



## Corporate Governance

### Declaration of Compliance 2016

#### **Joint Declaration of the Executive Board and the Supervisory Board of STADA Arzneimittel AG concerning the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)**

STADA Arzneimittel AG (“**STADA**”) had complied with the recommendations of the German Corporate Governance Code in the version of May 5, 2015 (published on June 12, 2015 in the Federal Gazette) since the last Declaration of Compliance on October 8, 2015, with the exception of the deviations as mentioned there, and STADA will comply with the recommendations of the German Corporate Governance Code in this version in future with the following deviations.

The STADA Executive Board and Supervisory Board are of the opinion that the following disclosures made on Section 4.2.3 Para. 2 Sentence 4, Section 4.2.3 Para. 2 Sentence 6 and Section 4.2.3 Para. 2 Sentence 8 would not be necessary from a strictly legal point of view. However, the Executive Board and the Supervisory Board of STADA have decided to include the information in the Declaration of Compliance 2016 in accordance with the results of the extensive Corporate Governance audit of STADA and to increase transparency for investors and the capital market.

#### **Section 4.2.3 Para. 2 Sentence 4: Positive and negative development**

If the target is fallen short of by 25 percentage points or more, the variable remuneration of the members of the Executive Board is reduced to 0%. If the target is exceeded by more than 20 percentage points, the variable remuneration amounts to 180%. If more than 75% but a maximum of 120% of the target is achieved, the variable remuneration is calculated applying a formula. In addition, no parameters have been agreed through which any positive or negative development is reported, as the members of the Executive Board already participate in any positive or negative development with the regulation mentioned above.

#### **Section 4.2.3 Para. 2 Sentence 6: Caps**

The company grants fringe benefits to each member of the Executive Board, in particular a company car. Private use of the car is also permitted. Any costs incurred for the maintenance and use of the vehicle are covered by STADA. Moreover, STADA grants the members of the Executive Board financial contributions to and/or pays for insurances. As regards the amounts of such fringe benefits, there are no caps as such costs vary and are not precisely foreseeable. Since no caps with regard to the amounts have been determined, there are also no caps for the amount of the remuneration in general. There are, however, caps for variable remuneration. These do not indicate amounts but are to be calculated applying mathematical formulae. Since the mathematical formulae are very comprehensible, this presentation serves to improve readability of the Executive Board contracts.

#### **Section 4.2.3 Para. 2 Sentence 8: No repricing**

The contracts of the members of the Executive Board do not exclude subsequent changes to the performance targets or comparative parameters. The Executive Board contracts stipulate, among other things, that the Supervisory Board may choose a suitable share index other than the MDAX when calculating the deferral payment amount of the long-term variable remuneration, e.g. in the case that STADA is not an MDAX-listed company anymore. The regulations stipulated in the contracts of the members of the Executive Board which allow such changes enable the Supervisory Board to avoid any positive or negative disincentives that could result from any unpredicted development.



**Section 5.4.1 Para. 2 Sentence 1: Age limit and regular length of membership for the members of the Supervisory Board**

The objectives specified by the Supervisory Board regarding its composition do not contain an age limit or a regular limit of length of membership of the Supervisory Board. To date, the Supervisory Board has been of the opinion that age is not a suitable criterion for choosing qualified candidates. However, it has been considered to comply with the recommendation in Section 5.4.1, Para. 2, Sentence 1, which suggests an age limit, in the future. This is to be decided shortly. Furthermore, in the view of the Supervisory Board, the expertise of long-standing and experienced Supervisory Board members shall in principle also be made available to the company. A limit of maximum length of membership defined in advance is not considered appropriate by the Supervisory Board.

Bad Vilbel, July 14, 2016

signed  
Dr. Martin Abend  
Chairman of the Supervisory Board

signed  
Dr. Matthias Wiedenfels  
Chairman of the Executive Board