



Latest developments in the German Corporate Governance System

The Cromme-commission published its **German Corporate Governance Code (GCGC)** in February 2002. Since then the “standing committee” under the lead of Dr. Gerhard Cromme has regular meetings. In May 2003 it decided on several important modifications of the Code:

- The full supervisory board shall discuss and regularly review the structure of the management board compensation. (4.2.2)
- Stock options and comparable instruments shall be related to demanding, relevant comparison parameters. For extraordinary, unforeseen developments a possibility of limitation (Cap) shall be agreed for by the supervisory board. (4.2.3)
- The salient points of the compensation system and the concrete form of a stock options scheme or comparable instruments for components with long-term incentive effect and risk elements shall be published on the company's website in plainly understandable form and be detailed in the annual report. (4.2.3)
- The chairman of the supervisory board shall outline the salient points of the compensation system and any changes thereto to the general meeting. (4.2.3)
- Compensation of the members of the management board shall be reported in the notes of the consolidated financial statements subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualized. (4.2.4)

The German Corporate Governance Code is becoming more and more accepted. We expect at least 50 % of all DAX 30 companies to fully accept the code and the other 50 % with only a few exceptions.

There is a strong tendency that companies will have less problems with the reporting periods in the years 2004 and 2005, because of a “fast close” of the accounts by then. Also we expect further changes of the by-laws in 2004 in order to transform the newly proposed structure of the board remuneration.

The most interesting and important issue in the AGM season to come will be, whether and who will follow the new recommendation to individually disclose the compensation of the members of the management and supervisory boards.

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Spruchverfahrensneuordnungsgesetz

1 of September 2003 the new "Spruchverfahrensneuordnungsgesetz" came into force. This law deals with a shortening of the "Spruchverfahren", a legal action which shareholders can file, if they doubt the adequacy of the price offered. The price will be then checked by an auditor appointed by court.

Investmentmodernisierungsgesetz

1 of January 2004 the new "Investmentmodernisierungsgesetz" was enforced, transforming changes proposed by the EU-directive on mutual and similar funds. This law gives the investor more transparency in the reporting and allows for the first time the indirect sale of hedge funds to private investors.

10-points-catalogue

In February of 2003 the government presented "a catalogue of measures to strengthen the integrity of the companies and the investors' protection" including the following 10 points:

1. strengthening the rights of shareholders by introducing a compensation claim by the company vs. its boards ("Klageerzwingungsrecht", § 147 Aktiengesetz),
2. the direct liability of all boards in case of intentional or grossly negligent wrongful information of the capital market and the improvement of a collective assertion of shareholder claims,
3. the further development of the Corporate Governance Code,
4. a further development of the accounting rules,
5. a strengthening of the role of the auditor,
6. a supervision of the legal validity of the consolidated financial statements by an independent authority (enforcement),
7. further development of the structure of the stock exchanges and of the law for supervision,
8. introduction of the obligation for a prospectus also for the so called "Grauer Kapitalmarkt",

9. the securization of the reliability of company valuations by financial analysts and rating agencies,
10. the tightening up of criminal laws concerning offences in the field of the capital market.

New regulations concerning auditing

The government just introduced the draft of a "Bilanzreformgesetz" covering the issue of "independence of the auditors", as it is included in the EU-directive.

Also the government presented in December 2003 the draft for a "Bilanzkontrollgesetz", hereby proposing the establishment of an independent enforcement authority for the consolidated financial statements of the companies.

UMAG

The government further just announced the draft for a "law for the integrity of the companies and the modernisation of the law for shareholder claims", the so-called UMAG. This law, which is intended to come into force in January 2005,

- facilitates minority shareholder claims against management and supervisory board by decreasing the quorum for those claims to 1 % of the share capital or Euro 100,000 market capitalization. Presently, shareholders have to reach a quorum of 10 % of the share capital or Euro 1 million nominal value. Unfortunately, the UMAG covers only the internal liability of management and supervisory board towards the company and not their direct liability towards the shareholders.
- In order to facilitate especially foreign institutional investors the exercise of their votes a "**record date**" of 7 days before the general meeting will be introduced. Even if the shareholder sells his shares in the meantime he will be legitimated to participate in the AGM. This is a real step forward since those shareholders who can prove that they hold the shares in their accounts at the record date are allowed to exercise their votes although the shares are lent to somebody else at that time.

