

## **CORPORATE GOVERNANCE DECLARATION** **pursuant to § 289a and § 315 (5) HGB in conjunction with article 80 EGHGB**

The management of the general partner, Borussia Dortmund Geschäftsführungs-GmbH, and the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA (hereinafter "Company") have submitted the following corporate governance declaration for the financial year from 1 July 2016 to 30 June 2017 in accordance with § 289a and §315 (5) of the German Commercial Code (*Handelsgesetzbuch*, "HGB") in conjunction with Article 80 of the German Introductory Act to the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, "EGHGB").

The corporate governance declaration contains the declaration of conformity pursuant to § 161 of the German Stock Corporation Act (*Aktiengesetz*, "AktG"), as well as explanations of corporate governance practices and a description of the working principles of the management of the general partner and the Supervisory Board and further governing bodies. It also contains the stipulations

regarding the proportion of women on the Supervisory Board and on the two management levels below the general partner pursuant to § 278 (3) in conjunction with § 76 (4) sentences 1 to 3 and § 111 (5) sentences 1 to 3 AktG. Moreover, to provide a more detailed understanding of the special requirements placed on companies with legal forms such as ours – and in accordance with section 3.10 of the German Corporate Governance Code in its current version as amended on 7 February 2017 – the current Corporate Governance Report has been reproduced in the appendix and should be read in conjunction with this corporate governance declaration.

This corporate governance declaration will be made permanently available for inspection at the Company's website <http://aktie.bvb.de/eng> under "Corporate Governance" / "Corporate governance declaration".

## **DECLARATION OF CONFORMITY**

### **by the management and by the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA in accordance with § 161 AktG dated 11 September 2017**

In accordance with § 161 AktG, the management of the general partner (Borussia Dortmund Geschäftsführungs-GmbH) and the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA declare that since the last Declaration of Conformity was submitted on 8 September 2016, Borussia Dortmund GmbH & Co. KGaA complied with the recommendations of the German Corporate Governance Code (the "Code") as amended on 5 May 2015 (published in the Federal Gazette (*Bundesanzeiger*) on 12 June 2015) (the "2015 Code") until the publication of the amended version of the Code in the Federal Gazette on 24 April 2017, as well as the recommendations of the Code as amended on 7 February 2017 (the "2017 Code") from the date of its publication in the Federal Gazette on 24 April 2017, and that it will comply with the recommendations of the 2017 Code, with the exception of the following deviations due to certain specific characteristics of the KGaA legal form and the provisions of the Articles of Association of the Company (unless stated separately otherwise, reference is made below to the Code in both of the aforementioned versions):

**Re section 3.8 (3) of the Code:** The D&O policy does not include a deductible; there is no intention to change this because, to our understanding, the negotiation of a deductible will neither influence the behaviour of the members of the executive bodies nor would it provide appropriate motivation.

**Re section 4.1.3 sentence 2 of the 2017 Code:** Borussia Dortmund GmbH & Co. KGaA has implemented measures reflecting the Company's risk situation in order to ensure that all statutory provisions and internal Company guidelines are complied with (compliance management system). The existing risk management system is used to review those measures in the context of the annual audit of the Company's and the Group's financial statements; to date, those reviews have not lead to any objections or qualifications. These measures are therefore considered adequate; insofar, the new recommendations under section 4.2.3 (1) sentence 2 of the 2017 Code are complied with. However, as in previous years, the Company will continue to deviate from the new additional recommendation, na-

mely to disclose the main features of the aforementioned measures. At present, the Company faces the challenge of adapting to recently expanded and new, complex statutory reporting requirements. The new reporting recommendations of the Government Commission of the German Corporate Governance Code do not yet appear to have been sensibly harmonised with those requirements. Therefore, the primary focus is currently on streamlining the financial information; however, management reserves its right to reassess its approach going forward.

**Re section 4.1.3 sentence 3 first half-sentence of the 2017 Code:**

In accordance with this new recommendation, appropriate measures must be in place that allow employees to report any violations of the law within the Company, without fear of retaliation. This is generally known as a whistleblower system and guarantees that employees within the Group can anonymously, or in a manner that safeguards the confidentiality of their identity, report certain violations (e.g., an anonymous electronic communications platform). Previously, no such whistleblower system was in place at the Company nor does the management currently intend to establish such a system. The Company already has what it considers to be appropriate and reasonable measures in place that allow employees to report – confidentially, if necessary – any violations of the law or internal Company guidelines. Apart from the fact that the Company is not legally obligated to establish a whistleblower system, the Company also considered in particular the potential drawbacks of a whistleblower system, namely the risk that such system could be misused and create an atmosphere of mistrust that adversely affects the corporate culture and employee morale.

