

Report of the Supervisory Board



Henning Deneke-Jöhrens, Chairman of the Supervisory Board of DZ BANK AG

In 2021, the Supervisory Board carried out the tasks assigned to it by law, the Articles of Association, and rules of procedure. As part of this remit, the Supervisory Board advised the Board of Managing Directors and monitored its management activities. In particular, the Supervisory Board focused on the capital situation of DZ BANK and its strategy as the network-oriented central institution and holding company of a financial services group. It also thoroughly addressed current regulatory challenges, the risk position of the bank and the group, as well as the development of systems and procedures used to manage the main risks in the Bank sector and Insurance sector. The Supervisory Board was always involved in decisions of fundamental importance. The Board of Managing Directors provided the Supervisory Board with regular, timely, and comprehensive reports on all matters relevant to DZ BANK, in particular the strategy, planning, business performance, risk situation, risk management, remuneration systems, regulatory requirements, (information) technology, organizational matters, and compliance.

In 2021, despite the ongoing COVID-19 pandemic, the DZ BANK Group did not need to make any significant adjustments to its strategic focus, which was enshrined in the 'Verbund First 4.0' strategic program established in 2018. In the reporting year, strategic activities were particularly focused on sustainability, which is becoming an issue of major importance for the entities in the DZ BANK Group, both in their core businesses and in their own operations. The 'Verbund First 4.0' strategic program otherwise continues to be aimed at improvements in three key areas: market offering, control and production processes, and corporate culture. Once again in 2021, significant positive effects were derived from the strategy in respect of these key areas.

Meetings of the Supervisory Board

The Supervisory Board held five ordinary meetings in 2021. Its members attended the meetings of the Supervisory Board and its committees regularly.

At its meetings in the reporting year, the Supervisory Board regularly received and discussed reports from the Board of Managing Directors on current business performance, the capital situation, and profitability of DZ BANK AG and the DZ BANK Group. In this context, besides consideration of the previously mentioned sustainability-related strategy updates in the DZ BANK Group, there were discussions on the impact of the COVID-19 pandemic on the business performance, liquidity, and capital of the DZ BANK Group, the impact of the disastrous flooding in Rhineland-Palatinate and North Rhine-Westphalia in July 2021 on net income from insurance business, the challenges for Bausparkasse Schwäbisch Hall and others posed by low interest rates, and the reduction of the portfolio and structure at DVB Bank. The Supervisory Board regularly received and discussed reports on the work of the committees from their Chairs. During the meetings, and by using a voting procedure in writing, the Supervisory Board also adopted resolutions in connection with transactions requiring its consent, such as commitments to long-term equity investments and loans. HR issues from 2020 relating to DZ BANK AG and the DZ BANK Group were further matters considered by the Supervisory Board. In addition, the Supervisory Board addressed nomination and remuneration issues, passing the necessary resolutions in accordance with the recommendations submitted by the Nominations Committee, the Remuneration Control Committee, and the Risk Committee. The Supervisory Board received the report from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, (EY) on the audit of the single-entity financial statements for the year ended December 31, 2020 and the report of the Audit Committee on the audit of the single-entity financial statements and management report of DZ BANK AG and of the consolidated financial statements and group management report for the year ended December 31, 2020, approved this Audit Committee report following its own review, and approved the single-entity financial statements of DZ BANK AG and the consolidated financial statements for the year ended December 31, 2020 in accordance with the recommendation of the Audit Committee. In further deliberations, the Supervisory Board acknowledged the 2020 Sustainability Report of the DZ BANK Group, which included the non-financial reporting of DZ BANK AG and the DZ BANK Group, and the findings of the audit of the separate combined non-financial report of DZ BANK AG and the DZ BANK Group for the period January 1 to December 31, 2020, which the Supervisory Board had engaged the auditors to carry out in order to obtain limited assurance. On this basis and following its own review, the Supervisory Board came to the conclusion that the above report for 2020 satisfied the statutory requirements.

In accordance with the Audit Committee's recommendations, the Supervisory Board also approved the report of the Supervisory Board to the Annual General Meeting as well as the agenda for the Annual General Meeting on May 19, 2021. Based on the recommendation of the Audit Committee, this was accompanied by the Supervisory Board's proposal to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, (PwC) be appointed as auditor of the single-entity financial statements and the consolidated financial statements for the year ended December 31, 2021 and as auditor for the review of the group's half-year financial report for the period ended June 30, 2021 and any other interim financial statements at the level of the group or DZ BANK AG prepared for periods up to the 2022 Annual General Meeting.

