

Press release

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Further increase in acceptance of German Corporate Governance Code in 2007

Acceptance of the German Corporate Governance Code is increasing continuously. The very high level already achieved in previous years will show a further increase after the resolutions passed in the 2007 AGM season. It applies in particular to the leading share index of the 30 DAX companies who set the trend in corporate governance in Germany. On average DAX companies comply with 97.3% (2006: 96.7%) or in absolute terms 78.8 (2006: 79.3) of the Code's 81 (2006: 82) recommendations; only four (2006: seven) recommendations are accepted by fewer than 90% of the DAX companies. That was the message from the head of the Berlin Center of Corporate Governance (BCCG), Prof. Dr. Axel v. Werder, at a press conference in Berlin called to present the new empirical survey of the acceptance of the Code's recommendations and suggestions. The survey was conducted annually by the BCCG on behalf of the Government Commission on the German Corporate Governance Code.

On the results of the study, Prof. von Werder said: "The Code is firmly established in the German community as the key reference for good corporate governance standards. Starting from an already high level, acceptance of the Code showed a further slight increase. The new Code recommendations introduced in 2006 have also been well received by the companies."

The results can be summarized as follows:

On average, as already stated DAX companies will comply with 97.3% (2006: 96.7%) or in absolute terms 78.8 (2006: 79.3) of the Code's 81 (2006: 82) recommendations by the end of 2007; only four (2006: seven) recommendations are accepted by fewer than 90% of the DAX companies.

In the M-DAX the average figure is 92.4% (2006: 92.3%) or in absolute terms 74.9 (2006: 75.7), and in the S-DAX 86.2% (2006: 88.8%) or in absolute terms 69.8 (2006: 72.9) – slightly lower than the previous year. In the M-DAX 17 (2006: 15) and in the S-DAX 30 (2006: 21) recommendations are accepted by fewer than 90% of companies.

Acceptance of the Code's suggestions is also increasing in the DAX (in absolute terms) and M-DAX (in absolute and relative terms), while the S-DAX shows a slight decrease in acceptance.

Only four recommendations are still accepted by fewer than 90% of the DAX companies, namely

- appropriate deductible for D&O insurance policies for management and supervisory board members (2007: 85.7%, 2006: 78.6%);
- discussion by the full supervisory board of the structure of the management board compensation system (2007: 86.2%, 2006: 85.7%);
- restrictions on the move by a past management board chairman or member to the chair of the supervisory board or a supervisory board committee (2007: 79.3%, 2006: 77.8%) and
- performance-related compensation for supervisory board members (2006: 89.7%, 2006: 85.7%).

In the M-DAX, 17 (2006: 15) recommendations fall below the 90% acceptance threshold. These include largely the recommendations already mentioned for the DAX segment. Furthermore there is still some need to catch up in implementing the recommendations introduced in 2005, despite a significant increase in their acceptance during the reporting period. Around a quarter of the M-DAX companies indicate that they intend to implement the two recommendations on conducting elections to the supervisory board on an individual basis and on announcing proposed candidates for the supervisory board chair for the first time in 2007. This will raise compliance levels from 70.4% to 96.3% (for individual elections) and from 65.4% to 88.5% (for candidate proposals). In the context of management board compensation, the recommendation that a compensation report be included as part of the corporate governance report will exceed the 90% acceptance threshold (92.9%). The recommendations remaining below this acceptance level in the M-DAX relate to the disclosures on allocations to accrued pension liabilities and on the fringe benefits provided by the company to management board members. The M-DAX companies comply with 15.4 (77%) of the 20 suggestions (2006: 13.7 or 72.1% of 19 suggestions). 12 of the 20 remain below the 90% level.

In the S-DAX, 30 (2006: 21) recommendations remain below the 90% acceptance threshold: amongst others these relate to the treatment of stock options and to the recommendations on the compensation report. However, acceptance rates in the S-DAX for recommendations currently still below the 90% threshold are increasing. By the end of 2007, S-DAX companies will comply with 12.2 (61.2%) of the 20 suggestions. In 2006 the figures were 12.5 or 65.5% of the 19 suggestions. However, 16 of the 20 suggestions fail to reach the 90% acceptance rate.

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The speech by Prof. Dr. Axel von Werder is also available for downloading at <http://www.corporate-governance-code.de>.