

## Corporate Governance Declaration according to section 289a Commercial Code (HGB)

According to section 289a Commercial Code (HGB) the Corporate Governance Declaration is part of the Summarised Management Report and Group Management Report of MEDICLIN Aktiengesellschaft (MediClin) and the Group. Accordingly the following remarks apply to both MEDICLIN Aktiengesellschaft and the Group.

We view this Corporate Governance Declaration as an opportunity to communicate the stability and sustainability of corporate governance at MediClin. We want our declaration to be easily accessible and have therefore published it on our website as well as in the Corporate Governance Report under <http://www.mediclin.de/corporate-governance>

Section 289a HGB specifically demands that the declaration comprises the following:

- The Compliance Declaration pursuant to section 161 Stock Corporation Act (AktG),
- Relevant information on corporate governance methods applied in addition to the statutory requirements along with a reference to where this information can be publicly accessed,
- A Description of the working methods of the Management Board and Supervisory Board as well as of the composition and working methods of their respective committees.
- Information on the proportion of women in the two management levels below the Management Board as well as target values and deadlines for reaching these targets.
- Information on the proportion of women on the Supervisory Board and Management Board as well as target values and deadlines for reaching these targets

## Compliance Declaration pursuant to section 161 German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of MediClin declare that since the issue of the last declaration of compliance on March 22, 2016 with the exceptions outlined below MediClin has complied with the regulations of the version of the Code of May 5, 2015 and has complied and will continue to comply with the regulations of the version of the Code of February 7, 2017 as soon as it is published in the official section of the Federal Gazette.

**Number 4.2.2, subsection 2 and sentence 3** (in the version of February 7, 2017 as well as in the version of May 5, 2015)

In accordance with number 4.2.2 subsection 2, sentence 3, the Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the overall staff, particularly considering its development over time. Furthermore the Supervisory Board shall determine how senior managers and the relevant staff are to be delimited.

The Supervisory Board considers the appropriateness of the compensation of the Management Board in accordance with his duties. The Supervisory Board also takes into account the

Company's internal compensation structure. In the view of the Supervisory Board the formal procedure specified in the Code is not necessary, because it does not lead to an improvement of the quality of the decision. Therefore a deviation from this recommendation is declared.

**Number 4.2.5 subsection 3 sentence 1 and sentence 2 (in the version of February 7, 2017 as well as in the version of May 5, 2015)**

In accordance with number 4.2.5 subsection 3 sentence 1 and sentence 2, certain information about the remuneration of each member of the Management Board is to be presented in the remuneration report for financial years beginning after December 31, 2013. In doing so, the table templates appended to the Code are to be used.

The disclosure of the Management Board Members remuneration is made in accordance with the legal requirements taking into account the opting-out decision of the Annual General Meeting of the Company on May 25, 2016. Therefore, in accordance with section 286 subsection 5 sentence 1 and section 314 subsection 3 sentence 1 of the Commercial Code the individual remuneration of Management Board Members is not specified in the company's annual and group financial statements for the years 2010 to 2020 (including) and consequently the sample tables attached to the Code are not used.

As long as opting-out resolution of the Annual General Meeting exists, the company will not make use of the recommended presentation of the Code in the remuneration report. Therefore a deviation from this recommendation of the code is made.

**Number 5.4.1 subsection 2 and sentence 2 (in the version of February 7, 2017 as well as in the version of May 5, 2015)**

In accordance with number 5.4.1 subsection 2 and sentence 2 the Supervisory Board shall specify a regular limit on the length of membership for members of the Supervisory Board.

In its meeting on March 22, 2016 the Supervisory Board decided to specify no regular limit on the length of membership for members of the Supervisory Board. In the Company's best interest the membership of the Supervisory Board shall only focus on knowledge and professional qualification of the members. The Supervisory Board does not consider a fixed regular limit of length as appropriate, particularly as the respective period of office for Supervisory Board members regulated by law and in the articles of association defines a reasonable timeframe for the mandates. Therefore a deviation from this recommendation of the code is made.