**Re section 4.2.1 sentence 2 of the Code:** The Supervisory Board of Borussia Dortmund GmbH & Co. KGaA has no authority to appoint and dismiss Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their service agreements; this is incumbent upon the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH. The management has been the respon-

sibility of Hans-Joachim Watzke (Chairman) and Thomas Treß (Managing Director) since January 2006. Their areas of responsibility have been sufficiently defined in their service agreements; moreover, the Managing Directors exercise the authority granted to them by law and the Articles of Association jointly and in close cooperation with each other. Therefore, the relevant executive bodies of Borussia Dortmund Geschäftsführungs-GmbH have considered and continue to consider it unnecessary to stipulate additional rules of procedure for the management.

**Re section 4.2.2 (2) sentence 3 of the Code:** Article 7 of Borussia Dortmund GmbH & Co. KGaA's Articles of Association stipulates that the general partner has a right to reimbursement of the staff and materials expenses incurred by it in the course of managing the Company, plus a commission amounting to 3 percent of the net profit for the year generated by the Company. Moreover, as in the past, the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH (deviation from Supervisory Board responsibility as stipulated in section 4.2.2 (2) sentence 3 of the Code due to the Company's legal form) will continue to adopt and regularly review the remuneration and the remuneration system for the Managing Directors.

**Re section 4.2.3 (2) sentences 4 and 6 first alternative as well as section 4.2.3 (2) sentence 8 of the Code and section 4.2.3 (2) sentence 3 of the 2017 Code:** The remuneration structure for the Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH is adopted by the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH. As in the past, this will continue to be adopted without considering negative developments when structuring the Managing Directors' variable remuneration components and without limiting the sum of the remuneration to a maximum amount; in addition, the Executive Committee will not exclude the possibility of retroactive modifications to performance targets and/or comparison parameters. The characteristics of the variable remuneration components are also not "primarily forward-looking" as recommended under section 4.2.3 (2) sentence 3 of the 2017 Code since 24 April 2017. Given the specific features of the legal form KGaA, the relevant recommendations appear irrelevant to and impracticable for the Company.

**Re section 4.2.3 (4) and (5) of the Code:** The Code recommends that German stock corporations stipulate severance caps in executive board members' service agreements in the event of early termination of executive board activity or due to early termination of executive board activity due to a change of control. As in the past, the Executive Committee will continue to have decision-making power in relation to the (re-)appointment of the Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH, generally without stipulating severance caps as such, given that due to the specific features of the legal form KGaA and the provisions of the Articles of Association of the Company, the aforementioned recommendations do not appear practicable. However, the Executive Committee does consider the recommendation not to pay members of the executive board in the event of the termination of their service agreements for good cause analogously applicable to the Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH.

**Re section 4.2.3 (6) of the Code:** As in the past, the Chairman of the Supervisory Board will not report to the Annual General Meeting on the fundamentals of the remuneration system or changes thereto because – as mentioned above – the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA has no authority to appoint and dismiss Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their service agreements.

**Re section 4.2.5 (3) sentences 1 and 2 of the Code:** The Code recommends that the remuneration report include specific, detailed disclosures on each member of the executive board and that the table templates attached to the Code be used for this information. As in the past, our Company will not follow this recommendation, because it does not have an executive board on account of its legal form. Furthermore, due to the specific characteristics of the KGaA legal form, there exists no obligation to disclose the remuneration of individual Managing Directors of the general partner of the Company, Borussia Dortmund Geschäftsführungs-GmbH, as would normally be the case for the members of the executive boards of listed German stock corporations. Nonetheless, we have presented the remuneration of individual Managing Directors in the notes to the annual and consolidated financial statements

on a voluntary basis; this appears to be sufficient and appropriate from the perspective of the usefulness of information.

