REGIERUNGSKOMMISSION

Deutscher Corporate Governance Kodex

Simplified Version of the Code

Deutscher Corporate Governance Kodex

28th April 2022; Proposals for Amendments of the Government Commission August 2026

Contents

Foreword

A. Management and supervision
   - I. Governance tasks of the Management Board
   - II. Supervision tasks of the Supervisory Board
   - III. Function of the General Meeting

B. Appointments to the Management Board

C. Composition of the Supervisory Board
   - I. General requirements
   - II. Independence of Supervisory Board members
   - III. Elections to the Supervisory Board

D. Supervisory Board procedures
   - I. Rules of Procedure
   - II. Cooperation within the Supervisory Board and with the Management Board
     1. General requirements
     2. Supervisory Board committees
     3. Provision of information
     4. Meetings and adoption of resolutions
   - III. Cooperation with the external auditors
   - IV. Training and professional development
   - V. Self-assessment

E. Conflicts of interest

F. Transparency and external reporting

G. Remuneration of the Management Board and the Supervisory Board
   - I. Remuneration of the Management Board
     1. Basic elements of the remuneration system and remuneration structure ~~Determining the remuneration system~~
     ~~2. Determining total renumeration~~
     2. Determinations regarding variable remuneration components ~~determining the total amount of variable remuneration components~~
     3. ~~4.~~ Benefits granted at contract termination
     ~~5. Other provisions~~
   - II. Remuneration of the Supervisory Board
   - III. Reporting

Foreword

Corporate Governance is understood as the legal and factual regulatory framework for the management and supervision of an enterprise. The German Corporate Governance Code (the "Code") contains principles, recommendations and suggestions for the Management Board and the Supervisory Board that are intended to ensure that the company is managed in its best interests. The Code highlights the obligation of Management Boards and Supervisory Boards – in line with the principles of the social market economy – to take into account the interests of the shareholders, the enterprise's workforce and the other groups related to the enterprise (stakeholders) to ensure the continued existence of the enterprise and its sustainable value creation (the enterprise's best interests). These principles not only require compliance with the law, but also ethically sound and responsible behaviour (the "reputable businessperson" concept, *Leitbild des Ehrbaren Kaufmanns*).

With their actions, the company and its governing bodies must be aware of the enterprise's role in the community and its responsibility vis-à-vis society. Social and environmental factors influence the performance of the company, and its activities have an impact on people and the environment. The Management Board and the Supervisory Board take this into account when exercising their respective management and supervisory roles in the company's best interests.

The objective of the **Code** is to make the dual German corporate governance system transparent and understandable. The Code includes principles, recommendations and suggestions governing the management and monitoring of German listed companies that are accepted nationally and internationally as standards of good and responsible governance. It aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public.

The **principles** reflect material legal requirements for responsible governance, and are used here to inform investors and other stakeholders. **Recommendations** of the Code are indicated in the text by using the word **"shall"**. Companies may depart from recommendations, but in this case they are obliged to disclose and explain any departures each year ("comply or explain"). This enables companies to take into account sector- or company-specific special characteristics. Well-justified departures from recommendations of the Code may be in the best interests of good corporate governance. Finally, the Code contains **suggestions** from which companies may depart without disclosure; suggestions are indicated in the text by using the word **"should"**.

Code stipulations covering not only the listed company itself but also its group entities use the word "enterprise" rather than "company".

Shareholders generally exercise their membership rights before or at the General Meeting. **Institutional investors** are of particular importance to enterprises. They are expected to exercise their ownership rights actively and responsibly, in accordance with transparent principles that also respect the concept of sustainability.

The Code is addressed to listed companies and companies with access to capital markets pursuant to section 161 (1) sentence 2 of the German Stock Corporation Act. **Companies which are not capital market oriented** may use the Code's recommendations and suggestions as guidelines.

Listed credit institutions and insurance undertakings are subject to the applicable prudential requirements, which are not reflected in the Code. Code recommendations apply to the extent that they do not contradict any legal stipulations.

A. Management and supervision

I. Governance tasks of the Management Board

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.**

Principle 2 **The Management Board develops the enterprise strategy, coordinates it with the Supervisory Board and ensures its implementation.**

Recommendation:

A.1 The Management Board shall systematically identify and assess the risks and opportunities associated with social and environmental factors, as well as the ecological and social impacts of the enterprise's activities. In addition to long-term economic objectives, the corporate strategy shall also give appropriate consideration to ecological and social objectives. Corporate planning shall include corresponding financial and sustainability-related objectives.

