

**Rules for Transparent and Responsible  
Corporate Governance at NRW.BANK**

**Public Corporate Governance Code of NRW.BANK  
(PCGC of NRW.BANK)**

As amended on July 1, 2019

## Contents

<b>1</b>	<b>Foreword .....</b>	<b>3</b>
1.1	General Information .....	3
1.2	Scope of application.....	4
1.3	Structure.....	4
1.4	Statutory basis, compliance .....	5
<b>2.</b>	<b>Guarantor and Board of Guarantors .....</b>	<b>5</b>
2.1	Guarantor .....	5
2.2	Board of Guarantors.....	6
2.3	Invitation to the meetings of the Board of Guarantors.....	7
2.4	Conflicts of interest.....	7
<b>3.</b>	<b>Managing Board .....</b>	<b>7</b>
3.1	General provisions .....	7
3.2	Appointment period .....	8
3.3	Tasks and responsibilities.....	8
3.4	Remuneration.....	9
3.5	Conflicts of interest.....	10
3.6	Management ethics.....	12
<b>4.</b>	<b>Supervisory Board .....</b>	<b>15</b>
4.1	General provisions .....	15
4.2	Tasks.....	15
4.3	Tasks and authorities of the Chairman of the Supervisory Board .....	15
4.4	Formation of committees.....	16
4.5	Composition of the Supervisory Board.....	17
4.6	Remuneration.....	18
4.7	Conflicts of interest.....	18
4.8	Responsibility .....	19
<b>5.</b>	<b>Cooperation between the Managing Board and the Supervisory Board..</b>	<b>20</b>
5.1	General provisions .....	20
5.2	Corporate governance report.....	22
<b>6.</b>	<b>Transparency vis-à-vis the guarantor (owner), investors and the public.</b>	<b>22</b>
<b>7.</b>	<b>Reporting and audit of the annual financial statements .....</b>	<b>22</b>
<b>8.</b>	<b>Governmental control.....</b>	<b>24</b>

## **1 Foreword**

### **1.1 General Information**

As a promotional bank, NRW.BANK is obliged to demonstrate responsible and transparent governance to the general public as well as to its shareholder (owner), its investors, customers and employees in Germany and abroad.

NRW.BANK is Germany's largest state promotional bank. As the central promotion platform of the State of North Rhine-Westphalia, its mission is to implement the programmes of the state, the federal government and the European Union as comprehensively as possible.

The State of North Rhine-Westphalia is the sole guarantor of NRW.BANK.

NRW.BANK is a credit institution in the legal form of an institution incorporated under public law and is headquartered in Düsseldorf and Münster.

The Public Corporate Governance Code (PCGC) of NRW.BANK is modelled on the PCGC of the State of North Rhine-Westphalia and additionally includes rules for the integrity of the Managing Board, which are based on the code of conduct of Deutsche Bundesbank.

NRW.BANK has been commissioned by the government mission to support the federal state and its municipal corporations in meeting their public tasks, particularly in the fields of structural, economic, social and housing policy and carry out and administer promotional measures in compliance with the benefit regulations of the European Union. NRW.BANK is competition-neutral and guided by the principle of sustainability.

The bodies of NRW.BANK are the Board of Guarantors, the Supervisory Board and the Managing Board.

The Managing Board is responsible for managing NRW.BANK; the Supervisory Board supervises the conduct of business by the Managing Board; the Board of Guarantors representing the owner resolves on general business policy decisions in accordance with Section 10 and Section 11 of the statutes of NRW.BANK. The members of the Supervisory Board of NRW.BANK are legally required members of the guarantor, who are ex-officio members appointed by virtue of their offices or appointed by the owner (two thirds) as well as directly elected employee representatives (one third). In accordance with the statutes, the Board of Guarantors of NRW.BANK is exclusively composed of representatives of its owner.

The members of the Managing Board, the Supervisory Board and the Board of Guarantors of NRW.BANK fully identify with the Public Corporate Governance Code of NRW.BANK.

The PCGC of NRW.BANK is regularly reviewed by NRW.BANK with respect to new developments, updated as required and published on the website of NRW.BANK. NRW.BANK reports on corporate governance in its annual report.

## **1.2 Scope of application**

Taking its special public mission and the particularities of the German institutional law into account, the PCGC of NRW.BANK is a code similar to the PCGC of the State of North Rhine-Westphalia. Pursuant to Section 1.2.5 Sentence 1 of the PCGC of the State of North Rhine-Westphalia, the PCGC of the State of North Rhine-Westphalia is consequently not applied to NRW.BANK.

The PCGC of the State of North Rhine-Westphalia applies to investments of NRW.BANK, unless its application runs counter to the specific public mission of NRW.BANK.

## **1.3 Structure**

- 1.3.1 The Code contains recommendations, suggestions and regulations reflecting applicable law.
- 1.3.2 Recommendations of the PCGC are marked in the text by use of the word “shall”.  
  