DSW Survey on Directors' Pay 2003

Despite increasing share prices and good company results the discussion on directors' pay has intensified. The impression lasts: greed prevails in the executive floors. An example for this is Jean Pierre Garnier, CEO of the Anglo-American pharmaceutical enterprise Glaxo-SmithKline, who proposed to the AGM to double his remuneration despite poor results. This demand was refused at last year's AGM by investors in Great Britain who are now able to vote on the remuneration report. Although the vote is not legally binding it had an impact. Mr Garnier's pay has not been increased, in return the performance hurdles of the company's performance share plan have been raised.

Reason enough for DSW to once again take a look at the remuneration of the directors of the Dax 30 companies. We examined **the average cash salary of the management board members in the financial years 2001 and 2002**. The result was **compared to the development of the Earnings per Share** of the company.

The approach

The Dax companies first had to be divided into two different groups: First, there were the companies that set a good example and disclose the top executives salaries, bonuses and stock options in line with the German Corporate Governance Code. But only six out of the thirty Dax companies did so in 2002, i.e. Altana, Bayer, Deutsche Bank, Deutsche Börse, SAP and ThyssenKrupp. Schering at least individualised the salary of its CEO. We found a very good presentation in the annual report 2002 of Deutsche Börse. This presentation would be ideal for a uniform standard being as transparent as possible for the investors. DSW welcomes that the named six companies stepped towards more trans-

parency and appeals to the remaining stock corporations to follow this example.

The other 23 companies only disclosed the overall remuneration of the management board. Here, DSW took estimated values from the annual reports. Then the companies were asked for explanation and confirmation. Additional information was requested in form of a questionnaire which has been answered by 28 of the 30 companies. Volkswagen and BASF stated only that the figures were wrong, without correcting them. Continental and Fresenius Medical Care did not respond at all. But all in all we noticed that transparency and quality of the answers have clearly increased.

Very good information were received by Deutsche Börse, Commerzbank, Bayer, Linde, Schering and Siemens. Except for Deutsche Börse, last year not included in the Dax 30, these companies had also been highly transparent at last years' remuneration survey.

The results

The results of the DSW survey show that **German executives are moderately paid by international standards**. In **France**, the average salary of a management board member in the CAC 40 is about Euro 1 million. The average salary of the CEOs is about twice as high. In the **Netherlands**, executive pay is likewise about Euro 1 million on average. **Spanish** management board members have to manage with less money: they receive an average of Euro 450,000 per director in the companies included in the IBEX-35. Among the 8 largest spanish companies the average remuneration amounts to Euro 2.8 million.

In **Germany**, the executives of the Dax companies earned an average of Euro 1.25 million in the financial year 2002. In 2001, they only received about Euro 1.16 million. And the pay range is very wide. The top payer DaimlerChrysler hands roughly Euro 3.4 million more

to each of its top executives than number thirty on our list.

The CEO or speaker of the management board receives on average 1.75 times the amount of his colleagues. But here again the range is wide. While the CEOs of Schering and MAN receive 1.35 and 1.4 times, respectively, the money their ordinary colleagues receive, the spokesman of Deutsche Bank, Dr. Josef Ackermann, gets 2.1 times the amount. The CEO of Deutsche Börse even receives 2.35 times the amount his ordinary management board members receive.

The executives of DaimlerChrysler received by far the highest income. The German carmaker led the Dax by paying its board members an average of Euro 3.7 million each in 2002. Compared to 2001 this means an increase of 131 %. Deutsche Bank was the second-best payer, handing Euro 2.1 million on average to each of its top executives. This represents a reduction of roughly 30 %. As in 2001, the executives of Infineon brought up the rear in 2002. They received an average of Euro 280,000. Apparently, the crew around CEO Ulrich Schumacher rigidly tries to go against this development. There

