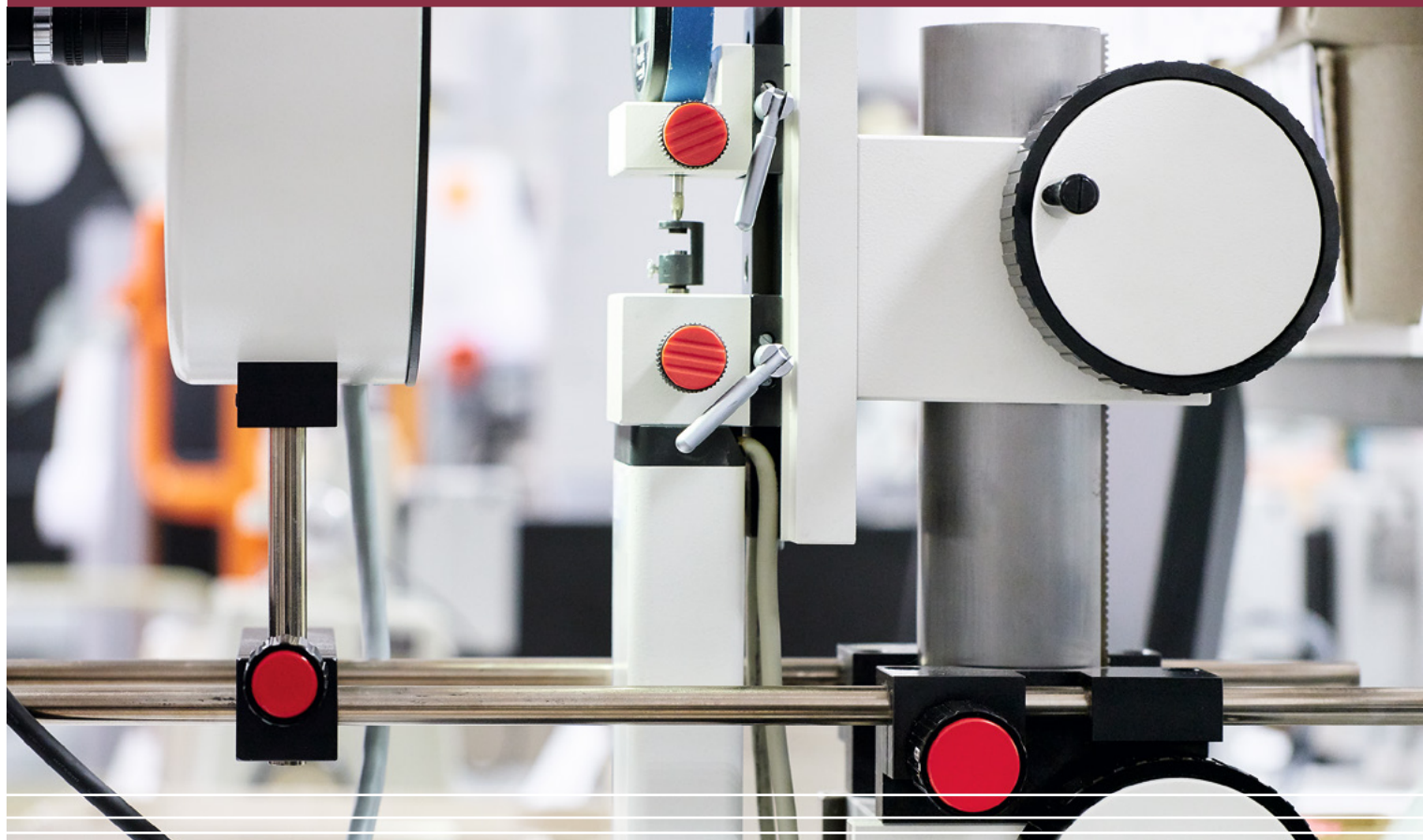


INVESTMENT GUARANTEES



ANNUAL REPORT 2019

INVESTMENT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Direct Investments Abroad**



Dear ladies and gentlemen,

I am pleased that you are browsing through the Annual Report of the Investment Guarantees of the Federal Republic of Germany for 2019 today. Investment guarantees have meanwhile been in existence for 60 years. Following their introduction in 1959, we assumed the first guarantee for a project of a German SME in India in January 1960. Over the ensuing decades, the investment guarantees developed into an important element of German foreign trade promotion.

Through the very close integration of German companies in the global economy we are more dependent today than ever on open markets in order to maintain prosperity and jobs in Germany. Direct investments abroad are crucially important for our companies in order to successfully secure future markets. Many developing countries and emerging markets offer great opportunities for German business in this context, but also have an insecure political framework. This is where investment guarantees can smooth the way by providing cover against political risks for direct investments in the host countries by German companies. But the host countries themselves profit from the guarantees too, since it will only be possible to reach the United Nations sustainable development goals through private investment.

