

## CORPORATE GOVERNANCE STATEMENT

In this declaration, the Management Board and the Supervisory Board report on the corporate governance of alstria office REIT-AG ('alstria') and the Group pursuant to Section 289f and 315d of the German Commercial Code ('HGB') as well as Section 3.10 of the German Corporate Governance Code ('Code').

### DECLARATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT ON THE GERMAN CORPORATE GOVERNANCE CODE

The suggestions and recommendations of the Government Commission, as appointed by the German Federal Ministry of Justice, contain internationally and nationally recognized 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 comply with some of the Code's recommendations. These items and the reasons for the Company's nonconformity are set out in the declaration of compliance as issued by the Management Board and the Supervisory Board on February 12, 2019:

#### Declaration of compliance, dated February 12, 2019

"Since the prior declaration of compliance, dated February 13, 2018, the Company has – apart from the exceptions stated below – complied with the recommendations of the 'Government Commission German Corporate Governance Code' in the version as amended on February 7, 2017. The Company intends to continue to comply with the recommendations of the Code as amended on February 7, 2017, to the same extent:

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

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

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

The short-term incentive remuneration element of the Management Board is mainly based on the achievement of a funds from operations per share (FFO per share) target. In the event that the achieved FFO per share in a financial year is positively and materially impacted by new acquisitions, the Supervisory Board adjusts the FFO per share target accordingly. In doing so, the Supervisory Board ensures the Management Board is not incentivized to enter into acquisitions by means of achieving personal short-term benefits. The impact of any acquisition on 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 adapts the FFO per share target to disposals. Furthermore, the FFO per share target will in future be adjusted to changes in the Company's share capital carried out in the relevant financial year.

### ***Determination of a level of benefits for the private pension plan, Section 4.2.3 of the Code***

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 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 financial reports by the Supervisory Board or its audit committee and the Management Board prior to their publication, Section 7.1.2 of the Code***

The quarterly interim statements are made available to the Supervisory Board prior to their publication and are discussed with the Supervisory Board in detail soon after publication. In the event of considerable differences to the budget or business plan as approved by the Supervisory Board, the Supervisory Board is given the opportunity to discuss the figures with the Management Board before they are published. Half-year financial reports are discussed with the audit committee of the Supervisory Board prior to publication. The Management Board and Supervisory Board consider this approach appropriate and adequate.”

## **CORPORATE MANAGEMENT PRACTICES**

To achieve a value-oriented and trust-building corporate management, alstria applies a corporate management practice to an extent beyond what is legally required.

### **Corporate governance**

The Management Board and the Supervisory Board of alstria are aware of their responsibilities concerning the corporate governance of alstria regarding the Company’s shareholders, employees, tenants and business partners. Good corporate governance is the basis for our decision-making and supervising processes. It stands for a responsible, value and long-term success-driven governance and supervision of the Company, a target-orientated and efficient cooperation between the Management Board and the Supervisory Board, respect for the interests of our shareholders and employees, transparency and responsibility in all entrepreneurial decisions as well as an appropriate handling of risks.

alstria has already implemented many parts of the German Corporate Governance Code (as last amended February 7, 2017) to an extent beyond what is legally required. With the few exceptions named and reasoned in the declaration of compliance, alstria office REIT-AG complied and complies with the recommendations of the German Corporate Governance Code. Beyond that, alstria also complied and complies with the majority of suggestions of the German Corporate Governance Code.

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.

## Integrity and compliance

Conducting business with integrity is one of alstria's most important principles. The entire Company shares the understanding that the trust of alstria's shareholders, tenants, employees and business partners crucially depends on the behavior of each employee. The Management Board of the Company has set up a compliance organization to ensure that the legal provisions and internal Company guidelines are complied with and, moreover, that sets standards for treating business partners, competitors and employees fairly.