Principle 3 **The Management Board stipulates target values for the share of women in the two management levels below the Management Board.**

Recommendation:

A.2 When making appointments to executive positions, the Management Boards shall consider diversity.

Principle 4 **Responsible management of risks arising from business activities requires an appropriate and effective internal control system and risk management system. The appropriateness and effectiveness of the internal control system and the risk management system presuppose their internal monitoring.**

Recommendation:

A.3 The internal control system and the risk management system shall also cover sustainability-related objectives, unless required by law anyway. This shall include processes and systems for collecting and processing sustainability-related data.

Principle 5 **The Management Board ensures that all provisions of law and internal policies are complied with, and endeavours to achieve their compliance by the enterprise. The internal control system and risk management system comprise**

a compliance management system aligned to the enterprise's risk situation and the possibility of reporting suspected legal violations within the company confidentially.

Recommendations and suggestion:

~~A.4~~

~~Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the enterprise; third parties should also be given this opportunity.~~

This recommendation is redundant as there is already a legal provision under the Whistleblower Protection Act. Incorporated into Principle 5.

A.4~~5~~

The management report shall describe the main characteristics of the ~~entire~~ financial-reporting-related and non-financial-reporting-related internal control ~~system~~ and risk management systems, and comment upon the appropriateness and effectiveness of these systems.

The management report is guided overall by the principle of materiality and focuses on risk-relevant information that is significant for understanding the company's situation. Recommendation A.5 also requires a description that is based on this standard and emphasizes the risk-related aspects of the systems.

Although the term "material" was used at the beginning in the previous version, the term "entire" could have been misunderstood as meaning that a complete and exhaustive description of all components of the systems in question is required—regardless of their relevance with respect to risk. However, the recommendation continues to extend—beyond the statutory transparency requirements—to both accounting-related and non-accounting-related internal control and risk management systems.

The new wording avoids misunderstandings regarding the scope of the description required and fits seamlessly into the general framework of the management report, which – as the limitation to material characteristics also demonstrates – is geared toward risk-oriented and proportionate reporting.

II. Supervision tasks of the Supervisory Board

Principle 6 **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. Supervision and advice also include, sustainability issues in particular.**

The Articles of Association and/or the Supervisory Board stipulate that transactions of fundamental importance are subject to approval.

Furthermore, transactions with related parties [*] may be subject to prior approval by the Supervisory Board according to the applicable legal regulations.

Principle 7 **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.**

Suggestion:

A.5~~6~~ The Supervisory Board Chair should be available – within reasonable limits – to discuss Supervisory Board-related issues with investors.

III. Function of the General Meeting

Principle 8 **Shareholders regularly exercise their membership rights at the General Meeting. The General Meeting adopts resolutions in particular on the appropriation of net profit, approves the actions of the Management Board and the Supervisory Board by way of discharge, and elects the shareholder representatives to the Supervisory Board as well as the external auditors. The General Meeting also adopts resolutions on the company's legal principles, including, but not limited to, amendments to the Articles of Association, corporate actions, inter-company agreements and transformations. The General Meeting generally adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, on the actual remuneration of the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year.**

Suggestions:

A.6~~7~~ The Chair should take into account that the General Meeting be completed within four to six hours.

---

[*] Related parties within the meaning of Section 111a (1) sent. 2 of the AktG.

~~**A.8**~~ ~~In the event of a takeover offer, the Management Board should convene an Extraordinary General Meeting at which shareholders will discuss the takeover offer and may decide on corporate actions.~~

There is a widespread misunderstanding regarding the scope of this suggestion: the proposal applies only to target companies. However, the cases which have recently been the subject of public discussion did not involve target companies, but rather companies acting as acquirers—and thus scenarios which from the outset are not covered by A.8. This misunderstanding can be addressed by deleting the provision.

Furthermore, the proposal is ineffective because it will not be followed for time-related and legal reasons: The Management Board's reasoned statement on the takeover bid, as well as any decisions regarding defensive measures, are due just two weeks after the bid is published. Furthermore, provisions in the articles of incorporation regarding defensive measures are often absent, meaning there is no valid subject matter for a resolution. It therefore seems logical for companies to refrain from holding such a shareholders' meeting if the associated effort is disproportionate to the practical benefit—which will typically be the case.

B. Appointments to the Management Board

Principle 9 **The Supervisory Board determines, within legal and statutory provisions, the number of Management Board members, the required qualifications required as well as the appointment of suitable candidates to individual positions. The Supervisory Board ensures that the legally required gender participation on the Management Board is complied with or defines target values for the percentage of women on the Management Board within the framework of legal requirements.**

Recommendations:

B.1 When appointing Management Board members, the Supervisory Board shall take diversity into account.

