



## Mission impossible? Cross-border voting in Europe

The right to vote at a general meeting is a fundamental shareholder right. Individual shareholders should have the opportunity to exercise their voting rights and take responsibilities as owners of listed companies also across borders.

Findings of a recent report on barriers to shareholder engagement however reveal that despite the adoption of the Shareholder Rights Directive and the best practice standards developed and endorsed by the industry, there are still many obstacles and barriers investors have to face which continue to make cross-border voting a challenge:

- On a cross-border basis the burdensome document distribution through a complicated custodian chain is the main obstacle. An EU-wide obligation for custodians holding shares in nominee accounts to pass information about the date of the general meeting and the agenda to shareholders is absolutely necessary to improve the current situation.
- On a local basis issuers offer to bear the costs of domestic custodians for contacting their customers (the issuer's shareholders) and sending out voting materials. These offers are however, usually made to domestic custodians only. Non-resident shareholders are put at a disadvantage since they are directly charged for the costs.
- Despite the fact that the Shareholder Rights Directive has required Member States to abolish share blocking and to replace it by a record date, share blocking still continues to be practiced by sub-custodians when it comes to cross-border voting.
- Quorum requirements, temporary registration requirements or early cut-off dates of custodians impose further hurdles on shareholders.

From the individual investor's perspective the following issues are key to ensure an efficient cross-border voting process:

1. An EU-wide information platform for individual shareholders.
2. A service free of charge for individual investors.
3. A scaling back of custodian and sub-custodian involvement and a reduction of the chain of intermediaries.
4. The opening of competition to non-bank providers for shareholder identification and General Meetings services shareholders.

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To ensure effective cross-border voting in the EU the rules, systems and procedures need to be harmonised across the Member States. Particular attention needs to be paid to the roles and responsibilities of intermediaries in this process. The voting process on a cross-border basis must become simple, effective and efficient. The easier and cheaper it is for investors to vote at their companies' general meetings, the higher the number of individual investors that will start exercising their voting rights on a cross-border basis.

**“Barriers to Shareholder Engagement – Report on Cross-Border Voting”** can be downloaded at [www.eurofinuse.org](http://www.eurofinuse.org).

The report was commissioned by EuroFinuse and conducted in cooperation with DSW, Germany's largest association for private investors and a member of EuroFinuse.

## Eurovote

EuroVote supports individual shareholders in exercising their voting rights at general meetings of listed companies in Europe using the network of the national EuroFinuse and Euroshareholders member associations in the country where the respective general meeting takes place.

The objective of this cross-border voting platform is to make the proxy process easy. The EuroVote service is free of charge for individual shareholders.

The web-based EuroVote platform provides a list of companies (min. EuroStoxx 50) selected for the respective general meeting season as well as links to the necessary proxy forms in English. Shareholders find straight-forward instructions on how to pass the proxy but also additional information on the technical procedure to pass a proxy for each Member State. The expertise of the local shareholder associations ensures a responsible execution of votes taking into account local market standards.

The EuroVote Voting Guidelines which are reviewed annually are disclosed on the platform to provide a clear and transparent guidance to shareholders throughout Europe if they intend to transfer their voting rights without distinct instructions.

[www.eurofinuse.org/eurovote](http://www.eurofinuse.org/eurovote)

## German boardrooms – diversity, network and pay

Supervisory boards in Germany have undergone many legal changes during recent years. The often used quote “corporate law reform in permanency” is not completely unfounded: Starting with the Law on Control and Transparency of Companies in 1998, followed by the Accounting Law Reform (2002) or the Accounting Law Modernisation Act (2009), led to an increase in liability risks as well as to higher demands for supervisory board members. Consequently, the composition of the supervisory board became a focal point of public interest as it has to suit the company's business. High performing, effective supervisory boards are needed as sparring partner for the executive management. This means that boards need supervisory members with diverse skills and backgrounds that have sufficient time to devote to the work in the board to ensure its efficiency and professionalism. This applies in particular to the chairman and those supervisory board members who are chairing the key committees such as presidential, personnel or audit committees.

### Who are the most influential board members?

Who are the people that face up to this large responsibility? Who are the leading men of Germany?

In a recent study, DSW surveyed all mandates of the shareholder representatives on the supervisory boards of the 30 DAX companies. Altogether, 256 mandates were examined, which are held by 209 representatives.

Higher importance by committee chairmanship or membership

Apart from chairmanship or simple membership special attention was given to the three important committees: presidential committee, personnel

committee, nomination and audit committee: For a supervisory board chair plus committee chair 10 points were assigned. Eight points were allocated for the simple supervisory board membership plus committee chair. Six points got a supervisory board member who at the same time sat in a committee. Four points were assigned to the simple membership in a supervisory board. Additional committee memberships were awarded with an extra three points, additional committee chairs within the same company received additional four points.