**Re section 4.3.3 sentence 3 of the Code:** Material transactions between the general partner and certain related parties on the one hand, and the Company on the other within the meaning of §§ 89, 112 in conjunction with §§ 278 (3), 283 no. 5 AktG (e.g., the granting of loans) require the consent of the Supervisory Board. In this sense, the Company has complied with the recommendation. Furthermore, the Supervisory Board is not authorised to adopt a list of transactions requiring its prior consent for the general partner or its Managing Directors.

**Re section 4.3.4 of the Code:** Given that the Supervisory Board has no authority to appoint and dismiss Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their service agreements, not it but rather the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH is responsible for consenting to sideline activities of the Managing Directors of the general partner.

**Re section 5.1.2 (1) sentences 2 and 4 of the Code:** Longterm succession planning is the responsibility of the Managing Directors of the Company and – given that the Supervisory Board has no authority to appoint and dismiss personnel due to the Company's legal form – the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH. The latter also acts to ensure sufficient diversity when staffing the management.

**Re section 5.1.2 (2) sentence 2 of the Code:** As in the past, the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH will continue to decide on the reappointment of its Managing Directors, including, even in the absence of special circumstances, prior to the end of one year before the end of the existing term of appointment. Given the specific features of the KGaA legal form and due to the desire for greater flexibility, it is not considered practicable to make any staffing decision based solely on timing and circumstances.

**Re section 5.1.2 (2) sentence 3 of the Code:** As in the past, the Executive Committee of Borussia Dortmund Geschäftsführungs-GmbH will continue to

make decisions as to age limits for the Managing Directors of the general partner for upcoming (re-) appointments of Managing Directors, without generally stipulating an age limit to that extent. It is not considered practicable to set any age limits.

**Re section 5.2 (22) of the 2015 Code as well as sections 5.3.1 sentence 1, 5.3.2 and 5.3.3 of the Code:** As in the past, the Supervisory Board will not set up committees, specifically an audit committee. Going forward, the full Supervisory Board will continue its existing practice of discussing all issues as they arise, specifically with regard to monitoring the bookkeeping, the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements as well as compliance. This applies *mutatis mutandis* to the Supervisory Board's decision not to establish a nominating committee as recommended in the Code. Moreover, this committee already consists exclusively of shareholder representatives, as required of a nominating committee by the Code.

**Re section 5.4.1 (2) sentence 1 of the 2015 Code and section 5.4.1 (2) sentences 1 and 2 of the 2017 Code, as well as section 5.4.1 (3) of the 2015 Code and section 5.4.1 (4) sentences 1 and 2 of the 2017 Code:** As in the past, the Supervisory Board will not specify concrete objectives regarding its composition that consider specific issues addressed in the Code pertaining to "age limits for supervisory board members", "diversity", "the number of independent supervisory board members within the meaning of section 5.4.2" or a "limit on the length of membership". Accordingly, these objectives or any implementation thereof is not disclosed in the Corporate Governance Report. The same applies to the new recommendation under section 5.4.1 (2) sentence 1 of the 2017 Code that the Supervisory Board develop a profile of the required qualifications for the entire Supervisory Board. The Supervisory Board believes that such limitations are not appropriate vis-à-vis other Supervisory Board member nomination criteria and prefers to decide on proposals relating to its composition in light of specific situations as they arise. Notwithstanding the foregoing, compliance with the requirement, issued by the legislator, that the target proportion of women on the Supervisory Board be defined, remains mandatory (§ 278 (3) and § 111 (5) AktG as well as § 289a (3) and (2) no. 4 HGB).

**Re section 5.4.1 (5) of the 2015 Code and section 5.4.1 (6) of the 2017 Code:** As in the past, when submitting nominations to the Annual General Meeting, the Supervisory Board will not disclose the personal or business relationships between each candidate with the Company, the executive bodies of the Company or any material limited liability shareholder in the Company (i.e., one holding more than 10% of voting shares), because, in its opinion, no secure legal practice exists with respect to this recommendation and the legal certainty of Supervisory Board elections takes a higher priority than any effort to make legally unnecessary disclosures in connection with nominations.

**Re section 5.4.3 sentence 3 of the Code:** No proposed candidates for the office of Chairman of the Supervisory have been or will be disclosed because the Supervisory Board considers the individual election of its members to be sufficient and a vote at the Annual General Meeting for or against a candidate with respect to their position on the Supervisory Board to be impracticable.