B.2 Together with the Management Board, the Supervisory Board shall ensure that there is long-term succession planning. The approach shall be described in the Corporate Governance Statement.

B.3 The first-time appointment of Management Board members shall be for a period of not more than three years.

B.4 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.

Suggestion:

B.5 An age limit ~~shall~~ should be established for members of the Management Board and disclosed in the Corporate Governance Statement.

The recommendations regarding the composition of the Management Board aim, among other things, to support the board's performance and long-term viability, for example through forward-looking succession planning which takes diversity considerations relevant to the company into account. Within the framework of contractual autonomy, the suitability of the board can be managed through contract terms and renewal decisions. The establishment of an age limit, as recommended in Recommendation B.5, is no longer common practice internationally; however, it remains—as before—a legitimate and proven option. It is therefore retained as a suggestion.

C. Composition of the Supervisory Board

I. General requirements

Principle 10 **The Supervisory Board consists of shareholder representatives, and of employee representatives, if applicable. Shareholder representatives are usually elected by the General Meeting. The applicable co-determination acts stipulate – depending on the number of employees and the respective industry sector – if and how many Supervisory Board members must be elected by employees. Shareholder representatives and employee representatives are obliged in equal measure to act in the best interests of the enterprise.**

Principle 11 **The composition of the Supervisory Board has to ensure that its members collectively possess the knowledge, skills and professional expertise required to properly perform their duties; furthermore, the legal gender quota must be considered.**

Recommendations:

C.1 The Supervisory Board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board while taking the principle of diversity into account. ~~The Supervisory Board's skills and expertise profile shall also comprise expertise regarding sustainability issues relevant to the enterprise. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board~~. The implementation status shall be disclosed in the form of a qualification matrix in the Corporate Governance Statement. This statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

C.1, sentences 2 and 3, have been deleted.

1. C.1, sentence 2

a) Redundancy with respect to internal references to the Code

C.1, sentence 2, is superfluous in light of the Code's existing recommendations. C.1, sentence 1, generally requires the Supervisory Board to develop a competence profile for the entire board. Recommendations A.1 and A.3 specify the duties of the Management Board and the corresponding monitoring and advisory responsibilities of the Supervisory Board, and explicitly cover matters relating to sustainability. The interplay of these recommendations already makes it clear that the Supervisory Board's competence profile must cover the sustainability issues relevant to the company. There is therefore no need for separate emphasis in C.1, sentence 2.

b) Redundancy with respect to requirements under European law
Regardless of the Code, the need for sustainability expertise on the Supervisory Board arises from requirements under European law. Firstly, pursuant to the relevant statutory provisions implementing the CSRD, the Supervisory Board is obliged to review the sustainability report, which requires corresponding expertise within the body. Second, ESRS 2 requires comprehensive reporting on sustainability governance. According to amended ESRS 2 No. 12(b), companies must disclose how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to manage or oversee strategies and other measures designed to respond to material impacts, risks and opportunities; Paragraph 12(c) also requires disclosure the identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies, which are responsible for the management or oversight of material impacts, risks and opportunities.

These reporting requirements, which are based on European guidelines, create an independent and direct incentive to maintain sustainability expertise on the Supervisory Board – the Code does not need to recommend this in addition.

c) Inconsistency of specific mention
Finally, the explicit emphasis on sustainability expertise is systematically inconsistent. Sustainability expertise is undoubtedly important, but by no means is it the only area of expertise relevant to a contemporary competence profile. Comparable requirements exist, for example, for digitalisation and artificial intelligence, yet these are not mentioned in the Code. Selectively naming individual areas of expertise suggests a hierarchy that cannot be objectively justified. Nor would it be productive to list all relevant areas of expertise in the Code—this would undermine the flexibility of the competence profile intended by the Code and force the Code to undergo constant revisions whenever important new areas of expertise emerge.

The deletion of the explicit reference to sustainability expertise in C.1, sentence 2, therefore neither lowers the level of requirements nor undermines the substance of the Code's provisions; rather, it serves to enhance the clarity, coherence, and conciseness of the Code without diminishing the actual significance of sustainability for the composition and work of the Supervisory Board.

2. C.1, Sentence 3
C.1, Sentence 3 should also be deleted, as it already follows naturally from other provisions of the Code and has no independent regulatory content.

