

PRESS RELEASE

Frankfurt am Main, 17 May 2022

Code reform 2022 highlights importance of ESG

- **Sustainability as an integral part of corporate governance**
- **Revision of recommendations on audit committee as a result of FISG**
- **Regierungskommission publishes revised Code**

Environmental and social sustainability shall be taken into account in the management and supervision of listed companies. In addition, the Financial Market Integrity Strengthening Act (FISG) and the Second Leadership Positions Act (FüPoG II) require further adjustments to the German Corporate Governance Code (GCGC).

Following an extensive consultation process and thorough consideration by the Regierungskommission Deutscher Corporate Governance Kodex, the amended Code has been submitted to the Federal Ministry of Justice for review and has been published in advance on the website of the Government Commission (www.dcgk.de) as of today. The new Code will enter into force upon publication by the Ministry in the electronic Federal Gazette (elektronischer Bundesanzeiger). Until then, the version of the Code as of 16 December 2019 will form the basis for the annual declarations of compliance.

"The new Code provides a valuable guideline for the actions of management and supervisory boards. It brings greater clarity on important issues," said the Chairman of the Government Commission, Prof. Dr. Rolf Nonnenmacher. It has become clear how much ecological and social issues have gained in importance and therefore need to be taken into account within companies. However, it is also clear that in a market-oriented environment, companies must have sufficient leeway to freely decide how they can best address the sustainability issues that impact them.

In the versions of the foreword that have been in force since 2009, the Code saw corporate governance as being focused on the interests of the company. With the 2020 Code reform, corporate social responsibility was specifically addressed in the foreword. "But the statement on social responsibility had to

be readjusted, because in the meantime the expectations for the consideration of sustainability factors have become much more concrete," says Nonnenmacher.

"In the long term, economic, ecological and social goals are often mutually dependent. Ecological and social sustainability are just as much a prerequisite for long-term increase in value as economic strength and stability are a prerequisite for investments and other measures that serve ecological and social objectives," reads the rationale for the new Recommendation A.1.

In addition to long-term economic goals, corporate strategy shall adequately reflect ecological and social goals. To implement corporate strategy effectively, a correspondingly comprehensive corporate planning and controlling is required.

Improving transparency about the internal control and risk management system

The FISG made the establishment of an internal control and risk management system mandatory. The amended Code recommends that the key features of the entire internal control and risk management system, including the compliance management system, be described in the management report. In addition, the management report shall comment on the adequacy and effectiveness of the overall system.

Conclusive requirements for expertise and independence in the audit committee

The Code maintains the provision that the Chair of the audit committee shall be an independent financial expert. According to the FISG, the financial expertise required of two members of the audit committee consists of special knowledge and experience in the fields of accounting and auditing. This applies equally to financial and sustainability reporting.

As part of the public consultation process, 43 companies, institutional investors, associations, academics, law firms and other individuals had commented on the Regierungskommission's proposals. "I would like to thank everyone who participated in the consultation with criticism, approval and suggestions for improvement," Nonnenmacher continued.

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 Sec. 161 AktG (German Stock Corporation Act).

The German Corporate Governance Code is intended to make the rules applicable in Germany for a company's 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: Prof. Dr. Rolf Nonnenmacher (Chairman), Dr. Werner Brandt, Dr. Daniela Favoccia, Dr. Margarete Haase, Dr. Michael Kemmer, Claudia Kruse, Prof. Dr. Klaus-Peter Naumann, Dr. Bettina Orlopp, Dr. Ariane Reinhart, Helene von Roeder, Dr. Sebastian Sick, Marc Tüngler, Jens Wilhelm, Reiner Winkler.

Your contact partner:

Carl Graf von Hohenthal,

T: +49 171 7614957, Email: chohenthal@web.com