

3. Corporate Governance Report and Corporate Governance Statement

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG (DKR) report below on the Company's corporate governance in accordance with Section 3.10 of the German Corporate Governance Code (GCGC) and on corporate governance pursuant to § 289f German Commercial Code (HGB) (new version).

First, the current Declaration of Conformity of the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG dated 12 September 2018 as well as the supplement dated 12 November 2018 is presented. This is followed by a description of the working methods of the Management Board and the Supervisory Board as well as their composition. In addition, the corporate governance of the Company is presented, and the concept of diversity is discussed.

3.1.1. Declaration of Conformity of Deutsche Konsum REIT-AG to the German Corporate Governance Code (GCGC)

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG welcome and support the German Corporate Governance Code (GCGC) and its objectives. In accordance with § 161 (1) German Stock Corporation Act (AktG), they hereby declare that Deutsche Konsum REIT-AG complied and will also comply in the future with the recommendations of the Government Commission on the German Corporate Governance Code in the version of the Code of 7 February 2017, published in the Federal Gazette on 24 April 2017, with the following exceptions since the last Declaration of Conformity was issued on 5 December 2017:

Section 4.1.3 GCGC – Compliance Management System:

The Company has not employed more than ten employees since the last Declaration of Conformity. The Company currently employs ten people. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistle-blowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Section 4.1.5 GCGC – Consideration of women in the appointment for management functions:

The Executive Board did not and does not currently follow the recommendation to pay attention to diversity when filling management positions within the Company and, in particular, to aim for appropriate consideration of women. The Company had and currently has only employees without leadership function. Apart from the Management Board, there were and are no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Konsum, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

Section 4.2.5 GCGC – Presentation of the Remuneration Components of the Management Board in the Remuneration Report:

In the remuneration report for the 2016/2017 financial year, the remuneration components of the Management Board have not yet been presented in accordance with the recommendations of Section 4.2.5, since no remuneration system was in place. For this reason, the two Executive Board members appointed as of 1 July 2017, received flat-rate variable compensation for the three-month transitional period until the end of the financial year. For the financial year 2017/2018, on the other hand, a new compensation system for the Management Board in accordance with the recommendations of the German Corporate Governance Code was adopted and introduced by the Supervisory Board. Accordingly, the presentation in the compensation report will be undertaken acc. Section 4.2.5.

Sections 5.1.2, 5.4.1 para. 2, para. 4, 5.4.2 sentence 1 GCGC – Appointment of objectives for the composition of the Supervisory Board, in particular consideration of diversity, and development of a competence profile as well as an age limit and a limit for Membership of the Supervisory Board:

The Supervisory Board has neither set specific goals for its composition nor has it developed a competence profile for the entire Supervisory Board and does not intend to set such goals or develop a competence profile in the future either. Similarly, diversity rules have not been established in the objectives for the composition of the Supervisory Board or will be established in the future. The Company was and is of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the occupation are crucial, so that the above-mentioned requirements were and are not effective. For these reasons, the determination of an age limit

and a statutory limit for membership of the Supervisory Board was and is not waived. The Company was and is of the opinion that the determination of an age limit and a regular limit on the length of service to the Supervisory Board would not be appropriate, since the Company should also have the knowledge and experience of older persons for a longer period in the context of the Management and Supervisory Board activities.


Section 5.3 GCGC – Formation of committees:

The Supervisory Board has refrained from forming committees in view of its small number of members. If the number of members remains the same, the Supervisory Board will also refrain from forming committees in future.

Broderstorf, 12 September 2018

For the
Supervisory Board

For the
Management Board



Hans-Ulrich Sutter
Chairman of the
Supervisory Board



Rolf Elgeti
Chairman of the
Management Board

The current Declarations of Conformity are published on our website <http://www.deutsche-konsum.de/en/>, in the "Investor Relations" section under the menu items "Corporate Governance" and "Declaration of Conformity".

3.1.2. Supplement dated 12 November 2018 to the Declaration of Conformity of Deutsche Konsum REIT-AG to the German Corporate Governance Code (GCGC) of 12 September 2018

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG (the "Company") most recently declared in a declaration of conformity dated 12 September 2018 to what extent the Company complies with the recommendations of the Government Commission on the German Corporate Governance Code ("GCGC") as amended on 7 February 2017.

