



## **German Corporate Governance Code**

In February 2002, the German Corporate Governance Code (hereinafter also “Code”) was adopted by the Government Commission responsible and continually updated with the goal of establishing principles for good corporate governance and bolstering trust in German companies. The Code is designed to make the German Corporate Governance system transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees, and the general public in the management and supervision of listed German stock corporations.

SAF-HOLLAND S.A. is a Luxembourg société anonyme (S.A.) which is listed solely on a stock exchange in Germany. It is therefore not subject to the Luxembourg corporate governance regulations applicable to companies listed in Luxembourg. Furthermore, we are not required to comply with the respective German corporate governance regulation applicable to listed German stock corporations.

Nevertheless, we have decided to comply, to a certain extent, with the recommendations of the German Corporate Government Code regarding the principles of good corporate governance as SAF-HOLLAND S.A. regards the German Corporate Governance Code to be an important foundation for responsible corporate governance. However, certain recommendations will apply to our Company only to the extent that they are consistent with Luxembourg corporate law and our corporate structure. This particularly applies to SAF-HOLLAND S.A.'s single board structure with a Board of Directors, whereas the German Corporate Governance Code takes a dual Board structure for German stock corporations as a basis, which differentiates between a company's Executive Board and Supervisory Board.

## **Declaration of compliance with the recommendations of the German Corporate Governance Code**

The Board of Directors of SAF-HOLLAND S.A. declares that SAF-HOLLAND has complied, since the declaration of compliance was issued in February 2011, and will comply with the recommendations of the Government Commission's German Corporate Governance Code in its version of May 26, 2010 as published by the Federal Ministry of Justice on July 2, 2010 in the German Federal Gazette, taking into account the above-mentioned particularities of its legal structure, with the following exceptions:

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors do not provide for a deductible. A deductible does not appear necessary to ensure that members of the Board of Directors act responsibly and solely in the interest of the Company.
- Clauses 3.10, 4.2.5, 5.4.6, 6.6 and 7.1.3 of the Code: The Company's annual report does not contain a separate corporate governance report (no. 3.10). As a result there is no section containing disclosures regarding the remuneration of members of the Board of Directors (no. 4.2.5 and 5.4.6) nor are stock option programs and similar securities-based incentive systems of the Company listed (no. 7.1.3). Consequently, no disclosure will continue to be made of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors if these directly or indirectly exceed 1% of the shares issued by our Company; correspondingly, separate disclosure broken down by members of the Board of Directors will not be made if the entire holdings of all members of the Board of Directors exceeds 1% of the shares issued by our Company (no. 6.6). The expenses associated with creating a separate corporate governance report seem unreasonable. Shareholders' need for information is ensured by full compliance with disclosures required by law. Considerations as to why the Company does not comply with individual recommendations of the Code also stem from the reasons for the individual deviations already listed.

- Clause 4.2.3 (2 and 3) as well as clause 5.4.6 of the Code: With the exception of one member, the members of the Board of Directors do not receive performance-related compensation in addition to fixed compensation. The monetary components of remuneration of individual members of the Board of Directors therefore do not include, other than the aforementioned exception, variable components in addition to the fixed components (no. 4.2.3 (2 and 3)).
- Clause 4.2.3 (4) of the Code: Contracts for members of the Board of Directors have a term of two to four years, and as such, payments in the case of service in the board ending prematurely will not exceed four years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. This is primarily because existing contracts do not yet contain delimitation clauses. However, payments always relate to the remaining term of the employment contract.
- Clause 4.2.4 (5) of the Code: In the case of service in the Board of Directors ending prematurely as a result of a change in control, the contractual obligation of the Company may surpass 150% of the severance cap of two years' compensation. As in section 4, this is due to existing contracts which do not yet contain delimitation clauses.
- Clause 4.2.4 (6) of the Code: The Chairman of the Board of Directors will not inform the Annual General Meeting about the main features of the remuneration system and any changes to it.
- Clause 5.3.3 of the Code: The nomination committee of the Board of Directors was dissolved. Establishing a nomination committee no longer seems appropriate with the reduction of the Board of Directors from eight to five members.
- Clauses 5.1.2 and 5.4.1 of the Code: The age limit for members of the Board of Directors may not exceed 68 years at the time of election. The Company reserves the right to make exceptions. A strict age limit appears unreasonable as

it does not allow a sufficient conclusion based on the competence and performance of the member.

- Clause 5.4.1 of the Code: The Board of Directors' mid-term plans include the appropriate participation of women; it does not, however, consider concrete goals for its composition appropriate for the purpose of balancing various selection criteria.
- Clause 7.1.2 of the Code: Our Company's interim reports will, for the time being, not be made publicly accessible within 45 days of the end of the reporting period. It seems sufficient for these financial statements to be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, as amended (quarterly reports within two months of the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable.

Luxembourg, February 2012

Bernhard Schneider

Detlef Borghardt

Chairman of the Board of Directors

CEO