

DECLARATION ON CORPORATE GOVERNANCE  
PURSUANT TO SECTION 289 A OF THE  
GERMAN COMMERCIAL CODE

CORPORATE GOVERNANCE REPORT

24 APRIL 2013



## DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE

RHÖN-KLINIKUM AG accords high priority to good corporate governance, and as part of a transparent, legally unobjectionable and ethically sound corporate culture sees it as an important prerequisite for preserving and strengthening the trust that shareholders, business partners, patients and employees place in us and for creating value-added in our enterprises on a sustained basis.

For this reason, efficient and responsible decision-making and control processes oriented towards long-term corporate success are of central importance for our activities. With circumspection and sound judgment, and in a transparent manner, we co-ordinate the management of opportunities and risks as well as the interests of our shareholders and employees. The corporate code of RHÖN-KLINIKUM AG summed up in our leading principle “Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself” serves as the guideline of the Board of Management and all employees in their dealings with patients and shareholders and makes a decisive contribution towards supporting corporate governance in our field of business as a publicly listed healthcare provider.

The Corporate Governance Declaration (section 289a German Commercial Code (Handelsgesetzbuch, HGB), in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), also contains information on corporate governance practices. The work approach of the Board of Management and the Supervisory Board as well as the established committees are also described. The Corporate Governance Report is published in connection with this Report.

### **Declaration of Compliance**

The German Corporate Governance Code (GCGC) describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2012, the

Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. Apart from three disclosed exceptions, we satisfy the recommendations of the German Corporate Governance Code and voluntarily observe most of its suggestions.

As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 7 November 2012 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012 and supplemented on 24 April 2013, which is published on our website:

**Declaration of Compliance in accordance with section 161 German Stock Corporation Act (Aktiengesetz, AktG) (as issued on 7 November 2012)**

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 26 May 2010 and published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4 Period for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.



Code Item 5.4.1 (2), (3) Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition within the meaning of Code Item 5.4.1 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

Code Item 5.4.6 (2) sentence 2 Performance-linked remuneration of supervisory board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; in this regard, the Articles of Association thus do not provide for any explicit orientation on sustained corporate development within the meaning of the new Code version in Code Item 5.4.6 (2) sentence 2.

At the time when the last Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. Since application of the new recommendation, it has thus not been possible to revise the relevant provision of the Articles of Association; the recommendation therefore was not and will not be implemented.

The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for the next Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration is to be modified and e.g. determined on an assessment basis covering several years. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the next Annual General Meeting.



The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and section 161 of the AktG.”

**Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (as issued on 7 November 2012 in the version of the interim update of 24 April 2013)**

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 26 May 2010 and published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4 Period for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

Code Item 5.4.1 (2), (3) Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition within the meaning of Code Item 5.4.1 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.



Code Item 5.4.6 (2) sentence 2      Performance-linked remuneration of supervisory board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; in this regard, the Articles of Association thus do not provide for any explicit orientation on sustained corporate development within the meaning of the applicable Code Item 5.4.6 (2) sentence 2.

At the time when the 2012 Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. As a result it was not possible to adjust the applicable provision in the Articles of Association. Prior to the 2013 Annual General Meeting, the Supervisory Board, given the current controversial debate on remuneration structure with regard to the share of fixed and variable components and the inclusion of a variable remuneration component reflecting a company's sustained success, had not yet formed any conclusive opinion on whether and, if so, to what extent the performance-linked component should be modified and e.g. calculated on a new assessment basis covering several years and a corresponding resolution proposal submitted to the Annual General Meeting; the recommendation was not and therefore will not be implemented.

The Supervisory Board continues to closely follow the debate on supervisory board remuneration and intends to review, in good time before the 2014 Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration should be modified. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the 2014 Annual General Meeting.

The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and section 161 of the AktG."

The current and all past declarations of compliance are permanently made available over the Internet under [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

### **Disclosures on corporate governance practices**

The business activity of RHÖN-KLINIKUM Group is conducted on the basis of the following corporate governance practices which are applied above and beyond the statutory requirements.

### **Terms of Reference of the Board of Management and guidelines of the Company**

The Terms of Reference of the Board of Management and the guidelines of the Company serve to provide for work procedures and other operative processes with binding effect as well as to define fundamental organisational decisions. They thus ensure efficient allocation of work resources for performance of tasks in line with the Company's objectives and provide for a clear division of duties and responsibilities. They also serve to promote an understanding of business procedures and co-operation between individual areas. The Terms of Reference of the Board of Management and the guidelines of the Company are available to all employees on our intranet.

### **Corporate philosophy and corporate code**

Good health means quality of life – the highest human good. We firmly believe that everyone is entitled to affordable and high-quality medical care. Health must not become a luxury.

Our objective is therefore to offer generalised high-quality care that is accessible and affordable for everyone. For us, the basis for good medical care is a threefold harmony of freedom of choosing medical treatment, ongoing investments in medical innovations and patient-oriented clinical processes and structures. In healthcare, quality and efficiency go hand in hand – in the best interests of our patients.

At the heart of our corporate philosophy and underlying all our activity is the well-being of our patients. The trust they place in our hospitals forms the very essence of our business. For this reason we give the highest priority to personal integrity and professionalism in all areas of our Company. Our leading principle is:



“Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself.”

In our hospitals, it is the patient’s condition that determines the level of care and the pace of clinical processes. We specifically promote interdisciplinary co-operation in the treatment provided by doctors and nurses, thus raising the quality of treatment noticeably.

