

WORKING
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**ANNUAL
STATEMENT
OF ACCOUNTS
2017**

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BOARD TO THE SHAREHOLDER

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REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDER

MEETINGS

The GIZ Supervisory Board held three ordinary meetings in fiscal year 2017. An inaugural meeting was held in July 2017 due to the expiration of the Board members' term of office. The Audit Committee held one meeting.

APPOINTMENTS

In 2017 the composition of the Supervisory Board changed as follows:

Ms Claudia Dörr-Voß, Director General at the German Federal Ministry for Economic Affairs and Energy, was appointed to the Supervisory Board as shareholder representative. She succeeds Federal Minister Brigitte Zypries, who resigned in January 2017. State Secretary Stephan Steinlein resigned in March 2017. His successor is Mr Walter Johannes Lindner, State Secretary at the Federal Foreign Office.

Facing the expired term of office of the previous Supervisory Board members, elections were held on 31 May 2017 for the ten seats reserved for employee representatives. GIZ staff who were eligible to vote elected the following representatives to the Supervisory Board:

Jan Wesseler (GIZ, Rwanda), Dr Stephan Krall (GIZ, Eschborn), Mariella Regh (GIZ, Bonn), Armin Hofmann (GIZ, Myanmar), Jens Neumann (GIZ, Eschborn), Paul Schlüter (GIZ, Bonn), Dr Sabine Müller (GIZ, Eschborn), Birgit Ladwig (ver.di, National Office), Thomas Schenk (ver.di, Regional Division for Hesse) and Tobias Schürmann (ver.di, National Office).

The shareholder also reappointed its representatives with effect from 7 July 2017. However, this did not involve any changes in the composition of the Supervisory Board.

At the inaugural meeting held on 7 July 2017, the members of the Supervisory Board elected State Secretary Dr Friedrich Kitschelt as Chair, Mr Jan Wesseler as First Deputy Chair and Dr Stephan Krall as Second Deputy Chair.

There were also new appointments to the Supervisory Board's three committees. Mr Johannes Schmalzl, Ms Claudia Dörr-Voß, Mr Volkmar Klein (Member of the German Federal Parliament), Dr Sabine Müller, Mr Thomas Schenk and Ms Mariella Regh were appointed to the Audit Committee. Mr Johannes Schmalzl was re-elected as Chair of the Audit Committee. Ms Anja Hajduk (Member of the German Federal Parliament) and Mr Paul Schlüter were elected to the Committee for Urgent Matters along with the Chair and Deputy Chair of the Supervisory Board. The Standing Committee consists of the Chair and Deputy Chair of the Supervisory Board, Ms Sonja Steffen (Member of the German Federal Parliament) and Mr Armin Hofmann.

ADVISING AND SUPERVISING THE MANAGEMENT BOARD

The collaboration between the Supervisory Board and the Management Board is based on trust. In the year under review, the Management Board informed the Supervisory Board about management policy, the state of operations, and the liquidity and profitability of the company. These reports and joint meetings enabled the Supervisory Board to fulfil its designated role of advising and supervising the Management Board.

The Supervisory Board was actively involved in important company decisions. It advised the Management Board on key issues and approved Management Board proposals after detailed examination. The following issues merit specific mention considering their importance:

- The process of restructuring GIZ's company pension arrangements was concluded in fiscal 2017. In this respect, one of the proposals approved by the Supervisory Board involved the introduction of a company pension scheme for new employees and existing employees who joined the company from 2016 onwards.
- The Supervisory Board approved a change in the Collective Agreement on Remuneration (VTV) to increase the foreign service premium for assignments in fragile countries.
- It also approved a proposal to implement the technical elements of the 'New working environments' concept at GIZ's property in Bonn and thus an increase in the level of investment for the construction of the new Campus building. This plan includes measures to adapt the available working space in a way that meets the specific requirements of each organisational unit.
- The Supervisory Board approved an increase in the budget for the construction of GIZ's new training centre in Bonn-Röttgen. Training activities commenced at the new site in early January 2018, and the Academy for International Cooperation (AIZ) moved to Kottenforst Campus, which is named after the nearby nature reserve.
- The Supervisory Board also approved the introduction of a new digital work platform to establish new virtual working practices across the company. In response to the challenges of digital change, this initiative is designed to increase the efficiency of all of GIZ's processes and help to provide services that are even more effective.
- By way of written circulation procedure, the Supervisory Board approved a proposed contract to lease a working and residential area inside the Green Village compound in Kabul (Afghanistan), where the security situation remains challenging.
- The Supervisory Board approved the financial, investment and human resources plans for 2018. These are based on projections of very substantial new commissions and a further rise in total business volume. An increase is also anticipated in GIZ's workforce in light of the rapid growth in business volume in 2017.

MANAGEMENT BOARD REPORTS

The Management Board complied with its reporting obligations in 2017.

These included presenting the Long-Term Corporate Plan 2018–2020 to the Supervisory Board. The Long-Term Corporate Plan provides an overview of the strategic environment analyses and market development assessments conducted by GIZ.

The Supervisory Board was informed about the current state and development of GIZ's gender equality policy. The overall proportion of women in salary bands 5–7 rose to 40% in 2017, although there is a difference between the figure for Head Office staff (45%) and field staff (36%).

The Management Board reported to the Supervisory Board on its '2020 Vision' for the four country offices with regional competence. It explained the need for structural changes and highlighted the various segments that are expected to contribute to the future success of those offices.

In addition, the Management Board informed the Supervisory Board about the situation faced by GIZ staff working in fragile contexts and the implications of fragility and uncertainty for personnel.

The Management Board reported regularly on the development of business at GIZ, which was very positive in 2017. Both new commissions and total business volume showed an increase compared to the previous year. With regard to new commissions, this is attributable to an increase in commissions by BMZ (primarily funded out of the technical cooperation budget and the special initiative 'Tackling the root causes of displacement – reintegrating refugees') and to the growing volume of co-financing. Our International Services (InS) business area also achieved a positive operating result in 2017.

ANNUAL STATEMENT OF ACCOUNTS 2017

The auditors KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the annual statement of accounts and management report to establish that they comply with the law, the supplementary provisions of the Articles of Association concerning the annual statement of accounts and management report, and with generally accepted accounting principles. They confirm that the bookkeeping system and the annual statement of accounts comply with the law, that the annual statement of accounts gives a true and fair view of the company's net assets, financial position and results of operations and that the management report is consistent with the annual statement of accounts and gives a suitable view of the company's position and suitably presents the opportunities and risks of future development.

At its meeting on 2 July 2018, the Supervisory Board approved the findings of the audit of the annual statement of accounts for 2017 carried out by the auditors and the Audit Committee appointed by the Supervisory Board.

The Supervisory Board recommends that the shareholder adopts the annual statement of accounts for 2017 and formally approves the acts of the Management Board.

Berlin, 2 July 2018



Martin Jäger

Chair, GIZ Supervisory Board
State Secretary, German Federal Ministry for Economic Cooperation and Development



**MANAGEMENT REPORT
FOR THE FISCAL
YEAR 2017**

I. BACKGROUND, OPERATING FRAMEWORK AND OVERALL PERFORMANCE

A. THE COMPANY

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is a federal public-benefit enterprise with registered offices in Bonn and Eschborn. It helps the German Government achieve its objectives in the fields of international cooperation for sustainable development and international education and training. Quality, efficiency and innovation are at the heart of GIZ's activities as a modern, commercially run enterprise.

GIZ operates in around 120 countries worldwide. Thanks to its long-standing local presence and global networks encompassing politics, business and civil society, GIZ is well placed to cooperate successfully with a large number of stakeholders.

GIZ has around 19,500 employees across the globe. Roughly 70% are based outside Germany with the status of 'national personnel'. A further 590 experts are currently on assignments for GIZ in the role of development workers. In addition, the Centre for International Migration and Development (CIM)¹ places experts with local employers in partner countries. At the end of 2017, the combined total of integrated experts and returning experts placed by CIM with local employers in GIZ's partner countries and receiving financial, advisory and other support from CIM stood at 869.

GIZ's activities focus on effective cross-border cooperation, the transfer of knowledge and the development of expertise. Compared with similar organisations around the world, the sheer range of its activities is unique. Over more than 50 years, GIZ has built up a vast body of experience in many different areas: economic development and employment; governance and democracy; peacebuilding, security, reconstruction and civil conflict transformation; food security, health and basic education; energy policy, environmental protection, resource conservation and climate change mitigation. GIZ combines its services in the form of tailored solutions for specific needs, regions and contexts. These range from technical advice, individual training and measures to strengthen organisations and institutions through to networking, dialogue, mediation, project management and procurement/logistics services.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is GIZ's most important source of commissions. GIZ also works on behalf of other German federal ministries, including the Federal Foreign Office (AA); the Federal Ministry of Education and Research (BMBF); the Federal Ministry of Food and Agriculture (BMEL); the Federal Ministry of Finance (BMF); the Federal Ministry of the Interior, Building and Community (BMI); the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU); the Federal Ministry of Defence (BMVg); and the Federal Ministry for Economic Affairs and Energy (BMWi), the Bundesländer (federal states) and both public sector and private sector clients in Germany and abroad. Governments of other countries, the European Commission, the United Nations, various regional and multilateral development banks and private foundations, such as the Bill & Melinda Gates Foundation, also commission GIZ to implement their own projects or support projects initiated by the federal ministries. GIZ works closely with the private sector through commissions and co-financing arrangements and helps its clients to successfully combine development and foreign trade activities.

Alongside its activities in the public-benefit business area, GIZ is authorised by the Federal Government to receive commissions directly from international clients in its taxable business area, International Services (InS). These clients include the European Union (EU), national governments and both bilateral and multilateral donors. GIZ also attracts commissions from the private sector.

B. STRATEGY

GIZ's strategic focus is shaped by the trends and developments in the environment in which it operates. We have identified ten major global trends and developments that are crucially relevant to GIZ today and that will continue to be so for the next three to five years. By analysing these trends, we can spot potential opportunities and risks for the company.

¹ The Centre for International Migration and Development (CIM) is run jointly by GIZ and the Federal Employment Agency's International Placement Services. It operates a number of personnel placement programmes with the aim of recruiting highly qualified experts and managers for local employers in partner countries. In the Integrated Experts Programme, German and European experts are recruited for assignments of up to six years. The purpose of the Returning Experts programme is to support foreign experts who wish to take up important development posts in their country of origin after studies, training or employment in Germany.

DEVELOPMENTS AND TRENDS AFFECTING GIZ

Trend 1: Fragility and violent conflicts are becoming increasingly prevalent and hence more relevant.

The impact of fragility, failing states, violent conflicts, civil wars and terrorism on German development policy continues to grow. These conditions affect more than two thirds of partner countries. An increasing number of GIZ staff now work in fragile contexts. This entails major challenges for GIZ's ability to deliver. These challenges involve the timely, needs-based recruitment of trained field staff, security and risk management, different management models and the expansion of GIZ's existing range of products and services, for instance in the fields of security and stabilisation.

Trend 2: Displacement and migration have moved to the top of the development-policy and political agenda and are now firmly established as a priority in GIZ's Business Development Strategy.

GIZ works to improve the life chances of people in countries which generate large numbers of refugees, and to ease the most pressing needs of those in countries which host substantial refugee populations. In this way, drawing on the resources available, GIZ can help to mitigate the structural causes of displacement. At the same time, GIZ's activities are designed to improve the situation of internally displaced persons (IDPs) within their own country. Sustainable migration management is another key area of expertise at GIZ. To support those who choose to return to their home country, GIZ organises education and training, promotes job creation initiatives and advises on starting up new businesses. GIZ aims to strengthen the capacity of partner governments in the field of migration policy, helping them to maximise the development benefits of migration while minimising the associated risks. GIZ also facilitates legal migration to Germany for those with the required skills.

Trend 3: More funds are available to tackle climate change and its consequences.

