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and Climate Action

Investment Guarantees Annual Report 2022

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Foreword

Dear ladies and gentlemen,

In 2022, the Federal Republic of Germany assumed investment guarantees with a total volume of 2.3 billion euros, only slightly down on the previous year's figure of 2.6 billion euros. The volume of newly registered applications continues at a high level, 1.9 billion euros.

The policyholders expressed their serious concern at the global rise in political risks in a survey carried out at the end of 2022. Many companies said that they were rethinking their globalization strategy in the light of their experience with the COVID-19 pandemic and the Russian invasion of Ukraine and planning new diversified investments. The intention here is to make global supply chains less vulnerable to external shocks.

The Federal Government supports German companies in the face of these challenges with the investment guarantee scheme, tried and tested over decades. In 2022 we decided on a change in our cover practice. In order to provide even more effective support for German companies in their efforts to open up new markets in future, it is planned in particular to set incentives for investments in countries which have hitherto received too little attention from business. Another element of this decision in principle is a moderate, but targeted tightening of the conditions of cover for those countries which in the past accounted for a disproportionately large concentration of covered projects, as well as the introduction of a cover limit per company and host country.

In parallel with this we are finalizing the climate strategy for the investment guarantee scheme in order to intensify our promotion of environmentally friendly projects. This is intended to help developing countries and emerging markets in the transition to a climate-neutral economy. The goal here is to align projects by German investors with investment guarantee cover with the Paris climate targets as well as the 1.5° target set out in the coalition agreement.

At the end of February 2022 the Federal Government suspended the assumption of guarantees for Russia and Belarus until further notice. For projects in Ukraine, in contrast, a number of positive decisions were taken in 2022. It is and will remain the Federal Government's goal to support Ukraine politically and economically to the best of our ability. You can find further details of the development of the investment guarantee scheme in 2022 on the following pages. I trust you will find them interesting reading.

Dr. Robert Habeck
Federal Minister for Economic Affairs and Climate Action

Contents

The year at a glance

In 2022 the Federal Government assumed investment guarantees with a total volume of 2.3 billion euros (2021: 2.6 billion euros). Despite the slight fall in the new volume of cover, the number of applications accepted, at 43, is significantly up year-on-year (2021: 30). The regional focus once again lay on Asia, both as regards newly issued guarantees and in the overall portfolio, which had risen to 30.1 billion euros at the end of 2022, representing covered investments in 57 foreign markets. Cover practice in the Investment Guarantee Scheme was modified to fit the diversification of German industry. In addition, the Federal Government pursued a very active crisis management in numerous countries in 2022.

47 percent

47 percent of the applications accepted in 2022 were made by small and medium-sized enterprises, the highest figure since 1995.

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52 percent

52 percent of policyholders received an investment guarantee for the first time in 2022. This is the highest figure since 2006.

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Results of the business year

- The number of **applications accepted** in 2022, at 43, saw a significant rise over the previous year (30), whereby more **projects** were also supported (2022: 29; 2021: 20). The newly assumed volume of cover (capital and earnings), 2.3 billion euros, came in slightly lower year-on-year (2.6 billion euros).

- The **regional distribution** of new cover is up on the preceding year (2022: 16 markets; 2021: 11). 60 percent by number of the applications accepted are accounted for by projects in Asia (in particular People's Republic of China, Taiwan and Vietnam) and 19 percent by projects in (Eastern) Europe (Ukraine, Turkey and Serbia). This is followed by South and Central America (Argentina, Guatemala and Nicaragua) with 12 percent as well as Africa (Egypt, Algeria and Tanzania) with 9 percent. As in the previous year, PR China takes pride of place among the **target markets for investments**. That said, projects in Taiwan, Ukraine, Serbia and in the Philippines were covered for the first time in many years in 2022. Ukraine and Taiwan also rank among the Top 5 markets in 2022 in terms of the number of applications accepted.

47 percent

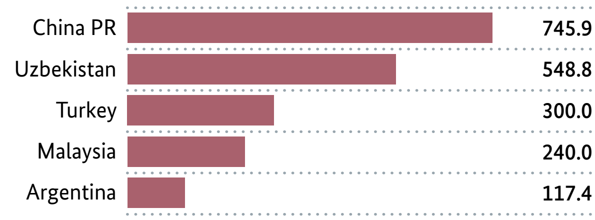
- As regards **sectors**, projects in the building materials industry came in first in terms of applications accepted (19 percent) before the waste disposal or recycling sector (14 percent). The majority of the applications accepted here, 61 percent, were accounted for by the industrial sector, followed by services (30 percent) and projects in agriculture and forestry and the extractive industry (together 9 percent).

- In 2022, the Federal Government assumed cover for **equity participations, investment-like loans and other rights qualifying as assets**. The majority of the applications accepted (58 percent) were for equity participations.

- 47 percent of the applications accepted in 2022 came from **small and medium-sized enterprises**, the highest figure since 1995. This shows that effective insurance against the political risks involved in opening up new markets abroad has become substantially more relevant, especially for small and medium-sized enterprises.

Top 5 markets by volume of accepted applications

in million EUR **2022**

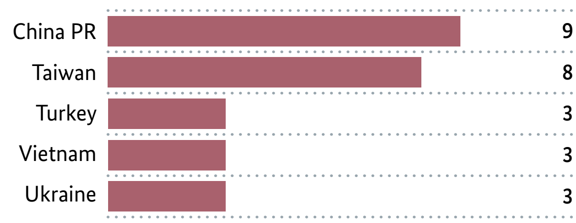


Top 5 markets 2022: (84.4 %) 1,952.1

Worldwide 2022: (100 %) 2,311.8

Top 5 markets of accepted applications

by number **2022**

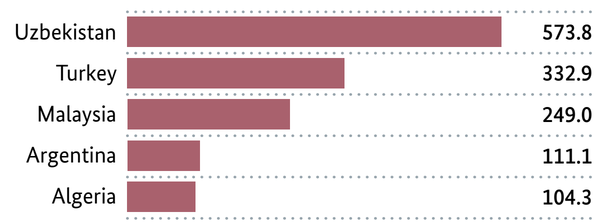


Top 5 markets 2022: (60.5 %) 26

Worldwide 2022: (100 %) 43

Top 5 markets by volume of newly registered applications

in million EUR **2022**



Top 5 markets 2022: (73.6 %) 1,371.1

Worldwide 2022: (100 %) 1,862.8

- 52 percent of **policyholders** received an investment guarantee for **the first time** in 2022. This was a substantial increase on the previous year's already high share (40 percent) and the highest figure since 2006. This means that investment guarantees are being used by a steadily growing number of companies for the risk management of their foreign investments.