### The most important “networkers”

Based on this matrix, the DSW-survey 2012 came to the following results:

Manfred Schneider, former CEO of Bayer, achieved the first place. He chairs the supervisory boards of Bayer, Linde and RWE. In addition, he chairs eight out of ten committees within these three companies. Although it has to be noted that Mr Schneider resigned from his chairman position at Bayer in October 2012, even without this position he would still rank no. 1 in our survey.

At the no. 2 position: Paul Achleitner, former CFO of Allianz SE who took over the chairman position at Deutsche Bank in May 2012. Additionally,

Mr Achleitner is member of the boards of Bayer, Daimler and RWE.

Gerhard Cromme, chairman of the supervisory boards of Siemens and ThyssenKrupp and supervisory board member of Allianz, takes the third place. Mr. Cromme leads five out of seven committees within the boards of these three companies.

Altogether, the Top 20 supervisory board members in the ranking are represented on the boards of 23 DAX companies, holding 54 mandates which is 21 percent of the total mandates in the DAX 30. Although this is a decrease by 7 percent compared to 2002, we consider the concentration of power as still being too strong.

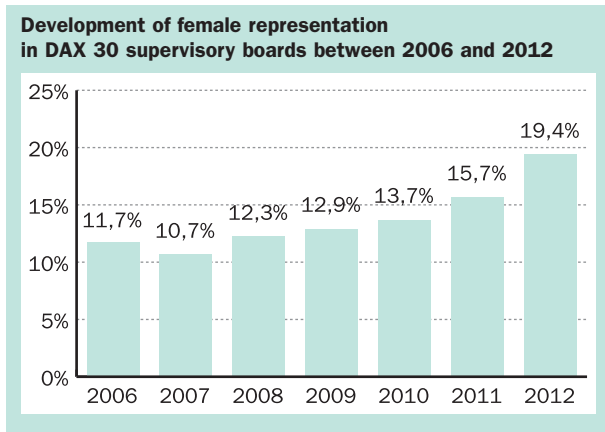
### Women on boards?

Gender diversity in German supervisory board is another topic that has been surveyed in the DSW study. First finding: There is no female board member among the Top 20 supervisory board members. The first woman ranks no. 26 on our list: Renate Köcher, CEO of the demoscopic market research company Allensbach Institute is member of the boards of Allianz, BMW and Infineon Technologies.

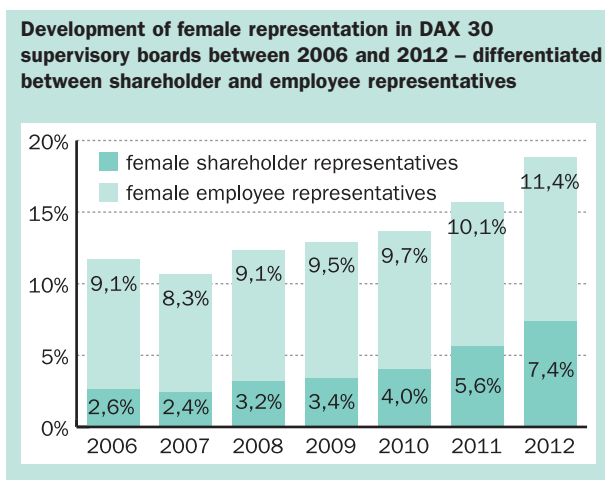
Overall, 19.4 percent of all 500 DAX 30 supervisory board members are female, which is an

Rank	Supervisory board member	Mandates, committees (C=chair)	Chair + committee chair (x10)	Additional committee chairs (x4)	Board member and committee chair (x 8)	Board member and committee member (x 6)	Additional committee chairs (x3)	Board membership (x4)	Total	Ex-CEO
1	Manfred Schneider	<b>Bayer AG (C):</b> presidential committee (C), personnel committee (C), nomination committee (C), audit committee; <b>Linde AG (C):</b> presidential committee (C), audit committee, nomination committee (C); <b>RWE (C):</b> presidential committee (C), personnel committee (C), nomination committee (C)	3	5	0	0	2	0	56	Bayer AG
2	Paul Achleitner	<b>Bayer AG:</b> presidential committee, personnel committee; <b>Daimler AG:</b> nomination committee; <b>Deutsche Bank AG (C):</b> presidential committee (C), nomination committee (C), audit committee; <b>RWE AG:</b> presidential committee, personnel committee, nomination committee	1	1	0	3	4	0	44	Goldman Sachs & Co. oHG
3	Gerhard Cromme	<b>Siemens AG (C):</b> presidential committee (C), audit committee, nomination committee (C); <b>ThyssenKrupp AG (C):</b> presidential committee (C), personnel committee (C), audit committee, nomination committee (C)	2	3	0	0	2	0	38	Thyssen Krupp AG

increase of 3.7 percent compared to 2011. This means that despite the positive development, German boardrooms are still far apart from the 40 percent quota, EU commissioner Viviane Reding is pushing for at boardroom level.