In 2019 the Federal Republic of Germany assumed investment guarantees with a total volume of 3.3 billion euros. This means that the guarantee volume came in some three times higher than in the previous year. It makes me particularly happy to note that almost every third guarantee assumed in 2019 went to a small or medium-sized enterprise. This confirms the trend of recent years.

Once again, we assumed the majority of guarantees in 2019 for projects in Asia, first and foremost in China. Runners-up were South and Central America, here predominantly Argentina. The Federal Government provides increased support for investments in Africa within the framework of the G20 initiative "Compact with Africa". The Federal Government has facilitated cover for investments in the Compact States in this context by granting improved conditions for investment guarantees. Thus we assumed guarantees for projects in the Compact States Ghana and Ethiopia during the past year.

A central component of the investment guarantee scheme is the availability of crisis management from the Federal Government which goes along with it. This helps to guarantee the continuity of German projects when an event of loss is in the offing. The Federal Government was also very successful here in the year just ended and was able to avert several potential claims.

You can find further details of the development of the investment guarantee scheme in 2019 on the following pages. I thank you for your interest in the investment guarantees and I hope you will find this Annual Report fascinating reading!

A stylized, handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end.

Peter Altmaier
Federal Minister for Economic Affairs and Energy

INVESTMENT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY AT A GLANCE
AMOUNTS IN MILLION EUR

	2015	2016	2017	2018	2019
Guarantee applications					
Number	136	135	109	99	63
Volume (maximum amounts)	7,897.0	3,353.9	3,042.2	3,962.1	3,777.3
Applications accepted					
Number	119	101	67	70	58
Volume (maximum amounts)	2,597.0	4,277.6	1,123.6	1,201.5	3,264.4
Promoted projects					
Number	77	72	48	51	38
in countries	16	22	17	17	16
Exposure from outstanding commitments of the Federal Republic of Germany (end of the year)					
Number	858	877	872	882	794
Maximum liability	34,970.5	36,350.0	35,029.8	33,775.2	33,317.5



3.3 billion

In 2019 the Federal Government assumed cover for investment guarantees with a total volume of 3.3 billion euros (capital and earnings).

16 countries

38 projects in 16 countries received cover. For the first time since 2003, these also included projects in Argentina again.

THE YEAR AT A GLANCE

The Federal Republic of Germany assumed investment guarantees with a total volume of 3.3 billion euros in 2019. This means that the guarantee volume came in nearly three times higher than in the previous year. The focus of cover was on Asia as well as South and Central America. In 2019, too, the Federal Government used its influence with other governments to avert imminent events of loss. In this way, diplomatic interventions by the Federal Government helped to secure the continuation of German investment projects in Ukraine, Russia and Turkey.

■ 5

3.8 billion

At 3.8 billion euros, the volume of new applications stood at almost the same level year-on-year (2018: 4.0 billion euros).

28%

28% of the investment guarantees assumed went to small and medium-sized enterprises. This is higher than the mean value of the last ten years.

RESULT OF THE BUSINESS YEAR

- ▶ The **volume of cover** (capital and earnings) assumed, at 3.3 billion euros, came in some three times higher than in the previous year (1.2 billion euros). The number of **applications accepted** (58), however, was down year-on-year (70).
- ▶ In the **regional** distribution of cover volume, 55% was accounted for in 2019 by Asia (primarily China, India and Kuwait), while 38% went to South and Central America (Argentina, Mexico and Brazil), followed by (Eastern) Europe (in particular Russia and Turkey) with 5% and Africa (Tanzania, Ghana and Ethiopia) with 2%. As in 2018, China took first place again among the **host countries**. For the first time, Tanzania ranks among the Top 5 countries in terms of the number of applications accepted.
- ▶ 38 **projects** (2018: 51) in 16 countries (2018: 17) received cover. These include for the first time investments in Kuwait as well as, after a long pause, in Tanzania and Argentina again.
- ▶ The chemical and pharmaceutical industries as well as the construction industry led the field in terms of **sectors**. 55% of all guarantees are accounted for by the industrial sector, ahead of services (36%) and projects in agriculture and forestry and the extraction of raw materials (together 9%).
- ▶ Cover was given for **equity participations and investment-like loans**, whereby the main focus of the guarantees assumed lay both as regards number (72%) and volume (77%) on equity participations.
- ▶ 28% of the applications accepted came from **small and medium-sized enterprises**. This is higher than the average of the last ten years and confirms the trend towards increased demand for guarantee cover among these companies.
- ▶ 30% of all **policyholders** in the year were **new to the cover instrument** and received an investment guarantee for the first time (2018: 26%).