rank	company	average remuneration per director in 2002	average remuneration per director in 2001	percentage change 2001 – 2002	Earnings per Share 2002	Earnings per Share 2001	percentage change 2001 – 2002
1	DaimlerChrysler*	3.694.545	1.600.000	130,91	3,30	0,73	352,05
2	Deutsche Bank* ¹⁾²⁾	2.063.500	2.936.925	-29,74	0,64	0,27	137,04
3	Volkswagen*	1.821.884	1.940.050	-6,09	6,72	7,67	-12,39
4	Schering ³⁾	1.713.211	1.609.507	6,44	4,39	2,11	108,06
5	Deutsche Telekom*	1.677.731	1.581.714	6,07	-5,86	-0,93	-530,11
6	Metro*	1.663.158	1.621.053	2,60	1,36	1,23	10,57
7	Siemens*	1.588.946	984.456	61,40	2,92	2,36	23,73
8	BMW*	1.551.499	1.531.429	1,31	3,00	2,78	7,91
9	E.ON*	1.507.692	1.353.846	11,36	4,26	3,81	11,81
10	BASF*	1.497.797	1.062.857	40,92	2,60	9,72	-73,25
11	RWE	1.429.688	1.403.238	1,88	2,40	1,87	28,34
12	Allianz* ²⁾	1.386.869	1.439.691	-3,67	-4,81	6,66	-172,22
13	Altana* ¹⁾	1.212.446	1.466.667	-17,33	2,37	2,38	-0,42
14	Commerzbank	1.189.389	1.237.454	-3,88	-0,56	0,19	-394,74
15	Linde*	1.107.386	950.000	16,57	2,01	2,02	-0,50
16	TUI*	1.098.222	971.111	13,09	0,18	1,96	-90,82
17	Henkel	1.053.947	1.100.606	-4,24	3,06	3,05	0,33
18	HypoVereinsbank	1.043.841	1.944.210	-46,31	-1,55	1,75	-188,57
19	Münchener Rück	982.609	638.298	53,94	6,08	1,41	293,63
20	Continental*	967.742	495.356	95,36	1,75	-2,05	185,37
21	SAP* ¹⁾	966.115	1.217.620	-20,66	1,62	1,85	-12,43
22	Deutsche Post*	964.798	682.353	41,39	0,59	1,42	-58,45
23	Adidas-Salomon*	959.181	928.693	3,28	5,04	4,60	9,57
24	Bayer ¹⁾²⁾	848.898	948.886	-10,54	1,45	1,32	9,85
25	Deutsche Lufthansa*	787.234	531.915	48,00	1,88	-1,66	213,25
26	ThyssenKrupp* ¹⁾	775.400	784.314	-1,14	0,42	1,76	-76,14
27	Deutsche Börse ¹⁾	621.404	552.200	12,53	2,18	2,04	6,86
28	MAN*	535.238	530.000	0,99	0,92	1,01	-8,91
29	Fresenius Medical Care*	521.095	662.645	-21,36	2,98	2,41	23,65
30	Infineon Technologies*	278.261	202.435	37,46	-1,47	-0,92	-59,78
	average peaks	1.250.324	1.163.651				

*DSW calculation, ¹⁾ individualised disclosure in 2002, ²⁾ figures 2002 based on directors being active as of 12-31-02, ³⁾ individualised disclosure of CEO remuneration

was a stock option program resolved in 2001 which guarantees benefits to the top executives if the share price increases by only 0.7 % per year.

The absolute amount top executives receive is just one thing. It is also important that **the remuneration reflects the respective management performance**. A payment for failure is not acceptable. To prevent this it is necessary to pay a performance-related bonus beside the fixed salary. Our survey showed that the bonuses paid to the Dax 30 top executives are linked to many different parameters: dividend, earnings or as benchmark the performance of the company in comparison to the line of business or the development of the company's internal EVA (= Economic Value Added).

However, from DSW's point of view, the dividend is not necessarily the ideal criterion for the success of the management. DSW is therefore in favour of a strong link to the earnings of the company. This is increasingly realised by the companies. Only Bayer, Linde, RWE and TUI still link the bonus payment to the dividend. But as the example of BASF shows, the variable component does not necessarily guarantee a parallel development of pay and earnings. The chemical company raised executives' salaries by an average of 41 % in 2002, a year in which earnings per share slipped by 73 %. But E.ON shows that the other way round is also possible. The com-

pany increased both its earnings and the pay for its top executives by about 11 %. Regarding this, even the enormous increase in pay at DaimlerChrysler is relative, after all, the earnings of the company increased by more than 350 %.

Altogether, 7 companies show increasing salaries although the earnings per share declined. Four companies paid less to their top executives despite increasing earnings. 19 stock corporations had a parallel development of pay and earnings per share.