One third of GIZ's current portfolio already involves measures in the field of climate change mitigation and adaptation. Measures to help partner countries implement their Nationally Determined Contributions (NDCs) and to raise the level of ambition inscribed in those NDCs will gain significantly more weight in future in the context of implementing the Paris Agreement. In the medium and long term, the new initiatives of BMU and BMZ, for example on climate risk insurance and renewable energy in Africa, could well impact strongly on GIZ's portfolio design, including the bilateral cooperation sector. The Green Climate Fund (GCF) also opens up new opportunities. In 2017, GIZ was fully accredited as a mandated implementing organisation and negotiated a framework agreement with GCF. GIZ has now submitted its first proposal for a project in Grenada entitled Climate Resilient Water Sector. Based on a planned GCF contribution of €35 million, the proposal was accepted at a GCF board meeting on 27 February 2018. Other projects are currently being prepared.

Trend 4: The global power balance is shifting and becoming more unpredictable.

Cooperation with influential emerging economies such as China and India remains a crucial factor in work to achieve key global goals. GIZ can support the German Government by advising it on shaping global processes and by implementing global agendas in its projects. GIZ not only has decades of experience of working in a great many emerging economies but has also broken new ground in cooperation with them. It needs to develop the capacities that are important to commissioning parties when cooperating with these countries (e.g. a thorough knowledge and understanding of systems in Germany and in the partner country as the basis for bringing together institutions from both sides).

Trend 5: Global agendas and processes are gaining weight in international cooperation for sustainable development.

Alongside the 2030 Agenda for Sustainable Development and the Paris Agreement as the new international framework for sustainable global development, Germany's G20 Presidency in 2017 also added fresh impetus to the international focus of German policy-making, as reflected for instance in the new partnership with Africa. One of the key outcomes of the German Presidency was the new Compact with Africa (CwA) initiative. Official German support for this and other initiatives (including a series of 'reform partnerships' with African countries) opens up new opportunities for GIZ in its role as a service provider to the entire German Government. GIZ's focus on international cooperation for sustainable development means it is fundamentally responsive to these trends, although it needs to continue improving its services, cooperation platforms, modes of delivery and instruments in line with demand.

Trend 6: The stakeholder landscape in the field of international cooperation is diversifying, with partnership approaches playing an ever more important role.

Global initiatives such as the 2030 Agenda, the Addis Ababa Action Agenda, the UN 2015 Climate Change Conference in Paris (COP 21) and multilateral processes such as the G20 have highlighted the growing importance of partnership and cooperation between diverse stakeholder groups (e. g. official development cooperation agencies, the private sector, civil society and research organisations). Global networks and knowledge-sharing platforms are also part of this process. Consequently, the promotion of alliance-building and the active (co-)shaping of networks are increasingly being pursued by GIZ as a primary objective of its projects. If GIZ is to cooperate effectively with so many different stakeholders, it needs to be flexible and to continue developing its cooperation platforms and steering structures.

Trend 7: Digital change affects both the services GIZ delivers and the way it works.

Digital change offers tremendous potential for further developing GIZ's services and for optimising its internal

processes. As regards the company's services, digital technologies are enabling GIZ to devise radically new solutions, reach new target groups, tailor projects even better to the specific needs of the end user and involve partners more effectively. To this end, however, existing approaches must be reviewed and where necessary modified. GIZ has formulated a 'target image' and devised an implementation plan in response to these challenges. A brand new unit will be established whose role will be to drive the process of digital change across the company. At the same time, GIZ is investing in technical infrastructure and making greater use of digital technologies in order to make internal processes more effective and efficient. In this context, two crucially important issues are data protection and data security.

Trend 8: New priorities and expectations in development cooperation are creating a need for new services.

GIZ's clients expect measurable results that can be communicated easily and visibly. Results-based management and aggregated reporting are becoming increasingly important. Large commissions with tight deadlines for implementation make great demands on the flexibility of GIZ's workforce and on the company's ability to incorporate suitable external providers. More and more frequently, GIZ has to combine the task of delivering specific technical services in an intergovernmental context with that of coordinating large commissions, financing arrangements and global measures. This is where GIZ must improve its ability to deliver in what are sometimes highly diverse contexts and align its Business Development Strategy with this challenge by further developing its services and instruments.

Trend 9: Accountability, cost-effectiveness, transparency and compliance requirements are becoming more stringent.

Development cooperation agencies and their stakeholders are increasingly required to provide evidence that funds have been used cost-effectively and have had an impact. As a federal enterprise with a public-benefit remit, GIZ has a particular duty to ensure that all its activities are well managed and that projects are implemented cost-ef-

fectively. Transparency requirements are also becoming more stringent in the context of discussions on the issue of effectiveness. The large number of external audits conducted by supreme audit institutions, price auditors and commissioning parties, and the increased need for documentation are creating a need for additional human resources and for financial investment, for example to put compliance systems in place. GIZ also needs to implement the EU's reformed public procurement legislation, the new European General Data Protection Regulation (GDPR), the Joint Procedural Reform (GVR) with BMZ and changes to the pricing model agreed with BMZ. All these will require additional investment so that GIZ can adapt its internal management systems.

Trend 10: The unique framework conditions of development cooperation must prove viable in a new environment.

The increasing competition for budget funds is a challenge for all implementing organisations. As well as the lack of planning certainty and challenges in project development and implementation, the growing proportion of funding awarded on the basis of a 'competition of ideas' as opposed to commissions awarded directly is a key factor affecting GIZ's business development. Moreover, the growing trend towards projects with short implementation periods is at variance with the often-protracted process of reaching agreements under international law between Germany and its partner countries. New forms of project implementation and new partner countries also mean that GIZ increasingly finds itself operating in areas and countries that are not covered by existing general agreements, or where no agreements exist at all. Where framework agreements are not sufficient to cover all of GIZ's business areas in harmony with national legislation, the company must look at other options in order to guarantee its ability to do business. It is necessary to bear in mind that activities outside the remit of the framework agreements may not only entail the loss of GIZ's special status, but could also go hand in hand with lengthier procedures (e.g. to obtain work and residence permits in the country of assignment) and higher costs (e.g. exemptions from customs duties and VAT no longer apply).

GIZ'S CORPORATE STRATEGY

Together, these trends and developments form the basis of the company's strategy. GIZ's 2017–2019 corporate strategy is designed to ensure that the company is ready to meet the challenges of the future. The objectives of this strategy are assigned to the four strategic areas of action: effectiveness; business development; expertise and alliances; cost-effectiveness. In order to achieve these objectives, GIZ implements strategic measures on a largely multi-annual basis. In 2017, the company made substantial progress in all four areas of action. The following section summarises the results achieved in 2017 and the strategic plans for 2018 and 2019 as part of a multi-annual programme of strategic measures.

1. Objective in the area of action 'Effectiveness': We meet the expectations of our partners, commissioning parties and shareholder by producing tangible, sustainable and measurable results.

The steps that will be taken in order to achieve this objective include realigning and expanding the system of recording and reporting on aggregate results and improving the way results are communicated outside the company. In part, this action has been necessitated by the reporting requirements specified in the 2030 Agenda. It entails investing in appropriate IT systems. GIZ is implementing a multi-year strategic measure designed to enhance its capacity to regularly identify and illustrate the aggregate impact of projects and programmes in various countries and regions in selected thematic areas. Another strategic project is being set up by GIZ to promote digital change across the company. In 2017, we created an 'innovation fund' with the specific goal of promoting digital innovation in GIZ's service delivery and laying the foundations for a fully-fledged culture of innovation. Over the next few years, alongside various initiatives to enhance digital innovation capacity and improve the general level of digital literacy among GIZ's workforce, the introduction of new software solutions that will facilitate collaboration using virtual platforms and make work processes more efficient is planned.

Sustainable development is part of GIZ's corporate purpose, and the 2030 Agenda provides its guiding principles. GIZ also intends to focus on systematically mainstreaming the principles and goals of the 2030 Agenda into its services.

2. Objective in the area of action ‘Business development’: We develop economically viable business activities together with our commissioning parties.

Over the period 2017–2019, GIZ’s strategic business development measures will concentrate in particular on the political priorities of clients and commissioning parties, specifically in the areas of displacement and migration, security and stabilisation and climate and energy. In 2017, GIZ developed business plans in these three market segments. By doing so, it identified focal themes and moved closer towards realising specific business opportunities in these market segments. In 2017, within the market segment climate and energy, this involved preparing for and obtaining GCF accreditation, drawing up and submitting a coordinated proposal for a project in Grenada and fleshing out ideas for further projects. GIZ also made plans to expand the range of services it provides to combat the causes of displacement and tackle migration issues. In this area, GIZ is responding to rapid growth in demand from its clients over the last few years to implement projects addressing the causes of displacement. Building on the business plans developed in the priority market segments of displacement and migration, climate and energy, and security and stabilisation, measures will be taken in 2018 to achieve the business targets. To support the CwA initiative and the reform partnerships established with certain African countries, GIZ also set up a taskforce and developed innovative approaches to promote economic activity and create new jobs on the continent.

Business arising from BMZ’s special initiatives and with the EU in the field of displacement and migration remains a distinctive feature of GIZ’s work. The lessons learned when planning and implementing large-volume projects are systematically analysed. In 2017, this led to a number of specific adjustments to internal structures and processes, bringing them more closely into line with the increasing heterogeneity of GIZ’s business. For example, new standards were introduced for the involvement of in-house service providers in preparation processes for large-volume projects, specially adapted monitoring systems were developed for large-volume EU-funded projects, and capacity development for commercial tasks received a significant boost. This is helping maintain and improve GIZ’s responsiveness to the growing number of complex large-volume projects. In terms of business development, the company also needs to examine how it can equip itself to offer appropriate services in countries that are moving

from development cooperation towards other forms of international cooperation. The challenges in these countries include fewer commissions from BMZ and BMU, measures that do not qualify as ODA, the absence of a proper legal basis in international law, risk diversification and dealing with compliance risks. To be able to implement commissions in these countries in the future, GIZ will need to analyse these changed contexts and develop ideas for offers or measures that will enable it to secure its future ability to do business and contribute to cooperation with these countries.

3. Objective in the area of action ‘Expertise and alliances’: We mobilise expertise by applying the skills and motivation of our staff, working with strong cooperation partners and forming strategic alliances.

The focus here is on further honing the skills of GIZ’s workforce and on updating the instruments needed for their assignments in Germany and in the field. This will ensure that GIZ retains its ability to deliver the services requested by clients and that it remains an attractive employer. To this end, in 2017 GIZ developed and formally adopted a new human resources strategy that will be implemented through a variety of measures over the next few years. The strategy encompasses a large number of themes and areas, including measures to make assignments outside Germany more attractive, clarifying tax law issues, providing consistent rules for assignments in fragile contexts, and introducing flexible forms of foreign assignments. With regard to the last of these, in 2017, GIZ’s Management Board approved new, flexible arrangements for assignments outside Germany (intermittent assignments). Negotiations with ver.di and the codetermination bodies on these new arrangements and on other central components of the new Human Resources Strategy will commence in 2018.

To complement this, numerous measures are being taken to strengthen cooperation with partners, including both cooperation on the ground and wider cooperation with strategic partners that is envisaged in the medium term. Over the next few years, GIZ will focus on improving its internal processes for cooperating with third parties and on identifying and prioritising new strategic partners. These two elements will contribute towards the long-term goal of increasing the number and enhancing the quality of cooperation arrangements, in addition to improving GIZ’s ability to deliver.

4. Objective in the area of action 'Cost-effectiveness': We remain cost-effective and ensure compliance by using our resources efficiently and responsibly.

Cost-effectiveness, accountability, transparency and compliance are crucially important for a federal public-benefit enterprise. The government and taxpayers expect companies that use public funds to be accountable for their efficient use and to provide evidence that their work is effective. At international level, too, the question of verifiable cost-effectiveness is increasingly important.

