



**Villeroy & Boch**

1748

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

(Version dated 19.12.2019)

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 29 November 2018 with the supplements dated 19. February 2019 and 9. April 2019, Villeroy & Boch AG 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 7 February 2017 with the exception of the small number of recommendations described below:

**Section 3.8 (3) 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 4.2.3 (2) s. 8 of the Code:**

The Management Board and the Supervisory Board may subsequently amend the performance targets of multiple-year variable components, for the years from and including 2020, if the economic environment changes significantly compared to its underlying forecasts. This enables the Supervisory Board to guarantee the incentive effect of the variable remuneration and an adequate performance measurement even in the event of changes in external factors. Thus to ensure that the interests of shareholders and members of the Management Board are aligned.

**Prohibition of repricing**

**Section 4.2.3 (4) of the Code:**

A Management Board employment contract contains the provision that in specific cases of premature ending of Management Board activity, partial severance pay for the remaining term of the contract is limited to two years' target remuneration (excluding fringe benefits) in contravention of section 4.2.3 (4) of the Code. The Supervisory Board believes that this regulation allows appropriate and practical determination of the severance pay cap, as past nonrecurring effects and future positive or negative developments that are hard to forecast are excluded from the calculation.

**Severance pay cap in Management Board contracts**

**Section 4.2.4 and Section 4.2.5 (3) of the Code:**

Due to the so-called "opt-out" resolution of the Annual General Meeting of the Company on March 29, 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, 2020 and 2021 pursuant to § 286 (5) and § 314 (3) sentence 1 HGB. In the compensation reports for the fiscal years beginning after December 31, 2018, the Company will not include the presentations recommended for each member of the Management Board pursuant to Section 4.2.4 and Section 4.2.5 Paragraph 3 of the Code as long as a corresponding "opt-out" resolution of the Annual General Meeting has been passed.

**Remuneration tables**

**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 institutionalize this practice by setting up an additional Nomination Committee.

**Nomination Committee**

**Sections 5.4.1 (2) and (4) 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 within the meaning of Section 5.4.2 of the Code. The composition of the Supervisory Board is intended to ensure that the Management Board is monitored and advised in the best interests of the company. Accordingly, the professional qualifications and experience of the members are a critical factor. For this reason, the Supervisory Board does not set a target with regard to this. However, the Supervisory Board believes that it currently has an appropriate number of independent members. As no corresponding target is set, no consideration is given to this aspect in the proposals of the Supervisory Board to the General Meeting of Shareholders, and there is no publication in the Corporate Governance Report regarding the state of implementation.

**Independent  
members of the  
Supervisory Board**

**Section 5.4.1 (6) 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 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**

66693 Mettlach, Germany, Dezember 2019

The Management Board

The Supervisory Board

Frank Göring  
Chairman of the Management Board

Yves Elsen  
Chairman of the Supervisory Board