The outlook

Beside the topic directors' pay, information on pension payments to the top executives in Germany still remains to be seen. Although individualised disclosure is common international practice, in Germany only the total amount is disclosed. There is no information about who gets how much money. Not to mention that re-appointed managers receive considerable amounts of money by pension plans. After one election period they are usually entitled to 30 % of their fixed remuneration. This sum increases to up to 60 % of their fixed income over the years.

"Transparency of pension benefits" will be the next important topic for German top executives to come up.

Re-Launch of DSW's Website

Since February 16, 2004, DSW has re-launched its website. Visit us at www.dsw-info.de where all important information discussed by DSW is also available in English.

DSW's Fourth Corporate Governance Conference

will take place on **9th of December 2004 at the Kurhaus in Wiesbaden**.

The conference will give information on recent developments in the Corporate Governance System in Germany and Europe. Speeches will be held by keynote speakers from Germany and abroad. This conference especially addresses to all foreign institutional investors and other organisations, or persons from all over the world.

Highlights of the AGM season 2003

In 2003 more than 850 annual general meetings were covered by the speakers of DSW, 150 less than in 2002. There are *two reasons for the decrease* in the number of AGMs:

Squeeze-out

Since 1 of January 2002 the German law introduced the possibility to *squeeze out* the minority shareholders, if a major shareholder holds more than 95 % of the capital. In this case he has to offer the minority shareholders an adequate price for their shares. The adequacy of the offer can then be checked in a legal action called "Spruchverfahren". Usually the court appoints an expert such as an auditor to examine the price. DSW very often files the claim for a "Spruchverfahren" for its members, if the offer seems inadequate in pricing. The increasing number of squeeze out cases in Germany is mainly due to a strong investment by U.S. equity partners. The second reason for the decreasing number of meetings

is the high amount of *insolvency* cases in 2003. This was especially true for companies of the "Neuer Markt".

But not only the number of meetings decreased, also the *dividends* paid to shareholders in 2003: they were shortened by 10 % or Euro 1.7 billion. 65 % of all the dividends distributed were paid by the DAX 30 companies.

Main topics of the AGM season 2003

Shareholders mainly discussed *remuneration issues*, the automatic change from **the CEO to the chairman's position** of the supervisory board and **board evaluation**.

One of the highlights was definitely the annual meeting of **Deutsche Lufthansa**.

Ulrich Hocker from DSW was the first of all shareholder representatives to ask for the refusal of the discharge of Frank Bsirske. Mr. Bsirske was not only member of the supervisory board, but at the same time he was head of the trade union Verdi, which initiated a strike at the airports of Frankfurt and Munich leading to million Euro of losses at Deutsche Lufthansa. With this proposal DSW received the majority of all votes present at the AGM, which meant that Mr. Bsirske was not discharged.

Important success at court: DSW wins case at German Supreme Court (Bundesgerichtshof)

In 2002, DSW filed a suit against the issuance of stock options to members of the Supervisory Board of Mobilcom AG, a German telecommunications company. Now, the highest German Court (Bundesgerichtshof) deci-

ded the case in DSW's favour and rules that the issuance of stock options violates the German Stock Corporation Law (AktG), since there could be a possible danger of conflicts of interest.