Digging deeper into the figures the following picture modifies the positive trend even more:



The majority of female supervisory board members is still provided by the employees. When we take into account that only the supervisory board of Henkel is chaired by a female representative and that with Fresenius and Fresenius Medical Care still two of the DAX companies have no female representative on their board at all, Germany still has some catching up to do when it comes to gender diversity.

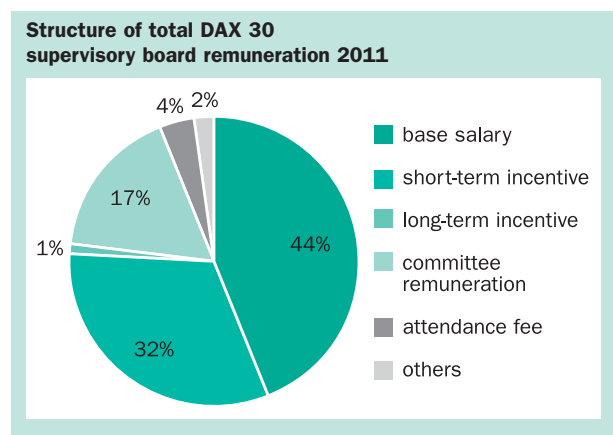
**Supervisory board pay**

No backlog needs to be stated when it comes to

pay. The last part of the DSW survey concentrates on the development of the supervisory board members' remuneration.

After public discussions that ended in a revision of the German Corporate Governance Code, a large number of DAX 30 companies amended their remuneration systems in line with international best practice standards and now only pay a fix fee to their supervisory board members. A development, explicitly welcome by DSW. Experience shows that especially in economically difficult times supervisory board members' work is challenging. A significant proportion of variable remuneration would give the wrong signal in such times. Furthermore, a purely fix fee guards against a harmony of interests with regard to the remuneration of the management board.

Analysing the remuneration structure, the DSW study finds that the significant part of the DAX 30 supervisory board remuneration in 2011 was paid in fix elements.



44 percent of total remuneration was paid as base salary. Together with attendance fees and other remuneration the fixed components account for 50 percent of total remuneration (2010: 45 percent). Although slightly decreasing, the variable short-term incentive still plays a significant role for German supervisory board members (2011: 32 percent, 2010: 35 percent).

The long-term variable remuneration component in contrast remains insignificant (2011: 1 percent, 2010: 3 percent).

Overall, remuneration paid to all DAX 30 supervisory board members rose by 7.6 percent to 69.7m EUR in 2011. Volkswagen paid the highest remuneration to its board: 7.4m EUR were transferred to the 20 members, an increase of almost 38 percent compared to 2010. Second-best payer was Siemens that paid 4.8m EUR to its 20 board members (+19 percent).

Company	Supervisory board seats	2011 (T€)	Change in percent
Volkswagen	20	7.376	37,9
Siemens	20	4.799	18,7
E.ON	20	4.774	-1,7
BMW	20	4.455	43,4
SAP	16	3.028	5,3
Daimler	20	2.990	11,8
BASF	12	2.954	4,0
RWE	20	2.664	-27,6
Deutsche Bank	20	2.609	6,3
Bayer	20	2.299	0,3
Henkel*	10	2.295	3,9
Linde	12	2.294	9,0
MAN	16	2.293	1,9
Allianz	12	2.079	42,1
Metro	20	1.949	0,8
Thyssen Krupp	20	1.878	1,3
Deutsche Telekom	20	1.877	-4,9
Deutsche Börse	18	1.814	-0,3
Infineon Tech.	12	1.694	263,0
Commerzbank	20	1.619	3,6
Fresenius	12	1.585	-11,1
Beiersdorf	12	1.584	14,0
Münchener Rück	20	1.545	-16,0
K+S AG	16	1.484	5,4
Dt. Lufthansa	20	1.419	-48,4
Deutsche Post	20	1.410	28,5
Adidas	12	920	0,0
HeidelbergCement	12	803	-1,5
Merck	16	620	17,5
FMC	6	563	43,3
<b>Total</b>		<b>69.672</b>	<b>7,6</b>

The DSW study also analysed the remuneration paid to the different positions within the board.

