



Villeroy & Boch

1748

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

(Version dated 29.12.2021)

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 16 December 2019 (DCGK 2020) since the last declaration of conformity was issued on 16 December 2020 with the supplements dated 24 February 2021, and will comply in the future with the exception of the small number of recommendations described below:

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

The group of shareholder representatives of the Supervisory Board is - according to their own opinion - 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. Due to the length of service on the Supervisory Board of the former Chairman of the Supervisory Board and of the Personnel Committee (criterion of D.7 DCGK 2020), a deviation was declared in this regard as a precautionary measure. However, recommendation C.10 of the GCGC 2020 has been complied with since March 2021 by a new Chairman of the Supervisory Board and of the Personnel Committee.

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

Recommendation C.13 of the Code 2020

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

Recommendation D.1 of the Code 2020

The Rules of Procedure for the Supervisory Board is published on the Company's website since 16 December 2020 so that the recommendation is now complied with.

Rules of Procedure for the Supervisory Board

Recommendation D.5 of the Code 2020

The Supervisory Board has formed and a separate Nomination Committee in December 2021 to propose suitable candidates for election to the Supervisory Board so that the recommendation is now complied with.

**Nomination
Committee**

Section G.I. Remuneration of the Management Board of the Code 2020

The Code 2020 contains in contrary to the Code 2017 (version dated 7 February 2017) in section G.I. new recommendations on the remuneration of the Management Board from which there are still exceptions in this respect in particular points within the framework of individual employment contracts (namely concerning G.1, G.3, G.7, G.8 - G.11, G.13 - 14).

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

The Supervisory Board has developed and resolved 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 system has been approved by the Annual General Meeting on 26 March 2021. The new remuneration system applies to all new Executive Board employment contracts to be concluded or extended. Since the resolution of the Supervisory Board on the new Executive 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 2020 with the following exceptions:

Recommendation G.1 of the Code 2020

According to Recommendation G.1, 2nd indent of the Code 2020, the maximum remuneration for individual Executive Board members is to be determined.

In the new Executive Board remuneration system, the maximum remuneration is not set individually for each Executive Board member, but for the Executive 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 Executive 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 Executive Board remuneration.

Recommendation G.8 of the Code 2020

According to Recommendation G.8 of the Code 2020, subsequent changes to the target values or the comparison parameters should be excluded.

The Supervisory Board is of the opinion that in the event of a significant change in the economic environment, a subsequent adjustment of target values or comparison parameters is appropriate and may be required in the interests of the Company. It therefore does not fundamentally rule out a future adjustment.

Recommendation G.18 (2) of the Code 2020

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 thus may not be only fixed compensation in accordance with the recommendations of the Code, nor is it geared towards long-term sustainable corporate development. The Executive Board and Supervisory Board are therefore reviewing whether the payment of variable compensation continues to be a suitable compensation model for the Supervisory Board body. If this is not the case, the

**Performance-
related
Supervisory
Board
remuneration**

Executive Board and Supervisory Board will propose to the Annual General Meeting a change to the compensation of the Supervisory Board

D-66693 Mettlach, in December 2021

The Management Board

The Supervisory Board

Frank Göring
Chairman of the Management Board

Andreas Schmid
Chairman of the Supervisory Board