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Regierungskommission  
Deutscher Corporate Governance Kodex  
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Via email: [regierungskommission@dcgk.de](mailto:regierungskommission@dcgk.de)

### **RPMI Railpen response to the proposed revisions to the German Corporate Governance Code**

We are writing to you on behalf of the Sustainable Ownership team of RPMI Railpen, who oversee the management of around € 32bn on behalf of the Railways Pension Trustee Company Limited in the UK. We are proud supporters of the International Corporate Governance Network (ICGN), whose mission is to promote effective standards of corporate governance and investor stewardship worldwide. The eight ICGN Global Governance Principles serve as a primary standard for well-governed companies, and we have adopted these as the baseline for our global voting policy.<sup>1</sup>

We welcome the opportunity to comment on the proposed revisions to the Kodex, as we believe that companies with robust corporate governance structures and engaged shareholders are more likely to achieve superior long-term financial performance. While we are broadly supportive of the proposed revisions, we have a number of comments which we hope will provide useful feedback.

RPMI Railpen were disappointed to see the removal of “In principle, each share carries one vote” from the previous draft. We, like many institutional investors, typically favour a one-share, one-vote capital structure, and the current drafting seems ambiguous on this point.

Principle 21 B.6 recommends an executive take on no more than two Supervisory Board mandates in non-group listed companies. We expect to see a maximum of one external mandate for executives.

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<sup>1</sup> [https://www.rpmirailpen.co.uk/wp-content/uploads/2018/05/092018.RPMI-Railpen-2018-2019-voting-policy\\_F2.pdf](https://www.rpmirailpen.co.uk/wp-content/uploads/2018/05/092018.RPMI-Railpen-2018-2019-voting-policy_F2.pdf)

The requirement for independence expectations to be “appropriate” in B.7 seems unhelpfully vague. It is best practice for boards to be majority independent, and at a minimum one-third.

Diversity is a key component of successful and high performing boards. It enables members to constructively challenge management decisions and to be more open to innovative ideas, reducing the risk of ‘group-think’. Perhaps Principle 22 could explicitly prompt the consideration of the age, gender, and ethnicity of candidates as well as their educational and professional experience, rather than referring to “the required diversity.”

As detailed in our global voting policy, we will vote against the election or re-election of directors we consider overboarded, and we will vote against Chairman where the Board has insufficient gender representation or displays poor governance practices, including a lack of independence.

Remuneration is a key area of focus for RPMI Railpen. Under Principle 23 we note that best practice in the UK and other markets is a binding vote on the voting policy. This would be in line with the Shareholder Rights Directive, as well as law in most member states.

Under Principle 27 D.7 we would like to see the option of deferral of part of the annual bonus award into shares considered. We expect that performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, but are concerned that Principle 28 D.9 as drafted is too prescriptive.

If you would like to discuss any of the points raised in this letter, please contact us via [SO@rpmico.uk](mailto:SO@rpmico.uk).

With best regards,

**Jocelyn Brown, Senior Investment Manager, RPMI Railpen**