

## **Declaration of Conformity with the German Corporate Governance Code**

**On 26 February 2014, the Management Board and Supervisory Board issued the following Declaration of Conformity in accordance with Section 161 of the Stock Corporation Act (Aktiengesetz – AktG):**

Since the last Declaration of Conformity issued on 8 March 2013, SIMONA AG (hereinafter referred to as "SIMONA") has complied and continues to comply with the recommendations of the Government Commission of the German Corporate Governance Code in the applicable versions of 15 May 2012 and 13 May 2013, as published by the Federal Ministry of Justice in the official section of the Federal Gazette, with the exception of the following departures:

- Section 3.8 paragraph 3: A D&O insurance policy taken out for the Supervisory Board shall include a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation.

Explanation: The Supervisory Board discharges its duties with the utmost sense of responsibility. A deductible in respect of D&O insurance would represent no improvement and would provide no additional incentive.

- Section 4.2.2 paragraph 2 sentence 3: The Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, particularly in terms of its development over time. The Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated.

Explanation: When determining total compensation for the respective members of the Management Board, the Supervisory Board ensures that total compensation is commensurate with the responsibilities and performance of the Management Board member and appropriate in relation to the company's circumstances. As regards the process of determining appropriate levels of compensation, the Supervisory Board also sought the advice of an independent external compensation expert, who conducted a number of horizontal peer reviews. Furthermore, the Supervisory Board takes into consideration aspects of a vertical nature when determining total compensation. Given the detail provided by the recommendation in respect of vertical comparisons of compensation, we have taken the precautionary decision to disclose a departure from the recommendation.

- Section 4.2.3 paragraph 2 sentence 6: The amount of compensation payable to members of the Management Board shall be capped, both overall and for individual components of variable compensation.

Explanation: Fixed compensation and long-term variable compensation of members of the Management Board have been capped. The short-term variable component of compensation, which is calculated on the basis of annual earnings before interest and taxes, does not include a cap. The Supervisory Board is of the opinion that the Management Board should have a share in the rewards of a solid earnings performance. The existing, well-balanced provisions applied within this area take into account in an appropriate manner interests relating to the capping of compensation as well as the company's goal of incentivisation.

- Section 4.2.3 paragraph 4 sentences 1 and 3: In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the employment contract; calculations shall be made on the basis of total compensation.

Explanation: The current Management Board contracts include no provisions for capping in respect of payments made to a Management Board member on premature termination of his/her contract. Given the fact that a specific time limit applies to all Management Board contracts, the company is of the opinion that no such severance pay cap is necessary in this case.

- Section 4.2.3 paragraph 6: The Chairman of the Supervisory Board shall outline once to the General Meeting the salient points of the compensation system and then any changes thereto.

Explanation: In future, the Chairman of the Supervisory Board will also inform the General Meeting in an oral address of the salient points of the compensation system and any changes thereto.

- Section 4.2.5 paragraph 2: The compensation report shall also include information on the nature of the fringe benefits provided by the company.

Explanation: The compensation report, as a component of the Group management report, will in future also include information on the nature of the fringe benefits provided by the company with regard to the members of the Management Board.

- **Section 5.1.2 paragraph 2 sentence 3:** An age limit shall be specified for members of the Management Board.

**Explanation:** To date, the Supervisory Board has not defined an age limit for members of the Management Board. Until now, circumstances have not necessitated such an approach.

- **Section 5.3.3 paragraph 1:** The Supervisory Board shall form a Nomination Committee.

**Explanation:** The shareholder representatives on the Supervisory Board already discuss nominations on a separate basis. Therefore, in the Supervisory Board's opinion the formation of a Nomination Committee is unnecessary given the fact that the Supervisory Board only consists of four shareholder representatives.

- **Section 5.4.1 paragraphs 2 and 3:** The Supervisory Board shall specify concrete objectives regarding its composition, whilst considering the specifics of the enterprise. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of implementation shall be published in the Corporate Governance Report.

**Explanation:** The Supervisory Board has reviewed the aforementioned recommendation extensively. This review also encompassed the company-specific situation and details of possible objectives in respect of composition. Having discussed the matter extensively, the Supervisory Board decided that no binding objectives would be specified as regards composition. The Supervisory Board supports the fundamental idea of diversity as regards its composition and the importance of this concept to the company; it is also committed to extending female representation. However, contrary to the recommendations set out in Section 5.4.1 of the Code, the Supervisory Board has decided against specifying concrete objectives in the form of quotas or absolute figures. As regards its nominations submitted to the General Meeting, the Supervisory Board will primarily take into consideration the abilities, knowledge and professional experience of male and female candidates.

- **Section 5.4.6 paragraph 1:** When determining the compensation of Supervisory Board members, both chairmanship and deputy chairmanship of the Supervisory Board as well as chairmanship and deputy chairmanship of committees shall be taken into consideration.

**Explanation:** The Articles of Association of SIMONA include provisions outlining special compensation in respect of the role of chairperson and deputy chairperson of the Supervisory Board. Additionally, membership of Supervisory Board committees is subject to special compensation. By contrast, no separate compensation is payable in respect of the chairmanship of a committee, and such a policy is not deemed necessary at present.

- Section 5.4.6 paragraph 3 sentence 1: The compensation of the members of the Supervisory Board shall be reported individually, subdivided according to components.

Explanation: At SIMONA, compensation payable to members of the Supervisory Board is based on the provisions set out in the Articles of Association and currently consists solely of a fixed component of compensation. Therefore, disclosure of individual compensation, itemised according to components, would provide no additional transparency from the company's point of view.

- Section 7.1.2 sentence 4, first half sentence: The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year.

Explanation: SIMONA publishes its consolidated financial statements in compliance with statutory schedules of disclosure. Owing to the procedures defined for the preparation of financial statements, the aim being to deliver the greatest possible transparency and accuracy, earlier publication would not be feasible.

**Kirn, 26 February 2014**

SIMONA AG

Supervisory Board and Management Board