

**Government Commission
German Corporate Governance Code**

Administrative Office

Press Release

Frankfurt am Main, 1 February 2012

Proposed amendments to Code for 2012 published

- Period for submitting comments expiring on 2 March 2012
- Code recommendations focusing on independence of supervisory board members
- Recommendation concerning compensation structure for supervisory board members to be revised
- Further modifications to the Code necessitated by legislative amendments

On 1 February, the Government Commission on the German Corporate Governance Code published and explained in detail the wording of the proposed amendments to the Code for listed German companies, which had been agreed upon on 17 January, on the Code website (www.corporate-governance-code.de). The interested public is invited to submit written comments on the proposed amendments to the Code by 2 March 2012. Comments on the proposals which are submitted on time will be considered during final deliberation by the Government Commission in May 2012.

The Government Commission decided last spring to implement this written consultation process and to include the users of the Code in particular to a greater extent in the interests of heightened transparency in work on the Code.

Many of the proposed adjustments to the Code have been necessitated by corresponding legislative changes. In addition, the Government Commission has

included suggestions made by Code users and tidied up the wording in a number of provisions.

In the light of the aim of professionalising the work performed by the supervisory boards of listed German companies, the Government Commission has paid particular attention to adding details to the Code recommendation concerning the independence of supervisory board members (Point 5.4.2). The Commission intends to recommend in the future that the supervisory board should include an appropriate number of independent members in order to encourage the independent provision of advice to and the supervision of the management board. At the same time, the negative definition of independence is to be modified to include relations with third parties over and above business or personal relations with the company or its management board. In addition, the negative definition is to be supplemented with additional information in the form of six standard examples. The modified recommendation will have no effect on the special situation arising from the Act on Co-Determination of Employees in the Supervisory Board or the One Third Employee Representation Act. Furthermore, the supervisory board is in the future to specify concrete objectives for the number of its independent members in connection with its composition (Point 5.4.1).

In addition to this amendment, the Government Commission on the German Corporate Governance Code plans to convert into recommendations the previous proposals according to which the supervisory board may if necessary meet without the management board (Point 3.6 Para. 2), the chairman of the supervisory board should not be the chairman of the audit committee (Point 5.2) and the chairman of the auditing committee should be independent (Point 5.3.2).

In addition, the Government Commission intends to revise the recommendation for the compensation structure of the supervisory board members (Point 5.4.6). Thus, where performance-based remuneration is also awarded in addition to a basic salary, the former should primarily be related to long-term company performance.

To simplify work in the companies, the Government Commission now intends to abolish the separate corporate government report recommended in Point 3.10 in view of the obligation now enshrined in law to prepare a declaration on corporate governance. In the future, companies are to be able to report on the matters prescribed by law and recommended by the Code in the same place of their management report.

An explanation of all the modifications proposed by the Government Commission on the German Corporate Governance Code is enclosed.

Information for editors
Government Commission for the German Corporate Governance Code

On 26 February 2002 the Government Commission for the German Corporate Governance Code, set up by the Federal Minister of Justice in September 2001, approved the German Corporate Governance Code, which acquired legal status by means of the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

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

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