With regard to Section 3.8 (3) GCGC, the Management Board and the Supervisory Board supplement their declaration of conformity dated 12 September 2018 for the future as follows:

Section 3.8 (3) GCGC – Deductible in D&O insurance for the Supervisory Board:

Pursuant to Section 3.8 (3) GCGC, a deductible is to be agreed in a D&O insurance policy for the Supervisory Board. The D&O insurance policy of Deutsche Konsum REIT-AG does not provide for a deductible for the Supervisory Board. The Company believes that the agreement of a deductible has no impact on the sense of responsibility and the conscientiousness of its members of the Supervisory Board. In addition, a compulsory uniform deductible would possibly make the Supervisory Board members very different due to different income and asset situations. This also applies in particular against the background of the rather low Supervisory Board remuneration for a listed stock corporation. The Company is therefore of the opinion that the agreement of a deductible for the D&O insurance of the members of the Supervisory Board in this case does not make sense.

Broderstorf, 12 September 2018

For the
Supervisory Board



Hans-Ulrich Sutter
Chairman of the
Supervisory Board

For the
Management Board



Rolf Elgeti
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3.2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and the Supervisory Board work together closely for the benefit of the Company to ensure responsible management.

An essential element of corporate governance is the separation of corporate governance and corporate control. This is done through a clear division of tasks and responsibilities between the Management Board and the Supervisory Board. In addition, the Annual General Meeting is the third body. Through it, the shareholders are involved in fundamental decisions of the Company.

The Management Board

The Management Board manages the Company on its own responsibility and represents it in transactions with third parties. It is bound to the Company's interest with the goal of sustainable value creation. It develops the strategic direction of the Company, coordinates it with the Supervisory Board and ensures its implementation. The Management Board also ensures proper risk management and controlling in the Company.

The members of the Management Board, irrespective of their joint responsibility for the Company, are responsible for individual areas of responsibility. They cooperate collegially and keep each other informed about important processes and measures in their areas of responsibility. The board has adopted rules of procedure.

The Management Board of Deutsche Konsum REIT-AG is appointed by the Supervisory Board in accordance with § 6 no. 2 of the Articles of Association. The Supervisory Board also determines the total number of members of the Management Board and whether there should be a chairman or spokesman. The members

of the Management Board are appointed for a maximum of five years. Reappointments are allowed. The Supervisory Board has set a target of 0 % for the proportion of women in the Management Board for the period up to 30 September 2020. Nor should diversity rules be set in the objectives for the composition of the Management Board. The Company believes that the professional aptitude and knowledge of the Company are crucial for the appointment.

The Management Board of Deutsche Konsum REIT-AG currently consists of three persons, Mr. Rolf Elgeti, Mr. Alexander Kroth and Mr. Christian Hellmuth.

Mr. Rolf Elgeti (CEO) is responsible for Human Resources and Legal/Compliance and Strategy. The investment and finance divisions are headed by Messrs. Alexander Kroth (CIO) and Christian Hellmuth (CFO). The business segment of the CIO includes the areas of acquisition and sales as well as asset and property management. The CFO is responsible for Corporate Finance, Accounting/Controlling, Treasury, Investor Relations and Risk Management. The CEO, CIO and CFO also manage and control the external service providers for their areas.

The CVs of the members of the Management Board are published under <https://www.deutsche-konsum.de/en/> in the category "Company" under the menu item "Management Board".

The Supervisory Board, Management Board and executives agree on annual targets whose implementation is regularly reviewed.

Measures for further education or refresher training of abilities and knowledge lie in the self-responsibility of the Management Board and the executives.

D&O insurance was taken out for the members of the Management Board considering § 93 (2) German Stock Corporation Act (AktG).

Due to the size of the Company, the remuneration of the CEO currently consists of a fixed remuneration, which will be allocated to the Company through a distribution agreement with the former parent company Obotritia Capital KGaA. In the financial year 2016/2017, the two members of the Management Board, Alexander Kroth and Christian Hellmuth, who were appointed as of 1 July 2017, received flat-rate variable compensation for the three-month transitional period until the end of the financial year. In financial year 2017/2018, the compensation system was adjusted for both short-term and long-term incentives according to the recommendations of the GCGC. Detailed information on the remuneration of the Management Board in accordance with Section 4.2.5 GCGC can be found in the remuneration report of the management report 2017/2018.