Deviations from recommendations must be disclosed and explained annually in the report on public corporate governance – or in another form required by law or regulation (comply or explain).
- 1.3.3 Furthermore, the PCGC contains suggestions which may be deviated from without disclosure; terms such as “should” and “can” are used for these.
- 1.3.4 The remaining passages of the Code not marked by these terms refer to applicable enacted laws or supreme court decisions which have to be observed anyway or refer to the implementation of the Code.
- 1.3.5 It is explicitly pointed out that a well justified deviation from a recommendation does not necessarily represent a “shortcoming” in corporate governance or supervision. In order to serve as a common basis, the standards published in the form of the Code are in fact intended for flexible and responsible application. Non-compliance with recommendations of the Code may make sense and be necessary for certain reasons. However, this must be made transparent and justified.
- 1.3.6 If full-time civil servants or former full-time civil servants assume a function, the applicable civil service regulations such as, in particular, the Federal Civil

Servant Status Act, the Civil Servant Act of the State of North Rhine-Westphalia or the Directive on Secondary Activities of the State of North Rhine-Westphalia must be observed.

#### **1.4 Statutory basis, compliance**

To the extent legally permitted, the application of the provisions of the PCGC must be laid down in the statutes of NRW.BANK. This must be done such that the Managing Board and the Supervisory Board are obliged to annually state compliance with the recommendations of the PCGC in the report on public corporate governance – or in another form required by law or regulation. Any deviations from the recommendations have to be justified in a transparent manner.

This statement is part of the financial report of NRW.BANK, which is published on the website of NRW.BANK and thus publicly accessible for at least five years.

In the context of the audit of the annual financial statements, it must also be examined whether the statement on the PCGC has been issued and published.

## **2. Guarantor and Board of Guarantors**

### **2.1 Guarantor**

The State of North Rhine-Westphalia is the guarantor and sole shareholder of NRW.BANK.

The State of North Rhine-Westphalia exercises its rights in line with its legal powers and in its capacity as a shareholder at the meetings of the Board of Guarantors, where it exercises its voting rights.

As the guarantor, the State of North Rhine-Westphalia guarantees that NRW.BANK is able to carry out its required functions (institutional liability). The guarantor is liable for the obligations of NRW.BANK pursuant to the “Act on NRW.BANK” dated March 16, 2004 and the statutes (guarantor liability).

NRW.BANK benefits from an explicit funding guarantee of the State of North Rhine-Westphalia.

Insolvency proceedings with respect to the Bank’s assets are not permissible.

## 2.2 Board of Guarantors

The Managing Board shall submit the annual financial statements and the management report for the past financial year to the Board of Guarantors via the Supervisory Board within the first four months of the current financial year.

The Board of Guarantors resolves on the approval of the annual financial statements and the appropriation of earnings, unless stipulated otherwise by law or the statutes.

The Board of Guarantors resolves on the formal approval of the acts of the members of the Managing Board and of the Supervisory Board.

At the proposal of the Supervisory Board, the Board of Guarantors resolves on the appointment of the auditor for the annual financial statements as well as of the auditor for verification of the reporting requirements and the code of conduct in accordance with the provisions of the Securities Trading Act. Pursuant to Section 112 (2) Sentence 1 of the State Budget Regulations (LHO) in connection with Section 68 (1) Sentence 2 of the State Budget Regulations (LHO), the appointment must be made in agreement with the North Rhine-Westphalian Court of Audit (LRH).

The Board of Guarantors resolves on the principles of the business, development and risk policies.

The Board of Guarantors resolves, in particular, on the statutes, the amendments of the statutes and essential corporate measures such as, in particular, individual purchases and sales of investments and capital measures relating to investments, unless such measure is of minor importance pursuant to a regulation to be defined by the Board of Guarantors, as well as on all equity measures pursuant to the German Banking Act (KWG) and the benchmarks of the housing promotion programme of the State of North Rhine-Westphalia.

Only individuals who have the required knowledge, abilities and expert experience to properly complete their tasks, who are reliable and sufficiently independent and have a job which leaves them enough time to support NRW.BANK shall be appointed members of the Board of Guarantors.

The members of the Board of Guarantors shall not disclose any confidential information and trade secrets of the Bank they have learned in their capacity as members of the Board of Guarantors.

A directors' and officers' liability insurance policy (D&O insurance) will be taken out for the members of the Board of Guarantors. The decision and its justification, especially with respect to the appropriateness of a D&O insurance policy, shall be documented. An appropriate deductible in relation to the remuneration shall be agreed. Expense allowances do not have to be taken into account in this context.

Each member of the Board of Guarantors is asked to participate in the meetings of the Board of Guarantors, to take the floor on matters on the agenda and to submit materially relevant questions and proposals.

The Managing Board usually attends the meetings of the Board of Guarantors.

### **2.3 Invitation to the meetings of the Board of Guarantors**

At least twice a year, the Board of Guarantors is to be convened by its Chairman. Details of the agenda are to be provided in the invitation.

