



Code of Conduct
of the
Villeroy & Boch Group

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1 General Information

Villeroy & Boch, our brand as well as our products enjoy great reputation around the world. The trust shown to us is the basis of solid business relations and therefore the basis of our long-term economic success as well as secure jobs. This demand is also reflected in our Corporate Guidelines: Villeroy & Boch - Ein Name, der uns verpflichtet ("Villeroy & Boch – A name that calls for commitment"). Part of this self-image of our company is to follow general rules of good and fair behaviour. Our customers, employees and suppliers as well as authorities and the public rely on that.

This Code of Conduct defines the principles and requirements of Villeroy & Boch for all employees of the Group concerning their responsible behaviour. It is a guideline for actions of every single employee around the globe and therefore an integral and permanent part of the corporate culture of Villeroy & Boch.

1.1 Objective and Scope

This Code of Conduct contains the key principles of conduct that are mandatory for all employees (including executives and members of the Management Board) of the Villeroy & Boch Group around the world. They include basic requirements of the conduct of each individual employee and set a benchmark for cooperation within the Villeroy & Boch Group and with customers, suppliers, business partners and competitors. The Code of Conduct relates directly to the vision and the three core pillars of the company: the corporate guidelines, the principles of management and the ethical principles (Compare: Value System = “House of Values”).

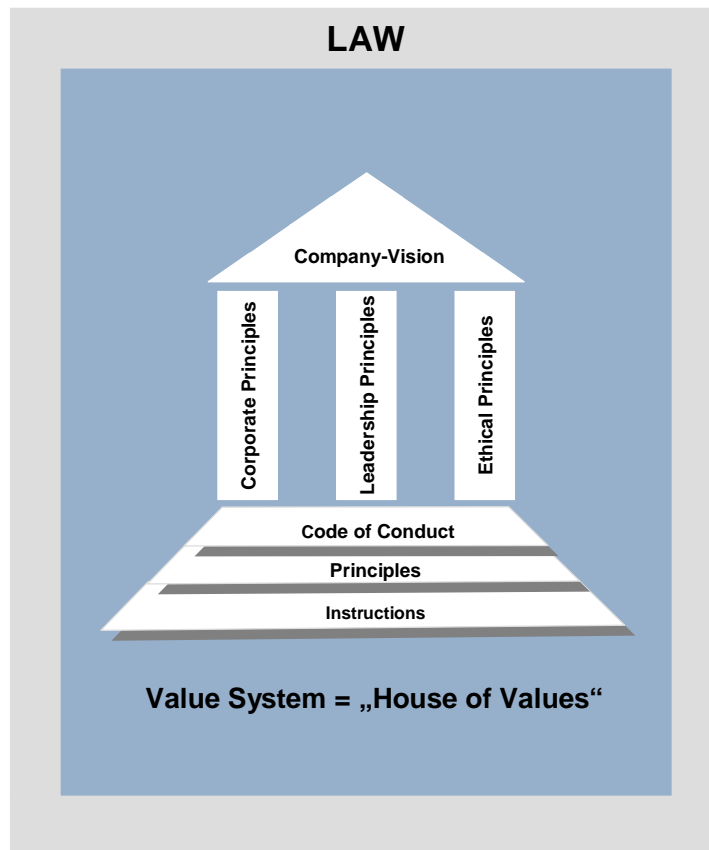


Figure: Value System = “House of Values”

All employees must sufficiently familiarise themselves with the legal and internal regulations relevant to their areas of activity and comply with these in their day-to-day work. The rules of this Code of Conduct take precedence over any contradictory instructions from supervisors.

Above and beyond their own function as role models, executives are obligated to monitor and ensure compliance with the above rules and legal provisions.

Compliance with the Code of Conduct can only be achieved if every single employee participates. It has to become a reality within the company, making it a regular part of day-to-day operations at Villeroy & Boch.

A violation of this Code of Conduct represents a violation of employment or service agreement obligations and will therefore lead to repercussions under employment, civil or criminal law.

