

**Statement by the General Partner
and the Supervisory Board of KSB SE & Co. KGaA
on Compliance with the Recommendations of the
Government Commission on the German Corporate Governance Code
Pursuant to Section 161 of the AktG [German Public Companies Act]**

1. Preface

The Statement of Compliance with the German Corporate Governance Code (“Code”) pursuant to section 161 of the AktG was last issued by the Board of Management and Supervisory Board of KSB Aktiengesellschaft, Frankenthal (Pfalz) on 12 September 2017. Following the resolution by the Annual General Meeting on 10 May 2017 to change the legal form, KSB Aktiengesellschaft was converted, including the accession of KSB Management SE, Frankenthal (Pfalz), as the general partner, into a partnership limited by shares [*Kommanditgesellschaft auf Aktien* – “KGaA”] under the name KSB SE & Co KGaA (“Company”). The entry of the new legal form was made in the German Commercial Register [*Handelsregister*] on 17 January 2018.

The Code is tailored to companies with the legal form of a public limited company [*Aktiengesellschaft* – “AG”] or a European company (“SE”) and does not consider the specifics of a KGaA. Many recommendations of the Code can therefore only be applied to KSB SE & Co KGaA in a modified form. Aspects to be taken into consideration include but are not limited to:

(a) Management

Many recommendations of the Code relate to the Board of Management. However, a KGaA has, unlike an AG, no Board of Management; in a KGaA the latter’s tasks are performed by the general partner, in this case KSB Management SE.

(b) Supervisory Board

Some recommendations of the Code relating to the Supervisory Board do not consider the legal specifics of a KGaA either. For instance, the Supervisory Board of a KGaA, unlike the Supervisory Board of an AG, has no personnel decision-making competence with regard to the management body and can also not commit it by defining transactions requiring consent.

(c) Annual General Meeting

The Annual General Meeting of a KGaA essentially has the same rights as the Annual General Meeting of an AG. In addition, it decides on the adoption of the annual financial statements of the Company; contrary to an AG, some resolutions of the Annual General Meeting (e.g. the adoption of the annual financial statements) require the consent of the general partner.

The Code was developed against the background of the two-tier system of a public limited company under German law. The Company’s general partner, KSB

Management SE, by contrast has a one-tier system. According to articles 43-45 SE Regulation in conjunction with sections 20 et seqq. SEAG, this is characterised by the fact that the management of the SE is the responsibility of a single management body, the Administrative Board. The Administrative Board manages the SE, determines the basic principles of its activities and monitors their implementation by the Managing Directors. The Managing Directors conduct the business of the SE and represent it in and out of court. According to the Articles of Association of KSB Management SE and the valid internal rules of procedure, the Managing Directors are in certain cases bound by directives of the Administrative Board.

2. Statement of Compliance

The Managing Directors of the general partner, i.e. KSB Management SE, and the Supervisory Board of KSB SE & Co. KGaA declare that since the publication of the last Statement of Compliance on 12 September 2017 the Company has complied with the recommendations of the Code as set out in the version of 7 February 2017, with the exception of the following, and will continue to do so in the future:

- 2.1 **Section 4.2.3(2), sentence 6:** The upper remuneration limits specified in the service contracts of the Managing Directors of KSB Management SE do not fully meet the requirements of the Code.

Reason:

There are upper limits for the main remuneration components. Occasionally – e.g. for pension commitments and benefits in kind – no amounts are defined, but the amounts can be adequately derived on the basis of the respective commitment. The requirements of the Code exceeding the above provide no sustainable further insight.

- 2.2 **Section 4.2.5(3), sentence 4:** The Managing Directors' remuneration is neither disclosed separately for each Director in the remuneration report nor classified by components based on the model tables.

Reason:

Pursuant to German commercial law, the Annual General Meeting of KSB Aktiengesellschaft decided to refrain from disclosure of the details of remuneration of the individual Board of Management members. The general partner and the Administrative Board abide by this decision.

- 2.3 **Section 5.4.1(2):** With the exception of an age limit, the Supervisory Board does not specify concrete objectives or defined competencies regarding its composition.

Reason:

We appreciate the diversity in the composition of the Supervisory Board aimed at by the Code, which will generally be conducive to the interests of the company. To date, we have always followed this principle. However, we take a critical view of detailed specifications going beyond legal requirements, as we believe that this would make it more difficult to ensure an appropriate and adequately flexible composition of this body.

- 2.4 **Section 5.4.6(2):** The performance-related component of the Supervisory Board remuneration is based on the annual dividend for the period until 17 January 2018; it is thus not oriented toward “sustainable” growth of the enterprise as defined in section 5.4.6(2). With the coming into effect of the conversion of KSB Aktiengesellschaft into the legal form of a KGaA on 17 January 2018, the performance-related component of the Supervisory Board’s remuneration no longer applies.

Reason:

We support the sustainability objective of the Code, but did not consider a change in the well-established remuneration structure for the Supervisory Board to be necessary for achievement of this objective. Against the background of the change in responsibilities and tasks of the Supervisory Board within a KGaA, the remuneration governed by the Articles of Association was adjusted in the course of the change in legal form.

- 2.5 **Section 5.4.6(3):** The total amount of the remuneration paid to the members of the Supervisory Board for their service on the Board, as well as of remuneration or advantages extended for services provided individually, in particular advisory or agency services, is disclosed in the Notes to the Consolidated Financial Statements, but the remuneration is disclosed neither separately for each member nor classified by components.

Reason:

The remuneration of the Supervisory Board members is governed by the Articles of Association and the supplementary resolution of the Annual General Meeting dated 16 May 2012; these documents provide detailed information on the individual components of the remuneration. Beyond that, we prefer to provide summarised information on the remuneration of the members of the Supervisory Board rather than breaking it down into the compensation paid to the individual members and the components it contains, as we do not believe that the latter would provide any additional benefits for shareholders or the development of the company.

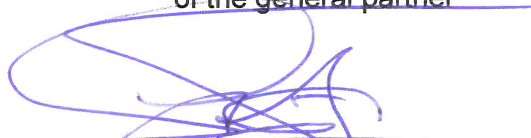
Frankenthal (Pfalz), 21 March 2018

For the Supervisory Board
of KSB SE & Co. KGaA

A handwritten signature in blue ink, appearing to read 'B. Flohr', written over a horizontal line.

– Dr. Bernd Flohr –
(Chairman of the Supervisory Board)

For the Managing Directors
of the general partner

A complex, handwritten signature in blue ink, written over a horizontal line.

– Dr. Stephan Jörg Timmermann –
(CEO)