- Investments **of any size** are eligible for cover. In 2022 the Federal Government assumed guarantees in a range from some 200,000 euros to 652 million euros.

- The number of **new applications** in 2022, 65, went up considerably in comparison with the preceding year (2021:49). The volume here stands, at 1.9 billion euros, below the figure for the previous year (4.4 billion euros). Uzbekistan, Turkey, Malaysia, Argentina and Algeria were the TOP 5 markets by volume of applications.

- The number of **enquiries** received in 2022 went up again compared with the high level of the previous year (2021: 136; 2022: 151). Enquiries were placed for 58 target markets for investments, principally for projects in PR China, Ukraine and Turkey. Small and medium-sized enterprises submitted 65 percent of enquiries (2021: 64 percent). The Federal Government's maximum liability under the guarantee portfolio at the end of 2022 was significantly up, at 30.1 billion euros (2021: 28.7 billion euros).

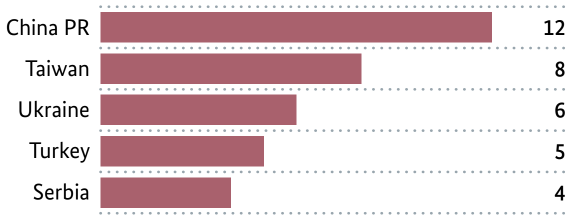
- In 2022 the Federal Government once again took diplomatic supporting action in many covered German projects in order to head off their failure and to prevent losses. The main thrust of such **crisis management activities** involved investment projects in Algeria, Belarus, India, Iran, Lebanon, Libya, Mauritius, Russia, Ukraine and Vietnam.

- **Internationally**, the German investment guarantee scheme posted the second highest guarantee portfolio among the insurers organized in the Berne Union in mid-2022.

52 percent

Top 5 markets of newly registered applications

by number **2022**



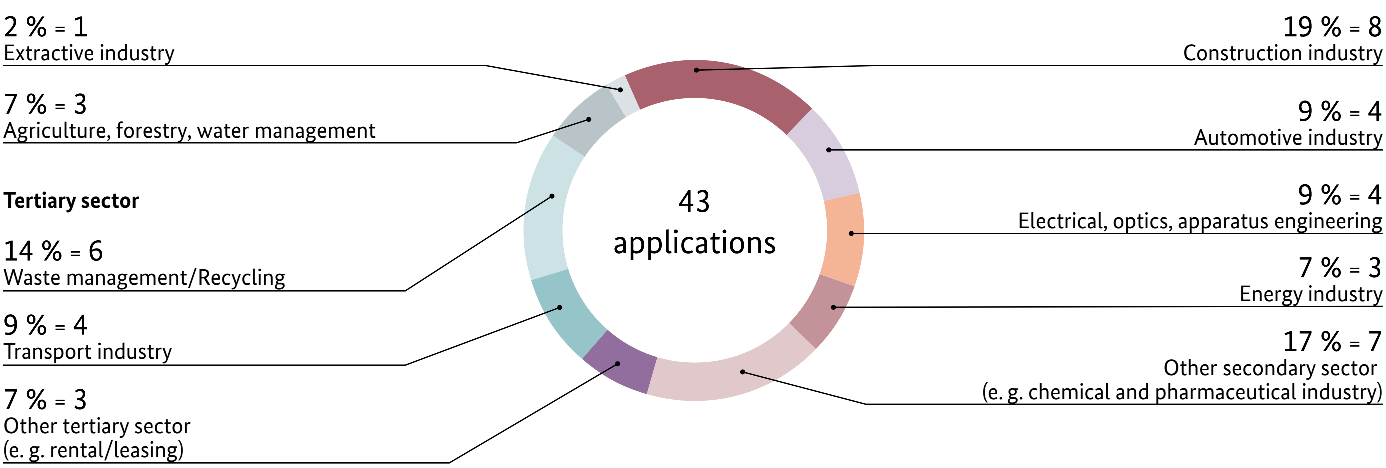
Top 5 markets 2022: (53.8 %) 35

Worldwide 2022: (100 %) 65

Applications approved by sectors

in percent and number **2022**

Primary sector **Secondary sector**



Incentives for greater diversification in German foreign trade

The Federal Government decided on changes to their practice for giving investment guarantee cover at the end of 2022. The intention is to provide even more effective support for German companies in their efforts to open up new markets abroad. This applies particularly to countries which were hitherto not the focus of attention for business, but which have great potential. Specifically, it is planned to introduce more favourable cover conditions which offer incentives for investment in such countries. This is intended to place German foreign investments on a broader footing.

Another element of this decision in principle is a moderate but targeted tightening of the conditions of cover for those countries which accounted for a disproportionately large concentration of covered projects in the past: in those countries which had a share of more than 20 percent of the overall cover volume of the scheme, the annual premium will be increased from the standard 0.50 percent to 0.55 percent of the investment volume secured by the guarantee concerned.

In addition, a maximum cover limit of three billion euros per company and host country (a so-called cover ceiling) will be introduced, whereby the figures for affiliated companies will be aggregated (group assessment). Exceptions are only possible in certain specific and limited cases if and when a strategic interest of Germany is involved. At the time it was defined, something like 10 percent of the overall cover volume of the investment guarantees was affected by this cover ceiling. It is to be reviewed every three years and where necessary adjusted. Introducing such a cover ceiling will enable the risks to be more widely spread. Existing guarantees above the cover ceiling will only be extended for a transitional period of five years and on more stringent conditions.

