

2018  
**STATEMENT ON CORPORATE GOVERNANCE**



**H&R GMBH & CO. KGAA**

## Statement on Corporate Governance

Corporate governance refers to a company's decision-making and control processes. Good corporate governance means making decisions based on long-term value creation, ensuring that a company's Executive Board and Supervisory Board work together effectively, and demonstrating a high level of transparency in corporate communications. These factors are the key guiding principles when it comes to the management and supervision of H&R GmbH & Co. KGaA. In Germany, the applicable regulations and the recognized German and international standards for responsible corporate governance are summarized in the German Corporate Governance Code (the "Code"). The Code, which is based on the statutory provisions applicable to a joint-stock company (AG), is applied *mutatis mutandis* by H&R GmbH & Co. KGaA.

Pursuant to Section 289a of the German Commercial Code (HGB), the Executive Board hereby issues the following Statement on Corporate Governance thereby also fulfilling the recommendations of the current German Corporate Governance Code (Preparation of a Corporate Governance Report).

### 2018/2019 Statement of Compliance

Pursuant to Section 161 of the German Stock Corporation Act (AktG), and considering the specific features of the legal form of a partnership limited by shares described in Section I below, the Executive Board of H&R Komplementär GmbH acting in its capacity as general partner of H&R GmbH & Co. KGaA (the "Company") with full personal liability, and the Company's Supervisory Board have issued the following statement:

With the exception of the deviations mentioned in Section II below, since issuing its last Statement of Compliance on December 12, 2017, the Company currently complies, and in future will likewise comply, with the recommendations set out in the German Corporate Governance Code (hereinafter referred to as the "GCGC" or "Code"), as updated on February 7, 2017 and published in the *Bundesanzeiger* (Federal Gazette) on April 24, 2017.

### I. Specific Features of the Legal Form of a Partnership Limited by Shares (KGaA)

The GCGC contains descriptions and explanations of the statutory regulations applicable to (listed) joint-stock companies and the recommendations set out therein are also geared toward companies with the legal form of (listed) joint-stock companies. Due to the structure of a partnership limited by shares (KGaA), the following special features, in particular, relating to some of the specific statutory regulations described in the Code and individual recommendations of the Code have applied to the Company since the change in legal form to that of a partnership limited by shares (KGaA) took effect on August 1, 2016:

#### – Annual Shareholders' Meeting

Basically, the Annual Shareholders' Meeting of a partnership limited by shares (KGaA) has the same rights and obligations as the Annual Shareholders' Meeting of a joint-stock company. However, in addition and pursuant to Section 286, paragraph 1, sentence 1 AktG, the KGaA's Annual Shareholders' Meeting must pass a resolution on the adoption of the annual financial statements (see Section 2.2.1, paragraph 1 of the GCGC). The resolution also requires the approval of the general partner with full personal liability. The Annual Shareholders' Meeting is likewise not allowed to decide on its own regarding amendments to the articles of association or major organizational changes (see Section 2.2.1, paragraph 2, sentence 1 GCGC). Such resolutions require the approval of the general partner with full personal liability to the extent that they deal with matters for which the consent of the general partner with full personal liability and of the limited partners is required for a limited partnership. Determining the remuneration of the general partner with full personal liability falls within the remit of the Annual Shareholders' Meeting and is laid out in the articles of association. Due to a lack of authority, the Annual Shareholders' Meeting cannot make decision on the approval of remuneration for the managing directors of H&R Komplementär GmbH (see Section 2.2.1, paragraph 2, sentence 2 GCGC).

– Executive Board

Under the KGaA legal form, the general partner with full personal liability assumes responsibility for the Company's management. The KGaA does not have an Executive Board. The general partner with full personal liability is not appointed by the Supervisory Board, but rather in the KGaA's articles of association. The Company's general partner with full personal liability is H&R Komplementär GmbH, which in turn is represented by its managing directors, Mr. Niels H. Hansen and Mr. Detlev Wösten.

The Company's Supervisory Board is not responsible for deciding on the composition of the Executive Board or for setting the remuneration for the managing directors (see Section 4.2 GCGC) of H&R Komplementär GmbH.