The Board of Guarantors is furthermore to be convened by its Chairman at the request of the guarantor, the Supervisory Board or the Managing Board stating details of the subject matters to be negotiated.

The subject matters to be discussed shall be indicated in the agenda as precisely as possible.

The members of the Board of Guarantors shall have sufficient opportunity to prepare for the discussion and votes.

Minutes of the meetings of the Board of Guarantors shall be kept.

### **2.4 Conflicts of interest**

No representative of the state government who is a member of the Supervisory Board shall participate in decisions about the formal approval of the acts of the Supervisory Board taken by the Board of Guarantors.

## **3. Managing Board**

### **3.1 General provisions**

3.1.1 The Managing Board must consist of at least two individuals and has a Chairman.

The members of the Managing Board should be won by means of selection procedures.

3.1.2 Terms of reference to be approved by the Supervisory Board shall regulate the cooperation between the members of the Managing Board.

The Chairman of the Managing Board is responsible for the allocation of areas of responsibility.

3.1.3 In the composition of the Managing Board attention shall be paid to diversity and, in particular, to an appropriate number of male and female members.

### **3.2 Appointment period**

A member of the Managing Board is appointed for a maximum period of five years.

A re-appointment or prolongation of the appointment period, each for a maximum of five years, is permissible.

A re-appointment prior to one year before the end of the appointment period with a simultaneous termination of the current appointment shall take place only for compelling reasons.

### **3.3 Tasks and responsibilities**

3.3.1 The Managing Board is responsible for independently managing NRW.BANK.

In this context, it is bound by the company's interests pursuant to the "Act on NRW.BANK" of 16 March 2004. Under this Act, the Managing Board must support the federal state and its municipal corporations in meeting their public tasks, particularly in the fields of structural, economic, social and housing policy and carry out and administer promotional measures in compliance with the benefit regulations of the European Union. In this regard, it is guided by the principle of sustainability.

NRW.BANK is a competition-neutral promotional bank which primarily carries out its promotional business activities via borrowers' and fund recipients' house banks.

NRW.BANK shall conduct its activities in accordance with commercial principles, taking into account the public welfare. Profit is not the main object of the business operations.

On this basis, the Managing Board develops the strategy of NRW.BANK, discusses it with the Supervisory Board, adopts it and ensures its implementation.

The Board of Guarantors resolves on the principles of the business, development and risk policies.

In connection with its decision about the principles of the business, promotional and risk policies of NRW.BANK, the Board of Guarantors of NRW.BANK resolves on the benchmarks pursuant to Section 6 (1) Sentence 1 of the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (WFNG) based on the decision of the state government.



3.3.2 The Managing Board must ensure that all provisions of law and internal policies of the Bank are complied with and works to promote compliance also by the Bank's investments (compliance).

3.3.3 The Managing Board ensures appropriate risk management and risk controlling in compliance with the banking supervisory regulations.

Different committees are formed which shall ensure that changes in individual risk types are determined, analysed and reported to the Managing Board without delay.

Another central function in the risk management system of NRW.BANK is assumed by Internal Audit, which shall highlight material risks in its reports by classifying audit findings.

3.3.4 Without prejudice to the direct application of the state's Equal Opportunities Act (LGG) pursuant to Section 2 of the Equal Opportunities Act, the Managing Board shall observe the objectives of the state's Equal Opportunities Act (LGG) in connection with the management of the Bank. When appointing executives of NRW.BANK, it shall aim for diversity and, in particular, for an appropriate number of male and female candidates.

### **3.4 Remuneration**

3.4.1 The remuneration of the members of the Managing Board is defined at an appropriate level by the Supervisory Board at the recommendation of the Remuneration Committee.

Criteria for determining the appropriateness of remuneration are, in particular, the tasks of the respective member of the Managing Board as well as the economic situation of NRW.BANK.

The sustainable performance and outlook of NRW.BANK taking into account its peer companies shall also be considered. The customary remuneration must not be exceeded without special reasons.

The overall remuneration of the members of the Managing Board comprises the monetary remuneration components, pension benefits, other benefits, in particular, in the event of termination of activity, fringe benefits of all kinds and benefits by third parties which were promised or granted in the financial year with respect to the management activity.

The monetary remuneration components of the members of the Managing Board exclusively comprise fixed components. Variable remuneration components due for payment that were granted for the fiscal years up to and including 2016 will be reviewed for their eligibility to payment until 2021 (cash deferral) and 2022 (sustainability deferral), respectively.

The remuneration must be appropriate in total. All individual remuneration components shall also be appropriate. To the extent legally permitted, this also includes a reduction in the remuneration if the economic situation of NRW.BANK deteriorates.

