

## **Corporate Governance Statement**

The Management Board and Supervisory Board of alstria office REIT-AG ('alstria') are aware of their responsibility for the corporate governance of the Company, which is undertaken with due regard to the Company's shareholders, employees and tenants. This sense of responsibility is expressed, amongst others, in a transparent corporate governance with the aim of facilitating the confidence of alstria's shareholders, employees, tenants and the public in the management and supervision of the Company. In this statement, the Management Board and Supervisory Board report on alstria's corporate governance according to Section 3.10 of the German Corporate Governance Code ('Code') and Section 289a para. 1 of the German Commercial Code (HGB). This statement includes the declaration of compliance according to Section 161 of the German Stock Corporation Act, the relevant information on corporate governance practices, a description of the operating principles and the composition of the Management Board and Supervisory Board as well as corporate governance structures.

### **German Corporate Governance Code and declaration of compliance**

alstria's value-oriented corporate management has already implemented many of the principles of the most recent version of the German Corporate Governance Code (dated May 13, 2013) to an extent beyond what is legally required. The principles and recommendations of the Government Commission appointed by the German Federal Ministry of Justice contain internationally and nationally recognised standards for effective and responsible corporate management.

The Company's declaration of compliance with the recommendations of the German Corporate Governance Code is published on the Company's website ([www.alstria.com](http://www.alstria.com)). After careful consideration, alstria has chosen not to follow some of the recommendations of the Code. These items and the reasons for the Company's nonconformity are detailed in the declaration of compliance issued by the Management Board and the Supervisory Board on February 27, 2014:

### **Declaration of compliance dated February 27, 2014**

Apart from the exceptions stated below, the Company has complied with the recommendations of the 'Government Commission German Corporate Governance Code' as amended on May 15, 2012 since the prior declaration of compliance dated February 28, 2013. The Company intends to continue to comply with the recommendations of the Code as amended on May 13, 2013 with the following exceptions:

#### ***Deductible for D&O insurance for the Supervisory Board, Section 3.8***

The D&O insurance for the Supervisory Board of alstria office REIT-AG does not comprise a deductible. The Management Board and Supervisory Board believe that the members of the Supervisory Board will carry out their duties responsibly irrespective of any such deductible.

#### ***Change of performance targets for elements of variable remuneration, Section 4.2.3***

The short-term incentive of the Management Board is mainly based on the achievement of a funds from operations ('FFO') target. In the event that the FFO achieved in a financial year is positively and materially impacted by new acquisitions, the Supervisory Board adjusts the FFO target accordingly. In doing so, the Supervisory Board makes sure that the Management Board is not incentivised to enter into acquisitions for short-term personal benefit. The impact of any acquisition

on the management remuneration is solely linked to multi-year remuneration elements, therefore, aligning the interest of the Management Board with those of the Company and its shareholders. Vice versa, the Supervisory Board intends to also adapt the FFO target to disposals.

***Determination of a level of benefits for the private pension plan, Section 4.2.3 (newly introduced with code amendment on May 13, 2013)***

As the Company has opted for a defined contribution model for the private pension plan of the Management Board members for reasons of transparency and risk management, the Supervisory Board has not fixed a level of benefits for the private pension plan of the Management Board members. The Supervisory Board believes that it is in the best interest of the company to have a defined contribution model rather than a defined benefit model, as the defined contribution does not create any unforeseen future liability for the Company.

***Discussion of the half-year and quarterly financial reports between the Supervisory Board or its audit committee and the Management Board prior to publication, Section 7.1.2***

Prior to their publication, the half-year and quarterly financial reports are made available to the Supervisory Board. Furthermore, the financial reports are discussed with the Supervisory Board in detail soon after their publication. In the event that there are considerable differences to the budget or business plan authorised by the Supervisory Board, the Supervisory Board is given the opportunity to discuss the figures with the Management Board before they are published. The Management Board and Supervisory Board consider this approach to be appropriate and adequate.'

