



## **Declaration regarding the German Corporate Governance Code pursuant to Section 161 Stock Corporation Act (*Aktiengesetz*, “AktG”)**

The general partners (*persönlich haftende Gesellschafter*) as well as the shareholders’ committee and the supervisory board of Hella KGaA Hueck & Co. (“Company”) declare, pursuant to Section 161 AktG, that since the first-time admission of the Hella share to trading on the regulated market of the Frankfurt Stock Exchange on 10 November 2014, and except for the deviations set out below, the Company has complied, and intends to comply in the future, with the recommendations of the German Corporate Governance Code, as amended on 24 June 2014 (*Deutscher Corporate Governance Kodex*, “DCGK”), taking into account the special features of its legal form as set out below.

### **I. Special features of the legal form**

The DCGK is designed for companies in the legal form of a stock corporation or a European Company (SE) and does not take into account the special features of a limited partnership by shares (*Kommanditgesellschaft auf Aktien*, “KGaA”). Thus, a number of recommendations of the DCGK can be applied to Hella KGaA Hueck & Co. only in a modified form. Important modifications follow from the special features of the legal form set out below:

#### **1. Management**

Unlike a stock corporation, which is managed by the board of directors (*Vorstand*), a KGaA is managed by its general partners. Their appointment and dismissal is not a responsibility of the supervisory board, but instead is a task of the general shareholders’ meeting. The Company has two general partners, Dr. Jürgen Behrend and Hella Geschäftsführungsgesellschaft mbH with its registered seat in Lippstadt. Hella Geschäftsführungsgesellschaft mbH is represented by its managing directors Dr. Rolf Breidenbach (CEO and chairman of the management board), Carsten Albrecht, Markus Bannert, Jörg Buchheim, Dr. Wolfgang Ollig, Stefan Osterhage and Dr. Matthias Schöllmann. In contrast to the board of directors of a stock corporation, the appointment as managing director of Hella Geschäftsführungsgesellschaft mbH is not limited in time. A chairman or speaker of the company’s management only exists in relation to the managing directors of Hella Geschäftsführungsgesellschaft mbH but not among the general partners. The shares in Hella Geschäftsführungsgesellschaft mbH are held by the

Company. The shareholder rights attaching to these shares are exercised by the shareholders' committee.

## **2. Shareholders Committee**

The legal form of a KGaA, as opposed to that of a stock corporation, makes it possible to create further optional corporate bodies. The Company took advantage of this opportunity. The shareholders' committee, which has been created by the Company's articles of association and is elected by the general shareholders' meeting, supervises and advises the general partners in their conduct of business and can issue rules of procedure for them. In addition, it determines which of the general partners' business decisions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the general partners, and it represents the Company in legal disputes with the general partners. Following a request by a general partner, the shareholders' committee decides over any disagreement between the general partners concerning management actions. However, according to the Company's articles of association, this does not apply as long as Dr. Jürgen Behrend acts as general partner; in this case, he has the casting vote.

The shareholders' committee exercises the rights attached to the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the managing directors and determines the terms and conditions of their service agreements. However, the articles of association stipulate that Dr. Jürgen Behrend has the right to make proposals for such appointments and removals and can ultimately veto any such decision.

Furthermore, the shareholders' committee may issue rules of procedure for the managing directors of Hella Geschäftsführungsgesellschaft mbH. The shareholders' committee is also responsible for executing shareholders' resolutions.

To the extent the DCGK contains recommendations relating to tasks and responsibilities of the supervisory board which, in the case of Hella KGaA Hueck & Co., are fulfilled by the shareholders' committee, such recommendations are deemed to apply to the shareholders' committee.

## **3. Supervisory Board**

Compared to the supervisory board of a stock corporation, the supervisory board of a KGaA has limited powers. In particular, it is not responsible for appointments and dismissals in relation to the Company's management. Also, it has no power to issue rules of procedure for the Company's management and cannot determine which business decisions require its consent.

#### **4. General shareholders' meeting**

The legal status of the general shareholders' meeting is not dissimilar to that of a stock corporation. In particular, it elects the members of the supervisory board and of the shareholders' committee. To the extent legally permitted, resolutions of the general shareholders' meeting are adopted by a simple majority vote. In contrast to a stock corporation, the general shareholders' meeting of Hella KGaA Hueck & Co. has the exclusive power to approve the annual unconsolidated financial statements.

According to the Stock Corporation Act (AktG), certain resolutions of the general shareholders' meeting would require the consent of the general partners (see Section 285 para. 2 AktG and Section 286 para. 1 AktG). However, this consent requirement has been rendered inapplicable by the articles of association of Hella KGaA Hueck & Co. to the extent legally permitted, in particular with regard to resolutions on amendments of the articles of association, fundamental and extraordinary business decisions, and the appointment and removal of general partners. On the other hand, the annual unconsolidated financial statements cannot be approved without the general partners' consent. According to the articles of association, the general partners declare their consent when submitting their resolution proposals on the annual unconsolidated financial statements to the general shareholders' meeting.

