

# Declaration of Corporate Governance

## **Management and control structure – working practices of the Executive Board and the Supervisory Board**

As a European corporation (Societas Europaea – “SE”), FUCHS PETROLUB SE, with its registered office in Mannheim, is subject in particular to the provisions of the SE Regulation and of the German Stock Corporation Act (AktG), on the basis of which the German Corporate Governance Code was also developed. A basic principle in German stock corporation law is the two-tier board system with the Executive Board and Supervisory Board bodies, each of which has independent responsibilities. This two-tier board system was also retained following the conversion to a SE. Sound corporate governance requires continuous further development of this two-tier board system, with all divisions being included. This begins with independent and responsible corporate management by the Executive Board which is advised and monitored by the Supervisory Board.

## **Corporate Management by the Executive Board**

The Executive Board holds responsibility to act as the management body and is bound both to the company’s interests and to sustainably increasing company value. The members of the Executive Board together hold responsibility for the entire company management. Notwithstanding the overall responsibility of the Executive Board, the individual members of the Executive Board also manage the divisions assigned to them under their own responsibility within the scope of Executive Board resolutions. Rules of procedure specify in more detail the work of the Executive Board. The distribution of responsibilities to the individual members of the Executive Board is set out in the schedule of responsibilities. For key business processes – such as specifying annual planning or major acquisitions – the rules of procedures for the Executive Board include gaining approval of the Supervisory Board for its actions.

The Executive Board reaches decisions on key issues regarding corporate policy and strategy, as well as annual and multi-year planning. The Executive Board ensures appropriate opportunity and risk management in the company. It works towards compliance with legal regulations, regulatory stipulations and internal company guidelines (compliance). It also pays attention to diversity and ensuring appropriate consideration is given to women when filling management positions at the company. At FUCHS, 22 % of management positions within the Group are held by women. There are currently no women on the Executive Board. FUCHS strives for

systematic and targeted promotion of qualified women considering them appropriately when filling Executive Board and management positions.

In 2014, the Executive Board at FUCHS PETROLUB SE comprised five members up to and including June 30, and then four persons from July 1 onward. The [composition of the Executive Board and the allocations of duties](#) within the Executive Board (organization of responsibilities, regions and segments) are shown in detail on pages 29 seq. of the annual report.

### **Monitoring and advising of the corporate management by the Supervisory Board**

The Supervisory Board appoints the members of the Executive Board, and both advises and monitors the Executive Board in its management of the company. It is included in strategy and planning, as well as in all questions of fundamental importance for the company. The Chairman of the Executive Board maintains regular contact with the Chairman of the Supervisory Board. The continuous dialog between the Executive Board and Supervisory Board, which is based on mutual trust, forms an important foundation for the company's success.

The Supervisory Board at FUCHS PETROLUB SE is made up of four shareholder members, who are elected by the Annual General Meeting, as well as two members who are elected by the European works council (SE works council) of FUCHS PETROLUB SE, which represents the European employees. The terms of office are identical.

The Supervisory Board reaches its decisions through resolutions, which are passed by a simple majority of those members of the Supervisory Board participating in the vote. In the event of a tied vote, the Chairman has the casting vote.

The Supervisory Board at FUCHS PETROLUB SE is composed in a way that ensures qualified advising and monitoring of the Executive Board by the Supervisory Board. Based on their knowledge, skills and specialist experience, the candidates to be proposed for election to the Supervisory Board should be capable of performing the duties required of a member of the Supervisory Board at an international group operating in the lubricants industry and preserving the reputation of the FUCHS PETROLUB Group in the public arena. Relevant qualifications, in compliance with diversity and appropriate involvement of women, are the key factors for the composition of the Supervisory Board. In this context "diversity" is understood to mean diversity in terms

of internationality (not in the sense of citizenship, but rather origin, upbringing, training and career), gender and age. Based on Section 5.4.1 of the Code, the Supervisory Board has set the following targets for its composition:

- The required knowledge, skills and specialist experience refer in particular to the management of an international company
- Special economic knowledge and experience is to be considered
- Special knowledge and experience in the application of financial accounting principles and internal control procedures
- Technical expertise, in particular in the field of (special) chemicals is to be considered
- Appropriate involvement of women in the Supervisory Board for new appointments
- An appropriate number of independent members of the Supervisory Board; of the four shareholder representatives on the Supervisory Board, at least two should be independent in the sense of Section 5.4.2 of the Code
- Prevention of significant and not only temporary potential conflicts of interest
- Consideration of the (standard) age limit of 70 years at the time of election

The Supervisory Board is of the opinion that it complies with the diversity requirements, as a female ratio of 25 % of shareholder representatives or 17 % of members of the Supervisory Board has been achieved and the internationality criterion was also fulfilled. The Supervisory Board also believes that it includes an appropriate number of independent shareholder representatives.

Dr. Dr. h.c. Manfred Fuchs is the only member of the Supervisory Board that holds an appreciable number of shares in the company and that has a personal relationship both to the company and its Executive Board. According to the Supervisory Board's rules and procedures, shareholder representatives on the Supervisory Board must always be independent. The members of the Supervisory Board hold or used to hold executive positions at other companies. However, all business between FUCHS PETROLUB Group companies and these companies was conducted under the same conditions as with third parties (arm's length transactions). In our opinion, these transactions do not have any impact on the independence of the affected members of the Supervisory Board.

The term in office of the Supervisory Board is five years. The next term in office starts with the end of the Regular Annual General Meeting 2015.

Information on the [composition of the Supervisory Board and its Committees](#) is also provided on page 28 of the annual report. The report by the Supervisory Board on pages 33 seq. onwards provides further details of the work performed by the Committee in the reporting year.

The main features of the company's [compensation system](#) for members of the Executive Bodies are described on pages 48 and 49 of the annual report. The compensation for members of the Executive Board and the compensation for the individual members of the Supervisory Board in accordance with Section 314 (1) No. 6 of the German Commercial Code (HGB) are disclosed in the notes to the consolidated financial statements on page 202 seq.

### **Committees of the Supervisory Board**

The Supervisory Board at FUCHS PETROLUB SE has formed three professionally qualified committees, which prepare and also supplement its work. The duties, responsibilities and work processes are all aligned with the requirements of the Corporate Governance Code and also take into account the binding regulations of the German Stock Corporation Act (AktG).

The Personnel Committee and Audit Committee meet several times a year, while the Nomination Committee only convenes for meetings when these are necessary based on its allocation of duties. The respective Chairmen of the committees regularly report to the Supervisory Board on the work of the Committees.

### **Ownership of shares in the company by members of the Executive and Supervisory Boards**

As at December 31, 2014, Stefan Fuchs held directly and indirectly 9,535,391 ordinary shares. The other members of the Executive Board together held 276 ordinary shares and 10,670 preference shares as at December 31, 2014.

As at December 31, 2014, Dr. Dr. h. c. Manfred Fuchs held directly and indirectly 1,837,547 ordinary shares. The other members of the Supervisory Board together held 931 ordinary shares and 7,000 preference shares as at December 31, 2014.

As per Section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board of FUCHS PETROLUB SE are legally obliged to declare any acquisition or sale of shares in the company or any other related financial instruments if the value of these transactions conducted by the members or persons related to them reaches or exceeds the sum of € 5,000 within one calendar year. The transactions reported to FUCHS PETROLUB in the reporting year were duly published and can be viewed on the company's website at [www.fuchs.com/directorsdealings](http://www.fuchs.com/directorsdealings).

### **Shareholders and the Annual General Meeting**

FUCHS PETROLUB SE has issued both ordinary and preference shares. The holders of ordinary shares represented at the Annual General Meeting reach decisions on all tasks assigned to them by law (for example appropriation of earnings, amendments to the Articles of Association, election of members of the Supervisory Board, approval of the Executive Board and the Supervisory Board, measures affecting the capital structure and selection of the auditor). Each ordinary share authorizes the holder to one vote. The Schutzgemeinschaft Familie Fuchs holds around 54 % of the ordinary shares. While the preference shares only grant voting rights in the cases prescribed by law, they grant the holders a preference right on the distribution of unappropriated profit and entitle them to an additional dividend (preference).