News & Publications

Host country risk assessment

The Russian attack on Ukraine caused the Federal Government to suspend the assumption of investment guarantees for **Russia** and **Belarus** until further notice.

The Federal Government remains prepared to assume guarantee cover for German investments in **Ukraine** and has in fact assumed several guarantees for the capital invested in projects in Ukraine in 2022. The Federal Government is monitoring the fast-changing situation in Ukraine on an ongoing basis. The decision on whether to grant cover is taken individually on a case-by-case basis taking into consideration the political and economic situation as well as, in particular, the project location.

Since no German-Taiwanese investment protection treaty (BIT) exists, the level of legal protection for German investments in Taiwan is assessed on the basis of the Taiwanese legal system. The Interministerial Committee for investment guarantees (IMC), following an in-depth evaluation, has determined that adequate legal protection is in place and therefore assumed cover for several projects in Taiwan in 2022.

The IMC deployed the recently adopted adjustments in cover practice for the first time in connection with the assumption of cover at the end of 2022 for a project in **PR China**. The PR China belongs to the category of countries which have a share of more than 20 percent of the overall cover volume of the investment guarantees, so that the IMC decided on an increase of the guarantee premium to 0.55 percent p. a. for the project in question.

The IMC assumed cover for the invested capital plus the earnings due from a project in **Egypt**. The Federal Government also incorporated key obligations arising out of the project agreement in the scope of cover here as commitments by central state authorities and was therefore able to offer the policyholder a tailor-made cover design. In view of the economic situation of the country, however, the IMC extended the disbursement period for indemnification following the occurrence of a loss due to conversion and transfer risks and/or payment embargo and moratorium risks from six to nine months. Egypt is one of the countries covered by the **Compact with Africa** (CwA) initiative. The Federal Government supports investments in CwA projects by special measures in the investment guarantees, in the present case by waiving the application fee.

The IMC assumed a guarantee in 2022 for a project in **Uzbekistan**, granting full cover both for the invested capital and the earnings due. In this project too, the Federal Government incorporated key obligations of central state authorities into the scope of cover.

Crisis management and claims payments

The environment for German projects in developing countries and emerging markets has deteriorated noticeably over recent years. The consequences of the COVID-19 pandemic, still unresolved trade disputes, the growing influence of nationalistic forces as well as, not least, the Russian armed attack on Ukraine, are posing a major threat to German direct investments due to political risks. The Federal Government provides effective political flanking measures for German companies in the event of interventions in projects abroad with the investment guarantee scheme. They benefit directly from the worldwide network of political and economic relations of the Federal Republic of Germany in case of difficulties with state authorities. Targeted diplomatic support measures help to secure the continuity of the project and have a high success rate in preventing events of loss. In individual cases the Federal Government is also prepared in principle to participate in the costs for the prevention or mitigation of losses (e.g. attorneys' fees or court costs). In the last five years, the total volume of "rescued" projects amounted to almost 1.5 billion euros.

In 2022, too, the Federal Government successfully employed such targeted crisis management measures to support policyholders. In a covered project in PR China which has long been beset with problems, it was possible to find a conclusive solution which took appropriate account of the German investor's economic interests thanks to intensive flanking measures by the Federal Government. Diplomatic intervention by the Federal Government also helped to achieve significant progress in a project which was leaning towards causing a claim in Iran. On top of this, the Federal Government was also actively involved in crisis management in Algeria, Belarus, India, Libya, Mauritius, Russia, Vietnam, Ukraine and Lebanon.

If it proves impossible to avert an event of loss despite diplomatic crisis management and the Federal Government pays indemnification to the company affected, it will subsequently under normal circumstances try to take recourse to the host country concerned to recover the money paid out. Such recovery action is often a drawn-out process over many years. The amounts indemnified by the Federal Republic of Germany since the inception of the promotion scheme exceed the recoveries secured up to now by some 390 million euros.

Project example: building materials for Ukraine

The FIXIT GROUP is a leading European manufacturer of building materials and produces insulation systems, mortar, plaster and paints in 68 factories in 19 European countries. Acting as a group, they market products and solutions for residential buildings and non-residential construction, general construction and civil engineering, new construction and refurbishment.

The FIXIT GROUP has been active with a factory in Ukraine under the Kreisel brand for 20 years. Since 2018, this factory south of Kyiv has been constantly expanded with a view to sustainable production. It has extensive production facilities both for dry and wet building materials.

In order to better meet the requirements of its customers, especially in the western regions of Ukraine, and to serve the booming market for building materials in Ukraine, following a comprehensive planning phase the construction of a cutting-edge and high-performance production facility to the south of Lemberg (Lviv) was begun in August 2021. This factory, which will create some 60 new jobs and have state-of-the-art production standards, is intended to manufacture high-quality building materials made to European standards for customers in the whole of western Ukraine and, thanks to its modular expansion design, is well prepared for further strong growth in the Ukrainian market. The construction work became much more complicated due to the outbreak of war in February 2022 but has not been suspended.

After completion, the Kreisel Ukraine factory is planned to play a decisive role in the reconstruction and modernization of the country. Thanks to the investment guarantee from the Federal Government, which covers war and political risks, the transfer of fresh capital and thus the continuation of construction work on site is assured in spite of the uncertainties prevailing at the moment in Ukraine due to the war.

Haslberger Finanzdienstleistungs- und Beteiligungs GmbH,
Freising

International cooperation

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) represents the Investment Guarantees of the Federal Republic of Germany in 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.

At the end of June 2022, the members of the BU posted a slightly increased guarantee portfolio of some 170 billion US dollars in the field of direct investments compared to the previous year. The tentative recovery from the shock caused to the global economy by the COVID-19 pandemic was considerably slowed down by the armed attack by Russia on Ukraine as well as ongoing geopolitical tensions. An overall cautious investment activity is balanced by a growing demand for insurance to cover the palpable political risks all over the world. Investment decisions are increasingly also being taken by companies with the goal of developing greater resilience against global crises, whereby a greater geographical diversification of production locations and supply chains is becoming apparent.

At the same time virtually all the members of the BU are realigning their underwriting instruments in light of the climate impacts of the projects being supported. The contribution which cover schemes can make for trade and investment to the climate-friendly transformation of the global economy was thus a central topic in the discussions between the international insurers.