The Shareholders' Meeting of H&R Komplementär GmbH is responsible for concluding employment agreements with the managing directors. The remuneration for the managing directors is set by the Advisory Board established at the level of H&R Komplementär GmbH through a shareholder resolution.

With the exception of the deviations indicated under Section II.2, the Code's recommendations regarding the setting of remuneration for the managing directors of H&R Komplementär GmbH and the other contractual provisions of the employment agreements with the managing directors have been followed.

The general partner with full personal liability is subject not to the covenant not to compete stipulated in Section 88 AktG, but rather to the one stipulated in Section 284 AktG (see Section 4.3.1 GCGC). Taking on outside work requires the approval of the Shareholders' Meeting (see Section 4.3.4 GCGC).

– Supervisory Board

Compared to the Supervisory Board of a joint-stock company, a KGaA's Supervisory Board has limited rights and obligations. Due to the configuration of the Supervisory Board under the KGaA legal form, the Company's strategic direction is determined by the general partner

with full personal liability and, if applicable, the Annual Shareholders' Meeting (see Sections 3.2 and 4.1.2 GCGC). As a pure oversight body, the Supervisory Board is not authorized to draw up a list of transactions requiring its approval (see Section 3.3 GCGC). Since the general partner with full personal liability is specified in the articles of association, the Supervisory Board likewise is not responsible for appointing, dismissing, or governing the obligations and rights of the Executive Board (see Sections 4.2 and 5.1.2 GCGC).

## II. Deviations from Code Recommendations

### 1. Section 4.1.3, sentence 3 of the Code:

To date, the Company has not established a separate whistleblowing system that would give employees a safe way to report on suspected illegal activity within the Company. However, the H&R code of conduct which is provided to all employees when they are hired and which is regularly covered in training courses expressly encourages employees "(...) to report violations of the law, other regulations or this code of conduct (...) without delay – including anonymously". Employees may, while maintaining strict confidentiality or anonymity, contact Compliance Management, the Executive Board of H&R GmbH & Co. KGaA and, if they work for a subsidiary of H&R GmbH & Co. KGaA, the Executive Board of the subsidiary in question. At the present time, the general partner with full personal liability and the Supervisory Board believe that this is adequate and reasonable. However, they will consider whether it might make sense to implement a standardized whistleblowing system in the future.

### 2. Section 4.2.3, paragraph 4 of the Code:

The managing director employment agreements concluded by H&R Komplementär GmbH do not contain any agreement on a severance pay cap within the meaning of Section 4.2.3, paragraph 4 GCGC. The managing directors' employment agreements are concluded for a fixed term and do not contain any option for regular termination. In the event of extraordinary termination with good cause, the managing director shall not be entitled to any sev-

erance pay from H&R Komplementär GmbH. As a result, the Company shall not be required to reimburse H&R Komplementär GmbH. In the absence of good cause, the existing employment agreements may only be terminated prematurely by termination agreements, which shall also stipulate the conditions for terminating the employment agreement including the amount of any severance pay. The Code recommendation shall be followed if a termination agreement includes an agreement on severance pay.

3. Section 4.2.5, paragraph 3 of the Code:

In the remuneration reports for financial years 2017-2021, remuneration for managing directors is not broken down for the individual members of the Executive Board. On May 18, 2017, the Company's regular Annual Shareholders' Meeting, acting at the suggestion of the general partner with full personal liability and the Supervisory Board, and pursuant to Section 286, paragraph 5, Section 314, paragraph 3, and Section 315a, paragraph 1 HGB, adopted a resolution regarding Agenda Item 9 (Exemption from the requirement to provide

an individual break-down of remuneration for managing directors), declining to disclose on an individual basis the remuneration paid to the managing directors of H&R Komplementär GmbH for financial years 2017 to 2021. The general partner with full personal liability and the Supervisory Board believe that disclosure of an individual break-down of managing directors' remuneration would constitute a disproportionate violation of privacy of the persons in question. In consequence, the Company has declined to disclose individual remuneration for members of the Executive Board in order to protect confidentiality both inside and outside of the Company as of May 19, 2017.

