

2018-2019 Statement of Compliance

Pursuant to Article 161 of the German Stock Corporation Act (AktG), and considering the specific features of the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien) described in Section I below, the Management Team 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 12 December 2017, the company has followed the recommendations of the Government Commission on the German Corporate Governance Code (hereinafter referred to as the "GCGC" or "Code"), as updated in the version of 7 February 2017 and published in the Federal Gazette (Bundesanzeiger) on 24 April 2017, and in future will likewise comply with the recommendations.

I. Specific features of the KGaA legal form

The GCGC contains descriptions and explanations of the legal requirements applicable to (listed) joint-stock companies [Aktiengesellschaften]; the Code's recommendations are also aimed at the (listed) joint-stock company [Aktiengesellschaft] legal form. The following features apply to the company because of the structure of the KGaA, in terms of specific legal requirements described in the Code and individual recommendations of the Code since the change in the company's legal form to that of a KGaA on 1 August 2016 went into effect:

– 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 [Aktiengesellschaft/AG].

However, in addition, pursuant to Article 286, paragraph 1, sentence 1 of the AktG, the KGaA's Annual Shareholders' Meeting must decide whether to approve the annual financial statements (compare 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 they deal with matters for which the consent of the general partner with full personal liability and 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 lack of authority, the Annual Shareholders' Meeting cannot decide upon approval of remuneration for the managing directors of H&R Komplementär GmbH (see Section 2.2.1, paragraph 2, sentence 2 GCGC).

– Management Team

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 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 selecting the managing directors of H&R Komplementär GmbH or for setting the remuneration for the managing directors (see Section 4.2 GCGC). The Shareholders' Meeting of H&R Komplementär GmbH is responsible for concluding employment agreements with the managing directors. The remuneration of

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, the Code's recommendations regarding 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 Article 88 AktG, but rather to the one stipulated in Article 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 an AG, a KGaA's Supervisory Board has limited rights and obligations.

Because of 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). Because 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 contractual obligations and rights of the Management Team (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 specific whistleblowing system that would give employees a safe way to report on illegal activity within the firm. 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 anonymously, contact Compliance Management, the Management Team of H&R GmbH & Co. KGaA and, if they work for a subsidiary of H&R GmbH & Co. KGaA, the Management Team 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.

2. Section 4.2.3, paragraph 4 of the Code:

The employment agreements entered into by H&R Komplementär GmbH and its managing directors do not contain any agreement on a severance-pay cap within the meaning of Section 4.2.3, paragraph 4 DCGK. 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 for good cause, the managing director shall not be entitled to any severance pay from H&R Komplementär GmbH and 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 through termination agreements, which shall 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:

Remuneration for managing directors is not broken down individually for every member of the Management Team in the 2017-2021 Remuneration Report. On 18 May 2017, the regular Annual Shareholders' Meeting, acting at the suggestion of the general partner with full personal liability and the Supervisory Board and pursuant to Article 286, paragraph 5, Article 314, paragraph 3 and Article 315a, paragraph 1 of the German Commercial Code, adopted a resolution regarding Agenda Item 9 (Exemption from the requirement to provide an individual breakdown 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 breakdown of managing director's remuneration would constitute a disproportionate violation of privacy of the persons in question. As a result, since 19 May 2017, the company has declined to disclose individual remuneration for members of the Management Team in order to protect confidentiality both inside and outside of the company.

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 the Management Team, to date there has been no reason for such a provision. Moreover, a formal age limit would unnecessarily complicate the search for suitable managing directors.

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Salzbergen, 4 December 2018

Management Team of
H&R Komplementär GmbH



Niels H. Hansen

Supervisory Board of
H&R GmbH & Co. KGaA



Detlev Wösten



Dr. Joachim Girg, Chairman