TOP 5 COUNTRIES
(VOLUME APPLICATIONS ACCEPTED) IN MILLION EUR

China	1,007.8
Argentina	808.5
Mexico	429.4
Kuwait	384.9
India	351.6
TOP 5 countries 2019: (91.4%)	2,982.2
Worldwide 2019: (100%)	3,264.4

TOP 5 COUNTRIES
(NUMBER OF APPLICATIONS ACCEPTED)

China	10
Russia	8
Tanzania	6
Bosnia and Herzegovina	6
Turkey	5
TOP 5 countries 2019: (60.3%)	35
Worldwide 2019: (100%)	58

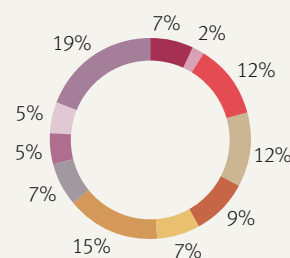
- **Investments of any size** can be covered. In 2019 the guarantees accepted covered a range from some 29,000 euros to 808 million euros.
- The volume of **new applications**, at 3.8 billion euros, was almost as high as one year before (2018: 4.0 billion euros). Nearly a fifth of all applications received in 2019 were for projects in Africa. This is the highest value of the last five years.
- Although the number of **enquiries** declined (151; 2018: 193), it remains at a high level. In addition, the enquiries were spread over a wide range of host countries. The main focus among the 64 (2018: 70) countries requested were Egypt, India and Brazil. Small and medium-sized enterprises submitted 72% (2018: 65%) of these enquiries.
- The maximum liability under the **guarantee portfolio** remains at a high level (33.3 billion euros; 2018: 33.8 billion euros).
- The Federal Government was also active in many cases in 2019 **to avert claims**. Diplomatic interventions by the Federal Government in Ukraine, Russia and Turkey helped to secure the continuity of German investment projects.
- **Internationally**, the investment guarantee scheme had the second highest guarantee portfolio among the insurers organized in the Berne Union in mid-2019.

TOP 5 COUNTRIES (NUMBER OF NEWLY REGISTERED APPLICATIONS)

China	11
Russia	7
Bosnia and Herzegovina	6
Argentina	5
Belarus	4
TOP 5 countries 2019: (52.4%)	33
Worldwide 2019: (100%)	63

NUMBER OF APPLICATIONS APPROVED BY SECTORS

Raw materials extraction	4
Agriculture, forestry and water management	1
Chemical a. pharmaceutical industry	7
Construction industry	7
Paper and wood industry	5
Automotive industry	4
Other secondary sector (e.g. metal industry)	9
Transport sector	4
Banks and insurance	3
Trade, marketing, representations	3
Other tertiary sector	11
Total 2019:	58



HOST COUNTRY RISK ASSESSMENT

At the end of 2018, the Federal Government decided to strengthen German investments in the twelve countries of the **Compact with Africa (CwA)** initiative by also introducing special conditions for investment guarantees. In 2019 too, the Federal Government assumed cover for projects in CwA countries, specifically in **Ethiopia** and **Ghana**. In the case of one of the projects in Ghana, the Federal Government reduced the self-retention from 5% to 2.5% in view of the enhanced eligibility of the project for cover.

For the first time since 1972, the Federal Government assumed a guarantee for a project in **Tanzania** on the basis of the German-Tanzanian Bilateral Investment Treaty (BIT).

After the German-Indian BIT had been cancelled by India and ceased to be in effect from mid-2017, the Federal Government assumed guarantees for projects in **India** once again in 2019. After a comprehensive analysis, the Federal Government deems that the domestic legal system in India provides sufficient legal protection to justify the assumption of guarantees for investments. This level of protection is nevertheless lower than that under the cancelled BIT.

To take account of the elevated legal protection risk which is in principle involved here, an increased premium rate of 0.6% p.a. as well as a self-retention of 10% instead of the normal 5% in the event of expropriation apply for investment guarantees in respect of projects in India.

The Federal Government was able to assume cover for **Argentina** again in 2019 after Germany and Argentina worked out a solution at the end of 2018 to a claim which had remained unresolved for years.

In addition, the Federal Government assumed cover for various projects in countries such as **Armenia**, **Bosnia and Herzegovina** as well as **Kuwait**, which are rarely the subject of requests.



Country Cover Policy

TOP 5 COUNTRIES INTERNATIONALLY BY GUARANTEE VOLUME

	per June 2019
1.	China
2.	Russia
3.	Indonesia
4.	India
5.	Pakistan

INTERNATIONAL COOPERATION

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) represents the Investment Guarantee scheme of the Federal Republic of Germany on the Investment Committee of the “International Union of Credit & Investment Insurers” (Berne Union or BU), founded in 1934. The BU is the worldwide leading organization of state-supported and private credit and investment insurers.

The members of the BU posted a maximum liability from outstanding commitments of some 177 billion US dollars in the field of direct investments at the end of June 2019. In view of the steep rise in political risk claims, discussions in the Investment Committee focused on the exchange of experience in crisis management and claims mitigation during the year under review.

The topic of investment guarantees formed the main thrust of bilateral discussions between the German Federal Ministry for Economic Affairs and Energy and the Japanese state-supported export credit and investment insurer NEXI in 2019, so that PwC took part for the first time in the meeting in Japan.

