



JANUARY 2019

GERMAN CORPORATE GOVERNANCE CODE CONSULTATION

ABOUT PIRC

PIRC provides a variety of corporate governance research, advisory and data analysis services to institutional investors. These include research on governance standards and compliance among listed companies, analysis of general meeting resolutions and proxy voting advice in line with PIRC policies. PIRC also provides customised client templates and interpretation of client policies, outsourced vote execution, reporting on proxy voting activity and auditing of third party actions.

Since the inception of PIRC's Corporate Governance Service, PIRC has argued that corporate governance best practice has been an important element in reducing the risk of corporate failure and enhancing shareholder returns over the long-term.

PIRC considers that investors have a responsibility to develop consistent, informed and fair corporate governance policies which are relevant to the particularities of the market and promote good practice across it, as well as at individual companies.

PIRC response to the CONSULTATION

It should be noted that, where PIRC either agrees with, or has no comments on the text, no comments are offered.

A. Management and supervision

I. Tasks and responsibilities

Principle 1. The management board is responsible for managing the enterprise in its own best interests. Its members are jointly accountable for managing the enterprise. The chair or spokesperson of the management board coordinates the work of the management board members.

PIRC Recommendation:

This principle is in the current code.

Principle 2. The supervisory board appoints and discharges the members of the management board; it supervises and advises the management board in the management of the enterprise and has to be involved in decisions of fundamental importance to the enterprise. The articles of association and/or the supervisory board stipulate that transactions of fundamental importance are subject to approval.

PIRC Recommendation:

This principle is in the current code.

Principle 3. The supervisory board chair is elected by the supervisory board from among its members. The chair coordinates the activities of the supervisory board and represents the interests of the supervisory board externally.

Proposed Recommendation:

A.1 The Supervisory Board shall adopt its own rules of procedure and shall publish these on the company's website.

A.2 The Supervisory Board Chair should be available – within reasonable limits – to discuss Supervisory Board-related issues with investors.

PIRC Recommendation:

Publishing the documents on the company's website, thus increasing disclosure to shareholders is welcomed. However, it would be preferred that the Code recommended disclosure of at least 21 calendar days prior to the meeting, were adopted here in order to increase time available for shareholders to express an informed vote.

Principle 4. The management board develops the enterprise strategy, coordinates it with the supervisory board and ensures its implementation.

PIRC Recommendation:

This principle is in the current code.

Principle 5. The management board and the supervisory board cooperate on a trust basis to the benefit of the enterprise. Good corporate governance requires an open dialogue between the management board and supervisory board, as well

as between the members of these individual boards. Comprehensive observance of confidentiality is of paramount importance in this regard.

PIRC Recommendation:

This principle is in the current code.

New Principle 6. A responsible management of risks arising from business activities requires an appropriate internal control and risk management system.

PIRC Recommendation:

The addition of this principle is welcomed. PIRC encourages companies to maintain and establish formal, transparent and effective systems of internal control and risk management.

Principle 7. The management board ensures that all provisions of law and internal policies are complied with, and endeavours to achieve their compliance by the group entities.

Proposed Recommendation:

A.3 The Management Board shall institute an appropriate compliance management system reflecting the enterprise's risk situation, and disclose the main features of this system. Employees shall be given the opportunity to report, in a protected manner, breaches of the law within the enterprise; third parties should also be given this opportunity.

PIRC Recommendation:

This principle is in the current code.

Principle 8. When appointing the enterprise's executives, the management board considers diversity and lays down targets for increasing the share of women in the two management levels below the management board.

PIRC Recommendation:

The addition of diversity is welcomed. It will also be welcomed that companies should report on age, gender, educational and professional background, as well as the objectives of that diversity policy, targets and how they have been implemented in the reporting period. Section 96 (2) of Germany's Financial Law (AktG) as amended in 2015, provides for a minimum of 30% women and 30% men, although only for the Supervisory Board. As part of this provision, companies would be also required to set binding targets for diversity at top management

II. Supervisory Board committees

Principle 9. The establishment of committees generally supports the effectiveness of the supervisory board's work for larger enterprises.

Proposed Recommendation

A.4 Depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board shall form committees of members with relevant specialist expertise.