All other recommendations of the German Corporate Governance Code dated May 13, 2013 are fully implemented. alstria has appointed a corporate governance officer within the Company, who will report any changes of the Code to the Management Board and the Supervisory Board at least once per year and whenever necessary. In this way, alstria ensures consistent compliance with these principles. Analysis, supervision and transparency are the measures undertaken to lay the foundation for fair and efficient corporate management. They will remain the key criteria in future.

**Working methods of the Management Board and the Supervisory Board**

The Management Board and the Supervisory Board cooperate closely and faithfully in the interest of the Company. The chairman of the Supervisory Board has regular contact with the Management Board.

The Management Board has two members: Olivier Elamine as Chief Executive Officer and Alexander Dexne as Chief Financial Officer. The Management Board is responsible for running alstria in the interest of the Company with the aim of sustainably increasing the Company's value. It sets the business goals and – in conjunction with the Supervisory Board – the strategic direction of the Company. The tasks of the Management Board and the allocation of responsibilities between the individual members of the Management Board are stipulated in the rules of procedure and the role sort for the Management Board. The members of the Management Board are obligated to immediately disclose any conflicts of interest to the Supervisory Board. The members of the Management Board may only conduct secondary activities, particularly memberships in the Supervisory Boards of companies not affiliated with the Group, with the approval of the Supervisory Board. The members of alstria's Management Board had no conflicts of interest in the reporting year. The members of the Management Board serve on no supervisory boards of listed companies outside of the Group or in supervisory boards of companies with comparable requirements. Major business transactions between the Company and members of the Management Board,

or with any persons or companies in close association with them, require the approval of the Supervisory Board. All such business transactions must be concluded at customary commercial conditions. There were no such contracts during the reporting period. The Management Board pays attention to diversity in filling its management positions and aims to adequately consider women for these positions. As at December 31, 2013, 44.44 % of the management positions at alstria were held by female employees.

The Supervisory Board appoints the members of the Management Board and monitors and advises the Management Board on management issues. The Management Board involves the Supervisory Board in any decisions of fundamental importance for the Company. The rules of procedure for the Supervisory Board stipulate that certain, significant business transactions by the Company are subject to the approval of the Supervisory Board. For example, the acquisition or disposal of real estate property for a consideration of more than EUR 30 m, entering into financing agreements with a volume of more than EUR 30 m, entering or prematurely terminating lease contracts with an annual consideration of more than EUR 2 m, or investing in Company assets (modernisation measures) with an annual total sum of more than EUR 2 m, if such investments have not already been included in the budget approved by the Supervisory Board. In its report to the annual general meeting the Supervisory Board reports on its activities in the financial year 2013. The report is presented on pages 111 to 117 of the annual report.

#### **Composition of the Supervisory Board**

In accordance with the articles of association, the Supervisory Board is composed of six members. The Supervisory Board currently is comprised of the following members:

<b>Member</b>	<b>Profession</b>
Alexander Stuhlmann (Chairman)	Management consultant, Manager, Alexander Stuhlmann GmbH
Dr Johannes Conradi (Vice-Chairman)	Lawyer and Partner, Freshfields Bruckhaus Deringer LLP
Benoît Hérault	Managing Director, Chambres de l'Artemise SARL
Roger Lee	Director and Real Estate Investment Manager, Captiva Capital Management SAS
Richard Mully	Director, Investment Advisor and Manager, Starr Street Limited
Marianne Voigt	Businesswoman, Managing Director, bettermarks GmbH

The periods of office of all supervisory members expire at the end of the annual general meeting in which the shareholders resolve to discharge them with respect to their activities for financial year 2015. No changes took place in the composition of the Supervisory Board in 2013.

No former members of the Management Board sit on the Supervisory Board. The Supervisory Board is composed of members who have the necessary knowledge, competence and professional experience to properly carry out their duties. The Supervisory Board of alstria office REIT-AG first specified the goals for its composition in November 2010. In November 2012, the Supervisory Board reviewed and revised the goals for its composition, especially with regard to the amendments of the German Corporate Governance Code issued in the year 2012.

