



Updated Declaration by the Management Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*) of CENTROTEC Sustainable AG, Brilon, on the German Corporate Governance Code (Section 161 of German Stock Corporation Act)

Background

On February 26, 2002 the "Government Commission on the German Corporate Governance Code" for the first time presented a code of practice for listed companies (the "Code"). This Code was last updated on May 13, 2013.

Following the resignation of the Chairman of the Management Board on April 3, 2014 the Management Board (*Vorstand*) and Supervisory Board (*Aufsichtsrat*) issue the following, updated declaration of conformity according to § 161 German Stock Corporation Act (*AktG*).

Declaration of Conformity

The Management Board (*Vorstand*) and Supervisory Board (*Aufsichtsrat*) of CENTROTEC Sustainable AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated May 13, 2013 have been complied with since the last Declaration of Conformity (*Entsprechenserklärung*) of December 2013 and will be complied with in the future, with the following reservations.

1) Section 4.2.3 of the Code recommends that the remuneration of the Management Board (*Vorstand*) should comprise a variable as well as a fixed component. The variable component is, among other things, intended to be performance-related, have a basis for assessment of several years and possess a risk character. The Code quotes stock options schemes as an example. CENTROTEC Sustainable AG has been operating a stock options scheme, applicable not only to Management Board Members but also to executive staff and other employees, since 1999. We believe that the scheme reflects the spirit of the Code, but we draw attention to two aspects which might be interpreted as a departure from it.

The Code recommends reference to comparative parameters. The stock options scheme envisages a performance target based on the absolute increase in the share price. This form was chosen in order to provide an incentive for success in absolute rather than relative terms. The variable remuneration has to be capped. In the case of



the options, this is realised through allowing their exercise only within a limited time frame (at the latest seven years after issuance). Options received as a result of the attainment of targets are not retrospectively withdrawn by the company, nor the parameters governing them altered. In addition to the aforementioned share price target, the exercising of the options is moreover linked to further internal performance targets in order to preserve a demanding but equitable form of variable remuneration.

2) Section 5.3 of the Code recommends the formation of committees on the Supervisory Board (*Aufsichtsrat*). This shall, however, be dependant on the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board (*Aufsichtsrat*) consists of three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.

3) Section 5.4.2 of the Code recommends that the Supervisory Board (*Aufsichtsrat*) includes an adequate number of members who – in the board's own opinion – are deemed to be independent. A member is to be regarded as independent if it has no business or personal relations with the company its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. In its own opinion, our Supervisory Board (*Aufsichtsrat*) includes an adequate number of independent members. Although Supervisory Board Members do have business relations with the company, this does not constitute a conflict of interests.

4) Section 4.2.1. of the Code recommends that the Management Board shall have a Chairperson or a Spokesman. Since April 3, 2014 our Management Board consists of two Members, who carry out the duties of the Management Board together and are equally ranked. It is therefore, in our opinion and in the interest of the company, also in view of the number of Members of the Management Board and his structure, not advisable to nominate a Chairperson of Spokesman of the Management Board.

Brilon, April 2014

Management Board:
Dr. Thomas Kneip
Dr. Christoph Traxler

On behalf of the Supervisory Board:
Guido A. Krass
(Chairman)