CRISIS MANAGEMENT AND CLAIMS PAYMENTS

As soon as the first signs emerge that political risks might be realized in respect of a covered investment, the Federal Government initiates action through diplomatic and political measures towards the host country in **support of the project**. This may involve the embassies of the Federal Republic of Germany in the host country accompanying the policyholder, for instance in negotiations with the public authorities of the host country or at court proceedings. The Federal Government frequently also **provides support** for projects by sending high-level letters or notes verbales to the government of the host country. The concrete supporting measures to be taken by the Federal Government are determined in close consultation with the policyholder. In addition, the Federal Government is prepared in principle to participate in costs for litigation or other **costs incurred to prevent or mitigate losses** on a case-by-case basis.

Through such diplomatic support measures, the Federal Government has been able to **prevent the occurrence of an event of loss** in investments with a total volume of some **1.5 billion euros** over the past five years.

INTERNATIONAL COMPARISON BY VOLUME OF GUARANTEE PORTFOLIO

	December 2017	December 2018	June 2019
1.	SINOSURE*	SINOSURE	SINOSURE
2.	DIA**	DIA	DIA
3.	NEXI***	NEXI	NEXI
4.	MIGA****	MIGA	MIGA

* SINOSURE = China Export & Credit Insurance Corporation, Beijing.

** DIA = Investment guarantees of the Federal Republic of Germany.

*** NEXI = Nippon Export and Investment Insurance, Tokyo.

**** MIGA = Multilateral Investment Guarantee Agency, Washington.



International
Framework
Investment
Guarantees



A digression: trading across the world – state export credit guarantees

State export credit guarantees (so-called Hermes guarantees) enable German exporters and banks to cover the commercial and political risks arising out of their export business. They protect companies e.g. from the risk of non-payment when exporting to markets with an elevated risk and are a tried and trusted risk management tool in export business.

In 2019, the Federal Government covered supplies of goods and services by German exporters to 154 countries worth 21.0 billion euros in all (2018: 19.8 billion euros). The highest cover volumes were assumed for the UK, Russia, Egypt, Brazil and Turkey.

Some 75% of all Hermes guarantees went to cover export business with developing countries and emerging markets. It is especially small and medium-sized enterprises, which regularly submit some 80% of all applications for cover, who benefit from the export credit guarantees.

Exporters are increasingly making use of the digital customer portal myAGA and the digital product line Hermes Cover click&cover. A milestone has been reached with the implementation of digital interfaces enabling the direct connection of the digital customer portal myAGA to the IT systems of banks and other financing partners. The Interministerial Committee has extended the option of a reduced self-retention in supplier credit guarantees up to 31.12.2022. As of September 2019, financing experts in Dubai, Nairobi and Singapore have been supporting the exporters, financing banks and potential policyholders on the spot.

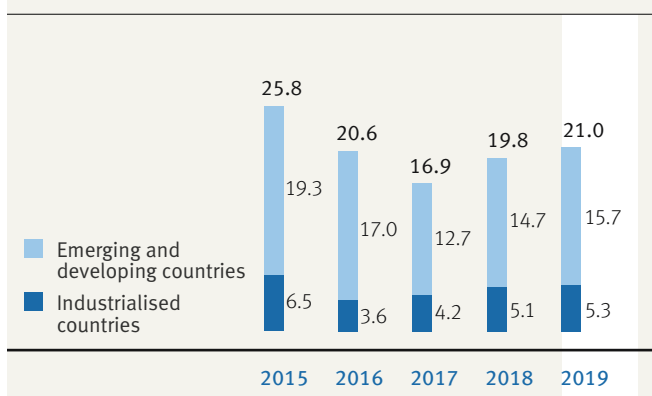
Applications for export credit guarantees are decided by an Interministerial Committee (IMC -ECG) on which representatives of the Federal Ministry for

Economic Affairs and Energy (which holds the chair as lead ministry), the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry for Cooperation and Development sit, assisted in an advisory capacity by experts from business, the banks and other institutions important for exporting industry. Export transactions which are judged to be eligible for cover and which pose a justifiable risk can receive cover. The management of the export credit guarantee scheme has been entrusted under a mandate from the Federal Government to Euler Hermes AG on their behalf.