AGM turnouts of the Dax-30 companies (1998-2003) in percent

company	included in DAX since/until	actual listing	1998	1999	2000	2001	2002	2003	3-years-average
adidas-Salomon AG	since 19.06.98	DAX	(35,10)	43,90	45,44	30,00	31,52	23,17	28,23
Allianz Holding AG		DAX/Eurostoxx	70,92	69,06	60,60	53,70	46,71	39,97	46,79
Altana AG	since 23.09.02	DAX		(76,00)	(71,71)	(65,21)	(~ 64,00)	63,00	~64,07
BASF AG		DAX/Eurostoxx	53,03	49,48	46,02	43,59	36,82	31,31	37,24
Bayer AG		DAX/Eurostoxx	47,53	44,79	37,53	35,90	33,21	36,00	35,04
Bay. Hypo- u. Wechselb. AG	until 19.06.98		88,20	-	-	-	-	-	-
Bay. HypoVereinsbank AG *		DAX/Eurostoxx	64,10	59,10	51,99	53,48	57,39	55,56	55,48
BMW AG		DAX	73,00	73,00	64,40	64,04	66,57	65,84	65,48
Commerzbank AG		DAX	46,54	43,91	55,97	56,07	58,93	57,31	57,44
DaimlerChrysler AG **		DAX/Eurostoxx	63,97	39,02	39,00	36,92	38,25	38,84	38,00
Degussa AG ***	until 23.09.02	MDAX	69,51	70,86	82,82	75,86	76,24	-	-
Deutsche Bank AG		DAX/Eurostoxx	44,69	37,50	31,73	34,44	33,41	38,75	35,53
Deutsche Börse AG	since 2003	DAX						44,53	-
Deutsche Lufthansa AG		DAX	31,90	34,60	35,25	34,90	41,14	46,37	40,80
Deutsche Post AG	since 19.03.01	DAX	-	-	-	76,18	77,37	79,35	77,63
Deutsche Telekom AG	since 18.11.96	DAX/Eurostoxx	85,61	82,67	75,86	69,52	56,45	59,47	61,81
Dresdner Bank AG	until 23.07.01		70,33	61,72	59,75	-	-	-	-
E.ON AG	since 19.06.00	DAX/Eurostoxx	-	-	-	39,01	37,35	31,00	35,79
Epcos AG	until 2003	DAX	-	-	42,60	44,88	54,54	-	-
Fresenius Medical Care AG	since 17.09.99	DAX	(62,40)	(67,88)	64,79	61,06	62,59	64,97	62,87
Henkel AG (Vz.)		DAX	65,12	66,75	83,24	84,50	83,73	56,73	74,99
Hoechst AG	until 17.09.99		65,86	62,68	-	-	-	-	-
Infineon Technologies AG	since 19.06.00	DAX	-	-	-	74,74	41,66	31,88	49,43
Karstadt-Quelle AG	until 19.03.01		64,90	65,65	68,46	-	-	-	-
Linde AG		DAX	59,00	56,46	54,40	53,67	54,19	50,08	52,65
MAN AG		DAX	61,00	59,81	55,80	50,62	52,80	48,41	50,61
Mannesmann AG	until 14.02.00		44,70	45,51	-	-	-	-	-
Metro AG ****		DAX	78,49	77,72	87,53	66,93	66,38	65,86	66,39
MLP AG	since 23.07.01	DAX	-	(77,89)	(79,22)	75,38	51,41	59,50	62,10
Münchener Rück AG	since 20.09.96	DAX/Eurostoxx	75,80	72,33	69,80	65,60	53,45	57,49	58,85
RWE AG		DAX/Eurostoxx	75,01	67,15	63,90	65,09	66,08	39,06	56,74
SAP AG (Vz.)	since 15.09.95	DAX	59,77	53,36	56,70	50,85	55,37	58,04	54,75
Schering AG		DAX	43,16	47,01	43,33	37,40	37,00	34,84	36,41
Siemens AG	since 18.03.99	DAX/Eurostoxx	46,66	44,97	24,93	22,00	36,40	47,51	35,30
ThyssenKrupp AG *****		DAX	58,74	55,90	64,13	61,26	59,97	61,60	60,94
TUI AG (former Preussag)	since 03.09.90	DAX	65,41	66,87	39,30	37,21	37,21	54,18	42,87
Veba AG *****	until 17.06.00		45,33	46,44	40,41	-	-	-	-
Viag AG *****	until 17.06.00		66,39	54,99	65,47	-	-	-	-
Volkswagen AG		DAX/Eurostoxx	43,70	37,62	34,39	36,99	32,98	29,01	32,99
average peaks			60,95	56,36	54,85	53,03	51,23	49,14	50,94

* since 1999, previously Bay.Vereinsbank AG, ** since Dez.1998, previously Daimler Benz AG, *** since Dez.2000, after merger with SKW, previously Degussa AG, **** since 1997, previously Kaufhof AG, ***** since Dez.1998, previously Thyssen AG, ***** after the merger of Veba and Viag, E.ON and Infineon have been included in the Dax 30

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Germany's Secret Leaders – a DSW Survey

The ongoing Corporate Governance discussion led to a strong increase in the requirements for German supervisory boards. This applies in particular to the chairman and those supervisory board members who are sitting in the key committees such as presidential, personnel or audit committee.