International Comparison by Volume of Guarantee Portfolio

	December 2020	December 2021	June 2022
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.

Top 5 markets internationally by guarantee volume

	June 2022
1	PR China
2	Indonesia
3	Ethiopia
4	Vietnam
5	Bangladesh

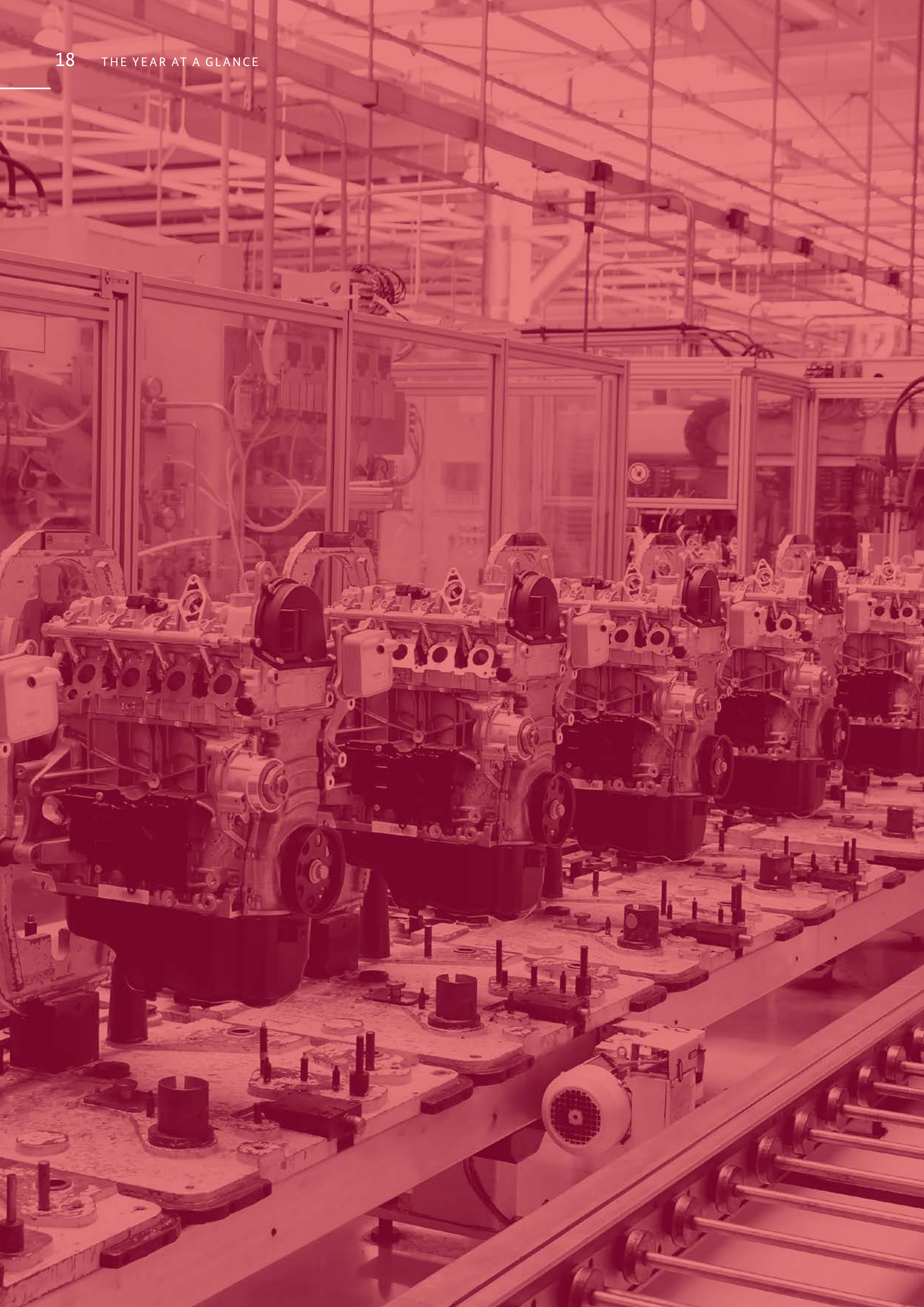
Project example: semiconductor production in Malaysia

Infineon Technologies AG in Neubiberg is among the leading global suppliers of semiconductor solutions for efficient energy management, intelligent mobility as well as secure wireless communications. With some 56,200 employees, the company generated turnover of more than 14 billion euros in the business year 2022.

Infineon Technologies AG is strengthening its leading position on the world market and the resilience of its supply chains with an investment of over 2 billion euros in a third module in Kulim in Malaysia by expanding its production capacity in the field of compound semiconductors. Renewable energies and electromobility are the main drivers of strong and sustainable growth in demand for such semiconductors.

At full capacity, the third module in Kulim will create 900 high-quality jobs. The work on construction of the new factory, expected to take some two years, began in summer of 2022. The first manufactured wafers will come off the production line in the second half of 2024. The Federal Government is supporting this project with investment guarantees.