The holders of ordinary and preference shares exercise their co-determination and control rights at the Annual General Meeting held at least once a year. In compliance with the statutory and legal conditions, every shareholder is entitled to participate in the Annual General Meeting. Shareholders who do not wish to or are unable to attend the Annual General Meeting in person can have their voting right exercised by a voting representative (proxy), such as a bank, a shareholders' association or a voting representative appointed by the company, by granting an appropriate power of attorney.

The Regular Annual General Meeting typically takes place in May. The reports, documents and information required by the law on Annual General Meetings, including the annual report, can be accessed on the Internet,

where the agenda of the Annual General Meeting and any counter-motions or nominations of shareholders to be made public can also be found.

In accordance with the Articles of Association, the Chairman of the Supervisory Board chairs the Annual General Meeting. He determines the order in which proceedings are conducted as well as the type and form of voting. He is also authorized to limit the shareholders' rights to pose questions and to speak to a reasonable period of time.

### **Corporate Governance Guidelines**

The Articles of Association of FUCHS PETROLUB SE, all Declarations of Compliance, the FUCHS Code of Conduct, the Declaration of Corporate Governance and further documentation on corporate governance, such as the Anti-Corruption Directive, the Anti-Trust Directive or the FUCHS Sustainability Guide, can be called up on the company's website.

### **Compliance**

We understand **COMPLIANCE** to mean observing rights, laws and the company's Articles of Association, adhering to internal rules and standards, as well as making voluntary personal commitments. The main guideline for the actions of all employees is observing applicable law. The management and employees are called upon without exception to observe applicable laws, directives and social standards within the scope of their duties, regardless of whether these are international or local regulations. Unlawful behavior harbors the risk of damaging the company's image, weakening our market position and even causing us economic harm.

The Compliance division reports directly to the Executive Board. These include a Chief Compliance Officer and a Compliance Organization, which together further develop, guide and implement the Compliance Program, as well as supporting and advising employees all over the world. There is a Compliance Officer for each national unit, who is also available to local staff as a contact for individual questions. All FUCHS employees are required to actively contribute to implementing the Compliance Program in their area of responsibility. The compliance system is regularly reviewed and, if necessary, modified.

The FUCHS Code of Conduct, which was laid down as early as 2004 and most recently updated in October 2012, represents a binding framework for ensuring lawful and social-ethical behavior in the Group. The Code of Conduct is supplemented by information and training measures, the consistent processing and sanctioning of compliance infringements, a compliance hotline for reporting criminal or anti-cartel infringements against laws or provisions, regular compliance reporting, as well as a special compliance audit performed by the internal audit department. Since September 15, 2014, FUCHS has also offered access to a digital whistleblower portal via the company website. The portal fulfills the strictest IT security requirements and offers users the opportunity to enter into dialog with the Chief Compliance Officer.

### **Code of responsible Conduct for Business – Commitment to sustainable, success-driven and value-oriented Corporate Governance**

The FUCHS Code expresses a common leadership position and thereby offers general orientation for responsible actions. This common basic understanding is in line with the five central values practiced at FUCHS: trust, creating value, respect, reliability, and integrity. These values are considered to be a benchmark for internal objectives and form the basis for individual actions.

FUCHS PETROLUB SE also participated in an initiative of German economic leaders that presented a Code of Responsible Conduct for Business in November 2010 under the patronage of the Wittenberg Center for Global Ethics. The model explicitly addresses critical points being discussed in the public arena, such as profits, morals, downsizing, manager remuneration and rule infringements. As a subscriber to the model, the Executive Board is committed to a success-driven and value-oriented system of corporate governance in the sense of the social market economy. In accordance with the Code, this includes fair competition, social partnership, the performance principle and sustainability.