In the context of the annual financial statements and the appropriation of profits to be decided by the Annual General Meeting, the Supervisory Board discussed the ECB's restrictions on dividend policy during the COVID-19 pandemic. The ECB had recommended to the banks that it directly supervises in the eurozone that dividend payments from the distributable profits for the 2019 and 2020 financial years be limited. Accordingly, the Supervisory Board had proposed to the Annual General Meeting of DZ BANK on May 19, 2021 a dividend payment of 16 cents per share, which was the highest amount permissible under these restrictions. After the ECB then announced on July 23, 2021 that it would no longer retain its dividend restrictions after September 30, 2021, the Board of Managing Directors of DZ BANK convened an Extraordinary Annual General Meeting.

At this Extraordinary General Meeting of DZ BANK on November 4, 2021, the Supervisory Board proposed a further dividend payment of 16 cents per share.

Both after the Annual General meeting and following the election of the employee representatives to the Supervisory Board, the Supervisory Board addressed a number of matters, which included electing the Chairman of the Supervisory Board and his two deputies, deciding on the composition of the Supervisory Board committees, and approving recommended resolutions relating to the appointment of the Chair and deputy of each committee.

Under items scheduled for regular discussion, the Supervisory Board examined the strategic and operational planning at DZ BANK AG and in the DZ BANK Group for 2022 in the third and fourth quarters of 2021. This included discussing the recovery planning, which is required by law, in addition to the strategic and operational planning.

In addition, the Supervisory Board received a presentation from the ECB covering the following: risk analysis and the supervisor's priorities for 2021, the 2021 SREP for the DZ BANK Group, i.e. the 2021 Supervisory Review and Evaluation Process including the supervisor's main concerns with regard to the DZ BANK Group, the quantitative capital requirements/recommendations specified by the supervisor for the DZ BANK Group, the stress test results and Pillar 2 guidance, the status of the 2020 SREP measures, and the key supervisory activities relating to the DZ BANK Group. The Supervisory Board then discussed these matters with the ECB's representatives.

Meetings of the Supervisory Board committees

Each Supervisory Board committee also met on a number of occasions in 2021. During this period, the Nominations Committee held two meetings, the Remuneration Control Committee three meetings, the Audit Committee four meetings, and the Risk Committee five meetings. The Mediation Committee did not need to meet at all.

In the year under review, the **Nominations Committee** addressed the annual reappraisal of the Board of Managing Directors and the Supervisory Board, proposing a related resolution to the Supervisory Board. The committee also discussed the suitability and election of new members of the Supervisory Board and dealt with succession planning for the Board of Managing Directors.

In implementation of the changes arising from the EBA guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06), the committee decided on modifications to the associated internal framework policy and other documents relating to the fit and proper requirements for members of the Board of Managing Directors and the Supervisory Board.

Following the formal constitution of the Supervisory Board on May 19 and on September 23, 2021, the Nominations Committee accepted the recommendation of the Supervisory Board and once again appointed Mr. Henning Deneke-Jöhrens as Chairman and Mr. Ullrich Birkenstock as Deputy Chairman of the Nominations Committee.

At its meetings in 2021, the **Remuneration Control Committee** covered a wide range of remuneration issues and contractual matters relating to the Board of Managing Directors. The topics included the variable remuneration of the members of the Board of Managing Directors, the amount of which was specified for 2020, and the targets for the members of the Board of Managing Directors in 2021, both at corporate and individual levels. In this context, the committee also addressed the need to set the overall amount of variable remuneration at DZ BANK AG and in the DZ BANK Group in accordance with section 7 of the German Regulation Governing Remuneration at Institutions (InstitutsVergV).

The committee also deliberated on a new occupational pension approach for future members of the Board of Managing Directors, carried out a test of the appropriateness of the remuneration granted to the Board of Managing Directors, and, under a regularly scheduled agenda item, reviewed the salaries of the members of the Board of Managing Directors to apply from January 1, 2022. Further discussions by the Remuneration Control Committee covered the structure of the remuneration systems for employees, the appropriateness of the remuneration systems, analysis of the risk takers for 2021, and the remuneration officer's remuneration control report. In addition, the committee received reports from the remuneration officer on the appropriateness of the remuneration systems and on the latest remuneration regulations. Where necessary, the Remuneration Control Committee proposed individual resolutions to the Supervisory Board on these matters.