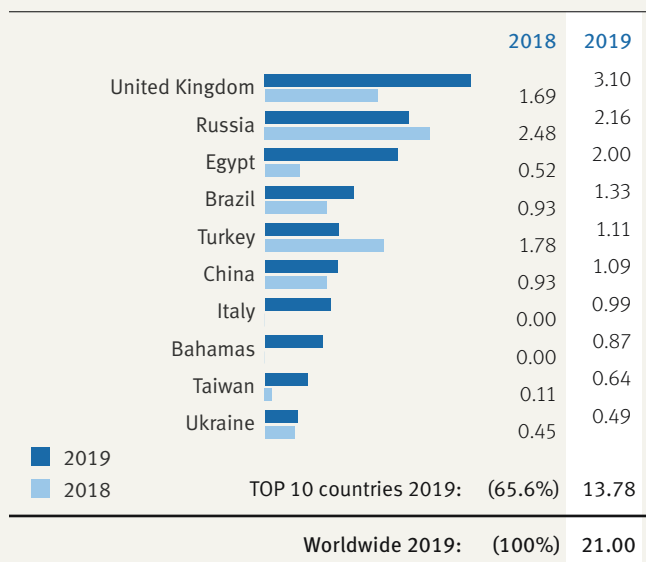
For further details, please contact:

Phone: + 49 (0)40 / 88 34 - 90 00
info@exportkreditgarantien.de
www.agaportal.de/en

VOLUME OF COVER BY COUNTRY GROUPS IN BILLION EUR



TOP 10 COUNTRIES –
RELATING TO NEWLY REGISTERED COVER IN BILLION EUR





In 2019, too, the Federal Government successfully supported policyholders in this way: for example, after diplomatic intervention by the Federal Government, the subsidiary of a German company in **Ukraine** received the renewal of official approvals necessary to continue the operation of a project which had initially been withheld.

In **Russia**, unjustified claims for millions in additional tax by local tax authorities, which could have threatened the viability of the German project, were successfully rejected with the support of the German embassy. In **Turkey** the electricity fed into the energy grid by the power station of a German company was at first unjustifiably not paid for. It was only after intervention by the Federal Minister for Economic Affairs and Energy that the contractually owed payments for electricity already delivered were resumed. The Federal Government is also active in crisis management in China, Belarus, Montenegro, Ethiopia, Iran and Uzbekistan among other countries.

If an event of loss does occur and the Federal Government pays indemnification to the company affected, they subsequently under normal circumstances take **recourse** to the host country when acts or omissions of sovereign authorities were the cause of the loss. The amounts indemnified by the Federal Government since the inception of the promotion scheme exceed the recoveries secured up to now by some 390 million euros. No claims were paid out in 2019.

A FICTIONAL EXAMPLE OF CRISIS MANAGEMENT

An investment guarantee is assumed for a foreign production facility.

The facility successfully begins operations in the host country.

...

Renewal of the production approval is illegally refused by the authorities.

The German company contacts the Federal Government via PwC.

Planning of further action in consultation with the company/ clarification of the situation with the help of the German embassy in the host country.

The company goes to court to secure the approval. The Federal Government pays part of the costs.

The embassy delivers a note verbale from the Federal Government to the host country's Foreign Ministry and points out the international consequences if a claim occurs.

The project is discussed on a visit of an economic delegation with the Chancellor, the Federal Minister of Economic Affairs or another member of the Federal Government.

The approval is issued. Production can be resumed.

...

The 15-year guarantee period expires.

The guarantee is renewed on request for a further 5 years.

In this way the Federal Government supports the project in any future problems.



38 projects

The investment guarantees assumed in 2019 refer to a total of 38 projects worldwide.

6.3 billion

The covered projects represent a total investment volume of some 6.3 billion euros.

INVESTMENT GUARANTEES AND FOREIGN TRADE PROMOTION

German investments which are eligible for cover and present a justifiable risk can be provided with long-term cover against political risks. Applications for the assumption of investment guarantees are decided on by an Interministerial Committee (IMC). The projects covered by investment guarantees also make an important contribution to the United Nations 17 Sustainable Development Goals (SDGs).

■ 13

7,300 jobs

The projects covered in 2019 create or secure something like 7,300 jobs in the host countries.

SDGs

The projects are an effective means of promoting responsible management of the environment and take social and human rights aspects into consideration.

BASICS OF INVESTMENT GUARANTEES

Investment guarantees protect direct investments by German companies in developing countries and emerging markets against **political risks** such as:

- nationalization, expropriation, acts equivalent to expropriation
- war, civil commotion as well as (on request) isolated acts of terrorism
- convertibility and transfer risks
- payment embargoes or moratoriums
- breach of contract cover (on request)

Investment guarantees offer **long-term security** since:

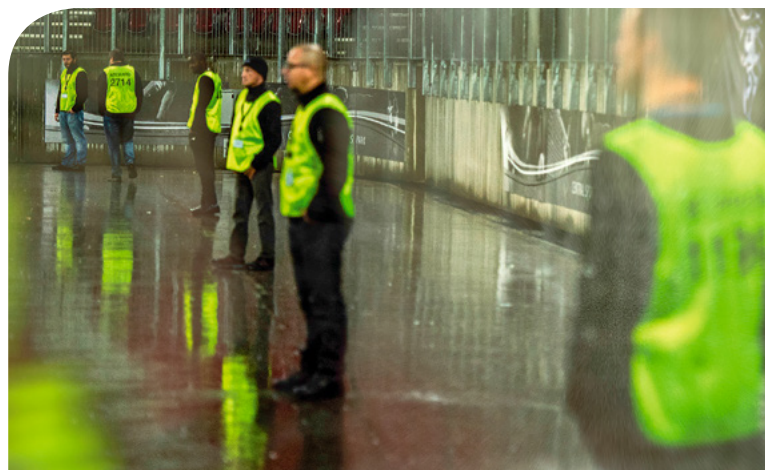
- the Federal Government prevents the occurrence of events of loss through active crisis management
- the Federal Government also participates, where appropriate, in the costs incurred for preventing losses
- the Federal Government indemnifies the loss if an event of loss does occur and
- the guarantees represent valuable collateral for lenders

