

Press Release

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German Corporate Governance Commission discusses Code amendments

Strengthen incentives for sustainable corporate governance

Talks on further professionalizing German supervisory boards

German corporate governance has proved its worth during the crisis

At its ordinary plenary meeting on May 29, 2009 in Frankfurt, the Government Commission on the German Corporate Governance Code is to resume discussions regarding possible amendments to the Code and adopt subsequent resolutions with the objective of strengthening incentives for sustainable corporate governance and facilitating further professionalization at supervisory board level. The Commission, chaired by Klaus-Peter Müller, reached an agreement to this effect at an extraordinary plenary meeting on Friday in Frankfurt.

There was a broad acceptance of creating even stronger incentives for sustainable corporate development via appropriate compensation structures for management boards, so that senior managers receive remuneration commensurate with long-term corporate success, or lack thereof. In this context, the Commission is also calling for an extension of the exercise period for equity options to to three years. Furthermore, there was consensus that senior management compensation should, be measured in relation to a company's basic compensation structure in future. Until now, yardsticks for assessing the appropriateness of board-level remuneration have included the board member's own performance, the company's economic health, and the market environment.

In addition, there was a positive response to a proposal calling for a stronger emphasis on adequate diversity when nominating supervisory boards. A greater spread of nationalities and a better representation of women are the key objectives in this respect.

The Commission agreed unanimously that German corporate governance has proved its worth during the current crisis. "The introduction of the Code and, above all, the dialogue this has triggered within companies has in recent years led to a noticeably more professional approach to corporate control and a shift in business thinking," said Klaus-Peter Müller, Chairman of the Government Commission on the German Corporate Governance Code. The high level of compliance among German DAX and MDAX firms with the Code's 80 recommendations and 23 suggestions, as measured each year by the Berlin Center of Corporate Governance, underlines the fact that the German Corporate Governance

Code is an effective self-regulatory instrument. In the Commission's view, this legally approved medium also needs to be reinforced and developed further in future. "Thanks to the Code, we in Germany now have a flexible instrument of a highly binding nature that allows us to respond rapidly and appropriately to changing developments at national level," added Müller.

Note to the editor:

Government Commission on the German Corporate Governance Code

The Government Commission appointed by the Federal Minister of Justice in September 2001 adopted the German Corporate Governance Code on February 26, 2002 and has a legal basis through the declaration of conformity pursuant to Article 161 of the Stock Corporation Act (AktG).

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

Commission members: Klaus-Peter Müller (Chairman), Paul Achleitner, Hans-Friedrich Gelhausen, Manfred Gentz, Dietmar Hexel, Ulrich Hocker, Max Dietrich Kley, Christian Strenger, Peer M. Schatz, Daniela Weber-Rey, Axel v. Werder, Wendelin Wiedeking.

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