Infineon Technologies AG,
Neubiberg

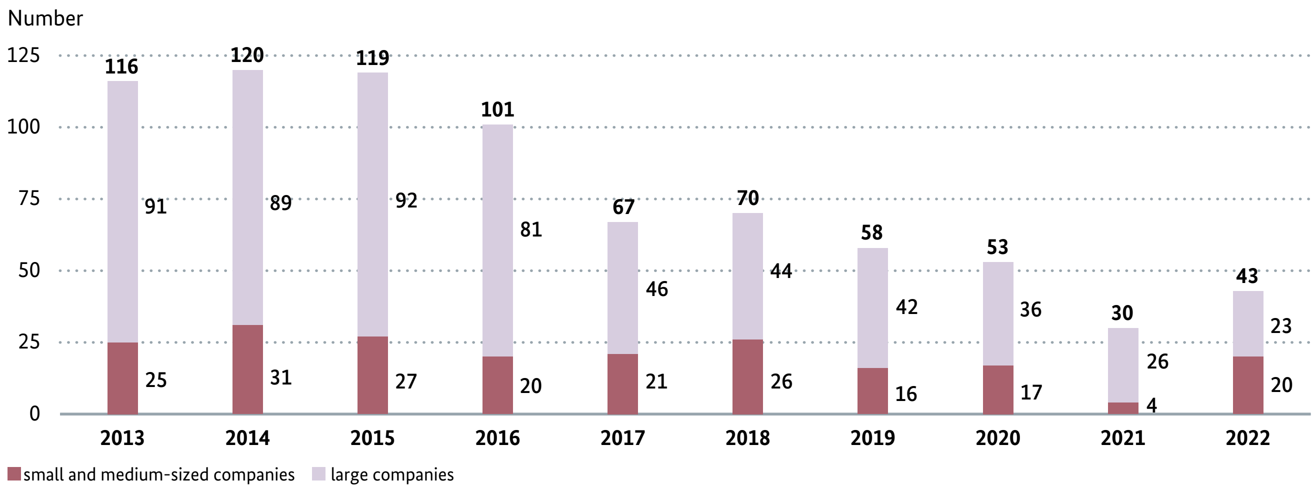


Results of the Investment Guarantee Scheme

The **guarantee portfolio** at the end of 2022 stands at 30.1 billion euros, the highest value of the last three years. Guarantees for projects in Asia have accounted for the lion's share here since 2014, followed by (Eastern) Europe, South and Central America and Africa. The **Top 10 markets** in the guarantee portfolio remain unchanged in their distribution compared with the previous year. The majority of cover went to the industrial sector here (in particular the construction, automotive and pharmaceutical **sectors**). In terms of the **insurable forms of investment**, "equity participations" has been far and away the leading type (numbers: 84 percent; volume: 86 percent) ahead of the others, "investment-like loans", "other rights qualifying as assets" and "endowment capital". The share of **small and medium-sized enterprises** in the guarantee portfolio, 30 percent, represents the highest level of the past ten years.

The capital cover in the portfolio of pending applications at year-end 2022 stood at 10.4 billion euros, slightly down year-on-year (2021:11.3 billion euros). Applications for cover for projects in PR China (4.1 billion euros), Russia (2.6 billion euros, currently suspended) and the United Arab Emirates (2.2 billion euros) were the main focus here. Pending applications are frequently applications which were made now in order to observe the stipulated deadline and are successively completed by the companies concerned during the implementation of the projects abroad before being submitted to the Interministerial Committee for their decision. Since the Federal Government suspended the assumption of cover for projects in Russia and Belarus until further notice on 24 February 2022, pending applications in these foreign markets are not being processed further, however.

Approved applications by size of company



Top 10 markets according to guarantee portfolio number and volume of guarantees at the end of 2022

	Number	Volume in billion EUR
China PR	159	11.3
Russia	103	7.3
Turkey	47	1.0
India	25	1.0
Belarus	25	0.2
Colombia	22	0.1
Ukraine	21	0.3
Iran	18	0.1
Vietnam	13	0.1
Brazil	10	0.1

Top 10 markets 2022: (73.5 %) 443 Guarantees/(71.4 %) 21.5 Billion EUR

Worldwide 2022: (100 %) 603 Guarantees/(100 %) 30.1 Billion EUR

Number Volume

A statutory maximum exposure for the cover of foreign direct investments and other guarantees in connection with untied loans (UFK-guarantees) and loans from the European Investment Bank is laid down annually in the Federal Budget Law (§ 3 Paragraph 1 sentence 1 number 2 letters a-c). This limit currently stands at 60 billion euros. In the case of guarantees with an exposure of more than 1 billion euros, the Budget Committee of the Lower House of the German Parliament must be informed before the guarantee is assumed.

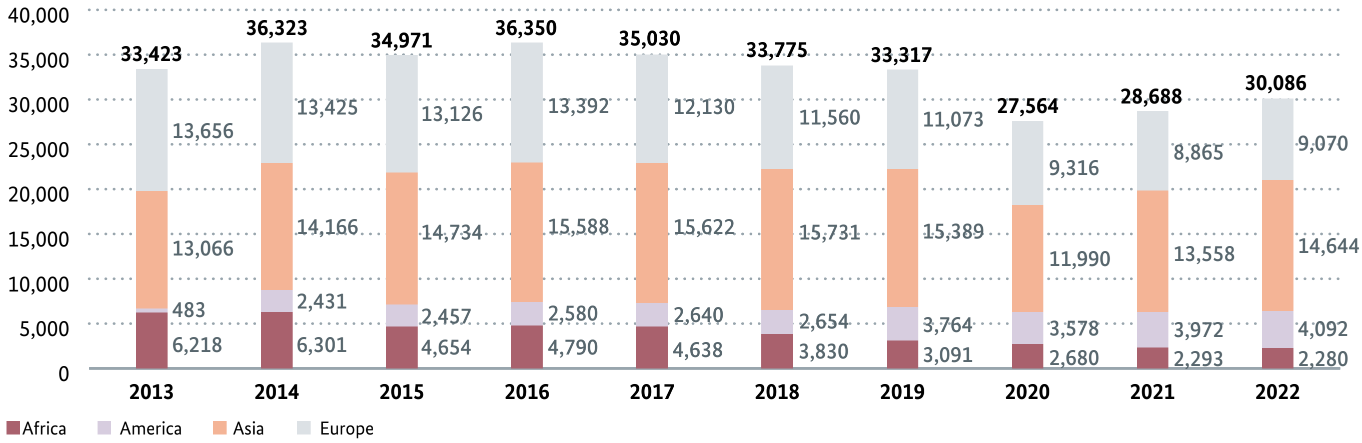
Number of guarantee portfolio by sectors

in percent und number

2022

Maximum liability 10-year overview regional

in million EUR



The total exposure of the Federal Government for investment guarantees at the end of 2022, at 30.1 billion euros, was 1.4 billion euros up on the previous year (end of 2021: 28.7 billion euros). The maximum liability of the Federal Republic of Germany under all guarantees newly issued in 2022 stood at 2.2 billion euros. At the same time the outstanding commitments decreased by 0.8 billion euros, mainly due to repayment of loans, sales as well as through the cancellation of guarantees.

