

# Corporate **GOVERNANCE** 2011

**D**The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and most recently approved amendments and additions to individual recommendations and suggestions on 26 May 2010. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice, and will adapt the Code as needed.

Deutsche EuroShop welcomes the German Corporate Governance Code produced by the Government Commission. The Code not

only creates a transparent legal framework for corporate management and control in Germany, but also documents generally accepted standards for good and responsible corporate leadership.

#### WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory and Executive Boards performed their statutory duties in financial year 2011 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation is discussed at regular intervals. The Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed in-

formation on the main areas of focus of the Supervisory Board's activities in financial year 2011 can be found in its report on pages 72 to 73.

In financial year 2011, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

#### COMPOSITION AND DIVERSITY

The Supervisory and Executive Boards should be composed of members who possess the requisite expertise, skills and professional experience in the areas of real estate, retail, finance and accounting and are capable of exercising this office. The Supervisory Board and Executive Board consider themselves open to every qualified candidate regardless of gender or nationality.

#### EXECUTIVE BOARD

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The chief management duties of the Executive Board are the determination of the Group's strategic orientation and management of the Group, planning, and the establishment and implementation of risk management.

The Executive Board of Deutsche EuroShop currently comprises two members.



Allmarkt-Galerie  
Dresden



### Claus-Matthias Böge

Born 13 February 1959  
First appointment: 2001  
Appointment ends: 2015

Claus-Matthias Böge joined Deutsche EuroShop in 2001, as a member of the Executive Board. He assumed his current position as Executive Board spokesman in 2003. He is also a managing director and director at various different companies in the Deutsche EuroShop Group.

### Olaf Borkers

Born 10 December 1964  
First appointment: 2005  
Appointment ends: 2016

Olaf Borkers joined Deutsche EuroShop in 2005, as a member of the Executive Board. He is also a managing director and director at various different companies in the Deutsche EuroShop Group.

### SUPERVISORY BOARD

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of six members, who are elected by the Annual General Meeting.

The Supervisory Board has established the notification and reporting duties to be met by the Executive Board and has formed an **Executive Committee**, an **Audit Committee** and a **Capital Market Committee**, each with three members.

The members of the Supervisory Board are:

**Manfred Zaß**, Chairman  
**Dr Michael Gellen**, Deputy Chairman  
**Thomas Armbrust**  
**Dr Jörn Kreke**  
**Alexander Otto**  
**Dr Bernd Thiemann**

The members of the **Executive Committee** are Mr Zaß, Dr Gellen and Mr Armbrust. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. It is also responsible for preparing human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the role of a nomination committee.

The members of the **Audit Committee** are also Mr Zaß, Dr Gellen and Mr Armbrust. The Audit Committee is chaired by Mr Armbrust. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest.

The members of the **Capital Market Committee** are once again Mr Zaß, Dr Gellen and Mr Armbrust. The Capital Market Committee is chaired by Mr Zaß. The Supervisory Board's powers relating to the utilisation of approved capital were transferred to the Committee for decision-making and processing.

### SHAREHOLDINGS

#### Executive Board

As at 31 December 2011, the Executive Board held a total of 26,061 shares, less than 1% of Deutsche EuroShop's share capital.

#### Supervisory Board

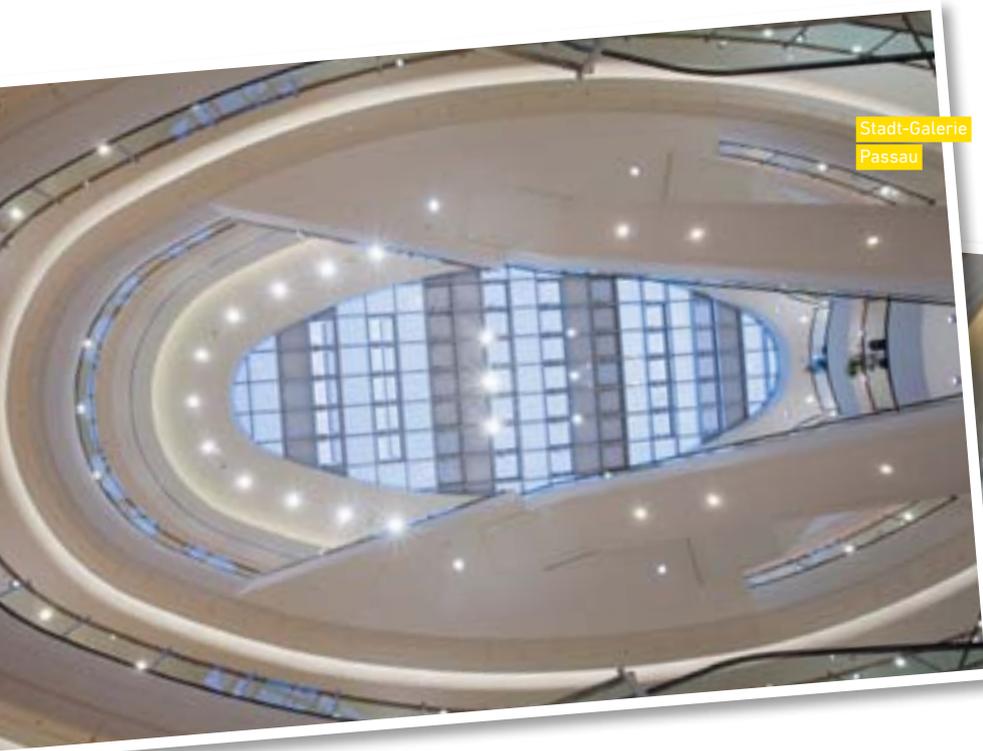
As at 31 December 2011, the Supervisory Board held a total of 5,199,687 shares, more than 1% of Deutsche EuroShop's share capital.

