

CORPORATE GOVERNANCE

Corporate governance refers to the way a company is responsibly managed and overseen. The Supervisory Board and the Board of Management acknowledge and endorse the principles of good corporate governance. We have therefore set out the central values and guiding principles of our Company in a Code of Conduct. Our intention is to give every member of our staff a set of fundamental rules and to communicate to our business partners and investors that our dealings are firmly rooted in ethical principles and that we will always interact fairly in good partnership. Our guiding principles also encompass the avoidance of conflicts of interest and acknowledgement of our social responsibility. We act politically neutral, but support social projects and commit to fair competition.

Our Corporate Governance Statement sets out the basic principles behind the conduct of our business; it is published on the Internet and is accessible there together with this report.

Consistent with the recommendation of the German Corporate Governance Code, the following is a combined report by the Supervisory Board and the Board of Management on the corporate governance practised at Deutsche Beteiligungs AG. Further information can be found in the Corporate Governance Statement and the Report of the Supervisory Board; the information contained therein is an integral part of our combined Corporate Governance Report. We will refer to other sections of this Annual Report on particular issues, if appropriate.

Compliance: Employees, transaction process, portfolio companies

Compliance by the management and staff with all legal requirements applicable to Deutsche Beteiligungs AG and its subsidiaries and with all internal rules has long been a company objective and an integral part of our corporate culture. However, as a private equity firm, that objective extends not just to our own Company. DBAG also endorses the installation and

ongoing development of compliance schemes at current and future portfolio companies. The compliance system of DBAG therefore consists of three components:

- compliance by DBAG staff,
- compliance in the transaction process,
- compliance at portfolio companies.

A Compliance Manager oversees adherence by **DBAG STAFF** to the Code of Conduct and the rules set out in the Compliance Guideline. He is independent in his role and reports directly to the Spokesman of the Board of Management; he reports to the complete Board of Management four times a year. The Compliance Guideline sets out the rules for receiving and giving gifts, for hospitality and invitations to events, for example.

DBAG acts as a responsible investor. Compliance aspects have therefore also been integrated into the **TRANSACTION PROCESS**, specifically in the due diligence process and in purchase agreements. An examination of compliance issues is an integral part of every due diligence process. The basis for this is a questionnaire which, depending on the situation, can be integrated into the due diligence process in collaboration with the legal consultant for the transaction or with the assistance of a specialised compliance adviser, who may be commissioned additionally, if required. To minimise the liability risk for DBAG in compliance issues, warranty clauses to that effect will be included in every purchase agreement for a portfolio company.

DBAG employees who hold offices on a supervisory board or an advisory council at a **PORTFOLIO COMPANY** or act on behalf of a shareowner of a portfolio company are required to firmly endorse the introduction or ongoing development of a compliance system within the portfolio company. The DBAG Compliance Standard for Portfolio Companies serves as guidance. Nearly all our portfolio companies have introduced a compliance system or are in the process of developing and launching such a system.

Composition of the Supervisory Board: Operability is key objective

The German Corporate Governance Code recommends that the Supervisory Board specify concrete objectives regarding its composition and report on these and on their implementation.

The Supervisory Board of DBAG consists of six members elected by shareholders at the Annual Meeting. The key objective in its composition is the Supervisory Board's operability; this objective is best addressed when the majority of its members are independent and not exposed to conflicts of interest, and when its members are broadly experienced in the multifaceted operations of DBAG and have expert knowledge of applicable accounting principles. The Supervisory Board is of the opinion that the majority – or four – of its members should be independent, and the Chairperson of the Supervisory Board should be one of them.

The current composition of the Supervisory Board reflects this objective.

The members of the Supervisory Board do not have business or personal relationships to the Company or its Boards, or to a controlling shareholder or a company with which that shareholder is affiliated, which could constitute a significant and not merely temporary conflict of interest. Should, contrary to expectations, conflicts of interest arise in individual instances, these are disclosed and dealt with appropriately by the Supervisory Board. The members of the Supervisory Board bring with them a wide range of professional and personal experience, including management responsibility abroad or in international companies in Germany. The members of the Supervisory Board in their entirety are very familiar with the sector in which DBAG operates.

