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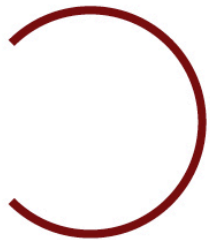
IR 2020 – Fresh Ideas for the Capital Markets of Tomorrow

The Role of Institutional Investors in Corporate Governance
– Short Version –



Our areas of expertise

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Agenda

The role of institutional investors in Corporate Governance

- Developments and theories
- Objectives of the research project
- Engagement of institutional investors
- Outlook and wrap up

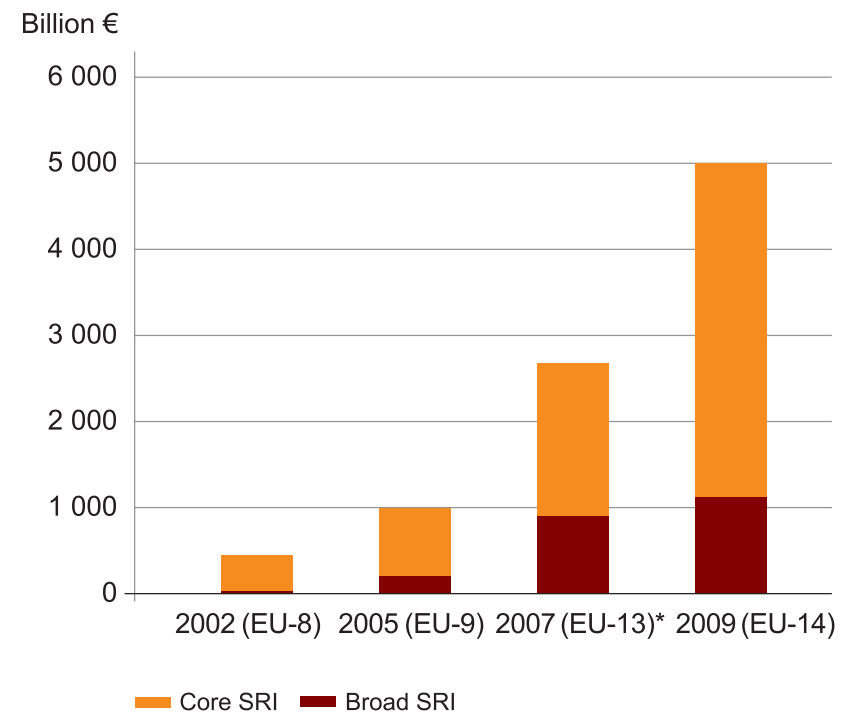
Developments and Theories



Many goals were achieved

- Corporate Governance Guidelines were introduced and partly incorporated into company law
- Worldwide new records in corporate reporting according to the Global Reporting Initiative (GRI)
- 73% of the DAX30 and MDAX companies report about CR – but only 60% in accordance with GRI
- Strong growth rate of European SRI market: CAGR 37%*
- Internationalization of ownership structure

SRI market driven by institutional investors



* Source: Eurosif SRI Study, 2010

Shareholder engagement – changing context

Key trends reshaping the landscape

- Investment professionals will incorporate ESG issues into mainstream
- Growing international diversity of companies' shareholders
 - non-domestic investors in individual countries now own 37% of listed European companies (2003 = 29%) – UK and Germany seeing some of the most significant shifts away from domestic ownership
- Extensive voluntary, regulatory and legislative changes creating new shareholder rights and responsibilities

- Shareholders are paying more attention to Corporate Governance issues
- Increasing dialogue between investors and companies
- Increase of shareholder engagement at Annual General Meetings

Source: Audit Committee Leadership Summit, 2010; non-domestic ownership in the US approx. 16% and UK 42%