C.1, Sentence 4 recommends reporting on the status of the implementation of the competence profile. It is a natural consequence of this reporting obligation that, when preparing nomination proposals for the Annual General Meeting, the Supervisory Board works to close any gaps in the competence profile. Anyone obliged to report on deficiencies will, consequently, also be required to address

them by proposing suitable candidates. The qualification matrix to be prepared highlights the discrepancy between the current and target competence profiles and thus directly informs the preparation of nomination proposals. Sentence 3 is therefore not needed as a standalone recommendation.

Suggestion and Recommendation:

C.2 An age limit should ~~shall~~ be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement.

Setting specific goals for the composition of the Supervisory Board serves, among other things, to foster ongoing discussion regarding the further development and renewal of the body. The establishment of an age limit, as recommended in Recommendation C.2, is one of several ways to promote an appropriate composition and "renewal" and to anchor these principles in succession planning. It stands alongside other instruments which serve the same purpose: maximum tenure, diversity considerations, and the regular maintenance of a competence profile. C.2 is therefore retained as a recommendation.

C.3 The term of Supervisory Board membership shall be disclosed.

Principle 12 **Each Supervisory Board member ensures that they have sufficient time available to discharge their duties.**

Recommendations:

C.4 A Supervisory Board member who is not a member of any Management Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice.

C.5 Members of the Management Board of a listed company 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 in a non-group listed company.

II. Independence of Supervisory Board members

Recommendations:

C.6 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, a Supervisory Board member is considered independent if he/she is independent from the company and its Management Board, and independent from any controlling shareholder.

C.7 More than half of the shareholder representatives shall be independent from the company and the Management Board. Supervisory Board members are to be considered independent from the company and its Management Board if they have no personal or business relationship with the company or its Management Board that may cause a substantial – and not merely temporary – conflict of interest.

When assessing the independence of Supervisory Board members from the company and its Management Board, shareholder representatives shall particularly take into consideration the following aspects; whether the respective Supervisory Board member – or a close family member:

- was a member of the company's Management Board in the two years prior to appointment;
- whether he/she 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 non-group entity;
- whether he/she is a close family member of a Management Board member; or,
- whether he/she has been a member of the Supervisory Board for more than twelve years.

C.8 If one or more of the indicators set out in recommendation C.7 are met and the Supervisory Board member concerned is still considered independent, the reasons for this shall be given in the Corporate Governance Statement.

C.9 If the company has a controlling shareholder, and the Supervisory Board comprises more than six members, at least two shareholder representatives shall be independent from the controlling shareholder. If the Supervisory Board comprises six members or less, at least one shareholder representative shall be independent from the controlling shareholder.

A Supervisory Board member is considered independent from the controlling shareholder if he/she, or a close family member, is neither a controlling shareholder nor a member of the executive governing body of the controlling shareholder, and does not have a personal or business relationship with the controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest.

C.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.

C.11 No more than two former members of the Management Board shall be members of the Supervisory Board.

C.12 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.

III. Elections to the Supervisory Board

Recommendations:

C.13 In its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the enterprise, 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 of the company.

C.14 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 entity's website.

C.15 Shareholder representatives shall be elected individually. Where an application is made for the appointment of a Supervisory Board member – representing shareholders – by the Court, the term of that member shall be limited until the next General Meeting.

D. Supervisory Board procedures

I. Rules of Procedure

Recommendation:

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

D.1 currently recommends that the Supervisory Board adopt rules of procedure and make these available on the company's website. As part of the effort to shift the Code's focus more toward principles-based recommendations, formal disclosure requirements which do not independently contribute to the quality of corporate governance should be reviewed. The disclosure of the rules of procedure is one such purely formal requirement.

II. Cooperation within the Supervisory Board and with the Management Board

1. General requirements

Principle 13 **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.**

2. Supervisory Board committees

Principle 14 **The establishment of committees generally supports the effectiveness of the Supervisory Board's work for larger companies. An audit committee is to be established.**

Recommendations:

~~**D.2**~~ ~~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. The respective committee members and the committee chairs shall be provided in the Corporate Governance Statement.~~

The Code attaches great importance to committee work for effective corporate governance. However, this is already expressed in Principle 14. D.2, sentence 1, repeats this idea without adding any substantive regulatory content of its own and is therefore superfluous as a recommendation.

For companies with larger supervisory boards, the formation of specialised committees has long been an established and undisputed practice. A Code

recommendation calling for this no longer has any additional regulatory effect for this target group.