With due consideration of the specific situation of the Company, the Supervisory Board of alstria specified the following goals for the composition of the Supervisory Board in

November 2012, which are to be considered in its nominations to the shareholders in the general meeting:

1. Diversity  
The members of the Supervisory Board shall have the knowledge, skills and expert experience required to successfully complete their tasks, especially in the capital market and the German real estate market.
2. Women  
At least one member of the Supervisory Board shall be female.
3. Experience abroad  
At least two members of the Supervisory Board shall have acquired reasonable international experience.
4. Independence  
At least three members of the Supervisory Board shall have no business or personal relations, which could cause a substantial and not temporary conflict of interest, with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter.
5. Independent financial expert  
At least one independent member of the Supervisory Board shall have expertise in accounting or audit of annual statements.
6. Other conflicts of interest  
At least three members of the Supervisory Board shall not have any consulting or representation duties with main tenants, lenders or other business partners of the Company.
7. Age limit  
Members of the Supervisory Board shall generally not be older than 70 years of age.

In November 2013 the Supervisory Board assessed the implementation of the goals again and came to the conclusion that all of these goals are currently met.

### **Supervisory Board committees**

The Supervisory Board has formed three standing committees. Each committee has its own rules of procedure to specify the concerns and tasks of the committee.

The audit committee monitors the Company's financial reporting process, engages the independent auditors to prepare audit reports, determines the key audit areas and the independent auditors' compensation, and is responsible for issues surrounding risk management, internal control, internal audit and compliance. The audit committee was comprised of Marianne Voigt, as Chair, and Dr Johannes Conradi and Roger Lee as members.

The investment committee decides on the approval of the Supervisory Board concerning the acquisition or disposal of real estate property or other assets worth between EUR 30 m and EUR 100 m. Transactions of a value greater than this amount are to be presented to the entire Supervisory Board for approval. The investment committee, furthermore, decides on the approval of the Supervisory Board regarding the conclusion, renewal or early termination of lease agreements with third parties with a total annual consideration of more than EUR 2 m as well as regarding contracts with Supervisory Board members according to Section 114 German Stock Corporation Act (*Aktengesetz, AktG*). Up until December 31,

2013, the investment committee was comprised of Richard Mully, as Chair, and Benoît Héroult and Alexander Stuhlmann as members.

The nomination and remuneration committee, which also carries out the function of a nomination committee, prepares resolutions of the entire Supervisory Board for the appointment and dismissal of members of the Management Board, for the Management Board's compensation system and for the total remuneration of individual members of the Management Board. Furthermore, it deals with the resolution of, or amendments to, the rules of procedure for the Management Board, as well as the approval of certain other activities and primary contracts of members of the Management Board. Apart from the amount of compensation, the nomination and remuneration committee decides on the conclusion, amendment, extension and termination of contracts with Management Board members as well as on the content of such contracts. Finally, the nomination and remuneration committee prepares the resolutions of the Supervisory Board regarding the proposal of the appointment of suitable Supervisory Board members at annual general meetings. The nomination and remuneration committee was comprised of Alexander Stuhlmann, as Chair, and Dr Johannes Conradi and Richard Mully as members.

In May 2013, the Supervisory Board additionally formed a special committee bonds in the course of the issue of convertible bonds. Its members were Dr Johannes Conradi, as Chair, and Roger Lee, Benoît Héroult and Richard Mully as further members.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during the financial year 2013 in its report to the annual general meeting on pages 100 to 103 of the annual report.

### **Remuneration of the Management Board and Supervisory Board**

The compensation system for the Management Board and the Supervisory Board is laid out in the remuneration report for financial year 2013. The report also entails a breakdown of the remuneration of each member of the Management Board and the Supervisory Board for financial years 2012 and 2013. In the annual general meeting on June 16, 2010, the shareholders passed resolution on the approval of the remuneration system for the members of the Management Board with a large majority.