In November 2012, we have summarized our basic principles for sustainable business activities in the FUCHS PETROLUB Group in the form of a comprehensive Sustainability Guide. The Executive Board bears overall responsibility for sustainability at FUCHS. The Chief Sustainability Officer supports all activities relevant to sustainable business activities throughout the company as well as our social commitment. We have established a Local Sustainability Officer at every national unit with production operations. These sustainability officers act

as the interface for the Chief Sustainability Officer at the Group HQ and are available as a point of contact for any specific questions that might arise in this regard. Further information on the topic of sustainability at FUCHS can be found in the [sustainability report](#) on page 50 of the annual report.

### **Opportunity and risk management**

Sound corporate governance also includes responsible handling of opportunities and risks by the company. The Executive Board ensures appropriate opportunity and risk management in the company. The Supervisory Board is informed regularly by the Executive Board of existing opportunities and risks, their development and any measures that have been taken in this regard. The Audit Committee, set up by the Supervisory Board, monitors the financial accounting process and examines the effectiveness of the internal control system, risk management system and audit system, as well as the audit. The internal control system, the risk management system and the internal audit system are continuously further developed and brought in line with the ever changing framework conditions. Details on this can be found in the opportunity and risk report (separate chapter in the combined management report).

### **High degree of transparency through comprehensive information**

FUCHS PETROLUB SE places great emphasis on keeping capital market participants up-to-date on the economic situation of the Group and key events through regular, prompt, uniform and comprehensive information. This reporting takes the form of an annual report and interim financial reports. In addition to this, FUCHS PETROLUB SE also provides information through scheduled and ad-hoc press releases. All information can be viewed on the Internet (website: <https://www.fuchs.com/group/>). The website also offers a financial calendar that contains the scheduled dates and times of all important events and publications.

FUCHS PETROLUB SE has created the mandatory insider directory in accordance with Section 15 b of the German Securities Trading Act (WpHG) and informed the affected persons, for whom access to insider information is essential to be able to perform their duties at FUCHS PETROLUB SE, of their legal obligations and the potential sanctions faced by anyone failing to comply with the regulations. As far as directors' dealings are to be reported, these are published on the website.



The members of the Executive Board and Supervisory Board are committed to the interests of the company. In reaching their decisions, they must neither pursue any personal interests nor business opportunities available to the company for their own personal gain. Any conflicts of interest must be declared to the Supervisory Board immediately. If applicable, the Annual General Meeting is also to be informed of conflicts of interest that have occurred and how they are being handled. There were no such conflicts of interest in the reporting year.

### **Accounting and audit**

The consolidated financial statements and interim financial reports of FUCHS PETROLUB SE are prepared in accordance with the International Financial Reporting Standards (IFRS) in the way in which they are to be applied in the European Union. The statutory annual financial statements of FUCHS PETROLUB SE, relevant for the distribution of dividends are prepared in accordance with the provisions of the German Commercial Code (HGB). After preparation by the Executive Board, the annual and consolidated financial statements, as well as the combined management report, are audited by the auditor appointed at the Annual General Meeting and approved by the Supervisory Board on the basis of its own examination. The annual financial statements are then adopted.

An agreement is reached with the auditor that he will immediately inform the Chairman of the Supervisory Board and / or the Chairman of the Audit Committee of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the auditors' report, unless these issues can be resolved immediately. The auditor is also to immediately report on all findings or conclusions important for the duties of the Supervisory Board that become apparent when performing the audit. The auditor is also to inform the Supervisory Board or make a note in the auditor's report if he detects any facts while performing the audit that render any part of the Declaration of Compliance submitted by the Executive Board and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG) inaccurate.

### **Text of the Declaration of Compliance**

#### **Declaration of Compliance in accordance with Section § 161 of the German Stock Corporation Act (AktG)**

The Executive Board and Supervisory Board of FUCHS PETROLUB SE declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that with effect from January 1, 2015 it has fully complied with and

will continue to comply with all recommendations of the Government Commission on the German Corporate Governance Code in the version of September 30, 2014. Up to December 31, 2014 no maximum limits were in place as to the amount of variable compensation and thus the Executive Board's compensation. As of January 1, 2015, this exception to the Code no longer exists.

The current and all previous Declarations of Compliance, can be accessed at any time on the Internet at [www.fuchs.com/declaration-of-compliance](http://www.fuchs.com/declaration-of-compliance)