**3.4.2** The remuneration shall be clearly defined in the employment contracts.

In connection with the conclusion of employment contracts, it shall be ensured that payments to a member of the Managing Board on premature termination of his/her activity as a member of the Managing Board including fringe benefits do not exceed the value of two years' remuneration (severance pay cap) and compensate no more than the remaining term of the contract. The calculation shall be based on the overall remuneration for the past financial year and, if appropriate, the expected overall remuneration for the current financial year.

**3.4.3** The remuneration system for the Managing Board as well as essential elements of the contracts shall be regularly reviewed and amended, if required.

The Chairman of the Supervisory Board shall inform the Board of Guarantors about the structure of the remuneration system for the Managing Board and essential elements of the contracts as well as any amendments of the remuneration system.

**3.4.4** The proper implementation of the remuneration system for the Managing Board shall be examined by the auditor of the annual financial statements and be confirmed in writing.

**3.4.5** In accordance with the Transparency Act of the State of North Rhine-Westphalia, the overall remuneration of the members of the Managing Board is published as part of the financial report of NRW.BANK in the notes to the annual financial statements.

The members of the Managing Board shall contractually agree to the disclosure of their remuneration.

### **3.5 Conflicts of interest**

**3.5.1** During their employment for NRW.BANK, the members of the Managing Board are subject to a comprehensive non-competition obligation.

- 3.5.2 The members of the Managing Board and employees of NRW.BANK may not, in connection with their work, demand or accept from third parties payments or other advantages for themselves or for any other person nor grant third parties unjustified benefits.
- 3.5.3 The members of the Managing Board are bound by the Bank's best interests. No member of the Managing Board may pursue personal interests in his/her decisions or use business opportunities intended for NRW.BANK for himself/herself.
- 3.5.4 All members of the Managing Board disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Managing Board thereof.
- 3.5.5 All transactions between NRW.BANK and members of the Managing Board as well as persons they are close to or companies they have a personal association with shall comply with standards customary in the sector. IDW audit standard 255 can be used as a guideline to assess whether such a transaction exists and to evaluate it. Contracts for superior activities with the above persons or companies shall require the approval of the Supervisory Board.
- 3.5.6 Advisory and other service agreements and contracts for work with members of the Managing Board as well as persons they are close to or companies they have a personal association with shall not be concluded. This also applies to advisory and other service agreements and contracts for work with former members of the Managing Board as well as persons they are close to or companies they have a personal association with which are to be concluded within two years from termination of the activity. If these are nevertheless concluded for good cause, this shall be done only with the approval of the Supervisory Board.
- 3.5.7 Individual loans of NRW.BANK to members of the Managing Board as well as their relatives shall not be extended. This does not apply to the taking out of promotional loans which are made available in connection with programmes of NRW.BANK. If loans are extended in such cases or other justified cases, this may be done only with the approval of the Risk Committee.
- A global approval as defined of the German Banking Act (KWG) applies in this context.
- 3.5.8 The members of the Managing Board may take on secondary activities, especially supervisory or administrative board mandates outside NRW.BANK only with the approval of the Supervisory Board.

Details are defined in Section 3.6.5.

### **3.6 Management ethics**

#### 3.6.1 Basic principles

3.6.1.1 The members of the Managing Board perform the functions arising from statutory provisions, the statutes and the terms of reference of NRW.BANK, their contract of employment or the nature of the office entrusted to them independently, impartially and selflessly.

3.6.1.2 The members of the Managing Board comply with the rules of proper corporate management. Culpable violations of the duty to exercise care and diligence as a prudent and conscientious member of the Managing Board entail personal liability to NRW.BANK for damages, unless a modified liability for negligence was applied or justified when this PCGC came into effect.

Corporate decisions are not considered a violation of his/her duty if the member of the Managing Board could reasonably assume to act to the benefit of NRW.BANK based on appropriate information.

3.6.1.3 A directors' and officers' liability insurance policy (D&O insurance) will be taken out for the members of the Managing Board.

The decision and its justification, especially with respect to the appropriateness of a D&O insurance policy, shall be documented. A D&O insurance policy shall only be taken out with the approval of the Board of Guarantors.

A deductible of at least 10 percent of the damage up to at least one and a half times the fixed annual remuneration of the member of the Managing Board must be agreed.

3.6.1.4 In the performance of their duties, they act without regard to self-interest. They avoid situations liable to give rise to a personal conflict of interest and disclose to the Supervisory Board any personal conflicts of interest that are unavoidable.

3.6.1.5 They conduct themselves at all times in a way that maintains and promotes NRW.BANK's reputation and the public's trust in NRW.BANK.

3.6.1.6 They are pledged to secrecy about the affairs and facilities of NRW.BANK as well as its business operations. They may not testify or make statements in or out of court without permission even after they have left the service of NRW.BANK.

#### 3.6.2 Acceptance of gifts

3.6.2.1 As bearers of public office, the members of the Managing Board may not accept benefits. In the course of carrying out their duties, they may not demand, accept or take a promise of such benefits either for themselves or a third party.

