Clara Christina Streit
Chairwoman of the Government Commission
German Corporate Governance Code Commission
c/o Deutsches Aktieninstitut e. V.
Senckenberganlage 28
60325 Frankfurt am Main

3 September 2026

Dear Ms. Streit,

Subject: Amendments to the German Corporate Governance Code

The International Corporate Governance Network (ICGN) welcomes the opportunity to comment on the proposed amendments to the German Corporate Governance Code on behalf of its members. ICGN values its constructive and ongoing dialogue with the Government Commission and the opportunity to contribute an international investor perspective to its work.

Led by investors responsible for assets under management of over US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our global membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

General remarks on the consultation

ICGN supports the Commission's objective of making the Code more concise, principles-based and focused on governance outcomes. However, simplification should not result in the removal of important investor protections. If an issue is addressed to some extent in legislation, it does not necessarily mean that the statutory framework provides the same level of clarity, accessibility or substantive protection as the Code. The Commission should therefore distinguish between genuine duplication and provisions that continue to perform an important governance function for investors.

In some jurisdictions, more detailed and prescriptive expectations are set out in comprehensive guidance that accompanies a principles-based governance code. ICGN is supportive of such an approach where it allows the Code itself to remain concise and principles-based, while ensuring that more detailed governance expectations remain clearly articulated. However, for this model to work effectively, the accompanying guidance should be authoritative, comprehensive and accessible, bringing together the relevant expectations in a single document.

Where a provision supports transparency, accountability or effective board oversight, its deletion should only be considered where the underlying investor-relevant expectation is clearly and adequately preserved elsewhere. The objective should be a less prescriptive and more principles-based Code, without weakening the governance standards on which investors rely.

Key investor priorities for the German Corporate Governance Framework

ICGN would first like to highlight several broader areas that are particularly important to institutional investors. These issues extend beyond the specific amendments under consultation but form an important part of the wider governance framework within which the Code operates.

In particular, ICGN encourages continued consideration of four areas we believe will strengthen the German capital markets:

1. **AGM Format**

AGMs are a key forum for shareholders, especially minority shareholders, to ask questions, make statements from the floor and hold boards accountable in real time. Meeting formats that remove physical attendance or restrict direct interaction with boards and management risk weakening shareholder rights and reducing the quality of shareholder oversight.

ICGN supports the use of technology to facilitate participation, but we consider hybrid meetings strongly preferable, as they combine the accessibility benefits of virtual participation with the continuing availability of physical attendance. ICGN believes that virtual-only AGMs should only be used in exceptional circumstances. However, companies that wish to include this possibility of holding virtual-only AGMs in exceptional circumstances in their articles of association should be required to obtain a supermajority vote of support from shareholders, and any such authorisation should be time bound.

Regardless of the format, key shareholder protection safeguards should be embedded in the corporate governance framework to ensure that shareholders can exercise rights on an equal basis, including the right to ask questions in real time without undue filtering. Including a reference to hybrid AGM formats as a good practice example could be a helpful addition to the Code.

2. **Supervisory board election cycles**

ICGN encourages the Commission to reconsider the current approach to the election terms of shareholder-elected supervisory board members. Long and staggered election cycles reduce the frequency with which shareholders can express a view on the performance of an individual director.

ICGN recognises the importance of continuity as well as the particular characteristics of Germany's two-tier and co-determined governance system. Nevertheless, we believe these considerations can be reconciled with more regular shareholder accountability.

We encourage the Commission to consider moving away from the current five-year maximum towards shorter terms. We recommend three years as a maximum in the short-term and encourage future Code reviews to consider further shortening terms. This would provide shareholders with more regular opportunities to assess individual directors and board composition, facilitate board refreshment and succession planning, and enable supervisory boards to respond more flexibly to evolving strategic, technological and governance challenges.

3. Supervisory board independence

ICGN encourages the Commission to strengthen the independence criteria in Recommendation C.7. In particular, we recommend extending the cooling-off period for former management board members from two to five years before they may be considered independent.

We also recommend broadening the independence assessment to reflect relationships with significant shareholders, rather than limiting consideration to controlling shareholders. Consistent with ICGN's Global Governance Principles, being a significant shareholder, or an officer of or otherwise associated with a significant shareholder, should be considered relevant when assessing a supervisory board member's independence.

Consistent with ICGN's Global Governance Principles, we also consider the length of board tenure to be relevant to the assessment of independence. Extended tenure can affect a director's ability to exercise objective judgement and should therefore be considered as part of the overall independence assessment.

