



Villeroy & Boch

1748

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

(Version dated 29 November 2012)

In accordance with section 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of Villeroy & Boch AG hereby declare that, since the publication of the last declaration of conformity on 14 December 2011, the company has complied with and continues to comply with the recommendations of the Government Commission of the German Corporate Governance Code (DCGK, the "Code") in the version dated 26 May 2010 up until the announcement of the new version of the Code in the official section of the Bundesanzeiger (Federal Gazette) on 15 June 2012 and, since this date, in the version dated 15 May 2012 with the exception of the small number of recommendations described below:

Section 3.8 (2) of the Code:

The existing D&O (directors' and officers' liability insurance) policy did not and does not prescribe a deductible for the members of the Supervisory Board. Villeroy & Boch AG is of the opinion that a deductible is not a suitable means of influencing the level of motivation and responsibility with which the members of the Supervisory Board perform their activities.

D&O insurance

Section 5.3.3 of the Code:

The Supervisory Board has not formed and will not form a separate Nomination Committee to propose suitable candidates for election to the Supervisory Board. Proposals for election have been and will continue to be prepared at shareholder representatives' meetings. As there are only six shareholder representatives on the Supervisory Board and the existing practice of proposing suitable candidates at shareholder representatives' meetings has proved to be efficient, the Supervisory Board sees no need to institutionalise this practice by setting up an additional Nomination Committee.

Nomination Committee

Sections 5.4.1 (2) and (3) of the Code:

At its meeting on 10 March 2011, the Supervisory Board announced targets for its composition. However, it has not announced and will not announce a target that takes into account the specific number of independent members of the Supervisory Board as per Section 5.4.2 of the Code. Although the Supervisory Board believes that it currently has an appropriate number of independent members, the Code in the version dated 15 May 2012 no longer conclusively defines the independence of members of the Supervisory Board, but instead uses examples to negatively delimit the cases in which independence "particularly" no longer exists. In addition, independence is said to cease to exist if material and ongoing conflicts of interest may arise, regardless of whether conflicts of interest actually arise or not. Consequently, for the Supervisory Board, the question of when independence as per Section 5.4.2 of the Code can be assumed in an individual instance involves too much legal uncertainty for stipulation of a specific number to seem appropriate. For this reason, the Supervisory Board does not set a target with regard to this. As no corresponding target is set, no consideration is given to this aspect in the proposals of the Supervisory Board to the responsible election bodies, and there is no publication regarding the state of implementation.

Independent members of the Supervisory Board

Section 5.4.1 (4) of the Code:

When making proposals to the General Meeting of Shareholders regarding the election of Supervisory Board members, the Supervisory Board will not disclose the personal and business links of each candidate to the company, the executive bodies of the company and a shareholder with a major stake in the company in accordance with the recommendation in the Code. According to Villeroy & Boch AG, the Code leaves scope to decide which links of each candidate are to be stated specifically and in how much detail when making election proposals to the General Meeting of Shareholders in order to comply with the recommendation. In the interest of the legal certainty of future elections to the Supervisory Board, the company has decided to declare a deviation from this recommendation. The company believes that the disclosure requirements in the German Stock Corporation Act take the need to inform the shareholders into account

Disclosure of personal and business links

Section 5.4.6 (2) of the Code:

The performance-related remuneration promised to the members of the Supervisory Board in accordance with the Articles of Association related and continues to relate to the annual dividend payment and therefore was not and is not geared towards sustained growth of the enterprise within the scope of the German Corporate Governance Code. According to the

Performance-related Supervisory Board remuneration

company, the dividend payment is the main performance indicator for shareholders. Villeroy & Boch AG deems it appropriate to remunerate the members of the Supervisory Board on the basis of criteria that are also meaningful to the shareholders. Furthermore, no generally accepted model for implementing Supervisory Board remuneration geared towards sustainable growth of the enterprise has yet become prevalent on the capital market. The company will continue to monitor developments for the time being.

66693 Mettlach, Germany, November 2012

The Management Board

The Supervisory Board

Frank Göring
Chairman of the Management Board

Wendelin von Boch-Galhau
Chairman of the Supervisory Board