The age limit of 72, moreover, means that the Company can benefit as much as possible from these skills on the one hand; on the other hand, an age limit is conducive to introducing changes in the Board's composition. Also promotive of that is the regular limitation of the term of office for Supervisory Board members for a maximum of three full terms, in addition to any partial term of office, insofar as that election to the Supervisory Board took place at a different time to the regularly recurring general elections. The specified target for the proportion of female members on the Supervisory Board ("at least one woman") on which we have reported in the Corporate Governance Statement has been reached. Within the context

of preparing for the regular election of all six members to the Supervisory Board at the Annual Meeting in February 2016, the Supervisory Board satisfied itself that the candidates were in a position to devote the required amount of time to their prospective offices.

Independence of corporate bodies: No conflicts of interest

Conflicts of interest on the part of members of the Board of Management and the Supervisory Board requiring immediate disclosure to the Supervisory Board did not come to our attention.

Principle of equal treatment: Timely information to all interested parties

The principle of directing information on an event promptly and simultaneously to all interested parties ranks high in our communication policy. All major reports, announcements and presentations are accessible on the Internet synchronously with the respective event. The key presentations we prepare for meetings with investors can also be viewed on our website. Any interested individual can take note of the dates and locations of road shows and investors' conferences that we attend.

Our complete Annual Meeting is webcast live on the Internet. Shareholders may elect to exercise their voting rights personally or through a proxy of their choice or through a proxy appointed by the Company, who is bound by their directives. Postal voting is also possible. All documents and information on the Annual Meeting are accessible in German and in English on our website.

Remuneration: For the Board of Management, linked to corporate performance

The remuneration paid to the Board of Management is composed of fixed and performance-related components, most of which have a long-term incentive. We issue an individualised statement of emoluments paid to the members of the Board of Management. Shareholders at the 2011 Annual Meeting approved the remuneration scheme with a vote of approximately 92 percent.

The remuneration paid to Supervisory Board members is solely composed of a fixed fee.

Strict rules on share ownership

Apart from participating in the annual employee stock ownership plan, members of the staff and the corporate bodies may only purchase shares in Deutscheeteiligungs AG within a limited frame. Shares may only be purchased or sold during specified periods of time and exclusively after receiving approval for each transaction. Trading periods start on the day after publication of (when indicated, also preliminary) quarterly or annual financial reports and end at the following quarterly reporting date. In the event that these trading periods overlap with the statutory prohibition of trading for individuals in leadership positions (“directors’ dealings”), the trading period for DBAG staff will also be curtailed correspondingly.

Based on the nature of our business operations, there are further rules that apply to trading in securities for DBAG staff. Irrespective of the trading restrictions for DBAG shares, it is not permitted for members of the staff to deal in shares of portfolio companies of Deutscheeteiligungs AG, or of companies undergoing the due diligence process or whose portfolio contains companies in which we are considering an investment.

Reportable securities transactions (“directors’ dealings”)

The members of the Board of Management and the Supervisory Board of DBAG as well as related parties are required to report transactions in DBAG shares and related financial instruments.

Reporting individual	Corporate body	Date of transaction	Transaction	Number of shares	Price €
Susanne Zeidler	Board of Management	20 Sept. 2016	Purchase	5,000	29.65

At 30 September 2016, the members of the Board of Management held a total of 39,613 no-par value shares and members of the Supervisory Board a total of 4,000 no-par value shares, or less than one percent of the subscribed capital of Deutscheeteiligungs AG.

Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

The Board of Management and the Supervisory Board declare that, since issuance of the last Declaration of Conformity, Deutscheeteiligungs AG has complied with the recommendations of the German Corporate Governance Code as amended on 5 May 2015 in their entirety and will continue to follow all of the recommendations in the Code.

We have, moreover, followed all of the suggestions in the Code and will continue to do so in the future.

Frankfurt am Main, October 2016

Deutscheeteiligungs AG

The Board of Management

The Supervisory Board