**Number 5.4.1 subsection 4 and sentence 3 (in the version of February 7, 2017)**

In accordance with number 5.4.1 subsection 4 and sentence 3 in the version of February 7, 2017 the appropriate number of independent members of the shareholder side (as defined in number 5.4.2 of the Code), assessed by the Supervisory Board, and their names shall be published in the Corporate Governance Report.

With regard to his composition, the Supervisory Board has set various targets in 2010 and updated them in 2012, 2015 as well as 2017, especially with regard to the revisions of the respective new versions of the Code. The corporate governance report provides detailed

information on the objectives. As a concrete objective for the composition of the Supervisory Board, it remains unchanged that at least one member of the shareholders' side should be independent. Therefore the definition of independence is part of the competency profile of the full board. The members of the Supervisory Board are disclosed on the website of the Company. The Supervisory Board fulfils the aforesaid target by at least one independent member of the shareholder side. Therefore, the Supervisory Board does not see any additional value to publish all names of independent members of the shareholders' side according to his assessment in the Corporate Governance report; especially as the attribute of independence in legal terms is not finally clarified according to the Supervisory Board opinion. Therefore a deviation from this new recommendation of the code in its version of February 7, 2017, is made.

**Number 5.4.1 subsection 5 sentence 2** (in the version of February 7, 2017)

In accordance with number 5.4.1 subsection 5 sentence 2 in the version of February 7, 2017 a curriculum vitae of the proposed candidate shall be included for the Annual General Meeting at elections to the Supervisory Board. The CV shall inform about relevant knowledge, skills and experience. It shall be supplemented by an overview of all important activities besides the mandate in the Supervisory Board and for all members of the Supervisory Board it should be annually updated and published on the website of the Company.

The Supervisory Board fulfils all legal requirements and complies with the recommendations of the Code regarding the disclosure of detailed information about candidates which are proposed for election to the Annual General Meeting. Apart from that he follows the regulation to disclose in detail all Supervisory Board Members and their respective mandates annually updated in the notes to the annual report and in the notes to the consolidated statements. Therefore, the Supervisory Board does not see any additional value to publish an overview, updated annually, about main activities besides the mandate in the Supervisory Board of all Supervisory Board members on the website of the Company. Therefore a deviation from this new recommendation of the code in its version of February 7, 2017, is made.

**Number 5.4.6, subsection 2 sentence 2**

In accordance with number 5.4.6, subsection 2, sentence 2 to the extent that the Supervisory Board members have been pledged a performance-oriented compensation; said compensation is to be geared to the company's long-term development.

In accordance with section 12, subsection 2 of the Articles of Association, the members of the Supervisory Board receive a variable capped compensation for each percentage of the dividend paid out over and above one percentage of 4%, the calculation being based on the amount of the share capital. As the decision on payment of a dividend depends on ratios (distribution criteria) which, for their part, consider aspects of a performance-oriented company development, we therefore assume the variable section of the compensation to be geared, in compliance with the code, to the "company's long-term development". As, however, a possibility exists of other views being represented, as a pre-emptive measure a declaration of deviation from this recommendation of the code is made.

**Number 5.4.6 subsection 3 sentence 1** (in the version of February 7, 2017 as well as in the version of May 5, 2015)

In accordance with section 5.4.6 subsection 3 sentence 1 the remuneration of the members of the Supervisory Board is to be disclosed individually, broken down by element in the notes to the financial statements or in the management report.

The currently applicable rules on remuneration of the Supervisory Board as well as the amount were determined by the Annual General Meeting on May 26, 2010, taking into account the recommendation of the Code as published in the respective time. They are regulated in detail and described transparently in the Articles of Incorporation (§ 12 Remuneration) of the company. Therefore the remuneration of the Supervisory Board is published as a total value in the management report of the Company. This also corresponds to the currently applicable procedure regarding the publication of the remuneration of the Management Board (opting-out resolution of the Annual General Meeting of May 25, 2016). The recommendation for an individualised presentation of the Supervisory Board remuneration is therefore not met.

