



## Corporate Governance Report

### August 2022

Legacy Landscapes Fund (“LLF”) orients its governance on the principles set forth in Part I of the German Public Company Governance Kodex<sup>1</sup> (“PCGK”) as well as the code of the Federal Association of German Foundations (“Grundsätze Guter Stiftungspraxis”). PCGK Part I requires publication annually of a Corporate Governance Report, and LLF is pleased to publish its first report in these pages.

#### 1. Overview and Recent Governance Developments

LLF is governed by a two-tier (supervisory and management) board structure. There are no shareholders in a foundation and accordingly there is no equivalent of a shareholders meeting. By default, the supervisory board (SB) therefore takes over some of the functions foreseen by the PCGK that a shareholders’ meeting would have in other structures.

LLF’s SB is composed of members appointed by its founding donor the German Federal Ministry for Economic Cooperation and Development (“BMZ”) and its founder institution KfW, as well as elected members. During most of 2021 and the first months of 2022, the SB was composed of three members. Birgit Pickel (appointed by BMZ) served as SB chair and Dr. Thomas Duve (appointed by KfW) as deputy chair from LLF’s inception. Aileen Lee from LLF’s partner funder the Gordon and Betty Moore Foundation was elected as a third member in March 2021. Barry Gold, affiliated with LLF’s partner funder the Rob and Melani Walton Foundation, served as an informal observer, from February 2021 to May 2022, when he was elected as a full member of the SB.

In 2022, Birgit Pickel took on new functions at BMZ and BMZ appointed Dr. Heike Henn to replace her as of May 2022. In June 2022, Guillaume Chiron from Agence Francaise de Development was elected to the SB, increasing its official number to five.

LLF’s charter also foresees two official observers from its advisory board who participate in SB meetings but do not vote. In September 2021, Georg Schwede from Campaign for Nature and Sandy Andelman of the Wildlife Conservation Society were elected as observers from the newly established advisory committee to the supervisory board for a term of one year.

At the management board (MB): Stefanie Lang was appointed executive director as of April 1, 2021, for a term of three years. Upon Ms. Lang’s appointment: David Morrison, who had served as interim executive director from LLF’s inception, agreed to continue his service as a volunteer as Ms. Lang’s deputy on the MB until the end of 2022; and Uwe Klug of KfW, the previous deputy, left the MB and became an advisor to LLF on a part-time basis as part of his official duties at KfW.

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<sup>1</sup> The PCGK was most recently revised in September 2020.

## **2. Supervisory Board and Management Board Compensation**

The SB—both official members and observers--continues to serve on an honorary basis without compensation. The SB has agreed a compensation package for Stefanie Lang which is consistent with practice for environmental NGOs in Europe but is considerably below comparable private sector standards, and not more than public sector employees with similar responsibilities. She is entitled to modest merit-based annual bonuses under her contract amounting to up to approximately 15% of her fixed salary. As noted above, David Morrison works part time as a volunteer.

LLF has determined not to disclose MB salaries in this report as would normally be required for PCGK compliant entities. Salary levels are fully transparent to all SB members and to BMZ and KfW, which as the appointing institutions of Ms. Pickel, Dr. Henn and Dr. Duve are entitled to see internal LLF documents including the salary information. Public disclosure of compensation levels is not customary in the charitable sector in Germany, the salary levels are in any case modest, and the SB believes that requiring MB members to disclose their compensation could be disadvantageous to recruiting the best personnel.

## **3. Comments on Sustainable Business Practices (Section 5.5.1-5.5.3 PCKG)**

Sustainability and the 2030 Sustainable Development Goals (SDGs) are built into the DNA of LLF. Its grants pursue programs that support SDG15 by conserving landscapes and biodiversity, contributing to promoting the sustainable use of terrestrial ecosystems, to sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss. Other SDGs pursued through these projects are in particular SDG 1, 2, 3 and 13.

LLF is also committed to principles of equal treatment and a discrimination free culture (Operations Manual section 2.2). Our SB is currently composed of two women and three men with an additional female and male participating as observers.

Our staff (including for these purposes the MB) is currently composed of five women and two men. Several of our staff manage their hours on a flexible basis to care for their children. Covid-19 in particular has offered an opportunity to provide flexible home-working conditions which will be continued in an appropriate way as more normal health conditions prevail. LLF offers its employees a subsidy for public transportation.

A feedback mechanism, including anonymous feedback to the Executive Director, will be established as of 2022 with the help of LLF's shared service organization Nature Trust Alliance. A formal whistle-blower system will be provided through the grievance mechanism that will be developed in the course of 2022. We believe our salary conditions and benefits are fair and competitive.

## **4. Comply or Explain Disclosure**

The PCGK explicitly recognizes that one size does not fit all and that there may be good reasons for certain entities to adopt a different governance regime than that contemplated by more than 100 'soll' (comply or explain) provisions of the PCGK. In cases where an alternative is adopted, the reporting entity is required to explain the basis for its different approach. Pursuant to these requirements, LLF reports the following exceptions:

1. Responsibility and Liability (PCGK Section 4.3.1). Rather than responsibility for ordinary negligence, the charter of LLF (Section 5(4)) provides that SB and MB members are liable for intentional violations of duty and gross negligence. This is consistent with practice for

foundations and the 'honorary'/volunteer nature of the SB's functions and the relatively modest, charitable sector-oriented salaries of MB members who are paid.

2. Directors and Officers Liability Insurance Requirements (PCGK Section 4.3.2): In the event the reporting organization takes out a D&O policy, the PCGK foresees a deductible amount of 10% of the amount of the MB member's liability capped at 150% of his/her salary. Consistent with generally accepted practice for charitable organizations, and given the relatively modest salaries involved, the LLF D&O insurance policy has no deductible.
3. Requirement to Select MB members in a Competitive Process (PCGK Section 5.2.2): Stefanie Lang– LLF's executive director – was chosen in a competitive process and with the help of an international head-hunting agency. David Morrison was selected based on his experience and willingness to volunteer.
4. Mandatory Retirement (PCGK Section 5.2.5): MB Member David Morrison is over the mandatory retirement age. He is active only part-time and is not compensated. It is believed that his experience is of significant value to the foundation.
5. Requirements on Compensation Structure (PCGK Sections 5.3.1 and 5.3.2). The detailed provisions on compensation are complied with almost in full. However:
  - Given the modest nature of the bonuses of the MB, neither the provision requiring differentiated elements of the KPIs/objectives to be weighted separately for the bonus calculation nor the entire extent of the documentation requirement for the bonus determination is complied with in full (the minutes do document that the Executive Director's bonuses were considered and agreed by the SB).
  - Neither the provision foreseeing a reduction in MB salaries in the event of a serious worsening of the economic situation nor the provision foreseeing a salary repayment in the event of a breach of duty are considered to be appropriate for a not-for profit non-commercial enterprise. They are also not customary in the German charitable sector.
6. Requirement for SB to Have Legal, Compliance and Corporate Governance Competence (PCGK Section 6.2.1). The SB does not have direct competence in these areas but assures oversight through support personnel at KfW and BMZ and independent advisors as necessary.
7. Disclosure of MB Compensation (PCGK Section 7.2.1). See the discussion under 'Compensation' above.

**Issued in August 2022, on the authority of:**

**The Supervisory Board  
The Management Board**