

# Corporate Governance Statement 2011

## Corporate Governance Statement for Fiscal 2011 according to Art. 289a German Commercial Code (HGB)

For RENK, corporate governance and control are designed to ensure, in line with social market economy principles, its continuance as a going concern by adding the necessary sustainable shareholder value and commensurate net earnings.

A prime driver of these efforts is the corporate governance system, which is defined by current organizational legislation, our articles of incorporation (bylaws) and in-house rules, as well as by nationally and internationally accepted standards of sound and responsible corporate management. The German Corporate Governance Code (the "Code") describes the regulations applicable to RENK under stock corporation law and provides recommendations and suggestions on how to practice good corporate governance according to generally accepted standards.

### **(1) Corporate governance at RENK**

RENK AG's Executive and Supervisory Boards have thoroughly dealt with corporate governance system details (including the recommendations of the Code and their implementation) and are aware that sound and transparent corporate governance in accordance with national and international standards is essential to responsible and far-sighted corporate management.

#### **Declaration of conformity with the Code**

In December 2011, RENK AG's Executive and Supervisory Boards issued the following declaration of conformity:

"RENK AG adopted the recommendations of the German Corporate Governance Code Government Commission subject to its declaration of conformity of December 10, 2010, and will implement the recommendations of the Code as amended up to May 26, 2010, with the following exceptions:

Besides the existing Presidential Committee (in charge of Executive Board staffing issues), no further Supervisory Board committees are or will be established (§ 5.3.1–3 of the Code). With a membership of only six, neither efficiency nor any other reasons would support the formation of such additional committees from among the Supervisory Board members.

Presidential Committee chairmanship and membership will not be remunerated (§ 5.4.6 of the Code) since committee work has not and will not within the foreseeable future be of any significant extent."

Certain major recommendations and suggestions of the Code are commented on in detail below:

### **Promotion of stockholder rights and transparency**

On our website at [www.renk.eu](http://www.renk.eu) under Investor Relations, and through published financial reports, we offer our German and foreign stockholders and other interested parties the opportunity to obtain anytime an updated and authentic portrayal of RENK and its corporate governance practices. Promptly on disclosure (cf. § 6.3 of the Code), we publish on our website annual and interim reports, a financial diary with all upcoming events of financial relevance, as well as the Annual Document whose publication is required by the provisions of Sec. 10 German Securities Prospectus Act (“WpPG”) and where all relevant corporate information of the preceding calendar year is compiled.

### **General meeting**

The (annual) general meeting of stockholders is the platform for all RENK stockholders to exercise their voting rights, obtain information, as well as to dialogue with the Executive and Supervisory Boards.

RENK AG’s annual general meeting is organized and conducted for the purpose of promptly, comprehensively and effectively imparting information to all its stockholders before and during the AGM. The invitation to the AGM is published in the digital version of the German Federal Gazette and made available to our stockholders and any other interested parties on our website, as are any AGM-related reports and documents.

Stockholders not personally attending the general meeting may appoint a voting proxy, such as a bank, a stockholder association or another third party, or even a RENK-nominated proxy, by issuing a power of attorney in written physical or digital format.

### **Interaction of Executive and Supervisory Boards**

In accordance with German stock corporation legislation, RENK AG has two boards in addition to the general meeting as corporate body: the Executive and Supervisory Boards closely collaborate in RENK’s best interests and endeavor to add sustainable shareholder value.

The Executive Board is in charge of RENK’s management and conduct of business on its own responsibility while the Supervisory Board has overseeing and advisory functions. Both boards pursue their activities in accordance with applicable statutory regulations and their respective rules of procedure. The Executive Board briefs the Supervisory Board timely and comprehensively on all relevant strategic, planning, business trend and risk position issues. Any business subject to Supervisory Board approval is submitted to the Supervisory Board in due course. Moreover, the Executive Board promptly reports any extraordinary event to the Supervisory Board Chairman.

### **Executive Board**

The Executive Board is RENK AG's top management body and has two members (as of December 31, 2011) who conduct RENK's business under their joint responsibility. Executive Board members are appointed by the Supervisory Board. The Executive Board's work is governed by rules of procedure.