GIZ will address both the efficiency of its structures and processes and the cost-effectiveness of implementation through a number of measures. These include increasing the efficiency of central internal processes, particularly commission management, for which two IT solutions to digitalise key process steps were developed in 2017. They will be introduced in 2018 throughout the company. The increasing digitalisation of key support processes within the company is part of the project to realise the digital change (see also the area of action 'Effectiveness'). Over the next few years, GIZ will continue to focus on measures designed to increase the efficiency of company-wide processes through the systematic management of processes that are crucial for success and the systematic development of its IT infrastructure.

The introduction of a fully-fledged compliance management system (CMS) during the planning period 2017–2019 will also address the more stringent requirements concerning accountability and compliance. The CMS encompasses GIZ's structures in Germany and abroad.

In 2017, GIZ also managed to fully outsource its pension obligations. Over the coming years, the new company pension scheme will place the company's pension expenses on a more sustainable and viable footing. Negotiations with BMZ on the GVR for bilateral financial cooperation (FC) and technical cooperation (TC) were also completed in 2017. The GVR has been in force since 1 June 2017 for bilateral and regional projects funded out of the TC budget. A broad range of internal advisory, information and training measures was established and remains in place to support the implementation of the GVR. Negotiations with BMZ on cost reimbursement pricing with

a price cap were also concluded. As of 1 January 2018, capped pricing will be introduced for all offers for new and follow-on projects submitted after that point. Initially this will only apply in BMZ business, but it could also apply in other federal ministries at some point in the future. On the subject of pricing, talks with other federal ministries will be held in 2018. In the next few years, GIZ will update its organisational, financial and IT systems and arrange appropriate staff training in order to implement the capped pricing system and the GVR. Enacting the GVR and introducing the cost reimbursement pricing with a price cap will increase the demands placed on GIZ with regard to planning, managing and reporting on measures.

C. OPERATING FRAMEWORK

In terms of policy-making, the trends outlined above (especially trend 1 'Fragility', trend 2 'Displacement and migration', trend 3 'Climate change' and trend 5 'Global agendas') point to a growing role for international cooperation. This is reflected in the form of increased budgets for those ministries which act as a source of commissions for GIZ, e. g. BMZ (up 15% to €8,541 million), BMU (up 24% to €5,621 million) and AA (up 9% to €5,232 million). Thanks to the wide range of innovative services it provides, its ability to deliver those services in a highly effective manner on the ground and the strategic measures it has taken in the field of business development (see above), GIZ has also benefited from these increases. In this context, there has been a particularly strong emphasis on BMZ's special initiatives and its 'Crisis management and reconstruction, infrastructure' budget item, BMU's International Climate Initiative budget item and the AA 'Crisis prevention, peacekeeping and conflict resolution' budget item. GIZ also boosted its income from BMWi, BMI and BMVg (see section III for details).

The upward trend in third-party co-financing of projects commissioned by BMZ and other German public sector clients was maintained. The European Commission was the biggest single provider of co-financing by a considerable margin. Turning to bilateral donors, the main sources of third-party funding were the UK Department for

International Development (DFID), the Swiss Agency for Development and Cooperation (SDC) and the Dutch Directorate-General for International Cooperation (DGIS). In terms of funding volume, the principal beneficiaries of this co-financing in 2017 were a project to help develop the vocational training sector in Pakistan, followed by a project to support IDPs and enhance the resilience of host communities in northern and north-eastern Nigeria and a participatory infrastructure project in Egypt.

In 2017, GIZ's taxable business area InS began implementing its new business development strategy, which is designed to ensure that its services remain viable and competitive in the years ahead. The strategy identifies eleven business segments that will allow InS to establish a more diversified yet focused portfolio and potentially make up for existing large-scale projects which have generated substantial revenue but are now close to expiry (especially those commissioned by the Government of Saudi Arabia). InS is a market leader in the highly competitive EU tendering business. Its private client base is also expanding. The growing volume of commissions from German federal ministries (e.g. AA, BMBF and BMVg) and contracts to provide services within Germany (e.g. Afrika kommt! and Triple Win) have already created greater portfolio diversification at InS. This trend will be reinforced over the next two years as InS extends into new market segments such as DFID and GCF.

In the last few years, a new challenge has emerged requiring action to control GIZ's own cost structures. The introduction of Germany's Accounting Law Modernisation Act (BilMoG), which brought substantial changes in the rules for occupational pensions, presented a series of challenges to GIZ's existing company pension schemes. These difficulties have been exacerbated by the current environment of near-zero interest rates. In response, work to restructure the company's pension arrangements began back in 2014, at which point GIZ decided on the following objectives and measures: to close the pension-funding deficit, consolidate its costs, take steps to ensure that it remains competitive and maintains an attractive profile as an employer. These are the goals set by GIZ for the restructuring of its company pension schemes. GIZ has taken three important steps towards achieving these objectives. Two of

these relate to the outsourcing of pension arrangements to external pension funds. The third concerns the collective bargaining process.

First of all, in 2015, the company outsourced most of its existing schemes to a pension fund. Since October 2015, Deutscher Pensionsfonds AG (DPAG) has paid the pensions of former employees with entitlements under the old (pre-2005) company scheme (*alte bAV*). Since December 2017, it has paid the pensions of those with entitlements under the 2005 scheme (*bAV 2005*). DPAG will also pay the future pension entitlements accrued by employees up to 30 June 2015 under the old scheme's 'past service' arrangements (*alte bAV*) and those accrued by employees up to 31 December 2016 under the 'past service' arrangements for the 2005 scheme (*bAV 2005*).

In 2015, the next step involved establishing a subsidiary in Bonn, GIZ Unterstützungskasse GmbH, to which GIZ has since completely transferred its 'future service' liabilities, i.e. pension entitlements accrued under the old scheme (*alte bAV*) after the 30 June 2015 cut-off point and under the 2005 scheme (*bAV 2005*) after 31 December 2016. Under these new arrangements, GIZ Unterstützungskasse GmbH will pay the 'future service' element of the pensions of retired employees for both the old and the 2005 schemes. This combination of a pension fund and provident fund is more tax-efficient.

The third step, successfully concluded in 2017, was to reach a collective bargaining agreement with ver.di. This allowed GIZ to consolidate its costs and significantly reduce its future pension expenses. Having agreed these changes to its existing company pension schemes (*alte bAV* and *bAV 2005*), GIZ is now in a position to offer attractive pension benefits to future employees in the form of the recently agreed 2017 scheme (*bAV 2017*). As such, GIZ has fully achieved all four of its objectives in relation to the company's pension arrangements: to close the pension-funding deficit, consolidate its costs, take steps to ensure that it remains competitive and maintains an attractive profile as an employer. The company pension scheme restructuring process was successfully concluded in 2017.

D. BUSINESS DEVELOPMENT

GIZ can report another very positive set of results in 2017. Both new commissions (up 2% to €3,406 million) and total business volume² (up 7% to €2,569 million) showed a further increase compared with the previous year. This was due to growth in the public-benefit business area, where the figure for new commissions rose by 3% to €3,277 million and revenue by 10% to €2,482 million. By contrast, new commissions at InS were down 15% at €129 million, while total operating performance fell by 44% to €88 million. This was partly attributable to the downturn in business with the Saudi Government (for more details see the notes on business development in section III). Further cost-effectiveness gains were made in both the public-benefit business area and at InS. In the former, this is measured by the control parameter, which is the ratio between management costs for the year under review and the four-year average³ of revenue from the public-benefit business area. Although the figure for normal business operations was 10.1%, the overall ratio was 9.6% thanks to the reduction in pension scheme costs outlined above. At InS, the relative profit contribution margin 2 (DB2 as a proportion of total operating performance) rose to 19.2% in 2017 compared with 9.7% in the previous year. InS achieved an operating result of €1.0 million in fiscal 2017. This was down €0.3 million compared with the previous year (€1.3 million) but still above the plan and forecast figures for 2017.

II. ASSETS, FINANCIAL POSITION AND INCOME

A. ASSETS

The balance sheet total ended the year under review at €1,521 million, up €188 million from €1,333 million.

Fixed assets rose from €401 million to €434 million. The main factor underlying this increase of €33 million (8%) was capital expenditure on the construction of the GIZ Campus in Bonn. By contrast, there was a reduction in the figure for security-based investment funds.

Inventories increased by €54 million (13%) from €410 million to €464 million. This was mainly due to another rise in the figure for advance payments (up €51 million). Projects in process rose by €3 million (18%) to €20 million.

At €306 million, receivables and other assets ended the year down €14 million compared with the year-end figure of €320 million for 2016. This was due to lower trade receivables (down €23 million).

Equity was €19.3 million higher as a result of positive net income for the year being added to the reserves required under the Articles of Association. With increases in both equity and the balance sheet total, the equity ratio⁴ rose to 9.6%, an increase of 0.1 percentage points over the previous year.

Provisions fell by €108 million from €358 million in 2016 to €250 million in the year under review. The main factor here was the outsourcing of GIZ's 2005 pension scheme (*bAV 2005*) to the pension fund. This process was continued and completed in 2017.

Liabilities rose by €276 million from €844 million to €1,120 million. This was due to an increase of €195 million in advance payments in the public-benefit business area reflecting higher revenue. The increase of €13 million in trade payables from €43 million to €56 million was also attributable to increased business activity. The item 'Liabilities to banks' relates to a loan provided for the construction of the GIZ Campus in Bonn.

B. FINANCIAL POSITION

As at the balance sheet date, cash in hand and bank balances stood at €311 million, up €111 million on the year-end figure of €200 million for 2016. In the public-benefit business area, cash in hand and bank balances rose by €110 million as a result of increased revenue. The corresponding figure for InS rose by €1 million.

² Revenue in the public-benefit business area plus the total operating performance of InS

³ The figure is based on revenue for the previous year, the current year and the two following years.

⁴ The equity ratio is defined as equity less premium as a proportion of the balance sheet total.

C. INCOME

Turnover for fiscal 2017 was €148 million (7%) higher at €2,345 million. The following table shows the distribution of turnover across business areas:

TOTAL OPERATING PERFORMANCE									
	2017			2016			Change		
	Public-benefit business area	InS	Total	Public-benefit business area	InS	Total	Total		
	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in %	
Turnover	2,260	85	2,345	2,032	165	2,197	148	7	
Changes in services not yet invoiced	0	3	3	-2	-9	-11	14	>100	
Total operating performance	2,260	88	2,348	2,030	156	2,186	162	7	

At €1,324 million, cost of materials was up €102 million on the previous year. Section 'III. D. Use of resources' contains a more detailed review of this item and a table showing the changes in purchases of goods and services.

Personnel costs rose by €115 million, from €857 million to €972 million. This was partly attributable to higher remuneration costs following an increase in the number of project and field staff and national personnel. Another factor was a planned increase from €28 million to €55 million in transfers to GIZ Unterstützungskasse GmbH, as part of the further outsourcing of pension liabilities.

The financial result⁵ declined from €-0.1 million to €-0.4 million. This change was due to a fall in interest income reflecting the ongoing low interest rate environment.

Overall, net income for the year was €19.3 million (2016: €31.4 million).

The following table shows a breakdown of net income by business area:

NET INCOME				
	2017	2016	Change	
	in € millions	in € millions	in € millions	in %
Public-benefit business area	18.3	32.5	-14.2	-44
InS	1.0	-1.1	2.1	>100
GIZ total	19.3	31.4	-12.1	-38.5

The net income generated by InS showed an improvement on the previous year. This was due to high project income and a decrease in foreign income taxes. These taxes had a major impact on results at InS in 2016.

The main factor behind the reduction in net income in the public-benefit business area was the expense created by the outsourcing of company pensions during the fiscal year.

III. ECONOMIC SITUATION

A. GENERAL OBSERVATIONS

GIZ can look back on another successful year.

- › The record totals for new commissions and revenue achieved in 2016 were exceeded in 2017.
- › The control parameter remained well below the upper limit of 12%.
- › At InS, both the operating result and total net income were in positive territory.

