

Declaration of conformity with the German Corporate Governance Code pursuant to section 161 Aktg



THE WORDING OF THE MOST RECENT DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 AKTG

The Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG (the "Company") monitor compliance with the German Corporate Governance Code. They hereby declare that the Company has been complying with and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" in the version dated 7 February 2017 ("the Code"), announced by the Federal Ministry of Justice in the official section of the Federal Gazette, with the following exceptions:

- **Item 3.8:** The Code recommends that a D&O insurance policy for members of the Executive and Supervisory Boards provide for a deductible of at least 10 % of the loss up to one and a half times the level of fixed annual remuneration. For the Executive Board, a deductible for the D&O insurance has been agreed but is not agreed for the Supervisory Board. In the Company's view, agreeing to such a deductible for members of the Supervisory Board would not enhance the attractiveness of a Supervisory Board position at the Company and not increase the motivation or responsibility and would, therefore, adversely affect the chances of attracting suitable candidates for the work on the Company's Supervisory Board.
- **Item 4.1.3:** In accordance with the Code, the Executive Board must ensure compliance with the statutory provisions and the Company's internal guidelines and make certain that these provisions and guidelines are observed by the Group companies (compliance). The Executive Board has set up an appropriate Compliance Management System, which is being developed further on an ongoing basis. Information from employees and third parties can be given confidentially to the Compliance Officer. The contact details for the Compliance Officer are published on the website. An anonymous whistleblowing system for third parties is currently not available on the website.
- **Item 4.1.5:** The Code recommends that diversity is taken into account – with a particular focus on women – when hiring for executive positions. The Executive Board does take diversity into account when filling executive positions and gives consideration to female candidates, and plans to continue to do so in the future. At the same time, the Executive Board believes that the decisive criterion for filling executive positions should always be the personal and professional qualifications of the candidate. The Code also recommends that the Executive Board sets targets for the proportion of women in the two management levels below the Executive Board, however, due to the Company's flat hierarchies, a target for the second management level below the Executive Board was waived.

- **Item 4.2.1:** According to the Code, the Executive Board should consist of several persons, as well as a chairperson or spokesman. Following the departure of Mr Drews at the end of 2017, Mr Kind acted as the sole Board member until the appointment of Mr Hartlief as at 20 December 2018. Following the dismissal of Mr Kind on 3 January 2019, the Executive Board once again consisted of only one Executive Board member, which changed as at 1 February 2019, with the appointment of Mr Brückner as the Company's CFO.
- **Item 5.3.1 – 5.3.3:** According to the Code, the Supervisory Board shall form committees with professional qualifications depending on the Company's specific circumstances and the number of its members. The Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG does not form any committees as it consists of only three members. As a result, the Supervisory Board performs all of the duties that would normally be performed by an Audit Committee and, particularly, overseeing financial reporting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal auditing system, the audit and compliance. Notwithstanding Item 5.3.3 of the Code, a nomination committee was not formed and will not be formed in the future due to the number of members on the Supervisory Board.
- **Item 5.4.1:**
 - The Code recommends naming concrete goals for its composition and developing a skills profile for the entire body. The naming of concrete goals for the composition or change to the composition of the whole body, including a skills profile, are not considered necessary based on the current situation.
 - The Code recommends that the members of the Supervisory Board should be subject to an age limit and a standard limit on the length of their membership on the Supervisory Board. For the members of the Supervisory Board, neither an age limit nor a standard limit for the length of membership on the Supervisory Board has been established. In the opinion of the Company, age is not an appropriate criterion to elect a member of the Supervisory Board. The Supervisory Board is of the opinion that it serves the company's interest better in certain cases when it can rely on the long-standing expertise of individual members of the Supervisory Board. In the absence of a standard limit for the length of service, the factor is not a consideration in the election nominations of the Supervisory Board to the Annual General Meeting or in its publication on the status of implementation.

- The Code recommends that the Supervisory Board submits curriculum vitae of the candidates proposed for nomination as new members that includes the candidate's relevant knowledge, skills and experience; this is to be supplemented by an overview of the candidate's main activities outside of a Supervisory Board mandate and updated annually for all Supervisory Board members on the company's website. Although the CVs and significant activities of the members of the Supervisory Board are not available under "Company/People" on the website, they are, however, available as documentation for the Annual General Meeting at which the corresponding member was elected to the Supervisory Board.
- **Item 5.6:** According to the Code, the Supervisory Board should perform a routine review of the efficiency of its activities. In light of the limited period of time it has cooperated in this role so far (since the end of June 2018), an efficiency review has not been carried out by a third party to date. The critical scrutiny of the activity in this Item is carried out by Supervisory Board members on an ongoing basis.
- **Item 7.1.2:** The Code recommends that the consolidated financial statements and the group management report be made publicly available within 90 days of the end of the financial year and that the mandatory interim financial information made available within 45 days after the end of the reporting period. In 2018, the Company followed the statutory publication deadlines and, according to the financial calendar published on the website for 2019, the consolidated financial statements and the group management report should be publicly accessible within 90 days of the end of the financial year, and the mandatory interim financial information within 45 days of the end of the reporting period.


This declaration was republished directly and made available to shareholders on the [Company's website](#).  The Declaration of Conformity with the Code of Fair Value REIT-AG dated 12 February 2019, which is included in the consolidated financial statements, can be found on the Fair Value REIT-AG [Website](#). 

Frankfurt am Main, 6 March 2019

The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG



Ingo Hartlief FRICS
(CEO)



Tim Brückner
(CFO)

On behalf of the Supervisory Board
of DEMIRE Deutsche Mittelstand
Real Estate AG



Prof Dr Alexander Goepfert
(Chairman of the Supervisory Board)

 www.demire.ag

 [www.fvreit.de/Investor Relations/Corporate Governance](http://www.fvreit.de/Investor_Relations/Corporate_Governance)