The number of guarantees in the portfolio (603) is slightly higher than in the previous year (592). The portfolio contained projects in 57 host countries for investment, whereby the volume here was mainly accounted for by projects in Asia (48 percent) and (Eastern) Europe (30 percent). Projects in South and Central America (14 percent) and in Africa (8 percent) came third and fourth. The highest value among the covered projects in terms of volume, 11.3 billion euros, went to PR China; second to fifth places were taken by projects in Russia (7.3 billion euros), Mexico (2.4 billion euros), Argentina (1.3 billion euros) and Turkey (1.0 billion euros).

Taken together, projects in these five foreign markets account for 78 percent of total exposure.

The Investment Guarantee Scheme pays for itself. Since the inception of the scheme the revenues of the Federal Government (fees and premiums as well as recoveries from recourse against host countries) under the scheme have exceeded the amounts paid out for claims and the costs of running it by a substantial margin. This was also the case in 2022.

Development of outstanding commitments in billion euros

28.7	**Status at the end of 2021**
2.2	**New exposure**
2.2	new in 2022
-0.8	**Total reduction**
-0.5	expired, repaid
-0.2	terminated
-0.1	not/partly realised
30.1	**Status at the end of 2022**

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. In 2022 too, the projects covered by investment guarantees also make an important contribution to the United Nations 17 Sustainable Development Goals (SDGs). The climate strategy of the Investment Guarantee Scheme is nearing finalization and will set numerous incentives for climate-neutral investments. The policyholder survey held in autumn of 2022 showed that 82 percent of policyholders report an increase in political risks in connection with the COVID-19 pandemic and the war in Ukraine.

3.0 billion euros

A total investment volume of some 3.0 billion euros is involved in the projects covered in 2022.

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25,400

The projects covered in 2022 create or secure something like 25,400 jobs in the host countries for the investments.

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Basics of investment guarantees

Basics of Investment Guarantees

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

- nationalisation, expropriation, acts equivalent to expropriation
- war, civil commotion as well as (on request) isolated acts of terrorism
- convertibility or 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**. This precondition is in principle met when a bilateral investment treaty under international law exists between the Federal Republic of Germany and the host country or – looking ahead – a comparable agreement between the host country, the European Union and the EU member states is in place. Alternatively, the Federal Government can in exceptional cases assume a guarantee on the basis of the national legal framework in the country concerned if and to the extent 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, (maxi¬mum 10,000.00 euros). Following assumption of the guarantee, an **annual premium** of, under normal circumstances, 0.5 % p.a. on the covered capital and, where included, covered earnings is charged. The standard period of validity for a guarantee is 15 years. This can be extended. The self-retention to be borne by the policyholder in the event of a claim is normally 5 %.

1 Cf. pp 26 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 Climate Action (BMWK, as lead ministry and chair of the Committee), the Federal Ministry of Finance (BMF) the Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development (BMZ). In addition, experts from various sectors of German industry and the banks as well as the country associations and representatives of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), which is entrusted with the implementation of the Federal promotion instrument of the investment guarantees, also belong to the Committee.

In the IMC, the BMWK 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) after consultation with the experts and considering the project specifics in accordance with budget law. The IMC also develops the underwriting tools of the guarantee scheme to fit the needs arising.

The IMC meets as a rule six times a year. This was also the case in 2022.

Since September 2021, the chair of the IMC has been held by Ministerialrat Moritz Lumma, Head of the Department VC 3: "Foreign investments, Paris Club" at the BMWK.

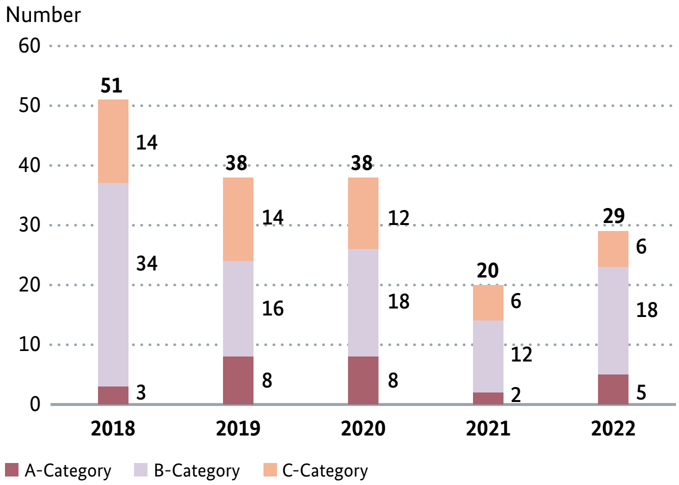
Application for Investment Guarantees

Eligibility of direct investments for cover

The prerequisite for the assumption of an investment guarantee is the eligibility of the project for cover. For this, the project must be assessed as having a positive impact both on the host country and positive feedback for Germany. Such positive effects include in particular the creation as well as the safeguarding of jobs. On top of this, the environmental, social and human rights impacts connected with the direct investment are an important priority in determining eligibility. All projects covered by an investment guarantee must implement not only the national guidelines of the host country in the material risk areas, but also international standards (the IFC Performance Standards of the World Bank Group). For this reason, the relevant risks involved in every project are identified and the project categorized based on this (Category A for high risks, Category B for medium risks and Category C for low risks) and the impacts arising from the risks and mitigation measures audited. Annual monitoring is prescribed for A and B projects following assumption of the guarantee.

The requirements as to eligibility ensure that the covered projects are environmentally, socially and economically sustainable and thus contribute towards the 17 United Nations sustainable development goals (SDGs). The investment guarantee scheme supports the mobilization of investments in less developed countries (SDG 17). Thus, covered projects involved a total investment volume of some 3.0 billion euros. At the same time economic growth in the host countries is supported, thus helping to reduce global inequalities between countries (SDG 10).

Year-over-year distribution of environmental categories by project



In such economic development, the industrial sector plays a pivotal role. In 2022, 60 % of projects were assigned to this sector (SDG 9). In addition, the covered investments helped to create or secure a total of 25,400 jobs in the host countries. It can be assumed that the number of jobs created through indirect employment effects is actually much higher.