A.5 The Supervisory Board should establish an Audit Committee that – provided no other committee or the plenary meeting of the Supervisory Board has been entrusted with this work – addresses in particular the review of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. The accounting particularly comprises the consolidated financial statements and the group management report (including CSR reporting), interim financial information and the single-entity financial statements in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

A.6 The Chair of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures as well as the audit, and shall be independent. The Chair of the Supervisory Board shall not chair the Audit Committee.

A.7 The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting.

PIRC Recommendation:

The audit committee is considered one of the fundamental committees of a Board and having a specialised group of independent directors with the specific role of carrying out this function is preferred. PIRC would also recommend that the amended Code recommends that the Audit Committee be comprised solely of independent members.

The specific recommendation (A.7) for a Nomination Committee is also welcomed, especially where it is recommended that it includes only shareholder representatives. It would be preferred, however, that the amended Code also provided for the majority of the committee members to be independent.

III. Conflicts of interest

Principle 10. The members of the management board and supervisory board are bound to observe the enterprise's best interests. In all their decisions, they must neither pursue personal interests nor exploit for themselves business opportunities to which the enterprise is entitled. Management board members are subject to comprehensive non-compete clauses throughout the duration of their appointment.

Proposed Recommendation

A.8 Each member of the Supervisory Board shall inform the Chair of the Supervisory Board of any conflicts of interest without undue delay. In its report, the Supervisory Board shall inform the General Meeting of any conflicts of interest that have arisen and how they were addressed. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate.

A.9 Each Management Board member shall disclose conflicts of interest to the Chair of the Supervisory Board and to the Chair or Spokesperson of the Management Board without undue delay and shall inform the other members of the Management Board.

A.10 Members of the Management Board shall only assume sideline activities, especially Supervisory Board mandates outside the enterprise, with the approval of the Supervisory Board.

PIRC Recommendation:

The reporting of conflicts of interests to the Chair of the Supervisory Board as soon as they are known, is welcomed. In addition, the conflict of interest should be disclosed to shareholders, as it is considered to be an important issue for an informed shareholder vote on the discharge of the supervisory board.

Principle 11. Material transactions with related parties are subject to prior approval of the supervisory board

PIRC Recommendation:

No further comments.

IV. Provision of information

Principle 12. The management board is responsible for keeping the supervisory board informed. Nevertheless, the supervisory board must itself ensure that it obtains sufficient information. The management board informs the supervisory board regularly, without delay and comprehensively about all issues that are relevant to the enterprise – in particular, regarding strategy, planning, business development, the risk situation, risk management and compliance. The management board addresses departures in the current business development from its existing projections and agreed targets, indicating the reasons for any such departures. The supervisory board may at any time require the management board to provide

PIRC Recommendation:

No further comments.

Principle 13. The management board chair or spokesperson informs the supervisory board chair without undue delay of major events that are of material importance for the assessment of the enterprise's status and performance, and for the management of the enterprise. The supervisory board chair subsequently has to inform the supervisory board and, if required, convenes an extraordinary supervisory board meeting.

Proposed recommendation:

A.11 Between meetings, the Supervisory Board Chair shall be in regular contact with the Management Board – in particular, the Management Board Chair or Spokesperson, in order to discuss with them issues of strategy, planning, business development, the risk situation, risk management and compliance of the enterprise.

PIRC recommendation:

No further comments.

IV. Training and professional development

Principle 14. The members of the supervisory board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties.

Proposed recommendation:

A.12 The Company shall adequately support Supervisory Board members regarding continuous training and professional development measures.

PIRC recommendation:

No further comments.

V. VI. Meetings and adoption of resolutions

Proposed recommendation:

A.13 The Supervisory Board shall also meet on a regular basis without the Management Board.

PIRC recommendation:

No further comments.

Proposed recommendation:

A.14 It shall be noted in the report of the Supervisory Board how many meetings of the Supervisory Board, and of the committees, the individual members attended. Participation by telephone or video conference also counts as attendance, but this should not be the rule.