4. Section 5.1.2, paragraph 2 of the Code:

The employment agreements for H&R Komplementär GmbH's managing directors do not specify any age limit. In view of the current age structure of H&R Komplementär GmbH's Executive Board, there has been no reason for such a provision to date. Moreover, a formal age limit would unnecessarily complicate the search for suitable managing directors.

Salzbergen, December 4, 2018

Executive Board of H&R Komplementär GmbH



Niels H. Hansen



Detlev Wösten

Supervisory Board of H&R GmbH & Co. KG



Dr. Joachim Girg

Supervisory Board Chairman

## Legal Structure of H&R GmbH & Co. KGaA

H&R Komplementär GmbH, in its capacity as the general partner with full personal liability, is responsible for managing and representing the Company. Mr. Nils Hansen, also the majority limited liability shareholder of H&R GmbH & Co. KGaA (or H&R KGaA for short), holds the majority of voting shares in H&R Komplementär GmbH.

In the following section, the Executive Board and the Supervisory Board report on Corporate Governance at H&R KGaA pursuant to Section 3.10 of the GCGC, applied mutatis mutandis.

## Corporate Governance Practices and Compliance

Management and control at H&R KGaA are based on the articles of association, the internal rules of procedure for the Supervisory Board and the Executive Board, the German Corporate Governance Code, and relevant national legislation.

We see ourselves as role models, setting an example in the way we treat our customers, colleagues, partners, shareholders, and the public. Integrity, fairness and respect are the main criteria by which we want to be judged. In order for us to accomplish this, it is essential for all of our employees to fully comply with all laws and regulations applicable to them in their jurisdictions. The same applies to the voluntary internal guidelines agreed on.

**H&R's Compliance Organization.** The Compliance function is part of the Process Optimization and Compliance (POC) department and therefore is a direct component of our Integrated Management System (IMS). This enables us to integrate compliance into our processes and structures and to utilize existing systems and resources. The Compliance function provides reports directly to the Executive Board at regular intervals or as needed.

The Executive Board ensures that the appropriate human and material resources are available for the Compliance Management System (CMS) and for the IMS. This guarantees that the required

resources can be provided as needed and the system works smoothly.

Compliance duties are delegated to professionally qualified people as needed to maintain the CMS. The centralized Compliance function at Group level is performed by the person appointed as Compliance Manager. Along with the Executive Board, he/she is responsible for translating the compliance goals and strategy derived from the corporate strategy, the corporate policy guidelines and from the code of conduct, as well as legal requirements into a CMS that can be implemented and verified. Compliance Coordinators at the individual companies provide local support to the Compliance Manager. This ensures that specific local characteristics, such as legal requirements, are taken into account and that a contact person is available to employees at the site.

The Compliance Manager provides regular compliance reports to the Supervisory Board via the Audit Committee, for example on the development of the CMS. In addition, he/she prepares an annual report which he/she submits to the Supervisory Board.

**H&R's Code of Conduct.** In case corporate management practices go beyond the statutory requirements, they are summarized in a Group-wide code of conduct. This code of conduct defines binding rules of conduct derived from our corporate policy. It is the main operational framework and outlines the principles on which our actions are based.

We work continuously to make our employees aware of the need to behave in accordance with the code of conduct when carrying out their jobs. Any violation of code of conduct rules is tantamount to an infringement of labor law obligations and may lead to consequences under labor law such as a warning or even termination. Furthermore, specific violations may trigger claims for damages or may constitute pertinent elements of an offense and may be prosecuted under the applicable criminal law.

The Supervisory Board meets regularly to review compliance with the requirements of the Group-wide code of conduct.

Our values and the resulting corporate policy can be consulted online at [www.hur.com](http://www.hur.com) under the heading H&R Group/Our Values.

**Compliance Training.** As part of their initial training, all our employees are briefed on our code of conduct, which contains all relevant information as well as specific case studies. Each year, they undergo additional training on the code of conduct; the training courses must be documented and monitored through spot checks. We also hold extensive training sessions on special issues, depending on the area of responsibility. These courses at H&R focus on topics relating to occupational health and safety, environmental protection and anti-trust legislation.

