

Press release

June 6, 2008

Government Commission resolves Code amendments

- **Responsibility of full supervisory board for management board compensation strengthened**
- **Severance payment cap now a recommendation**

Main Code amendments

In its plenary meeting today, the Government Commission on the German Corporate Governance Code made a number of substantive and editorial amendments to the Code. The main amendments are outlined below:

With its recommendations on the appropriateness and individual disclosure of management board compensation, the Code has made a major contribution to increasing the transparency of management pay in recent years. Even before the Management Compensation Disclosure Act was introduced, around 70% of DAX companies complied with these Code recommendations on a voluntary basis. Today the Commission decided to strengthen the competence and responsibility of the full supervisory board in respect of compensation questions. In the future the full supervisory board will resolve the compensation system for the management board including the main contract elements (see section 4.2.2). The Chairman of the Government Commission, Dr. Gerhard Cromme, stated: "We have placed even more responsibility on the supervisory board as a plenary body. Questions relating to management board compensation are part of the primary responsibility of the full supervisory board. If this board carries out its responsibility properly there is no need for further-reaching statutory provisions."

The suggestions relating to the severance payment cap introduced last year are upgraded to recommendations, compliance with which has to be disclosed in the declaration of conformity issued by the management board and supervisory board pursuant to § 161 of the German Stock Corporation Act (AktG) (see section 4.2.3 subs. 4 and 5).

In the area of accounting, the Government Commission recommends that in the future the supervisory board or the audit committee should concern itself with the company's interim financial reports. Section 7.1.2 has therefore been extended to include the recommendation that half-year and any quarterly financial reports should be discussed with the management board by the supervisory board or the audit committee prior to publication in the future.

In today's meeting the Government Commission also dealt with the impact of the recently published Accounting Modernization Bill on the Code. It will make any necessary amendments to the Code only when the exact wording of the law is known, i.e. after the bill is enacted.

The individual amendments to the German Corporate Governance Code resolved today are summarized in the attachment to this press release. They have yet to be published in the electronic Federal Gazette (Bundesanzeiger) by the Federal Ministry of Justice. The updated wording of the German Corporate Governance Code will be available shortly on the Government Commission's website at www.corporate-governance-code.de, which also includes further information on the work of the Commission.

Personnel changes in the Government Commission

Effective June 30, 2008, Dr. Gerhard Cromme will stand down as Chairman of the Government Commission on the German Corporate Governance Code and leave the Commission to concentrate on his supervisory board duties. Dr. Rolf-E. Breuer and Prof. Dr. Marcus Lutter will leave the Commission at the same time for age reasons. Dr. Breuer will be replaced by Klaus-Peter Müller, supervisory board chairman of Commerzbank AG, who will also take over the chair of the Commission. In place of Prof. Lutter, Daniela Weber-Rey, partner in the law firm Clifford Chance, will join the Commission effective July 1, 2008.

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**Annex to the press release of June 6, 2008:
Latest amendments to the German Corporate Governance Code**

The following amendments to the German Corporate Governance Code were resolved on June 6, 2008:

Section 4.2.2 (appropriateness of management board compensation)

The Commission has strengthened the responsibility of the full supervisory board for management board compensation by amending the existing recommendation in section 4.2.2 of the Code as follows:

“4.2.2 subs. 1: At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board shall **resolve and regularly review the Management Board compensation system including the main contract elements.**”

Section 4.2.3 subs. 4 and 5 (severance payment cap)

The current suggestions on the severance payment cap are to become recommendations and are therefore subject to the annual declaration of conformity.

Section 5.4.6 (staggered board)

Since the suggestion was rarely observed in business practice, the Commission decided to delete this rule.

Section 7.1.2 (supervisory board’s involvement with interim reports)

The Government Commission has added a new sentence 2 to Section 7.1.2 which deals with the discussion of quarterly or interim financial reports by the supervisory board:

“Half-year and any quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee prior to publication.”