Position	2011 (T€)	2010 (T€)	Change in percent
Chair	298	273	9,0
Vice Chair	199	176	13,4
Committee member	131	122	7,6
Ordinary member	97	89	9,2

Ten companies paid more than the average 297,681 EUR, a supervisory board member received for a chairman position in the DAX 30 companies. Highest paid chairman is Ferdinand Piëch from Volkswagen: He received 850,222 EUR for performing his duties as chairman of the carmaker.

## Director's Pay Survey 2012: German pay systems are still too complex

There is fairly any other issue that has been riling up the public for years than executive pay. But how opulent is German management pay in reality? In cooperation with the Technical University of Munich, DSW has surveyed this question in its Director's Pay Survey 2012.

### Result

- The average executive of a DAX 30 company received 3.1m EUR for 2011. This is an increase of 7.9 percent compared to 2010. Only two companies paid less than 1m EUR on average to their executives.
- A DAX 30 CEO received 5.1m EUR on average for 2011 whereby the spread is very wide: The highest paid CEO received more than 29times the sum of the lowest paid DAX chief.
- DSW identified strong transparency's deficits: systems are still too complex and intransparent especially with regard to cash bonuses, pensions and Caps. They have to become more simple and first of all understandable.

### DAX

Volkswagen's executive board members received 8.4m EUR on average and thus the highest remuneration among German Blue Chip companies. In comparison to that, Commerzbank paid a pocket-money. Executive payments are capped at 0.6m EUR as a result of the government shareholding. Therefore, Commerzbank is at the bottom of the league. Overall only Commerzbank and Beiersdorf paid less than averaged 1m EUR to their executives.

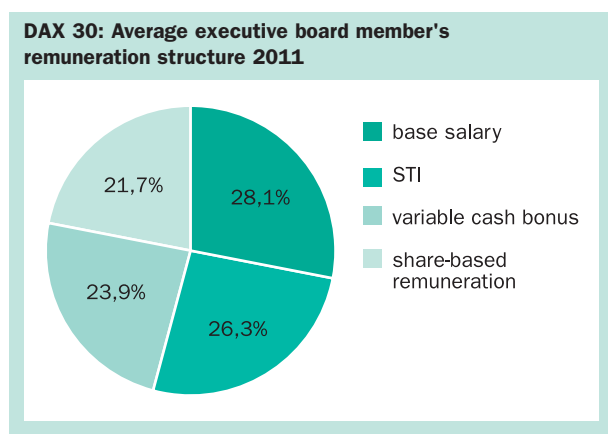
The strongest increase could be observed at Infineon and K+S: the remuneration of their management board members increased by 110 percent and 102 percent respectively. Main reason was in both

cases the introduction of a mid-term incentive. In contrast, executives of 16 of the 30 DAX companies saw a pay reduction compared to 2010.

Highest-paid executive in the DAX in 2011 was Dr. Martin Winterkorn, CEO of Volkswagen. He received 16.6m EUR for 2011. It has to be noted that only 11 percent of his remuneration is fix, the remaining 89 percent is variable cash-based remuneration linked to two- and four-years benchmarks. The remuneration of Dr. Winterkorn increased by 56 percent compared to 2010. Dr. Josef Ackermann (Deutsche Bank) ranked second with 9.5m EUR, followed by Dr. Dieter Zetsche (Daimler) with 8.8m EUR, and Peter Löscher (Siemens) with 8.7m EUR.

An international comparison of the DAX 30 CEO's pay 2011 can be found at p. 9.

The structure of the remuneration has improved in recent years: In 2011, the short-term component of the average total remuneration paid to the DAX 30 executives counted for 26 percent only. Three years ago, prior to the introduction of the legal requirement for listed companies to link board members' pay to a sustainable and long-term corporate development, the short-term incentive counted for more than 40 percent of the average DAX 30 executive's pay.



**MDAX**

In 2011, a manager of a MDAX-company received 1.6m EUR on average, a decrease by 1.7 percent compared to 2010. Having received an amount of 6.2m EUR, Dr. Mathias Döpfner (Axel Springer) was the highest paid MDAX executive in 2011. His total pay had to