**Combating Corruption and Bribery.** H&R places high priority on dealing with business partners, customers and public authorities in a proper manner. This also includes ensuring that in their business dealings, all employees avoid any appearance of dishonesty or corruption. Combating corruption and bribery is therefore one of the central pillars of our Compliance Management System. Our code of conduct clearly states that award decisions are based exclusively on a performance evaluation. Accordingly, our success is based on the quality of our performance and we will not tolerate any kind of corruption or other unfair business practices that could help to obtain advantages. As a result, the code of conduct also contains unambiguous rules covering, among other things, the granting or acceptance of benefits or gifts and the participation in primarily non-commercial events, or sponsorships.

The code of conduct training sessions for our employees also address the issue of corruption. In addition, our employees know that in case of doubt, they can contact the Compliance Manager, their superior, or the Executive Board at any time. No cases of corruption came to light in 2018.

Respect for human rights. Naturally, good compliance also involves observing recognized human rights at our locations and in our business relationships. Above all, this means protecting the personal dignity and privacy of each individual. In addition, we recognize employees' and/or business partners' rights to freedom of assembly and association.

Compliance with human rights is enshrined both in our code of conduct and in our corporate policy, which guides our actions as a company. In order to ensure that human rights are respected in our supply chain, both our corporate policy and a separate Supplier Code are integral parts of the contracts we conclude with our suppliers.

If a supplier hires a subcontractor, they must ensure that the subcontractor is aware of and complies with all the obligations that our supplier has entered into with us. These issues are not explicitly reviewed, but general supplier audits are conducted by the departments and/or companies in charge.

**Limited Liability Shareholders and Annual Shareholders' Meeting.** Our shareholders decide on Company matters by exercising their voting rights at an Annual Shareholders' Meeting, which is held at least once a year. The shareholders entitled to attend and vote are those who, on the 21st day before the Annual Shareholders' Meeting (record date), hold H&R shares and correctly register to attend the Annual Shareholders' Meeting. Each share entitles its holder to cast one vote (one-share-one-vote rule). Every shareholder entitled to vote has the option of exercising his voting right in person, appointing a proxy, or abstaining from the vote. In addition, we offer shareholders the option to pool their votes through our Company's instruction-bound voting rights representative.

Shareholders have the right to speak at the Annual Shareholders' Meeting, submit motions, and request information about matters concerning the Company and its affiliated companies insofar as is necessary to reach a constructive assessment of an item on the agenda. Our Annual Shareholders'

Meeting elects six of the nine members of the Supervisory Board by rotation. Among other things, it also passes resolutions on the adoption of the Company's annual financial statements, the appropriation of distributable profit, formal approval of the activities of the general partner with full personal liability and of the Supervisory Board, the appointment of the (Group) auditors, and corporate actions and amendments to the articles of association.

Resolutions on the adoption of the annual financial statements, amendments to the articles of association, and major organizational changes also require the approval of the general partner with full personal liability. The invitation and all documents to be made accessible for the Annual Shareholders' Meeting are published in a timely manner on our website [www.hur.com](http://www.hur.com) under Investor Relations/Shareholders' Meeting. After the Annual Shareholders' Meeting, the results of voting and attendance figures can also be found in this section of the website.

### Executive Board and Supervisory Board Cooperation

H&R KGaA is managed by H&R Komplementär GmbH in its capacity as general partner with full personal liability, which in turn is represented by its managing directors. The managing directors are appointed by the Shareholders' Meeting of H&R Komplementär GmbH. Details about the work of the Executive Board are governed by the internal rules of procedure for H&R KGaA's Executive Board.

In accordance with statutory requirements, we have implemented a dual management system with a strict separation between corporate management and control functions. The Executive Board manages the company. The Executive Board regularly consults with the Supervisory Board on the strategic direction of the company and the business plan and notifies it about the progress toward meeting targets and implementing the strategy.

The Supervisory Board oversees and monitors the Executive Board within the framework of its statutory duties. It is notified and involved in consultations regarding decisions of fundamental importance to our company.

For the work of the Executive Board, the general partner with full personal liability has drawn up a list of transactions that require the approval of H&R Komplementär GmbH's Advisory Board.