DSW examined the supervisory boards of the DAX 30 companies in detail. Who are the people that face up to this large responsibility? **Who are the leading men of Germany?**

DSW analysed all mandates of the shareholder representatives on the supervisory boards of the Dax 30 companies. Altogether 278 mandates were examined, which are held by 193 representatives. The first 10 are part of our DSW ranking.

Apart from chairmanship or simple membership special attention was given to the three important committees: presidential committee, personnel committee and audit committee: For a supervisory board chair plus committee chair 10 points were assigned. 8 points were allocated for the simple supervisory board membership plus committee chair. 6 points got a supervisory board member who at the same time sat in a committee. 4 points were assigned to the simple membership in a supervisory board. In order to avoid distortions, only one committee per member and company was rated.

Finally, the DSW-survey came to the following results: **Manfred Schneider, former CEO of Bayer**, achieved the first place. He chairs the supervisory boards of Bayer and Linde. In addition, he is seated in the important committees of five other Dax companies. All in all he is represented in eleven committees, six times as their chairman, for example in the audit committees of Allianz and Linde.

Karl-Hermann Baumann, chairman of the Supervisory Board of Siemens AG takes the second place. Mr. Baumann also leads six committees and is member of three other committees.

At the no. 3 position: **Ulrich Hartmann, former chairman of the Management Board of the energy company E.ON AG**. Since the last AGM, Hartmann is chairing the supervisory board. Additionally, Hartmann leads the Supervisory Board of Munich Re.

Altogether, Mr. Schneider, Mr. Baumann and Mr. Hartmann sit in the supervisory boards of 15 of the Dax companies. At five companies they chair the board. At the remaining ten they are at least represented in the important committees. 22 of the Dax companies are controlled by the first ten of our ranking list.

A further result of the DSW survey: Among the first ten of our list Paul Achleitner is the only active management board member (CFO of Allianz). DSW appreciates this development: Executives suffer from extreme workload and therefore might get problems to perform their supervisory board mandates reasonably. Accordingly, the regulation of the Corporate Governance Code that members of the Management Board shall not accept more than a total of five Supervisory Board mandates in non-group listed companies is reasonable.

Altogether, the "professional" supervisory board members control the ranking: nine out of the first ten of our ranking belong into this category. **Less pleasant: Seven out of the first ten directly changed from their management chair to the chairmanship of the supervisory board.** The only exceptions are the still active management board member, Mr. Achleitner, the ex-WestLB CEO Mr. Neuber, who chairs the supervisory boards of RWE and TUI and Mr. Baumann. The number two of the list was "only" CFO of Siemens.

All in all the survey shows that the professional supervisory board members are gaining ground. It also shows that only a few foreigners can be found on the list.

Which conclusions can be drawn from the survey? Where do the problems lie? From DSW's point of view, three crucial problems arise:

1. The lack of consequences for failures

Voting for the discharge means for the shareholders: confidence in the work of the supervisory

board members. The refuse of a discharge therefore is a vote against confidence. Unfortunately, this does not have any legal consequences for the supervisory board member. This became obvious at the AGM of Lufthansa. The discharge was refused by the majority of the shareholders to union representative and Lufthansa supervisory board member Frank Bsirske. Nevertheless, at the constituent meeting of the supervisory board Bsirske was re-elected as deputy chairman with the voices of the employee representatives.

Here, **DSW calls for action**. In case of a refusal of the discharge of any board member in the preceding 5 years, this person should be no more eligible in outstanding positions such as chairman, second

chairman or member of a committee. Furthermore this person should be deprived of any possibility to be re-elected as a member of this or any other board.

These regulations could be included, for example, in the Corporate Governance Code as a recommendation.