**DAX 30: Development of the average executive's pay in T€ vs. development of EPS and TSR 2010-2011**

Company	2011	2010	Change average pay (%)	Change EPS (%)	Change TSR (%)
Volkswagen	8.419	5.058	66.4	283.2	0.7
Deutsche Bank	5.861	6.526	-10.2	40.3	-22.8
SAP	4.663	3.591	29.8	84.0	10.1
Siemens	4.303	4.151	3.7	54.1	-8.1
Daimler	4.201	4.390	-4.3	20.3	-28.8
BASF	4.175	3.214	29.9	31.5	-5.5
Infineon	4.112	1.961	109.7	12.8	12.3
Henkel	4.064	2.966	37.0	9.2	-2.5
BMW	3.893	2.596	49.9	46.8	-8.1
Adidas	3.698	2.874	28.7	14.3	4.8
Merck	3.263	2.438	33.8	-5.6	31.2
Linde	3.111	3.725	-16.5	12.1	3.4
E.ON	2.927	2.953	-0.9	—	-23.0
Deutsche Post	2.903	2.677	8.4	-55.8	-0.9
RWE	2.887	3.380	-14.6	-47.6	-41.4
Bayer	2.789	2.948	-5.4	84.3	-7.7
Allianz	2.676	3.784	-29.3	-51.4	-11.8
Deutsche Börse	2.460	2.528	-2.7	96.5	-10.4
FMC	2.429	2.217	9.6	-0.5	23.0
Metro	2.396	3.423	-30.0	-28.2	-45.2
K+S	2.355	1.166	102.0	43.9	-35.7
Fresenius	2.350	1.747	34.5	6.6	15.4
Thyssen Krupp	2.346	2.441	-3.9	—	-20.6
Deutsche Lufthansa	2.277	2.586	-12.0	—	-42.3
Heidelberg Cement	2.263	2.267	-0.2	-1.6	-29.3
Munich RE	2.157	2.369	-8.9	-70.8	-10.9
MAN	1.842	2.637	-30.1	-67.7	-20.2
Deutsche Telekom	1.767	1.846	-4.3	-67.7	-0.9
Beiersdorf	979	864	13.3	-24.0	7.2
Commerzbank	563	575	-2.1	-82.0	-70.7
<b>Ø DAX</b>	<b>3.144</b>	<b>2.915</b>	<b>7.9</b>		

**DAX 30: CEO pay 2011**

rank	CEO	Company	Total Pay 2011 (T€)
1	Dr. Martin Winterkorn	Volkswagen	16.596
2	Dr. Josef Ackermann	Deutsche Bank	9.531
3	Dr. Dieter Zetsche	Daimler	8.813
4	Peter Löscher	Siemens	8.738
5	Bill McDermott / Jim Hagemann Snabe	SAP	8.061
6	Dr. Wolfgang Reitzle	Linde	6.852
7	Dr. Jürgen Großmann	RWE	6.443
8	Dr. Norbert Reithofer	BMW	6.157
9	Herbert Hainer	Adidas	5.967
10	Kasper Rorsted	Henkel	5.497
11	Dr. Frank Appel	Deutsche Post	5.255
12	Dr. Kurt Bock	BASF	5.253
13	Dr. Johannes Teyssen	E.ON	4.543
14	Dr. Marijn Dekkers	Bayer	4.487
15	Michael Diekmann	Allianz	4.417
16	Karl-Ludwig Kley	Merck	4.228
17	Dr. Bernd Scheifele	Heidelberg Cement	3.826
18	Dr. Ben Lipps	FMC	3.810
19	Peter Bauer	Infineon	3.721
20	Dr. Reto Francioni	Deutsche Börse	3.596
21	Dr. Nikolaus von Bomhard	Munich RE	3.561
22	Dr. Heinrich Hiesinger	Thyssen Krupp	3.520
23	Dr. Ulf Schneider	Fresenius	3.295
24	René Obermann	Deutsche Telekom	3.266
25	Dr. Eckhard Cordes	Metro	3.194
26	Dr. Christoph Franz	Deutsche Lufthansa	2.947
27	Norbert Steiner	K+S	2.767
28	Dr. Georg Pachta-Reyhofen	MAN	2.626
29	Thomas-B. Quaas	Beiersdorf	1.440
30	Martin Blessing	Commerzbank	569
	<b>Ø DAX</b>		<b>5.099</b>

be estimated, though, as Axel Springer opted out from the legal requirement to individually disclose their executives' remuneration.

MDAX: TOP 5 paid executives 2011			
Rank	CEO	Company	Total pay (T€)
1	Dr. Mathias Döpfner	Axel Springer	6.251
2	Louis Gallois	EADS	4.193
3	Gerhard Weber	Gerry Weber	4.184
4	Dr. Adrian v. Hammerstein	Kabel Deutschland	4.006
5	Günther Fielmann	Fielmann	3.806

### Transparency leaves room for improvements

Individual disclosure of directors' pay is best practice – at least among the 30 DAX companies. However, the 50 companies in the MDAX, after all the second-largest index in Germany, obviously are not yet keen on following – at least some of them. Still eleven MDAX companies refuse their shareholders a concrete insight in their executive board members' remuneration by making use of the legal possibility to opt-out from individual disclosure.

