



ICGN

International Corporate Governance Network

Herrn
Klaus-Peter Müller
Deutsche Corporate Governance Kodex Kommission
c/o Commerzbank AG
Frankfurt
60261
Germany

By Email: stab.corp.gov.kodex@commerzbank.com

15th March 2013

Dear Mr Müller,

Re: Proposals for changes to the German Corporate Governance Code - Consultation

We are writing on behalf of the International Corporate Governance Network (ICGN) in response to the call for comments on suggested amendments to the German Corporate Governance Code.

The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from approximately 50 countries. Our investor members are responsible for investing or servicing global assets of U.S. \$18 trillion. The ICGN's mission is to establish and raise standards of widely accepted, good corporate governance worldwide. In doing so, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through ICGN Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. For more information about the ICGN, its members and activities please visit our website: www.icgn.org.

We have scrutinised and evaluated the proposals for changes to the German Corporate Code within the ICGN's Shareholder Rights Committee.

With respect to the editorial changes you propose in sections 3.4 Abs.3, 3.5 Abs.2, 3.7 Abs.3, 5.3.1, 5.3.4, 5.3.5, 5.4.6, 6.1 and 6.2 we do not see any issues and support those amendments.

Section 4.2 Management Board - composition and compensation

The recommendations that have been proposed by German Corporate Governance are focused on increasing the transparency of compensation plans as well as enhancing the comparability of remuneration practices. ICGN is supportive of both objectives as the transparent and clear disclosure of a company's remuneration practices must provide a solid foundation for the relationship between companies and their long-term shareholders.

Enhanced transparency and disclosure

When reviewing a company's remuneration arrangements, shareholders should be able to understand, clearly, how their management is being incentivised to perform. In ICGN's Executive Remuneration Guidelines and Model Initiative it is stressed that companies should disclose all material aspects of the remuneration plan, which includes base salaries, short-term incentives, long-term incentives as well as post employment and other benefits. This information should be

made available for each of the executive directors that are covered by the executive remuneration plan.

As of the financial year starting after 31 December 2013 another requirement is that the compensation reports shall include information on fringe benefits as well as the maximum and minimum achievable compensation for variable compensation components. This new best practice is in line with ICGN's remuneration guideline that companies should disclose all material aspects of the remuneration plan.

ICGN would like to suggest to the German Corporate Governance Committee that companies should not merely be required to disclose all compensation components, but also explain their rationale for actual variable bonuses paid. Companies should be asked to disclose the performance metrics and target ranges used to govern the size of awards granted and that govern the levels at which these awards vest. This goes beyond disclosing the minimum and maximum achievable compensation for variable compensation components. In addition, we would like to suggest that rationale should be provided that justifies the selection of these performance metrics as drivers of long-term sustainable value for shareholders.

We would also like to use the opportunity to ask the German Corporate Governance Code Commission to further amend transparency requirements in the Code. In particular information should be provided on:

- Professional qualification and experience of candidates to the supervisory board (CV)
- Former executives on the supervisory board
- Election period of supervisory board members

Most of the information would help shareholders to better evaluate the independence of supervisory board candidates respectively the supervisory board itself. Unfortunately we observe that this uncritical and basic information often is missing.

Furthermore, we would suggest to list participation in board meetings on an individual level. This would help to better assess the work and involvement of board members. In most markets this information is provided.

Please do not hesitate to contact us if you have any questions regarding ICGN and its work.

Yours sincerely,

Michelle Edkins
Chairman of the ICGN Board of Governors



Alexander Juschus
Co-Chair, ICGN Shareholder Rights
Committee



Bram Hendriks
Co-Chair, ICGN Shareholder Rights
Committee

Cc: ICGN Board Members
ICGN Shareholder Rights Committee

16 Park Crescent London W1B 1AH United Kingdom
t: +44 (0)207 612 7098 f: +44 (0)207 612 7085
e: secretariat@icgn.org w: www.icgn.org
VAT No.927 1665 09 Registered in England No.6467372