Government Commission
German Corporate Governance Code

Administrative Office

Press Release

Frankfurt/Main, 5 February 2013

Proposed amendments to the Code for 2013 published

- Period for submitting comments expiring on 15 March 2013
- Focus on proposals to streamline the code and make it easier to read
- Recommendations on remuneration for the management board to improve transparency and comparability
- Company-specific cap for total remuneration
- Definition of targeted level of retirement provision
- Prof. Dr. Henning Kagermann steps down from the Commission

On 5 February 2013 the Government Commission on the German Corporate Governance Code published and explained in detail the wording of the proposed amendments to the Code for listed German companies agreed upon over the course of January on the Code website (www.corporate-governance-code.de). The interested public is invited to submit written comments on the proposed amendments to the Code by 15 March 2013. Comments which are submitted by this date will be considered during final deliberation by the Government Commission on 24 May 2013.

The Government Commission first invited Code users, academics and other experts to take part in a written consultation process on the Code amendments in 2012.

The overwhelming majority of the suggested proposals are not material and are intended to make the Code – which is already compact in European comparison – more streamlined and even easier to read in specific areas.

Among other things, the Commission recommends deleting a total of six recommendations and one suggestion. When proposing its amendments, the Commission was careful to ensure that the Code will continue to fulfil its remit in full going forward. For example, the rules governing corporate management and supervision for both national and international investors are to remain grouped together transparently in a single compendium. Standards governing corporate governance are also provided. The discussion also included suggestions (for example, from the *Deutsche Juristentag*, the Association of German Lawyers) received by the Commission over the course of the preceding year.

The Government Commission is also proposing amendments to Section 4.2 "Management Board – Composition and Compensation". The Government Commission on the German Corporate Governance Code already announced in summer 2012 that it would be setting up a working group for this purpose.

The recommendations and suggestions that have been proposed are primarily intended to increase transparency and to make the information already available today easier to compare, without impacting on the methods and systems of management board remuneration defined by each specific company.

Specifically, the Commission is recommending that a cap be placed on remuneration, both in terms of its total amount as well as in terms of its individual components. The system-inherent and individual caps should continue to be defined individually for each company by the supervisory board (4.2.3 para. 2 sentence 6).

For the supervisory board itself, the transparency and traceability of its decisions should be enhanced by supplementing the criteria that have already been outlined and have to be taken into account. It is suggested, for example, that when defining a remuneration structure the supervisory board should consider the relationship between the remuneration of the management board as well as that of senior management and total staff, also in terms of its development over time (4.2.2 para. 2 sentence 3). Within this context, a new recommendation should be incorporated stating that the supervisory board defines the targeted level of retirement provision for the management board and factors in the annual and long-term expense for the company arising from this (4.2.3 para. 3).

In order to improve comparability over time and with other companies, both for the supervisory board and for the general public, the Commission recommends that important facts and figures on management board remuneration be prepared in a standardized fashion and that use be made of the tables that have been proposed by it and are to be discussed as part of the consultation process

(4.2.5 para. 3 sentence 2). The data to be included in the proposed tables are already available in companies and are already published in one form or another to a large extent. Consolidating and standardizing the way the data are presented will provide a better overview and improve comparability. In view of the potential organizational expense involved in the conversion, the recommendation regarding information in the remuneration report and the suggestion on the use of tables at companies should only be implemented beginning 2014.

A detailed explanation of all proposed amendments from the Government Commission on the German Corporate Governance Code is available on the Commission's website(www.corporate-governance-code.de).

Personnel changes

The Government Commission is sorry to report that Prof. Dr. Henning Kagermann has decided to step down from his post. Prof. Dr. Henning Kagermann, who was appointed to the Commission in 2009, contributed his many years of experience on management and supervisory boards to advance the work done by the Corporate Governance Commission. Chairman Klaus-Peter Müller thanked him for his valuable contribution over the years on behalf of all members.

Information for editors
Government Commission for the German Corporate Governance Code

The Government Commission on the German Corporate Governance Code, set up by the Federal Minister of Justice in September 2001, approved the German Corporate Governance Code on February 26, 2002, which has acquired a statutory basis via the Declaration of Compliance pursuant to Article 161 of the German Stock Corporation Act (AktG).

The aim of the German Corporate Governance Code is to make Germany's corporate governance rules transparent for both national and international investors, thus strengthening confidence in the management of German corporations.

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