But also DAX companies could perform better. Pension payments as well as information on the potential best case remuneration (CAP) are still a black box in a large number of pay reports. With the information provided in the 2011 pay reports, it was only possible to calculate the remuneration of four companies, namely Allianz, Deutsche Post, Munich Re and Siemens.

Company	CEO	Total pay 2011 (T€)	Pay capped at (T€)
Siemens	Peter Löscher	8.738	11.400
Allianz	Michael Diekmann	4.417	7.140
Deutsche Post	Dr. Frank Appel	5.255	6.980
Munich RE	Dr. Nikolaus von Bomhard	3.561	6.740

The main shortcomings have been found in the reporting on target figures for short- or long-term incentives which are used as the basis for the cap by many DAX companies. If a company discloses that the short-term incentive is capped at 200 percent of an undisclosed target remuneration this information is

not useful to evaluate if in a best-case scenario the pay is still adequate.

Regarding pensions, deficiencies have been found with regard to comparable reporting.

Principally two ways of pension payments are used among DAX companies: 17 companies offer defined benefit plans to their boards. That means that the company assures the payment of a certain pension amount to its respective board member. Thereby the company bears the risk to pay this agreed amount until recipient's dying day. Four companies pay a certain amount to an (external) pension institution, for example a fund, and do not assume any other obligations towards their managers (defined contribution plan). Seven companies operate both systems, two companies have special arrangements. These possible varieties already show the restricted comparability of pensions. Together with the often insufficient information on valuation parameters foster a lack of understanding.

Hence it is necessary to simplify and optimise the pay reporting and - as a consequence - its comprehensiveness. As long as the connection between pay and performance is not clear and as long as key figures are not clearly defined, an adequate examination of executive pay is impossible.

DSW therefore calls for a standardised disclosure and explicit guidelines for calculation methods and compensation components comparable to the US Securities and Exchange Commission (SEC) model.

### The DSW Voting Guidelines

DSW considers it as best practice for investors to disclose its fundamental voting policy. Since 2005, DSW as the largest German investor association discloses its annually updated voting policy to specifically make clear to investors how DSW exercises votes for its members, other investors or representatives.

You can order the DSW Voting Guidelines via e-mail: [ben@dsw-info.de](mailto:ben@dsw-info.de).

## Ljubljana Declaration: The merger of the two European investor associations to come

**E**uroFinuse, the independent expertise centre for European financial services users and Euroshareholders, the organisation of European shareholder associations, have decided to merge to provide adequate representation of all individual investors, savers and other financial services users vis-à-vis the European authorities.

In Ljubljana, the general assemblies of both organisations unanimously voted for the merger which will become effective as of 1st of January 2013.

Jella Benner-Heinacher, president of EuroFinuse, stated: "With the new organisation, the voice of individual investors, savers and all other financial services users in Europe will become even stronger as there will be 50 member organisations united under one roof."

The new EuroFinuse will focus on the development and harmonisation of the European financial markets and will further strengthen the voice of all financial services users in the reform of financial regulation.

[www.eurofinuse.org](http://www.eurofinuse.org)

## German Corporate Governance – recent changes

**T**he German Code-Commission published its German Corporate Governance Code (GCGC) in February 2002. The aim of the 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. The 'standing committee' under the lead of Dr. Klaus Peter Müller meets regularly.

The Code works on a 'comply or explain' basis which means that companies can deviate from Code recommendations but are then obliged to disclose this annually and to justify the deviations. Furthermore, the Code contains suggestions which can be deviated from without disclosure.

In 2012, the Commission for the first time implemented a written consultation process on proposed changes to include users of the Code more closely in the work on the further development of the Code in the interests of achieving greater transparency in these activities.

**Independence:** The 2012 amendments focused especially on professionalising the supervisory

### Euroshareholders Award 2012

Remuneration of executive directors is an important element of the governance regime of companies. Although German pay has recently undergone a disclosure reform, variable pay schemes have become increasingly complex both with regard to short-term and long-term incentives, pension and other post-contractual payments as well as with respect to the maximum potential remuneration.

Euroshareholders, the organisation of European shareholder associations, has surveyed the remuneration reports of the 30 German Blue Chip companies and will award a price for the most shareholder-friendly directors' pay of the DAX 30 companies.

The Award Committee, composed of representatives from all over Europe considered the remuneration reports of **Allianz**, **HeidelbergCement** and **Siemens** as outstanding especially with regard to reporting on structure, variable remuneration and CAPs.

The award ceremony to honour the winners will take place at the DSW/EuroFinuse International Investors Conference 2012 on December 4, 2012 in Wiesbaden at 6.30 pm before dinner.



board work performed, whereby particular attention has been paid to the independence of supervisory board members. Besides this the Commission among others altered the suggestion, that the chairman of the supervisory board should not also be chairman of the audit committee, to a recommendation.