For us, the principle of patient-oriented division of labour also applies beyond the bounds of individual hospitals and healthcare sectors: each patient is to be cared for wherever he or she can receive the best treatment. With our integrated care concept, we bring high-quality medical care to where patients are, also in structurally weak regions. Our web-based electronic patient file, WebEPA, improves co-ordination amongst treating doctors.

This raises the quality of treatment, with all patients benefiting from the delivery of high-quality medical services.

RHÖN-KLINIKUM AG has led the way in hospital privatisation for over two decades now. Private capital – whether generated thanks to an entrepreneur’s own performance or made available by the capital market – is the foundation of affordable, high-quality healthcare delivery since it enables investment in innovations, ensuring the future viability of healthcare. This in turn allows for profitability and sustainable financing of new growth and medical innovations.

**Our corporate objective is to offer generalised high-quality care that is accessible and affordable for everyone. For us, the basis for good medical care is a threefold harmony of freedom of choosing medical treatment, ongoing investments in modern medical care as well as clinical processes and structures oriented towards you – our patients. For us quality and efficiency in healthcare go hand in hand – so that good medical care does not become a luxury good.**

Our corporate philosophy and our corporate code are permanently made available to the general public over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).



## **Work approach of the Board of Management and Supervisory Board**

### **Management and supervisory structure**

In keeping with the requirements of German legislation governing joint stock corporations and corporations, RHÖN-KLINIKUM AG has a dual management system subject to the strict separation at the personnel level between the management and supervisory bodies. The Board of Management has powers to direct the Company and the Supervisory Board powers to supervise the Company. Simultaneous membership in both corporate bodies is excluded.

With a view to achieving sustainable value-added for the Company, the Board of Management and the Supervisory Board have committed themselves to co-operate through mutual trust in the best interests of the Company on the basis of a balanced allocation of duties and responsibilities as defined by law, the Articles of Association and the Terms of Reference. No conflicts of interests of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred.

For members of the Supervisory Board and members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item 3.8 para. 2 and 3 of the GCGC. The insurance premium paid by the Company in financial year 2012 was € 130,000.

### **Annual General Meeting and shareholder relations**

Pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), RHÖN-KLINIKUM AG reports once per quarter, in accordance with the applicable International Financial Reporting Standards (IFRSs) applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), to its shareholders and the interested public on the performance of business as well as the Group's net assets, financial position and results of operations. The preliminary business figures for a past financial year are made known approximately eight weeks after it has ended, and forecasts for a future financial year are made known by the beginning of such financial. Important company notices are published immediately. All reports and notices can be found on our Company's homepage.

Moreover, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders annually on business performance as well as the financial position and results of operations at the Company's Annual General Meeting, which usually takes place within the first six months of the financial year. The information required by our shareholders for their decision-making is made available in the form as required by law.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association exclusively at the Annual General Meeting by exercising their voting rights. Shareholders may exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2012 as well as the annual financial statement as at 31 December 2012 after the Audit Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

With the statutory auditor we have concluded the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. The auditor shall therefore inform the chairman of the Audit Committee immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor shall also report on all facts and events of importance for the tasks of the Supervisory Board arising during the performance of the audit. In the event that any facts are identified during the performance of the audit of the annual financial statements which show the Statement of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 of the AktG to be



incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

The Annual General Meeting approved the remuneration resolved by the Supervisory Board already in financial year 2011. It is provided that future changes in the remuneration system will be submitted to the Annual General Meeting for approval.

### **Board of Management**

At the beginning of financial year 2012, the Board of Management of RHÖN-KLINIKUM AG was comprised of five members and in 2012 was headed by one chairman. Dr. Irmgard Stippler left the Board of Management with effect from 23 May 2012, Dr. Erik Hamann with effect from 30 September 2012, and Mr. Wolfgang Pföhler with effect from 30 December 2012. As of 1 October 2012 Dr. Dr. Martin Siebert and as of 1 November 2012 Mr. Jens-Peter Neumann were appointed as members of the Board of Management. The allocation of responsibilities within the Board of Management was adjusted accordingly in each case. For further information, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

The Board of Management reports to the Supervisory Board regularly, without delay and comprehensively on all significant issues relating to the business development and position of the Group and its subsidiaries. The Board of Management furthermore co-ordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The chairman of the Board of Management reports to the chairman of the Supervisory Board on events of special significance without delay. Any transactions and measures subject to consent are presented to the Supervisory Board in due time.

The members of the Board of Management are obliged to disclose any arising conflicts of interests without delay. Moreover, they require approval of the Supervisory Board for secondary activities of any kind. Transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2012, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. At the Annual General Meeting on 8 June 2011, the resolution on the amendment of the Articles of Association with regard to the age limit of the Board of Management was adopted. The Articles of Association now only provide for a fixed age limit of 65 years, as defined by Code Item 5.1.2 paragraph 2 last sentence of the German Corporate Governance Code.

The composition of our Board of Management is permanently made available over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

### **Supervisory Board**

The Supervisory Board advises the Board of Management and supervises its management activity. The close and efficient co-operation between the Board of Management and the Supervisory Board with the common objective of creating sustainable value-added takes place on the basis of Terms of Reference for the work between the Board of Management and the Supervisory Board.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four regular meetings and three extraordinary meetings in 2012.

The chairman of the Supervisory Board is Mr. Eugen Münch, who exercises this office in a full-time capacity. Pursuant to Section 14.1 of the Articles of Association, a Supervisory Board office including a secretariat as well as a chauffeur service and its use are available to the Supervisory Board for the discharge of its duties.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis in



2010. When proposing persons for election as members of the Supervisory Board, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests. The term of office of the Supervisory Board is five years and ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2014. The age limit according to the Articles of Association was raised to 75 years at the Annual General Meeting on 8 June 2011.