We encourage all employees to report violations of laws, contractual obligations and internal guidelines and any violation of the Code of Conduct to their local Compliance Officer or the Compliance Officer of Villeroy & Boch AG. The company will ensure that no employee will experience any disadvantage on account of reporting in good faith.

If the whistleblower also participated in violations of this Code of Conduct, when taking any action, the company will consider whether this information or timely participation in efforts to investigate violations helped to prevent damage to the company.

1.2 Compliance organisation

The local Compliance Officer or the Compliance Officer of Villeroy & Boch AG are available for every employee in case of any questions, problems or conflict situations.

2 Compliance with the Law and Personal Conduct_____

The employees of the Villeroy & Boch Group commit themselves to obey the law as applicable to the areas in which they operate and with the charter and Rules of Procedure of their company. This also applies to this Code of Conduct and all internal instructions and guidelines.

Any support, participation in or tolerance of bribery or any other form of corruption is strictly prohibited. Bribery means providing advantages to employees or agents of a business or to executives and employees of official authorities or other public office in order to get them to perform or omit to perform an action, which is beneficiary to the business activities of the company as well as if the advantages are provided with the aim of unfairly gaining preferential treatment in business relations. Appropriate advertising, promotional and marketing activities to promote the brand, products or services of the company are not considered unfair methods if they are conducted within the framework of this guideline.

Furthermore, employees shall exercise their professional responsibility within and outside the Villeroy & Boch Group with the utmost professionalism and integrity at all times and avoid all activities both professionally and privately that could damage other employees or the Villeroy & Boch Group.

3 Social Responsibility

Villeroy & Boch is committed to social responsibility as a key factor for the long-term success of the company; this applies to both the employees and business partners of the Villeroy & Boch Group.

3.1 Working conditions

Villeroy & Boch rejects all exploitative working conditions. The legal and collective agreement provisions on working hours must be complied with.

3.2 Child labour

Villeroy & Boch boycotts all forms of child labour. The Group reserves the right to investigate suppliers and to terminate supplier agreements as a consequence of non-compliance.

3.3 Health protection/occupational safety

Villeroy & Boch guarantees occupational safety and health protection in the workplace. Responsibility towards employees and colleagues requires taking precautions against accident risks. This applies both to the technical planning of workspaces, facilities and processes and to safety management and personal conduct in day-to-day work.

3.4 Freedom of association

Within the framework of legal provisions, Villeroy & Boch respects the right of its employees to represent their interests, to become organised, to elect works councils and to join unions.

3.5 Compensation

Villeroy & Boch respects the right to appropriate compensation in line with the respective labour market. Statutory minimum wages and relevant collective bargaining regulations will always be complied with at the respective location.

3.6 Environment

Responsibility in respect of the environment is part of the Villeroy & Boch Group's self-image. This does not only mean compliance with environmental laws, it also means that we are committed to protecting natural resources and finding environmentally friendly solutions. Villeroy & Boch has integrated environmental protection into its workflows. Environmental aspects are considered in business decisions.

4 Employees

Employees must treat each other respectfully, fairly and free from offensive conduct in their working environment. Communications in the working environment should be direct and open.

Employee management and development as well as dealings with colleagues are based on the principle of equal treatment, irrespective of race or ethnic origin, gender, religion or ideology, disability, age or sexual identity. Each employee has the right to be protected against harassment, coercion and violence.

4.1 Company property and resources

Employees are required to protect the assets of the company against loss, theft, damage, unauthorised use and misuse. Assets include not only tangible items but also intangible goods such as information, ideas and other intellectual property. The improper use of staff or company property for non-corporate goals is not permitted. Employees are required to protect relevant data and documents at their workstation in such a way that unauthorised persons cannot access data.

4.2 Additional employment and company investments

Additional employment must be declared in writing by the employee to the responsible Human Resources department and requires its prior approval. Investments by employees in business partners and competitors equally require approval. This also applies to investments in business partners and competitors of the partner of the employee or of other relatives living in the same household.