### Supervisory Board

**Composition of the Supervisory Board.** In accordance with Article 7, paragraph 1 of the articles of association, in conjunction with Section 96, paragraph 1, alt. 4, Section 101, paragraph 1, sentence 1 AktG, in conjunction with Section 1, paragraph 1, sentence 1, no. 2; paragraph 2, sentence 1, no. 1, Section 4, paragraph 1 of the German Act concerning One-Third Employee Representation on the Supervisory Board (One-Third Participation Act, or in German, DrittelbG), our Supervisory Board is composed of nine members in total, of whom six are appointed by the Annual Shareholders' Meeting, with no obligation to follow proposals, and three by the employees in accordance with the regulations on co-determination. The body is therefore subject to co-determination in accordance with the One-Third Participation Act.

Under Section 287, paragraph 3 AktG, general partners with full personal liability cannot be members of the Supervisory Board.

Dr. Joachim Girg has been elected to the Supervisory Board as shareholder representative for the period up to the close of the 2022 Annual Shareholders' Meeting, which will formally approve the activities of the members of the Supervisory Board for financial year 2021. Mr. Sven Hansen's term of office will also expire at the close of the 2022 Annual Shareholders' Meeting.

Dr.-Ing. Peter J. Seifried was elected to the Supervisory Board by the 2015 Annual Shareholders' Meeting. His term of office would normally come to an end at the close of the 2020 Annual

Shareholders' Meeting. However, he announced his voluntary resignation from the Supervisory Board with the end of the Annual Shareholders' Meeting 2019.

On recommendation of the Nomination Committee, the Supervisory Board will propose the election of Sabine U. Dietrich to the Annual Shareholders' Meeting 2019. Ms. Dietrich has been a longstanding employee of BP Group, acting on a national and international basis. Of late, she has held a position as member of the Executive Board in BP Europe SE, Bochum. She is also a member of the Commerzbank AG Supervisory Board in Frankfurt am Main. The necessary resolutions concerning her nomination will be taking place before the date of the Annual Shareholders' Meeting.

Dr. Hartmut Schütter was successfully nominated for re-election as a member of the Supervisory Board at the 2018 Annual Shareholders' Meeting. His term of office will end at the close of the 2023 Annual Shareholders' Meeting.

At the 2016 Annual Shareholders' Meeting, Mr. Roland Chmiel and Dr. Rolf Schwedhelm were successfully nominated for re-election as members of the Supervisory Board. Their term of office will end at the close of the 2021 Annual Shareholders' Meeting.

The Supervisory Board has been chaired by Dr. Joachim Girg since his election to the Supervisory Board at the 2017 Annual Shareholders' Meeting.

The term of office of the three employee representatives on the Supervisory Board, Mr. Reinhold Grothus, Mr. Holger Hoff and Mr. Harald Januszewski, will end at the close of the 2022 Annual Shareholders' Meeting.

**Duties.** The Supervisory Board oversees and advises the Executive Board on the management of the company.

Amendments to the articles of association are made on the basis of Sections 133, 179 and 285, paragraph 2 AktG, and Article 18, paragraph 2 of the articles of association. The Supervisory Board

is entitled to adopt amendments to the articles of association that only affect their wording without the approval of the Annual Shareholders' Meeting. The Supervisory Board has also adopted internal rules of procedure as recommended in Section 5.1.3 of the German Corporate Governance Code.

