

## 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. Moreover, the work approach of the Board of Management and the Supervisory Board as well as the established committees are described.

### **Declaration of Compliance**

The German Corporate Governance Code describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2011, the Board of Management and the Supervisory Board 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 two 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 AktG was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 26 October 2011 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 26 May 2010.

In the following you will find the Declaration of Compliance of the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG regarding the recommendations of the German Corporate Governance Code pursuant to section 161 of the AktG.

Wording of the 2011 Declaration of Compliance of 26 October 2011

“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 electronic Federal Gazette (eBundesanzeiger) have been implemented since issuance of the last Declaration of Compliance – as declared on 3 November 2010 – with the following exception:

Item 7.1.2 sentence 4      Deadline 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 para. 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 para. 2. Consequently, it is not possible to comply with the

recommendations based on this pursuant to Code Item 5.4.1 para. 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 Supervisory Board is convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG further 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 electronic Federal Gazette (eBundesanzeiger) will be implemented with the following exceptions:

Item 7.1.2 sentence 4      Deadline 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 para. 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 para. 2. Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 para. 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 Supervisory Board is convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

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.

Clearly, then, quality and efficiency go hand in hand in healthcare – in the best interests of patients.

**We are committed to delivering affordable, high-quality patient care locally at all times.  
(Eugen Münch)**

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. The insurance premium paid by the Company in financial year 2011 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 (IFRS) 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 Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2011 as well as the annual financial statement as at 31 December 2011 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 2011, the Board of Management of RHÖN-KLINIKUM AG was comprised of seven members and in 2011 was headed by one chairman. With effect from 1 January 2011, Mr. Martin Menger was appointed as a member to the Board of Management. With effect from 30 June 2011 Dr. med. Christoph Straub, and from 30 September 2011 Mr. Wolfgang Kunz left the Board of Management. The allocation of responsibilities within the Board of Management was adjusted accordingly in each case. With effect from 1 January 2011, the office of deputy chairman of the Board of Management is no longer maintained. 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 2011, 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 an equal number of employees' and shareholders' representatives (20 in total) and held four regular meetings in 2011.

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 2011 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.

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 2010 external audit based on questionnaires and meetings have satisfied the expectations of the Supervisory Board in terms of the efficient performance of duties.

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, 25 April 2012

The Supervisory Board

The Board of Management