



**Declaration by the Management Board and Supervisory Board  
of CENTROTEC Sustainable AG, Brilon,  
on the German Corporate Governance Code (Section 161 of German Stock Corporation Law)**

**Background**

On February 26, 2002 the "Government Commission on the German Corporate Governance Code" presented a code of practice for listed companies. This Code was last updated on June 06, 2008.

Pursuant to Section 161 of German Stock Corporation Law, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the code has been and is complied with:

**Declaration of Conformity**

The Management Board and Supervisory Board of CENTROTEC Sustainable AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated June 14, 2007 and subsequently in the version dated June 06, 2008 have been complied with since the last Declaration of Conformity, dated January 2008, and will be complied with in the future, with the reservations stated below.

1) Section 4.2.3 of the Code recommends that the remuneration of the Management Board should comprise a variable as well as a fixed component. The variable component is, among other things, intended to be performance-related, have a long-term incentivising effect and possess a risk character. The Code quotes stock options schemes as an example. CENTROTEC Sustainable AG has been operating a stock options scheme, applicable not only to Management Board members but also to executive staff and other employees, since 1999. We believe that the scheme reflects the spirit of the Code, but we draw attention to two aspects which might be interpreted as a departure from it.

The Code recommends reference to comparative parameters. The stock options scheme envisages a performance target based on the absolute increase in the share price. This form was chosen in order to provide an incentive for success in absolute rather than relative terms. The Code in addition recommends that the variable remuneration be capped. In the case of the options, this was realised through allowing their exercise only within a limited time frame (for the first time two years after issuance, for the last time seven years after issuance). Options received as a result of the attainment of targets are not retrospectively withdrawn by the company, nor the parameters governing them altered. In addition to the aforementioned share price target, the exercising of the options is moreover linked to further internal performance targets in order to preserve a demanding but equitable form of variable remuneration.

2) Section 5.3 of the Code recommends the formation of committees on the Supervisory Board. This shall, however, be dependant on the specific circumstances of the company and the number of members of the Supervisory Board. Our Supervisory Board consists of three members, who consider all matters concerning the company jointly. Consequently, we do not regard the creation of committees to be appropriate in our case. We believe that our view is compatible with the Code, but supply this information as a precautionary measure by way of clarification.

3) Section 5.4.2 of the Code recommends that the Supervisory Board includes an adequate number of members who – in the board's own opinion – are deemed to be independent. A member is to be regarded as independent if it has no business or personal relations with the company or with its Management Board that might constitute a conflict of interests. In its own opinion, our Supervisory Board includes an adequate number of independent members. Although Supervisory Board members do have business relations with the company, this does not constitute a conflict of interests.

Brilon, December 2008

On behalf of the Management Board:

On behalf of the Supervisory Board:

Dr. Gert-Jan Huisman  
(Chairman)

Guido A. Krass  
(Chairman)