

# Declaration of compliance

**November 2015**

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Südzucker AG

On 19 November 2015, the executive board and the supervisory board of Südzucker AG adopted the resolution to issue the following Declaration of Conformity regarding the German Corporate Governance Code, in accordance with Section 161 of the German Stock Corporation Act (AktG):

Südzucker AG complied with the recommendations of the “Government Commission German Corporate Governance Code” in the Code version of 24 June 2014 and will comply in future with the recommendations in the Code version of 5 May 2015, with the following exceptions:

**Paragraph 4.2.2 (vertical comparison of executive remuneration):**

The supervisory board is charged with assessing the appropriateness of the executive board's remuneration. In doing so, it takes into consideration the company's salary and wage structure. The supervisory board's view is that the formal procedure recommended in paragraph 4.2.2, item 2, clause 3 is superfluous, since it would not improve the quality of its decisions.

**Paragraph 4.2.3 (contents of executive board contracts):**

None of the executive board contracts include any caps on variable compensation (see paragraph 4.2.3, item 4). As we read the code, it does not require retroactive amendment of existing contracts. Furthermore, it would not be feasible to engage in any such unilateral action, nor would it be appropriate. Neither does the supervisory board intend to institute caps in future, since they would impair the company's ability to respond flexibly to unforeseeable future developments and to honour extraordinary performance.

The agreements with the executive board members include a company pension, which is calculated mainly as a fixed percentage of their fixed remuneration. The right to future pension benefits and the associated payments are therefore not derived from a predefined benefit, which is why the company currently does not comply with the

recommendations in paragraph 4.2.3, item 3. Neither is there any intent to change the existing pension system, which the supervisory board considers equitable.

The contracts of employment with the members of the executive board do not contain a severance cap. We do not see a necessity for this in future, either, especially since there are significant legal reservations against such contract clauses.

**Paragraphs 4.2.4 and 4.2.5 (individualised remuneration of board members):**

The general shareholders' meeting of Südzucker AG resolved on 20 July 2010 and most recently resolved on 16 July 2015 to waive individualised disclosure of management earnings for a period of five years. The company therefore does not disclose executive board members' individual remuneration in its compensation report.

**Paragraph 4.3.3 sentence 4 (management board/conflicts of interest)**

The new recommendation in the Code, according to which important transactions with persons closely associated with a member of the management board shall only be carried out with the consent of the supervisory board, will be complied with by Südzucker AG in the future, after a corresponding amendment of the by-laws of its executive board. As a precaution, a deviation is declared until the implementation of this new requirement in the by-laws of the executive board.

**Paragraph 5.3.2 sentence 3 (autonomy of the audit committee chairman):**

Dr. Jochen Fenner is chairman of the audit committee. He is simultaneously management board chairman of Süddeutsche Zuckerrüben-Verwertungsgenossenschaft eG (SZVG), which holds a majority interest in the company. In our view, it makes sense that a majority shareholder is appropriately represented on the supervisory board of a company and its committees. It is our conviction that it is in the interests of the company and all shareholders for Dr. Jochen Fenner to exercise this office as audit committee chairman.

**Paragraph 5.3.3 (nominating committee of the supervisory board):**

We see no need to establish an additional Nominating Committee to prepare the candidate suggestions for the supervisory board. It is more appropriate for all members of the supervisory board to have the opportunity of an equal say in determining candidates for the supervisory board – as has been practised in the past.

**Paragraph 5.4.1 (diversity goals for composition of the supervisory board):**

The supervisory board strives for sufficient diversity in the composition of the supervisory board and, in particular, an appropriate quota of women. The supervisory board has oriented the decision with regard to its own composition primarily to the

qualification of the available persons and not their gender, and it intends to continue to do so within the framework of applicable laws.

A regular limit of length of membership on the supervisory board is not specified. This facilitates continuity and the preservation of long-term experience in the supervisory board in the interest of the company.

**Paragraph 5.4.6 (remuneration of supervisory board members):**

Our company's Articles of Incorporation foresee – in addition to a fixed remuneration – a results-related supervisory board remuneration oriented to dividends (see paragraph 5.4.6, item 2, clause 2). We believe that especially the concurrence with the interests of the shareholders speaks in favour of this structure.

We disclose the supervisory board's remuneration as a total (see paragraph 5.4.6, item 3). In our view, the privacy violations associated with the disclosure of remuneration on an individual basis cannot be reasonably justified by any benefits there may be from this kind of practice. The remuneration regulations are already transparent and therefore any segmentation according to fixed remuneration and results-related components would not imply any additional informative worth.

Accordingly, the Corporate Governance Report, Appendix and Management Report contain no individualised disclosures of supervisory board remunerations and no segmentation according to fixed remuneration and results-related components.