**Mode of Operation.** Three committees were formed from among its members in financial year 2017:

- An Audit Committee chaired by Mr. Roland Chmiel; the other committee members are Dr. Joachim Girg, Dr. Rolf Schwedhelm and Dr.-Ing. Peter J. Seifried. As an auditor, Mr. Chmiel has specialist knowledge and experience applying accounting principles and internal control procedures. This is a requirement for chairing this committee under Section 5.3.2 of the German Corporate Governance Code. Moreover, in the opinion of the Supervisory Board, he is qualified as an independent financial expert within the meaning of Section 100, paragraph 5 AktG. The Audit Committee's responsibilities include supervising the accounting process, monitoring the effectiveness of the risk management system, and overseeing the audit of the financial statements in addition to other responsibilities.
- A Nomination Committee chaired by Mr. Sven Hansen; the other members are Dr. Joachim Girg and Dr. Rolf Schwedhelm. This committee's remit is to identify suitable Supervisory Board candidates, who are then nominated by the Supervisory Board plenum at the Annual Shareholders' Meeting. Among other things, apart from qualifications relating specifically to professional background, the committee is guided by the objectives regarding composition listed below (see Section 5.4.1, paragraph 2 GCGC) and by the principle of diversity; it has set a target for women to occupy one-fifth of all positions on the Supervisory Board which are up for election.
- A Refinery Technology and Strategy Committee chaired by Dr. Hartmut Schütter; the other committee members are Dr. Joachim Girg, Mr. Sven Hansen and Dr.-Ing. Peter J. Seifried.

(since May 2015). The committee's purpose is to advise the Executive Board on the strategic future development of the H&R Group's refinery sites.

None of the existing Supervisory Board members is a former Executive Board member or managing director. To enable the members of the Supervisory Board to diligently prepare for meetings, the Executive Board notifies them in writing and in advance of the topics to be addressed.

**Objectives.** Pursuant to Section 5.4.1 of the Code, the Supervisory Board has set concrete objectives regarding its composition. They were reviewed and updated in the Supervisory Board meeting on January 29, 2019 and basically are as follows:

- To ensure that neither gender on the Supervisory Board is represented by less than 20% by the middle of financial year 2020; the goal is for an equal percentage to be represented on both the shareholder and employee side. Currently, the Supervisory Board is not meeting this objective.
- To elect members with experience in the leadership of family-run, international SME operating in the capital market.
- To consider special knowledge and experience applying accounting principles and internal control procedures (independent financial expert).
- To consider candidates with technical expertise in the field of refining technology as well as petroleum and chemical specialties along the different value chains.
- To consider knowledge in the fields of application research and product development, in particular in technologies relevant for the company, but also in related and adjacent fields.
- Independence of at least two thirds of the members.
- To avoid conflicts of interest.

- To ensure in the nomination of a prospective candidate that they can muster the time to duly execute their duties as a Supervisory Board member.
- To consider the age limit of 70 years at the time of the election. Exceptions may only be made for justified reasons.
- To ensure that the membership in any Supervisory Board panel does not exceed 15 years or three terms of office.

With regard to the criterion of independence of the Supervisory Board members, the Supervisory Board plenum believes that, based on a Supervisory Board consisting of a total of nine members, the number of independent board members should be at least six, including the representatives chosen by employees. Pursuant to Annex II, Section 1 b) of the commission recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (OJ EU No. L 52, 25 February 2005, page 51), the Supervisory Board considers the employee representatives to be independent.

The current composition of the Supervisory Board of H&R KGaA satisfies the specific objectives outlined above. From the perspective of the Supervisory Board, the Board includes four independent shareholder representatives: Mr. Roland Chmiel, Dr. Rolf Schwedhelm, Dr. Hartmut Schütter, and Dr.-Ing. Peter Seifried. Thus, including the employee representatives, the total number of independent Supervisory Board members is seven.

Further details concerning the work of the Supervisory Board during the reporting period can be found in the Supervisory Board report in the 2018 annual report.

### Executive Board

**Composition of the Executive Board.** H&R GmbH & Co. KGaA is managed by H&R Komplementär GmbH, which in turn is represented by its managing directors. The Executive Board represents the company externally. It conducts business and runs the company. In doing so, the

Executive Board considers the concerns of the limited liability shareholders, its employees, and other groups affiliated with the company (stakeholders) while pursuing the goal of sustainable added value. It is guided by the law, the articles of association, its internal rules of procedure, and the resolutions adopted by the Annual Shareholders' Meeting

The members of the Executive Board have joint responsibility for overall management of the Company. In financial year 2018, the Executive Board of H&R Komplementär GmbH consisted of two individuals who, among other things, held the following management responsibilities at H&R KGaA according to H&R Komplementär GmbH's distribution-of-business plan:

Niels H. Hansen, Chairman of the Executive Board: Strategies and Company Development; Capital Market Communications; Overall Responsibility for the Segments Sales and Plastics; IT; Human Resources; Accounting\*.