The composition of our Supervisory Board is permanently made available over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

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

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2012 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Financial Committee as committees with power to adopt resolutions within the meaning of section 107 (3) of the AktG, the Anti-Corruption Committee and Nomination Committee, as well as the Medical Innovation and Quality Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include the negotiations on, the preparatory work for the conclusion of, as well as the amendment and the termination of service contracts of members of the Board of Management and other contracts, the performance appraisal of the Board of Management, as well as the regular review of the reasonable and customary level of the remuneration of the Board of Management, of the guidelines on the remuneration of

members of the Board of Management and the submission of proposed resolutions in this regard to the plenary meeting of the Supervisory Board.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports as part of a preliminary consultation with the auditor. Its tasks include selecting and appointing the statutory auditor, as well as agreeing on the auditing fees and reviewing and monitoring its independence and quality including the services additionally provided by the statutory auditor. The Audit Committee supervises financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system. It deals with fundamental issues of accounting, corporate governance and compliance. With regard to the choice of members, the Supervisory Board must give due regard to the independence of the Audit Committee's members and their particular experience and knowledge in the application of accounting regulations and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG, possesses the required knowledge of the Company and its market environment, and as an auditor and tax adviser has the required qualifications for this demanding position in accordance with Item 5.3.2 German Corporate Governance Code. As the second deputy chairman of the Supervisory Board he performs his duties on the Supervisory Board in a full-time capacity. The Audit Committee comprises so-called "financial experts" who satisfy the conditions of section 100 (5) of the AktG.

The **Investment, Strategic and Financial Committee** advises the Board of Management on the strategy for the Company's further development. Pursuant to section 107 (3) of the AktG it adopts resolutions on the approval of hospital takeovers, other investments subject to approval and their financing. At the same time it reviews and comments the reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments.



The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption and advises the Board of Management on corruption prevention measures. Its members are bound by a greater duty of confidentiality and, without prejudice to contrary statutory provisions, have an obligation to inform and render account to the Supervisory Board whenever they have sustained grounds to suspect corruption in specific cases. The Committee has a right to apply for the initiation of special audits which are decided on by the Audit Committee.

The **Nomination Committee** makes recommendations to the shareholders' representatives on the Supervisory Board for the nomination of candidates of the shareholders' representatives for election by the Annual General Meeting to the Supervisory Board.

The **Medical Innovation and Quality Committee** deliberates on developments and trends in medicine and monitors the development of medical quality. It prepares statements of opinion for the plenary meeting of the Supervisory Board, for the Investment, Strategy and Finance Committee and for the Board of Management.

During the financial year a **Special Committee**, limited in term to the period of the takeover offer by Fresenius, was formed by the Supervisory Board to prepare the statement of the Supervisory Board pursuant to section 27 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG).

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the last external audit in 2010 based on questionnaires and meetings satisfied the expectations of the Supervisory Board in terms of the efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2012 is provided in the Report of the Supervisory Board of the 2012 Annual Report.

The composition of the committees of the Supervisory Board is permanently made available over the Internet under [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).



### **Other bodies**

A further body set up at RHÖN-KLINIKUM AG is the Advisory Board. It advises the Board of Management on future trends in the hospital and healthcare sector as well as on medical development issues.

The composition of the Advisory Board is permanently made available over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

Bad Neustadt a. d. Saale, 24 April 2013

The Supervisory Board

The Board of Management



## **CORPORATE GOVERNANCE REPORT**

### **Corporate Governance Report - joint report on corporate governance by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG**

#### **Corporate governance at RHÖN-KLINIKUM Group**

Responsible and sustained corporate governance is especially important for the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG. The Board of Management and the Supervisory Board are wholly guided in their actions by efficient and responsible decision and control processes geared to the Company's long-term success. Together with a transparent as well as legally and ethically sound corporate culture, corporate governance is the prerequisite for preserving and strengthening the trust that shareholders, business partners, patients and employees place in us and for securing and for enhancing the value-added of our enterprises on a sustainable basis.

In financial year 2012, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. Detailed discussions were held on the corresponding revisions to the German Corporate Governance Code. We concluded that the Supervisory Board, as before, will not state any specific temporal or quota-related objectives for its composition within the meaning of Code Item 5.4.1 (2). In its appointments, the Supervisory Board will give regard to the criteria of internationality, conflicts of interests, diversity as well as suitable participation of women. However, it considers candidates' suitability as the sole criterion for nominations. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and therefore see no need to depart from this practice. In respect of the reasonable assistance called for in Code Item 5.4.1 (4) in the training and higher-qualification of supervisory board members, we take the view that providing assistance by assuming costs in the form of non-cash benefits is not permissible since the remuneration of the Supervisory Board's activity is set out exhaustively in the Articles of Association and the latter do not



provide for special remuneration. However, we will actively assist our Supervisory Board members by referring them to further training measures. In this regard the Articles of Association do not provide for the performance-linked remuneration of the members of the Supervisory Board with reference to an explicitly sustained corporate development within the meaning of the new Code version in Code Item 5.4.6 (2) sentence 2. At the time when the last Annual General Meeting of the Company was convened, this new recommendation of the Corporate Governance Code was not yet in force. Since application of the new recommendation, it has thus not been possible to revise the relevant provision of the Articles of Association. The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time before the 2014 Annual General Meeting, whether and, if so, at what time the provisions on remuneration are to be modified. In future also we shall continue presenting the annual financial statements of the Company and the Group only in April given the Group's high internal quality requirements. We thus depart from the Code's recommendations in a total of three disclosed exceptions. We observe most of the non-mandatory suggestions of the German Corporate Governance Code.