Following the formal constitution of the Supervisory Board on May 19 and on September 23, 2021, the Remuneration Control Committee accepted the recommendation of the Supervisory Board and once again appointed Mr. Henning Deneke-Jöhrens as Chairman and Mr. Ullrich Birkenstock as Deputy Chairman of the Remuneration Control Committee.

In 2021, the **Audit Committee** studied the findings of the audit of the single-entity financial statements and management report of DZ BANK AG as well as of the consolidated financial statements and group management report for the year ended December 31, 2020 by EY. It recommended that the Supervisory Board approves the single-entity financial statements of DZ BANK AG and the consolidated financial statements for the year ended December 31, 2020, as submitted.

Furthermore, the committee discussed the switch in auditor planned for 2021 and, accordingly, the appointment of the auditor of the single-entity financial statements and the auditor of the consolidated financial statements for 2021 as well as the auditor for the review of the group's half-year financial report and any other interim financial statements. In regard to the above, the Audit Committee considered the independence and quality of the auditor. The fee to be paid to the auditor was also taken into account. The Audit Committee recommended that the Supervisory Board proposes to the Annual General Meeting on May 19, 2021 that PwC or KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed as the new auditor of the single-entity financial statements and the consolidated financial statements for the year ended December 31, 2021 and as auditor for the review of the group's half-year financial report for the period ended June 30, 2021 and any other interim financial statements at the level of the group or DZ BANK AG prepared for periods up to the 2022 Annual General Meeting. In doing so, the committee expressed a preference for PwC.

In addition, the Audit Committee examined the half-year financial report of the DZ BANK Group for the period ended June 30, 2021 and the reports from PwC on the review of the half-year financial report, on the audit of the securities and investment services business and depositary function in 2020/2021. Furthermore, the Audit Committee studied the planning for the audit of the 2021 single-entity and consolidated financial statements by PwC, discussed the auditor's areas of focus for 2021 and key findings from the current audit, and monitored the financial reporting process.

In other activities, the Audit Committee discussed the report of the Supervisory Board to the Annual General Meeting and prepared the Supervisory Board's review of the combined non-financial statement for DZ BANK AG and the DZ BANK Group for 2020. This also involved studying the findings of the external review of the separate combined non-financial report, for which EY was also engaged by the Supervisory Board. The committee recommended resolutions to the Supervisory Board in relation to both matters.

In addition, the Audit Committee examined and discussed the business performance, capital, and profitability of the DZ BANK Group. The committee routinely focused on supervisory audits carried out in the DZ BANK Group, the latest regulatory issues, non-financial risk, and the project portfolio at DZ BANK AG, and discussed these matters with the Board of Managing Directors. Other matters addressed by the committee included the report for the year ended December 31, 2020 and the quarterly reports prepared by Group Audit, the annual compliance report for 2020, the IT strategy of the DZ BANK Group, the IT strategy of DZ BANK AG, and IT/cyber risk. In this context, the Audit Committee monitored the effectiveness of the internal control system, risk management system, and internal audit. Additionally, it examined the engagement of the auditor for non-audit services and updated the guidance for the approval of such services at the end of the year. The committee also looked at the final regulations under the German Act to Strengthen Financial Market Integrity (FISG) and discussed recommended courses of action in this regard.

Following the formal constitution of the Supervisory Board on May 19, 2021, the Audit Committee accepted the recommendation of the Supervisory Board and re-appointed Mr. Timm Häberle as Chairman of the Audit Committee.

In 2021, the **Risk Committee** studied the findings of the review of the lending business, which had been brought forward, regulatory and organizational matters, and the shareholdings in preparation for the audit of the single-entity financial statements of DZ BANK AG and of the consolidated financial statements for the year ended December 31, 2020. In addition, the committee advised the Supervisory Board on current and future aggregate risk appetite and strategy in the DZ BANK Group. It also helped the Supervisory Board to monitor implementation of this strategy. This involved regularly examining the quarterly reports on aggregate risk (including risk indicators) and credit risk. As scheduled at the end of the year, it also involved reviewing and acknowledging the group governance policy, the risk appetite statement, and the 2022 risk strategies for the DZ BANK Group. The review of the risk reports and strategies was an important component in the process of monitoring the effectiveness of the risk management system at DZ BANK AG and in the DZ BANK Group.