3.6.2.2 An impermissible benefit within the meaning of Section 3.6.2.1 does not exist if the material value of the gift does not exceed € 40. Gifts with a material value of more than € 40 are returned to the sender with a letter of thanks including a reference to the compliance provisions of the Bank.

### 3.6.3 Invitations to events

The members of the Managing Board may accept invitations to conferences, receptions or cultural events including hospitality within reasonable limits if the member's participation in the event accords with the fulfilment of his/her duties or is in the interests of NRW.BANK.

Any reasonable travel and overnight accommodation expenses which arise in connection with the said participation are borne by NRW.BANK, unless the organiser of the event assumes travel and accommodation costs.

### 3.6.4 Lectures and speeches

3.6.4.1 No fees are accepted for lectures and speeches which are deemed to be part of the main duties of the Managing Board member because they arise in connection with the office conferred on him/her or are to be seen as part of the public relations work of NRW.BANK or of his/her representation of the interests of NRW.BANK.

Travel and overnight accommodation expenses arising directly in connection with such lectures and speeches may be borne by the organiser of the event within reasonable limits.

Where the refusal of a fee appears inappropriate in the light of special circumstances or national or international custom would dictate against such a refusal, the fee shall be forwarded to NRW.BANK.

3.6.4.2 If there are doubts about whether the delivery of a given lecture or speech falls within the scope of Section 3.6.4.1, the member concerned seeks the advice of NRW.BANK's Governance Adviser and obtains, where necessary, a decision by the Managing Board.

### 3.6.5 Secondary activities

3.6.5.1 The members of the Managing Board do not run any business or practice any profession other than their office at NRW.BANK.

Any secondary activities require the approval of the Supervisory Board.

3.6.5.2 Membership of a supervisory board or a similar body of a business enterprise requires the approval of the Supervisory Board.

Membership of supervisory boards or similar bodies of business enterprises is disclosed in NRW.BANK's annual report.

3.6.5.3 Paid or unpaid work for a specified period as arbitrator, trustee, expert or the like may be approved by the Supervisory Board if the time required to perform this work does not impair the member's performance of his/her official duties and no conflicts of interest are to be expected. Fees and reimbursement of expenses must be commensurate with the work performed and remain within customary bounds. Section 3.6.5.2 Sentence 2 applies mutatis mutandis.

3.6.5.4 Lectures and speeches which do not fall within the scope of Section 3.6.4 as well as literary and scholarly work undertaken by members of the Managing Board are generally approved. When performing such work, the members of the Managing Board make it clear that they have written the contributions in a personal capacity and that they do not necessarily reflect the views of NRW.BANK. Section 3.6.5.3 Sentence 2 applies mutatis mutandis.

3.6.5.5 The members of the Managing Board notify the Supervisory Board at the latest by March 31 of each year of the remuneration and other compensation which they have received in connection with secondary activities performed in the previous year.

### 3.6.6 Honorary posts

3.6.6.1 The holding of honorary posts requires the approval of the Managing Board. It is granted in the case of posts of an academic or charitable nature provided professional interests are not impaired. If the holding of an honorary post is in the interests of NRW.BANK, any travel and overnight accommodation expenses arising in connection with this are borne by NRW.BANK.

3.6.6.2 The members of the Managing Board notify the Supervisory Board at the latest by March 31 of each year of the expense allowances which they have received in connection with the holding of honorary posts within the meaning of Section 3.6.6.1 in the previous year.

### 3.6.7 Advice from Governance Advisers

In cases of doubt in connection with Sections 3.6.2 to 3.6.6.2, the Supervisory Board or the Managing Board should seek the advice of NRW.BANK's Governance Adviser, especially prior to the granting of approvals.

## **4. Supervisory Board**

### **4.1 General provisions**

The members of the Supervisory Board must exercise their mandate themselves, unless stipulated otherwise by legal provisions.

Pursuant to the “Act on NRW.BANK”, the members of the Supervisory Board in virtue of their office are entitled to designate a permanent deputy as their representative in the Supervisory Board and its committees with the exception of the chair. They are entitled to call in these permanent deputies to the meetings.

### **4.2 Tasks**

4.2.1 The task of the Supervisory Board is to regularly advise and to supervise the Managing Board in the management of the Bank. It supervises the adequacy, appropriateness and cost effectiveness of the management of NRW.BANK’s business by the Managing Board. This includes, in particular, whether NRW.BANK operates in accordance with its statutory tasks.

The Supervisory Board must be involved in decisions of fundamental importance to NRW.BANK.

4.2.2 The Supervisory Board appoints and dismisses the members of the Managing Board.

4.2.3 The Supervisory Board shall establish its own rules of procedure.

4.2.4 Every member of the Supervisory Board shall take care that he/she has sufficient time to perform his/her mandates. If a member of the Supervisory Board fully took part in less than half of the meetings of the Supervisory Board in a financial year, this shall be noted in the report of the Chairman of the Supervisory Board.