Consideration of women in filling leadership positions

The Management Board does not follow the recommendation of section 4.1.5 GCGC to pay attention to diversity when filling management positions in the Company and to strive for appropriate consideration of women. The Company currently has only ten non-executive employees. Apart from the Management Board, there were no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Konsum, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

The Supervisory Board

The central tasks of the Supervisory Board are to advise and supervise the Management Board. The five-member Supervisory Board of Deutsche Konsum

REIT-AG works based on rules of procedure, which it has imposed on itself. Overall, the members of the Supervisory Board have the necessary knowledge, skills and professional experience to perform their duties properly.

Requests for resolutions as well as information on items of discussion are made available to the members of the Supervisory Board in good time before the respective meeting. At the request of the Chairman of the Supervisory Board, resolutions may be taken in individual cases outside of meetings. This option is occasionally used in urgent cases. If there is a tie in resolutions, the vote of the Chairman of the Supervisory Board decides.

All Supervisory Board members are elected by the shareholders at the Annual General Meeting. At present, no representatives of employees are represented on the Supervisory Board of Deutsche Konsum REIT-AG. The Supervisory Board does not intend to set concrete goals for its composition or to develop a competence profile for the entire Supervisory Board. Nor should diversity rules be set in the objectives for the composition of the Supervisory Board. The Supervisory Board has set a target of 0 % for the proportion of women on the Supervisory Board for the period up to 30 September 2020. The Company believes the professional aptitude and the knowledge of the Company as prerequisites for the occupation of a position are crucial, so that the above-mentioned requirements are not expedient.

The Supervisory Board of Deutsche Konsum REIT-AG currently consists of five persons, Mr. Hans-Ulrich Sutter, Mr. Achim Betz, Mr. Johannes C.G. (Hank) Boot, Mr. Nicholas Cournoyer and Mr. Kristian Schmidt-Garve. Mr. Schmidt-Garve was elected as a fifth member of the Supervisory Board at the Annual General Meeting on 8 March 2018.

Mr. Hans-Ulrich Sutter is Chairman of the Supervisory Board and Mr. Achim Betz Vice Chairman. The term

of office of all members of the Supervisory Board ends at the end of the Annual General Meeting, which resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2019.

The CVs of the members of the Supervisory Board are published under <https://www.deutsche-konsum.de/en/> in the category "Company" under the menu item "Supervisory Board".

So far, no committees have been formed due to the small number of members.

The determination of an age limit and a regular limit for affiliation to the Supervisory Board are waived. The Company believes the determination of an age limit and a regular limit on the length of service of the Supervisory Board is not relevant since the Company should also have access to the knowledge and experience of older persons over a longer period within the scope of the Management and Supervisory Board activities.

In the opinion of the Supervisory Board, all current members of the Supervisory Board are to be regarded as independent within the meaning of Section 5.4.1 GCGC.

Each year, the Chairman of the Supervisory Board explains the activities of the Supervisory Board in its Supervisory Board Report and verbally at the Annual General Meeting.

In January 2018, a D&O insurance policy was concluded for the members of the Supervisory Board of DKR.

In accordance with the Articles of Association, the members of the Supervisory Board receive fixed compensation and reimbursements for out-of-pocket expenses. Detailed information on the remuneration of the Supervisory Board can be found in the Remuneration Report of the 2017/2018 Management Report.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the 2017/2018 Annual Report.

Cooperation between the Management Board and the Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their respective total compensation and oversees their management. It also advises the Management Board on the management of the Company. The Supervisory Board approves the annual financial statements. Significant decisions of the Management Board require the approval of the Supervisory Board.

The Management Board ensures regular, timely and comprehensive reporting to the Supervisory Board. In addition, the Chairman of the Supervisory Board is regularly and continuously informed about the business development. Intensive and continuous communication between the Management Board and the Supervisory Board is the basis for efficient corporate management.

The Management Board of Deutsche Konsum REIT-AG regularly participates in the meetings of the Supervisory Board. It reports in writing and orally on the individual agenda items and proposals for resolutions and answers the questions of the members of the Supervisory Board.

Conflicts of interest

Conflicts of interest of members of the Management and Supervisory Boards must be disclosed to the Supervisory Board without delay. In the 2017/2018 financial year, no conflicts of interest occurred.

3.3. Essential corporate governance practices

Main features of compliance

Deutsche Konsum REIT-AG is committed to responsible and sustainable corporate management of the Company. This includes trusting cooperation between the Management Board and the Supervisory Board as well as the employees and a high level of transparency in reporting and corporate communications.