The Risk Committee also scrutinized an ECB letter on identifying and measuring credit risk in connection with the COVID-19 pandemic, ECB guidance on climate-related and environmental risk in the DZ BANK Group, and other current risk procedures at DZ BANK AG.

Moreover, the Risk Committee acknowledged and discussed reports from the Board of Managing Directors on the results of the stress tests in the DZ BANK Group. It also dealt with various loan applications and matters relating to long-term equity investments, where necessary adopting resolutions or issuing recommendations to the Supervisory Board. In further deliberations, the committee examined the terms and conditions in customer business. The committee also looked at and noted the outsourcing strategy and reviewed the remuneration systems at DZ BANK pursuant to section 25d (8) sentence 4 KWG with a recommendation to the Supervisory Board to acknowledge the finding that the incentives set as part of the remuneration system take account of the risk, capital, and liquidity structure of the institution as well as the probability and maturity of revenue. The deliberations of the committee also covered the work program for 2021ff of 2021 resolution planning in accordance with the Single Resolution Board's requirements.

Following the formal constitution of the Supervisory Board on May 19, 2021, the Risk Committee accepted the recommendation of the Supervisory Board and appointed Dr. Peter Hanker as Chairman of the Risk Committee to succeed Dr. Wolfgang Thomasberger, who has stepped down from the Supervisory Board.

Corporate governance

In line with the requirements of the German Banking Act, the Supervisory Board conducted an evaluation of the Board of Managing Directors and a self-evaluation in the first quarter of 2021. It found that the structure, size, composition, and performance of both the Board of Managing Directors and the Supervisory Board and the knowledge, skills, and experience of the individual members of the Board of Managing Directors and Supervisory Board and of the Board of Managing Directors and Supervisory Board as a whole fulfilled the requirements laid down by law and in the Articles of Association. The Supervisory Board therefore confirmed the individual suitability of the individual members of the Board of Managing Directors and Supervisory Board and the collective suitability of the Board of Managing Directors and Supervisory Board as a whole. In this context, it also signed off an updated profile of skills and expertise for the Board of Managing Directors and Supervisory Board.

In its view, the Supervisory Board had adequate financial and personnel resources at its disposal in the reporting year to be able to support new members in becoming familiar with their role and to provide the training that is necessary to maintain members' required level of expertise. DZ BANK offered and offers to cover the costs for members of the Supervisory Board of training programs from external providers that are relevant to the activities of Supervisory Boards. As part of the onboarding process, new members took up the offer of customized internal training sessions and information meetings to help them prepare for their tasks on the Supervisory Board of DZ BANK AG. In 2021, the Supervisory Board also received internal training on various matters relating to the business of DZ BANK and concerning the Supervisory Board.

There were no indications of fundamental and far-reaching conflicts of interests affecting Supervisory Board members.

Cooperation with the auditor

A major change in 2021 was the switch to the new auditor, PwC. Auditing staff from PwC attended all meetings of the Audit Committee, although still in the capacity of observers at the financial reporting review meeting on March 24, 2021. The condensed interim consolidated financial statements for the period ended June 30, 2021 were the first financial statements to be reviewed and given a review report by PwC.

The Audit Committee received reports on the migration of the audit engagement and discussed the audit plan, together with the (preliminary) key audit matters for the 2021 single-entity and consolidated financial statements, with PwC. The Audit Committee also received information on the areas of audit focus identified by BaFin pursuant to section 30 KWG and by PwC itself. The Audit Committee received details from PwC on the amendments to the FISG, which were then discussed. Based on the obligation to monitor the quality of audits, which has been expressly codified for the first time in the AktG, the Audit Committee held detailed discussions on suitable evaluation criteria and, at its meeting on March 23, 2022, adopted appropriate guidelines which were used as the basis for monitoring the quality of the audit of the financial statements for the year ended December 31, 2021.

