

# Corporate Governance Statement 2012

## Corporate Governance Statement for Fiscal 2012 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**

On December 14, 2012, RENK AG's Executive and Supervisory Boards issued the following declaration of conformity:

"RENK AG's Executive and Supervisory Boards declare that, in the period from December 12, 2011 (the date of RENK AG's latest declaration of conformity) up to June 15, 2012, RENK AG adopted the recommendations of the German Corporate Governance Code Government Commission, which have been published by the Federal Ministry of Justice on July 2, 2010, in the official part of the digital Federal Gazette (as amended up to May 26, 2010), subject to its latest declaration of conformity, with the exception of §§ 5.3.1–3 (Formation of Committees) and 5.4.6 par. 1 clause 3 (Compensation of Committee Members) of the German Corporate Governance Code (the "Code").

As from June 15, 2012, to this date, RENK AG has adopted the recommendations of the German Corporate Governance Code Government Commission as published on June 15, 2012, by the Federal Ministry of Justice in the official part of the digital Federal Gazette (amended up to May 15, 2012), with the exceptions stated above as well as the fol-

lowing in addition: §§ 5.4.1 par. 2 (Disclosure of Concrete Supervisory Board Membership Objectives) and 5.4.6 par. 2 (Performance-Oriented Remuneration of Supervisory Board Members).

The CGC Government Commission additionally recommended in § 5.4.1 par. 2 of the Code (Disclosure of Concrete Supervisory Board Membership Objectives) that in future, the Supervisory Board also specify the number of its independent members (as defined in § 5.4.2); concurrently, this very definition of “independent Supervisory Board members” in § 5.4.2 of the Code was amended. On October 22, 2012, the Supervisory Board deliberated and agreed on this definition, and this recommendation has since been implemented.

Article 12(1) of our Memorandum & Articles of Incorporation stipulates, inter alia, that the compensation of Supervisory Board members be tied to the dividend amount. While we deem this statutory stipulation to be in conformity with the Code’s recommendation that the variable fee be oriented toward a company’s sustainable corporate development under the terms of § 5.4.6 par. 2, it cannot be ruled out that this recommendation might be construed or interpreted differently; therefore, to be on the safe side, we included our Supervisory Board fee system among the exceptions as aforesaid.

Moreover, the Executive and Supervisory Boards declare that as from the date hereof, RENK AG has fully implemented the recommendations of the German Corporate Governance Code Government Commission as published on June 15, 2012, by the Federal Ministry of Justice in the official part of the digital Federal Gazette and as amended up to May 15, 2012), with the following exceptions: §§ 5.3.1–3 (Formation of Committees), 5.4.6 par. 1 clause 3 (Compensation of Committee Members), 5.4.6(2) (Performance-Oriented Remuneration of Supervisory Board Members), and 5.5.3 clause 1 (Report to the General Meeting on Existing Conflicts of Interest and their Treatment).

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 par. 1 clause 3 of the Code) since committee work has not and will not within the foreseeable future be of any significant extent.

The reasons for the noncompliance with the recommendation in § 5.4.6 par. 2 of the Code have been detailed above.

In its judgment of July 5, 2011 (file ref. 5U 104/10), the Higher Regional Court of Frankfurt/Main has held that the official discharge by the AGM of the acts and omissions of a listed stock corporation’s executive and supervisory boards is null and void because in this case (inter alia) the boards’ reports to the AGM on conflicts of interest and their treatment had not been sufficiently detailed. Particularly in light of the nondisclosure obligation imposed on boards by the provisions of Arts. 93 and 116 AktG, the judgment

has given rise to uncertainty about the scope of disclosure in reports as required by the Code's recommendation. We therefore and again to be on the safe side, include § 5.5.3 clause 1 of the Code among the exceptions. This qualification notwithstanding, we will continue to report to the previously adopted degree of detail on any conflicts of interest and their treatment."

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, as well as a financial diary with all upcoming events of financial relevance.

### **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 German Federal Gazette ("Bundesanzeiger") 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.