4.2.5 The Supervisory Board and its committees shall regularly assess the quality and efficiency of their activities.

The Supervisory Board shall supervise the implementation of the measures approved by it for this purpose.

### **4.3 Tasks and authorities of the Chairman of the Supervisory Board**

4.3.1 The Chairman of the Supervisory Board coordinates the work within the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board externally.

He/she and other individual members shall not be entitled to decide alone in place of the Supervisory Board.

4.3.2 If contracts with the members of the Managing Board are handled by a committee, the Chairman of the Supervisory Board also chairs this committee. The Chairman of the Supervisory Board also chairs the committee which prepares the meetings of the Supervisory Board.

He/she is not Chairman of the Audit Committee.

4.3.3 The Chairman of the Supervisory Board maintains regular contact with the Managing Board, in particular, with the Chairman of the Managing Board, and consults with him/her on the strategy, business development and risk management of NRW.BANK.

4.3.4 The Chairman of the Supervisory Board will be informed by the Managing Board, usually by the Chairman of the Managing Board, without delay and with priority of important events which are essential for the assessment of the situation and development as well as for the management of the Bank.

The Chairman of the Supervisory Board then informs the Supervisory Board and, if required, convenes an extraordinary meeting of the Supervisory Board.

4.3.5 The Chairman of the Supervisory Board shall ensure that all members of the Supervisory Board observe the confidentiality obligation.

#### **4.4 Formation of committees**

4.4.1 Depending on the specifics of NRW.BANK and the number of its members, the Supervisory Board forms committees with sufficient expertise. They serve to increase the efficiency of the Supervisory Board's work and the handling of complex issues.

The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

4.4.2 The Supervisory Board has set up an Audit Committee which, in particular, handles issues of accounting, discusses the results of the audit of the annual financial statements by the auditor, ensures the independence of the auditor, issues the audit mandate to the auditor, determines the focal points of the audit and the fee agreement as well as issues the audit mandate to the auditor for verification of the reporting requirements and the code of conduct in accordance with the provisions of the Securities Trading Act.

High standards must, in particular, be met by the expertise of the members of the Audit Committee. The Chairman of the Audit Committee shall furthermore have expert knowledge in the field of accounting and auditing.

Risk management issues are handled by the Risk Committee of NRW.BANK.



- 4.4.3 Decisions are usually taken by the Supervisory Board. The Supervisory Board can, however, arrange for committees to prepare the meetings of the Supervisory Board and in certain cases also to take decisions in place of the Supervisory Board.

In accordance with Section 25d (11) and (12) of the German Banking Act (KWG), the Executive and Nomination Committee or the Remuneration Committee is responsible for preparing decisions about the appointment of members of the Managing Board and the specification of their remuneration. The respective decisions are taken by the full Supervisory Board.

## **4.5 Composition of the Supervisory Board**

- 4.5.1 Members are appointed to the Supervisory Board by the guarantor in accordance with the statutes and after careful and individual examination in accordance with the German Banking Act (KWG).

The members of the Supervisory Board may begin their period of office at different dates.

The appropriate continuity required for committee work is taken into account when appointing members to the Supervisory Board.

When appointing members to the Supervisory Board, care shall be taken that the Supervisory Board is composed only of members who have the required knowledge, abilities and expert experience to properly complete their tasks, who are reliable and sufficiently independent and who have a job leaving them enough time to perform their tasks as a member of the Supervisory Board.

At least one independent member of the Supervisory Board must have expert knowledge in the field of accounting and/or auditing.

Diversity shall be targeted with respect to the composition of the Supervisory Board. Subject to more stringent provisions of the state's Equal Opportunities Act (LGG), males and females shall each account for at least 40 percent of the Supervisory Board members.

NRW.BANK shall adequately support the members of the Supervisory Board to get the education and training required to perform their tasks.

The members appointed to the Supervisory Board shall usually accept no more than a total of five supervisory board mandates at a time. They should chair no more than two supervisory boards at a time.

- 4.5.2 The members of the Supervisory Board shall have no business or personal relations to NRW.BANK or the Managing Board of NRW.BANK which cause a material and not only temporary conflict of interests.

- 4.5.3 The former Chairman of the Managing Board or a member of the Managing Board will not become a member of the Supervisory Board.

#### **4.6 Remuneration**

- 4.6.1 The remuneration of the members of the Board of Guarantors, the members of the Supervisory Board and its committees as well as of the Advisory Boards of NRW.BANK is specified by resolution of the Board of Guarantors.

It takes, in particular, the responsibility and scope of the tasks of the members of the Supervisory Board into account.

The members of the Supervisory Board receive a fixed remuneration.

- 4.6.2 In accordance with the Transparency Act of the State of North Rhine-Westphalia, the remuneration of the members of the Supervisory Board, the Board of Guarantors and the Advisory Boards is published as part of the financial report of NRW.BANK in the notes to the annual financial statements.

#### **4.7 Conflicts of interest**

- 4.7.1 All members of the Supervisory Board are bound by the Bank's best interests.