For the purpose of monitoring the quality of the audit of the financial statements for the year ended December 31, 2021, the Audit Committee asked PwC to provide a quality report explaining the quality assurance processes and measures implemented by the auditor, for example in connection with acceptance and continuation of the engagement and in connection with independent quality assurance related to the engagement. The committee also evaluated the quality of the audit itself using indicators it decided on in advance.

The auditor PwC confirmed that the single-entity financial statements – together with the bookkeeping system – and the management report of DZ BANK AG as well as the consolidated financial statements and the group management report submitted by the Board of Managing Directors for the year ended December 31, 2021 complied with the applicable legal provisions. PwC issued an unqualified opinion for each of these sets of financial statements. The audit reports were submitted to the members of the Supervisory Board, who discussed them in detail at their meetings. In addition, the Chairman of the Supervisory Board and the Chairs of the Supervisory Board committees maintained a regular, intensive dialog with the auditor. This dialog also covered the independent auditor's report pursuant to section 322 HGB (including the key audit matters). The Supervisory Board agrees with the findings of the audit.

The Board of Managing Directors of DZ BANK AG issued a separate combined non-financial report for DZ BANK AG and the DZ BANK Group for 2021. The Supervisory Board decided to submit the report for a voluntary external review, for which it engaged the auditor. PwC did not become aware of any facts that would lead it to believe that the separate combined non-financial report for DZ BANK AG and the DZ BANK Group for the period January 1 to December 31, 2021 had not been prepared, in all material respects, in accordance with the statutory requirements. On this basis and in accordance with the Audit Committee's recommendation, the Supervisory Board concluded, having conducted its own review, that the non-financial report complies with the statutory requirements. At its meeting on March 24, 2022, the Supervisory Board therefore approved the 2021 non-financial report prepared by DZ BANK.

Adoption of the financial statements

At their respective meetings, the Supervisory Board and its Audit Committee scrutinized the single-entity financial statements and management report of DZ BANK AG (including the Board of Managing Directors' proposal for the appropriation of profits) as well as the consolidated financial statements and group management report for the year ended December 31, 2021. The Chairman of the Audit Committee provided the Supervisory Board with detailed information about the committee's extensive deliberations on the single-entity financial statements and management report of DZ BANK AG as well as the consolidated financial statements and group management report. Representatives of the auditor attended the Supervisory Board meeting convened to adopt the financial statements as well as the preparatory meetings held by the Audit Committee and by the Risk Committee so that they could report in detail on the material findings of their audit. They were also available to answer questions from the members of the Supervisory Board. The Supervisory Board did not express any reservations following the concluding findings of its review. The Supervisory Board approved the single-entity financial statements of DZ BANK AG and the consolidated financial statements prepared by the Board of Managing Directors for the year ended December 31, 2021 at its meeting on March 24, 2022 in line with the Audit Committee's resolution recommendation. The financial statements have therefore been adopted. The Board of Managing Directors and the Supervisory Board will propose to the Annual General Meeting on May 25, 2022, in a resolution on the appropriation of the distributable profit reported in the 2021 single-entity financial statements amounting to €364,413,470.58, that a dividend of 20 cents per non-par-value share be paid. The total dividend amounts to €358,268,951.40. The profit carried forward is €6,144,519.18.

Personnel changes on the Supervisory Board

On the shareholder representatives' side, Mr. Martin Eul, Mr. Gregor Scheller, and Dr. Wolfgang Thomasberger stepped down from the Supervisory Board of DZ BANK AG on May 19, 2021. The Supervisory Board would like to express its gratitude to Mr. Eul, Mr. Scheller, and Dr. Thomasberger for the considerable commitment and enormous experience that they brought to the work of the Supervisory Board and its committees, thereby making such a substantial contribution to the success of DZ BANK. Mr. Uwe Barth, Mr. Josef Hodrus, and Dr. Gerhard Walther joined the Supervisory Board on May 19, 2021.

On the employee representatives' side, Mr. Rainer Mangels stepped down from the Supervisory Board on September 25, 2021. The Supervisory Board would like to thank Mr. Mangels for his dedication over many years. Mr. Wolfgang Nett joined the Supervisory Board on September 15, 2021.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of the DZ BANK Group for their valuable contribution in 2021.

Frankfurt am Main, March 24, 2022

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main



Henning Deneke-Jöhrens
Chairman of the Supervisory Board