The Executive Board determines the business goals and aims for the entire RENK Group and is accountable not only for compliance with the law, official regulations and in-house policies but also for open, fair and transparent corporate communication. The risk management system is designed to assist the Executive Board in early identifying any business and financial risks.

In due compliance with stock corporation legislation and according to § 4.3.5 of the Code, the acceptance by an Executive Board member of any sideline activity (including the membership in a non-RENK corporation's supervisory board) is subject to prior Supervisory Board approval. Moreover, Executive Board members are obligated to report any conflicts of interests promptly to the Supervisory Board and to their peers on the Executive Board. In the year under review, no clashing interests of Executive Board members were reported nor was any business transacted by a RENK company with RENK AG's Executive Board members or parties related to these.

### **Supervisory Board**

As another corporate body, the Supervisory Board performs monitoring and advisory functions at RENK AG and is generally composed of four stockholder and two employee representatives. Stockholder representatives are elected by the general meeting, according to our bylaws MAN SE has the right to appoint one of them; this privilege was exercised in May 2011 after an MAN-appointed Supervisory Board member had stepped down. In contrast, employee representatives are elected by the workforce. Supervisory Board members are elected individually (i.e., not by collective slate). For details of Supervisory Board membership and its changes in 2011, see also the Supervisory Board report and the notes to the consolidated financial statements.

In the year under review, no clashing interests were reported by Supervisory Board members.

Memberships of Supervisory Board members in boards of other enterprises are disclosed in the notes to the consolidated financial statements. No Supervisory Board member holds any office on a board of, or provides any consultancy services to, major RENK competitors.

In accordance with VorstAG, the German Act on Fair Executive Board Compensation of July 31, 2009, and as recommended by the Code, RENK AG has taken out a Directors & Officers (D&O) insurance policy for its Executive and Supervisory Board members to cover liability claims.

### **Regulatory and corporate compliance/risk management**

In line with the responsibility assigned by the Code, the Executive Board has appointed a Compliance Officer who is answerable for developing and implementing the

integrity and compliance program with emphasis on combating corruption and bribery as well as preventing antitrust and data privacy infringements; he reports to RENK AG's Executive Board and works closely together with MAN SE's Chief Compliance Officer.

Major compliance-ensuring measures enacted by the Compliance Officer in 2011 include:

- RENK AG participated in 2011 in MAN SE's compliance risk reassessment program, with a view to identifying potential compliance risks inherent in the MAN Group's defined business models. Compliance risk assessment results aim, inter alia, to specify actions suitable for compliance risk avoidance. Further, RENK AG joined MAN SE's data privacy risk assessment program.
- In addition to the existing guidelines, RENK AG implemented a framework that comprises all current compliance-related guidelines. Moreover, the Company issued a Code of Conduct for Suppliers & Business Partners that defines certain ethical minimum standards, and any RENK supplier, vendor or business associate must agree to comply with these.
- Besides the Compliance Officer, RENK AG employees may also continue to address any compliance-related queries to the MAN SE Compliance Helpdesk, which in 2011 answered six relevant employee questions.
- As follow-up program to earlier-year training events, the Compliance Officer trained employees who are exposed in their day-to-day work to related risks, by enhancing their awareness in presence training courses with primary focus on the basic facts and knowledge of anticorruption/anti-bribery issues and infringements against antitrust laws.
- "Speak up!" (MAN SE's whistleblower portal launched in 2011) is also available to RENK employees to detect risks that may also jeopardize RENK AG. Via this portal, leads, clues and evidence are received and followed up on that refer to cases of grave noncompliance, particularly in the fields of business crime (corruption/bribery offenses), antitrust legislation and data privacy laws.
- RENK AG does not condone or tolerate any noncompliance. Tips hinting at any potential infringement are thoroughly investigated, any actual infringements are brought to a stop and punished to the extent permitted by labor legislation.

No case of noncompliance was reported in the year under review.

Risks emanating from noncompliance, as well as other business risks were all assessed by the risk management system (RMS) and effectively dealt with by the Executive and Supervisory Boards. Reference is made to risk chapter of the management report.