No member of the Supervisory Board may pursue personal interests in his/her decisions or use business opportunities intended for NRW.BANK for himself/herself.

- 4.7.2 Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners.

In its report on governance, the Supervisory Board shall inform the Board of Guarantors of any conflicts of interest which have occurred together with their treatment.

Material and not only temporary conflicts of interest of a person who is a member of the Supervisory Board shall lead to the termination of his/her mandate.

- 4.7.3 All transactions between NRW.BANK and members of the Supervisory Board as well as persons they are close to or companies they have a personal association with shall comply with standards customary in the sector.

IDW audit standard 255 can be used as a guideline to assess whether such a transaction exists and to evaluate it. Contracts for superior activities with the above persons or companies shall require the approval of the Supervisory Board.

- 4.7.4 Advisory and other service agreements and contracts for work with members of the Supervisory Board as well as persons they are close to or companies they have a personal association with shall not be concluded.

This also applies to advisory and other service agreements and contracts for work with former members of the Supervisory Board as well as persons they are close to or companies they have a personal association with which are to be concluded within two years from termination of the activity.

If agreements pursuant to Sentence 1 or 2 are nevertheless concluded for good cause, this shall only be done with the approval of the Supervisory Board.

- 4.7.5 Individual loans of NRW.BANK to members of the Supervisory Board as well as their relatives shall not be extended. This does not apply to the taking out of promotional loans which are made available in connection with programmes of NRW.BANK. If loans are extended in such cases or other justified cases, this may be done only with the approval of the Risk Committee.

A global approval as defined of the German Banking Act (KWG) applies in this context.

## **4.8 Responsibility**

- 4.8.1 The members of the Supervisory Board comply with the rules of proper corporate management.

Culpable violations of the duty to exercise care and diligence as a prudent and conscientious member of the Supervisory Board entail personal liability to the Bank for damages.

Corporate decisions are not considered a violation of his/her duty if the member of the Supervisory Board could reasonably assume to act to the benefit of the Bank based on appropriate information.

- 4.8.2 A directors' and officers' liability insurance policy (D&O insurance) will be taken out for the members of the Supervisory Board.

The decision and its justification, especially with respect to the appropriateness of a D&O insurance policy, shall be documented.

A D&O insurance policy shall only be taken out with the approval of the Board of Guarantors.

An appropriate deductible in relation to the remuneration shall be agreed. Expense allowances do not have to be taken into account in this context.

## **5. Cooperation between the Managing Board and the Supervisory Board**

### **5.1 General provisions**

- 5.1.1 The Managing Board and the Supervisory Board cooperate closely to the benefit of NRW.BANK.

Mutual trust which is created, in particular, by observing the transparency, disclosure and confidentiality obligations mentioned in this Code provides the basis for this cooperation. Observing these obligations is an essential duty towards NRW.BANK and its bodies.

Based on the nature and purpose of the business, the Managing Board shall define the strategic approach of NRW.BANK and discuss it as well as the current state of strategic implementation at regular intervals with the Supervisory Board.

- 5.1.2 For transactions of fundamental importance, the statutes and the German Banking Act (KWG) specify provisions requiring the approval of the Supervisory Board while maintaining the Managing Board's personal responsibility. They include decisions and measures which may result in a significant change of the business operations within the scope of the statutes or a fundamental change in the net asset, financial or earnings position or the risk structure of the Bank.

The Supervisory Board's authority to specify additional provisions requiring its approval remains unaffected by the above.

- 5.1.3 It is the joint task of the Managing Board and the Supervisory Board to sufficiently inform the Supervisory Board.

- 5.1.4 The Managing Board informs the Supervisory Board regularly, without delay and comprehensively of all issues important to NRW.BANK with regard to planning, business development, risk situation, risk management and compliance as well as changes of the economic environment which are important for the Bank.

The Managing Board points out deviations of the actual business development from previously formulated plans and targets, indicating the reasons therefor.

The content and interval of the reporting obligations shall be based on the applicable regulations for financial institutions as well as Section 90 of the German Stock Corporation Act (AktG) in all remaining cases.

- 5.1.5 The Supervisory Board shall specify the information and reporting obligations of the Managing Board in the latter's terms of reference.

Reports of the Managing Board to the Supervisory Board are usually submitted in writing.

Documents required for decisions, in particular, the annual financial statements, the management report and the auditors' report are to be sent to the members of the Supervisory Board, to the extent possible, in due time before the meeting. The documents shall be made available to the members of the Supervisory Board at least 14 days prior to the meeting.

The Supervisory Board promotes timely and proper reporting.

- 5.1.6 Good corporate governance requires an open discussion between the Managing Board and the Supervisory Board as well as within these bodies. The comprehensive observance of confidentiality is of paramount importance for this.

All members of the bodies take suitable and necessary measures to ensure that third parties employed by them observe the confidentiality obligation accordingly.