A code of conduct lists guidelines for behavior and provides orientation to resolve conflicts (e. g., conflicts of interest), thereby serving as a model for correct behavior for all Company employees. The code of conduct is published on the Company's website.

The compliance officer is responsible for communicating these values by answering questions on the implementation of the code of conduct and by offering in-house training for all employees. Compliance is monitored by colleagues, supervisors and the compliance officer, as well as via regular investigation by auditors. alstria has also set up a telephone hotline at an external law firm which employees can use anonymously to report any violations of the code of conduct or the Company's 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 will be punished. This can include anything from disciplinary measures to dismissal, a claim for damages or even prosecution.

Integrity is also an essential condition for building trusting partnerships and cooperations with our business partners. For this reason, alstria has introduced a code of conduct for its service providers and craftsmen, which defines fundamental legal and ethical requirements. The code is published on the Company's website and defines the expectations of the Company concerning integrity and compliance behavior from business partners.

## Communication and transparency

A transparent corporate governance and good communication with the shareholders and the public contributes to strengthening investor and public trust in alstria's work.

### ***Relationship to the shareholders***

alstria respects the rights of its shareholders and makes best efforts to guarantee those rights are exercised to the extent stipulated by the law or its bylaws. In particular, these include the right to freely purchase and sell shares, to have an appropriate level of access to information, to an adequate number of voting rights per share (one share, one vote) and to participate in our Annual General Meeting. Shareholders have the option of exercising their voting rights personally, via an authorized representative present 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. It is possible to send invitations and documents for General Meetings to the shareholders electronically upon request. The invitation and the documents are to be made

available for viewing prior to the upcoming Annual General Meetings pursuant to the legal provisions and will be published on the Company's website with additional documents pursuant to Section 124a of the German Stock Corporation Act (*Aktiengesetz*, AktG) and the agenda. The results of the votes will likewise be published on the Company's website following the Annual General Meeting.

### ***Communication with the public***

When sharing information with people outside the Company, the Management Board follows the principles of transparency, promptness, openness and clarity, and a policy of equal treatment of its shareholders. alstria informs its shareholders and the interested public about the Company's situation and significant business events in particular through financial reports, analyst and press conferences, press and ad-hoc announcements and the Annual General Meeting. The alstria website includes information on the Company and its shares and other financial instruments, share price tracking and the Managers' Transactions Disclosure pursuant to Article 19 of the Market Abuse Regulation (Regulation (EC) No. 596/2014 of the European Parliament and the Council) (Directors' Dealings). Moreover, alstria's financial reports and website include a financial calendar that indicates all dates of importance to shareholders. The announcements and pieces of information are additionally published in English.

### ***Financial reporting***

alstria regularly informs shareholders and third parties by publishing its consolidated and half-year financial statements, as well as quarterly interim statements, during each financial year. For the Group's accounting, the International Financial Reporting Standards (IFRS) as applied in the European Union, are relevant. For legal reasons (calculating dividends, creditor protection), financial statements for alstria office REIT-AG also are prepared in accordance with the HGB.

The Annual General Meeting appoints the independent auditor for alstria office REIT-AG and the Group as well as for the audit review of the interim financial reports. Following the election of the Annual General Meeting, the audit committee of the Supervisory Board appoints an external auditing firm to audit the financial statements and negotiates the respective auditing fees. 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 as well as in the meeting of the audit committee regarding the deliberations on the half-year financial report and to present the respective key findings of the audit. In accordance with the provisions of the auditor regulation (regulation (EC) No. 537/2014 of the European Parliament and Council) the audit committee provided the Supervisory Board with two recommendations for the auditor for the financial year 2018 with one reasoned preference for KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg. On the basis of the respective proposal of the Supervisory Board, the Annual General Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for the 2018 financial year and for further interim financial reports until the next ordinary general meeting in 2019. Haiko Schmidt and René Drotleff are the

professionally qualified auditors in charge of the financial statements of alstria office REIT-AG and the Group.