This obligation however does not apply to the acquisition of marketable securities or purely capital investments not exceeding a share of 3% in the respective company.

4.3 Special conditions for employees

Discounts or other privileges for employees for products or services of Group companies shall only be granted on the basis of resolutions by the responsible management in coordination with the management of the respective division. These conditions should always apply to all employees or precisely defined groups of employees. Company products that are purchased with employee discounts may only be used for private purposes. Reselling to gain profits is prohibited.

5 Suppliers, Customers and Other Business Partners _____

The Villeroy & Boch Group is committed to working with its external partners in a fair and respectful cooperation. Suppliers and consultants are required to comply with the Villeroy & Boch Code of Conduct, particularly with regard to social responsibility and the boycotting of child and forced labour, etc. Villeroy & Boch reserves the right to investigate suppliers for compliance with the Code of Conduct and to terminate any agreements in place in the event of a violation.

5.1 Gifts and benefits

When working together with business partners, all employees are required to conform to the principle of never by accepting or offering benefits or gifts to give the impression to try to influence decisions on business matters.

Employees are prohibited from accepting or granting gifts and benefits when

- they are cash gifts or non-standard discounts or
- acceptance of the benefits will harm the business interests of Villeroy & Boch or
- the granting of the benefit relates directly to the placement of an order or
- the benefit is provided during a negotiation or bidding process directly or indirectly by one of the parties involved or
- the value of the benefit exceeds a socially adequate and therefore appropriate amount per year and business partner. As a general rule, the maximum amount of the aforesaid value relates to €40 at present. In case of nation-wide or international companies, the local contact of the employee is considered business partner. Further details can be found in our internal guidelines.

This regulation also includes gifts or other benefits granted to the partner or relatives of the employee living in a shared household or otherwise indirectly benefiting the employee.

It is prohibited to actively request benefits. The Group will actively strive to ensure that suppliers do not provide gifts or benefits to employees of the Group in the future.

Benefits falling under one of the above criteria that cannot be rejected, e.g. if they are sent unsolicited, must be returned immediately or collected at the local compliance office for charity.

The Villeroy & Boch Group on the other hand commits to not granting gifts or other benefits as seen above to customers or business partners. Benefits such as bonuses, incentives or discounts granted in the form of products of the Group granted in connection to advertising or marketing campaigns are acceptable according to the Bulletin "Corruption risks affecting promotional activities and gifts to business partners" as long as local laws are not violated. Campaigns need prior approval of the legal department or the Compliance Officer of Villeroy & Boch AG.

On special occasions, such as grand openings or anniversaries of business partners, gifts may have a value of up to €200, if the gifts are products of the Villeroy & Boch Group.

5.2 Business meals, entertainment and events

Generally, the participation at events in the context of regular business contacts is allowed as long as they do not exceed the limit of business appropriateness as well as the standard of living of participants.

For an uninvolved third party, it has to be clear at all times what the subject and purpose of the event was.

Within the context of these requirements, invitations to professionally related training events and presentations for employees are permitted if the focus is clearly on the professional nature of the event.

Participation in events of a social nature, such as attending sporting events, entertainments, shows and other events that have a total value of the amount according to our internal guidelines can be approved by the direct supervisor. If an event exceeds this amount, prior approval of a member of the Management Board of the Villeroy & Boch AG or of the responsible Head of Division is required. In addition, the Central

Compliance has to be informed. The participation needs in every case to be comprehensively linked to a business issue or a justifiable business purpose. The business partner issuing the invitation must also be present at the event. Also, no more than two events per year and business partner should be attended. The criteria of the first paragraph must be met in each case.

The criteria listed under 5.1. and 5.2 also apply to relationships with competitors.

Similarly, in the case of invitations extended to business partners, customers and suppliers by Villeroy & Boch, within an appropriate framework if this is not of an inappropriately high value and takes place within normal cooperation.

Costs for entertainments in which only employees of the Villeroy & Boch Group participate, such as team meetings, will not be reimbursed and must be borne by the participants. Exceptions to this include special events and seminars and invitations that have been approved in advance by a member of the Management Board or a member of the Executive Management Team. Furthermore, the managers of Group companies can also approve internal entertainments in exceptional cases.