2. The automatic change from CEO to the chairman's position

From DSW's point of view it would be good to introduce slight changes in the Corporate Governance Code with a regarding this topic. The rule should be: The direct change must become an exception which could be explicitly justified by the company.

name	SB mandates, (C)= chairman	number SB man- dates (Dax30)	effective commit- tee chairs	effective commit- tee member- ships	asses- sed SB chairs + commit- tee chairs (x10)	asses- sed com- mittee member- ships + commit- tee chairs (x 8)	asses- sed SB member ships + commit- tee mem- berships (x 6)	simple SB mem- berships (x 4)	final score	former CEO/ spokesman of the manage- ment board
Manfred Schneider	Allianz, Bayer (C), Daimler- Chrysler, Linde (C), Metro, RWE, TUI	7	6	4	2	1	3	1	50	former CEO of Bayer
Karl-Hermann Baumann	Deutsche Bank, E.ON, Linde, Schering, Siemens (C), ThyssenKrupp	6	6	3	1	4	1	0	48	
Ulrich Hartmann	Deutsche Bank, Deutsche Lufthansa, E.ON (C), Henkel, Münchener Rück (C)	5	3	4	2	0	2	1	36	former CEO of E.ON
Gerhard Cromme	Allianz, Deutsche Lufthansa, E.ON, Siemens, Thyssen- Krupp (C), Volkswagen	6	2	4	1	0	1	4	32	former CEO of Thyssen- Krupp
Martin Kohlhausen	Bayer, Commerzbank (C), Infineon Technologies, Schering, ThyssenKrupp	5	1	3	1	0	2	2	30	former spokes- man of the management board of Commerzbank
Henning Schulte- Noelle	Allianz (C), E.ON, Siemens, ThyssenKrupp	4	2	3	1	0	2	1	26	former CEO of Allianz
Paul Achleitner	Bayer, Henkel, MAN, RWE	4	1	3	0	1	2	1	24	
Rolf-E. Breuer	Deutsche Bank (C), Deutsche Börse (C), E.ON	3	2	1	2	0	0	1	24	former spokes- man of the management board of Deutsche Bank
Friedel Neuber	RWE (C), ThyssenKrupp, TUI (C)	3	2	1	2	0	0	1	24	
Jürgen Strube	BASF (C), BMW, Commerzbank, Linde	4	1	1	1	0	1	2	24	former CEO of BASF

3. Appropriate remuneration

A controversial issue during last years' AGM season was remuneration. Nearly all large corporations strongly increased the remuneration for their supervisory board members. In future, Volkswagen will pay the highest amount to its board. After the re-organisation, Ferdinand Piëch, chairman of the supervisory board, receives approximately Euro 305,000.

The range at the DAX companies is, however, very large. Adidas, for example, only pays Euro 42,000 to the chairman of the supervisory board, Henri Filho. And Altana shows that the reverse way is also possible. Justus Mische, chairman of the pharma group, receives approx. 60 % less remuneration

than in the year before. In this year Altana heads the rank list with Euro 334,500.

From DSW's point of view the increases are, in principle, acceptable. The level of the board's remuneration can converge with the payment of business lawyers or management consultants, where the daily rates can amount to up to Euro 10,000. The selected model is crucial. The payment should consist of a fixed and a success-dependent element. The measurement of success should include e.g. earnings per share and a long-term incentive such as Economic Value Added (EVA). The share price is not suitable to measure the work of the board's success. Furthermore, the supervisory board should not be entitled to receive stock options.

Board Evaluation in the German supervisory board

The German Corporate Governance Code recommends: *"the supervisory board shall regularly evaluate its efficiency"*. All of those German corporations which do not explain their non-compliance with this recommendation therefore have to evaluate their boards.

As the experience of DSW in the last AGM season shows, board evaluation were – up till then – only carried out in a few cases. This was reason enough for DSW to initiate and develop a guidance in order to evaluate the efficiency of the supervisory board. DSW has a deep knowledge in Corporate Governance issues as it was member of the governmental commission "Corporate Governance" led by Professor Baums and still is member of the Code-commission (German Corporate Governance Code) headed by Dr. Gerhard Cromme.

Based on this expertise and the experiences out of 50 board memberships, DSW developed a

detailed catalogue of questions to evaluate the boards' work. Also international standards were taken into account.

The catalogue with more than 100 questions cover the following issues:

- Self-image of the board
- Activities of the board
- Remuneration issues
- Composition of the board
- Composition of the committees
- Selection procedure for board and committee members.

One of the objectives of a board evaluation can be more efficiency in the boards' work and potential for improvement.

DSW in general recommends **single interviews** with each member of the board by an external, **independent person**. The outcome should be analysed in an anonymous manner.

If you need any assistance or are interested in the topic "board evaluation" you can order the DSW guide via E-Mail (ben@dsw-info.de) vs. payment of **Euro 690**.