

## **Guidelines for sustainable management board remuneration systems**

**A working group of well-known chairs of German supervisory boards, institutional investors, academics and corporate governance experts has presented guidelines for sustainable remuneration systems for German publicly listed companies**

**Frankfurt, 26 July 2018.** A working group of well-known supervisory board chairs of listed companies in Germany together with representatives of key institutional investors, academics and corporate governance experts has developed best practice guidelines for simpler and sustainability focussed best-practice management board remuneration. The guidelines cover key design elements of sustainable management board remuneration in Germany, offer companies direction for the alignment of their remuneration plans with institutional investor expectations and support a constructive dialogue between companies and their shareholders.

"Through the implementation of the European Shareholders Rights Directive, remuneration of management board members will become a regular voting item at the annual general meetings of listed German companies. In some cases, companies are insufficiently prepared for the expectations of investors regarding remuneration systems, which is also driven by the different and sometimes not congruent expectations of institutional investors", explains Michael Kramarsch, Managing Partner of hkp/// group and one of the two initiators of the working group. "The guidelines presented by the working group include statements on the design and presentation of the remuneration report, along with dialogue with investors to provide clear points of reference. Important stakeholder goals and greater transparency among investors and voting advisors on remuneration issues are also addressed", says the corporate governance expert.

This view is also shared by Dr Hans-Christoph Hirt, Head of Hermes EOS in London. As the other initiator of the working group, he points out that the guidelines will help to significantly enhance clarity and comprehensibility of management board remuneration and to reduce the complexity of many existing systems. "Importantly, the devised guidelines will help companies to simplify management board remuneration and to take into account the pay-for-performance relationship more explicitly. In doing so, they will make remuneration systems more comprehensible for the various market players and society. In addition, they will support companies in their preparations to meet the expectations of institutional investors, including those from abroad. A constructive dialogue on remuneration between investors and companies will be another outcome of the stipulated guidelines. At the same time, however, the guidelines also require investors to make their expectations and requirements for management board remuneration systems more transparent and comprehensible for companies", says Hirt.

## **Background on the working group**

The working group "Guidelines for Sustainable Management Board Remuneration", which consisted of representatives from various stakeholder groups, was established in early 2018 and subsequently developed the best practice guidelines. The working group involved international investors in the drafting process through a meeting in London. It consisted of the following members:

### Supervisory board chairs:

- Dr Werner Brandt (ProSiebenSat.1, RWE, Siemens)
- Dr John Feldmann (Hornbach Holding, Kion)
- Jürgen Fitschen (Ceconomy, Kühne & Nagel, Vonovia)
- Dr Jürgen Hambrecht (BASF, Daimler, Fuchs Petrolub)
- Prof Dr Ulrich Lehner (Deutsche Telekom, E.ON, Henkel, Porsche)
- Werner Wenning (Bayer, Henkel, Siemens)

### Representatives of institutional investors:

- Nicolas Huber (DWS)
- Henrike Kulmann (Allianz Global Investors)
- Michael Schmidt (Deka Investment, Head of the DVFA Corporate Governance Committee)
- Ingo Speich (Union Investment)

### Academic representatives:

- Prof Christian Strenger (Deputy Chair of the DVFA Commission for Corporate Governance and Director of the Center for Corporate Governance, HHL Leipzig)
- Prof Dr Michael Wolff (University of Göttingen)

### Corporate governance experts:

- Dr Georg Franzmann (BASF)
- Hendrik Schmidt (DWS)
- Dr Stephan Semrau (Bayer)
- Regine Siepmann (hkp/// group)
- Dr Michael Viehs (Hermes Investment Management)

### Initiators:

- Dr Hans-Christoph Hirt (Hermes EOS)
- Michael H. Kramarsch (hkp/// group)

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