

## **Declaration of Compliance with the German Corporate Governance Code made in accordance with Article 161 of the German Stock Corporation Act by the Management Board and Supervisory Board of H&R WASAG AG.**

H&R WASAG AG complies with the recommendations of the German Corporate Governance Code as amended on May 21, 2003 with the following exceptions:

- On the occasion of the Ordinary Shareholders' Meeting in July 2003, the documents that were open to inspection by the shareholders were not published in their entirety on the company's Internet site. The documents that were not shown on the Internet contained sensitive information that could have been misused by competitors. The documents were sent to the shareholders on request.
- Our existing D&O insurance contracts contain no own risk portion. It is intended to amend the contracts by introducing a suitable own risk portion.
- The essential features of the remuneration system for the Management Board will be explained in greater detail, firstly in the Annual Report 2003 and then at the Ordinary Shareholders' Meeting for the financial year 2003. In the notes to the consolidated financial statements the remuneration is divided into fixed and variable components. This method of reporting, together with the general explanation of the remuneration system, provide an adequate basis for assessing the appropriateness of the payments and the performance incentives that are generated by the remuneration. There is no individualized reporting of the remuneration.
- There are no age limits for members of the Board of Directors or Supervisory Board. The selection process for people proposed for election to the Supervisory Board, is conducted on the basis of having the knowledge, skills and technical experience required for the job. The appointment of board members by the Supervisory Board is also based on these criteria. It is not intended to define an age limit as an exclusion criterion.
- The Supervisory Board has not set up an audit committee. The main subject areas proposed for such an audit committee in the government commission's Corporate Governance Code, are covered in depth by the whole Supervisory Board at H&R WASAG AG.
- The remuneration of members of the Supervisory Board is defined in the company's articles of association. Until now chairmanship or membership of a committee has not been taken into account.

- The disclosure of trading in the company's shares conducted by board members is carried out in accordance with the statutory regulations set out in §15a WpHG. There is no provision for any further-reaching disclosure.
- In the financial year 2003, the balance sheet accounting was switched from HGB to IAS/IFRS. The accounts were reported on the basis of international accounting standards (IAS) for the first time as of June 30, 2003.
- Due to the large number of subsidiaries that were integrated into the financial statements, the consolidated financial statements for the financial year 2002 could not be published until April 2003. The intention in the future is to publish the consolidated financial statements by the end of March. The switch from the HGB accounting method to IAS/IFRS during the course of the year led to a delay in the publication of the report on the second quarter of 2003. The other quarterly reports were each published within 45 days of the end of the reporting period in question.

Management Board and Supervisory Board

December 15, 2003