In addition to the general statutory provisions requiring public disclosure, the rules of procedure of the Executive Board and of the Supervisory Board govern the reporting duties of Executive and Supervisory Board members in the event of dealings involving shares in the Company or related rights of purchase or sale, as well as rights directly dependent on the Company's share price.

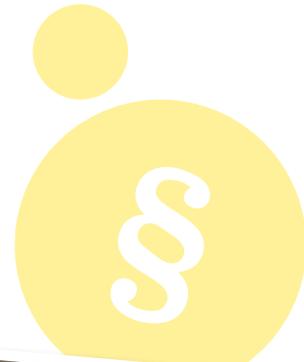
### DIRECTORS' DEALINGS

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop during financial year 2011 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Directors' Dealings 2011		Purchases (number of shares)	Share price in €	Sales (number of shares)	Share price in €
Henry Böge	Shares	288	23.00		
Carlotta Böge	Shares	588	23.00		
Thomas Armbrust	Shares	4,375	22.51		
Kreke Immobilien KG	Shares			31,250	28.57
Olaf Borkers	Shares			1,700	27.30
Manfred Zaß	Shares			1,600	28.99
AROSA Vermögens- verwaltungs m.b.H.	Shares			845,899	27.00
<b>Total</b>		<b>5,251</b>		<b>880,449</b>	



Stadt-Galerie  
Passau



#### RELATIONSHIPS WITH SHAREHOLDERS

Shareholders exercise their rights in matters concerning the Company at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and passes resolutions approving the actions of the Executive and Supervisory Boards. It decides on the appropriation of the unappropriated surplus and amendments to the Company's Articles of Association. The Annual General Meeting, at which the Executive and Supervisory Boards give an account of the past financial year, takes place once a year. When resolutions are adopted at the Annual General Meeting, each share confers entitlement to one vote in line with the principle of "one share, one vote". All shareholders are entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda.

Deutsche EuroShop reports to its shareholders and to the public on the Company's business performance, financial position and results of operations four times a year in line with a financial calendar. Press releases also inform the public and the media of Company activities. Information that may materially influence the Company's share price is published in the form of ad hoc disclosures in accordance with the statutory requirements.

The Executive Board gives regular presentations to analysts and at investor events as part of the Company's investor relations activities. Analyst conferences on the release of the annual and quarterly financial statements are broadcast over the internet, where they are available to anyone interested in the Company. In addition, Deutsche EuroShop provides financial information and other information about the Deutsche EuroShop Group on its website.

#### ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). The annual financial statements of Deutsche EuroShop AG will continue to be prepared in line with the accounting provisions of the HGB. The Executive Board is responsible for the preparation of the financial statements. The Chairman of the Audit Committee commissions the auditor of the annual financial statements, as elected by the Annual General Meeting. The stricter requirements for auditor independence are met in this process.

#### OUTLOOK

The German Corporate Governance Code was not amended last year. Further intensive discussions were held on the diversity of management. Deutsche EuroShop is to focus more intently on this topic and plans to expand the Supervisory Board from six members to nine, in order to broaden expertise, particularly in retail and accounting. The Supervisory Board should in future contain at least one woman. An amendment to the Articles of Association to this effect and three candidates for election to the Supervisory Board should be put before the Annual General Meeting in June 2012.

#### DECLARATION OF CONFORMITY

In November 2011, the Executive and Supervisory Boards of the Company jointly submitted their updated declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code for financial year 2011 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at [www.deutsche-euroshop.de](http://www.deutsche-euroshop.de).

**Joint declaration by the Executive and Supervisory Boards of Deutsche EuroShop AG relating to the recommendations of the Government Commission on the German**

**Corporate Governance Code in accordance with section 161 AktG**

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 26 May 2010), subject to a limited number of exceptions as indicated below:

- The existing D&O insurance policy taken out for the Supervisory Board does not provide for any deductible (Section 3.8).

The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore takes the view that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium.

- There is no stipulated age limit for members of the Supervisory Board (Section 5.1.2).

The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a suitably qualified and successful Executive Board member.

- There is no stipulated age limit for members of the Supervisory Board (Section 5.4.1).

The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit could force the retirement of a suitably qualified and successful Supervisory Board member.

- The remuneration of the Supervisory Board does not include any performance-based elements (Section 5.4.6).

The Company believes that fixed remuneration for members of the Supervisory Board best reflects the Company's business model. The selection of shopping centers to be acquired and held and the quality of long-term leases represent the key factors determining the Company's long-term success.

- The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2).

It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing and adoption of the financial statements. Unaudited data of relevance to the capital market is published in advance.

Hamburg, 30 November 2011

The Executive Board and the Supervisory Board  
Deutsche EuroShop AG