Engagement of Institutional Investors



Level of investor engagement

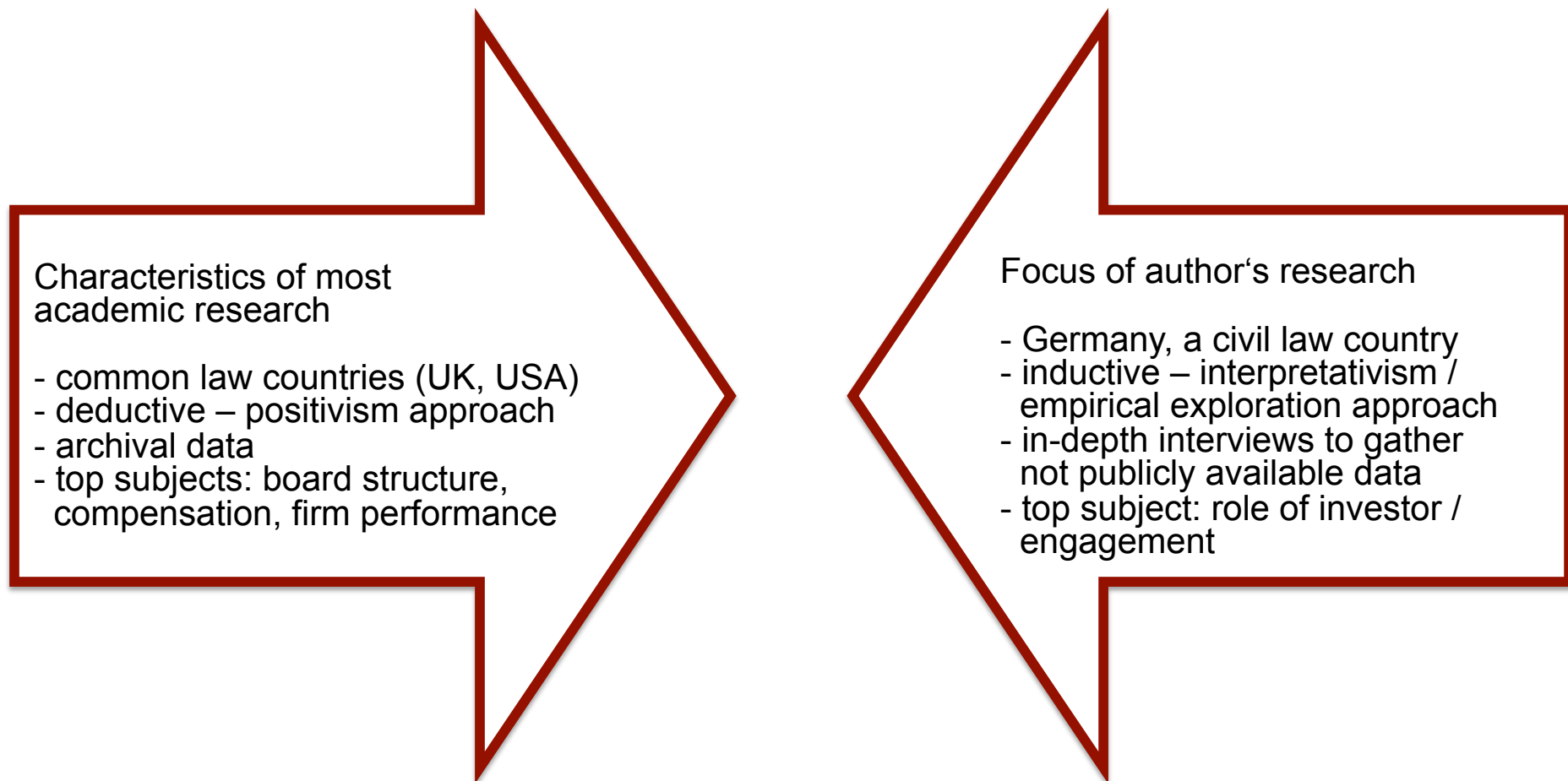
Low Relationship – no voice	Weak Relationship – exit or loyal	Strong Relationship – exercise of voice
<ul style="list-style-type: none">▪ Index funds▪ Small funds▪ Private Investors	<p>Institutional Investors like</p> <ul style="list-style-type: none">▪ Mutual funds▪ Insurances▪ Sovereign wealth funds▪ Pension funds	<ul style="list-style-type: none">▪ Hedge funds▪ Raider▪ Private Equity

Objectives of the Research Project



What is the role of independent Institutional Investors in Corporate Governance of German listed companies?

Positioning of academic research and authors' research focus



Outlook and Wrap up



IR 2020 – New thinking and fresh ideas

- **Hypotheses 1: Rising shareholder engagement**
Stronger and more wide-spread shareholder engagement of ‘mainstream’ investors – partly by more collaboration
- **Hypotheses 2: Increasing ‘strategic dialogue’ with management and supervisory board**
Improvement of ‘two-way communication process’
- **Hypotheses 3: Institutional investors can bring more diversity and independent expertise in supervisory boards**
Institutional investors can add competence to the board in terms of industry knowledge, analysis and research, internationalization, diversity, independency

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