



Villeroy & Boch

1748

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

(Version dated 16.12.2020)

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 (DCGK, the "Code") in the version dated 7 February 2017 (Code 2017) since the last declaration of conformity was issued on 19 December 2019 with the supplements dated 4 February 2020 and 30 April 2020, and has complied with the recommendations of the Code in the version dated 16 December 2019 (Code 2020) since its entry into force by publication in the Federal Gazette on 20 March 2020, and will comply in the future with the exception of the small number of recommendations described below:

Section 3.8 (3) of the Code 2017 (no equivalent in Code 2020)

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 suitable for influencing the level of motivation and responsibility with which the members of the Supervisory Board perform their activities.

D & O-Insurance

Recommendations C.6 (1), C.7 (1) of the Code 2020

In the opinion of the Supervisory Board, the group of shareholder representatives of the Supervisory Board is made up exclusively of independent members.

Independence of the members of the group of shareholder representatives in the Supervisory Board

The Company does not have a controlling shareholder within the meaning of the Code 2020, but points out that the Supervisory Board includes members of the founding families of von Boch and Villeroy as well as other representatives. However, in the opinion of the Supervisory Board, these relationships do not constitute a legally relevant conflict of interest. On the contrary, the current composition of the Supervisory Board ensures that monitoring is geared to the interests of the Company without any conflicts of loyalty or role.

Recommendation C.10 (1) of the Code 2020

According to this recommendation of the Code 2020, the Chair of the Supervisory Board and the Chair of the committee that addresses Management Board remuneration should be independent from the Company and the Management Board. According to the list of criteria in recommendation C.7 of the Code 2020, membership of a Supervisory Board for more than twelve years is an aspect for a lack of independence on the part of the member concerned. The Chair of the Supervisory Board, who is also Chair of the Human Resources Committee has been a member of the Supervisory Board since 2008. Therefore, as a precautionary measure, the deviation from recommendation C.10 of the Code 2020 is declared. However, the Supervisory Board is convinced that the proper and independent exercise of the specific positions and careful monitoring of the Management Board are ensured.

Independence of the Chairman of the Supervisory Board and of Committee Chair

Recommendation C.13 of the Code 2020 (Section 5.4.1 (6) of the Code 2017)

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

Disclosure of personal and business links

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.

Recommendation D.1 of the Code 2020

The Rules of Procedure for the Supervisory Board were published on the Company's website on 16 December 2020.

**Rules of
Procedure for the
Supervisory
Board**

Recommendation D.5 of the Code 2020 (section 5.3.3 of the Code 2017)

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 institutionalize this practice by setting up an additional Nomination Committee.

**Nomination
Committee**

Section G.I. Remuneration of the Management Board of the Code 2020 (Section 4.2.3 (2) S. 8 and Section 4.2.3 (4) of the Code 2017)

With the exception of the previous sections 4.2.3 (2) s.8 and 4.2.3 (4) of the Code 2017, from which a justified exceptions was declared in each case, the previous system of Management Board remuneration complies with the recommendations of the Code 2017. The Code 2020 now contains in section G.I. new recommendations on the remuneration of the Management Board which have no equivalent in the Code 2017 and from which there are still exceptions in this respect in parts (namely concerning G.1, G.3. G.7, G.8 - G.11, G.13 - 14).

**Section G.I.
Management
Board
Remuneration**

The Supervisory Board is currently developing a new system for Management Board remuneration adapted to the changes introduced by the law on the implementation of the second shareholders' directive (ARUG II) and the principles and recommendations of the Code 2020. This will be submitted to the Annual General Meeting on 26 March 2021 for approval.

Section 4.2.4 and Section 4.2.5 Paragraph 3 of the Code 2017 (no equivalent in Code 2020)

Due to the so-called "opt-out" resolution of the Annual General Meeting of the Company on 29 March 2019, the individualized remuneration of the Executive Board members is not disclosed in the Company's annual and consolidated financial statements for fiscal years 2019 and 2020 pursuant to § 286 (5) and § 314 (3) sentence 1 German Commercial Code (HGB). This "opt out" option is applicable for the last time for the fiscal year beginning before 1 January 2021 pursuant to Article 83 (1) sentence 2 Introductory Act of the HGB (EGHGB). The Company has not and will not include the presentations recommended for each member of the Management Board in the remuneration reports for the financial years 2019 and 2020 pursuant to Section 4.2.4 and Section 4.2.5 (3) of the Code 2017 due to the "opt-out" resolution of the Annual General Meeting.

**Remuneration
tables**

Recommendation G.18 (2) of the Code 2020 (section 5.4.6 (2) of the Code 2017)

The performance-related variable 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 is therefore neither merely a fixed remuneration, nor geared towards sustained growth of the enterprise within the scope of the Code. According to Villeroy & Boch AG, 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**

D-66693 Mettlach, in Dezember 2020

The Management Board

The Supervisory Board

Frank Göring
Chairman of the Management Board

Dr. Alexander von Boch-Galhau
Chairman of the Supervisory Board