WIN Initiative

Growth and Innovation Capital for Germany

Joint commitment to strengthening investment in growth and innovation capital and the associated ecosystem

The Federal Government

KFW

Introduction

Growth and innovation capital are key drivers of the economy of the future. In recent years, Germany has already succeeded in increasing the associated investments and expanding its ecosystem. The annual deal volume in the German market has more than quadrupled over the past 10 years from EUR 1.5 billion in 2013 to EUR 7.1 billion in 2023. This success is based on the commitment of business owners, investors and other involved companies. It is being supported by various measures developed and initiated by the federal government in collaboration with associations and companies. These include the continuation of the successful “High-Tech Gründerfonds” and the “Zukunftsfonds” as a further financing vehicle. In addition, the Future Financing Act and the EXIST Start-up Factories flagship competition strengthen the conditions for start-ups.

However, the transformation of Germany and Europe, particularly in the areas of energy, climate and technology, is just beginning to gain momentum. Start-ups play a crucial role as drivers of innovation in this transformation. A robust and well-developed ecosystem for growth and innovation financing can therefore be a major competitive advantage in the commercialisation and dissemination of innovative technologies. Yet start-ups can fulfil this role only if they are adequately financed within sustainable structures. This is the only way they can, as the SMEs of tomorrow, grow into competitive companies and contribute to employment, prosperity and innovation.

Experience in recent years has shown that leveraging private capital combined with the committed and targeted use of public funds is effective. As an asset class, growth and innovation capital therefore offers an attractive risk/return profile for private investors.

To achieve the next stage of expansion for the German – and European – ecosystem for growth and innovation financing, a joint effort by both the political and business sectors is essential. Hand in hand, through joint efforts and cooperation, synergy effects can be utilised, and positive effects multiplied. This is why we as companies, associations, the federal government and KfW have teamed up in the WIN initiative (Growth and Innovation Capital for Germany) to develop appropriate measures and to commit ourselves to strengthening the ecosystem.

Joint commitment to strengthening the ecosystem

We – the companies involved in WIN, the federal government and KfW – are convinced that, in addition to a strong industry and SMEs, a dynamic start-up landscape is crucial for prosperity, competitiveness and Germany's position as an industrial hub. While we acknowledge the investments in and improved framework conditions for start-ups and growth companies in recent years, we also recognise that they remain insufficient when compared internationally.

We therefore aim to expedite the further expansion of the ecosystem for growth and innovation financing and have developed various solutions to this end.

We plan to implement various targeted measures and contributions and call on other stakeholders to actively participate in the WIN initiative.

Our approach is based on the following shared understanding:

1. The ecosystem and culture for growth and innovation capital in Germany must be strengthened holistically along the value chain. The following five stages are equally important:

   a. **Investable assets:** Sufficient number of companies with an attractive business model as investment opportunities;

   b. **Structures and vehicles:** Funds and other capital collection vehicles / investment products for different investor needs;

   c. **Investors:** Attractive market conditions and investment incentives for investors with expertise in the growth and innovation capital market;

   d. **Exits:** Flexible exit opportunities for investors via liquid capital markets for IPOs, capital increases and secondary sales;

   e. **Legal framework:** Supporting the market for growth and innovation capital with internationally competitive framework conditions.

2. In line with our respective business models, we as participating companies intend to make various contributions to strengthening the ecosystem for growth and innovation capital. Direct investments may not be possible or appropriate for every player. In addition, different opportunities and restrictions exist depending on the business model and regulatory framework (e.g. regulatory requirements, structural/corporate framework conditions). Therefore, we have decided to make financial and structural contributions at various levels, contributing equally to the overall impact of WIN:

a. **Investments in growth and innovation capital:** Commitment to strengthening investments;

b. **Further financial contributions:** Financial support of the ecosystem beyond direct investments;

c. **Structural contributions:** Strengthening the ecosystem by adopting/supporting structural measures.

3. Individual risk-return considerations are a key parameter of our commitment to strengthening the ecosystem in Germany by individual players.

Building on this shared understanding, we – the companies involved in WIN, the federal government and KfW – will make a proactive contribution to strengthening the ecosystem in cooperation with other relevant stakeholders.

10-point action plan to strengthen the ecosystem for growth and innovation capital

To strengthen the ecosystem, we have developed a 10-point action plan that is intended to significantly benefit all parts of the value chain, from investable assets to the legal framework:

The following points, especially in relation to the regulatory measures (7, 9 and 10), are subject to updates as they are still being coordinated within the federal government and must go through the regular legislative process.