**Re section 5.5.3 sentence 1 of the Code:** As in the past, the Company will continue to reserve the right to not comply with the recommendation that the Supervisory Board reports to the Annual General Meeting on conflicts of interest as they arise and how these are managed. As in the past, the principle of confidentiality of deliberations within the Supervisory Board (see § 116 sentence 2 AktG and section 3.5 (1) sentence 2 of the Code) will generally continue to take precedence.

**Re section 7.1.2 sentence 2 of the Code:** The Company has not and will not comply with the recommendation that the management and the Supervisory Board discuss any half-yearly and quarterly financial reports or interim financial information prior to their publication because the objective of publishing interim financial reports without delay following their preparation by the management takes precedence. Regardless, the Supervisory Board has discussed and monitored such financial reports, and will continue to do so in the future.

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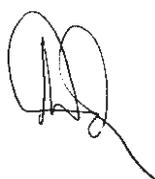
Dortmund, 11 September 2017

On behalf of the Supervisory Board



Gerd Pieper  
Chairman

On behalf of Borussia Dortmund Geschäftsführungs-GmbH



Hans-Joachim Watzke  
Managing Director (Chairman)



Thomas Treß  
Managing Director

**CORPORATE GOVERNANCE PRACTICES**

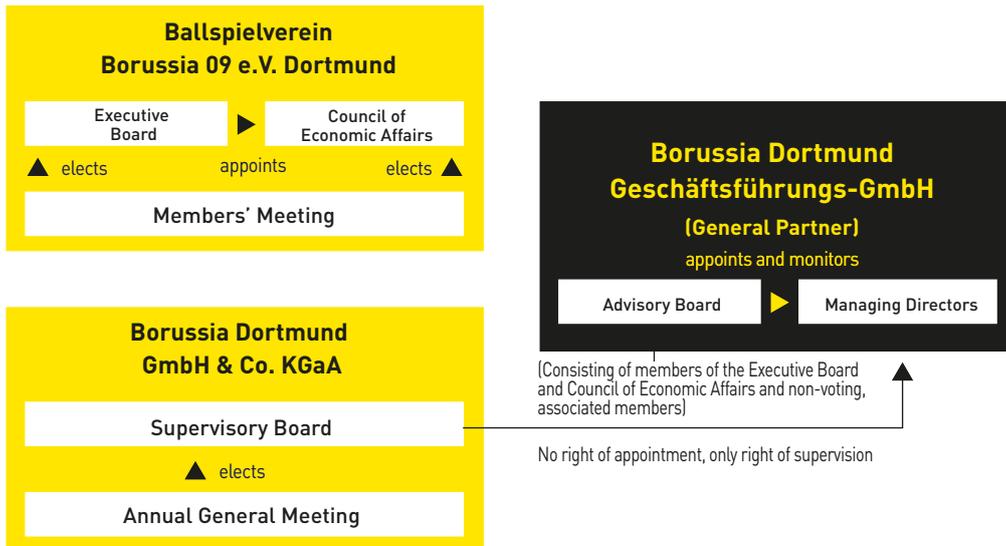
The management conducts the business of the Company in accordance with the applicable statutes, the Articles of Association and other relevant provisions. It works to ensure that Group companies comply with statutory and regulatory provisions as well as with internal Company guidelines. Unless otherwise disclosed in the declaration of conformity, the management and the Supervisory Board follow the recommendations of the German Corporate Governance Code. The business of Borussia Dortmund GmbH & Co. KGaA is managed with the objective of creating sustainable added value in the interests of the Company. The management sets the Company's strategic course in consultation with the Su-

pervisory Board and ensures that the strategies adopted are implemented. Our corporate culture rests on the pillars of sustainability, integrity and sound corporate leadership. These inform our dealings with customers, suppliers, employees, limited liability shareholders and the Company as a whole. The management is responsible for defining and communicating its strategic objectives. We rely on our executives and employees to demonstrate a sense of responsibility and initiative when carrying out their functions, and have agreed clear management principles with them. We define and agree to clear objectives and regularly review the progress made in realising them.

**WORKING PRINCIPLES OF THE MANAGEMENT AND THE SUPERVISORY BOARD AND FURTHER GOVERNING BODIES**

Borussia Dortmund Geschäftsführungs-GmbH, the general partner of Borussia Dortmund GmbH & Co. KGaA, is responsible for management and representation of the latter; its sole shareholder is Ballspielverein Borussia 09 e.V. Dortmund. The follo-

wing chart shows the structures and responsibilities as between Ballspielverein Borussia 09 e.V. Dortmund, Borussia Dortmund GmbH & Co. KGaA and Borussia Dortmund Geschäftsführungs-GmbH.