### **Sustainability**

alstria's sustainability approach is based on a three-pillar model, taking the impact of business on the following pillars into account: economy, 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 it considers the economic and social impacts of its actions as well. The Company weighs the risk-benefit ratio of the three areas before making any decisions and adapts its actions to what it feels is the most viable course of action in each case. The result of this approach is that alstria might not always make decisions that maximize its short-term benefits, striving to always take the path that will yield the best long-term prospects for the Company.

alstria's sustainability approach, its achievements in its three defined areas of sustainability and the Company's related future targets are described in detail in the Company's yearly sustainability report. The report is available on the Company's website.

### **MANAGEMENT BOARD AND 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 and deliberates with it questions on strategy, planning, development of business, risk situation, risk management and compliance of the Company. On notable events, which are of substantial meaning for the evaluation of the situation and development as well as the governance, the Chairman of the Supervisory Board shall be informed without delay by the Management Board.

#### **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, the allocation of responsibilities between the individual members of the Management Board as well as the reporting and information duties towards the Supervisory Board are stipulated in the rules of procedure for the Management Board.

The members of the Management Board are appointed by the Supervisory Board, which monitors and advises the Management Board on management issues. The Management Board involves the Supervisory Board in all decisions of fundamental importance to 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 million, entering into financing agreements with a volume of more than EUR 30 million, entering or prematurely terminating lease contracts with an annual consideration of more than EUR 2 million, or investing in Company assets (modernization measures) with an annual total sum of more than EUR 2 million must be approved, if such investments have not already been included in the budget as approved by the Supervisory Board.

The members of the Management Board are obligated to the Company's interest. The members of the Management Board must immediately disclose any conflicts of interest to the Supervisory Board. 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. The members of the Management Board require the approval of the Supervisory Board to conduct secondary activities, particularly memberships in the supervisory boards of companies not affiliated with the Group. The members of alstria's Management Board had no conflicts of interest in the reporting year. There were no contracts regarding such business transactions between the Company and the Management Board members, persons or companies in close association with them during the reporting period. The CEO serves on supervisory boards of companies outside of the Group with approval of the Supervisory Board of the Company. A list of the memberships of the Management Board members in supervisory boards of listed companies or in supervisory boards of companies with comparable requirements pursuant to Section 285 No. 10 HGB can be found on page 130 of the Company's financial report.

### Supervisory Board

In accordance with the Articles of Association, the Supervisory Board is composed of six members. No former Management Board members 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.

There were no changes with respect to the composition of the Supervisory Board in financial year 2018; the Supervisory Board is composed of the following members:

Member	Profession	Appointed until <sup>1)</sup>
Dr. Johannes Conradi (Chairman)	Lawyer and partner, Freshfields Bruckhaus Deringer LLP	2020
Richard Mully (Vice Chairman)	Director, Starr Street Limited	2019
Dr. Bernhard Düttmann	Independent business consultant	2021
Stefanie Frensch	Managing Director, HOWOGE Wohnungsbaugesellschaft mbH	2021
Benoît Hérault	Managing Director, Chambres de l'Artémise S.à r.l.	2019
Marianne Voigt	Managing Director, bettermarks GmbH	2020

<sup>1)</sup> Until the close of the Annual General Meeting.

The Supervisory Board considers all its members to be independent.

On the website of the Company (Company > Supervisory Board), a curriculum vitae for each member of the Supervisory Board as well as an overview of other material activities besides the Supervisory

Board mandate can be found. A list of all memberships of the Supervisory Board members in supervisory or similar controlling bodies in companies external to the Group pursuant to Section 285 No. 10 of the HGB is presented on pages 130 to 131 of the annual report.

In its report to the Annual General Meeting, the Supervisory Board reports on its activities undertaken in financial year 2018. The report is presented on pages 140 to 145 of the annual report.