1. **Expand cooperation between universities, investors and companies:** The EXIST Start-up Factories flagship competition is a central element of the federal government‘s start-up strategy, with implementation supported by UnternehmerTUM. As part of the competition, five to ten excellence-oriented entities ("factories") are to be established at leading start-up universities. The primary goal is to increase the number of innovative and research-based spin-offs. The factories will be set up on an entrepreneurial basis and at least 50% of the financing for the start-up phase must come from private funds. A concept phase with 15 projects selected by a jury of experts was launched on 1 July 2024. The projects represent more than 100 universities and research institutions as well as private companies and investors. Five to ten projects will be selected for the implementation phase in spring 2025. Cooperation and matchmaking between start-ups, researchers, investors and established businesses will also take place within the de:hub network. Proposals for new locations can be submitted until the end of June 2024, particularly in new regions and sectors. The winners will be presented at the Start-up Germany Summit. Further measures to increase cooperation between universities, researchers, investors and companies are strongly encouraged.

2. **Establish growth and innovation capital as an asset class for wealthy and other suitable private individuals:** Options for investing in growth and innovation capital with good risk-return ratios should be accessible to various market players. Establishing this asset class among private individuals for whom it is suitable can unlock a considerable pool of capital. Therefore, companies participating in WIN intend to set up suitable vehicles (e.g. via ELTIFs) to mobilise capital from this target group.

3. **Strengthen fund-of-funds structures:** The establishment of targeted fund-of-funds structures is essential in order to reduce fragmentation and simplify risk diversification. These structures should therefore be strengthened. In addition to improving the tax framework, which makes investments through fund-of-funds structures more attractive (see also measure 9), the success of the Wachstumsfonds Deutschland ("Growth Fund Germany") should be continued as a targeted contribution. The Wachstumsfonds had its successful final closing in November 2023 and invests primarily in European VC funds. With a volume of EUR 1 billion, it is one of the largest fund-of-funds ever set up in Europe. Approximately two-thirds of the capital raised comes from private investors. Building on this, KfW Capital will start designing a follow-up product in 2024, which

will enter fundraising in 2026. By this time, the predecessor fund will have committed over 70% of its capital, a prerequisite agreed with investors for setting up the follow-on fund.

4. **Improve financing for cleantech scale-ups:** More scale-up financing is needed for innovative start-ups in Germany's cleantech sector (especially for "first of a kind" or FOAK facilities), which currently has insufficient access to financing options. This is particularly the case for young companies that require outside capital to set up industrial production following product development and the subsequent creation of pilot factories. To address these financing needs, the federal government is examining options for providing public sector support for the purpose of mobilising private investment in this specific segment. To this end, the federal government is considering providing investment funds on a pari passu basis via KfW.

5. **Introduce investors to growth and innovation capital through the transfer of expertise:** Appropriate expertise and a corresponding investment culture on the investor side are a basic prerequisite for investing in growth and innovation capital. Financial literacy initiatives that help to impart capital market expertise and facilitate an investment culture serve to strengthen these prerequisites. To this end, various players participating in WIN will continue their financial literacy activities and expand them in a targeted manner as needed. The federal government's financial literacy initiative will also play a crucial role in this context. In addition, (potential) investors must be introduced to the asset class in a targeted manner through the transfer of expertise from those already investing in growth and innovation capital. For this purpose, KfW is expanding its commitment to the transfer of expertise via its subsidiary KfW Capital. KfW Capital will therefore continue and expand its VC Academy in 2024 and the following years, and a new training programme for potential limited partners (LP) will also be organised in 2025. In addition, the "Family Office Initiative" and "Foundation Round Table" formats established by the federal government together with UnternehmerTUM make a significant contribution to attracting further investor groups to start-up financing in Germany. Participants in the Family Office Initiative have been involved in the Wachstumsfonds and the Start-up Factories, among other things. The Foundation Round Table, with the participation of KfW Capital, regularly organises discussions on how to attract investments from foundations in the VC market.

6. **Increase WIN investments by public institutional investors:** The federal government has commissioned a study to explore options for increasing WIN investments by public institutional investors, which will include an inventory of relevant public funds and their VC investments as well as opportunities to mobilise more VC investments through public funds. The results of the study are expected to be available in spring 2025. Both the KENFO (Fund for the Financing of Nuclear Waste Management) and, in the future, the Generation Capital Foundation have or will have the opportunity to invest in the VC asset class.

