |
| Access to financial, credit and stock markets is not ensured | Unchanged | Low | High |
| Endangerment of DBAG's independence | Unchanged | Unlikely | Very High |
| | | | |
| **Operational risks** | | | |
| Insufficient protection of confidential data against unauthorised access | Unchanged | Low | High |

## Material changes compared with the preceding year

The risk relating to "Competitive disadvantages due to more stringent regulatory requirements", which is one of the risks with a high expected value, is no longer listed; we now believe that the expected value associated with this risk is lower than it was a year ago. In the first few months of the last financial year, we were able to clarify outstanding issues relating to the legal interpretation of the German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB) with the German Federal Financial Supervisory Authority (BaFin), which is why we have reduced the potential impact of this risk, although its probability of occurrence remains unchanged. This explains why the expected value is now "moderate" as opposed to "high".

Compared with the end of the financial year 2015/2016, we are faced with an improved macroeconomic environment with solid economic growth. As a result, we have deemed the probability of occurrence of the risk “Negative impact of general economy and economic cycles in certain sectors on earnings, financial and asset position of portfolio companies” to be “low” as opposed to “possible” since the end of the third quarter of 2016/2017. The expected risk value, however, remains “high” due to the ongoing considerable potential damage for DBAG and the DBAG funds.

## Description of opportunities

Opportunity management is an integral constituent of our operating business. Value creation largely occurs in our core activities of investing, developing and realising our investments. We therefore place special emphasis on continually improving our business processes. Opportunity management outside of ordinary business operations, such as optimising investments of liquid assets, is not actively pursued.

### Fund Investment Services: possibility of higher fee income from DBAG ECF following investment progress

Income from investment services to funds is readily forecastable, because fee agreements are largely fixed for a fund’s term. After the start of the investment period of DBAG Fund VII in December 2016, fee income from buyout funds is therefore capped for the next four-year period. There are, however, opportunities arising from the fee arrangements set out for DBAG ECF I, by which we receive fees based on the invested capital. The calculated basis for fees rises with every new investment this fund makes. In addition, we can collect structuring fees for individual transactions.

### Private Equity Investments: strategic advancement with DBAG Fund VII

The DBAG Fund VII represents a strategic advancement for DBAG. Due to its structure, the fund is able to invest in larger buyouts using equity of up to 200 million euros. As DBAG ECF also invests in smaller buyouts at the same time, DBAG’s offering is now much broader than it was before. This improves the Company’s competitiveness and creates opportunities for additional potential investments, and thereby opportunities for growth in portfolio value.

*Details on DBAG Fund VII and on changes to DBAG ECF pages 84f.*

We expect the improvement of our internal workflows to create further momentum for transaction activity. To strengthen our operating vitality and to assure quality, we launched a comprehensive project in 2012/2013, which was initially aimed at analysing our internal processes. Within the scope of that project, our system landscape was also reviewed. In the 2016/2017 financial year, we completed a number of additional sub-projects, particularly in Corporate functions.

Competition for attractive investment opportunities has become more intense in recent years. A factor that is sometimes crucial in the competitive field is the ability to come to an agreement with the vendor within a tight time frame. Rapid availability of the required funding can shorten the acquisition process. In that respect, opportunities could arise from DBAG's financial resources, which enable the Company to make financing commitments under its own steam.

### External changes: value growth due to persistent higher stock market multiples

The value of our portfolio companies at a specific reporting date is significantly influenced by stock market conditions. This was again evidenced in the past financial year: higher stock market multipliers account for 18.5 million euros of the result of valuation and disposal (gross), and can therefore be ascribed to greater confidence on the part of stock market participants. If the assessment of the companies' future profits were to improve again, this would augment valuation multipliers, which, in turn, have an influence on our valuations.

It cannot be ruled out that, in view of the persistent low interest rate policy, streams of capital may be channelled even more strongly into the stock markets and drive market prices. The higher stock market valuation level in recent years has already also contributed to higher valuations in the M&A business. If this development continues, this could possibly result in higher gains from the disposal of our investments, measured against the current valuation.

A higher interest rate level would allow us to reverse an additional part of our pension provisions; this would increase the equity per share by way of an increase in other comprehensive income.

## General statement on opportunities and risks

In 2016/2017, DBAG's business model, which is geared towards a long-term view, has proved its worth once again. There was no material change in the exposure to risks and opportunities compared with the preceding year. In our estimation, there are currently no recognisable individual or cumulative risks that would endanger the continuity of DBAG or the Group as a going concern. This estimation is based on an analysis and assessment of the material individual risks to which the Company is exposed, as well as on the risk management system in place. We do not currently perceive any extraordinary opportunities.

## Key features of the accounting-related internal control and risk management system (§ 289 (5) and § 315 (2) no. 5 German Commercial Code – HGB)

The internal control system (ICS) is an integral constituent of the risk management system at Deutsche Beteiligungs AG. It is orientated around the internationally recognised framework document for internal control systems issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The extent and design of the internal control and risk management system are aligned with the special requirements of the Fund Investment Services and Private Equity Investment business. The duty of the internal audit – which has been delegated to an external service provider – is to monitor the functioning and effectiveness of the ICS independently of processes in a multi-year examination scheme within the Group and at Deutsche Beteiligungs AG and to thereby promote ongoing improvements to business processes. The accounting-related part of the ICS is a component of the annual audit within the scope of a risk-oriented audit approach. Finally, the Supervisory Board's Audit Committee oversees the ICS, as required by § 107 (3) of the German Stock Corporation Act (Aktiengesetz - AktG).

DBAG prepares its separate and consolidated financial statements in conformity with the applicable accounting and valuation principles of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The internal accounting guidelines are set out in an accounting manual and in valuation guidelines; they consider the different principles of the IFRS and HGB. New accounting rules are regularly reviewed to ascertain the implications for DBAG and its subsidiaries, and, if necessary, the accounting guidelines are adapted.

Moreover, DBAG possesses clearly defined organisational, control and surveillance structures. Explicit assignments within the accounting process are in place. The IT systems used in accounting are largely operated with standard software products; these are protected against unauthorised internal and external access by comprehensive access permissions. All individuals involved in the accounting process are qualified for their assignments. The number of individuals working here is sufficient to handle the workflow. The aim is to minimise the risk of erroneous accounting. Staff regularly participate in further education programmes and professional training sessions on tax and accounting-related topics. Additionally, advice from external experts is solicited on specific accounting issues.

Material accounting-related processes are regularly examined analytically in respect of the availability and operability of the installed internal controls. The completeness and validity of accounting data are regularly reviewed manually based on random samples and plausibility checks. For processes that are particularly relevant in accounting, the four-eyes principle is consistently employed.

The internal controls are designed to ensure that the external financial reporting by DBAG and the Group is reliable and in conformity with the valid accounting rules. The aim is to minimise the risk of possible misstatements on the actual asset, financial and earnings position. We also gain important insight into the quality and operability of accounting-related internal controls through the annual audit of the separate and consolidated financial statements as well as a review of the half-yearly consolidated financial statements.