- 5.1.7 The Managing Board shall prepare the meetings of the Supervisory Board and its committees and regularly participate in the meetings of the Supervisory Board and its committees.

The representatives of the guarantor and the employee representatives should prepare the meetings of the Supervisory Board separately, possibly with members of the Managing Board.

If necessary, the Supervisory Board should meet without the Managing Board being present.

- 5.1.8 Together with the Managing Board, the Executive and Nomination Committee shall ensure that there is a long-term succession planning for the Managing Board.

## **5.2 Corporate governance report**

In the financial report, the Managing Board and the Supervisory Board report annually about NRW.BANK's corporate governance (corporate governance report). This report includes, in particular, the statement of past and future compliance with the recommendations of the Code.

The report also includes information about the number of male and female members of the Supervisory Board and the Managing Board as well as the number of male and female executives.

Any deviations from the recommendations have to be justified in a transparent manner. Suggestions of the Code may also be commented.

The report has to be made available on the website of NRW.BANK for at least five years.

## **6. Transparency vis-à-vis the guarantor (owner), investors and the public**

6.1 NRW.BANK publishes its financial report on its website where it has to be available for at least five years. This also includes the corporate governance report.

6.2 In connection with its ongoing public relations and investor relations activities, the Bank moreover informs about current developments. The dates of essential regular publications (including the annual financial statements) are published in a "financial calendar" with a sufficient lead time.

## **7. Reporting and audit of the annual financial statements**

### **7.1. Accounting**

7.1.1 The guarantor and third parties are mainly informed by way of the annual financial statements and the management report of NRW.BANK.

The annual financial statements of NRW.BANK are prepared and audited according to the provisions of the German Commercial Code (HGB) and the Ordinance Regarding Accounting for Banks and Financial Services Institutions (RechKredV).

7.1.2 The annual financial statements and the management report are prepared by the Managing Board and examined by the auditor.

The Audit Committee as well as the Supervisory Board discusses the results of the audit with the auditor.

The Board of Guarantors resolves on the approval of the annual financial statements.

- 7.1.3 NRW.BANK publishes a list of its investments pursuant to Section 285 No. 11 and 11a of the German Commercial Code (HGB) in the notes to the annual financial statements.
- 7.1.4 Information on relationships with the guarantor considered to be “related parties” pursuant to the applicable accounting regulations shall be provided in the notes to the annual financial statements.

## **7.2 Audit of the annual financial statements**

- 7.2.1 Prior to submitting a proposal for election, the Supervisory Board or, respectively, the Audit Committee shall obtain a statement from the proposed auditor stating whether, and where applicable, which business, financial, personal and other relationships exist between the auditor and its bodies on the one hand, and NRW.BANK and the members of its bodies on the other hand, that could call its independence into question.

This statement shall include the extent to which other services were performed for NRW.BANK in the past year, especially in the field of consultancy, or which have been agreed for the following year.

The statement of the proposed auditor shall be filed.

- 7.2.2 The Supervisory Board – represented by its Chairman – commissions the auditor to carry out the audit and concludes an agreement on the auditor’s fee with him or her.

The Supervisory Board shall agree with the auditor that the Chairman of the Supervisory Board or of the Audit Committee will be informed immediately of any grounds for disqualification or impartiality occurring during the audit, unless such grounds are eliminated immediately.

- 7.2.3 The Supervisory Board shall arrange for the auditor to report without delay on all findings and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit.

The Supervisory Board shall arrange for the auditor to inform it or include a note in the audit report if, during the performance of the audit, the auditor comes across facts which indicate that the Managing Board's and Supervisory Board's statement of compliance with the Code is false.

7.2.4 The auditor takes part in the deliberations on the annual financial statements of the Supervisory Board or the respective committee of the Supervisory Board and reports on the essential results of its audit.

7.2.5 The auditor examines the books and records and the preparation of the annual financial statements and the management report pursuant to German commercial law and supplementary provisions of the statutes of NRW.BANK. The auditor takes part in the discussions for the approval of the annual financial statements.

The audit furthermore covers the adequacy of the management framework and economic situation pursuant to Section 53 of the German Law on Budgetary Principles (HGrG) taking the State Budget Regulations (LHO) into account.

7.2.6 The auditor responsible for examining the annual financial statements shall be changed if the latter has examined five consecutive annual financial statements of NRW.BANK, unless reasons for an earlier change exist.

## **8. Governmental control**

Governmental control over NRW.BANK is exercised by the Ministry of the Interior of the State of North Rhine-Westphalia, with respect to social housing promotion in cooperation with the Ministry responsible for housing. The purpose of this control is to ensure that the activity of NRW.BANK is in line with the law.

Amendments of the statutes require the approval by the supervisory authority.

The North Rhine-Westphalian Court of Audit (LRH) examines NRW.BANK comprehensively.



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NRW.BANK  
Institution under public law

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Eckhard Forst, Chairman  
Gabriela Pantring  
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