PIRC recommendation:

We welcome the fact that companies are recommended to disclose board and committee meeting attendance records for individual board members. Until recently, there was limited disclosure regarding individual attendance at board and committee meetings in this market, and it is positive for shareholders to be able to see whether directors participate actively on their board duties.

VII. Self-assessment of the Supervisory Board

Proposed recommendation:

A.15 The Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfil their tasks. This self-assessment shall be supported by external resources after not more than three years.

PIRC recommendation:

No further comments.

VIII. Transparency and external reporting

Principle 15. All other things being equal, the company will ensure equal treatment of all shareholders in respect of information.

PIRC recommendation:

No further comments.

Principle 16. Shareholders and third parties are kept informed by the consolidated financial statements and the group management report, as well as by interim financial information.

Recommendation:

A.16 The Company shall disclose to shareholders, without undue delay, all material new facts made available to financial analysts and similar addressees.

PIRC recommendation:

No further comments.

Recommendation:

A.17 The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

PIRC recommendation:

No further comments.

Recommendation:

A.18 If the company is not required to publish quarterly statements, it shall still inform shareholders during the course of the year in an appropriate way – in addition to the half-year financial report – about business developments, and in particular about material changes to the business outlook and the risk situation.

PIRC recommendation:

No further comments.

Principle 17. Supervisory board and management board provide information about the company’s corporate governance in their corporate governance statement, on an annual basis.

Recommendations:

A.19 Supervisory Board and Management Board shall explain in which way they apply the principles of the Code (“apply and explain”).

PIRC recommendation:

No further comments.

Recommendations:

A.20 The Company shall keep previous Corporate Governance Statements and Declarations of Compliance regarding the recommendations of the Code available on its website for a period of five years.

PIRC recommendation:

No further comments.

IX. Cooperation with the external auditors

Principle 18. The external auditors support the supervisory board and – where applicable – the audit committee in monitoring the management, particularly in relation to the review of the accounting and the monitoring of the accounting-related control and risk management systems. The external auditors’ audit opinion informs the capital market about the compliance of financial reporting with generally accepted accounting principles.

Recommendation:

A.21 The Supervisory Board shall arrange for external auditors to inform the supervisory board, without undue delay, about all findings and issues of importance for its tasks which come to the knowledge of the external auditors during the performance of the audit.

PIRC recommendation:

No further comments.

Recommendation:

A.22 The Supervisory Board shall arrange for the external auditors to inform it and note in the long-form audit report if, during the performance of the audit, the external auditors identify any facts that indicate an inaccuracy in the Declaration of Compliance regarding the recommendations of the Code issued by the Management Board and Supervisory Board.

PIRC recommendation:

No further comments.

Recommendation:

A.23 The Audit Committee shall conduct an evaluation of the effectiveness of the audit on a regular basis.

PIRC recommendation:

No further comments, except that it would be preferred if the results of such evaluations be made available to shareholders.

B. Composition of the Supervisory Board

Principle 19. The supervisory board normally comprises members appointed by the shareholders as well as, depending on the number of employees, members that are determined by the employees based on the rules of the co-determination acts. Shareholder representatives and employee representatives are obliged in equal measure to act in the best interest of the enterprise.

Recommendation:

B.1 Supervisory Board members elected by the shareholders shall be appointed for a period of not more than three years.

PIRC recommendation:

PIRC agrees with most of the recommendation, although annual (re-)election of shareholders representatives be preferred. However, it is welcomed that the Code recommends transparency over directors' recruitment processes, such that a recruitment/succession policy is available for shareholders.

Principle 20. The composition of the supervisory board has to ensure that its members collectively have the knowledge, skills and professional expertise required to properly perform all duties as well as the requisite diversity and independence.

Proposed recommendation:

B.2 The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Statement. This statement shall also provide information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members

PIRC recommendation:

This principle is in the current code.

B.3 An age limit shall be specified for members of the Supervisory Board.

PIRC recommendation:

This principle is in the current code.

B.4 The term of Supervisory Board membership shall be disclosed.

PIRC recommendation:

No further comments.

Principle 21. Each supervisory board member ensures that they have sufficient time available to discharge their duties.

Proposed recommendations:

B.5 A Supervisory Board member who is not a member of any executive governing body of a third-party entity shall not accept more than five Supervisory Board mandates at listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice.