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## MANAGEMENT

Borussia Dortmund Geschäftsführungs-GmbH is represented by the Chairman of the management, **Hans-Joachim Watzke**, and Managing Director **Thomas Treß**. Within Borussia Dortmund GmbH & Co. KGaA there are six independent areas of responsibility below the management level, namely, "Communications", "Sports", "Finance & Facilities", "Sales & Marketing", "Human Resources" and "Organisation". Mr Watzke is responsible for setting the Company's strategic course, as well as for the areas of "Communications", "Sales & Marketing", "Human Resources" and "Sports", while Mr Treß is responsible for the "Finance & Facilities" and "Organisation" areas.

Their areas of responsibility have been sufficiently defined in their service agreements. The Managing Directors exercise the authority granted to them by law and the Articles of Association jointly and in close cooperation with each other. Therefore, the relevant executive bodies of Borussia Dortmund Geschäftsführungs-GmbH have considered and continue to consider it unnecessary to adopt additional rules of procedure for the management. The management provides the Supervisory Board with regular, timely and detailed reports on all relevant issues related to the business development, planning, financing and the risks facing the Company and how they are managed.

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## SUPERVISORY BOARD

In accordance with Art. 8 (1) of the Articles of Association of Borussia Dortmund GmbH & Co. KGaA, the Supervisory Board comprises nine members, all of whom are shareholder representatives pursuant to § 96 (1) clause 6 AktG. The Chairman of the Supervisory Board is elected from its midst. The Supervisory Board had the following members during the reporting period:

- Mr **Gerd Pieper**  
*(Chairman)*  
Managing shareholder of Stadt-Parfümerie Pieper GmbH, Herne
- Dr **Werner Müller**  
*(Deputy Chairman)*  
Chairman of the Board of Executives of the RAG Foundation, Essen
- Mr **Bernd Geske**  
Managing partner of Bernd Geske Lean Communication, Meerbusch
- Mr **Bjørn Gulden**  
Chief Executive Officer of PUMA SE, Herzogenaurach
- Mr **Christian Kullmann**  
Chairman of the Executive Board of Evonik Industries AG, Essen
- Mr **Ulrich Leitermann**  
Member and Chairman of the Managing Boards of group parent companies of the SIGNAL IDUNA Group (SIGNAL Krankenversicherung a.G., Dortmund; IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe, Hamburg; Deutscher Ring Krankenversicherungsverein a.G., Hamburg; SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund)
- Dr **Reinhold Lunow**  
Internist, Medical Director and Partner of Internistische Naturheilkundliche Gemeinschaftspraxis, Bornheim
- Ms **Silke Seidel**  
Senior Executive at Dortmunder Stadtwerke Aktiengesellschaft and Managing Director of Hohenbuschei Beteiligungsgesellschaft mbH, Westfalentor 1 GmbH and Dortmund Logistik GmbH, all in Dortmund
- Mr **Peer Steinbrück**  
Senior Advisor to the Management Board of ING-DiBa AG, Frankfurt am Main; Federal Minister (ret.), Berlin

The above information on the occupations of the Supervisory Board members was most recently updated on 30 June 2017. For information on their activities on other statutory supervisory boards or comparable German or foreign supervisory bodies of commercial enterprises, please refer to the disclosures in the notes to the annual financial statements and the notes to the consolidated financial statements.

The Supervisory Board exercises a supervisory function and monitors the management in the conduct of the Company's business. The responsibilities of a supervisory board for a German partnership limited by shares (*Kommanditgesellschaft auf Aktien*, "KGaA") are less extensive than the responsibilities of a supervisory board for a German stock corporation (*Aktiengesellschaft*, "AG"). Specifically, the Supervisory Board has no authority to appoint and dismiss Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their service agreements. Nor is the Supervisory Board authorised to adopt internal rules of procedure or a list of transactions requiring its consent on behalf of the general partner. Rather, such rights and duties are vested in the governing bodies of Borussia Dortmund Geschäftsführungs-GmbH, namely its Advisory Board and the Executive Committee created by the Advisory Board. However, the