B. NEW COMMISSIONS AND ORDERS ON HAND

Commissions

In 2017, the volume of commissions awarded to GIZ reached the highest level since the company was formed. At €3,406 million, the total figure for new commissions was up by €70 million (2%) compared with the previous year. Despite a fall of €23 million (15%) in new commis-

⁵ The financial result is made up of income from long-term investments and other interest income less interest expenses.

sions at InS, the corresponding figure for the public-benefit business area ended the year higher, mainly due to an increase in the volume of commissions out of the TC budget item, commissions linked to the special initiative ‘Tackling the root causes of displacement – reintegrating refugees’ and commissions from BMU. Consequently, the proportion of new commissions generated by the public-benefit business area rose to 96%.

The following table shows the year-on-year change in new commissions at GIZ and the contributions made by the company’s business areas and sectors to the total:

NEW COMMISSIONS					
	Actual 2017	Share	Actual 2016	Share	Change 2016 to 2017
	in € millions	in %	in € millions	in %	in %
Public-benefit business area total	3,277	96	3,184	95	3
of which, BMZ	2,780	82	2,687	81	3
of which, co-financing	435	13	440	13	-1
of which, German Public Sector Clients	463	14	476	14	-3
of which, co-financing	22	1	107	3	-79
of which, other business sectors	33	1	21	1	57
InS	129	4	152	5	-15
GIZ total	3,406	100	3,336	100	2

The figures shown above may contain rounding differences.

Changes in the level of new commissions received by each GIZ business area are explained below.

New commissions in the public-benefit business area

In 2017, new commissions in the public-benefit business area reached €3,277 million, an increase of €93 million (3%) on the previous year.

New commissions in the BMZ business sector rose by €94 million (3%) year on year, taking the total for 2017 to €2,780 million. Out of this total, €1,611 million was attributable to the TC budget item and €509 million to BMZ’s special initiatives. New commissions for the co-financing of projects totalled €435 million. At €352 million (81%), the largest source of new co-financing was the EU, while SDC contributed a further €21 million (5%).

New commissions from German Public Sector Clients totalled €463 million, down €13 million (3%) on the previous year. The record set in 2016 for the co-financing of commissions from German Public Sector Clients could not be matched. At €22 million, the figure for 2017 was down by €85 million (79%) on the previous year. As in the BMZ business sector, the largest source of co-financing for commissions from German Public Sector Clients was the EU (€20 million/91%). This pronounced decline in co-financing for commissions from German Public Sector Clients was largely offset by a significant increase in new BMU commissions (up €58 million/32%) and additional commissions from BMWi (up €7 million/29%), AA (up €4 million/3%) and BMVg (up €3 million/307%).

As at 31 December 2017, new commissions in GIZ’s other business sectors (small-scale measures in the public-benefit business area and grants) totalled €33 million, an increase of 57% compared with the previous year.

New commissions at InS

In 2017, InS received new commissions with a total value of €129 million. This figure was down by €23 million (15%) year on year, primarily due to the discontinuation of business in Saudi Arabia.

In terms of funding providers, the biggest single contribution to new commissions at InS (€71 million) came from the EU. Commissions from German Public Sector Clients such as BMVg and the German Aerospace Center (DLR) came to €19 million. The private sector contributed a further €16 million. InS received new commissions from bilateral donors and national governments totalling €9 million and €8 million respectively. GIZ also attracted commissions with a value of around €4 million from financial institutions and funds, and around €2 million from other donors.

Orders on hand

As at 31 December 2017, the total figure for orders on hand stood at €6,808 million. This was up by €981 million (17%) on the 2016 year-end figure of €5,827.

Out of the total for orders on hand at the end of 2017, the public-benefit business area and InS accounted for €6,498 million and €310 million respectively.

C. BUSINESS VOLUME

GIZ's total business volume rose once again by a substantial margin in 2017 to reach €2,569 million. This represents a year-on-year increase of €160 million (7%). The figure for total business volume comprises revenue of €2,481 million from the public-benefit business area and a total operating performance of €88 million at InS. This positive development was mainly driven by revenue growth of 10% in the public-benefit business area.

The following table provides an overview of the year-on-year change in business volume at GIZ and the contributions made by the company's business areas and sectors to the total:

BUSINESS VOLUME					
	Actual 2017	Share	Actual 2016	Share	Change 2016 to 2017
	in € millions		in € millions		
Public-benefit business area total	2,481	97	2,253	94	10
of which, BMZ	2,130	83	1,915	80	11
of which, co-financing	367	14	286	12	28
of which, German Public Sector Clients	330	13	315	13	5
of which, co-financing	25	1	30	1	-15
of which, other business sectors	21	1	22	1	-7
InS	88	3	156	6	-44
GIZ total	2,569	100	2,409	100	7

The figures shown above may contain rounding differences.

The following section outlines the business volume situation within each of GIZ's two business areas.

Revenue in the public-benefit business area

In 2017, GIZ generated revenue of €2,481 million from the public-benefit business area. This represents an increase of €228 million (10%) compared with the previous year.

The contribution to revenue made by the company's BMZ business sector came to €2,130 million, an increase of €215 million (11%). At €1,253 million – up €106 million (9%) on the figure for 2016 – the biggest contribution to the BMZ total came from its TC budget item. Together, the three special initiatives generated revenue of €255 million, a year-on-year increase of €11 million (5%). The 'Crisis management and reconstruction, infrastructure' budget contributed €104 million, up €20 million (24%) on the figure for 2016. A further €150 million was generated from other BMZ budgets. This represents a year-on-year decline of around €4 million (2%). Revenue from third-party donors for the co-financing of BMZ commissions contributed €367 million to the total, an increase of €81 million (28%) on the figure for 2016. In 2017, the EU was again the largest single source of co-financing for BMZ commissions with revenue of €224 million (61% of the total).

Total operating performance of International Services (InS)

In 2017, InS achieved a total operating performance of €88 million. This was €68 million (44%) lower than in the previous year. The main factors in this downturn were the discontinuation of business in Saudi Arabia and the completion of two major infrastructure projects in Ethiopia and Gabon. These accounted for a substantial proportion of the business area's 2016 results and for €58 million of the subsequent year-on-year decrease in total operating performance. Unfortunately, InS was unable to make up for this decline through other projects.

In terms of funding providers, the biggest contribution to total operating performance (approx. €44 million) came from projects for the EU. This figure was on a par with the previous year. Around €11 million were generated from commissions with bilateral donors. In 2017, the most important of these was SDC, which funded various projects totalling approximately €9 million. German Public Sector Clients contributed around €9 million to the overall total. This included €3 million for a collaborative venture with DLR, under the terms of which InS was commissioned to run the office of the German Council for Sustainable Development (RNE). Projects commissioned by the private sector generated approximately €8 million.

D. USE OF RESOURCES

Personnel

The following table shows a year-end comparison of staff numbers at GIZ for 2017 and 2016:

GIZ WORKFORCE (not weighted for part-time staff; as at reporting date)				
	Actual 31.12.2017	Actual 31.12.2016	Change	
			absolute	in %
Head Office staff ¹	1,989	1,895	94	5
Project staff in Germany	1,649	1,490	159	11
Seconded field staff	2,209	2,087	122	6
Total public-benefit business area staff	5,847	5,472	375	7
Head Office staff	72	67	5	7
Project staff in Germany	43	35	8	23
Seconded field staff	96	81	15	19
Total InS staff	211	183	28	15
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)	6,058	5,655	403	7
National personnel	13,448	12,605	843	7
Total GIZ personnel	19,506	18,260	1,246	7
Development workers	590	643	-53	-8
Integrated experts (CIM) ²	385	413	-28	-7
Returning experts (CIM) ²	484	434	50	12

1 Excluding the Management Board and trainees

2 Employment contract with local employers in partner countries

As at 31 December 2017, GIZ employed a total of 6,058 staff with contracts based on the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD) and 13,448 national personnel. This represents a further increase of 1,246 (7%) compared with the year-end figure for 2016. The number of personnel employed in the public-benefit business area rose by 7%. Staff numbers at InS rose by 28 (15%). The figure for national personnel was also up, ending the year 843 (7%) higher compared with 2016.

A total of 590 development workers were deployed by GIZ at the end of 2017, and a further 385 integrated experts and 484 returning experts held employment contracts with organisations or companies in partner countries.

Purchases of goods and services

The following table compares the 2017 and 2016 year-end figures for purchases of goods and services and for financing by GIZ⁶:

CONTRACTS AWARDED

	Actual 2017	Actual 2016	Change	
	in € millions	in € millions	in € millions	in %
Head Office service contracts ¹	421	401	20	5
Head Office construction contracts	10	174	-163	-94
Head Office financing agreements	437	369	68	18
Head Office procurement of goods ²	66	67	-2	-3
Total Head Office	934	1,011	-77	-8
Local service contracts	178	144	35	24
Local construction contracts	30	41	-11	-27
Local financing agreements	80	85	-6	-7
Local procurement of goods	65	66	-1	-2
Total local contracts	353	336	17	5
Total contracts awarded	1,287	1,347	-60	-4

The figures shown above may contain rounding differences.

1 Consulting firms, advisory institutions, individual appraisers, translators

2 Goods, freight forwarders

In 2017, the total value of all goods, financing, construction services and other services procured by GIZ at Head Office and in the field was €1,287 million. As the table shows, the total volume of contracts awarded was down €60 million (4%) on the previous year. This was due to the conclusion of a major construction contract in 2016 for the new GIZ Campus building in Bonn. This non-recurring item accounted for a large proportion of the 2016 construction total. If this item were excluded from the 2016 figures, there would be a year-on-year increase

⁶ Due to a change in the reporting structure, the figures vary slightly from those published in the annual statement of accounts for 2016. The reporting system has also been modified to reflect this change.

of €86 million (7%) in the total volume of procurement. At 50%, overall procurement in 2017 as a percentage of GIZ's total business volume (€2,569 million) was therefore lower than in the previous year (2016: 56%).

The figure for Head Office service contracts (€421 million) is made up of €336.5 million paid to consulting firms, €61.7 million to individual contractors for appraisal or consulting services and €22.8 million paid to other providers (including public institutions and associations). At just under €437 million, the volume of Head Office financing agreements showed a further substantial increase of €68 million (18.4%). By contrast, the volume of local financing agreements was 5.9% lower year on year. The overall global figure for financing agreements was up 13.9%.

At €66 million, Head Office procurement of goods was almost unchanged (2016: €67 million). Within this category, there were increases in both the average volume of orders and the number of calls under framework agreements. By contrast, there was a fall in the number of one-off procurements. Over half of all Head Office procurement of goods (€35.8 million) was for the countries of the Europe, Mediterranean and Central Asia Department.

IV. PROPORTION OF WOMEN ON THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE BOARD OF TRUSTEES

A. PROPORTION OF WOMEN ON THE MANAGEMENT BOARD

When managing directors are appointed, GIZ's Articles of Association stipulate that the Supervisory Board should ensure diversity and in particular ensure that an appropriate number of women are considered. Women should make up at least 40% of the Management Board. Until this proportion is achieved, the Supervisory Board should give preference to women where they demonstrate equal suitability, capabilities and technical experience, after carefully weighing up the merits of each individual case.

With a view to implementing the German Act on the Equal Participation of Women and Men in Leadership

Positions in the Private Sector and the Public Sector, the Supervisory Board decided that by 30 June 2017 the Management Board should be made up of an equal number of women and men.

During the period under review, the Management Board was made up of two women and two men. As such, the proportion of women was 50%.

B. PROPORTION OF WOMEN ON THE SUPERVISORY BOARD

Section 5.2.1 of Germany's Public Corporate Governance Code stipulates that efforts must be made to ensure that women are equally represented when electing members of supervisory boards. In addition, the company's shareholder also takes account of Germany's Appointments to Federal Bodies Act (Bundesgremienbesetzungsgesetz).

In compliance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board decided that by 30 June 2017 the Supervisory Board should be made up of an equal number of women and men and amended its rules of procedure accordingly.