B.6 Members of the executive governing body of a third-party entity shall not have, in aggregate, more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not accept the Chairmanship of a Supervisory Board.

PIRC recommendation:

PIRC considers significant external positions to include executive or non-executive positions at listed companies or large national and/or international organisations. PIRC considers that executive board members should not hold external positions given the scope of the demands an executive position holds.

Independence

Proposed recommendation:

B.7 The Supervisory Board shall include what it considers to be an appropriate number of independent members from the group of shareholder representatives, thereby taking into account the shareholder structure.

Within the meaning of this recommendation, Supervisory Board members are to be considered independent if they have no personal or business relationship with the company, its governing bodies or a controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest.

PIRC recommendation:

The board should be of sufficient size that the requirements of the business can be met and that changes to the board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy. It would be preferred that the amendments provided for recommended minimum and maximum sizes for supervisory boards.

On the independence criteria to be used, there are some concerns over the depth and stringency of these criteria. The Code states that a member of the supervisory board would not be considered independent if they were a member of the company's Management Board in the two years prior to appointment. PIRC's view is that non-executive directors may not be considered to be independent, if the member has been an employee of the company or group at any time. Furthermore, the code does not consider a supervisory board member as independent if their tenure exceeds 12 years. PIRC considers nine years to be the appropriate threshold of independence regarding tenure.

Proposed recommendation:

B.8 When assessing the independence of its members, the Supervisory Board shall take into consideration, in particular, if the individual Supervisory Board member (or a person having a close family relationship with him/her):

- was a member of the company's Management Board in the two years prior to appointment;
- currently is maintaining (or has maintained) a material business relationship with the company or one of the entities dependent upon the company (e.g. as customer, supplier, lender or advisor) in the year up to his/her appointment, directly or as a shareholder, or in a leading position of a third-party entity;
- along with his/her remuneration as a member of the Supervisory Board, receives other material variable remuneration from the company, or one of the entities dependent upon the company;
- is in a close family relationship with a member of the Management Board;
- is a controlling shareholder, is a member of the executive governing body of the controlling shareholder or maintains a personal or business relationship with a controlling shareholder,
- has been a member of the Supervisory Board for more than twelve years.

B.9 If one or more of the indicators set out above are met and the Supervisory Board member concerned is still considered independent, the reasons for this shall be given in the Corporate Governance Statement.

B.10 The Chair of the Supervisory Board, the Chair of the Audit Committee as well as the Chair of the committee that addresses Management Board remuneration shall be independent from the company and the Management Board. The Chair of

the Audit Committee shall also be independent from the controlling shareholder. More than half of the shareholder representatives shall be independent from the company and the Management Board.

B.11 Save for Supervisory Boards that are composed of only three members, at least two representatives of the shareholders shall be independent from the controlling shareholder.

PIRC recommendation:

While the further specification of B.11 is welcomed, PIRC would recommend that, regardless of the reason for non-independence, independent directors overall should comprise at least half of shareholder representatives, and at least 33% of the whole board, whichever is the higher.

Proposed recommendation:

B.12 No more than two former members of the Management Board shall be members of the Supervisory Board.

PIRC recommendation:

This principle is in the current code.

Proposed recommendation:

B.13 Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the enterprise, and shall not hold any personal relationships with a significant competitor.

PIRC recommendation:

PIRC agrees that a board member who serves as a director or employee of a significant competitor of the company cannot be considered independent.

Proposed recommendation:

B.14 In its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the company, the governing bodies of the company, and any shareholders with a material interest in the company. The disclosure recommendation is limited to information and circumstances that, in the opinion of the Supervisory Board, an objectively judging shareholder would consider decisive for their election decision. A material interest in the meaning of this recommendation refers to shareholders who directly or indirectly hold more than 10% of the voting shares in the company.

PIRC recommendation:

Whilst increasing disclosure relating to the personal and business relationships of candidates is welcome. PIRC recommends that all potential conflicts should be disclosed and not just those based on the opinion of the supervisory board. Furthermore, a material interest should refer to a holding of 3% or more, not the 10% recommended above.