7. **Improve IPO/exit framework conditions (package of measures):** With the Future Financing Act, the federal government has already launched the first significant measures to improve the framework conditions for start-ups in particular. However, it is only a milestone, not the end goal. A key factor that drives investment decisions by venture capital investors is whether or not a start-up

offers the potential for an exit via an IPO. We therefore aim to further improve the conditions for IPOs to create even stronger incentives for venture capital investments in Germany. At the European level, we successfully campaigned in the negotiations on the Listing Act to reduce the minimum duration of a public offering of shares from six to three days. Furthermore, we will enable companies to offer securities worth up to EUR 12 million to the public without having to draft a prospectus. Until now, this has only been possible up to EUR 8 million. We also want to make it possible for issuers to prepare entire securities prospectuses (i.e. including the summary) in English. The Federal Financial Supervisory Authority (BaFin) is also endeavouring to approve prospectuses even more quickly. A corresponding acceleration concept is already being trialled. This is already having the effect that the duration of 6 to 8 weeks targeted by the WIN initiative for the approval of prospectuses in the regulated market is already common practice at BaFin. In addition, we would like to enable public limited companies ("Aktiengesellschaften") to stipulate a nominal value for shares from EUR 0.01 (previously from EUR 1.00) in their articles of association. Through these measures, we aim to strengthen Germany's international attractiveness as a financial centre and to facilitate the offering of foreign securities in Germany.

8. **Strengthen the secondary market for venture capital fund shares:** The establishment of an organised secondary market for VC LP fund shares is an important step towards expanding the European VC ecosystem, enhancing the liquidity and attractiveness of the asset class for LPs. The group of companies participating in WIN is therefore reviewing the feasibility of creating a marketplace for secondary transactions in which LP shares in selected venture capital funds can be brokered.

9. **Improve the tax framework for investments in growth and innovation capital (package of measures):** Tax policy frameworks have an important impact on investment decisions. With the Future Financing Act, the federal government has already initiated the first decisive improvements to the tax framework for start-ups. However, we do not want to stop there. We plan to expand the opportunities for funds that fall under the Investment Tax Act to invest in commercial partnerships and thus also in commercial VC funds. In addition, the maximum amount for transfers of hidden reserves from sales of shares in corporations held as business assets will be increased for reinvestments under section 6b (10) of the Income Tax Act (so-called "roll-overs"). Further proposals for tax law measures aiming to make Germany a stronger magnet for business are still being reviewed in terms of state aid law.

10. **Modify the Investment Ordinance:** With the second Act to Strengthen Occupational Pensions, we are planning modifications to the Investment Ordinance to make it easier for small insurers and pension funds to invest more in higher-yield and higher-risk asset classes such as venture capital. Among other things, we are planning to increase the quota for risk capital investments from 35% to 40%. We are also planning to introduce an infrastructure quota of 5%, but investments in this category will not be counted towards the risk capital investment quota or other quotas in the Investment Ordinance. In the Insurance Supervision Act, we are also planning to relax the cover requirements for pension funds in order to enable more flexible capital investment.

In addition to the ten specific measures described above, we aim to work - also at the European level - to ensure that other relevant levers for developing the capital market and the ecosystem for growth and innovation financing are addressed. This includes, in particular, advancing the capital markets union and reducing red tape.

Expectations regarding contributions made within the framework of the WIN initiative

1. **Potential investments in growth and innovation capital: increasing investment**

   Direct financial investments within the framework of the WIN initiative should target those areas where current financing options are insufficient. We have therefore defined the following buckets:

   a. Investments in unlisted start-ups and scale-ups

      Direct or indirect (via (umbrella) fund constructs) investments in unlisted companies in the form of equity or debt.

   b. Investments in newly listed companies

      Direct or indirect (via (umbrella) fund constructs) investments in newly listed companies in which one or more professional venture capitalists were involved to a significant extent at least at the time of the IPO. Companies in which the managing partners have sufficient experience in the venture capital financing segment (e.g. serial founders) are also eligible. The IPOs should not date back more than one year. Investments can be made in the form of equity or debt.

   c. Investments in first-of-a-kind technologies

      Direct or indirect (via (umbrella) fund constructs) investments in companies for the development and scaling of large-scale plants for novel technologies following the completion of extensive technical de-risking (e.g. through the successful validation of prototypes and/or initial pilot plants). The investments can be made in the form of equity or debt.

The biggest financing gap in Germany is in the growth sector. The aim of the WIN initiative is to close this gap. Therefore, investments focussing on Germany and Europe, especially by German or German-based/operating asset management companies, are welcomed.

For newly listed companies, new stock exchange listings in Germany and Europe - also as dual listings - are part of the initiative.

The target time frame for direct financial investments under the WIN initiative is the period up to 2030.