### **Supervisory Board committees**

The Supervisory Board has formed four standing committees: an audit committee, a finance and investment committee, a nomination and remuneration committee and a solemnly advising corporate social responsibility committee. Each committee with resolution-making competence has its own rules of procedure to specify its concerns, tasks and resolution-making competence.

#### ***Audit committee***

The audit committee monitors the Company's accounting and the accounting process, risk management, internal control, internal audit and compliance. Moreover, the audit committee deals with the selection of the auditors, the necessary independence of the auditor and the respective engagement, the key audit areas, the auditors' compensation as well as services additionally rendered by the auditor. The audit committee comprised Marianne Voigt as Chair as well as Dr. Bernhard Düttmann and Benoît Hérault as further members throughout the full 2018 financial year.

#### ***Finance and investment committee***

The finance and investment committee discusses the Company's financing strategy and approves the acquisition or disposal of real estate property or other assets worth between EUR 30 million and EUR 100 million, as well as financing agreements with a financing volume between EUR 30 million and EUR 100 million. Transactions of a value greater are to be presented to the entire Supervisory Board for approval. The finance and investment committee, furthermore, approves the conclusion or early termination of lease agreements with third parties with a total annual consideration of more than EUR 2 million, as well as contracts with Supervisory Board members, according to Section 114 of the German Stock Corporation Act (*Aktiengesetz*, AktG). The finance and investment committee comprised Richard Mully as Chair as well as Stefanie Frensch and Benoît Hérault as further members throughout the full 2018 financial year.

#### ***Nomination and remuneration committee***

The nomination and remuneration committee prepares resolutions for 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 and on the content of such contracts. Finally, the

committee prepares the resolutions for the Supervisory Board regarding the proposal of the appointment of suitable Supervisory Board members at the Annual General Meetings. In the financial year 2018, the nomination and remuneration committee comprised Dr. Johannes Conradi as Chair as well as Stefanie Frensch and Richard Mully as further members.

#### ***Corporate social responsibility committee***

The corporate social responsibility committee will deal with topics of corporate social responsibility and real estate innovations in the future. In the financial year 2018, the committee was composed of Dr. Johannes Conradi as Chair as well as Richard Mully and Marianne Voigt as further members.

#### ***Special committees***

Additionally, in January 2018 the Supervisory Board established a special committee capital increase, which was composed of Richard Mully as Chair as well as Dr. Johannes Conradi, Stefanie Frensch and Benoît Héroult as further members. The special committee capital increase was authorized to grant all necessary approvals and make all other declarations required in connection with the execution of a capital increase from the Authorized Capital 2017 (Section 5 paragraph 3, 4 and 4a of the Articles of Association) against cash contributions in the amount of up to ten percent of the Company's share capital.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during the 2018 financial year in its report to the Annual General Meeting on pages 140 to 145 of the annual report.

#### **DETERMINATION TO PROMOTE WOMEN'S PARTICIPATION IN LEADING POSITIONS PURSUANT TO SECTION 76 PARAGRAPH 4 AND SECTION 111 PARAGRAPH 5 AKTG**

Employees and their development in the Company are of central importance for the Company to achieve sustainable success. The Management Board pursues diversity in filling its management positions and aims to adequately consider women for these positions. The Management Board determined that the number of females in the first management level below the Management Board should be no less than 30%. This target quota has been achieved with 41.7 % as of December 31, 2018 and applies until December 31, 2021. As there is no additional management level with decision-making competence and budget responsibility, a target quota for women's participation in the second management level did not need to be determined.

The Supervisory Board determined a target quota of at least 30 % for the Supervisory Board. This quota has been achieved with 33.33 % and applies until December 31, 2021.

For the participation of women in the Management Board, the Supervisory Board determined a quota of 0%. This quota has been achieved and applies until December 31, 2021. Both Management Board members are appointed until December 31, 2022. In 2019, the supervisory board will establish a diversity concept for the Management Board.