Proposed recommendation:

B.15 The proposal for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and

professional experience; it shall be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, and shall be updated annually for all Supervisory Board members and published on the enterprise's website.

B.16 Supervisory Board members shall be elected individually. Where an application is made for the appointment of a Supervisory Board member by the Court, the term of that member shall be limited until the next General Meeting.

PIRC recommendation:

No further comments.

C. Appointments to the Management Board

Principle 22. The supervisory board resolves upon the number of management board members, the allocation of responsibilities, the required qualifications as well as the appointment of individual positions by suitable candidates, and takes into account the required diversity.

Proposed recommendations:

C.1 Together with the Management Board, the Supervisory Board shall ensure that there is long-term succession planning.

C.2 The first-time appointment of Management Board members shall be for a period of not more than three years.

C.3 Any re-appointment prior to one year before the end of an appointment period at the same time as termination of the current appointment shall only happen if special circumstances apply.

C.4 An age limit shall be specified for members of the Management Board.

PIRC recommendation:

The board and its committees should consist of directors with the appropriate balance of skills, experience, independence and knowledge of the company to enable it to discharge its duties and responsibilities effectively. As far as the appointment process is concerned, PIRC believes that it is important to take account of a director's track-record, qualifications, sector based experience, transactional experience and overall competency when contemplating his or her suitability. Executive directors should be appointed through the same formal process as the non-executives, having regard to the board's succession plans and current business environment.

D. Remuneration of Management Board and Supervisory Board members

Principle 23. The supervisory board determines a generally comprehensible system on the remuneration for the management board members and, on this basis, determines the total remuneration for each management board member. The general meeting adopts advisory resolutions on the approval of the remuneration system for the management board members suggested by the supervisory board, as well as on the remuneration report for the preceding financial year.

PIRC recommendation:
No further comments.

Principle 24. The remuneration system helps to achieve the enterprise's strategic goals and the sustainable development of the enterprise. The target and maximum total remuneration are appropriately related to the tasks and performance of the management board member, as well as to the situation of the enterprise. The variable remuneration components create an incentive to support sustainable growth of the enterprise.

PIRC recommendation:
No further comments.

Principle 25. The remuneration system determines how the target total remuneration is determined for each management board member; the relative share in the target total remuneration of fixed remuneration on the one hand, and short-term variable and long-term variable remuneration components on the other hand; which financial and non-financial objectives are relevant, and what kind of relationship exists between achieving previously-agreed objectives and variable remuneration; and what relative ranges are applicable for the variable remuneration components.

Proposed recommendation:

D.1 The share of long-term variable remuneration shall exceed the share of short-term variable remuneration.

PIRC recommendation:
No further comments.

Proposed recommendation:

D.2 The amount of remuneration shall be capped by annual maximum expense levels, both in aggregate and as regards variable remuneration components.

PIRC recommendation:

This recommendation is welcomed. In addition, PIRC considers that the cap on the variable remuneration component should be 200% of base salary. The aggregate and fixed remuneration should be capped in line with peers of a similar

sector and size. Fixed remuneration should not exceed the median range of the peer group (which should also be disclosed to shareholders).

Proposed recommendation:

D.3 If pension benefits are granted, the service cost or any pension contributions shall be allocated to the fixed remuneration category. The same applies to fringe benefits that are not related to operating activities.

D.4 The ratio between fixed remuneration and variable remuneration components shall take into account the various requirements related to the tasks of the respective Management Board members.

D.5 The amounts of all variable remuneration components granted shall depend solely upon the achievement of the pre-determined objectives for the period concerned.

PIRC recommendation:

No further comments, besides those already stated regarding D.12, above. In addition, such pre-determined objectives should be quantified and disclosed to shareholders prior to the meeting.

Principle 26. The remuneration system describes how to ensure that the remuneration does not exceed the usual remuneration without specific reasons.

Proposed recommendation:

D.6 In order to determine whether remuneration is in line with usual levels, the Supervisory Board shall take into account the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time.

PIRC Recommendation:

The proposed recommendation aligns with what PIRC considers best practice. Pay elsewhere in the Company should be used when determining directors pay.

Principle 27. The remuneration system determines the manner in which variable remuneration is granted.