fact that the Supervisory Board has no ability to exert a direct influence on the actions of the management limits neither its right to receive information nor its obligation to monitor and review the actions of the management. The Supervisory Board discusses the quarterly financial reports and half-yearly annual reports, and reviews the annual and consolidated financial statements of Borussia Dortmund GmbH & Co. KGaA, taking into account the reports of the auditor. The annual financial statements are adopted not by the Supervisory Board but rather by the Annual General Meeting. The Supervisory Board meets at least four times per year and can convene additional meetings if so requested by a member of the Supervisory Board or by the general partner. Issues are deliberated and all resolutions are passed by the full Supervisory Board; the Supervisory Board has not formed any committees. The resolutions of the Supervisory Board are generally adopted during meetings. It is also possible, if so ordered by the Chairman, for the Supervisory Board to pass resolutions by other means described in greater detail in the Articles of Association of the Company and the rules of procedure for the Supervisory Board.

Please refer to the **Corporate Governance Report** and the **Report of the Supervisory Board** for further information.

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## **LIMITED LIABILITY SHAREHOLDERS AND ANNUAL GENERAL MEETING**

Our limited liability shareholders exercise their rights at the Annual General Meeting of the Company. The Annual General Meeting is held within the first eight months of each financial year. It is chaired by the Chairman of the Supervisory Board and resolves on all matters for which it is responsible pursuant to the law. Our objective is to render the participation of the limited liability shareholders

in the Annual General Meeting as easy as possible. In that vein, the necessary documents are made available to attendees online. A proxy is appointed for the limited liability shareholders to exercise their voting rights as instructed. However, additional features specific to the KGaA's Annual General Meeting are set forth primarily in §§ 285 and 286 (1) AktG and in the Company's Articles of Association.

## **STIPULATIONS REGARDING THE PROPORTION OF WOMEN ON THE SUPERVISORY BOARD AND ON THE TWO MANAGEMENT LEVELS BELOW THE GENERAL PARTNER AS WELL AS DISCLOSURES ON THE ACHIEVEMENT OF THE STIPULATED TARGETS**

On 30 June 2017, the Supervisory Board resolved to implement an 11.11% target for female members on the Supervisory Board of Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien ("Company") by 31 December 2020, and issued the following grounds and reasoning: "The Supervisory Board of the Company comprises nine members, currently (30 June 2017) one woman and eight men. Hence the share of female Supervisory Board members is 11.11%. The term of office of all Supervisory Board members currently serving will expire at the conclusion of the Annual General Meeting which will resolve to ratify the actions of the members for financial year 2019/2020. In light of this, the target of 11.11% (equivalent to 1/9), which reflects the status quo, appears appropriate for the ratio of females on the Supervisory Board." On 9 September 2015, the Supervisory Board had previously resolved to implement an 11.11% target for female members on the Supervisory Board by 30 June 2017 (deadline); the current proportion of women on the Supervisory Board as at 30 June 2017 corresponds to the target previously set on 9 September 2015; the target has thus been met in full.

On 30 June 2017, the management of Borussia Dortmund Geschäftsführungs-GmbH resolved as the Company's general partner to define the target proportion of women on the Supervisory Board and on the two management levels below the general partner as 0% and to set 30 June 2022 (five years) as the deadline for each management level to achieve its respective target, in accordance with

the following reasoning and explanation: "At present (30 June 2017), (i) the first level of management beneath the general partner consists of 6 people and (ii) the second level of management beneath the general partner consists of 10 people. At present the members of the two management levels are all men, meaning that the proportion of women is currently 0% in each level. For the period defined, the target set for each management level appears appropriate, specifically for the following reasons: taking into account the longer-term collaboration with the executives represented here, their age structure and the low level of turnover amongst them in the past, it is not realistic to re-staff at the first or second management level beneath the general partner by the stipulated deadline. As a consequence, for the period until 30 June 2022 the proportion of women is expected to remain at 0%, and this is therefore naturally the according target for the first and second management levels. However, if there should be the need to fill any new positions at the aforementioned management levels during the defined period, the management will endeavour to include women in the consideration, particularly if they are suitably qualified and capable." On 9 September 2015, the management had previously resolved to implement a 0% target for female members at the two management levels below the general partner by 30 June 2017 (deadline); the current share of women of 0% at these two management levels as at 30 June 2017 means that the target reached the status quo by the defined deadline (by 30 June 2017).

