

Government Commission on the German Corporate Governance Code

Administrative Office

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“Qualification of Supervisory Boards”

The Government Commission on the German Corporate Governance Code (hereinafter referred to as the "Government Commission") has again put the issue of improving the professionalism of supervisory boards of listed companies as one of the main issues on its agenda in 2010.

This initiative is aimed at expanding the group of suitable candidates that could in future exercise supervisory mandates and achieving greater diversity. This means, for example, ensuring that women and foreigners are adequately represented on German supervisory boards. Another objective is the fundamental need to increase the qualifications of supervisory boards in general. Thus the Government Commission is in favour of expanding the additional training that is available to both future candidates for supervisory boards and existing members.

Additional training for future and current supervisory board members should provide in-depth theoretical and practical information, in particular in the areas of legal principles, group financial accounting and risk controlling, in addition to practical work in the supervisory boards that also addresses new developments.

The module “Legal basis of supervisory activities” could, for example, provide in-depth information on the rights, obligations and responsibilities of supervisory boards on the basis of the German Stock Corporation Act and the German Corporate Governance Code and address the issue of liability.

As regards the topics group financial reporting and risk controlling, the focus could be on improving the understanding of balance sheets and audit reports from the perspective of the supervisory board. In addition, there should be an introduction to the significance of and methods involved in risk controlling from the perspective of the supervisory board.

This training could also focus on giving an insight into the practical work carried out by supervisory boards. This includes examining how committees work, at the task of preliminary discussions, reporting and control mechanisms as well as providing practical information on the work

of supervisory boards with codetermination and addressing conflicts of interest.

It is particularly important for this training to also place the work of the supervisory board in a socio-political context. In this respect, it should show the facets of the company's interests that the supervisory board must address by law and their practical implementation.

Each company should provide new members of supervisory boards with a special sector- and company-specific induction programme so that they have an in-depth knowledge of the sector and company.

The Government Commission would like companies to develop a broad range of additional training measures on this basis as soon as possible.