Detlev Wösten, Member of the Executive Board: Technological Development; Special Projects Refinery; Association Work and Political Issues.

**Duties.** The Executive Board develops the corporate objectives, the basic strategic direction, the corporate policy, and the Group structure. It is responsible for preparing the quarterly and annual financial statements, including the management reports. Moreover, the Executive Board oversees an appropriate risk management and risk control system, ensures compliance with legal provisions and internal company guidelines, and enforces compliance with these by Group companies.

**Mode of Operation.** The Executive Board deliberates at regular meetings of a so-called Executive Committee. These meetings are called by the Chairman of the Executive Board, who coordinates the panel's work. The results of the meetings are recorded in minutes, which are made available to all members of the Executive Board. As the Executive Board is relatively small, it has not formed any committees. Cooperation by members of the Executive Board is governed by the internal rules of procedure for

H&R KGaA's Executive Board. Each member of the Executive Board is required, without being asked, to inform the other Executive Board members of all significant events in the areas under their responsibility. The rules of procedure also stipulate circumstances which require a unanimous decision by the Executive Board plenum.

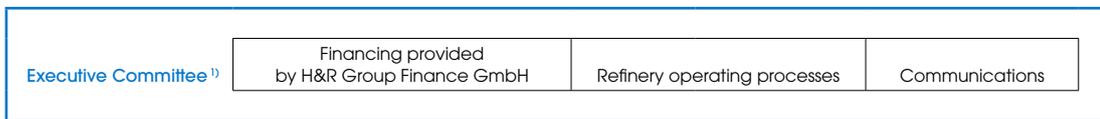
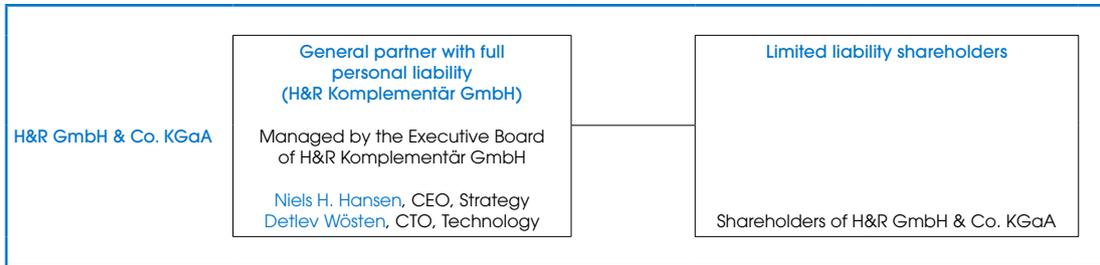
**Objectives.** Pursuant to the recommendations of the German Corporate Governance Code, the Executive Board of H&R Komplementär GmbH in its capacity as managing director of H&R KGaA and in agreement with the Advisory Board and the shareholders of H&R Komplementär GmbH has adopted the following resolution:

- When filling management positions at the company, greater priority must be placed on the criterion of diversity. In addition to balanced professional qualifications, the objective is to achieve greater international representation and appropriate representation by women on the Executive Board and, in particular, at the top two levels of management below the Executive Board by taking diversity into account.
- As for achieving a certain percentage of women at the first level of management below the Executive Board, the two managing directors of H&R Komplementär GmbH, in agreement with the Supervisory Board, have defined a minimum target quota for women of 20%.
- As for achieving a certain percentage of women at the second level of management below the Executive Board, the two managing directors have also defined a minimum target quota for women of 20%.

Both quotas were reviewed at the meeting of the Supervisory Board on January 29, 2019 and their fulfillment confirmed.

\* actual operation delegated to the Executive Board of H&R Finance GmbH

G. 01 OVERVIEW OF MANAGEMENT STRUCTURE



<sup>1)</sup> The Executive Committee is not a management body of the KGaA. It provides support to the Executive Board for all relevant processes and decisions and links the Executive Board with the operating subsidiaries through the flow of information, and by laying the groundwork for decision-making.