The essential basis of Deutsche Konsum REIT-AG's business is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants as well as employees. Thus, compliance at DKR not only means complying with the law and the statutes, but also adhering to internal instructions and self-commitments to implement the values, principles and rules of responsible corporate governance in daily actions.

Compliance Management System

Currently, DKR employs ten people. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistleblowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Organisation and controlling

Deutsche Konsum REIT-AG is headquartered in Germany and is, therefore, subject to the provisions of German stock corporation and capital markets law as well as the provisions of the Articles of Association.

Essentially, Deutsche Konsum REIT-AG manages the Company using the following key figures: EBIT, FFO, LTV, EPRA NAV and cash flow. Sustainable economic, social and environmental aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Konsum REIT-AG exercise their rights before or during the Annual General Meetings within the scope of the legal and statutory provisions and hereby exercise their voting rights. Each share grants one vote.

The Chairman of the Supervisory Board chairs the Annual General Meetings. Each shareholder is entitled to attend the Annual General Meeting, to speak on the relevant agenda items and to request information on Company matters, insofar as this is necessary for the proper assessment of an item of the Annual General Meeting. The Annual General Meeting decides on all tasks assigned to it by law.

The agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting are published in easily accessible form by Deutsche Konsum REIT-AG on its website at <https://www.deutsche-konsum.de/en/> under "Investor Relations" under the menu item "Annual General Meeting".

To make it easier for its shareholders to exercise their rights and to vote proxy, DKR appoints a representative for the proxy voting. He can also be contacted during the Annual General Meeting.

The Annual General Meeting takes place within the first eight months of each financial year. The Annual General Meeting of Deutsche Konsum REIT-AG, which resolved on the financial year ending on 30 September 2017, took place on 8 March 2018 in Berlin. More than 65% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 27,236,313 shares). All agenda items were resolved by a large majority.

Stock option plans

There are currently no stock option programs or similar incentive systems at Deutsche Konsum REIT-AG.

Transparent reporting

Through its website, Deutsche Konsum REIT-AG ensures consistent, comprehensive, timely and simultaneous information to shareholders and the interested public about the economic situation and new facts. This information can be accessed via the Investor Relations section of the website at <https://www.deutsche-konsum.de/en/> in the "Investor Relations" section.

Reporting on the business and earnings situation is currently carried out in annual reports, quarterly reports as well as in the semi-annual reports, which are available for download on the Company's homepage. Important up-to-date information is published via corporate news and ad hoc announcements and made accessible on the Company's website. In addition, pursuant to Art. 19 of the Market Abuse Regulation (MAR), transactions of managers and related parties are publicly disclosed as "Directors' Dealings" and are also available on the Company's website.

In accordance with Art. 18 MAR, mandatory insider lists are maintained, and the persons listed on insider lists have been and will be informed of the legal obligations and sanctions that result for them.

Significant events and publication dates are maintained and published in the financial calendar, which can be viewed on the Company's website at any time.

Accounting and auditing

The annual financial statements of Deutsche Konsum REIT-AG are prepared in accordance with IFRS, as adopted by the European Union. After preparation by the Management Board, the annual financial statements are audited and approved by the auditor and the Supervisory Board. The Company aims to publish the annual financial statements in accordance with the German Corporate Governance Code within 90 days of the end of the financial year. The mandatory interim financial information (quarterly reports and the half-yearly financial report) will be discussed between the Supervisory Board and the Executive Board prior to publication.

The 2018 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2017/2018. DOMUS AG's audits following German auditing regulations laid down by the Institut der Wirtschaftsprüfer as well as the principles of proper auditing and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any grounds for exclusion or exemption as well as inaccuracies of the Declaration of Conformity that occurred during the audit. The auditor reports without delay all issues and events that arise during the audit and are relevant for the task of the Supervisory Board to the Chairman of the Supervisory Board and is required to inform the Supervisory Board promptly of any possible grounds for exclusion or bias.

Opportunity and risk management

An essential element of corporate governance is risk management to adequately and systematically counter the risks that Deutsche Konsum REIT-AG is exposed to. A comprehensive process was introduced that enables management to identify, assess and manage risks and opportunities in a timely manner. As a result, unfavourable developments and events become transparent at an early stage and can be analysed and managed in a targeted manner. Further information on risk management is contained in the opportunity and risk report of the annual financial statements 2017/2018.

Broderstorf, December 2018

For the
Supervisory Board



Hans-Ulrich Sutter
Chairman of the
Supervisory Board

For the
Management Board



Rolf Elgeti
Chairman of the
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