5.3 Consulting agreements

Consulting agreements must not be abused to circumvent legal and/or appropriate restrictions. Consulting fees must always relate to a service that is clearly comprehensible to third parties and cannot be inappropriately high in relation to the service provided. Agreements with advertising or marketing agencies that lead or are expected to lead to costs of more than €50,000 per year per consultant or consulting company must be approved in advance by the responsible head of Division or a member of the Management Board. All other consulting agreements that lead or are expected to lead to costs of more than €20,000 per year per consultant or consulting company equally need prior approval by the responsible head of Division or the responsible member of the Management Board. Further details are regulated by the Group's procurement guidelines.

5.4 Sponsoring

As part of its social responsibility, Villeroy & Boch is involved in charitable projects, sports and culture. Sponsoring must always be in the interests of the company and must not serve the promotion of private interests or lead to concealed corruption. Sponsoring has to be planned within the yearly budget. Moreover, sponsoring that does not exceed a value of €500 per case can be approved by the Managing Director of the respective unit or in case of the Villeroy & Boch AG by the PR-Department. This holds for financial sponsoring as well as sponsoring with products. Sponsoring exceeding this value has to be approved by the respective Head of Division or a member of the Management Board of the Villeroy & Boch AG.

6 Competition/Anti-trust Law

Villeroy & Boch is committed to fair competition. Particularly when competing for customers and market share, respectful dealings with competitors must be ensured and integrity thereby preserved.

Employees must comply with statutory anti-trust requirements in all activities. Prohibited activities include:

- Price agreements with competitors;
- Market share agreements;
- Capacity agreements;
- The allocation of regional markets;
- The allocation of customers and price fixing.

Further details can be found in the anti-trust compliance guideline.

Even in informal talks, such as at trade fairs, congresses or other events at which it is possible to speak with competitors, it should be ensured that no anti-trust agreements are made and no information is illegally exchanged, and the impression of such activities should also be avoided.

In its observation and analysis of competitors, Villeroy & Boch will not use any data that has been obtained illegally or that could lead to liability claims.

7 Authorities and Government

7.1 Gifts and benefits

Officials, other office-bearers and other representatives of public institutions cannot receive gifts or benefits. This also applies to gifts and benefits to partners, persons living in the same household and relatives of these people, and benefits that the office-bearer or public offices indirectly profit from.

7.2 Political involvement

Villeroy & Boch respects the right of freedom of political expression of all its employees. However, Villeroy & Boch dissociates itself from all forms of political extremism and political organisations whose ethos and goals are not in line with a free and democratic basic order. Politically active employees are therefore prohibited from exploiting the company or their employment at Villeroy & Boch in such a way that Villeroy & Boch could be connected with political activities that oppose a free and democratic basic order.

8 The Capital Market and the Public

8.1 Insider trading

Employees are prohibited from using information that they obtain on account of their activities to secure an advantage over the market in securities trading. Similarly, such information cannot be passed on to third parties who can use this information for insider trading. Villeroy & Boch maintains a list of insiders detailing the people whose activities could provide them with access to market-relevant data. Further details can be found in the declaration on insider regulations.

These employees commit themselves to not sell or buy shares or to trade in other derivatives during a “lock-up” period of 15 working days prior to publication of quarterly and annual reports. The respective publication dates can be found in the financial calendar of the company on its website.

8.2 Interaction with the public

Statements by Villeroy & Boch AG and all Group companies to the media and communications with the media and the shareholders shall be made solely by the Management Board, the Public Relations department and the Investor Relations department or by the employees explicitly instructed and authorised to do so by the Management Board. External requests should be directed to the employees of these departments.

9 Borderline Cases

Any unclear issues that may arise in doubtful cases in connection with these principles of conduct must be coordinated with the locally responsible Compliance Officer or the Compliance Officer of Villeroy & Boch AG.

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