PRESS RELEASE

Frankfurt/Main, 28 November 2019

Code conference discusses sustainable company development

- **Committed to increasing their value, companies make sustainability a priority**
- **Good corporate governance serves sustainability**
- **In their own interests, businesses should further strengthen the Code as their instrument of self-regulation**
- **Code reform to enter into force in 2020**

On 28 November 2019, approximately 200 Supervisory Board or Management Board members, as well as national and international investor representatives, academics and other corporate governance experts, responded to the Code Commission's invitation to join them in Frankfurt for the 17th Conference "German Corporate Governance Code". The theme of this year's conference was sustainable company development.

Friederike Helfer, Partner at Cevian Capital (Sweden), Ralf P. Thomas, CFO at Siemens, and Daniela Weber-Rey, member of the Code Commission, were among the panel contributors discussing "Long-term value enhancement". Markus Steilemann, CEO at Covestro, chaired a panel on "Sustainability in the context of corporate governance", with discussion participants Christian Heller, Vice-President at BASF and CEO at „value balancing alliance e. V.", Ingo Speich, Head of Sustainability & Corporate Governance at DEKA, and Claudia Kruse, member of the Government Commission and Managing Director Global Responsible Investment & Governance at APG Asset Management (Netherlands).

No need for separate sustainability governance mechanisms

In his opening address, Rolf Nonnenmacher, Chairman of the Regierungskommission Deutscher Corporate Governance Kodex (Code Commission), underscored the importance of sustainability. "It is quite clear that enterprises that do not live up to their social responsibility will find it increasingly difficult to operate successfully in the market. Then again, unprofitable enterprises lack the means to invest in climate-friendly business models, products and production methods. Companies that fail to generate an appropriate return lose the confidence of investors. And companies that do not succeed in finding answers to social and environmental questions first lose the confidence of the general public and then the confidence of investors."

Rolf Nonnenmacher also made it clear that corporate governance cannot be turned into the driving force of a sustainable economy, as had recently been proposed by various parties. "Not for corporate governance reasons, but due to the obligation to increase corporate value and the associated social responsibility, Management and Supervisory Boards have to encourage the breakthrough of climate-friendly business models."

Referencing the study "Renewable governance: good for the environment?", published on 18 September 2019 by a host of renowned international professors, the Chairman of the Code Commission deems the development of sustainability governance mechanisms to be unnecessary: "Where sustainability governance means sustainable and long-term corporate development, we are talking about a target and not about governance mechanisms; the Code should say it all and the legislator has added clarity on Management Board remuneration with the Act to Implement the Second EU Shareholder Rights Directive ("ARUG II"). Where actual governance mechanisms at legislative or regulatory level are concerned, there is no need for rules concerning sustainability: good corporate governance as such will result in companies making sustainability a priority."

Discussion on Management Board remuneration has only just begun

Sustainable corporate development was also the overarching theme for the panel on which Werner Brandt, Chairman of the Supervisory Board at RWE, Hans-Christoph Hirt from Hermes, together with Wulf von Schimmelmann, member of the Code Commission and member of the Supervisory Board of Thomson Reuters, discussed "Requirements for variable Management Board remuneration".

Rolf Nonnenmacher is certain that the discussion on the remuneration of the Management Board has only just begun, saying: "In particular, it will be necessary to discuss how the remuneration systems are to be structured so that they are clear and comprehensible in accordance with the requirements of ARUG II – and in order that the subject of remuneration contributes to the promotion of the business strategy and of the company's sustainable long-term development."

Companies should remain “at the wheel”

In light of the developments on the investors' side, Rolf Nonnenmacher advocated that companies should remain “at the wheel”, further strengthening the Code as their instrument of self-regulation and giving even greater support to the Commission's work.

Code to enter into force in 2020

Assuming the German *Bundesrat* adopts ARUG II on 29 November after it has already been passed by the *Bundestag*, the new Code should be presented to the Federal Ministry of Justice and Consumer Protection in due course. Before doing so, however, the Commission will make adjustments to the version of the Code adopted on 9 May 2019 in accordance with ARUG II. These amendments will be limited to text details on the issue of sustainable remuneration systems and maximum remuneration ("cap") as an element of the remuneration system. Following a review by the Federal Ministry, the new Code is to enter into force through publication in the Federal Gazette in 2020. Up until the date of this publication, the Code as amended on 7 February 2017 is applicable to the annual Declaration of Compliance.

Notes for editorial staff:

Regierungskommission Deutscher Corporate Governance Kodex

The Government Commission convened by the German Federal Minister of Justice in September 2001 approved the German Corporate Government Code on 26th February 2002, which gained legal recognition by virtue of the Declaration of Conformity in accordance with §161 AktG.

The German Corporate Governance Code is intended to make the rules applicable in Germany for company management and supervision transparent to national and international investors in order to strengthen trust in the management of German companies.

The members of the Commission are: Prof. Dr. Rolf Nonnenmacher (Chairman), Prof. Dr. Dres. h.c. Theodor Baums, Dr. Joachim Faber, Michael Guggemos, Dr. Margarete Haase, Dr. Thomas Kremer, Claudia Kruse, Dr.-Ing. Michael Mertin, Prof. Dr. Klaus-Peter Naumann, Prof. Dr. Wulf von Schimmelmann, Dr. Stefan Schulte, Marc Tüngler, Daniela Weber-Rey, Jens Wilhelm.

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