The capital paid in for new and follow-up investments and the earnings due are **eligible to receive a guarantee**. Guarantees are only assumed for projects which are **eligible for cover**¹ and which have **adequate legal protection**. It is a crucial precondition for the assumption of an investment guarantee that a sufficient level of legal protection exists in the host country. The key basis for the assumption of investment guarantees in this respect is given by the bilateral investment treaties (BITs) concluded under international law between the Federal Republic of Germany and the host country

in question or perspective a comparable agreement between the host country, the European Union and the EU member state. Alternatively, the Federal Government can assume a guarantee on the basis of the national legal framework in the country concerned provided that this gives adequate protection to German investors. There is no **upper or lower limit** for the amounts involved in eligible projects.

The application fee is waived in the event of applications for amounts up to five million euros. For higher amounts, a one-off **fee** of 0.05% of the maximum guarantee amount is payable, (maximum 10,000 euros). Following assumption of the guarantee, an **annual premium** of, under normal circumstances, 0.5% p.a. on the covered capital and, where appropriate, covered earnings is charged. The standard period of validity for a guarantee is 15 years. This can be prolonged. The self-retention to be borne by the policyholder in the event of a claim is normally 5%.

Basics of Investment
Guarantees



¹ Cf pp. 15 ff.: "Eligibility of direct investments for cover"

THE INTERMINISTERIAL COMMITTEE

Decisions on whether to assume investment guarantees are taken by an Interministerial Committee (IMC) consisting of representatives of the Federal Ministry for Economic Affairs and Energy (BMWi), the Federal Ministry of Finance (BMF) the Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development (BMZ). Alongside the four Federal Ministries, experts from German industry and the banks as well as the country associations and representatives of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as the Federal Government's mandatory agent for the investment guarantees also sit on the Committee.



Application for
Investment guarantees

In the IMC the Federal Ministry for Economic Affairs and Energy (BMWi) as lead ministry decides with the consent of the Federal Ministry of Finance (BMF) and in agreement with the Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development (BMZ) in accordance with budget law and the specifics of each individual investment project. At the same time the IMC adapts the underwriting tools of the guarantee scheme to fit the needs arising.

The IMC is chaired by Ministerialrat Tobias Pierlings, Head of the Department VC 3: "Foreign investments, Paris Club, development banks" in the Federal Ministry for Economic Affairs and Energy. Co-Chairman of the IMC is Oberregierungsrat Christian Glenz, Deputy Head of Department VC 3.

ELIGIBILITY OF DIRECT INVESTMENTS FOR COVER

The prerequisite for assuming a guarantee is the eligibility of the specific project. For this, the project must have positive feedback effects for Germany. Of particular importance is the creation or safeguarding of jobs in Germany. On the other hand, the project must also have a positive impact on the economic development of the host country concerned. This may involve the creation of highly-qualified jobs, the generation of hard currency revenues or know-how transfer. In addition, the appropriate management of the environmental, social and human rights aspects of the project must be ensured. That is why this annual report also presents the contribution made by the covered projects to the 17 United Nations sustainable development goals (SDGs). The member states of the United Nations agreed in 2015 to realize these goals by the year 2030. In order to achieve this, significant investment from the private sector, especially in risky markets, will be necessary.

In 2019, the Federal Government supported investments in 16 countries by means of investment guarantees. Six of these countries, according to the definition of the World Bank, belong to the category of low or lower middle income countries. The new guarantee volume in this year was 3.3 billion euros. The overall investment volume mobilized by the companies in connection with these covered amounts was some 6.3 billion euros. These investments and their contribution to the economic development of the host countries help to reduce the global inequalities between countries (SDG 10).



Good health and well-being for the population are ensured by reducing environmental impacts. Certifying the environmental management system verifies that companies are working towards improving their environmental performance on an ongoing basis.

33%* of the project companies in Categories A and B have already certified their environmental management according to **ISO 14001** or are planning to do so.



Companies should provide a safe working environment for their employees. Certifying the working safety management system verifies that a company is constantly improving its workplace health and safety and accident prevention measures.

29%* of the project companies in Categories A and B have already certified their working safety management according to the **OHSAS 18001/ISO 45001** Standard or are planning to do so.



