

Declaration of Compliance pursuant to Article 161 of the German Companies Act (AktG)

H&R WASAG AG, Salzbergen (Germany), follows the recommendations made by the Government Commission of the German Corporate Governance Code on 26 May 2010 and published by the German Federal Ministry of Justice in the official part of the electronic Federal Gazette. The company complied with the Code's recommendations during the period from 1 January 2010 to 2 July 2010 (version of the Code dated 18 June 2009) and from 3 July 2010 until the Supervisory Board meeting on 8 December 2010 (version of the Code dated 26 May 2010) with the following exceptions:

- Item 3.8 Paragraph 3 of the Code: The D&O insurance policy taken out by the company for the Supervisory Board does not include an excess. As of 1 July 2010, the legal requirement to introduce an excess for D&O insurance policies applies solely to insurance for Executive Board members pursuant to Article 93 Paragraph 2 Sentence 3 AktG in conjunction with Article 23 Paragraph 1 Sentence 1 of the Introductory Act to the German Companies Act (EGAktG). In Article 116 Sentence 1 AktG, the legislator does not make an excess for the Supervisory Board a legal requirement; instead, this passage explicitly exempts the Supervisory Board from the obligatory excess. It is also possible for Board members to take out their own insurance to cover any such excess, largely negating the effect this excess is intended to have on behaviour. There are plans to arrange an excess for the Supervisory Board for the 2011 financial year, however.
- Item 4.2.3 Paragraphs 2 and 4 of the Code: The monetary remuneration paid to the Executive Board member Niels H. Hansen does not comprise any variable components because Mr Hansen has opted out of receiving variable remuneration components due to his position in the Hansen & Rosenthal Group. The executive employment contracts held by the Executive Board members Gert Wendroth and Niels H. Hansen do not stipulate a cap on compensation corresponding to a maximum of two annual salaries should their executive roles be terminated prematurely without good cause. In the company's view, any such cap on compensation would not be legally binding. Should the conditions not be met for good cause as defined in Articles 84 Paragraph 3 Sentence 1 AktG and 626 of the German Civil Code (BGB), the service contract with the Executive Board member can only be terminated by mutual consent. In this case, the relevant Executive Board member is not obliged to accept a cap on their compensation as defined in the Code's recommendation.

The company will take into account the regulations on executive remuneration amended by the German Act on the Appropriate Remuneration of Executives (VorstAG) along with the applicable recommendations of the Corporate Governance Code when executives are appointed in future or existing executive contracts are altered or extended.

- Item 5.1.2 Paragraph 2 of the Code: To date, when selecting suitable candidates for the Executive Board, the Supervisory Board has based its decisions solely on the individuals' knowledge, skills and experience, whilst taking the is-

- sue of diversity into account. An age limit for Executive Board members was introduced by the Supervisory Board's resolution of 8 December 2010. This will take effect as of the financial year 2011.
- Item 5.3.2 of the Code: To date, the Supervisory Board has not had an audit committee. The topics forming part of the audit committee's remit in the Government Commission's Corporate Governance Code were dealt with in depth by the whole Supervisory Board at H&R WASAG AG. An audit committee was established by the Supervisory Board's resolution of 8 December 2010. This will take effect as of the financial year 2011.
 - Item 5.3.3 of the Code: To date, the Supervisory Board has not had a nomination committee consisting solely of shareholder representatives charged with proposing suitable candidates for the Supervisory Board to put forward to the Annual Shareholders' Meeting for election. Due to the shareholder representatives' special decision-making right (Article 124 Paragraph 3 Sentence 5 AktG), it is already the case that a majority vote by the four shareholder representatives on the Supervisory Board alone decides on the election proposals made to the Annual Shareholders' Meeting. A nomination committee was established by the Supervisory Board's resolution of 8 December 2010. This will take effect as of the financial year 2011.
 - Item 5.4.1 Paragraph 2 of the Code: The Supervisory Board has not as yet cited concrete goals for its composition. In the past, the Supervisory Board based its election proposals to the Annual Shareholders' Meeting on the statutory requirements, whilst focusing on the candidates' professional and personal skills. The company's international operations, as well as potential conflicts of interest and diversity considerations were all taken into account as a matter of course. The Supervisory Board has charged the nomination committee with defining targets for the future make-up of the Supervisory Board as per Item 5.4.1 of the Code during the 2011 financial year.
 - Item 5.4.5 Sentence 2 of the Code: The Chairman of the Supervisory Board at H&R WASAG AG is an executive at a publicly listed company. In total, he holds more than three Supervisory Board mandates at listed companies outside the Group. The Supervisory Board considers it unnecessary to limit the number of mandates, provided each Supervisory Board member has sufficient time to fulfil his or her mandates. As a result, H&R WASAG AG does not comply with this recommendation. It will continue to do so for as long as the company is confident that all Supervisory Board members have sufficient time to perform their mandates.
 - Item 5.4.6 Paragraph 3 Sentence 2 of the Code: The remuneration paid or benefits granted by the company to members of the Supervisory Board for services rendered – in particular consulting and mediation services – have not been shown individually in the corporate governance report. The company's working relationship with its Supervisory Board is governed by the statutory requirements and based on conditions typical for the industry which are also upheld for transactions with third parties. As of the 2011 financial year, the relevant remuneration will be shown individually in the corporate governance report.

- Item 6.6 of the Code: The company has not published details of shares held by Executive and Supervisory Board members exceeding 1% of the shares issued by the company. Although they exceeded 1% of the shares issued by the company, the total number of shares held by all Executive and Supervisory Board members was not broken down between the Executive Board and the Supervisory Board. Furthermore, these details were not contained in the corporate governance report. Transactions by Executive and Supervisory Board members and related parties involving company shares or related financial instruments are communicated in line with the legal requirements (Article 15a of the German Securities Trading Act [WpHG]). Information on substantial shares of voting rights is already issued as per Articles 21 ff. WpHG. As of the 2011 financial year, the corresponding details will be included in the corporate governance report.

The Executive Board and Supervisory Board of H&R WASAG AG

Salzbergen, Germany, 22 December 2010