### **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, 2012) 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 was in fiscal 2012 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. 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 2012, see also the Supervisory Board report and the notes to the consolidated financial statements.

In the wake of the amended Code ("independence" redefined in § 5.4.2), RENK AG's Supervisory Board updated at its October 22, 2012 meeting the resolution passed on December 10, 2010, on its composition, which now reads as follows:

"Given the Company's purposes, size and proportion of international business, RENK AG's Supervisory Board envisages a composition that meets the following criteria:

- At least one member should be a non-German citizen to reflect the Board's international orientation;
- At least one member should be independent, i.e., the member should have no personal or business relations with RENK AG, its corporate bodies, a controlling stockholder or any related entity of such stockholder, unless the resulting conflict of interest is only of an insignificant or temporary nature;
- At least one member should be female.

A slate of candidates for Supervisory Board membership that is submitted to the election committees should take account of the aforementioned criteria and, as a rule moreover, not list any person aged 70 or above as of the election date."

In the year under review, no clash of interests was reported by Supervisory Board members.

Memberships of Supervisory Board members in boards of other enterprises are listed in the notes to the consolidated financial statements.

A directors & officers (D&O) insurance policy has been taken out by Volkswagen AG to cover liability claims also against RENK AG, in accordance with the requirements of VorstAG (German Act on the Reasonableness of Executive Board Compensation, dated July 31, 2009) and the Code.

### **Regulatory compliance/risk management**

In line with the responsibility assigned by the Code, the Executive Board consistently developed and enacted in 2012 the 2009 Compliance Program by adding revised and detailed anticorruption/anti-bribery, antitrust and data privacy policies.

RENK's Executive Board has appointed a Compliance Officer who is answerable for developing and implementing the integrity and compliance program; he reports to RENK AG's Executive and Supervisory Boards, works closely together with MAN SE's Chief Compliance Officer, and applies the latter's resources and tools for ensuring regulatory and corporate compliance. Besides RENK's Compliance Officer, RENK employees can also contact at any time MAN SE's Compliance Helpdesk.

RENK's Code of Conduct specifies the principles of generally accepted ethics, behavior and conduct and details compliance-related issues such as

- Handling Gifts, Hospitality and Invitations to Events;
- Marketing Assistance through Commercial Agents/Consultants;
- Donations in General;
- Data Protection Rules, Handling of Personal Data and Organizing Data Protection.

In fiscal 2012, several compliance guidelines were reviewed and updated.

In addition to the Code of Conduct for Employees, RENK issued a Code of Conduct for Suppliers & Business Partners that defines certain minimum ethical standards, and any RENK supplier, vendor or business associate must agree to comply with these.

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.

Moreover, the Compliance Office launched in late December 2012 an e-learning program for compliance issues to impart the basics of RENK's Code of Conduct and the associated anticorruption, anti-bribery, antitrust-law and data-privacy principles.

Unchanged, "Speak up!" (MAN SE's whistleblower portal) has been available to RENK employees to detect risks that may also jeopardize RENK. 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), anti-trust legislation and data privacy laws.

The rollout of a computerized Continuous Controls Monitoring System (CCMS) was successfully tested in 2012 as a pilot project in Augsburg that aims at the early identification and prevention of potential noncompliance risks and guideline violations in purchasing and payment processes.

RENK 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 the risk chapter of the group management report.

#### **Reportable securities transactions**

Sec. 15a German Securities Trading Act (“WpHG”) and the applicable provisions of the Code require any board members and other 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 notifiable 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, i.e., the Commercial Code (HGB) provisions. The financial statements were reviewed and approved by the Supervisory Board. In fiscal 2012, 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, the Supervisory Board discusses RENK’s semiannual and quarterly reports with the Executive Board 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. In a representation to RENK AG’s Supervisory Board, PwC confirmed its independence. The agreement with PwC also included that the Supervisory Board Chairman will be informed immediately about any grounds for disqualification or partiality found during the audit unless it proved possible to promptly eliminate such grounds.

**(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, 2012:

**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 2012) with the following members as of year-end 2012: 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.