The wording "depending on the specific circumstances of the enterprise and the number of Supervisory Board members" is clearly intended to exempt companies with small supervisory boards—in particular those with the statutory minimum of three members—from the recommendation. In practice, however, this proviso is often misunderstood: Companies with a three-member supervisory board nevertheless feel compelled to declare and justify a deviation in their declaration of compliance even though, for a board of this size, forming committees is not practical for structural reasons alone and is therefore clearly not intended as a requirement.

D.2, sentence 2, recommends that the committee members and the committee chair be named in the corporate governance statement. This recommendation is also superfluous, as it is already covered by existing statutory requirements. According to prevailing opinion, the corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) already requires the precise composition of the committees, including the names of the individual members. The recommendation thus merely repeats a requirement that already arises from the law and is therefore redundant as a standalone Code recommendation.

Principle 15 **At least one member of the Audit Committee must have expertise in the field of accounting and at least one other member of the audit committee must have expertise in the field of auditing.**

Recommendations:

D.2~~3~~ ~~The expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance~~. The chairman of the audit committee shall have appropriate expertise in at least one of the two areas named in principle 15. ~~The corporate governance statement shall name the relevant members of the audit committee and provide details of their expertise in the areas mentioned.~~ The Chair of the Supervisory Board shall not chair the Audit Committee.

D.3, sentence 1, specifies what constitutes the expertise in the field of accounting or financial statement auditing required under Section 100 (5) of the German Stock Corporation Act (AktG). This detailed specification is deferred to the explanatory memorandum to the Code.

D.3, second sentence is redundant in light of the draft CSRD Implementation Act: Section 107 (3) of the draft AktG reads:
"In particular, it may appoint an audit committee to deal with the following:

1. the oversight of the financial reporting process, including the sustainability reporting process, (…)
and
3. the audit of the financial statements and the audit of the sustainability report, in particular the selection and independence of the auditors, the quality of the audits, and the additional services provided by the auditors; whereby, for the oversight of the sustainability reporting process and the audit of the sustainability report, an additional committee may be formed with the tasks and duties of a sustainability audit committee, to which the provisions governing the audit committee shall then apply accordingly."

So, draft Section 107 (3) of the German Stock Corporation Act (AktG-E) expressly provides for the option of delegating responsibilities related to sustainability reporting and its audit to a separate sustainability audit committee. The draft statutory provision thus deliberately allows companies organisational flexibility. Given the natural connection between the two topics, most companies will handle these matters within the audit committee, and a transfer to another committee will be considered carefully.

D.3 Sentence 4: The obligation to list the names of committee members already derives from the statutory requirements for the corporate governance statement under Section 289f of the German Commercial Code (HGB). According to prevailing opinion and the explanatory memorandum to the Accounting Law Modernisation Act (BilMoG), the corporate governance statement requires the precise composition of the committees, including the names of the individual members. A Code recommendation that merely reiterates what is already required by law has no independent regulatory effect.

Transparency regarding the qualifications of committee members is already provided by the qualifications matrix which must be prepared and disclosed pursuant to C.1, sentence 5. This matrix makes the competence structure of the full board and its committees transparent to shareholders and thus fulfills the informational purpose pursued by D.3, sentence 4.

D.34 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.

3. Provision of information

Principle 16 **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 additional information.

Principle 17 **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.**

Recommendation:

D.4~~5~~ 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, business development, the risk situation, risk management and compliance of the enterprise.

4. Meetings and adoption of resolutions

Recommendations and suggestion:

D.5~~6~~ The Supervisory Board shall also meet on a regular basis without the Management Board.

D.6~~7~~ It shall be noted in the report of the Supervisory Board ~~how many meetings of the Supervisory Board, and of the committees were held in person or as video or telephone conferences and~~ how many meetings of the Supervisory Board and the committees the individual members attended in each case.

The original inclusion of the format specification in the Code was intended to highlight an excessive shift toward telephone and video conferences at the expense of in-person attendance, despite the fact that the previous version had recommended that virtual participation should not be the norm. The guiding function of the recommendation has thus adapted over time to technological change and the general acceptance of digital formats. Not only virtual but also hybrid meeting formats have now become an integral part of everyone's daily work, including in the practice of supervisory boards. In addition to this there is the use of artificial intelligence. Neither this nor hybrid formats alone are covered by the current wording. Rather than making adjustments here—which would result in increased complexity in reporting—the Government Commission has examined whether a specific reporting requirement on this matter is still appropriate.