### **Declaration of Compliance**

As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 7 November 2012 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012, which is published on our website:

#### **Declaration of Compliance pursuant to Section 161 Stock Corporation Act (as issued on 7 November 2012)**

"The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the 'Government Commission of the German Corporate Governance Code' as amended on 26 May 2010 and published by the Federal Ministry of Justice in the official section of the Federal Gazette, and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been

implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4      Period for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

Code Item 5.4.1 (2), (3)      Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition within the meaning of Code Item 5.4.1 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

Code Item 5.4.6 (2) sentence 2      Performance-linked remuneration of supervisory board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; the Articles of Association thus do not provide for any explicit orientation on sustained corporate development within the meaning of the new Code version in Code Item 5.4.6 (2) sentence 2.

At the time when the last Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. Since application of the new recommendation, it has thus not been possible to revise the relevant provision of the Articles of Association; the recommendation therefore was not and will not be implemented.

The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for the next Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration is to be modified and e.g. determined on an assessment basis covering several years. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the next Annual General Meeting.



The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and section 161 of the AktG.”

### **Updated interim Declaration of Compliance**

At its meeting on 24 April 2013, the Supervisory Board adopted an update to the Declaration of Compliance pursuant to section 161 of the AktG jointly issued and updated by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012. This updated version is published on our website:

#### **Declaration of Compliance pursuant to Section 161 Stock Corporation Act**

**(as issued on 7 November 2012**

**in the version of the interim update**

**of 24 April 2013)**

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 26 May 2010 and published by the Federal Ministry of Justice in the official section of the Federal Gazette, and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4:           Period for making available the Consolidated Financial Statement

The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.



The annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

Code Item 5.4.1 (2), (3)

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition within the meaning of Code Item 5.4.1 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

Code Item 5.4.6 (2) sentence 2

Performance-linked remuneration of supervisory board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; in this regard, the



Articles of Association thus do not provide for any explicit orientation on sustained corporate development within the meaning of the applicable Code Item 5.4.6 (2) sentence 2.

At the time when the 2012 Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. As a result it was not possible to adjust the applicable provision in the Articles of Association. Prior to the 2013 Annual General Meeting, the Supervisory Board, given the current controversial debate on remuneration structure with regard to the share of fixed and variable components and the inclusion of a variable remuneration component reflecting a company's sustained success, had not yet formed any conclusive opinion on whether and, if so, to what extent the performance-linked component should be modified and e.g. calculated on a new assessment basis covering several years and a corresponding resolution proposal submitted to the Annual General Meeting; the recommendation was not and therefore will not be implemented.

The Supervisory Board continues to closely follow the debate on supervisory board remuneration and intends to review, in good time before the 2014 Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration should be modified. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the 2014 Annual General Meeting.

The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and Section 161 AktG.” **Management and supervisory structure**

In keeping with the requirements of German legislation governing joint stock corporations and corporations, RHÖN-KLINIKUM AG has a dual management system subject to the strict separation at the personnel level between the management and supervisory bodies. The Board of Management has powers to direct the Company and the Supervisory Board powers to supervise the Company. Simultaneous membership in both corporate bodies is excluded.

With a view to achieving sustainable value-added for the Company, the Board of Management and the Supervisory Board have committed themselves to co-operate through mutual trust in the best interests of the Company on the basis of a balanced allocation of duties and responsibilities as defined by law, the Articles of Association and the Terms of Reference. No conflicts of interests of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred.

For members of the Supervisory Board and members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item 3.8 para. 2 and 3. The insurance premium paid by the Company in financial year 2012 was € 130,000.

### **Annual General Meeting and shareholder relations**

Pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), RHÖN-KLINIKUM AG reports once per quarter, in accordance with the applicable International Financial Reporting Standards (IFRSs) applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), to its shareholders and the interested public on the performance of business as well as the Group’s net assets, financial position and results of operations. The preliminary business figures for a past financial year are made known approximately six weeks after it has ended, and forecasts for a future financial year are made known by the beginning





of such financial year at the latest. Important company notices are published immediately. All reports and notices can be found on our Company's homepage.

Moreover, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders annually on business performance as well as the financial position and results of operations at the Company's Annual General Meeting, which usually takes place within the first six months of the financial year. The information required by our shareholders for their decision-making is made available in the form as required by law.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association exclusively at the Annual General Meeting by exercising their voting rights. Shareholders may exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. However, at the present time we maintain the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting in the interest of securing the resolution procedure.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2012 as well as the annual financial statement as at 31 December 2012 after the Audit Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

With the statutory auditor we have concluded the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. The auditor shall therefore inform the chairman of the Audit Committee immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor shall also report on all facts and events of importance for the tasks of the Supervisory Board arising during the performance of the

audit. In the event that any facts are identified during the performance of the audit of the annual financial statements which show the Statement of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 of the AktG to be incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

In financial year 2011, the Annual General Meeting approved the remuneration resolved by the Supervisory Board. It is provided that future changes in the remuneration system will be submitted to the Annual General Meeting for approval.