#### **Reportable securities transactions**

Sec. 15a German Securities Trading Act ("WpHG") and the applicable provisions of the Code require any board members and equivalent officers, as well as parties related to these (whether closely related family members, legal entities or other institutions) to report to the issuer as well as the German Federal Financial Supervisory Authority ("BaFin") on the purchase and sale of RENK shares and financial instruments based thereon. Such reported related-party transactions (so-called directors' dealings) are

published on our website at [www.renk.eu](http://www.renk.eu) under Investor Relations. In the year under review, no such transactions were reported to RENK AG.

### **Accounting**

The Executive Board prepares RENK's consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), and RENK AG's separate financial statements in conformity with German GAAP (HGB provisions). The financial statements are reviewed and approved by the Supervisory Board. In fiscal 2011, all deadlines for publication of the consolidated financial statements and the interim reports were duly kept.

As recommended in § 7.1.2 of the Code, RENK's semiannual and quarterly reports are discussed between Supervisory and Executive Boards prior to publication.

### **Statutory audit**

In the year under review, the Supervisory Board proposed that PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft (PwC), Munich, be elected as statutory auditor. The annual general meeting endorsed this proposal.

## **(2) Other corporate governance practices**

RENK's good reputation and the trust placed in us by our customers, investors, workforce and the general public pivot on the proper behavior of all RENK Group employees.

Therefore, RENK has adopted for its day-to-day business the MAN Group's Code of Conduct for unconditional application and stringent implementation. A key objective of the Code of Conduct is to strictly bar the granting and acceptance of benefits from being used as a means of business target achievement. RENK has always held its own among competitors by providing products and services in sound quality and with specific customer benefits—an approach that is instilled into our employees mainly by the impeccable actions and model activities of management but also by training.

Respect for our employees—irrespective of nationality, culture, religion, gender or age—is of the utmost concern to RENK management. We treat our employees in a fair and forthright manner, with understanding and tolerance, and we expect them to replicate this attitude in their relationship with coworkers, business associates and third parties. Our responsibility to society is also reflected in wide-ranging preventive measures relating to occupational safety and the organization of work. These latter ensure best-possible job safety and a positive working environment. We expect our employees to display an entrepreneurial attitude in the way they think and act. In return, they share in our corporate success.

Another essential aspect in the way RENK is run is our responsibility to investors as quantified in the profitability benchmarks. In the continuous pursuance of these goals, it is necessary for us to strengthen our market positions in our core businesses. In doing so and in addition to the opportunities of internal expansion we repeatedly review the applicable external growth strategies such as alliance, joint venture, M&A

options plus the establishment of worldwide sales bases. Within the scope of our financial resources such options are selected and seized.

**(3) Functions and membership of Executive Board, Supervisory Board and committees**

The Executive and Supervisory Boards had the following members at December 31, 2011:

Executive Board:

Florian Hofbauer, Spokesman, responsible for Engineering and Marketing  
Ulrich Sauter, responsible for Production and Administration

Supervisory Board:

Dipl.-Kfm. Frank H. Lutz, Chairman  
Dipl.-Oec. Hiltrud Werner, Vice-Chairwoman  
Prof. Dipl.-Ing. (FH) Gerd Finkbeiner  
Dr.-Ing. Hans-O. Jeske  
Klaus Ketterle  
Herbert Köhler

For the functions of the Executive and Supervisory Boards, see (1) hereinabove.

No Executive Board committees exist.

The Supervisory Board has formed a Presidential Committee (which met twice in fiscal 2011) with the following members as of year-end 2011: Frank H. Lutz, Hiltrud Werner, and Dr. Hans-O. Jeske.

The Committee's functions and responsibilities are to deal with Executive Board staffing issues, in particular, with employment and other contracts with Executive Board members, and decide on the approval of any sideline activities. Decisions are delegated to the Committee only to the extent that the law does not require the plenary Supervisory Board to vote thereon, which applies especially to decisions on the Executive Board remuneration structure, as well as—as from the enactment of VorstAG, the German Act on Reasonable Executive Board Compensation—on fixing the total remuneration of each Executive Board member. To this end, the Committee works out, and submits to the plenary Supervisory Board, suitable proposals. In addition, the Committee deliberates on proposals for the appointment or removal of Executive Board members and submits such proposals to the plenary Supervisory Board.

No further Supervisory Board committees exist at RENK.