These criteria should serve as important indicators within the overall assessment of independence, while allowing the supervisory board appropriate discretion to take account of individual circumstances. Where a member is considered independent despite one or more indicators being present, clear disclosure of the board's reasoning would help preserve the flexibility of the comply-or-explain model while supporting investors' own assessment.

4. Major transactions

ICGN encourages the Commission to reconsider shareholders' role in major or transformative transactions. Where an acquisition has the potential to materially alter a company's strategy, risk profile, capital structure or long-term prospects, there is a strong case for shareholders to have an opportunity to express a view on the transaction.

A proportionate framework, with appropriate materiality thresholds, could help ensure that only transactions of exceptional significance are subject to an additional level of shareholder approval. However, we recognise the need for companies to retain sufficient flexibility to execute transactions efficiently and do not suggest that all acquisitions should require shareholder approval.

Proposed changes that ICGN broadly supports include:

- the revised, more proportionate approach to internal controls under A.5
- consolidation of provisions governing communication with the external auditor
- streamlining of Principle 24 to clarify the Supervisory Board's responsibility for setting maximum remuneration

Proposed changes that ICGN does not support include:

- Former A.4: we do not support removing the stand-alone expectation on protected whistleblowing mechanisms and believe it should be retained.
- Former A.8: we do not support deleting the existing mechanism for shareholder involvement in takeover transactions and believe it should be retained.

- B.5 and C.2: we do not support downgrading these provisions from recommendations to suggestions.
- D.1 and D.6 (formerly D.7): we do not support removing disclosure of supervisory board rules of procedure or meeting formats and believe these transparency expectations should be retained.
- Former F.2: we do not support deleting the Code-level expectations on timely financial reporting.
- G.1, G.2, former G.5 and G.6: we do not support removing key remuneration safeguards and disclosures relating to remuneration-system design, appropriate remuneration and peer-group benchmarking, the independence of external remuneration advisers, and transparency around target achievement and variable pay.
- G.15 and G.16: we do not support deleting these provisions without replacement and believe there should remain an explicit expectation on the treatment and disclosure of remuneration arising from additional supervisory board mandates.

Please see the Appendix for our more detailed comments and recommendations.

In summary

ICGN supports the Commission's objective of a more concise, principles- and outcomes-based Code, and welcomes efforts to remove genuine duplication. At the same time, we encourage the Commission to reconsider those proposed deletions where important investor protections, transparency or accountability may not be fully preserved elsewhere. We value our continued dialogue with the Commission and remain keen to support its work as the German corporate governance framework evolves.

Thank you again for the opportunity to share our perspective on the German Corporate Governance Code. If you would like to follow up with questions or comments, please contact our Global Policy Director, Peter Van Veen (peter.vanveen@icgn.org) or Senior Policy Executive, Jakub Brejdak (jakub.brejdak@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson

Chief Executive Officer, ICGN

Appendix - Specific comments to proposed amendments

1. **Compliance, whistleblowing and internal controls**

- **Whistleblowing – Principle 5 / former A.4**

We do not support the proposed deletion of a clear and explicit recommendation regarding protected reporting mechanisms rather than incorporating the issue solely within a more general description of the compliance system.

Effective whistleblowing arrangements are an important component of corporate culture, internal controls and board oversight. Employees, contractors and other stakeholders can provide boards with an important early warning of misconduct, control failures or inappropriate behaviour. Clear and accessible mechanisms allowing concerns to be raised confidentially and without fear of retaliation can therefore help companies identify problems before they develop into significant financial, legal or reputational risks. We recognise the objective of simplifying the Code. However, the visibility of this provision is itself valuable. Removing the stand-alone expectation may inadvertently reduce the prominence given to an important element of effective corporate governance.

- **Internal control system – A.5**

ICGN has no objection to the proposed amendment. The revised wording appropriately avoids an overly broad interpretation of the disclosure requirement while retaining a proportionate, risk-focused approach, covering both financial and non-financial reporting systems.