Companies should invest in clean technologies by 2030 in order to make their use of resources more efficient and environmentally friendly. A certified energy management system verifies that companies are working on constantly increasing their energy efficiency.

8%* of the project companies already have or are planning to introduce an **ISO 50001** certified energy management system.



Sustainable production patterns should have been implemented by companies by 2030.

The way to make the entire production process **sustainable** is through companies implementing responsible management of environmental, social and human rights aspects.

AGENDA 2030



Full employment is to be reached in all parts of the world by 2030. The covered projects create jobs in risky markets while at the same time safeguarding qualified jobs in Germany.

7,300 direct jobs were created in the project companies.



The share of the manufacturing sector in employment is to be substantially increased and/or the share in the least developed countries should double by 2030. A large proportion of the covered projects is active in the manufacturing sector.

3,900 jobs were created in the **manufacturing sector**.



Investments in less developed countries should increase, thus reducing global imbalances.

A total of 6.3 billion euros in investment flows went to less developed countries through the projects supported.



Additional funding from various sources should be mobilized for the developing countries and systems for the promotion of investment in the least developed countries implemented. This is also the main thrust of the Federal Government's Compact with Africa (CwA) initiative.

6 of the 16 host countries belong to the category of **low or lower middle income countries**.

2 CwA countries belonged in 2019 to these host countries.

* Irrespective of whether they are certified, the proportion of companies which actively observe environmental, health and safety aspects as well as energy efficiency is far higher than represented here.

In 2019, 55% of the investment guarantees assumed were for projects in the industrial sector, which plays a key role in the implementation of the SDGs (SDG 9). At the same time, investment guarantees help to mobilize the flow of finance to less developed countries (SDG 17).

Support for investments in developing countries and emerging markets encourages long-term economic growth and the creation of jobs. The guarantees assumed in 2019 helped to directly create or secure some 7,300 jobs in the projects which received cover (SDG 8). It is safe to assume that the indirect employment effects have led to a far greater number of jobs being created.

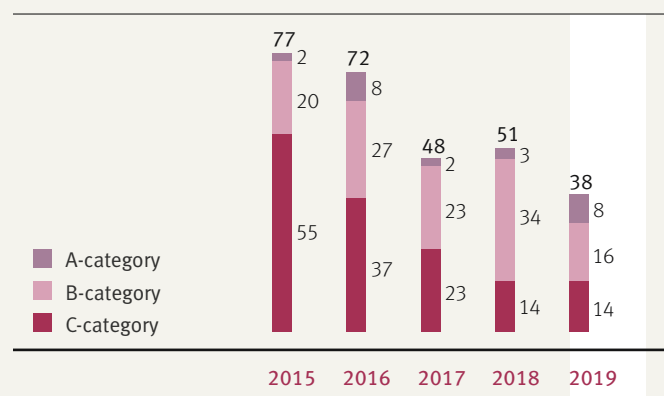
Whatever sector they are active in, companies contribute to the SDGs by complying with human rights, social and environmental standards and mitigating potential negative effects as far as possible. The eligibility of projects for cover depends to a large extent on an appropriate approach to how they deal with these aspects. In order to ensure this, all applications for projects first of all go through a screening process to identify potential risks in the areas mentioned above.

The projects are categorized according to their risk level (Category A for high risks, B for medium and C for low risks) and audited. In addition to fulfilling the national criteria in central risk areas, the projects must also meet the key requirements of the Performance Standards of the International Finance Corporation (IFC); the IFC is an international development bank which forms part of the World Bank Group. Through such management of environmental aspects, health and safety at work and energy efficiency, many of the projects covered in 2019 also make an active contribution to the ongoing improvement of environmental performance (SDG 3), the reduction of accidents at work (SDG 8) and the ongoing improvement of resource efficiency (SDG 9). At the same time the requirements placed by the Interministerial Committee on the eligibility of projects for cover are an incentive for companies to change their manufacturing processes to make them more sustainable, which in turn leads to sustainable production and sustainable consumption (SDG 12).

Environmental,
Social and Human Rights
Due Diligence (ESHR)



DISTRIBUTION OF RISK CATEGORIES (REGARDING ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS ASPECTS) YEAR-ON-YEAR



ANNEX

COVER DESIGN

The cover pages of the Annual Reports of the Investment Guarantee Scheme of the Federal Republic for 2019 are the result of a tender procedure carried out by the Federal Government mandatories in 2019 at the University of Applied Science Europe in Hamburg.

Within the framework of the projects, students submitted ideas for the graphic design of the cover pages for the two annual reports 2019. The design chosen was the one by Alex Harbich, who is studying photography in his 6th semester at the Department of Art & Design. Alongside his studies, he works as a freelance architecture photographer. His minimalistic style is apparent above all in artistically staged projects dealing with the phenomenon of human existence. He also

exhibits these works outside the university context – for instance in galleries, hotels or at the Phototriennale 2018.

