



Villeroy & Boch

1748

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

(Version dated 27 November 2015)

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 26 November 2014 with the supplement dated 5 October 2015, 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 24 June 2014 and, since its entry into force, the version of the Code dated 5 May 2015 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 4.2.5 (3) of the Code

Management Board remuneration is disclosed in accordance with the statutory regulations, taking into account the "opt-out" resolution by the company's General Meeting of Shareholders on 13 May 2011. Accordingly, in compliance with Section 286 (5) and Section 314 (2) sentence 2 of the German Commercial Code (HGB), there is no breakdown of Management Board remuneration in the company's annual and consolidated financial statements to be prepared for financial years 2011 to 2015 (inclusive). While a corresponding "opt-out" resolution of the General Meeting of Shareholders is in force, the company will not include the disclosures recommended for each member of the Management Board as per Section 4.2.5 (3) of the Code in the remuneration report for the financial years starting after 31 December 2013.

Remuneration tables

Section 4.3.3 of the Code

The Management Board of Villeroy & Boch AG will present all material transactions to be concluded between it, persons and enterprises subordinate to it and the company to the Supervisory Board for approval. However, due to the difficulty in delimiting the transactions that require approval in this respect, the Management Board and the Supervisory Board have not included a corresponding generalising regulation in the Rules of Procedure.

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:

The Supervisory Board 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 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 5.4.3 (2) of the Code

On 5 October 2015, in coordination with the Supervisory Board and the main-family ordinary shareholders, the Management Board submitted an application for the judicial appointment of Mr Dominique Villeroy de Galhau as a member of the Supervisory Board for a term of office up to the end of the General Meeting of Shareholders that votes on approval of the actions of the Supervisory Board for the financial year ending on 31 December 2019, and consequently for a term of office beyond the company's next General Meeting of Shareholders. Saarbrücken District Court agreed to this by way of a decision dated 28 October 2015. The appointment was made in succession to Mr Francois Villeroy de Galhau, who had only been re-elected at last year's General Meeting of Shareholders on 27 March 2015 for a term of office until the end of the General Meeting of Shareholders that votes on approval of the actions of the Supervisory Board for the financial year ending on 31 December 2019. In the interest of continuity and the build-up of many years of expertise in the Supervisory Board, it is appropriate for him to continue the term of appointment of Mr Francois Villeroy de Galhau. However, according to the provisions of the German Stock Corporation Act, the General Meeting of Shareholders is also free to hold a Supervisory Board election beforehand at any time, as a result of which the term of office of the judicially appointed member of the Supervisory Board would end automatically, Section 104 (5) of the German Stock Corporation Act.

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 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.

Performance-related Supervisory Board remuneration

66693 Mettlach, Germany, November 2015

The Management Board

The Supervisory Board

Frank Göring
Chairman of the Management Board

Wendelin von Boch-Galhau
Chairman of the Supervisory Board