2. **Shareholder rights in takeover situations**

- **Extraordinary general meeting following a takeover offer – former A.8**

ICGN recognises the Commission's concerns regarding the practical operation of the existing recommendation, including its interaction with statutory takeover timetables. However, we believe that these difficulties are better addressed through clarification of the mechanism rather than its complete removal. Takeover situations can fundamentally affect shareholder rights, corporate control and the long-term interests of the company. In such circumstances, shareholders should have a meaningful opportunity to consider the offer and to make a well-informed and independent decision as to whether or not to tender their shares. For this purpose, a dialogue with the management board and supervisory board, including on their reasoned position regarding the offer, as well as an exchange of views among shareholders, can be highly valuable and provide important additional information and perspectives for shareholders in reaching their decision. The underlying principle that shareholders should have an appropriate voice in material decisions concerning control of the company therefore remains important. Where the present recommendation is difficult to apply in practice, we would encourage consideration of how the Code could facilitate effective shareholder involvement rather than simply removing the expectation. We also note that in other jurisdictions, including the Netherlands, shareholders are required to be given an opportunity to discuss a public takeover offer at a shareholders' meeting.

3. **Board composition, age limits and skills**

- **Age limits – B.5 and C.2**

ICGN does not support the proposed downgrading of B.5 and C.2. These provisions support transparent and orderly succession planning for both the management board and supervisory board and provide investors with insight into the structural criteria companies apply when considering board renewal.

The existing recommendations already provide companies with considerable flexibility. The Code does not prescribe a particular age limit, and companies remain free to set an appropriate threshold or to deviate from the recommendation where this can be justified through the comply-or-explain framework. We therefore do not consider that downgrading the provisions is necessary to achieve a more principles-based or proportionate approach.

Our principal concern is that converting B.5 and C.2 into suggestions would remove the requirement for companies to explain their approach where they do not follow the provision, potentially reducing transparency around succession planning and board renewal. Age limits should not be viewed in isolation, but as one element of a broader framework for ensuring regular refreshment, effective succession and an orderly transition between board members.

- **Supervisory board skills and sustainability expertise – C.1**

ICGN recognises the Commission's rationale for a more flexible, principles-based approach to the supervisory board's skills profile. Consistent with ICGN's Global Governance Principles, the focus should be on ensuring that the board collectively possesses an appropriate mix of knowledge, skills and experience relevant to the company's strategy, risks and opportunities. The qualification matrix should provide investors with clear insight into how those competencies are reflected in the supervisory board composition.

The overall tenure profile of the supervisory board is relevant to effective succession planning and board renewal, and should therefore be reflected in the Board's composition objectives.

4. Board processes, committees and disclosure

- **Rules of procedure – D.1**

ICGN recommends retaining the expectation that supervisory board rules of procedure are publicly available on the company's website. This represents a relatively low-cost transparency measure and assists investors in understanding how the supervisory board organises its work, delegates responsibilities and exercises oversight.

- **Committee structure and audit committee – D.2**

We recognise that committee structures should remain proportionate to the size, complexity and circumstances of individual companies. We therefore do not object in principle to simplifying provisions which may otherwise imply that every supervisory board should operate an identical committee structure.

However, the Code should continue to make clear that appropriately constituted committees can materially contribute to the effectiveness of larger and more complex supervisory boards.

ICGN also supports retaining the recommendation that the chair of the supervisory board should not simultaneously chair the audit committee. The audit committee performs a particularly important independent oversight function, and separation of these roles supports appropriate checks and balances.

Where disclosure requirements relating to audit committee composition and expertise are removed because equivalent statutory requirements apply, investors should nevertheless continue to have clear and readily accessible information identifying relevant committee members and their expertise.

- **Supervisory board meeting format – D.6**

ICGN would favour retaining the existing disclosure under D.6. While the format of a meeting should not in itself be treated as an indicator of supervisory board effectiveness, information on the use of in-person, video and telephone meetings remains useful to investors in understanding how the supervisory board operates and engages.

- **Communication with the external auditor – D.7**

ICGN supports the proposed consolidation of the existing provisions regarding communication between the external auditor, the audit committee and the supervisory board, provided the substance of the existing safeguards is maintained.

Effective and candid communication between the auditor and the supervisory board is an important part of the assurance and accountability framework. We therefore welcome simplification where this makes the provision clearer without reducing the quality or scope of communication expected.

- **Financial reporting timelines – former F.2**

ICGN does not support the proposed deletion of the Code's expectations regarding the timely publication of annual and interim financial information.

We recognise that reporting timetables are addressed elsewhere in the German regulatory and market framework. Nevertheless, timely financial reporting remains an important governance expectation. It supports market efficiency, reduces information asymmetry and enables investors to make informed investment, engagement and voting decisions. Where the Commission concludes that the existing provision is genuinely redundant, we would encourage it to ensure that its deletion does not create any practical gap or inadvertently signal a weakening of expectations regarding timely disclosure.