### **Stock option programme and similar securities-oriented incentive systems**

#### ***Stock option programme and long term incentive plan***

In March 2007, the Supervisory Board adopted a stock option programme for the members of the Management Board and issued a first and only tranche of stock option rights to the Management Board pursuant to the authorisation granted by the shareholders in the annual general meeting on March 15, 2007. In March 2010 the stock option programme was replaced by a long-term incentive plan, which entails a new long-term remuneration component. Nonetheless, the programme continues in the scope of the tranche granted in 2007. The term of the stock options granted ends in financial year 2014. Within the framework of the long term incentive plan, the members of the Management Board will be issued virtual shares with a four-year term each year starting in financial year 2010. The stock option programme and long-term incentive plan are described in the remuneration report on pages 111 to 117 of the annual report.

#### ***Employee participation programme***

Pursuant to the authorisation granted by the shareholders in the annual general meeting on March 15, 2007, the Management Board was authorised to issue up to a total of 500,000 convertible profit participation certificates with a total nominal value of EUR 500,000 until March 15, 2012. The rights were issuable to alstria's employees and employees of companies directly or indirectly controlled by alstria according to the definition of the

employee profit participation programme. Members of the Management Board are not considered employees for the purposes of this plan.

After expiration of the aforementioned authorisation, the annual general meeting on April 24, 2012 further authorised the Management Board to issue up to a total of 500,000 convertible profit participation certificates until April 23, 2017. The certificates are issuable to alstria's employees and employees of companies directly or indirectly controlled by alstria according to the definition of the employee profit participation programme.

Each convertible profit participation certificate issued under the employee participation programmes can be converted into an alstria bearer share once the share price exceeds the price on the day the certificate was issued by 5 % or more on at least seven non-consecutive trading days. Conversion is only carried out on predefined dates and only when the subscriber pays the conversion price and is still employed at alstria or one of its subsidiaries on the date of conversion. The maximum term for a convertible profit participation certificate is five years.

A total of 300,100 certificates were issued in the course of this now expired employee profit participation programme 2007. So far, a total of 165,500 convertible profit participation rights resulting from this programme, were converted into shares of the Company. Furthermore, up to now, 197,800 profit participation certificates have been issued in the course of the new employee profit participation programme 2012.

#### **Directors' Dealings – Securities transactions subject to reporting requirement**

Pursuant to Section 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) the Management Board and Supervisory Board of alstria office REIT-AG, as well as related parties (family members), are required to notify the Company of their own transactions involving Company shares. In addition to the acquisition and sale of alstria shares, every buy or sale transaction related to alstria shares (e.g., the purchase or sale of options on alstria shares) has to be reported. The Company must be informed of such transactions within five working days and publish them immediately. However, the former only applies when the total value of the transactions is EUR 5,000 or more within one calendar year. All transactions reported to alstria were duly published in the relevant media throughout Europe and can be found on the Company's website ([www.alstria.com](http://www.alstria.com)).

#### **Relationship to the shareholders of the Company**

alstria office REIT-AG respects the rights of its shareholders and makes best efforts to guarantee the exercise of those rights to the extent stipulated by law or its bylaws. In particular, these include the right to freely purchase and sell shares, appropriate access to information, an adequate number of voting rights per share (one share – one vote) and the participation in our annual general meeting. Shareholders have the option of exercising their voting rights personally or by an authorised representative at the annual general meeting or by sending voting instructions to their proxies. The invitation to the annual general meeting includes an explanation of how voting instructions can be issued. The articles of association do not stipulate an option to vote by mail. Now already shareholders have the possibility to vote before the date of the annual general meeting by authorising a proxy, so that the additional option of voting by mail would not facilitate the exercise of the shareholders' rights.