Ultimately, the question should be posed as to whether the meeting format can or should serve as a suitable indicator of the quality of supervisory board performance for outsiders at all. Does the full physical presence of all members actually indicate the higher quality of a meeting — and, conversely, does remote participation allow one to conclude that supervisory duties are being performed to a lower standard? The reasons for choosing a particular format or form of

participation can be diverse and legitimate: geographical circumstances, last-minute scheduling constraints, or the nature of the agenda item may play just as much a role as considerations of organisational efficiency. An external reporting requirement which discloses the meeting format without being able to reflect this context thus creates an anachronistic pressure to justify decisions which lacks a factual basis.

Rather, questions regarding meeting structure and choice of format are matters of the Supervisory Board's internal organisation which require regular self-reflection. As part of the efficiency review under D.13, the Supervisory Board will be able to identify and correct any undesirable developments on its own—such as a perceived problematic proliferation of virtual formats. It should therefore be left up to the Supervisory Board itself to determine the appropriate format for its meetings and to review this on an ongoing basis.

The recommendation has thus been returned to its original fundamentals.

III. 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.**

Recommendations:

D.7~~8~~ The Supervisory Board, or the Audit Committee, shall arrange for the external auditors to inform it, 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~~ during the conduct of the year-end audit ~~during the performance of the audit.~~ and the external auditors shall inform it, and note in the audit report, whether they have identified 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.

D.8 and D.9 have been combined.

~~**D.9**~~ ~~The Supervisory Board, or the Audit Committee, shall arrange for the external auditors to inform it and note in the 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.~~

D.8~~10~~ The Audit Committee shall discuss with the auditor the audit risk assessment, the audit strategy and audit planning, and the audit results. The chairman of the audit committee shall regularly discuss the progress of the audit with the auditor

and report thereon to the committee. The Audit Committee shall consult with the external auditors on a regular basis without the Management Board.

IV. Training and professional development

Principle 19 **The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties.**

Recommendation:

D.9~~11~~ The company shall support Supervisory Board members sufficiently upon their appointment and during training and professional development measures, and shall disclose such measures in the report of the Supervisory Board.

V. Self-assessment

Recommendation:

D.10~~12~~ The Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfil their tasks. The Supervisory Board shall report in the Corporate Governance Statement if (and how) the self-assessment was conducted.

E. Conflicts of interest

Principle 20 **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.**

Recommendations:

E.1 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.

E.2 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.

E.3 Members of the Management Board shall only assume sideline activities, especially Supervisory Board mandates outside the enterprise, with the approval of the Supervisory Board.

F. Transparency and external reporting

Principle 21 **All other things being equal, the company will ensure equal treatment of all shareholders in respect of information.**

Principle 22 **Shareholders and third parties are kept informed by the consolidated financial statements and the group management report (including CSR reporting), as well as by interim financial information.**

Recommendations:

F.1 The company shall disclose to shareholders, without undue delay, all material new facts made available to financial analysts and similar addressees.

~~**F.2**~~ ~~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.~~

F.2 DCGK recommends that annual and semiannual financial reports be made publicly available within 90 and 45 days, respectively, of the end of the reporting period. The purpose of this provision is to ensure timely financial reporting for the benefit of capital market participants.

This recommendation may be deleted because its substance is fully covered by the regulations of STOXX and Deutsche Börse for the relevant indices. For DAX companies, the DAX Equity Index Methodology Guide of Deutsche Börse AG, with reference to the Code, stipulates that the annual financial report must be published within 90 days and the semiannual financial report within 45 days of the end of the reporting period in question, although stock exchange regulations actually provide for a more generous grace period of four months and three months respectively. The deletion of F.2 is not expected to result in any change to stock exchange rules, as the Code does not specify a recommendation for a publication deadline for quarterly information in F.3, while in this case the DAX Equity Index Methodology Guide also provides for 45 days with a grace period.

Section 114(1) of the German Securities Trading Act (WpHG) already stipulates a statutory disclosure requirement for domestic issuers of four months following the end of the fiscal year. Recommendation F.2 thus falls within an area which is already sufficiently regulated by statutory and stock exchange regulations.

F.2~~3~~ 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.

Principle 23 **Management Board and Supervisory Board provide information about the company's corporate governance in their Corporate Governance Statement, on an annual basis.**

Recommendations:

F.34 The Supervisory Board and Management Board of listed companies subject to special legal regulations shall specify, in the Corporate Governance Statement, what Code recommendations were not applied due to over-riding legal stipulations.

F.45 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 at least five years

G. Remuneration of the Management Board and the Supervisory Board

I. Remuneration of the Management Board

Principle 24

The Supervisory Board decides on a clear and comprehensible system on the remuneration for the Management Board members, sets a maximum remuneration amount and, on this basis, determines the actual remuneration for each Management Board member.

