

CORPORATE GOVERNANCE AT DIC ASSET AG

DECLARATION OF CONFORMITY

Declaration of Conformity pursuant to section 161 AktG
 [Non binding translation of the German text of the declaration]

The Management Board and the Supervisory Board declare that DIC Asset AG from the date of submission of its previous Declaration of Conformity has complied and will continue to comply with the recommendations of the German Corporate Governance Code as published on 7 February 2017. The following exceptions applied or apply:

- If a D&O (directors' and officers' liability insurance) policy is taken out for Supervisory Board members, the Code in clause 3.8 paragraph 3 recommends agreeing a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration. DIC Asset AG has taken out a D&O policy for the members of its Supervisory Board which does not provide for a deductible for the Supervisory Board members. We believe that a deductible in the D&O policy would not enhance the motivation and sense of responsibility shown by the members of the Supervisory Board in performing their duties.
- The Code in clause 4.1.5, in particular, recommends aiming for an appropriate consideration of women when appointing company executives. In appointing company executives, the Management Board has focused and will in the future continue to focus on the interests of the Company and the statutory provisions and in doing so will most of all give priority to the professional and personal qualifications of candidates – irrespective of gender. We have met the applicable statutory provisions with regard to the determination of targets for the share of women at the executive level below the Management Board.
- The members of the Management Board have been promised performance-related payments (profit-sharing bonuses) and options on so-called phantom stocks as variable remuneration components. In accordance with clause 4.2.3 paragraph 2 sentence 4 of the Code, both positive and negative developments within the agreed assessment period are taken into consideration when determining the variable remuneration components, insofar as the payments may turn out to be proportionately higher or lower, or may not be made at all. When they exercise the options, the members of the Management Board receive share-price-dependent payments which are based solely on the Company's share price within a reference period. In deviation from clause 4.2.3 paragraph 2 sentence 7 of the Code, these options on phantom stocks were not and are not based on "demanding and relevant comparison parameters" within the meaning of the Code. We are of the opinion that incorporating additional comparison parameters would not inspire greater motivation or a keener sense of responsibility.
- The Code recommends in clause 4.2.3 paragraph 2 sentence 6 that the amount of the remuneration of the members of the Management Board should be capped both in the aggregate and as regards variable components. The amount of the variable performance-related payments (profit-sharing bonus) of Management Board members has not been capped in the director's contracts of the current Management Board members. We do not consider a cap on the profit-sharing bonus necessary since the Supervisory Board determines the amount of the bonus annually. The options on so-called phantom stocks granted to the members of the Management Board as long-term variable remuneration components have been and continue to be limited in number. When exercised, the options entitle the bearer to a cash payment in an amount defined by the positive difference between the average closing price of the DIC Asset AG share during a reference period preceding the exercise of the option, on the one hand, and the contractually agreed exercise price, on the other hand. The members of the Management Board may therefore benefit from the upside price potential of the shares during the reference period. There was and still is no cap on the amount of participation in the upside price potential at the time the option is exercised. We believe that an additional cap on this share-based remuneration component would run counter to its major incentive, which is working toward increasing the company value. Given the absence of caps on the variable remuneration components and on some of the ancillary benefits, there were and are also no caps on the total amount of remuneration for the members of the Management Board.
- When concluding Management Board employment contracts, it should be ensured that payments to members of the Management Board upon the prior termination of their work for the Management Board do not exceed two annual remunerations, including ancillary benefits (severance cap), and that only the residual employment term be remunerated. In deviation from clause 4.2.3 paragraph 4 of the Code, Management Board employment contracts do not and will not include a

severance cap. Any agreement of this kind would run counter to the basic understanding of a Management Board employment contract that is routinely concluded for the duration of the period of appointment, and that principally does not permit a regular termination. In addition, the Company cannot enforce a cap to the severance payment unilaterally in the event that a member's work for the Management Board is terminated by mutual agreement, as is frequently the case in practice. In the event of a Management Board employment contract being terminated prematurely, we will try to take account of the underlying principle of the recommendation.

- The Code recommends in clause 4.2.5 paragraph 3 and paragraph 4, to present the board remuneration for each Member of the Management Board by using model tables that include specific details prescribed by the Code. To the extent that the Company deviates as elaborated above from the recommendation of clause 4.2.3 paragraph 2, sentence 6, for defining caps for the board remuneration, it obviously fails to act on the corresponding disclosure recommendation. Moreover, certain other disclosures required in the model tables that concern the remuneration structure are not relevant for the Management Board of DIC Asset AG. In the opinion of the Management Board and the Supervisory Board the new method would provide no added information value to shareholders. Against this background, the Company continues to present the board remuneration in compliance with the statutory requirements. Accordingly, the Company has deviated and will deviate from clause 4.2.5 paragraph 3 and paragraph 4 of the Code.
- The Supervisory Board is required to propose suitable candidates for new appointments or reappointments to positions on the Supervisory Board by the General Shareholders' Meeting. In deviation from clause 5.3.3 of the Code, no nomination committee was or will be formed for this purpose. As the six members of the Supervisory Board are only representatives of the shareholders, and the current practice of voting proposals being prepared by the full Supervisory Board has proved to be efficient, the Supervisory Board sees no need to form a nomination committee.
- In deviation from clause 5.4.1 paragraph 2 of the Code, the Supervisory Board has specified no age-independent regular limit of members' terms of office, nor will it specify such a regular limit. The Supervisory Board is of the opinion that it is more beneficial for the Company to have access to many years of expertise of individual Supervisory Board members and to make a decision in favour of continuity or replacement on a case-by-case basis. In the absence of a corresponding regular limit for term of office, in deviation from clause 5.4.1 paragraph 4 of the Code, this aspect is also not taken into account in the Supervisory Board's nominations for elections to the General Shareholders' Meeting, nor is information on the status of its implementation published.
- The Code recommends in clause 5.4.1 paragraph 5 sentence 2 part 1 that the proposal for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and experience. The recommendation does not specify whether this curriculum vitae must be published as part of the convening of the General Shareholders' Meeting. As previously, the Company makes the curricula vitae available on the Company's website together with any other material to be made available for the General Shareholders' Meeting. We believe that publishing curricula vitae as part of the convening to the General Shareholders' Meeting would impair its readability. As a matter of precaution, the Company therefore declares that it deviates from clause 5.4.1 paragraph 5 sentence 2 part 1 of Code.
- According to the current Articles of Association, members of the Supervisory Board have been and are granted performance-related remuneration that is based on the annual dividend payment and may thus deviate from clause 5.4.6 paragraph 2 of the Code, which recommends that remuneration be linked to sustainable growth of the company. The dividend payment is a key measure of success for the shareholders. We consider it appropriate that members of the Supervisory Board be remunerated in accordance with criteria that are also of significance for the shareholders.

Frankfurt am Main, 5 February 2019

Management Board and Supervisory Board of DIC Asset AG