### **Board of Management**

At the beginning of financial year 2012, the Board of Management of RHÖN-KLINIKUM AG was comprised of five members and in 2012 was headed by one chairman. Dr. Irmgard Stippler left the Board of Management with effect from 23 May 2012, Dr. Erik Hamann with effect from 30 September 2012, and Mr. Wolfgang Pföhler with effect from 30 December 2012. As of 1 October 2012 Dr. Dr. Martin Siebert and as of 1 November 2012 Mr. Jens-Peter Neumann were appointed as members of the Board of Management. The allocation of responsibilities within the Board of Management was adjusted accordingly in each case. For further information, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

The Board of Management reports to the Supervisory Board regularly, without delay and comprehensively on all significant issues relating to the business development and position of the Group and its subsidiaries. The Board of Management furthermore co-ordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The chairman of the Board of Management reports to the chairman of the

Supervisory Board on events of special significance without delay. Any transactions and measures subject to consent are presented to the Supervisory Board in due time.

The members of the Board of Management are obliged to disclose any arising conflicts of interests without delay. Moreover, they require approval of the Supervisory Board for secondary activities of any kind. Transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2012, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. At the Annual General Meeting on 8 June 2011, the resolution on the amendment of the Articles of Association with regard to the age limit of the Board of Management was adopted. The Articles of Association now only provide for a fixed age limit of 65 years, as defined by Code Item 5.1.2 paragraph 2 last sentence of the German Corporate Governance Code.

### **Supervisory Board**

The Supervisory Board advises the Board of Management and supervises its management activity. The close and efficient co-operation between the Board of Management and the Supervisory Board with the common objective of creating sustainable value-added takes place on the basis of Terms of Reference for the work between the Board of Management and the Supervisory Board.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four regular meetings and three extraordinary meetings in 2012.

The chairman of the Supervisory Board is Mr. Eugen Münch, who exercises this office in a full-time capacity. Pursuant to Section 14.1 of the Articles of Association, a Supervisory Board office including a secretariat as well as a chauffeur service and its use are available to the Supervisory Board for the discharge of its duties.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis in



2010. When proposing persons for election as members of the Supervisory Board, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests. The term of office of the Supervisory Board is five years and ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2014. The age limit according to the Articles of Association was raised to 75 years at the Annual General Meeting on 8 June 2011.

If members of this Supervisory Board also exercise mandates on supervisory boards or similar bodies of other companies or organisations, membership on these supervisory boards, in the view of the Supervisory Board of RHÖN-KLINIKUM AG, has not given rise to any conflicts of interest that might result in an impairment in the performance of their mandates.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2012 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Financial Committee as committees with power to adopt resolutions within the meaning of section 107 (3) of the AktG, the Anti-Corruption Committee and Nomination Committee, as well as the Medical Innovation and Quality Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include the negotiations on, the preparatory work for the conclusion of, as well as the amendment and the termination of service contracts of members of the Board of Management and other contracts, the performance appraisal of the Board of Management, as well as the regular review of the reasonable and customary level of the remuneration of the Board of Management, of the guidelines on the remuneration of

members of the Board of Management and the submission of proposed resolutions in this regard to the plenary meeting of the Supervisory Board.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports as part of a preliminary consultation with the auditor. Its tasks include selecting and appointing the statutory auditor, as well as agreeing on the auditing fees and reviewing and monitoring its independence and quality including the services additionally provided by the statutory auditor. The Audit Committee supervises financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system and risk management system, and the internal audit system. It deals with fundamental issues of accounting, corporate governance and compliance. With regard to the choice of members, the Supervisory Board must give due regard to the independence of the Audit Committee's members and their particular experience and knowledge in the application of accounting regulations and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG, possesses the required knowledge of the Company and its market environment, and as an auditor and tax adviser has the required qualifications for this demanding position in accordance with Item 5.3.2 German Corporate Governance Code. As the second deputy chairman of the Supervisory Board he performs his duties on the Supervisory Board in a full-time capacity. The Audit Committee comprises so-called "financial experts" who satisfy the conditions of section 100 (5) of the AktG.

The **Investment, Strategic and Financial Committee** advises the Board of Management on the strategy for the Company's further development. Pursuant to section 107 (3) of the AktG it adopts resolutions on the approval of hospital takeovers, other investments subject to approval and their financing. At the same time it reviews and comments the reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments.



The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption and advises the Board of Management on corruption prevention measures. Its members are bound by a greater duty of confidentiality and, without prejudice to contrary statutory provisions, have an obligation to inform and render account to the Supervisory Board whenever they have sustained grounds to suspect corruption in specific cases. The Committee has a right to apply for the initiation of special audits which are decided on by the Audit Committee.

The **Nomination Committee** makes recommendations to the shareholders' representatives on the Supervisory Board for the nomination of candidates of the shareholders' representatives for election by the Annual General Meeting to the Supervisory Board.

The **Medical Innovation and Quality Committee** deliberates on developments and trends in medicine and monitors the development of medical quality. It prepares statements of opinion for the plenary meeting of the Supervisory Board, for the Investment, Strategy and Finance Committee and for the Board of Management.

During the financial year a **Special Committee**, limited in term to the period of the takeover offer by Fresenius, was formed by the Supervisory Board to prepare the statement of the Supervisory Board pursuant to section 27 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG).

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the last external audit in 2010 based on questionnaires and meetings satisfied the expectations of the Supervisory Board in terms of the efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2012 is provided in the Report of the Supervisory Board of the 2012 Annual Report.

## **Other bodies**

A further body set up at RHÖN-KLINIKUM AG is the Advisory Board. It advises the Board of Management on future trends in the hospital and healthcare sector as well as on medical development issues. For further information on the Advisory Board of the Company, please refer to the disclosures made in the Notes to the consolidated financial statements.

