Villeroy & Boch

1 7 4 8

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

(Version dated 29 November 2017)

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 30 November 2016, 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 (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:

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 1 April 2016. Accordingly, in compliance with Section 286 (5) and Section 314 (3) sentence 1 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 2016 to 2018 (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 4.2.4 and Section 4.2.5 (3) of the Code in the remuneration report for the financial years starting after 31 December 2015.

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 institutionalise 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 German Corporate Governance 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, November 2017

The Management Board   The Supervisory Board

Frank Göring   Yves Elsen
Chairman of the Management Board   Chairman of the Supervisory Board