5. **Executive remuneration**

- **Maximum remuneration – Principle 24**

ICGN has no objection to the proposed amendment to Principle 24. The revised wording appropriately clarifies the supervisory board's responsibility for setting a maximum remuneration amount while supporting a clearer distinction between the Code's principles and statutory requirements.

- **Remuneration system – G.1**

ICGN has concerns regarding the proposed removal of much of the detail currently contained in G.1.

We recognise that elements of the remuneration system are prescribed by German law and that the Code should not create ambiguity as to whether statutory requirements are subject to comply-or-explain. However, the matters currently identified in G.1, including the balance between fixed and variable remuneration, the relevant performance criteria, the relationship between achievement and payout, the form in which variable remuneration is delivered and the relevant time horizons, are fundamental information for investors assessing whether executive incentives are appropriately designed.

We would therefore prefer these investor-relevant elements to remain clearly articulated within the Code. At a minimum, where detailed requirements are removed because they are contained in legislation, the Code should retain an overarching expectation that remuneration structures are transparently explained and demonstrate a clear relationship between strategy, performance, risk and executive reward.

- **Peer-group benchmarking – G.2**

ICGN encourages the Commission to retain the existing caution against the mechanical use of peer-group comparisons. While benchmarking can be a useful input into remuneration decisions, it also carries a recognised risk of upward ratcheting where companies routinely seek to position pay above the peer-group median. Remuneration should instead be assessed in the context of the company's own strategy, performance, complexity and long-term circumstances. In this respect, the Code provides useful practical guidance that goes beyond the general statutory requirement for remuneration to be appropriate.

We would also favour retaining the existing wording that remuneration should be appropriate to the respective management board member's tasks and performance, as well as to the enterprise's overall situation and performance. This creates a clear substantive link between executive pay, individual contribution and company performance, and gives investors a more meaningful basis on which to assess whether remuneration outcomes are justified.

- **Performance criteria – G.4**

ICGN has no objection to the proposed amendment to G.4. Allowing performance criteria to be determined by the end of the first quarter provides appropriate flexibility to reflect the final approved business plan, while preserving the principle that targets should be set sufficiently early to provide an effective incentive framework.

- **Independence of remuneration advisers – G.5**

ICGN would favour retaining G.5. While we recognise that the supervisory board is ultimately responsible for determining appropriate remuneration, an explicit expectation that external remuneration advisers are independent provides a useful safeguard against potential conflicts of interest and reinforces confidence in the integrity of the remuneration-setting process.

- **Variable remuneration and target achievement – G.6**

ICGN would favour retaining the existing requirement that, following each financial year, the supervisory board determines individual variable remuneration based on target achievement and provides transparent disclosure of both the rationale and amount. This is important information for investors in assessing the link between performance and pay, and we believe its explicit inclusion in the Code remains valuable even where elements are also reflected in statutory requirements.

- **Share-based variable remuneration – G.7**

ICGN has no objection to the proposed amendment to G.7. The revised wording provides greater flexibility in determining the appropriate proportion of share-based remuneration while retaining the underlying objective of aligning variable pay with the company's long-term performance.

- **Supervisory Board memberships – G.15 and G.16**

ICGN does not support the proposed deletion of G.15 and G.16 without replacement. These provisions provide useful transparency on how remuneration arising from additional supervisory board mandates is treated, particularly where management board members hold mandates within or outside the group.

For investors, this information is relevant not only to the overall appropriateness of remuneration, but also to potential conflicts of interest and the additional responsibilities associated with external or intra-group mandates. Removing the recommendations without an alternative disclosure expectation would make it more difficult for investors to understand how the supervisory board takes these factors into account when determining total remuneration.

ICGN therefore encourages the Commission to retain an explicit expectation that the treatment of remuneration from additional mandates is addressed within the relevant remuneration framework and disclosed transparently to investors.

Additional Comments on Consultation Process

ICGN would also encourage the Commission to provide a longer consultation period for future significant revisions of the Code. The proposed changes cover a broad range of important corporate governance matters, while the consultation period falls during the main European summer holiday period and gives only one month to provide stakeholders feedback. As a general principle, we consider that at least 60 days should normally be provided for meaningful stakeholder consultation, with longer periods appropriate for particularly complex or internationally significant proposals. A sufficiently long consultation period is important to enable institutional investors and other market participants to assess proposals carefully and provide substantive feedback.

This approach would be consistent with the *European Commission's Better Regulation* framework, which states that consultation periods should "allow sufficient time for replying to consultations to increase participation" and should strike a reasonable balance between obtaining adequate input and timely decision-making. The framework also specifically recommends prolonging consultation periods where they overlap with holiday periods.