## **Transparency**

We engage in active, open and transparent communication with our shareholders and treat all shareholders equally. We use suitable communication channels such as the Internet and service providers for active dissemination throughout Europe so that our shareholders are informed in a prompt and uniform manner. We publish our financial calendar containing all important financial dates for analysts, investors, shareholder associations and media on our website at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com) under the section “Investors”. We also publish important information on our website relating to our share and its price trend as well as inside information directly concerning us. As soon as we become aware of the fact that an individual reaches, exceeds or falls below the statutory thresholds of voting rights in the Company by means of a purchase, sale or any other manner, we also publish this information on our website without undue delay.

We disclose all notices on the acquisition and sale of shares of the Company or of financial instruments relating thereto pursuant to section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) by members of the Board of Management and the Supervisory Board on our website. As at 31 December 2012, the members of the Supervisory Board and the Board of Management together held 12.54 per cent of the Company’s registered share capital, of which the Supervisory Board accounts for 12.53 per cent of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 12.45 per cent of the Company’s registered share capital and the other members of the Supervisory Board 0.08 per cent of the shares in issue. The members of the Board of Management together hold 0.01 per cent of the Company’s registered share capital.

In the Notes to the consolidated financial statements we also report on dealings with related parties of RHÖN-KLINIKUM AG and its subsidiaries as well as companies related to such parties. The contracts entered into with such parties and the services rendered were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, the contracts have no impact on the independence of the aforementioned member of the Supervisory Board.

### **Risk management and personal integrity**

Our handling of risks and opportunities is also consistent with the principles of responsible corporate behaviour. The risk management system established by RHÖN-KLINIKUM AG was established with the aim of identifying risks early at the level of RHÖN-KLINIKUM AG and at the same time also applied to hospitals and investments. The risk profile and its revision allow the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. The risk management system is reviewed by our auditors as part of the annual audit of the financial statements.

Compliance in the sense of upholding personal integrity in corporate governance is regarded by the Board of Management as an essential management duty. According to this principle the Board of Management is directly required to observe all measures for compliance with law, statutory regulations and Group-internal guidelines and to implement and enforce these in their dealings with employees and business partners. For RHÖN-KLINIKUM AG and all other Group companies a compliance guideline exists which is amended and adjusted at regular intervals. The focus of our compliance activities is on combating active and passive corruption. Any contraventions in the area of corruption are not tolerated and are strictly sanctioned at all executive and staff levels. All our employees are called upon to actively bring to light cases of corruption in their respective areas of responsibility. They have direct access to a committee of the Supervisory Board (Anti-Corruption Committee) in this regard which is bound by a duty of confidentiality.



## **Remuneration Report**

The remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components. The Group does not provide stock option programmes or similar forms of compensation. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out in the table at the end of this Report.

The Remuneration Report summarises the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG and explains the structure and amount of income of the Board of Management. It also provides a description of the principles and amount of the remuneration of the Supervisory Board and the Advisory Board as well as disclosures on shareholdings of the Board of Management and the Supervisory Board.

### **Remuneration of the Board of Management**

The Supervisory Board has established the remuneration scheme for the Board of Management in the guidelines on the remuneration of the members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

The aggregate remuneration of the members of the Board of Management is comprised of several remuneration components. Specifically, these are the base salary, the bonus, additional benefits (non-cash benefits) and a contingent pension retirement benefit.

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which took effect on 5 August 2009, the plenary meeting is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. On 20 February 2013 the Supervisory Board adjusted the remuneration scheme to the current regulations by way of revision of the remuneration guidelines. These guidelines apply generally (apart from justified exceptions) to all service contracts of members of the Board of Management that are concluded or amended after such date.

## **Essential provisions of the remuneration scheme**

The remuneration scheme provides that the entire remuneration of the members of the Board of Management is defined and reviewed by the Supervisory Board giving due regard to the criteria for assessing the reasonable and customary level of remuneration as well as the duties of each individual member of the Board of Management, such member's personal performance, as well as to the economic position and success of the Company, and that the overall remuneration does not exceed the customary level of remuneration unless there are special reasons for this. In the event of a deterioration in the Company's economic position, the Supervisory Board will lower the overall remuneration subject to the provisions of section 87 (2) of the AktG where continued payment of the overall remuneration would be unreasonable.

The remuneration of the members of the Board of Management is comprised of non-performance-linked and performance-linked components. The non-performance-linked components consist of a basic salary and additional benefits, whereas the performance-linked component consists of a bonus. Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. The contingent pension retirement benefits are in principle based on the annual remuneration at the time of termination of the service contract and are thus influenced by the non-performance-linked and performance-linked components of the remuneration scheme.

The basic salary as a rule is € 192,000 p.a. and is paid out as non-performance-linked remuneration in 12 equal monthly instalments. The chairman of the Board of Management as a rule receives 1.5 to 2 times the standard salary. The members of the Board of Management also receive additional non-cash benefits which essentially consist in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance and the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. In principle, all members of the Board of Management are entitled



to these in the same way, the amount of which varies depending on the member's personal situation.

