

## PRESS RELEASE

Berlin, 25th June 2014

### **13th German Corporate Governance Code conference: "Fewer new recommendations, more explanations and comments"**

- **Containment of undesirable regulatory developments in the Corporate Governance Code**
- **No changes to the 2014 Code**
- **Commission in dialogue with proxy advisors**
- **Rules of procedure providing improved transparency in the commission's work**

In future, the work of the Government Commission on the German Corporate Governance Code under the leadership of its new chairman, Dr. Manfred Gentz, will shift its focus further. As Gentz explained at the 13th German Corporate Governance Code conference on 25th June 2014 in Berlin, due to the degree of maturity which the German Code has reached, it will focus less on the development of new recommendations and suggestions and rather on analysing and commenting on new third party regulatory initiatives. "Many regulatory initiatives, particularly from the European area, affect the Corporate Governance's future development without the Government Commission having direct influence upon it. We should make every effort to counteract negative or excessive regulatory developments in Corporate Governance which lead to negative consequences", said Gentz. In addition, the thinking and understanding of many foreign investors and politicians is still strongly characterised by monistic systems and this can still lead to misconceptions and reservations with regard to German Corporate Governance. The aim is to explain the German dual system more often and to prepare expert opinions for the regulators.

Before new laws are passed or new recommendations are made by the Corporate Governance Commission it should always be borne in mind that any regulation limits freedoms and restricts the personal responsibility and self-regulation of citizens and the economy. "Sensitivity for good and bad is not

strengthened by too many and too rapid regulations but is rather weakened because the regulator specifies what is to be done and individuals need no longer think about it", says Gentz. "Controller thinking" neither corresponds to the German system nor is it sufficient in the opinion of the Government Commission's Chairman because it conveys false and deceptive security.

Gentz again stressed that it is essential for the economy to enjoy public approval. The repeatedly discussed topic of remunerations for directors of joint stock corporations listed on the stock exchange is not primarily an economic one but rather a matter of social acceptance. "This is why last year the Commission incorporated recommendations into the Code which are intended to make it even more transparent and introduce more responsibility and transparency into the decisions of the Supervisory Board" said Gentz in Berlin.

The Chairman of the Government Commission again confirmed that no changes in the Code are planned for 2014. Only some clarifications of the recommended statements are to be given in the footnotes of sample tables for Directors' remunerations. The sample tables were incorporated into the Code's Appendix in 2013 within the framework of the supplemented recommendations for the transparency of Directors' remunerations.

The topic of proxy advisors, for which no regulatory requirement but nevertheless a need for explanation continues to be seen, remains on the Commission's agenda. To this effect the dialogue with proxy advisors is to be maintained in order to obtain a better mutual understanding of matters of content.

In this connection, subsequent to discussions at the Code conference, the Commission will continue to consider the question of whether and to what extent the Chairman of the Supervisory Board should be available to investors for discussions.

Furthermore, the Government Commission will again consider whether the existing recommendations concerning the maximum number of Supervisory Board mandates continue to be appropriate. In this context it should first be determined to what extent the mandate numbers have already declined and will probably decline further due to the increasing tasks of the Supervisory Board.

In addition, the Commission will monitor and possibly comment on the various German and European regulatory initiatives with their possible effects on and inconsistencies with German Corporate Governance. This also includes the European shareholders' rights guideline, with which the EU Commission wishes to improve the quality of declarations of conformity and their supervision amongst other things. The Commission is also critical with regard to the annual

general meeting's obligation to agree or approve third party transactions as also proposed in the shareholders' guideline.

In the interests of further increased transparency and plausibility of the Commission's work, the Government Commission, in agreement with the Federal Minister for Justice and Consumer Protection, has given itself rules of business procedure summarising the practical processes to date and new rules. For example, times for future new appointments are proposed and the voting procedures are defined.

### **Notes for editorial staff**

#### *Regierungskommission Deutscher Corporate Governance Kodex*

*The Government Commission convened by the German Federal Minister of Justice in September 2001 approved the German Corporate Government Code on 26th February 2002, which gained legal recognition by virtue of the Declaration of Conformity in accordance with §161 AktG.*

*The German Corporate Governance Code is intended to make the rules applicable in Germany for company management and supervision transparent to national and international investors in order to strengthen trust in the management of German companies.*

*The members of the Commission are: Dr. Dr. h.c. Manfred Gentz (Chairman), Prof. Dr. Dr. Ann-Kristin Achleitner, Prof. Dr. Dres. h.c. Theodor Baums, Dr. Joachim Faber, Dr. Hans-Friedrich Gelhausen, Dietmar Hexel, Ulrich Hocker, Dr. Thomas Kremer, Dr.-Ing. Michael Mertin, Dr. Stefan Schulte, Christian Strenger, Daniela Weber-Rey, Prof. Dr. Beatrice Weder di Mauro and Prof. Dr. Axel v. Werder.*

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