**No more short-term variable pay for members of the supervisory board:** Furthermore, the Government Commission has changed the recommendation for the remuneration structure of the supervisory board members. Thus where performance-based remuneration is awarded in addition to a basic salary, the former shall primarily be related to the long-term performance.

All Code changes can be found at [www.corporate-governance-code.de](http://www.corporate-governance-code.de).

## Directors' Pay: An international comparison

**E**xecutive remuneration packages should reward fairly good corporate performance with remuneration geared to the achievement of stretching targets that do not encourage imprudent risk-taking, excessive conservatism or continuation of strategies that are no longer appropriate. The remuneration structure should balance the legitimate interests of the director with the potential cost to shareholders.

Are these principles followed by remuneration committees across Europe? ECGS (Expert Corporate Governance Service) studied the remuneration of the CEOs of 392 companies and took a close look at the remuneration structures across Europe.

### DSW's Stewardship Services

DSW offers broad stewardship services for institutional and professional investors from all over the world! Our services include:

- Voting advice:
  - **Nationwide:** all listed companies
  - **Internationally:** MSCI Europe (for institutional investors abroad as German partner of ECGS - Expert Corporate Governance Services)
- Proxy representation
  - **Nationwide:** at all German general meetings
  - **Internationally:** EuroStoxx 50 and Stoxx 50 company meetings
- Electronic voting platform for German general meetings
- Engagement in key issues of corporate governance, such as pay and board independence
- Direct approach of the management
- Preparation and support by taking shareholder actions such as counter motions
- Reports on all German general meetings
- Reports on data such as voting outcome and turnout
- Training programs for all Corporate Governance issues in Germany
- Class action claim filing and information service

Interested investors may contact

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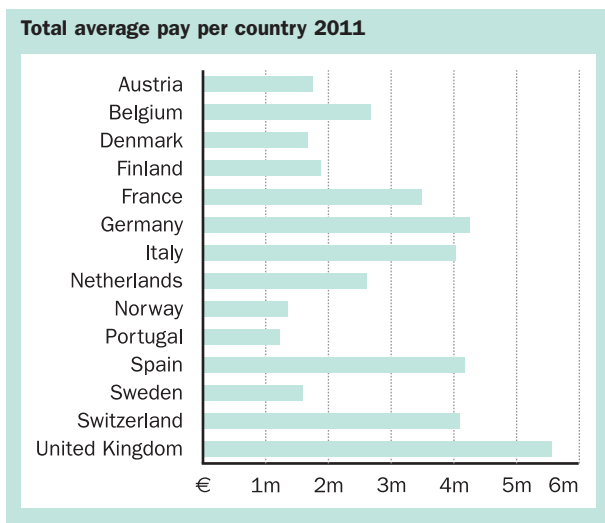
**Methodology**

ECGS surveyed the following compensation components of CEO's across Europe: Base salary, variable cash bonus and equity-based incentives. Valuation of equity-based incentives is very complex. The ECGS survey in general based the valuation of equity incentives that have been awarded during the financial year, on the fair value at grant date provided by the company. However, due to different levels of information available in the various European markets valuation methods cannot be constantly applied throughout all markets. When shares or options awards are linked to significantly challenging performance conditions, ECGS can restate the valuation to take into account a lower vesting probability.

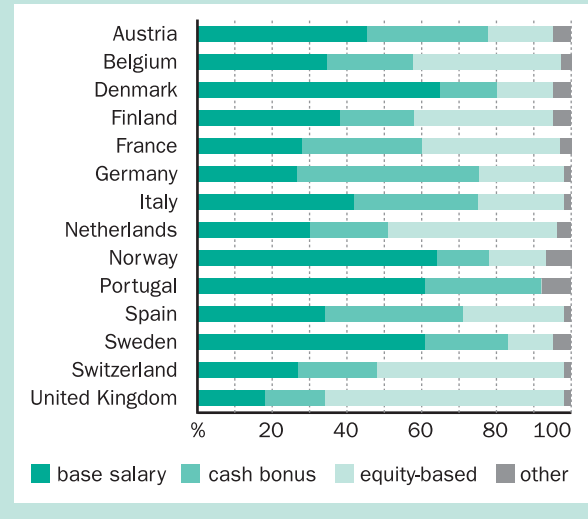
**Cross-border view on directors' pay 2011**

Compared to other European countries on the continent, CEOs pay in Germany nowadays appears more than competitive. With a total average remuneration in 2011 of 4.3m EUR, German CEO's were better paid than all other European countries, except for the UK. Although the average total compensation of the German CEOs is only 77 percent of the remuneration of their British colleagues, they are paid 252 percent more than their colleagues in Portugal and still 25 percent more than their French colleagues. The average total earnings of the CEOs covered in the study were 3.7m EUR.