Proposed recommendation:

D.7 Short-term variable remuneration shall be disbursed in cash. The long-term variable remuneration shall be granted (after deduction of taxes) in the form of shares in the company that must not be sold for a period of at least four years.

PIRC Recommendation:

Although the recommended four-year deferral of shares resulting from LTIP awards is an improvement, PIRC no longer recommends support for long term incentive plans due to concerns over their use in practice. Also, best practice would see at least 50% of the short-term variable incentive award deferred into shares for a minimum of two years.

Principle 28. Based on the remuneration system, the supervisory board determines in advance for each management board member the specific target and maximum total remuneration as well as the allocation to fixed and variable

remuneration components. Depending on the target achievement, the supervisory board subsequently determines the specific amount of the variable remuneration components.

Proposed recommendation:

D.8 When determining the specific target total remuneration of each Management Board member, the Supervisory Board shall use an appropriate peer group of other third-party entities and shall disclose the composition of such group. The peer-group comparison must be applied with a sense of perspective, in order to prevent an automatic upward trend.

D.9 Long-term variable remuneration shall primarily act as an incentive for implementing strategic measures. Therefore, the corresponding objectives shall be derived from current strategic planning for the financial year concerned. Short-term variable remuneration shall be based on targets set out in the operating annual planning.

D.10 The Supervisory Board shall determine to what extent individual targets for each Management Board member on the one hand – or targets for the entire Management Board on the other hand – are decisive for the variable remuneration components.

D.11 The target achievement shall be comprehensible in terms of both its rationale and amount. Subsequent changes to the targets or comparison parameters shall be excluded.

D.12 The Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable remuneration (clawback) if justified.

D.13 After the termination of a Management Board contract, any existing regulations regarding remuneration and the inflow of funds shall remain in force.

D.14 Payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. Calculation of the severance cap shall be based on the total remuneration paid for the previous financial year and, if appropriate, shall also take into account the expected total remuneration for the current financial year. Payments made in return for possible post-contractual non-compete clauses shall be offset against the severance payment.

D.15 Benefit commitments made in connection with the early termination of a Management Board member's activity due to a change of control should not be agreed upon.

D.16 If Management Board members have intragroup Supervisory Board mandates, the remuneration shall be offset against the fixed remuneration. If Supervisory Board mandates are assumed at non-group entities, the Supervisory

Board shall decide whether and to what extent the remuneration shall be taken into account.

D.17 Management Board members shall not chair supervisory bodies of non-group entities.

D.18 If the Supervisory Board calls upon an external remuneration expert to evaluate the appropriateness of the remuneration, it shall ensure that the expert is independent from the Management Board and the enterprise.

PIRC Recommendation:

PIRC welcomes the added disclosure relating to executive pay. At a minimum, PIRC expects companies to disclose the proportion of total pay formed by each element, fixed and variable. Further providing the hypothetical maximum and overall quantum of pay, provides context and clarity in making judgements on the overall balance of executive pay. PIRC considers it is best practice that performance targets should be fully disclosed and quantified. Payments upon termination of contract should not exceed 12 months of salary.

Principle 29. The members of the supervisory board receive remuneration that is appropriate to their tasks and the situation of the company. Remuneration is specified by resolution of the general meeting or in the articles of association.

Proposed recommendation:

D.19 The remuneration of Supervisory Board members shall take into account, in an appropriate manner, the higher time commitment of the Chair and the Deputy Chair of the Supervisory Board as well as of the Chair and the members of committees.

D.20 If members of the Supervisory Board are granted performance-related remuneration, it shall be linked to sustainable growth of the enterprise.

PIRC Recommendation:

PIRC welcomes the proposal that performance-related remuneration should be linked to sustainable growth of the enterprise. In addition, it would be welcomed if companies disclose the specific relationship between the performance related criteria and sustainable growth, with potential targets attached.

Principle 30. The management board and the supervisory board prepare an annual remuneration report, in accordance with statutory provisions.

PIRC Recommendation:

No further comments.

For more information relating on the content of this document, or to request a copy of PIRC's UK Shareholder Voting Guidelines, please email info@pirc.co.uk.

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