Environmental, social and Human Rights due diligence (ESHR)

Projects supported in 2022 and their contribution to the SDGs

3 GOOD HEALTH AND WELL-BEING

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.

48 % of project companies in Categories A and B have already certified their environmentalmanagement according to **ISO 14001** or are planning to do so.

8 DECENT WORK AND ECONOMIC GROWTH

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.

35 % of project companies in Categories A and B have already certified their working safety management according to **ISO 45001** Standard or are planning to do so.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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.

17 % of the project are companies already have or planning to introduce an **ISO 50001** certified energy management system.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

8 DECENT WORK AND ECONOMIC GROWTH

Full employment is to be achieved in all parts of the world by 2030.

25,400 jobs were created or secured in the project companies.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The share of the manufacturing sector in employment is to be substantially increased by 2030.

17,200 jobs were created or secured in the **manufacturing sector**.

10 REDUCED INEQUALITIES

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

A total of 3.0 billion euros in investment flows went to less developed countries through the projects supported

17 PARTNERSHIPS FOR THE GOALS

Additional funding from various sources should be mobilized for the developing countries and systems for

Nine of the 16 target markets are **lower-middle-income markets**.

Agenda 2030

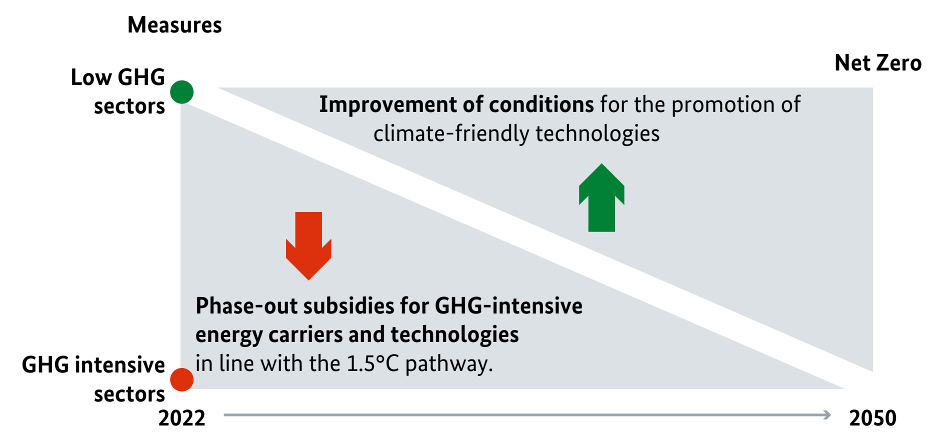
The climate strategy of the Investment Guarantee Scheme

The Federal Government has set itself ambitious decarbonization and transformation targets in order to counter the impacts of global climate change. Foreign trade acts as an effective instrument here to implement the principles of German climate and energy policy at an international level by promoting investments in climate-friendly projects and thus actively supporting developing countries and emerging markets in the transition to a climate-neutral economy. The goal of the climate strategy currently being finalized is to align the projects of German investors abroad covered by investment guarantees with the climate targets of the Paris Agreement as well as the 1.5° pathway agreed in the coalition agreement.

For this, the greenhouse gas footprint of the investment guarantee portfolio in connection with projects is to be reduced to net zero at the latest by 2045 in industrialized countries and 2050 in developing countries and emerging markets.
In order to ensure effective implementation of the climate targets, the climate strategy of the Investment Guarantee Scheme relies on the following elements: a decrease of support for greenhouse gas intensive energy sources, increased support for climate-friendly projects, introduction of a climate audit for compliance with international minimum standards and best-in-class benchmarks in the projects covered as well as the development of sector guidelines for key sectors to monitor and support the decarbonization of these sectors.

Principles

- Coherence with German climate, energy and industrial policy
- 1.5°C scenario as operational framework
- Preservation of the international level playing field & strengthening of the competitiveness of German investors



Results of the policyholder survey in 2022

The Federal Government has entrusted PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) with the implementation of the Federal promotion instrument of the investment guarantees. PwC regularly carries out a survey of policyholders to elicit information on the target regions for their investments abroad and their motives for investing and to gather ideas and suggestions for the guarantee instrument. This year, the companies were also asked about the effects of the COVID-19 pandemic and the war in Ukraine as well as the climate impacts of their foreign investments.

The participation rate of policyholders in the survey (17 percent) was below that of 2020 (29 percent). In contrast to the 2018 and 2020 policyholder surveys, this year there was increased participation by large companies. Analogous to the survey in 2020 (58 percent), a majority of the companies (59 percent) is active in the manufacturing sector.

The leading target regions for policyholders' investment projects are – as in previous polls – foreign markets in Central and Eastern Europe (73 percent) as well as Asia (59 percent). South and Central America and Africa, on the other hand, were given as important target markets by 18 percent of respondents in each case. As regards their principal motives for investing abroad, the majority of companies gave expansion in existing markets (73 percent). Also important is the entry into new markets and closeness to customers (in each case 50 percent).

On the effects of investments in developing countries and emerging markets on jobs, 86 percent of respondents thought that this helped to secure jobs in Germany. In addition, 91 percent of the policyholders polled plan to create new jobs in Germany in the mid- to long-term the answers are thus at a comparable level with the last survey in 2020 (93 and 89 percent).

The increase in geopolitical tensions underlies the statements concerning political and economic barriers for foreign investments. The greatest political obstacles reported are, as in 2020, inadequate legal protection (64 percent) and bureaucratic hurdles (59 percent). A new aspect – by frequency of mention – in 2022 is that war risks are cited by many policyholders as a political disincentive (50 percent). Administrative hurdles continue to be the greatest economic barrier for investments (59 percent).

In the context of the COVID-19 pandemic and the war in Ukraine, 82 percent of policyholders see an increase in political risks. 77 percent of respondents have experienced negative influences on investments in developing countries and emerging markets due to the COVID-19 pandemic. As a consequence, 41 percent of companies reported that they planned to diversify their production locations geographically more in future, to try to regionalize their supply and production chains and to concentrate more on Europe (nearshoring).