The performance-linked component of the remuneration is the bonus whose amount is oriented on the development of consolidated earnings over the last three financial years as a multi-year assessment basis. The reference value is the consolidated result after minority interests in accordance with the currently applicable IFRS. One-off impacts as a result of extraordinary developments affecting the consolidated result are not included. The bonus consists of a basic component and a performance-linked component. The basic component is defined by the Supervisory Board as an absolute amount (basic amount) when calculated from the assessment basis for the duration of the service contract and in each case is paid out in advance in 12 equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic amount is approximately two thirds of the assessment basis. The bonus rate for the basic amount is the same for all members of the Board of Management and is defined by the Supervisory Board on recommendation by the Personnel Affairs Committee. If the assessment basis calculated for a financial year is less than the basic amount, such bonus rate is to be applied to the reduced basic amount. The advance payment on the basic bonus not covered results in a recovery claim on the part of the Company. The performance component in each case results from the difference between the assessment basis calculated for the respective financial year less the basic amount. The bonus rate for this performance component is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee giving due regard to the performance, duties and number of terms of office. The chairman of the Board of Management as a rule receives 1.5 to 2 times the bonus rates. For members and in particular deputy members who have been appointed to the Board of Management for the first time, an appropriate reduction in the bonus rates may be agreed. The same applies in the event of special reasons justifying such reduction, also for the other members of the Board of Management.

The members of the Board of Management are guaranteed a total annual remuneration (sum of base salary and bonus) of at least € 450,000.00. The cap for total annual remuneration is set at € 900,000.00. The minimum remuneration and the cap can be fixed at up to 2.5 times

these amounts for the chairman of the Board of Management and at up to 2 times these amounts for his permanent representative and the chief financial officer (CFO).

If a service contract of a member of the Board of Management ends without this being attributable to good cause in the person of such member, or in the event of the decease of the member of the Board of Management during such member's term of office, the member of the Board of Management (or, in the event of decease, that member's heirs) receives an pension retirement benefit in the form of a one-off payment. For each full year of work as member of the Board of Management, this benefit amounts to 0.125 times of the annual remuneration (annual basic salary plus bonus) for the calendar year in which such member leaves the Board of Management or deceases, however, not more than 1.5 times such latter remuneration but at least 1.5 times the average remuneration during the contractual term for the term of work for the Board of Management. The pension retirement benefit is due and payable six months after the close of the financial year in which the service contract ends or the member of the Board of Management has deceased. As a rule, no pension retirement benefit shall be granted if a member of the Board of Management terminates the service contract of his/her own accord before reaching the age of 60 for a reason not attributable to the Company, or does not extend the service contract despite having been offered an extension.

If a member of the Board of Management receives severance compensation because that member's work for the Board of Management has been terminated without good cause, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not remunerate more than the remaining term of the service contract.

No other forms of compensation, such as pension commitments, stock options or loans, are currently granted to the members of the Board of Management.

In financial year 2012, the remuneration of the members of the Board of Management holding office in financial year 2012 totalled € 10.9 million (€ 6.5 million in previous year). Of this total, € 1.2 million (previous year: € 1.4 million) was accounted for by components that are not performance-linked and € 6.4 million (previous year: € 5.1 million) by variable

remuneration components. The provision for claims to pension retirement benefits by the members of the Board of Management amount to € 0.2 million (previous year: € 3.5 million). In financial year 2012, members of the Board of Management (or their surviving dependants) received remuneration for pension retirement benefits amounting to € 4.6 million (previous year: € 5.4 million).

### **Remuneration of the Supervisory Board**

The remuneration of the Supervisory Board is governed by Section 14 of the Articles of Association. It is performance-linked and oriented on the amount of time worked, on the duties and functional responsibilities assumed by the members of the Supervisory Board, as well as on the economic success of RHÖN-KLINIKUM Group. The remuneration of the Supervisory Board is made up of fixed and variable components.

In addition to being reimbursed their expenses, the members of the Supervisory Board receive a remuneration made up of the following elements: a fixed basic amount of € 20,000 p.a. and a fixed attendance fee of € 2,000 for each Supervisory Board meeting, committee meeting and Annual General Meeting attended in person. The chairman of the Supervisory Board and his deputy receive double the amount of the fixed attendance fee. Chairmen of committees with power to adopt resolutions on behalf of the Supervisory Board also receive double the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time.

Furthermore, the Supervisory Board receives a performance-linked remuneration equal to 1.25 per cent of the modified net consolidated profit of RHÖN-KLINIKUM AG. For this purpose, net consolidated profit is diminished by an amount equal to 4 per cent of the contributions paid on the registered share capital of RHÖN-KLINIKUM AG. The aggregate amount is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for the next Annual General Meeting, whether and, if so, at what time the remuneration provisions are to be modified.

The chair and membership of the Supervisory Board committees are remunerated separately in keeping with the German Corporate Governance Code. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rata remuneration.

Members of the Supervisory Board are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the remuneration. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board.

Members of the Supervisory Board do not receive any loans from the Company.

The remuneration of the active members of the Supervisory Board amounted to € 2.0 million (previous year: € 2.7 million). Of this total, € 1.0 million was accounted for by fixed remuneration components (previous year: € 0.8 million). € 1.0 million was included as performance-linked remuneration (previous year: € 1.9 million).

### **Remuneration of the Advisory Board**

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of € 1.4 thousand. In addition, the members are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the remuneration.

Members of the Advisory Board do not receive any loans from the Company.

The total remuneration of the Advisory Board (excluding VAT) during the past financial year amounted to € 26,000 (previous year: € 24,000).