Up to the Supervisory Board elections in May 2017, the proportion of women on the Supervisory Board was 50%. Before these elections, the ten employee representatives on the Supervisory Board were made up of six women and four men. Following the elections, this changed to three women and seven men. In 2017, out of the ten members appointed by the shareholder, the number of women remained at four. As such, the proportion of women and men on the Supervisory Board after the elections and up to 31 December 2017 was 35% and 65% respectively.

C. PROPORTION OF WOMEN ON THE BOARD OF TRUSTEES

In accordance with article 24 of its Articles of Association, GIZ has a Board of Trustees with up to 40 members. As at 31 December 2017, out of a total of 38 trustees, there were 16 women (42%). As a result of new staff appointments, the proportion of women was up slightly on the previous year (2016: 39%).

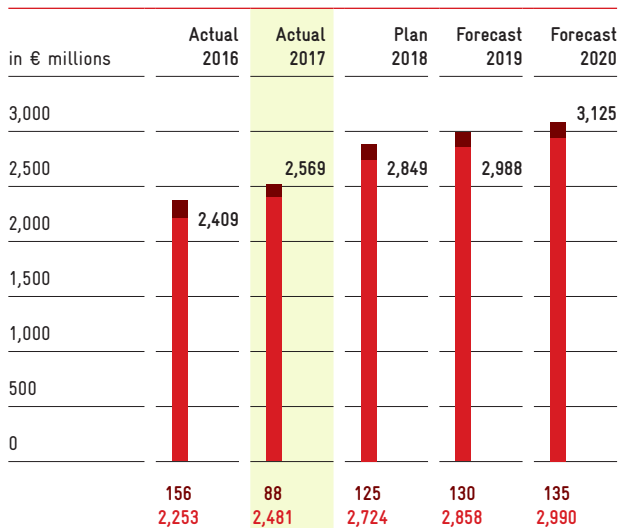
V. OUTLOOK

A. BUSINESS FORECAST

GIZ expects to maintain its current trajectory of growth over the coming years. Our 2018 plan for total business volume is €2,849 million. This would be a further increase on the high level achieved in 2017. This trend is expected to continue in subsequent years to give a projected business volume of around €3,125 million in 2020.

The following chart shows actual and projected business volume figures from 2016 up to 2020:

BUSINESS VOLUME



■ Revenue in the public-benefit business area
■ Total operating performance at InS

Revenue in the public-benefit business area is expected to account for €2,724 million of GIZ's total projected business volume for 2018. The planned figure is thus €243 million (10%) higher than the actual figure for 2017. This target for a further year-on-year increase is based in part on higher anticipated revenue from the TC budget item, the 'Crisis management and reconstruction, infrastructure' budget, the two BMZ special initiatives 'One World – No Hunger' and 'Tackling the root causes of displacement – reintegrating refugees', and from BMU commissions.

The following table contains a detailed breakdown of actual and projected revenue in the public-benefit business area for the years 2016 to 2020:

REVENUE

in € millions	Actual 2016	Actual 2017	Plan 2018	Forecast 2019	Forecast 2020
BMZ	1,915.2	2,130.3	2,279.0	2,416.4	2,528.9
of which, TC items	1,147.2	1,253.4	1,400.0	1,500.0	1,600.0
of which, international cooperation with regions	38.4	33.4	38.2	38.2	38.2
of which, other BMZ items	443.8	476.6	525.5	548.0	541.9
of which, co-financing	285.8	366.8	315.3	330.2	348.8
German Public Sector Clients	315.3	330.1	421.7	419.1	437.8
of which, budget funds	285.5	304.7	364.2	355.6	374.3
of which, co-financing	29.7	25.4	57.5	63.5	63.5
Other business sectors	22.4	20.8	23.1	22.8	22.8
Public-benefit business area total	2,252.8	2,481.1	2,723.8	2,858.3	2,989.5

The figures shown above may contain rounding differences.

Over the coming years, GIZ aims to generate further increases in revenue in the BMZ sector. The planned figure for revenue in 2018 is €2,279 million. This would be an increase of around €149 million (7%) on the actual figure for 2017. By 2020, revenue is expected to climb to around €2,529 million.

GIZ also aims to boost its revenue from German Public Sector Clients in 2018. The company expects to generate most of the planned growth of around €92 million (28%) in this business sector from increases of €56 million in BMU commissions and of €32 million in co-financing revenue. By 2020, revenue from German Public Sector Clients is expected to rise to €438 million.

The control parameter is therefore projected to remain below the upper limit set by the Supervisory Board. Because of GIZ's revenue targets and projected management costs, the control parameter for 2018 is expected to be 10.7%. Based on the information currently available, GIZ anticipates a level of 10.9% for the following year.

For the fiscal year 2018, InS is planning a total operating performance of €125 million and thereafter further year-on-year increases to €135 million in 2020. Since the beginning of 2017, InS has been intensively pursuing a new business

strategy designed to help it achieve these targets. Two thirds of the planned 2018 figure for total operating performance is based on existing projects. This means that InS needs to attract new commissions in 2018 to make up the remaining one third.

The business area's operating result is expected to stabilise at the low end of the positive range within the next few years. For 2018, however, the planned operating result is €-0.5 million. This is because the portfolio restructuring measures made necessary above all by the discontinuation of projects in Saudi Arabia and the expiry of major projects in Africa have not yet been completed.

B. ANTICIPATED USE OF RESOURCES

Personnel forecast

In 2018, total staff numbers are expected to show a further increase compared with the year-end figure for 2017, rising by 7.6% to approximately 21,000. This is below the target increase of 10.9% in business volume. By 2020, the total workforce is expected to grow to 22,397, 15% up on the year-end figure for 2017.

GIZ STAFF

	Actual 31.12.2017	Plan 2018	Forecast 2019	Forecast 2020
Head Office staff ¹	2,061	2,232	2,335	2,367
Project staff in Germany	1,692	1,774	1,864	1,893
Seconded field staff	2,305	2,500	2,626	2,666
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remune- ration System (TVöD) ¹	6,058	6,506	6,825	6,926
National personnel	13,448	14,492	15,235	15,471
Total employees¹	19,506	20,998	22,060	22,397

¹ Excluding the Management Board and trainees

Forecast purchases of goods and services

Given the nature of our business, it is very difficult to predict in any detail the future volume of contracts for goods and services and for financing agreements, as they depend very largely on the specific requirements of each project. Assuming that the company meets its targets for new commissions, the volume of contracts awarded worldwide in 2018 should be on a par with the figure for 2017.

C. RISKS AND OPPORTUNITIES

Risks

All business activities involve both risks and opportunities. To a large extent, business success depends – as well as making effective use of opportunities – on responding actively to potential risks. All uncertainties with the potential to jeopardise GIZ's (economic) performance are generally classed as risks. With this in mind, GIZ has developed a risk management system that sets out the principles, processes and roles involved in dealing pro-actively with potential risks. In this context, the Risk Management Unit conducts a quarterly company-wide review (up to and including the fourth quarter of 2017) of the risks affecting each of GIZ's organisational units. However, risks can also be reported on an ad-hoc basis at any time via the line manager or directly to the Risk Management Unit. A detailed risk report is submitted to the Management Board every quarter after the meeting of the Risk Management Committee. In 2018, GIZ will introduce an upgraded risk management system (RM 2.0) that integrates the operational (i.e. project) level more fully into the risk management process. From the reporting year 2018 onwards, following the introduction of RM 2.0, company-level risk reports will be produced every six months.

New commissions and revenue in the public-benefit business area are largely dependent on the size of the federal budget. As the new German Government was not formed until March 2018, the process of issuing a provisional federal budget may extend into the second half of the year. For GIZ, this means greater planning uncertainty. If new commissions are delayed, there may be a high concentration in the fourth quarter and GIZ may fall short of its available cash appropriations. Another factor creating uncertainty in the area of co-financing is the UK's planned exit from the EU.

GIZ's work in its partner countries has always involved a series of risks such as natural disasters, terrorist attacks, violent crime, unsafe travel routes and poor medical care. The company's status as a development organisation with civilian personnel is no longer a guarantee that staff can live and work safely in partner countries. To ensure that GIZ can protect its staff and maintain its engagement not only in fragile contexts and high-risk countries but also in developing countries and emerging economies, it relies on a proven and professional system of security risk and crisis management. GIZ faces specific challenges that can

delay the implementation of projects. These include the increasing fragility of partner countries, the absence of or delay in concluding agreements between the German Government and partner governments, the company's obligation to conduct checks against the EU sanctions list and growing recruitment difficulties (primarily but not only in fragile contexts, francophone countries and other sectors with skill shortages).

As at 31 December 2017, InS had receivables of approximately €35 million in respect of projects in Saudi Arabia (2016: €43 million). Out of this total, around €14 million relate to projects in the vocational training sector (2016: €20 million). This includes a €5 million bad debt allowance, as the matter has not yet been fully clarified with the client. Projects in the water sector account for approximately €11 million of the total (2016: €12 million). For internal purposes, these receivables were transferred in full to GIZ's partner, Dornier, which took over operational control of the projects in 2015. Receivables in respect of other projects totalled approximately €10 million (2016: €11 million) after bad debt allowances of €1 million. GIZ maintains regular contact with its Saudi partners and will continue to press for the settlement of outstanding receivables locally.

Opportunities

As well as risks, GIZ is well placed to benefit from excellent opportunities.⁷ The draft coalition agreement contains clear undertakings by the CDU, CSU and SPD to uphold the development policy commitments made at the G7 and G20 summits and under the 2030 Agenda and the Paris Climate Agreement. There are plans for substantial increases in the budgets for foreign affairs, security, development and human rights. An extra €2 billion has been earmarked for the period from 2018–2021. Against this background, GIZ is confident that it can maintain the recent pattern of very dynamic growth over the next few years.

One of the core elements of the coalition agreement is an integrated approach to policy-making in the areas of foreign affairs, security, development and human rights. This approach will be prioritised in the focus regions Africa and the Middle East. Its objectives are to tackle the acute and structural factors that drive displacement, contribute to the reconstruction process, help refugees return to their home countries and improve the prospects of people on the ground. In this context, there is a particular emphasis

on the cash-for-work programme and measures to encourage private investment. With regard to the latter, GIZ has established a partnership with the European Investment Bank and the African Development Bank.

Tackling the causes and consequences of climate change is another priority. The draft coalition agreement proposes an increase in the budget for the International Climate Initiative to fund a broad-based approach spanning biodiversity, forests, international species protection, the fight against poaching, the development of circular economies and international marine conservation. The Green Climate Fund Board accredited GIZ as a full implementation partner in October 2016. In November 2017, the company signed a framework agreement with the GCF, and in February 2018 GIZ's first proposal was approved for a project based in Grenada. The focus now is on developing proposals for other GCF-funded projects.

The new EU budget, which comes into force in 2018, is designed to further simplify cooperation between the EU Commission and the EU's member states. One of the ways to achieve this is for the EU to recognise most of the national regulatory frameworks for cost accounting and reimbursement. For the German Government and GIZ, this presents an opportunity to further streamline work with the EU and to reclaim costs that were not previously chargeable.

The Management Board informs the Supervisory Board on a quarterly basis about significant opportunities and risks that could have an impact on GIZ's future performance.

Bonn/Eschborn, 18 May 2018

The Management Board

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß
Managing Director

⁷ See also section I.B. Strategy – Developments and trends affecting GIZ.