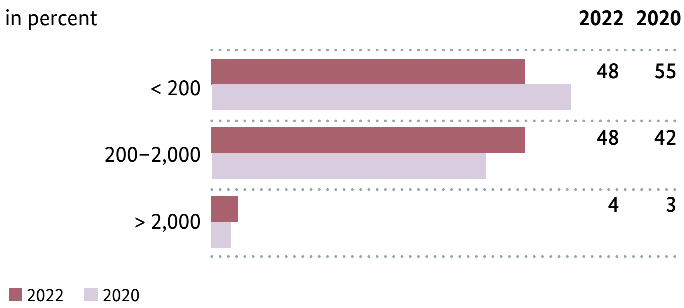
The policyholders were also asked what markets they thought might play a greater role in future in foreign investments. As in 2020, Asia was the main region given here for potential foreign investments (55 percent); in particular the ASEAN countries, India and PR China. Countries in Central and Eastern Europe – especially Turkey – are similarly seen as markets of the future (46 percent). It was also evident that South and Central America, with 32 percent, has gained in importance as a destination for foreign investments (2020: 25 percent). Particularly interesting for German investors here is Brazil.

As regards the answers of policyholders in the context of the war in Ukraine, 82 percent reported effects on their business activities, in particular their sales markets in Russia, Belarus and Ukraine itself. 73 percent of companies fear economic losses through the war as well as expropriations or expropriation-like acts (36 percent), as well as conversion and transfer risks (32 percent).

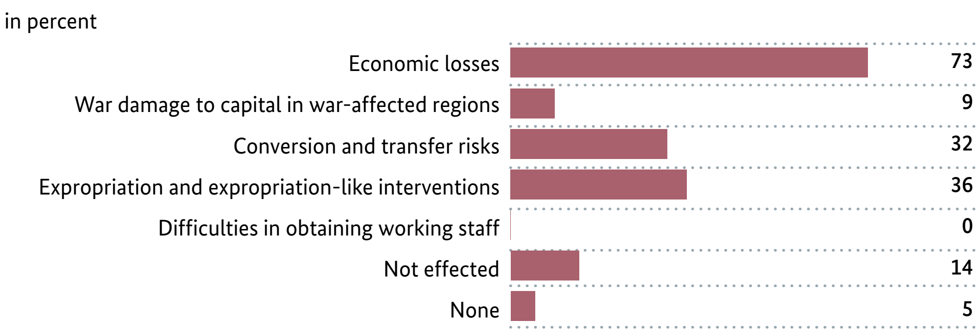
As far as the climate impacts of foreign investments are concerned, policyholders reported that they planned to convert their production methods to climate-neutral manufacturing over the long term.

91 percent of policyholders were very satisfied or satisfied with the application and administration processes for the guarantees (2020: 93 percent). 100 percent of policyholders said that they would recommend the investment guarantee scheme to others, a figure which even exceeded the high score in the 2020 survey (98 percent).

Job protection in Germany according to the guarantee holder



Impact of the Ukraine war on investments according to the guarantee survey*



*Multiple selection was possible

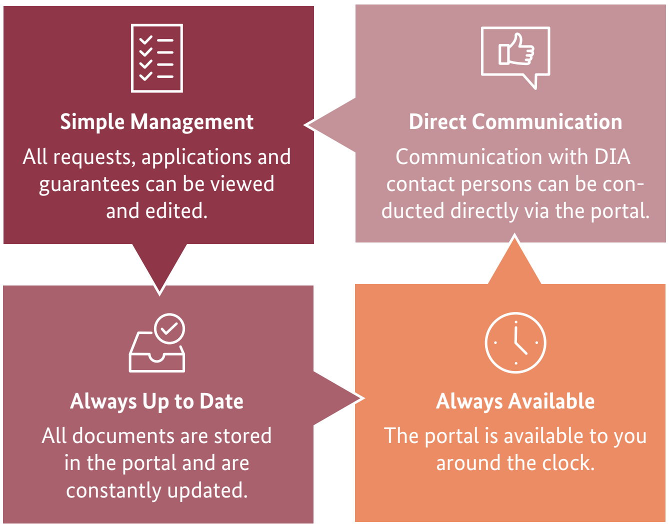
The new Online Portal of the Investment Guarantee Scheme (DIA-Portal)

As of 01.11.2022, German investors have been able to access the DIA Portal. It gives them the option of posting applications for cover for foreign investments easily online and submitting all the documentation needed via the portal. Interested companies can also make non-binding enquiries about the eligibility of their foreign projects for cover and contact the experts of the investment guarantee team at PwC directly and unbureaucratically. On top of this, foreign investments which are already covered can be viewed and administrated by policyholders in the portal. The portal is available 24/7 and all documentation and files stored in the portal are constantly updated.

At the end of 2022 some 24 percent of all policyholders had already registered on the DIA Portal and something like 45 percent of all guarantees in the portfolio can therefore be administrated digitally via the DIA Portal. The wish expressed by policyholders in previous policyholder surveys for further digital simplification of the application and administration processes in the shape of a web portal has therefore been put into practice.

The portal can be accessed via the web address https://diaportal.de. In order to use it, you need to register yourself. Useful information how to use the portal as well as a comprehensive description of the application process can be found on the website of the Investment Guarantee Scheme (https://www.investitionsgarantien.de/en).

The advantages of the DIA Portal at a glance:



Annex

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.

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 investments); 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.

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).

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.

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 Federal Government commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) to manage the federal funding instrument Investment Guarantees. Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwk.de/en under the heading Promotion of foreign trade and investment.

Statutory maximum exposure: Maximum amount up to which an assumption of liability is permitted in the federal budget.

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.

Remarks

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

Services

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)

With **state export credit guarantees** (so-called Hermes guarantees), German exporters and banks can 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 goods and services to markets with an elevated risk and are a tried and trusted risk management tool in export business. The current state export credit guarantees annual report and basic information regarding this funding instrument can be found at https://www.exportkreditgarantien.de/en.

Contacts Investment Guarantees

bmwk.de