2. **Possible further financial contributions: Financial support for the ecosystem beyond direct investments**

   Further financial contributions should have a measurable direct or indirect impact on the ecosystem and be implemented during the period up to 2030. Examples include financial support for (a) public-private partnership programmes to establish start-up factories (see measure 1), (b) the establishment of corresponding chairs at universities and (c) programmes to strengthen financial literacy both in general and with direct reference to growth and innovation financing.

3. **Possible structural contributions: Strengthening the ecosystem by adopting/supporting structural measures**

   Structural contributions should have a measurable direct or indirect impact on the ecosystem and be implemented during the period up to 2030. Examples include the development of infrastructure, the launch and distribution of investment vehicles and the establishment of a platform for processing secondary market transactions.

Expected overall impact and performance assessment

The various contributions will have different but equally important effects on the ecosystem in Germany and Europe. Direct investments are just as effective as newly established investment vehicles, which have an indirect effect by collecting fresh capital and then channelling it into the ecosystem.

The total impact on the ecosystem will be around EUR 12 billion for the period from signing to 2030.

We aim to jointly track the implementation of the measures and contributions by having the signatories submit the implementation status to KfW once a year in a standardised form. We also aim to enable third parties (e.g. industry associations) to submit anonymised data for multiple stakeholders. The submitted information will be analysed by KfW once a year. The general development of the ecosystem will also be subject to regular evaluation, including recommendations for action where necessary (for example, recommendations for additional measures to supplement the action plan).

The findings from these evaluations will be aggregated once a year and made available to the public in an anonymised report.

Furthermore, the signatory entities have the right to engage in independent communications regarding their specific contributions to the WIN initiative, while referencing the overall initiative.

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Declaration of intent

Considering the above, we hereby make the non-binding declaration that each of the signatories will endeavour to make investments and further contributions in connection with the WIN initiative. We emphasise, however, that such investments and contributions depend (in terms of both purpose and amount) on multiple assessment parameters and contractual parameters as well as possible prior approvals from external authorities and/or internal committees; they must therefore be negotiated on a case-by-case basis and cannot be determined in advance. This declaration of intent does not effectuate binding purchase or investment obligations even if, for whatever reason, the currently expected investment volume is not reached.

Federal Government

Christian Lindner Federal Minister of Finance	Dr. Robert Habeck Federal Minister for Economic Affairs and Climate Action	Olaf Scholz Federal Chancellor

Signatory public partner: KfW

Stefan Wintels
Chief Executive Officer
KfW

Signatory companies and umbrella organisations

Deutsche Bank AG	Allianz	BlackRock, Inc.
DZ BANK AG / Genossenschaftliche FinanzGruppe	Deutsche Börse AG	Commerzbank AG
Bayerische Versorgungskammer	Deutsche Telekom / T.Capital	AXA Konzern AG
Versicherungskammer Bayern	DSGV German Savings Banks Association	VGH Versicherungen
Schenker AG	UnternehmerTUM GmbH	Frankfurt School of Finance & Management gGmbH

Signatory companies and umbrella organisations

Henkel AG & Co KGaA	European School of Management & Technology GmbH	Münchener Rückversicherungs-Gesellschaft AG
Stuttgarter Lebensversicherung a.G.	W&W Asset Management GmbH	FIEGE Logistik Stiftung & Co. KG
Barmenia.Gothaer Finanzholding AG	Generali Deutschland AG	Bertelsmann SE & Co. KGaA
Provinzial Versicherung Aktiengesellschaft	Debeka-Gruppe	HUK-COBURG Versicherungsgruppe

Declaration of cooperation by associations and stakeholders active in the WIN ecosystem to strengthen investment in growth and innovation capital

We, as associations and stakeholders active in the WIN ecosystem, are convinced that WIN's 10-point action plan and the targeted individual contributions will provide an important boost to growth and innovation financing in Germany.

We fully support the specified objectives and would like to contribute to the long-term success of the initiative by by becoming actively involved in the implementation of projects and related public outreach.

We particularly welcome the plans to conduct regular performance assessments relating to (a) the development of the ecosystem and (b) the overall progress of the initiative. In this context, we are willing to provide, upon request, assistance in the consolidated, anonymised transmission of data from multiple entities whom we represent.

Associations and stakeholders

BDI Federation of German Industries	BVDS German Startups Association	BVK German Private Equity and Venture Capital Association
GDV German Insurance Association	VÖB Association of German Public Banks	BdB Association of German Banks
Deutsches Aktieninstitut		

www.bundesregierung.de/breg-en

www.kfw.de/WIN