2

ANNUAL STATEMENT

OF ACCOUNTS

2017

BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS		in €		
	Notes	31.12.2017	31.12.2016	
A. FIXED ASSETS				
I. Intangible assets	1			
Purchased concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		2,321,801		2,116,800
II. Tangible assets	1			
1. Land, land rights and buildings including buildings on third-party land		184,596,756	165,409,904	
2. Other plant, operating and office equipment		17,025,271	15,199,831	
3. Advance payments and assets under construction		97,175,988	298,798,015	45,424,688
III. Financial assets	2			
1. Shares in affiliated companies		75,881		75,881
2. Participating interests		535,862		535,862
3. Securities held as fixed assets		112,667,763		163,944,850
4. Other loans		484,414		570,050
5. Claims from administrative costs credit		19,002,020	132,765,940	7,528,319
		433,885,756		400,806,185
B. CURRENT ASSETS				
I. Inventories	3			
1. Projects in process		20,069,958		17,218,694
2. Advance payments made		444,526,663	464,596,621	393,193,469
II. Receivables and other assets	4			
1. Trade receivables		90,892,344		113,752,448
2. Receivables from affiliated companies		542,447		345,801
3. Project-related assets		171,600,774		172,487,814
4. Other assets		42,547,693	305,583,258	33,594,936
III. Cash in hand, Central Bank balances, bank balances			311,279,802	199,921,148
			1,081,459,681	930,514,310
C. PREPAID EXPENSES			6,204,663	1,967,938
			1,521,550,100	1,333,288,433
Off-balance sheet item Trust assets	9		3,889,993	1,820,200

SHAREHOLDER'S EQUITY AND LIABILITIES

in €

	Notes	31.12.2017	31.12.2016
A. SHAREHOLDER'S EQUITY			
I. Subscribed capital	5	20,452,000	20,452,000
Subscribed capital unpaid		- 11,759,713	- 11,759,713
Called-up capital		8,692,287	8,692,287
II. Capital reserve	5	5,112,919	5,112,919
III. Revenue reserves	6		
Statutory reserves		136,152,467	116,857,067
IV. Unappropriated profit		0	0
		149,957,673	130,662,273
B. PROVISIONS			
	7		
1. Provisions for pensions and similar obligations		139,390,495	243,665,741
2. Provisions for taxes		1,335,664	3,009,539
3. Other provisions		108,788,828	111,833,531
		249,514,987	358,508,811
C. LIABILITIES			
	8		
1. Liabilities to banks		65,200,000	0
2. Advance payments received		969,348,519	773,989,978
3. Trade payables		56,128,232	43,183,596
4. Other liabilities		29,519,832	26,925,974
of which, relating to taxes €6,952,820 (2016: €6,518,190)			
of which, relating to social security €0 (2016: €22,906)			
		1,120,196,583	844,099,548
D. DEFERRED INCOME			
		1,880,857	17,801
		1,521,550,100	1,333,288,433
Off-balance sheet item Trust liabilities	9	3,889,993	1,820,200

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017**

	Notes	2017		2016	
		in €	in €	in €	in €
1. Turnover	10		2,344,647,174		2,197,433,633
2. Change in projects in process			2,851,265		- 11,249,256
3. Capitalised services			224,378		395,685
Total operating performance			2,347,722,817		2,186,580,062
4. Other operating income	11		58,235,086		17,831,465
5. Cost of materials					
a. Purchased goods		151,257,936		138,313,972	
b. Purchased services		1,173,192,665	1,324,450,601	1,084,094,100	1,222,408,072
6. Personnel costs					
a. Wages and salaries		758,882,784		698,571,444	
b. Social security, retirement pension and support costs		212,810,280	971,693,064	158,413,048	856,984,492
of which, in respect of retirement pensions €99,326,108 (2016: €53,062,037)					
7. Amortisation and depreciation of intangible and tangible fixed assets			10,910,801		10,324,043
8. Other operating expenses	12		78,741,537		80,688,744
9. Income from other securities and long-term financial investments			50,233		54,252
10. Other interest and similar income			287,216		702,594
11. Interest and similar expenses	13		727,903		882,343
12. Taxes on income	14		36,159		2,233,691
13. Earnings after taxes			19,735,287		31,646,988
14. Other taxes			439,886		237,324
15. Net profit for the year			19,295,401		31,409,664
16. Transfer to the statutory reserves			- 19,295,401		- 31,409,664
17. Unappropriated profit			0		0

NOTES TO THE ACCOUNTS 2017

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

As at the balance sheet date of 31 December 2017, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, qualifies as a large corporation within the meaning of section 267, paragraph 3 of the German Commercial Code (HGB). GIZ's annual statement of accounts is prepared in accordance with the German Commercial Code and the supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz). The fiscal year corresponds to the calendar year. To improve the clarity of presentation, the item 'Project-related assets' has been added in the balance sheet. The profit and loss account is classified using the total cost method. The legally required information on the balance sheet and the profit and loss account is provided in the notes to the accounts.

In fiscal 2017, the payment plan (Leistungsplan I) concluded in 2015 between GIZ and GIZ Unterstützungskasse GmbH was cancelled. All pension entitlements accrued up to 31 December 2015 under the collective bargaining agreement on pensions dated 1 March 2004 (*bAV 2005*) and previously outsourced to GIZ Unterstützungskasse GmbH were then outsourced to Deutscher Pensionsfonds AG (DPAG). Entitlements accrued between 1 January 2016 and 31 December 2016 under this collective bargaining agreement on pensions and settled in 2016 by GIZ itself were also outsourced to Deutscher Pensionsfonds AG (DPAG) in 2017. Entitlements accrued from 1 January 2017 are met by GIZ Unterstützungskasse GmbH. To this end, a new payment plan (Leistungsplan III) was set up by GIZ Unterstützungskasse GmbH in 2017. As these outsourced pension obligations will be met in future by GIZ Unterstützungskasse GmbH and DPAG, they are classified as indirect obligations.

As provided for in section 296, paragraph 2, number 1 HGB, GIZ is not required to draw up consolidated financial statements and a consolidated management report as its subsidiaries are of subordinate importance with regard to the company's statutory obligation to provide a true and fair view of its assets, financial position and income.

GENERAL NOTES ON ACCOUNTING AND VALUATION METHODS

ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods used by GIZ have not changed compared with the previous year.

FIXED ASSETS

Intangible and tangible assets

Intangible and tangible assets are shown at purchase or production cost less amortisation or depreciation based on the useful life of the assets as determined by the specific depletion of value in operating activities. Depreciation is calculated on a straight-line basis for periods between three years (IT and IT infrastructure) and 50 years (Kottenforst Campus in Bonn). The Meander Building in Bonn and the office building in Berlin are depreciated over 33 years and 40 years respectively. Land with buildings and rights of use in partner countries are depreciated over a period of between eight and 20 years.

A collective item is formed in the year of purchase for low-value assets (LVA) with purchase costs between €150 and €1,000. This is depreciated on a straight-line basis over five years.

Grant-financed fixed assets are entirely financed through investment grants. Investment grants have been deducted from the acquisition costs.

Newly constructed buildings are capitalised at production cost. Production cost includes individually attributable costs from the deployment of personnel and an appropriate share of production overheads.

Financial assets

Financial assets are valued at the lower of purchase cost and fair value. Lower valuations are applied where sustained impairment is anticipated. If the reasons for recognising write-downs on financial assets in previous years no longer apply, those assets are written up.

Under 'Other loans', the long-term loans provided to help staff purchase residential property for their own use were discounted at 2.5% per year. Otherwise, figures are shown at nominal value.

The balance sheet item 'Claims from administrative costs credit' is valued at amortised cost.

CURRENT ASSETS

Current assets are valued strictly at the lower of purchase or production cost.

Goods and projects in process are recognised at purchase or production cost, including an appropriate portion of overhead costs. Advance payments made and receivables are stated at nominal value less individual and general bad debt allowances.

'Project-related assets' is a special GIZ balance sheet item allowing a better insight into the company's assets and financial position. This item includes the cash and bank balances of projects, as well as receivables and corresponding liabilities.

Other assets are stated at their nominal value.

Cash in hand and balances at banks are stated at nominal value, unless a lower fair value measurement is required in individual cases.

Receivables and payables in foreign currencies

Long-term receivables and payables denominated in foreign currencies are valued at the lower or higher of cost or market respectively. Short-term receivables and payables in foreign currencies as well as balances at banks with terms to maturity of up to one year are translated using the average spot exchange rate on the balance sheet date. Non-convertible currencies are not translated or revalued. Currencies held in projects are valued at an average rate that is updated using an exchange-rate calculation programme. These funds are generally not intended to be repatriated, and a substantial part is also non-convertible.

Provisions

Provisions are recognised at the settlement amount deemed necessary according to prudent business judgement. In calculating this amount, any direct compensation claims are deducted from the total obligation.

No provisions are recognised for direct compensation claims.

All the actuarially calculated provisions were valued according to the projected unit credit method, using the Heubeck 2005 G mortality tables of Prof. Dr Klaus Heubeck.

In accordance with section 253, paragraph 2, sentence 1 HGB, other provisions with a remaining term of more than one year were valued using the average market interest rate (published by the German Bundesbank) for the previous seven fiscal years.

In fiscal 2015 GIZ outsourced the company pension scheme entitlements accrued by its staff up to 30 June 2015 under 'Collective bargaining agreement no. 3 covering retirement, invalidity and surviving dependants' pensions for Head Office employees' (old company pension scheme/*alte bAV*) to Deutscher Pensionsfonds AG. In 2016, the remaining entitlements were outsourced as at 1 September 2016 to GIZ Unterstützungskasse GmbH, which was formed in 2015.

The liabilities incurred up to 31 December 2015 under the collective bargaining agreement on pensions dated 1 March 2004 (*bAV 2005*) were assumed by GIZ Unterstützungskasse GmbH in 2015 and subsequently outsourced to Deutscher Pensionsfonds AG (DPAG) in fiscal 2017. Pension entitlements accrued between 1 January 2016 and 31 December 2016 under this collective bargaining agreement on pensions were still settled in 2016 by GIZ itself but then outsourced to Deutscher Pensionsfonds AG (DPAG) in 2017. Entitlements accrued from 1 January 2017 are settled by GIZ Unterstützungskasse GmbH.

As outsourced pension obligations will be met in future by Deutscher Pensionsfonds AG and GIZ Unterstützungskasse GmbH, they are classified as indirect obligations.

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) to show indirect pension obligations as provisions in the balance

sheet. On each reporting date, the total sum required in order to meet GIZ's pension obligations less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

Liabilities

Liabilities are reported at their settlement amount.

Derivative financial instruments

Derivative financial instruments, as pending transactions, are generally not capitalised. Unrealised losses from derivative financial instruments are recognised in income unless those instruments form part of a valuation unit and the losses are offset by opposite movements in the value of the underlying transaction. Underlying transactions and their associated derivatives are combined into valuation units. These are recognised in the balance sheet using the net hedge presentation method.

Deferred taxes

Deferred taxes result from the following temporary differences:

BALANCE SHEET ITEM

	31.12.2017 Difference between statutory and tax accounts		31.12.2017 Deferred taxes
	in €	Tax rate in %	
Cash in hand, Central Bank balances, bank balances	- 168,090	27.725	- 46,603
Provisions for pensions and similar obligations	18,003,130	27.725	4,991,368
Other provisions	1,959,081	27.725	543,155
Other liabilities	- 778,156	27.725	- 215,744
			5,272,176

As at the balance sheet date, there were net deferred tax assets of €5,272,176. GIZ did not exercise the option to capitalise deferred tax assets provided for under section 274, paragraph 1, sentence 2 HGB.

PROFIT AND LOSS ACCOUNT

Appropriation of profits

GIZ's Articles of Association stipulate that profits must only be used for those public-benefit purposes approved under the Articles of Association.

An amount equal to the annual net profit of €19,295,401 was transferred to the statutory reserves.

NOTES TO THE BALANCE SHEET

(1) INTANGIBLE AND TANGIBLE ASSETS

Changes in fixed assets are shown in the appendix to the notes (Changes in fixed assets in fiscal 2017).

(2) FINANCIAL ASSETS

In fiscal 2015, GIZ formed its own provident fund under the name of GIZ Unterstützungskasse GmbH (registered office in Bonn, Germany) and is the sole owner. As at 31 December 2017, the equity of GIZ Unterstützungskasse GmbH stood at €25,000. The net profit/loss for the fiscal year was €0.