Upon request it is possible to send invitations and documents for shareholders' general meetings to the shareholders electronically. The invitation and the documents to be made available for viewing prior to the upcoming annual general meetings in accordance with the provisions of law will be published on the Company's website together with additional documents pursuant to Section 124a of the German Stock Corporation Act (*Aktengesetz, AktG*) and the agenda. The results of the votes will likewise be published on the website of the Company following the annual general meeting.

### **Communication with the public**

In sharing information with people outside of the Company, the Management Board follows the principles of transparency, promptness, openness, clarity and equal treatment of shareholders. In particular, alstria informs its shareholders and the interested public about the situation of the Company and significant business events through financial reports, analyst and press conferences, press and ad-hoc announcements and the annual general meeting. The website of alstria includes information on the Company and its shares, especially the financial reports, share price tracking and announcements about the acquisition or disposal of Company shares or related financing instruments pursuant to Section 15a WpHG. Moreover, alstria's financial reports and website include a financial calendar which indicates all dates of importance to shareholders. All announcements and information are additionally published in English.

### **Financial reporting and auditing**

alstria regularly informs shareholders and third parties by publishing its consolidated, half-year and quarterly financial statements in the course of each financial year. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). For legal reasons (calculating dividends, creditor protection), financial statements for alstria office REIT-AG are also prepared in accordance with the German Commercial Code (HGB).

The consolidated financial statements and the financial statements of alstria office REIT-AG are audited by both the independent auditor selected by the shareholders in the general meeting, and by the Supervisory Board. The audit committee of the Supervisory Board appoints an external auditing firm, after examining its independence, to audit the financial statements and negotiates the auditing fees. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, was appointed to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for financial year 2013. The auditors participate in the plenary sessions of the audit committee and the Supervisory Board to advise on the consolidated financial statements and the financial statements of alstria office REIT-AG and to present the key findings of the audit.

### **Compliance**

In accordance with Section 4.1.3 of the German Corporate Governance Code, the Management Board is responsible for ensuring compliance with the legal provisions and Company guidelines throughout all of the Group companies. The good reputation of alstria and the trust of its shareholders, tenants and employees depend crucially on the behaviour of each individual employee.

For this reason, alstria developed a code of conduct, listing guidelines for behaviour and orientation for resolving conflicts (e. g. conflicts of interest), thereby serving as a model for correct behaviour for all employees of the Group. The code of conduct is published on the Company's website ([www.alstria.com](http://www.alstria.com)).

alstria set up a compliance organisation to communicate the values inherent in the code of conduct and Company guidelines and to monitor compliance with these values. The compliance officer is responsible for communicating these values by answering questions on the implementation of the code and by offering in-house training for all employees. Compliance is monitored through colleagues, supervisors and the compliance officer as well as via regular investigation by auditors. alstria has also set up a hotline through which employees can anonymously report any violations of the code of conduct or the Company internal guidelines. Furthermore, the Management Board regularly discusses Company compliance with the Supervisory Board's audit committee.

Violations of the code of conduct will not be tolerated; they will be fully investigated and the violators punished. This can be anything from disciplinary measures to dismissal, a claim for damages or even prosecution.

### **Sustainability**

alstria's sustainability approach is based on a three-pillar model, taking the impact of business on the following pillars into account: the economy, the environment and social issues.

As a commercial organization, alstria's main objective is to optimize its long term sustainable value. It strives to generate the best yield possible on its equity over time. alstria's approach to sustainability does not solely focus on environmental matters, but considers economic and social impacts of its actions as well. alstria balances the risk / benefit of the three aspects before making any decisions and adapts its actions to what it feels is the most viable course of action. The result of this approach is that alstria might not always take the decisions that maximize the short-term benefit, but it strives to always take the route that will yield the best long-term prospects.

alstria's sustainability approach and its achievements in the three sustainability fields as well as future targets are described in detail in the Company's yearly sustainability report which is available on the Company's website ([www.alstria.com](http://www.alstria.com)).

February 2014

Supervisory board

Management board