The General Meeting generally adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year.

The remuneration structure of listed companies is to be oriented towards the company's sustainable and long-term development. The remuneration of Management Board members shall promote the corporate strategy and support the long-term development of the company.

1. Basic elements of ~~Determining the~~ the remuneration system and remuneration structure

Recommendation:

G.1

The remuneration system shall also define ~~in particular~~:

- how the target total remuneration and the maximum remuneration are determined for each Management Board member~~, and the amount the total remuneration must not exceed (maximum remuneration)~~; and
- ~~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 performance criteria are relevant for the granting of variable remuneration components;~~
- what kind of relationship exists between achieving previously-agreed performance criteria and variable remuneration~~; and~~
- ~~when and in what form Management Board members have access to granted variable remuneration components.~~

The deletions in G.1 help to better distinguish the recommendation from the statutory requirements.

G.1 contains a mix of statutory provisions and recommendations, often differing only in subtle ways. However, it is not possible to deviate from the law. This creates a false impression. The maximum remuneration must be determined in accordance with Section 87a (1) of the German Stock Corporation Act (AktG). However, the text should now describe, as a recommendation, how it is to be determined.

G.1, indent 2 is merely a clarification of the law, with the nuance that the target total remuneration serves as the reference point for the ratio of the shares. In practice, this has proven to be useful, so the recommendation can be omitted.

G.1, indent 3 derives from the law. Section 87a(1) no. 4 requires the disclosure of all financial and non-financial performance criteria for the granting of variable remuneration components (if any), including a) an explanation of how these criteria contribute to the objectives set forth in paragraph 2, and b) a description of the methods used to determine the achievement of the performance criteria. Therefore, this indent can be omitted.
G.1, indent 5 follows from Section 87a(1) no. 5, 7, and 8.

~~**2. Determining total renumeration**~~

Recommendations:

G.2 The Supervisory Board shall establish the specific target total remuneration for each Management Board member on the basis of the remuneration system. To assess whether the total remuneration of the members of the Management Board is in line with market standards, it shall firstly use an appropriate peer group of other companies, the composition of which it shall disclose. Secondly, it shall also take into account how the remuneration develops over time for senior management and the entire workforce. ~~which shall be appropriate to the corresponding Management Board member's tasks and performance as well as to the enterprise's overall situation and performance, and shall not exceed the usual level of remuneration without specific reasons.~~

G.2, second half sentence, merely repeats § 87(1) second half sentence of the German Stock Corporation Act (AktG) verbatim and can therefore be deleted. G.3 and G.4 have been incorporated.

~~**G.3** In order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, 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 shall be applied with a sense of perspective, in order to prevent an automatic upward trend.~~

~~**G.4** In order to determine whether remuneration is in line with usual levels within the enterprise itself, 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.~~

~~**G.5** If the Supervisory Board calls upon an external remuneration expert to develop the remuneration system, and to evaluate whether the remuneration is appropriate, it shall ensure that the expert is independent from the Management Board and the enterprise.~~

G.5 has been removed, as it is the Supervisory Board's responsibility to determine appropriate remuneration for the Management Board. In doing so, it will not rely on advice which entails a conflict of interest.

2. ~~3.~~ Determinations regarding ~~Determining the total amount of~~ variable remuneration components

Recommendations:

G.3~~6~~ The share of variable remuneration achieved as a result of reaching long-term targets shall exceed the share from short-term targets.

G.4~~7~~ ~~Referring to the forthcoming financial year,~~ The Supervisory Board shall establish the performance criteria for each Management Board member covering all variable remuneration components no later than the first quarter of the fiscal year; besides operating targets, the performance criteria shall be geared mainly towards strategic goals. ~~The Supervisory Board shall determine to what extent individual targets for each Management Board member – or targets for the entire Management Board as a whole – are decisive for the variable remuneration components.~~

Two aspects must be taken into account regarding the amendment to G.7 (now G.4), sentence 1: First, the incentive and regulating function of variable remuneration necessarily requires that the performance criteria be known before the start of – or at least by the start of – the assessment period. Setting these criteria retroactively or during the course of the year would undermine this function: Goals which are set only ex post or during the reporting period can no longer guide the behavior of the board member and thus lose their purpose under remuneration law. On the other hand, the addition of the alternative "in the first quarter of the fiscal year" takes into account the practical realities of the corporate planning process: budget planning and the financial statements for the preceding fiscal year are typically not finalized until the beginning of the new fiscal year. Since variable remuneration targets—particularly those based on operational metrics or strategic growth targets—often rely on these planning foundations, setting them in advance before the start of the year without exception would in many cases either be impossible or result in a determination based on incomplete or preliminary information. The new wording enables the Supervisory Board to determine the performance criteria based on the final, approved plan, thereby ensuring both the incentive function of variable remuneration and its objective basis.