GIZ has held a 51% stake in its affiliate GIZ-Festo Training Services LLC (based in Riyadh, Saudi Arabia) since 2014. At the time of formation in 2014, this company's equity stood at SAR 500,000 (€111,232 based on the exchange rate as at 31 December 2017). In fiscal 2016, the equity of GIZ-Festo Training Services LLC stood at SAR-1,441,521 (€-320,687 based on the exchange rate as at 31 December 2017), and its net loss for the fiscal year was SAR 1,701,221 (€378,461 based on the exchange rate as at 31 December 2017). As of this writing, the annual accounts as at 31 December 2017 were not yet available.

Since 2010, GIZ has also held a 49% equity investment in sequa gGmbH, with registered office in Bonn. This holding is recognised at purchase cost (€535,862). In fiscal 2016, the equity of sequa gGmbH totalled €2,772,920, with a surplus for the year of €438,618. As of this writing, the annual accounts as at 31 December 2017 were not yet available.

The administrative costs credit is accounted for separately and administered by Deutscher Pensionsfonds AG. The pension fund will submit an annual report to GIZ on changes in the administrative costs credit and the current balance. As at the balance sheet date, the administrative costs credit balance stood at €19,002,020.

(3) INVENTORIES

Advance payments made

Out of the total figure of €444,526,663, advances of €11,005,700 are covered by guarantees. A general valuation allowance of 1% has been recognised for advance payments. In total, €92,307,123 (previous year: €51,619,991) have a term of over one year.

(4) RECEIVABLES AND OTHER ASSETS

	Residual term less than 1 year	Residual term over 1 year	Total 2017	of which, from shareholder	Residual term less than 1 year	Residual term over 1 year	Total 2016	of which, from shareholder
	in €	in €	in €	in €	in €'000	in €'000	in €'000	in €'000
1. Trade receivables								
Public-benefit business area	40,284,162	0	40,284,162	36,250,300	45,951	0	45,951	41,615
InS	50,608,182	0	50,608,182	0	67,802	0	67,802	0
	90,892,344	0	90,892,344	36,250,300	113,753	0	113,753	41,615
2. Receivables from affiliated companies	542,447	0	542,447	0	346	0	346	0
3. Project-related assets								
Cash and balances at banks	56,863,399	0	56,863,399	0	71,084	0	71,084	0
Partnership services advanced	108,196	0	108,196	0	155	0	155	0
Receivables, other	122,649,365	0	122,649,365	0	107,290	0	107,290	0
Liabilities, other	-8,020,186	0	-8,020,186	0	-6,041	0	-6,041	0
	171,600,774	0	171,600,774	0	172,488	0	172,488	0
4. Other assets								
Receivables								
from premium, see (5)	0	4,090,335	4,090,335	4,090,335	0	4,090	4,090	4,090
from rent advances abroad	2,888,210	0	2,888,210	0	2,595	0	2,595	0
from staff for travel and other advances	5,234,469	2,250	5,236,719	0	4,379	20	4,399	0
from the tax authorities	5,779,188	239,921	6,019,109	0	1,008	240	1,248	0
other	24,313,320	0	24,313,320	0	21,262	0	21,262	0
	38,215,187	4,332,506	42,547,693	4,090,335	29,244	4,350	33,594	4,090
	301,250,752	4,332,506	305,583,258	40,340,635	315,831	4,350	320,181	45,705

(5) CAPITAL (THROUGH PAYMENT)

Both subscribed capital and the capital reserve are shown at nominal value.

	2017	2016
	in €	in €
Subscribed capital	20,452,000	20,452,000
Capital reserve	5,112,919	5,112,919
Less:		
Subscribed capital unpaid	11,759,713	11,759,713
Premium due, see (4)	4,090,335	4,090,335

The item 'Subscribed capital unpaid' refers to those parts of the capital increase made in accordance with the shareholder resolution of 23 June 1978 (and entered in the commercial register) that have not yet been called up. The last two items should be regarded as risk capital and can be called up if needed subject to the agreement of the shareholder.

(6) STATUTORY RESERVES

Changes in statutory reserves

	in €
Brought forward as at 1 January 2017	116,857,067
Net profit for the year transferred to reserves	19,295,401
Total as at 31 December 2017	136,152,468
Of which:	
tied reserves	106,883,100
untied reserves	29,269,368
	136,152,468

(7) PROVISIONS

Provisions for pensions and similar obligations

Provisions are still recognised in respect of the pension liabilities outsourced from 2015 to 2017. These provisions were frozen at the time of outsourcing at the level stated in the balance sheet.

Provisions for pensions were actuarially calculated using the average market interest rate for the last ten years

as published by the German Bundesbank, based on an expected remaining term of 15 years. The difference created by changes in the average market interest rate used for discounting purposes is reported net in the financial result.

The main actuarial parameters are listed in the following table.

	in %
Actuarial interest rate	3.68
Rate of pension increase during the qualifying period (new company pension scheme)	4.48
Rate of pension increase during the qualifying period (old pre-2005 company pension scheme/ <i>alte BAV</i>)	3.88
Rate of increase in 2005 company pension scheme, annual	1.00
Rate of increase in old (pre-2005/ <i>alte BAV</i>) company pension scheme, every two years	1.00
Trend in social security contribution assessment ceiling, annual	2.50
Fluctuation, scaled according to age, up to	12.00

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 EGHGB and has therefore shown entitlements accrued by staff under the old (pre-2005) company pension scheme and entitlements accrued under the 2005 company pension scheme (indirect obligations) as provisions in the balance sheet. On each reporting date, the total sum required in order to meet GIZ's pension obligations less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

As at 31 December 2017, there was a funding deficit of €67,467,370 in respect of the indirect obligations to be settled by Deutscher Pensionsfonds AG.

	in €
Settlement amount	618,397,920
Pension fund assets	483,588,661
Frozen pension provisions	67,341,889
Funding deficit	67,467,370

As at 31 December 2017, there was no funding deficit for the indirect obligations to be settled by GIZ Unterstützungskasse GmbH (Bonn).

	in €
Settlement amount	153,194,417
Provident fund assets	8,250,407
Cash surrender value of employer's liability insurance	72,895,404
Frozen pension provisions	72,048,606
Funding deficit	0

Other provisions

Provisions for commitments in respect of phased retirement (Altersteilzeit) and benefits were determined in accordance with actuarial methods. Maturity-congruent average market interest rates for the previous seven fiscal years of 1.73% and 2.80% were used.

Obligations totalling €181,097 for phased-retirement schemes were offset against a fixed-term deposit (cover fund) of €50,000. Fair value corresponds to cost.

Provisions for working-time accounts are recognised at fair value in line with the rules for securities-based pension obligations pursuant to section 253, paragraph 1, sentence 3 HGB.

The other provisions with a remaining term of more than one year were valued using the average market interest rate of the previous seven fiscal years in line with their remaining term.

For the most part, the other provisions recognised are listed in the following table:

	2017	2016
	in €	in €'000
Working-time accounts	29,149,647	24,286
Amount payable following withdrawal from the Pension Institution of the Federal Republic and Federal States	25,562,000	24,786
Costing and warranty risks	13,983,048	17,731
Variable remuneration	10,157,618	8,938
Leave credits	9,926,323	8,777

(8) LIABILITIES

	Residual term less than 1 year	Residual term 1 – 5 years	Residual term over 5 years	Total 2017	of which, to shareholder
	in €	in €	in €	in €	in €
1. Liabilities to banks	0	0	65,200,000	65,200,000	0
2. Advance payments received					
Public-benefit business area	927,057,392	0	0	927,057,392	908,619,511
InS	61,040,939	0	0	61,040,939	0
	988,098,331	0	0	988,098,331	908,619,511
less					
VAT not yet offset on advance payments received	– 18,749,812	0	0	– 18,749,812	– 16,252,614
	969,348,519	0	0	969,348,519	892,366,897
3. Trade payables	56,128,232	0	0	56,128,232	0
4. Other liabilities	28,120,465	491,281	908,086	29,519,832	0
	1,053,597,216	491,281	66,108,086	1,120,196,583	892,366,897

Loan agreement

GIZ has concluded a loan agreement with Deutsche Postbank AG covering the purchase of land and construction of the GIZ Campus in Bonn. The agreement runs up to 2 January 2031. The loan amount is €104,037,000. Out of this figure, €65,200,000 had been disbursed as at the balance sheet date.

As security for this loan, a registered land charge of €104,037,000 plus annual interest of 15% and a one-off fee of 10% was entered in the land registry against the GIZ Campus being constructed in Bonn. A further registered land charge of €65,100,000 plus annual interest of 15% and a one-off fee of 10% was entered against the Meander property.

The property loan is covered by an interest rate swap agreement. For each month of the loan term, the agreed fixed interest rate has been hedged by means of interest rate swaps, each of which forms a single valuation unit with the associated loan. The interest rate swap agreement effectively converts the variable interest expenses on the property loan into fixed interest payments.

Underlying transaction/Hedge	Risk/Type of valuation unit	Amount included
Variable loan interest payment/interest rate swap	Interest rate risk/microhedge	€65,200,000

The underlying transaction is a variable-interest loan with a term up to January 2031. Up to this date, it is expected that the opposite movements in the valuations of the underlying transaction and the hedge will balance each other out.

The prospective effectiveness of the hedge (i.e. for the planning period from inception of the hedge and on each balance sheet date up to expiry of the hedging relationship) was substantiated by matching the corresponding terms of the hedged transaction and the hedging instrument using the critical terms match method and documenting the results. All the parameters (nominal amounts, term, and reference indices) match the underlying transaction and the hedging instrument.

The retrospective effectiveness of the hedge (i.e. the 'actual' figures on the balance sheet date) was substantiated using the critical terms match method. These items are recognised for accounting purposes using the net hedge presentation method.

	Residual term less than 1 year in €'000	Residual term 1 – 5 years in €'000	Residual term over 5 years in €'000	Total 2016 in €'000	of which, to shareholder in €'000
1. Liabilities to banks	0	0	0	0	0
2. Advance payments received					
Public-benefit business area	740,598	0	0	740,598	718,725
InS	47,790	0	0	47,790	0
	788,388	0	0	788,388	718,725
less					
VAT not yet offset on advance payments received	- 14,398	0	0	- 14,398	- 12,315
	773,990	0	0	773,990	706,410
3. Trade payables	43,183	0	0	43,183	0
4. Other liabilities	25,527	491	908	26,926	0
	842,700	491	908	844,099	706,410

**(9) OFF-BALANCE SHEET ITEM:
TRUST ASSETS/TRUST LIABILITIES**

	2017		2016	
	in €	in %	in €	in %
Intangible and tangible assets	3,889,992		1,640,805	
Deutsches Haus Moscow	0		179,394	
Participating interests	1		1	
	3,889,993		1,820,200	

The assets of €3,889,993 are matched by liabilities in the same amount.

NOTES TO THE PROFIT AND LOSS ACCOUNT

(10) TURNOVER

Turnover by business area

	2017		2016	
	in €	in %	in €	in %
Business contracts	2,239,315,788		2,006,371,661	
Grant-based (incl. GIZ-initiated measures with third-party financing)	20,360,190		26,267,072	
Public-benefit business area	2,259,675,978		2,032,638,733	
InS	84,971,196		164,794,900	
	2,344,647,174		2,197,433,633	

By location of commissioning party

	2017		2016	
	in €	in %	in €	in %
Federal Republic of Germany	2,284,021,292	97	2,058,405,924	94
Rest of Europe	44,899,403	2	76,806,793	3
Africa	9,980,756	< 1	17,174,721	< 1
America	1,869,474	< 1	4,743,469	< 1
Asia	3,876,249	< 1	40,302,726	2
	2,344,647,174		2,197,433,633	

By region of activity

	2017		2016	
	in €	in %	in €	in %
Africa	724,968,647	31	694,476,048	31
America	167,847,119	7	171,842,162	8
Asia	684,101,710	29	709,256,425	32
Europe	265,350,032	11	161,833,249	7
Oceania	6,862,668	< 1	5,595,803	< 1
Supraregional	495,516,998	21	454,429,946	21
	2,344,647,174		2,197,433,633	

(11) OTHER OPERATING INCOME

Income from foreign currency valuations came to €2,839,375 (previous year: €3,819,697). Income not related to the period under review was €50,892,660 (previous year: €12,102,882). This income is mainly due to the release of provisions.