## **II. Deviations from Recommendations of the DCGK**

### **1. Time Period between 10 November 2014 and 28 May 2015**

In the time period between the first-time admission of the Hella share to trading on the regulated market of the Frankfurt Stock Exchange on 10 November 2014 and 28 May 2015, the following recommendations have not been complied with:

- a) Deviating from Section 4.2.2 para. 2, sentence 3 DCGK, the shareholders' committee has not considered the relationship between the compensation of the Company's executive management (i.e., the compensation of Dr. Jürgen Behrend and the managing directors of Hella Geschäftsführungsgesellschaft mbH) and that of senior management and the staff overall. The responsibilities of the individual members of the Company's executive management, his/her personal performance, the economic situation and the performance of the Group, and the compensation levels at peer companies are considered more appropriate and meaningful benchmarks for determining the level of remuneration.
- b) Deviating from Section 4.2.3 para. 3 DCGK, the level of provision aimed for under the pension scheme for the Company's management has not been established. For the managing directors of Hella Geschäftsführungsgesellschaft mbH, the Company employs an asset-linked pension plan (*Kapitalkontenmodell*), under which benefits

depend crucially on factors such as the prevailing interest rate and the development of the value of the investment assets. The defined benefit pension plan for Dr. Jürgen Behrend has been established already in 1987 and amended and extended in 2014. Against this background, defining a level of provision is therefore not considered useful or practicable.

- c) On October 31, 2014, the general shareholders' meeting has resolved that no individualized disclosure of the remuneration granted to the Company's executive management shall be made pursuant to Sections 285 No. 9 a) sentence 5 et seq. and 314(1) No. 6 a) sentence 5 et seq. of the German Commercial Code (*Handelsgesetzbuch*). Therefore, the Company deviates from the recommendations set forth in Section 4.2.5 DCGK.
- d) Deviating from Section 5.4.1 para. (2), sentence 2 DCGK, the objectives adopted by the shareholders' committee and the supervisory board regarding their respective composition do not stipulate a concrete appropriate degree of female representation. Although both corporate bodies intend to pay due regard to aspects of diversity and female representation when making their respective recommendations to the general shareholders' meeting for elections of their respective members, they ultimately consider knowledge, ability and experience to be more relevant selection criteria than gender.
- e) Deviating from Section 5.3.3 DCGK, in the period between 10 November 2014 and 21 January 2015, the supervisory board did not have a nomination sub-committee. Such committee has been created in the supervisory board meeting on 21 January 2015. This meeting was the first ordinary meeting since the going public of the Company.
- f) Deviating from Section 5.1.3 DCGK, in the period between 10 November 2014 and 28 May 2015, the supervisory board did not have rules of procedure. Such rules have been adopted, following a previous discussion in the meeting on 21 January 2015, on 28 May 2015.
- g) Deviating from Section 5.4.1 para. 2 sentences 1 and 2 as well as Section 5.4.2 sentence 1 DCGK, in the period between 10 November 2014 and 28 May 2015, the supervisory board also did not have concrete objectives regarding its composition which, whilst considering the specifics of the company, take into account the international activities of the company, potential conflicts of interest, the number of independent supervisory board members, an age limit to be specified for the members of the supervisory board and diversity. Such objectives have been adopted, following a previous discussion in the meeting on 21 January 2015, on 28 May 2015. As explained under II. 1. d), these objectives do not stipulate a concrete appropriate

degree of female representation, deviating from Section 5.4.1 para. 2 sentence 2 DCGK.

## **2. Forward-looking Part**

The general partners as well as the shareholders' committee and the supervisory board of Hella KGaA Hueck & Co. intend to continue to deviate from the recommendations set forth under II. 1. a) through d) for the reasons given above.

## **III. Further Notes**

According to Section 4.2.3 para. 2 sentences 4 and 7 DCGK, both positive and negative developments shall be taken into account when determining variable compensation components, and those components shall be related to demanding, relevant comparison parameters. While the Company's annual cash bonus is calculated as a fixed percentage of the Group's consolidated earnings before taxes (EBT) and does not retroactively penalize deteriorations in this performance measure over a multi-year period, the Company's LTI base amount is tied to demanding targets for the Group's return on invested capital and is withheld over a period of three financial years, during which it may decrease and be reduced to zero or increase, respectively, on account of deteriorations or improvements in the return on invested capital and/or the consolidated earnings before taxes. The Company considers this sufficient in light of Section 4.2.3 para. 2 sentences 4 and 7 DCGK.

Lippstadt, 28 May 2015

The General Partners

The Shareholders' Committee

The Supervisory Board