Comparing the structure of the CEO pay across Europe, the study shows that pay composition varies



Structure of average CEO pay per country 2011



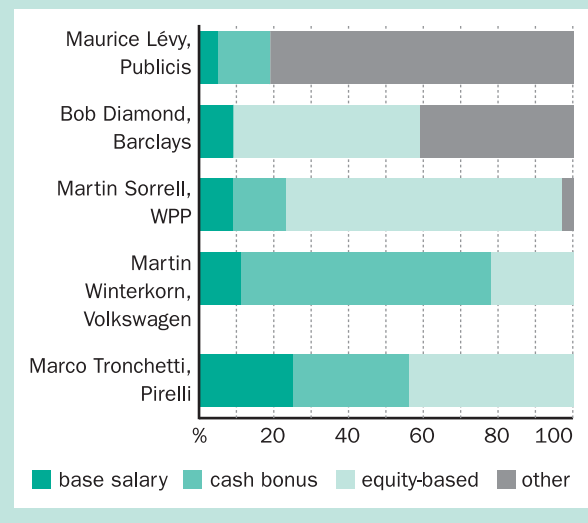
significantly across Europe: Whereby in Germany variable cash payments prevail, countries like the UK or Switzerland pay a predominant part of the CEO's compensation in equity-based incentives.

The variable cash part of the German CEO's average remuneration amounts to 2.1m EUR. This is more than double the average European figure (1m EUR).

**Highest paid CEOs across Europe**

Highest paid CEO, among the 392 companies covered in the ECGS survey, is Maurice Lévy, chief executive of Publicis. His first rank in this European survey is mainly explained by his entitlement to the extraordinary 16m EUR deferred compensation granted by the supervisory board in 2003 as a retention package

Structure of highest CEO payments 2011



which has always been questioned by ECGS due to the high amount and the late disclosure and approval by the general meeting.

Second best paid European CEO was Bob Diamond from Barclays. His total remuneration for 2011 amounted to more than 17.5m EUR, half of this amount paid in equity-based components. Included in his pay package, a tax-equalisation payment amounting to more than 6m EUR is worth to be mentioned.

The 3rd highest paid CEO is Martin Sorrell, chief executive of WPP who earned a total amount of 16.7m EUR in 2011. His pay package was dominated by equity-based compensation which accounted for 74 percent of his total remuneration 2011, while 14 percent of his remuneration was made of a variable cash payment and only 9 percent was paid in fixed components. The high level of equity-based compensation results from the company's long-term incentive plan which provides for a potential maximum amount of 23.6m GBP in shares (valuation based on the share price at grant date).

Sir Martin Sorell is closely followed by Martin Winterkorn from Volkswagen whose pay package also exceeded the 16m EUR border in 2011.

Marco Tronchetti, chairman, CEO and controlling shareholder of Pirelli, is by far the highest paid chief executive in Italy in 2011 with 14.5m EUR. While Pirelli disclosure should be clearer, Pirelli shareholders are informed that Mr Tronchetti is partly paid by the subsidiary Pirelli Tyres, by a LTIP and participates to a generous co-investment plan which tends to inflate the normal bonus.

### Say on Pay

ECGS supports that companies increasingly follow international best practice that a Say on (executives') Pay be given regularly to shareholders at the general

meeting of the company. Broadly speaking ECGS requests, that the company's policy statements on the managing directors' remuneration should include a description and explanation for all elements of pay, a justification for the choice of performance criteria and the level of targets, a description of how the remuneration strategy fits with overall corporate strategy and key performance indicators. The company should also discuss the relationship between directors' remuneration and employee remuneration levels. Factors specific to the company should be emphasised rather than relying on a general market rationale. More specifically, ECGS considers that the total variable remuneration should not exceed 300 percent of the salary and that at least half of it should be linked to long-term performance. Therefore, the maximum annual short term bonus should not exceed 150 percent of the salary.

On this basis, in 2012, 88 percent of all remuneration proposals received an opposing recommendation from ECGS, including three of the five TOP paying companies, namely Barclays, WPP and Pirelli. At the Volkswagen AGM 2012, there was not such proposal but ECGS recommended not to discharge the members of the Chairman's committee. In France, there is no Say on Pay, however the French partner of ECGS recommended to oppose the re-election of Publicis chairwoman and questioned the Board during the AGM.

#### Imprint:

DSW newsletter published by Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Peter-Müller-Straße 14, 40468 Düsseldorf, Germany (Internet: [www.dsw-info.de](http://www.dsw-info.de))

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