Government Commission
German Corporate Governance Code
Administrative Office

Press Release

Frankfurt/Main, 14 May 2013

Code Commission decides on changes to management board remuneration and streamlines regulations

- New recommendations on management board remuneration to improve transparency and comparability
- Company-specific cap for total remuneration
- Establishment of targeted level of retirement provision
- Focus on resolutions relating to streamlining the Code and making it more readable
- Support for Code changes from the consultancy process

On 13 May 2013, the Government Commission on the German Corporate Governance Code made amendments to Section 4.2 "Management Board – Composition and Compensation" and a range of non-material changes that streamline parts of the Code (which is already compact compared with other European codes) and make it even more readable.

Almost 40 comments on the proposed changes, which were presented in February, were taken into account in the consultancy process; these comments were submitted during the consultancy process by Code users, industry representatives and advisors based in Germany and abroad. The Commission's proposals generally met with widespread approval.

"The aim of the Code adjustments relating to management board remuneration is to further professionalise and strengthen the work carried out by supervisory boards by increasing transparency, in order to improve the basis for decision-making. The latest resolutions are also aimed at making the relevant remuneration proposals clearer and more comprehensible for all stakeholders, therefore making it easier to assess the governance of companies. The positive response to our proposed changes underlines the fact that listed companies are aware of the issue of management board remuneration and that it is in their interests to create more transparency and clarity" says Klaus-Peter Müller, Chairman of the Government Commission on the German Corporate Governance Code. By making these amendments to the Code, the Commission is implementing the proposals discussed by the German government.

Specifically, the Commission is now recommending that German listed companies place a cap on individual management board remuneration, both in terms of its total amount as well as in terms of its variable components. The system-inherent and individual caps should continue to be defined individually for each company by the supervisory board (4.2.3 para. 2 sentence 6).

The transparency and traceability of the decisions made by the supervisory board of listed companies is being enhanced by supplementing the criteria that have already been outlined and have to be taken into account. For example, the Government Commission is recommending that when defining a remuneration structure the supervisory board should consider the relationship between the remuneration of the management board and that of senior management and the overall staff, also in terms of its development over time (4.2.2 para. 2 sentence 3). Within this context, there is also a new recommendation that the supervisory board should set the targeted level of retirement provision for the management board and factor in the annual and long-term expense for the company arising from this (4.2.3 para. 3).

In order to improve comparability over time and with other companies, both for the supervisory board and for the general public, the Commission recommends that important facts and figures on management board remuneration be prepared in a standardised fashion and that use be made of the tables that have been proposed by it (4.2.5 para. 3 sentence 2). The Commission initially put this forward as a proposal and upgraded it to a recommendation during the consultancy process. The data to be included in the proposed tables are already available in companies and are already published in one form or another to a large extent. Consolidating and standardising the way the data are presented will provide a better overview and improve comparability.
In view of the potential organizational expense involved in the conversion, the recommendation regarding information in the remuneration report and the suggestion on the use of tables at companies should only be implemented beginning 2014.

With the aim of streamlining parts of the Code and improving readability, the Code Commission has deleted a total of six recommendations and one proposal. When proposing its amendments, the Commission was careful to ensure that the Code will continue to fulfil its remit in full going forward.
The new version of the German Corporate Governance Code as of 13 May 2013, including all amendments, is published on the website of the Government Commission on the German Corporate Governance Code (www.corporate-governance-code.de).

The new version of the Code will enter into force when it is published in the electronic Federal Gazette (Bundesanzeiger) by the Federal Ministry of Justice.

Information for editors
Government Commission on the German Corporate Governance Code

The Government Commission on the German Corporate Governance Code, set up by the Federal Minister of Justice in September 2001, approved the German Corporate Governance Code on February 26, 2002, which has acquired a statutory basis via the Declaration of Compliance pursuant to Article 161 of the German 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.

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