Offenburg, March 2017

MEDICLIN Aktiengesellschaft

The Supervisory Board

The Management Board

## **Relevant information on corporate governance methods**

The corporate governance methods applied by MediClin include in addition to the statutory requirements important ethical standards which are enshrined in a set of guiding principles.

### **Guiding principles**

The value and principles which direct the actions of the staff are based on the notion of "shaping the future together", and are defined in the guiding principles of MediClin. These guiding principles characterise the behaviour towards customers, suppliers, shareholders as well as to the general public but also the behaviour among staff members. They set forth the foundations and rules for dealing with each other in a fair manner and for responsible corporate governance. They also define the strategic company objectives which management and staff aim to achieve under their own authority. Target agreements are a key element of our management philosophy and partially form a component of our compensation system.

The principles are published on our website [www.mediclin.de/en/Themen/Company/MediClins-guiding-principles.aspx](http://www.mediclin.de/en/Themen/Company/MediClins-guiding-principles.aspx)

## **Description of the working methods of the Management Board and Supervisory Board and of the composition and working methods of the committees**

### **Management and controlling body of MediClin**

In accordance with the German Stock Corporation Act, MediClin has a Management Board comprising minimum of two persons and a Supervisory Board comprising twelve persons.

In accordance with the German Co-Determination Act, the Supervisory Board consists of the same number of shareholder representatives and employee representatives.

The shareholders' representatives are elected by the shareholders at the Annual General Meeting, the employees' representatives are elected by the workforce. The term of office for the current employee representatives on the Supervisory Board ends with the 2017 Annual General Meeting. The term of office for the current members of the shareholder expires at the end of the Annual General Meeting of 2020 and 2021, respectively.

The Management Board and the Supervisory Board are strictly separated from one another in terms of both their members and their competences. Both bodies, however, work closely together in the interests of the company. Information on the Management Board or the Supervisory Board and its committees is available at [www.mediclin.de/vorstand](http://www.mediclin.de/vorstand) or [www.mediclin.de/aufsichtsrat](http://www.mediclin.de/aufsichtsrat).

### **Tasks of the Management Board**

The Management Board currently comprises three members, with one member holding the office of Chairman of the Management Board. The tasks and responsibilities of the Management Board members are defined in the Rules of Procedure for the Management Board. Without detracting from the overall responsibility of the Management Board, the individual members lead the business areas assigned to them by the business allocation plan on their own responsibility.

The Management Board manages the company in the interests of the Company, the goal being to create lasting value; it performs this task in consideration of the interests of the shareholders, its employees and the other groups affiliated to the Company (stakeholders). It ensures observance of the statutory regulations and company internal directives and their compliance by the Group companies. It makes sure that appropriate risk management and risk controls apply in the company. It develops the company's strategy, coordinates its development with the consent of the Supervisory Board and ensures its realisation. The Management Board is responsible for preparing the interim financial statements of the Group, the annual financial statements of MediClin AG and the Group financial statements.

The Management Board works closely together with the Supervisory Board. The Management Board regularly, promptly and comprehensively informs the Supervisory Board about all questions of relevance to the company with regard to strategy, budgets, company development, risk situation, risk management and compliance and regarding deviations from budgets and targets, including the reasons.

## **Tasks of the Supervisory Board**

The Supervisory Board monitors and counsels the Management Board in the management of the business activities and at regular intervals discusses with it the business development, the corporate planning and corporate strategy and their realisation. The Supervisory Board approves the annual financial statements of MediClin and of the Group while taking into account the results of the audit carried out by the Audit Committee and the audit reports of the auditor and Group auditor. On the recommendation of the Audit Committee, the Supervisory Board approves the annual financial statements and approves the Group financial statements. Key management decisions depend on the consent of the Supervisory Board.

According to the Stock Corporation Act and the Rules of Procedure, the Supervisory Board must convene two meetings in the calendar half-year. If required, further Supervisory Board meetings can be convened or resolutions passed using the company's circulation procedure. The Supervisory Board appraises the efficiency of its working methods. The Supervisory Board appoints the members of the Management Board, proposes the auditors to the Annual General Meeting on the recommendation of the Audit Committee and commissions them in accordance with the resolution of the Annual General Meeting.

