

## **Compliance Statement pursuant to Section 161 of the German Stock Corporation Act**

The Executive Board and the Supervisory Board herewith declare that the Company has complied and will comply with the recommendations of the German Corporate Governance Code ("Code") in the version dated 5 May 2015, except for the following deviations:

- Sections 4.2.2 to 4.2.4 of the Code contain recommendations on the remuneration of members of the executive board granted by the company. Since Mr. Chen Zefeng has only signed a service agreement with a Chinese subsidiary, but not with the stock corporation itself, and since the service agreement only contains a fixed remuneration, the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code do not apply insofar. The supervisory board is of the opinion that Mr. Chen already has a strong interest in a sustainable growth of the Company due to his significant shareholding in the Company, so that there is no need for further monetary incentives.
- In connection with the re-appointment of Mr. William Wang in June 2014, the Company has entered into a service agreement with Mr. Wang which contains a fixed remuneration and a variable remuneration component in the form of an annual bonus, the granting and amount (up to a contractually defined cap) of which is in the sole and free discretion of the Supervisory Board. The remuneration of Mr. Wang is generally in line with the recommendations set forth in sections 4.2.2 and 4.2.3 of the Code. The variable remuneration in the form of a discretionary bonus does however, insofar deviate from the recommendations set forth in section 4.2.3 para. 2 sentences 7 and 8 of the Code as the parameters or targets, respectively, are not defined in advance. The Supervisory Board is of the opinion that the variable remuneration in the form of a discretionary bonus is advantageous for the Company as it allows the Supervisory Board to judge the performance of Mr. Wang holistically from an ex post perspective and further allows to take into account other developments such as the general standing of the Company.
- Section 5.1.2 para. 2 sentence 3 and section 5.4.1 para. 2 sentence 1 of the Code recommend to determine age limits for the members of the Executive Board and the Supervisory Board. The Company has not determined such age limit and so maintains the option to appoint members of the Executive Board or the Supervisory Board that have already crossed a certain age limit on a case by case basis. The Company believes that the determination of an age limit is not useful as a general rule but rather prefers the qualification and experience of its board members as criteria.
- According to section 5.4.1 para. 2 of the Code, the supervisory board shall take into account a general time limit for an engagement in the Supervisory Board. Although the Supervisory Board will generally take into account the recommendations of the Code when discussing proposals for engagement of new members or proposals for

re-election they are of the opinion that Supervisory Board members should be allowed to continue their work for the group, if this serves best for the progress of ZhongDe and therefore refuses to determine a maximum time period for a membership in the Supervisory Board.

- According to section 5.4.6 para. 1 of the Code, the remuneration of the supervisory board members shall take into account the chairmanship and deputy chairmanship in the supervisory board as well as the chairmanship and membership in supervisory board committees. The current regulations on the remuneration of the Supervisory Board members only take into account the chairmanship in the supervisory board. In the view of the Company, an increased remuneration for the deputy chairman is not indicated as the tasks are primarily fulfilled by the chairman of the Supervisory Board. Supervisory board committees have not been established due to the small size of the Supervisory Board so that the membership or chairmanship in committees are not to be considered for the determination of the remuneration.
- According to section 5.4.6 para. 2 of the Code, in case the supervisory board remuneration contains a variable component, such variable component shall be directed towards a sustainable development of the company. The variable remuneration of the Company's Supervisory Board is based on the annual profit per share, which in the view of the Company is generally a reasonable indicator for the Company's – and thus also the Supervisory Board's – performance. However, the variable component is not specifically based on a long-term indicator and thus, the variable remuneration may not meet the recommendation set forth in the revised section 5.4.6. para. 2 of the Code.
- Section 7.1.2 of the Code recommends the annual consolidated financial statements to be made available to the public domain within 90 days after expiration of the last business year, and to make available the interim financial reports within 45 days after the end of the respective reporting period. By now, the Company has missed these timelines. The reason is that due to its international holding structure and higher translation efforts to be made in respect of the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended timelines.

Frankfurt/Main, 21 April, 2016

ZhongDe Waste Technology AG

The Executive Board

The Supervisory Board