## Remuneration tables, 2012

Total remuneration of Supervisory Board, the Board of Management and the Advisory Board:

	<b>2012</b>	<b>2011</b>
	<b>€ '000</b>	<b>€ '000</b>
Remuneration of the Supervisory Board	2,029	2,675
Remuneration of the current Board of Management	1,276	1,203
Remuneration of former members of the Board of Management	9,647	5,258
Remuneration of the Advisory Board	26	24

Total remuneration (excluding VAT) for members of the Supervisory Board is broken down below:

<b>Total remuneration</b>	<b>Basic amount</b>	<b>Attendance fee, fixed</b>	<b>Attendance fee, variable</b>	<b>Functional days, variable</b>	<b>Total 2012</b>	<b>Total 2011</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
Eugen Münch	20	72	95	121	308	514
Joachim Lüdecke	20	76	52	0	148	139
Wolfgang Mündel	20	64	85	77	246	409
Peter Berghöfer	20	28	43	0	91	105
Bettina Böttcher	20	18	20	0	58	56
Sylvia Bühler	20	24	40	0	84	115
Helmut Bühner	20	18	20	0	58	33
Prof. Dr. Gerhard Ehninger	20	14	16	0	50	62
Stefan Härtel	20	34	49	0	103	105
Caspar von Hauenschild	20	26	43	0	89	131
Detlef Klimpe	20	32	64	0	116	158
Dr. Heinz Korte (since 1 November 2012)	3	4	6	0	13	-
Prof. Dr. Dr. sc. (Harvard)						
Karl W. Lauterbach	20	22	22	0	64	62
Michael Mendel	20	30	58	0	108	127
Dr. Rüdiger Merz	20	16	19	0	55	103
Dr. Brigitte Mohn	20	14	15	0	49	73
Annett Müller	20	22	24	0	66	73
Jens-Peter Neumann (until 31 October 2012)	17	32	60	0	109	158
Werner Prange	20	32	46	0	98	105
Prof. Dr. Jan Schmitt	20	18	20	0	58	62
Georg Schulze-Ziehaus	20	18	20	0	58	62
Former members of the Supervisory Board	0	0	0	0	0	23
	<b>400</b>	<b>614</b>	<b>817</b>	<b>198</b>	<b>2,029</b>	<b>2,675</b>



The total remuneration of the Board of Management breaks down as follows:

Total remuneration	Fixed		Profit-linked	Severance compensation	early settlement of pension retirement benefits	Total 2012	Total 2011
	Basic salary	Fringe benefits					
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Current members of the Board of Management</b>							
Volker Feldkamp	184	12	266	0	0	462	667
Martin Menger	192	8	258	0	0	458	536
Jens-Peter Neumann <sup>1</sup>	32	61	85	0	0	178	0
Dr. Dr. Martin Siebert <sup>2</sup>	48	3	127	0	0	178	0
	<b>456</b>	<b>84</b>	<b>736</b>	<b>0</b>	<b>0</b>	<b>1,276</b>	<b>1,203</b>
<b>Former members of the Board of Management</b>							
Dr. Erik Hamann <sup>3</sup>	158	6	168	728	413	1,473	686
Wolfgang Pföhler <sup>4</sup>	382	13	1,165	3,450	2,870	7,880	2,739
Dr. Irmgard Stippler <sup>5</sup>	144	6	144	0	0	294	654
Wolfgang Kunz <sup>6</sup>	0	0	0	0	0	0	785
Dr. Christoph Straub <sup>7</sup>	0	0	0	0	0	0	394
	<b>684</b>	<b>25</b>	<b>1,477</b>	<b>4,178</b>	<b>3,283</b>	<b>9,647</b>	<b>5,258</b>
<b>Total</b>	<b>1,140</b>	<b>109</b>	<b>2,213</b>	<b>4,178</b>	<b>3,283</b>	<b>10,923</b>	<b>6,461</b>

<sup>1</sup> Since 1 November 2012.

<sup>2</sup> Since 1 October 2012.

<sup>3</sup> Until 30 September 2012.

<sup>4</sup> Until 30 December 2012.

<sup>5</sup> Until 23 May 2012.

<sup>6</sup> Until 30 September 2011.

<sup>7</sup> Until 30 June 2011.





The pension retirement benefits of the Board of Management break down as follows:

Retirement pension benefits	Provision as at 31 December 2011	Change in pension retirement benefits	Provision as at 31 December 2012	Nominal amount on contract expiry <sup>7</sup>
	€ '000	€ '000	€ '000	€ '000
<b>Current members of the Board of Management</b>				
Volker Feldkamp	26	72	98	292
Martin Menger	55	55	110	147
Jens-Peter Neumann <sup>1</sup>	0	4	4	27
Dr. Dr. Martin Siebert <sup>2</sup>	0	6	6	97
	<b>81</b>	<b>137</b>	<b>218</b>	<b>563</b>
<b>Former members of the Board of Management</b>				
		0	0	0
Dr. Erik Hamann <sup>3</sup>	172	-172	0	0
Wolfgang Pföhler <sup>4</sup>	1,838	-1,838	0	0
Dr. Irmgard Stippler <sup>5</sup>	169	-169	0	0
Wolfgang Kunz <sup>6</sup>	1,287	-1,287	0	0
	<b>3,466</b>	<b>-3,466</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>3,547</b>	<b>-3,329</b>	<b>218</b>	<b>563</b>

<sup>1</sup> Since 1 November 2012.

<sup>2</sup> Since 1 October 2012.

<sup>3</sup> Until 30 September 2012.

<sup>4</sup> Until 30 December 2012.

<sup>5</sup> Until 23 May 2012.

<sup>6</sup> Until 30 September 2011, paid in June 2012 as per contract.

<sup>7</sup> Claim according to ordinary expiry of service contract based on remuneration.

Bad Neustadt a. d. Saale, 24 April 2013

The Supervisory Board

The Board of Management