The Articles of Association provide in paragraph 11 the constitution of committees and the delegation of taking decisions – as far as legally possible. The formation of committees is defined in the Rules of Procedure of the Supervisory Board.

The following committees were constituted as of December 31, 2016:

### Mediation Committee pursuant to section 27, subsection 3 Co-Determination Act (MitbestG)

The members of this committee are the Chairman of the Supervisory Board and the Vice Chairman elected under the terms of section 27, subsection 1 and subsection 2 MitbestG and in each case one Supervisory Board member elected by majority vote of the share-holder representatives and the employee representatives. The chairman of this committee is the Chairman of the Supervisory Board.

### General and Personnel Committee

According to the Rules of Procedure of the Supervisory Board, the General and Personnel Committee is made up of the Chairman of the Supervisory Board, his Vice Chairman and in each case up to two Supervisory Board members elected at the suggestion of the shareholder representatives and up to two members elected at the suggestion of the employee representatives. The chairman of the General and Personnel Committee is the Chairman of the Supervisory Board. The General and Personnel Committee prepares the personnel decisions of the Supervisory Board.

### Audit Committee

According to the Rules of Procedure of the Supervisory Board, the Audit Committee is made up of in each case at least two Supervisory Board members elected at the suggestion of the



shareholder representatives and two at the suggestion of the employee representatives. There is no need for equal representation in the Audit Committee. The Chairman of the Audit Committee is elected at the suggestion of the shareholder representatives. The Audit Committee is responsible for monitoring the accounting procedures, the effectiveness of the internal controlling system, the risk management system, the internal auditing system and compliance. It also deals with the auditing of the financial statements, ensuring in particular the necessary independence of the auditors, commissioning the auditors, determining the main focus of the audit and the fee agreement as well as the services additionally rendered by the auditors. The Chairman of the Audit Committee has special knowledge of and experience in the application of accounting principles and internal controlling procedures. He is independent and is not a former member of the company's Management Board.

#### Nomination Committee

The Nomination Committee is made up exclusively of shareholder representatives. The task of the Nomination Committee is to propose to the Supervisory Board suitable candidates for the Supervisory Board's election proposals to the Annual General Meeting.

#### **Independence of the Board Members**

Some of the members of the Supervisory Board hold or held last year leading positions in other companies to which MediClin maintains business relations. Business was conducted and is conducted at conditions similar to those applicable to third parties. Thus, in the opinion of MediClin these activities do not influence the independence of the Supervisory Board members. The notes to the Group financial statements give a detailed report on the business relations (Other information/Report concerning related parties pursuant to IAS 24).

The members of the Management Board, the Supervisory Board and the committees are listed under [www.mediclin.de](http://www.mediclin.de)

#### **Information on the proportion of women in the two management levels below the Management Board as well as target values and deadlines for reaching these targets**

The Management Board is committed to diversity in the assignation of management positions within the company, and in particular strives for the appropriate participation of women. Due to the flat hierarchy within the company, there is only one management level below the Management Board. By June 30, 2017, the share of women in management positions should reach 15% and increase to 23% by the end of 2022.

## Information on the proportion of women on the Supervisory Board and Management Board as well as target values and deadlines for reaching these targets

Since the Supervisory Board has objected to the general fulfilment pursuant to section 96 subsection 2 sentence 3 of the German Stock Corporation Act (AktG), the company's minimum share of 30% of women and 30% of men must be met separately, both by the Supervisory Board members of the Shareholders side as well as of the employees. Of the six seats on each side, at least two must be held by women and at least two by men. Both the employee's and shareholder's side already meet the quota of 30% women.

With regard to the proportion of women on the Management Board level, the Supervisory Board decided at its meeting on September 9, 2015 that no women's quota was to be implemented due to the (at that time) two-man Executive Board so that the target rate to be achieved until June 30, 2017 for the share of women in the Management Board was set at 0%.

Offenburg, March 2017

MEDICLIN Aktiengesellschaft

The Management Board