



Villeroy & Boch

1748

**Declaration of conformity of Villeroy & Boch AG
pursuant to Section 161 of the German Stock Corporation Act**

(Version dated 27.02.2024)

In accordance with section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of Villeroy & Boch AG hereby declare that, with the exception of the recommendations listed below, Villeroy & Boch AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code (GCGC, the "Code") in the version dated 28 April 2022 (GCGC 2022) since the last declaration of conformity was issued on 15 December 2023 and will comply with them in the future.

Section G.I. Remuneration of the Management Board GCGC 2022

The Code 2022 contains in section G.I. recommendations on the remuneration of the Management Board from which there are exceptions in this respect in particular points (namely concerning G.1, G.6 - G.8, G.10, G.11).

The Supervisory Board has developed and resolved a system for Management Board remuneration. This system has been approved by the Annual General Meeting on 26 March 2021 and adjusted by resolution of the Annual General Meeting on 21 April 2023. The new remuneration system applies to all new Management Board employment contracts to be concluded or extended. Since the resolution of the Supervisory Board on the new Management Board remuneration system, a system has been in place which reflects the contents of Section 87a AktG and which complies with the recommendations of Section G.I. of the GCGC 2022 with the following exceptions:

Recommendation G.1 GCGC 2022

According to Recommendation G.1, 2nd indent of the Code 2022, the maximum remuneration for individual Management Board members is to be determined.

In the Management Board remuneration system, the maximum remuneration is not set individually for each Management Board member, but for the Management Board as a whole. The Supervisory Board is of the opinion that setting the maximum remuneration for the entire Board provides the necessary flexibility to be able to decide individually on the maximum remuneration of the individual Management Board members during the four-year period of validity of the remuneration system. However, in the view of the Supervisory Board, this is also sufficient to ensure an effective cap on Management Board remuneration.

Recommendation G.6 GCGC 2022

According to Recommendation G.6 of the Code 2022, the variable remuneration resulting from the achievement of long-term targets should exceed the share resulting from short-term targets.

In the 2024 financial year, the company will probably deviate from this recommendation regarding specific components of remuneration. The reason is that the Supervisory Board aims to incentivize members of the Management Board in extraordinary special situations in an appropriate and targeted manner taking into account the economic opportunity and risk situation. However, the overall Management Board remuneration is oriented towards the sustainable and long-term development of the Company.

Recommendation G.7 sentence 1 GCGC 2022

According to recommendation G.7 sentence 1 GCGC 2022, the Supervisory Board should determine the performance conditions for all variable remuneration components for each member of the Management Board for the upcoming financial year.

In the 2024 financial year, the company will deviate from this recommendation with regard to a special bonus in connection with the integration of the Ideal Standard Group by the company, as this will be agreed during the year but before the acquisition is completed and it was therefore not possible to determine the performance conditions before the start of the financial year.

Recommendation G.8 GCGC 2022

According to Recommendation G.8 of the Code 2022, subsequent changes to the target values or the comparison parameters should be excluded.

The Management Board remuneration system provides for the possibility of a subsequent adjustment of target values or comparison parameters in the event of a significant change in the economic environment, insofar this may be required in the interests of the company. A future adjustment is therefore not fundamentally excluded.

Recommendation G.10 sentence 1 GCGC 2022

According to recommendation G.10 sentence 1 GCGC 2022, the variable remuneration amounts granted to members of the Management Board should be invested by them predominantly in shares in the company or granted on a share-based basis, taking into account the respective tax burden.

In the 2024 financial year, the company will deviate from this recommendation regarding special bonuses in connection with the acquisition and integration of the Ideal Standard Group by the company. In the opinion of the Supervisory Board, this is justified because the regular variable remuneration follows the recommendation in accordance with G.10 sentence 1 GCGC 2022 and only deviates from this regarding the special bonuses, which appears justified due to the particularities of the acquisition and integration of the Ideal-Standard Group.

Recommendation G.11 sentence 2 GCGC 2022

According to Recommendation G.11 sentence 2 of the Code 2022, the Supervisory Board shall be entitled to withhold or reclaim a variable remuneration of the Management Board in justified cases.

In the 2024 financial year, the company will deviate from this recommendation regarding special bonuses in connection with the acquisition and integration of the Ideal Standard Group by the company. The Supervisory Board is of the opinion that malus and clawback regulations are- unlike for regular variable remuneration - not appropriate for these remuneration components and are therefore not necessary.

D-66693 Mettlach, in February 2024

Gabi Schupp
Chairwoman of the Management Board

Andreas Schmid
Chairman of the Supervisory Board