## **CORPORATE GOVERNANCE REPORT**

Borussia Dortmund GmbH & Co. KGaA (the "Company") believes it is essential for corporate governance to be clearly structured and effective. Corporate governance embodies a responsible and transparent system of checks and balances designed to ensure a continued focus on sustainable value creation. Efficient cooperation between the management and the Supervisory Board, the pre-

servation of shareholder interests, and open and transparent corporate communications are vital aspects of sound corporate governance. This is the guiding principle for the Company's Supervisory Board and for the management of Borussia Dortmund Geschäftsführungs-GmbH in its capacity as the general partner of Borussia Dortmund GmbH & Co. KGaA.

## **GENERAL INFORMATION ON CORPORATE GOVERNANCE AT BORUSSIA DORTMUND GmbH & Co. KGaA**

German stock corporation law sets out the statutory framework of corporate governance. Pursuant to § 161 AktG, the executive board and the supervisory board of a listed company are required to submit each year a declaration as to whether and to what extent that company has complied (retrospective) or will comply (forward-looking) with the recommendations of the "Government Commission of the German Corporate Governance Code" contained in the German Corporate Governance Code ("Code") as published in the official section of the electronic Federal Gazette. Although companies may opt to deviate from the Code, they are then obligated to disclose this on an annual basis, providing an explanation for their non-compliance ("comply or explain"). This option exists to ensure that companies are able to meet industry- or company-specific requirements. A well-founded deviation from a recommendation of the Code may be in the interest of sound corporate governance.

The Code is generally reviewed once annually and amended as required. It reflects basic statutory guidelines concerning the management and supervision of listed German companies as well as internationally and nationally recognised standards for sound and responsible corporate governance. In addition to formulating best practices for management, the Code is intended to ensure that corporate governance in Germany is transparent and open to scrutiny and to promote confidence in the management and supervision of listed German companies amongst international and national investors, customers, employees and the public.

Although a large number of the Code's recommendations (expressed using the word "shall") are in-

tended exclusively for German stock corporations (*Aktiengesellschaft*, "AG"), they may also be applied *mutatis mutandis* to partnerships limited by shares (*Kommanditgesellschaft auf Aktien*, "KGaA"), i.e., our Company as well.

A KGaA is a hybrid corporate form combining elements of a German stock corporation and a limited partnership (*Kommanditgesellschaft*). It is a separate legal entity whose share capital is divided into shares which are held by at least one shareholder (the general partner) that has unlimited liability against creditors of the Company and limited liability shareholders (*Kommanditaktionäre*) that are not personally liable for the debts of the company (§ 278 (1) AktG).

The key differences between a KGaA and a German stock corporation can be characterised as follows:

- Borussia Dortmund GmbH & Co. KGaA does not have an executive board. Instead, the general partner, Borussia Dortmund Geschäftsführungs-GmbH, is solely responsible for its management and representation. This German limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH") is in turn represented by one or more managing directors; its sole shareholder is Ballspielverein Borussia 09 e.V. Dortmund.
- The rights and duties of the KGaA's Supervisory Board, which is appointed by the Annual General Meeting, are limited. Specifically, it has no authority to appoint and dismiss Managing Directors of Borussia Dortmund Geschäftsführungs-GmbH or to stipulate the terms of their service agreements. Nor is the Supervisory Board authorised to adopt

internal rules of procedure or a list of transactions requiring its consent on behalf of the general partner. Rather, such rights and duties are vested in the governing bodies of Borussia Dortmund Geschäftsführungs-GmbH, namely its Advisory Board and the Executive Committee created by the Advisory Board.

- Additional features specific to the KGaA's Annual General Meeting are set forth primarily in §§ 285 and 286 (1) AktG and in the Company's Articles of Association.

As a consequence, a Declaration of Conformity in accordance with § 161 AktG must be submitted by the management of the general partner and the Supervisory Board of Borussia Dortmund GmbH & Co. KGaA, taking into account the specific characteristics of the KGaA's legal form and the provisions of the Articles of Association. The Declaration of Conformity must be made permanently available to shareholders on the Company's website. It is published on the investor relations website, <http://aktie.bvb.de/eng>, under "Corporate Governance". The Declaration of Conformity submitted in September 2017 is an integral component of the Corporate Governance Declaration, and is also printed in the Notes to this report.