## PROFILE OF SKILLS AND EXPERTISE WITH OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD AND DIVERSITY CONCEPT

The aim of the alstria office REIT-AG's Supervisory Board is to have members who are equipped with the necessary skills and expertise to properly advise and control the Management Board. Therefore, the Supervisory Board developed, with due consideration of the specific alstria situation, the following profile of skills and expertise and diversity concept pursuant to Section 289f HGB and Section 5.4.1 of the German Corporate Governance Code, which specifies concrete objectives for the composition of the Supervisory Board, which are to be considered in its proposals to the shareholders in the General Meeting regarding new elections to the Supervisory Board:

### Requirements for individual Supervisory Board members

#### *General requirement profile*

- Managerial or operational experience;
- Willingness and ability to ensure adequate content-related commitment;
- Discretion and integrity;
- Capacity for interaction and teamwork;
- Leadership skills and persuasive power;
- Willingness to participate in regular and independent advanced training;
- Compliance with the limitation of the numbers of memberships as recommended by the German Corporate Governance Code (see Section 5.4.5 German Corporate Governance Code).

#### *Availability*

Each member of the Supervisory Board must ensure that he or she has sufficient time to dedicate to the proper fulfillment of the Supervisory Board mandate (see also Section 5.4.1 German Corporate Governance Code). This means ensuring that the member

- can attend five ordinary Supervisory Board meetings per year, each of which requires adequate preparation work and wrap-up;
- has sufficient time for the audit of the annual and consolidated financial statements;
- can, in general, attend the Annual General Meeting of shareholders in person (see Section 15 paragraph 4 sentence 1 of the Articles of Association);
- depending on possible membership in one or more of the Supervisory Board committees, has extra time to participate in these committee meetings and do the necessary preparation and wrap-up for these meetings;
- can attend extraordinary meetings of the Supervisory Board or of a committee to deal with special matters, as and when required (also on short notice).

#### *Age limit*

Members of the Supervisory Board should not be older than 70 years of age as a general rule (see for the definition of an age limit Section 5.4.1 German Corporate Governance Code).

### ***Length of membership***

For each member, the membership in the Supervisory Board shall not exceed 20 years as a general rule (see for the definition of a maximum length of mandate Section 5.4.1 German Corporate Governance Code).

## **Requirements relating to the composition of the Supervisory Board plenum**

### ***Expertise***

- Viewed as a whole, the members must be familiar with the real estate sector (see Section 100 paragraph 5 second half-sentence of the German Stock Corporation Act).
- At least two members shall have expertise in the sectors of real estate transactions, asset management and letting, project development and real estate valuation.
- At least one independent member of the Supervisory Board shall have expertise in accounting or the audit of annual statements (see Section 100 paragraph 5 first half-sentence of the German Stock Corporation Act, Section 5.3.2 German Corporate Governance Code).
- At least one member shall have expertise in the sectors of legal, human resources management, corporate finance, IT/innovation/digitalization, corporate social responsibility and capital markets.

### ***Experience abroad***

At least two members of the Supervisory Board shall have acquired reasonable international experience.

### ***Diversity and participation of women***

The members of the Supervisory Board shall appoint new members, taking into account their backgrounds, professional experience and expertise, to provide the Supervisory Board with the most diverse sources of experience and expertise possible. Concerning the female representation in the Supervisory Board, a quota of at least 30% must be maintained.

### ***Independence and conflicts of interest***

At least four members of the Supervisory Board shall be independent, according to Section 5.4.2 of the German Corporate Governance Code, i. e. have no business or personal relationships, 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.

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 (see for the disclosure of conflicts of interest Section 5.5.2 German Corporate Governance Code).

**Current composition**

In September 2018, the Supervisory Board assessed the implementation of these targets and came to the conclusion that all targets named above are met. The profile of skills and expertise is fully met by the plenary body.

February 2019

**The Management Board**

**The Supervisory Board**