G.7 (now G.4), sentence 2: Sentence 2 is more of an explanatory provision without any regulatory effect and is deleted.

G.5~~8~~ Subsequent changes to the targets or comparison parameters shall be excluded.

G.6~~9~~ The Supervisory Board shall have the ability to take extraordinary developments into account within reasonable bounds. In justified cases, it should be possible to withhold or reclaim variable remuneration. ~~After the end of every financial~~

~~year, the Supervisory Board shall establish the amount of individual variable remuneration to be granted, depending on target achievement. The target achievement shall be comprehensible in terms of both its rationale and amount.~~

G.9 (now G.6) recommends that, at the end of the fiscal year, the Supervisory Board determine the amount of the individual remuneration components to be granted for that year based on the achievement of targets, and that the achievement of targets be transparent in terms of both rationale and amount. This recommendation is unnecessary as both elements—the Supervisory Board's authority to determine remuneration on the one hand, and the requirement for transparency on the other—are fully covered by the German Stock Corporation Act.

The rationale for G.9 (now G.6), in addition to reiterating the legal situation, includes the important note that it is sufficient for the target values determined by the Supervisory Board to be disclosed ex post. This rationale is transferred to the rationale for Principle 26.

G.11 becomes G.6.

G.7~~10~~ ~~Taking the respective tax burden into consideration~~, A substantial portion of the variable remuneration amounts of Management Board members shall be invested predominantly in company shares by the respective Management Board member, or shall be granted as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.

G.10 is worded more broadly to reduce uncertainty regarding interpretation. Previously, the provision stipulated that variable remuneration should be granted "predominantly" in the form of shares or invested in shares by the Management Board member. This wording implied that the expected tax burden on the Management Board member was to be deducted from the gross variable remuneration amount first, and only the remaining amount was to be used to determine whether the remuneration consisted "predominantly" of shares or share-based components.

This tax-based assessment inevitably involves forecasts and may not yet be certain at the time that the remuneration is granted. To account for this forecasting risk, the Code now uses the term "substantial," which requires a significant—but not rigidly defined—proportion of share-related components.

At the same time, it should be clarified that the recommendation can be met both through equity-based granting of remuneration and through a (partial) investment of the variable remuneration by the Management Board member in the company's shares; both forms may also be combined. The term "equity-based" is to be understood in broad terms; it therefore also includes virtual stock options and other equity-linked instruments which are economically dependent on the market price or the value of the stock.

~~G.11~~ ~~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 if justified.~~

Becomes G.6.

3. ~~4.~~ Benefits granted at contract termination

Recommendations and suggestion:

G.8~~12~~ If the contract of a Management Board member is terminated, the disbursement of any remaining variable remuneration components, which are attributable to the period until contract termination, shall be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract.

G.9~~13~~ Any 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. If post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any remuneration payments.

G.10~~14~~ Change of control clauses that commit to benefits in the case of early termination of a Management Board member's contract due to a change of control should not be agreed upon.

~~**5. Other provisions**~~

~~**Recommendations:**~~

~~**G.15**~~ ~~If Management Board members are also members intra-group Supervisory Boards, the remuneration shall be offset.~~

It is common practice to count mandates within the group; this recommendation misses the mark.

~~**G.16**~~ ~~If Supervisory Board memberships are assumed at non-group entities, the Supervisory Board shall decide whether and to what extent the remuneration from such memberships shall be taken into account.~~

It is customary that when a member of the Management Board holds a seat on a supervisory board outside the group, the Supervisory Board determines to what extent that role serves the interests of the company or those of the Management Board member, and to what extent the corresponding bonuses should therefore be offset against the remuneration for the Management Board member's duties. This recommendation can therefore be deleted. This policy decision may already be stipulated in the employment contract. The recommendation should not stand in the way of this.

II. Remuneration of the Supervisory Board

Principle 25 **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, if applicable.**

Recommendations and suggestion:

G.11~~17~~ 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 Chairs and the members of committees.

G.12~~18~~ Supervisory Board remuneration should be fixed remuneration. If members of the Supervisory Board are granted performance-related remuneration, it shall be geared to the long-term development of the company.

III. Reporting

Principle 26 **The Management Board and the Supervisory Board prepare an annual remuneration report, in accordance with statutory provisions.**