(12) OTHER OPERATING EXPENSES

Expenses from foreign currency valuations came to €5,788,999 (previous year: €2,229,615). Expenses not related to the period under review were €71,693 (previous year: €398,835).

The item includes the costs of the audit for the annual statement of accounts (€120,000), tax consulting services (€63,600) and other audits carried out by the external auditors (€118,400).

(13) INTEREST AND SIMILAR EXPENSES

These expenses relate primarily to the compounding of other provisions with a remaining term of over one year in the amount of €416,397 (previous year: €467,011).

(14) TAXES ON INCOME

	2017	2016
	in €	in €
Corporation tax		
income previous year	335,528	579,016
expense current year	-283,264	-2,417,974
expense previous year	-87,500	0
Trade tax		
income previous year	-923	90,396
expense current year	0	-485,129
	-36,159	-2,233,691

Significant events after the balance sheet date

There were no significant events after the balance sheet date of 31 December 2017.

OTHER INFORMATION**COMPANY LAW INFORMATION**

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (registered offices in Bonn and Eschborn) is entered in the Commercial Register maintained by the District Court of Bonn under HR B 18394 and in the Commercial Register maintained by the District Court of Frankfurt am Main under HR B 12394.

TOTAL OTHER FINANCIAL COMMITMENTS**Commitments from commercial leases**

Commitments under commercial leases for office premises and parking spaces (2018 to 2027): €63,026,205. Out of this total, €12,114,407 is payable in 2018.

Purchase commitments for investment projects

As at the balance sheet date, purchase commitments for investment projects totalled €39,029 million.

Obligations to affiliated companies

The company's provident fund, GIZ Unterstützungskasse GmbH, has set up two payment plans (Leistungsplan II and III). GIZ provides it with the funds needed to make pension payments under these plans. The payment plan established in 2015 (Leistungsplan I) was discontinued in 2017.

Contingent liabilities

GIZ is a member of several consortia in which it cooperates with partners from various EU countries and other countries to jointly win contracts and implement project measures in various fields (procurement of materials and equipment and delivery of services).

In all these consortia, each member is jointly and severally liable to the client. GIZ's liability is minimised on account of its lead role and its provision of project funds as projects progress. Claims are therefore not expected. As at the balance sheet date, there were 11 consortia in all. GIZ has the lead role in eight of these consortia.

As at 31 December 2017, the risk arising from participation in the consortia amounted to €256,051. Based on the experience of recent years, claims are not expected.

Following approval by the relevant ministries in December 2007, GIZ became a member of the European Network of Implementing Development Agencies (EUNIDA), which is based in Brussels. This is a European Economic Interest Grouping (EEIG) with 11 (2016: eight) members, the purpose of which is to exchange information on international cooperation among members and to submit joint bids to implement projects. The network was established without equity capital.

Average employment during the year

	2017	2016
Head Office personnel	2,127	2,006
Project staff (Germany)	1,643	1,477
Field staff	2,259	2,155
GIZ total employees (excluding national personnel)	6,029	5,638
National personnel	13,042	12,397
GIZ total personnel	19,071	18,035

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Chair

Dr Friedrich Kitschelt

State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn
(up to 4 April 2018)

Martin Jäger

State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn
(from 4 April 2018)

First Deputy Chair

Dr Stephan Krall

Head of Competence Centre at GIZ, Eschborn
(up to 7 July 2017)

Jan Wessler

GIZ Central Africa advisor, Rwanda
(from 7 July 2017)

Second Deputy Chair

Daniela Spies

GIZ Departmental Advisor, Eschborn
(up to 7 July 2017)

Dr Stephan Krall

Head of Competence Centre at GIZ, Eschborn
(from 7 July 2017)

Claudia Dörr-Voß

Director General, German Federal Ministry for Economic Affairs and Energy, Berlin (from 8 March 2017)

Anja Hajduk

Member of the German Federal Parliament, Berlin

Armin Hofmann

GIZ Programme Manager, Myanmar

Winnie Kauderer

Junior Specialist at GIZ, Bad Honnef
(up to 7 July 2017)

Volkmar Klein

Member of the German Federal Parliament, Berlin

Antonia Kühn

Union Secretary, DGB (German Trade Union Confederation), North Rhine-Westphalia region, Düsseldorf
(up to 7 July 2017)

Birgit Ladwig

Office Director, Unified Service Sector Union (ver.di) – National Office, Berlin

Christine Lambrecht

Parliamentary State Secretary, German Federal Ministry of Finance, Berlin (from 18 April 2018)

Michael Leutert

Member of the German Federal Parliament, Berlin

Walter J. Lindner

State Secretary of the Federal Foreign Office, Berlin
(from 8 March 2017)

Dr Sabine Müller

GIZ Director General of Department, Eschborn

Jens Neumann

Member of the GIZ Staff Council, Eschborn
(from 7 July 2017)

Mariella Regh

GIZ Advisor, Bonn (from 7 July 2017)

Thomas Schenk

Head of Regional Division for Hesse, Unified Service Sector Union (ver.di), Frankfurt am Main

Paul Schlüter

Member of the GIZ Staff Council, Bonn (from 7 July 2017)

Johannes Schmalzl

Chief Executive Officer, IHK Stuttgart, Stuttgart
(up to 18 April 2018)

Ursula Schoch

GIZ Project Manager, Bonn (up to 7 July 2017)

Wolfram Schöhl

Chairman of the Board of Directors of the German Foundation for International Development (DSE), Bonn

Tobias Schürmann

Unified Service Sector Union (ver.di), Berlin
(from 7 July 2017)

Dr Julius Spatz

GIZ Director of Division, Eschborn (up to 7 July 2017)

Sonja Steffen

Member of the German Federal Parliament, Berlin

Stephan Steinlein
State Secretary, Federal Foreign Office, Berlin
(up to 8 March 2017)

Dagmar Wöhl
Member of the German Federal Parliament, Berlin

Brigitte Zypries
Federal Minister for Economic Affairs and Energy
(up to 31 January 2017)

MANAGEMENT BOARD

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß

Cornelia Richter
(up to 31 January 2018)

REMUNERATION

The remuneration received by members of the Management Board generally includes a fixed salary and a variable component. For members of the Management Board currently employed, the total remuneration in fiscal year 2017 was €1,021,070.

GIZ has indirect pension obligations totalling €5,041,114 towards currently serving members of the Management Board. In 2017, GIZ transferred €608,164.50 to GIZ Unterstützungskasse GmbH in order to fund these pension commitments.

	Fixed salary	Variable remuneration	Total
	in €	in €	in €
Tanja Gönner	243,296	37,334	280,630
Dr Christoph Beier	222,590	37,667	260,257
Dr Hans-Joachim Preuß	214,480	28,000	242,480
Cornelia Richter	190,825	29,000	219,825
Other remuneration components			17,878
Total remuneration			1,021,070

In 2017, members of the Supervisory Board were merely reimbursed for their travel costs of €28,115. There was no further remuneration.

A provision of €670,585 has been recognised to cover a transitional allowance for a former senior manager. Transitional allowance payments in fiscal 2017 totalled €101,808. Indirect pension obligations towards former senior managers and members of the Management Board totalled €7,361,274.

LOANS TO ORGANS OF THE COMPANY

EMPLOYEES ON THE SUPERVISORY BOARD

	in €
Loans as at 1 January 2017	17,631
Repayments	2,387
As at 31 December 2017	15,244

In all cases, the term is 15 years and 2 months at a rate of 2.5% per year.

Bonn/Eschborn, 18 May 2018

The Management Board

Tanja Gönner
Chair of the
Management Board

Dr Christoph Beier
Vice-Chair of the
Management Board

Dr Hans-Joachim Preuß
Managing Director

**CHANGES IN FIXED ASSETS
IN FISCAL 2017**

	COST OF ACQUISITION OR PRODUCTION				31.12.2017 in €
	1.1.2017 in €	Additions in €	Reclassification in €	Retirements in €	
I. Intangible assets					
Purchased concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	6,272,363	970,529	0	71,895	7,170,997
	6,272,363	970,529	0	71,895	7,170,997
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	220,780,389	10,086,383	13,870,966	0	244,737,738
2. Other plant, operating and office equipment	43,137,184	7,183,071	145,916	3,172,699	47,293,472
3. Advance payments and assets under construction	45,424,688	65,768,182	- 14,016,882	0	97,175,988
	309,342,261	83,037,636	0	3,172,699	389,207,198
III. Financial assets					
1. Shares in affiliated companies	75,881	0	0	0	75,881
2. Participating interests	535,862	0	0	0	535,862
3. Securities held as fixed assets	163,944,850	19,999,983	0	71,277,070	112,667,763
4. Other loans	721,000	0	0	119,408	601,592
5. Claims from administrative costs credit	7,528,319	11,473,701	0	0	19,002,020
	172,805,912	31,473,684	0	71,396,478	132,883,118
	488,420,536	115,481,849	0	74,641,072	529,261,313

ACCUMULATED AMORTISATION AND DEPRECIATION

CARRYING AMOUNTS

1.1.2017	Amortisation/depreciation in the fiscal year	Retirements	31.12.2017	31.12.2017	31.12.2016
in €	in €	in €	in €	in €	in €
4,155,563	755,148	61,515	4,849,196	2,321,801	2,116,800
4,155,563	755,148	61,515	4,849,196	2,321,801	2,116,800
55,370,485	4,770,497	0	60,140,982	184,596,756	165,409,904
27,937,353	5,385,156	3,054,308	30,268,201	17,025,271	15,199,831
0	0	0	0	97,175,988	45,424,688
83,307,838	10,155,653	3,054,308	90,409,183	298,798,015	226,034,423
0	0	0	0	75,881	75,881
0	0	0	0	535,862	535,862
0	0	0	0	112,667,763	163,944,850
150,950	0	33,772	117,178	484,414	570,050
0	0	0	0	19,002,020	7,528,319
150,950	0	33,772	117,178	132,765,940	172,654,962
87,614,351	10,910,801	3,149,595	95,375,557	433,885,756	400,806,185

3

AUDITOR'S

REPORT

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, for the business year from 1 January to 31 December 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB (Handelsgesetzbuch: German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements

and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the German statutory requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Mainz, 18 May 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hauptmann
German Public Auditor

Reichel
German Public Auditor

PUBLICATION DETAILS

PUBLISHED BY

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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Proofreading:
textschriftmacher, Lübeck, Germany

Translation:
David Tonge
Ritu Khanna
Richard Heaney

Design and layout:
Scheufele Hesse Eigler
Kommunikationsagentur GmbH,
Frankfurt am Main, Germany

Printed by:
Druckerei Lokay e.K.
Königsberger Str. 3
64354 Reinheim, Germany

Carbon-neutral printing process using
100% recycled paper

Printed on:
Cover: BalancePure white
350 g/m²
Inside: BalancePure white
120 g/m²

Both the cover paper and the paper used for the pages inside
have been awarded the Blue Angel label.



Published in:
July 2018



JUST A CLICK AWAY

**GIZ'S INTEGRATED COMPANY REPORT
IS NOW AVAILABLE ONLINE AT
[REPORTING.GIZ.DE](http://reporting.giz.de)**

As well as financial information and indicators for the year under review, the online version of GIZ's Integrated Company Report offers further insights into the global services provided by the company. The report explains how corporate responsibility and sustainability are strategically mainstreamed and put into practice at GIZ. The intention in presenting all these elements together is to show how – together with commissioning parties and partners – GIZ is responding to global challenges with effective solutions for sustainable development.

All GIZ's sustainability reports can also be found online together with regularly updated information about the company's sustainability policies and measures. You can find them at

reporting.giz.de

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