The Company's Corporate Governance Report presented here is published in the Annual Report for the 2016/2017 financial year, which is available for download from our investor relations website <http://aktie.bvb.de/eng>, under "Publications".

## **Transparency**

The Company provides the limited liability shareholders, shareholders' associations, financial analysts and the general public regular notifications regarding the position of the Company and on material business developments.

In particular, we publish ad hoc disclosures and corporate news on our website, as well as voting rights notifications and directors' dealings and managers' transactions notifications submitted to us, information on the shareholder structure, the current version of the Articles of Association and the financial calendar.

The financial calendar includes the dates for key Company events, and can be accessed online at <http://aktie.bvb.de/eng>, under "Financial Calendar".

As in previous years, the Annual Press Conference on the "preliminary" figures of the previous financial year will be streamed live so that the general public may watch the conference online in real time.

The previous year's Annual General Meeting was convened in due and proper form and held on 21 November 2016. In compliance with the German Corporate Governance Code, the reports and documents required by law were made available for inspection; these were given to the limited liability shareholders upon request and were published on the Company's website together with the agenda. The resolutions on all agenda items were approved, with votes in favour ranging between 99.75% and 99.98% of the votes cast.

The next Annual General Meeting of Borussia Dortmund GmbH & Co. KGaA will take place on 27 November 2017 in Dortmund.

The half-yearly and other interim financial reports shall be published at the intervals recommended in the Code. The Company will provide further details via ad hoc announcements. The consolidated financial statements, the Group management report and the interim financial reports are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the member states of the EU. The annual financial statements and management report of Borussia Dortmund GmbH & Co. KGaA were and will continue to be prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, "HGB") and the German Stock Corporation Act (*Aktiengesetz*, "AktG").

Publications on our website have been and will continue to be made available in English.

Moreover, we publish analysts' recommendations and research studies on our website <http://aktie.bvb.de/eng>, under "BVB Share", sub-heading "Capital Market View", in order to facilitate communication with market participants.

Customers, fans and the public alike can also find additional information on the Company – including e.g. CVs and overviews of the key duties of Supervisory Board members as well as further information on the managing directors of the general partner – at <http://aktie.bvb.de/eng>.

In accordance with section 5.4.2 of the German Corporate Governance Code, the Supervisory Board shall include what it considers an adequate number of independent members, thereby taking into account the shareholder structure. In assessing independence, the Code states that Supervisory Board members are to be considered non-independent in particular if they have a personal or business relationship with the corporation, its governing bodies, a controlling (limited liability) shareholder or a company affiliated with the controlling (limited liability) shareholder that may cause a substantial and not merely temporary conflict of interest. The Supervisory Board of Borussia Dortmund GmbH & Co. KGaA believes that it is sufficient and adequate for at least a third of the nine members it comprises (i.e. three members) to be independent within the meaning of the German Corporate Governance Code. The Su-

pervisory Board classifies all of its current members (Ms Silke Seidel, Mr Bernd Geske, Mr Bjørn Gulden, Mr Christian Kullmann, Mr Ulrich Leitermann, Dr Reinhold Lunow, Dr Werner Müller, Mr Gerd Pieper and Mr Peer Steinbrück) as independent within this meaning.

The Notes to the financial statements and the management report contain disclosures on the remuneration of the general partner and the members of the Supervisory Board, and the Annual Report contains disclosures on the ownership of Company shares by the general partner and members of its management and by the members of the Supervisory Board. Due to the specific characteristics of the KGaA legal form, there exists no obligation to disclose the remuneration of individual Managing Directors of the general partner of the Company, Borussia Dortmund Geschäftsführungs-GmbH, as would normally be the case for the members of the executive boards of listed German stock corporations. Nonetheless, we have presented the remuneration of individual Managing Directors in the notes to the annual and consolidated financial statements on a voluntary basis.

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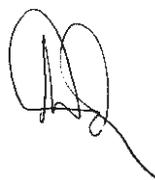
Dortmund, 11 September 2017

On behalf of the Supervisory Board



Gerd Pieper  
Chairman

On behalf of Borussia Dortmund Geschäftsführungs-GmbH



Hans-Joachim Watzke  
Managing Director (Chairman)



Thomas Treß  
Managing Director