The artist, who is today 25, first developed his interest for his artistic and perfectionist working method while still at school. He first

decided to study in a technical area, however. Today, as a photographer, he profits from the experience he made studying engineering. Against this background, Alex Harbich devoted intensive study to the importance of German craftsmanship in the 21st century. He contacted small and medium-sized enterprises in order to photograph them going about their everyday work. The cover design of the Annual Reports of the Investment Guarantee Scheme shows the manufacturing and calibration process of high-precision measuring equipment – a process which could not have been done without investments being made beforehand in the machines used, but which also depends to a great extent on the export of the finished workpieces abroad.



DEFINITIONS AND EXPLANATIONS

Bilateral Investment Treaty (BIT):

A treaty under international law between (two) countries under which they mutually guarantee legal protection for capital investments made by their citizens/companies on the territory of the other party to the treaty.

Breach of contract cover:

Cover provided on special application against the risk of breach of contract by the government, state-directed or state-controlled authorities.

Other rights qualifying as assets:

Rights made long-term in cash or other in-kind contributions and the objective of entrepreneurial activity (e.g. rights under production agreements for oil).

Compact with Africa (CwA) initiative:

The Federal Government strengthens German investments in CwA countries by means of special measures in the investment guarantee scheme.

Conversion and transfer risk/payment embargo and moratorium risk:

Risks due to the impossibility of converting or transferring amounts deposited with a sound bank for transfer as well as payment embargoes or moratoriums.

Cover for capital (capital cover):

Includes the contributions made to the capital investment (e.g. nominal capital invest-

ments); the value of the capital investment capitalized in accordance with accounting principles generally accepted in Germany can be covered in principle.

Cover for earnings (earnings cover):

Includes distributed profits or profits payable (e.g. dividends, interest) on covered capital investments.

Direct investments:

Capital investments related to entrepreneurial influence and control of business activity.

Endowment capital:

Capital, goods or other services, provided on a long-term basis to a legally dependent branch.

Guarantee:

Warranty of the Federal Republic of Germany to pay an indemnification for the loss of a capital investment caused by the occurrence of a political event of loss.

IFC Performance Standards:

Principles of the International Finance Corporation (member of the World Bank Group) with regard to the identification and the handling of environmental and sustainability issues of projects abroad (www.ifc.org).

Issued policies:

Approved guarantee applications insofar as guarantee declarations have been issued.

Loan, investment-like:

Has to be long-term and differ from a financial loan by an appropriate form of contract according to the project.

Maximum amount:

Total sum of cover for capital and earnings.

Maximum liability (exposure):

Total sum of cover for capital and earnings minus retention.

Outstanding commitments:

Portfolio of policies under which claims may still be made against the Federal Republic of Germany

Small and medium-sized enterprises:

Enterprises with a workforce up to 2,000 or a turnover of up to 500 million euros and not belonging to a larger group of companies.

Terrorism, isolated acts of:

Acts of terrorism which are not related to civil commotion or the like (= isolated) can be covered insofar as it is impossible to cover the risk on the private market at economically acceptable conditions and the situation in the host country must be such that acceptance of such a risk appears justifiable. The extension of cover is initially limited to five years with an increased premium of 0.6% p.a.

PHOTO CREDITS

- Cover, 18 Alex Harbich,
Hamburg
- 2 Bundesministerium für
Wirtschaft und Energie,
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- 4 Getty Images,
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- 12 Getty Images,
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- 14 Getty Images,
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NOTES

Rounding differences:

For reasons of calculation, tables and figures may show rounding differences of +/- 1 unit (EUR, % etc.)

Legal information:

The project reports used in this publication were written or authorised by the respective enterprises or banks.

The lead function for underwriting decisions for the investment guarantees of the Federal Republic of Germany is exercised by the **Federal Ministry for Economic Affairs and Energy**:

Bundesministerium für Wirtschaft und Energie
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The investment guarantee scheme is managed on behalf of the Federal Government by **Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft**, Hamburg, (PwC) as mandatary of the Federal Government. Further information as well as detailed consultation concerning the cover available may be obtained from PwC. General information on the investment guarantees of the Federal Republic of Germany is also available on the internet, e.g. the latest information in the DIA-Report, an informational video, the General Terms and Conditions, leaflets, a flyer as well as the annual and semi-annual report.

We have created a special hotline for small and medium-sized enterprises. For details of this, please see our website (www.investitionsgarantien.de/en).

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www.investitions Garantien.de/en

Investment Guarantees of the Federal Republic of Germany

Investment Guarantees have been an established and effective foreign trade promotion instrument of the Federal Government for decades. Investment Guarantees protect eligible German direct investments in developing countries and emerging economies against political risks. This promotion instrument plays an important role in fostering economic growth as well as in protecting and creating jobs both in the host country and in Germany.

The investment guarantee scheme is managed on behalf of the Federal Republic of Germany by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as mandatary of the Federal Government.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwi.de under the search term “Promotion of foreign trade and investment”.



Federal Ministry
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