

## Corporate Governance – Declaration of Conformity

The Executive Board and the Supervisory Board continually dealt with the further development of corporate governance in the company during fiscal year 2016. The amendments to the German Corporate Governance Code in the version from May 5, 2015, have been taken into account by the Executive Board and Supervisory Board. Pursuant to Section 3.10 of the German Corporate Governance Code (GCGC), the Executive Board and Supervisory Board report on corporate governance at the company as follows:

### Declaration of Conformity

On December 13, 2016, the Executive Board and Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft issued an annual Declaration of Conformity as legally required by the German Corporate Governance Code pursuant to Section 161 AktG. The Declaration of Conformity reports:

The recommendations of the German Corporate Governance Code (DCGK) in the current version dated May 5, 2015, have been and are being complied with, with the exception of the following deviations:

1. The D&O insurance policy for the Supervisory Board does not provide for a deductible as this does not seem to be appropriate or necessary in view of the moderate level of remuneration for the Supervisory Board. (3.8 DCGK)
2. Supervisory Board committees have not been formed. In the case of a Supervisory Board consisting of only four members, any matter that requires the involvement of the Supervisory Board may be carried out with the direct involvement of all Supervisory Board members. In this situation, an increase in the efficiency of the Supervisory Board's activities would not be expected by forming a committee. (5.3.1 to 5.3.3 DCGK)
3. The Consolidated Financial Statements are not made public within 90 days of the end of the fiscal year, and the interim reports are not made publicly available within 45 days of the end of the reporting period. Publication takes place within the framework of statutory and stock exchange regulations. Earlier publication, also considering a number of non-listed subsidiaries and affiliates abroad, could only be achieved with a marked increase in personnel and organizational expenses and thus only with considerable additional costs. (7.1.2 DCGK)

### Composition of the Supervisory Board

Pursuant to section 5.4.1 of the German Corporate Governance Code, the Supervisory Board is to be set up in such a way that its members have the general knowledge, skills and professional experience necessary for the proper performance of their tasks. From the viewpoint of the Supervisory Board, these criteria are being met by the current Supervisory Board.

The Supervisory Board should designate concrete targets for its composition which, taking into account the company-specific situation, the company's international activities, potential conflicts of interest, the number of independent members of the Supervisory Board as defined in section 5.4.2 GCGC, a fixed age limit for Supervisory Board members and a regulatory limit for the Supervisory Board membership, as well as diversity. In addition, the Supervisory Board is to set targets for the share of women.

In view of these requirements, the Supervisory Board endeavors to consider the following criteria in the composition of the Board:

- At least one Supervisory Board member should have international experience.
- At least one Supervisory Board member should be independent.
- Membership in the Supervisory Board is to end with one's 80th birthday.
- Membership in the Supervisory Board should not exceed four terms of office.

- The share of women in the Supervisory Board should be 30%.

With the exception of the 30% target for women's participation in the Supervisory Board, the aforementioned targets were implemented in fiscal year 2016. As a result of the enlargement of the Supervisory Board to four members at the Annual General Meeting on June 23, 2016, the share of women in the Supervisory Board is currently 25%. Due to the intended reduction of the Supervisory Board to three members, the share of women in the Supervisory Board will be again 33,33%.

### Share ownership of Board members

Stock option programs and similar securities-oriented incentive systems do not exist. As of December 31, 2016, Executive Board member Prof. Peter L. H. Schwenkow held a total of 203,350 shares in the company. Executive Board member Christian Diekmann held a total of 5,750 shares in the company as of December 31, 2016. As of December 31, 2016, Executive Board member Detlef Kornett held a total of 1,675 shares in the company. As of December 31, 2016, Executive Board member Ralph Quellmalz held a total of 1,675 shares in the company. As of December 31, 2016, Supervisory Board member Michael Busch held a total of 2,270 shares in the company. As of December 31, 2016, Supervisory Board member Christian Angermayer indirectly held a total of 10 bonds of the company in a nominal amount of 100,000.00 each through Apeiron Investment Group Ltd.

### Executive Board and Supervisory Board remuneration system

For further information on the remuneration system and individual remuneration of Executive Board and Supervisory Board members, please refer to the Remuneration Report in section 3.3 of the Consolidated Management Report and Group Management Report and in section 30 of the Notes to the Consolidated Financial Statements.

The Supervisory Board members received net remuneration (in EUR thousand) for their activities in fiscal year 2016 as follows:

<b>Supervisory Board member</b>	<b>Fixed remuneration</b>	<b>Variable remuneration</b>	<b>Other remuneration</b>	<b>Total remuneration</b>
Wolf-D. Gramatke	29	0.0	4	33
Martina Bruder	19	0.0	3	22
Christian Angermayer	10	0.0	0.0	10
Michael Busch (since July 13, 2016)	5	0.0	0.0	4
<b>Total</b>	<b>62</b>	<b>0.0</b>	<b>7</b>	<b>69</b>

Other remuneration of the Supervisory Board includes travel expenses of EUR 6 thousand and office expenses of EUR 1 thousand.

## **Declaration on Corporate Governance**

The Declaration on Corporate Governance pursuant to section 289a (2) HGB is contained in section 3.1 of the Consolidated Management Report and Group Management Report.

## **Risk management**

For company risk management, please refer to the detailed explanations in the Opportunity and Risk Report in section 4 of the Consolidated Management Report and Group Management Report.

Berlin, May 2017

DEAG Deutsche Entertainment Aktiengesellschaft

For the Supervisory Board

For the Executive Board

Wolf-D. Gramatke

Prof. Peter L.H. Schwenkow

Chairman

Chairman