

## 2016

### **2016 Declaration of Conformity according to the German Corporate Governance Code pursuant to Section 161 of the German Joint Stock Corporation Act (AktG)**

The following declaration refers to the recommendations of the German Corporate Governance Code (“Code”) as amended on May 5, 2015, which was made public in the German Federal Gazette on June 12, 2015.

The Executive Board and the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare in accordance with Section 161 Joint Stock Corporation Act (AktG) that they have conformed and will conform to the recommendations of the “Government Commission for the German Corporate Governance Code“, published in the official section of the German Federal Gazette by the Federal Ministry of Justice, with the following exceptions:

1. The Executive Board of the Company has no chairman or spokesman (Code Clause 4.2.1 sentence 1). The Supervisory Board is of the opinion that this best reflects the close cooperation of the two members of the Executive Board, which is based on equality and trust.
2. The recommendation of Code Clause 4.2.3 par. 2, sent. 6 has been fully conformed to since December 2015, when the employment contracts of the acting Executive Board members were amended and now set forth general compensation limits as well as limits on variable compensation components in particular. Before that date, the employment contracts provided limits on the amounts of fixed salary and most components of the variable compensation, yet not on all individual variable compensation components and not on “overall compensation”. The reason for this deviation from the recommendation being that, in order to safeguard existing standards, the Supervisory Board and the Executive Board wanted to refrain from interfering with the existing contractual relationships. Apart from that, the absence of limitations on individual amounts of compensation could – in the opinion of the Executive Board and the Supervisory Board – not result in the compensation due to the members of the Executive Board being in excess of reasonable margins. In the course of anyway required contract modifications in December 2015, formerly absent limits could be agreed as well.
3. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3). The Supervisory Board is of the opinion that election proposals to the General Meeting for members of the Supervisory Board should be worked out in a plenary sitting of the manageable six-member body.
4. The recommendation of Code Clause 5.4.6 par. 2, sent. 2, has been fully conformed to since January 1, 2016, the date when compensation for the members of the Supervisory Board was switched to a fixed compensation scheme for the first time for the fiscal year 2016. The performance-related compensation component, for the last time promised to the members of the Supervisory Board for the 2015 fiscal year, had not been geared to a sustainable business development (Code Clause 5.4.6, par. 2, sent. 2), as it was linked to the dividend distributed for the relevant fiscal year. The Executive Board and the Supervisory Board had shared the view that the then existing compensation regulation provided sufficient incentive for the Supervisory Board

members to execute their office with the company's long-term, successful development in mind. Later, however, the company came to take the view that clear-cut, fixed compensation was better suited to accommodate the control activities to be performed by the Supervisory Board, beyond focusing on short-term company success. Acting on a proposal by the management, the 2015 General Meeting therefore adopted the respective change of the Supervisory Board's compensation scheme.

5. Neither the Supervisory Board nor its audit committee discusses any semi-annual or quarterly financial reports with the Executive Board prior to publication (Code Clause 7.1.2 sentence 2). The Supervisory Board and the Executive Board are in regular close contact on the basis of a monthly reporting system. Therefore, an additional discussion on semi-annual reports or quarterly reports within the meaning of former Section § 37x of the Securities Trading Act, as well as on quarterly releases according to Section 51a of the Stock Exchange Rules of the Frankfurt Stock Exchange, prior to publication is dispensable.

Munich, November 25, 2016

**The Executive Board:**

signed Dieter Münch

signed Christian Greiner

**The Supervisory Board:**

signed Dr. Steffen Stremme

signed Edda Kraft

signed Hans Rudolf Wöhrle

signed Clarissa Käfer

signed Michael Neumaier

signed Philipp Hassler