DSW

Newsletter

from Germany‘s No. 1 Shareholders‘ Association

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Europe at a Turning Point: Investment and Competitiveness for a Sustainable Future

Christiane Hölz, Managing Director of DSW

Europe stands at a pivotal crossroads that will shape its economic and financial future for decades to come. The green and digital twin transitions, coupled with the urgent need for energy resilience, demand immense investments that far exceed the capacities of governments and banks. Capital markets must step up to play a transformative role. At the same time, Europe’s competitiveness is under strain due to geopolitical tensions, sluggish economic growth, and structural inefficiencies. The moment for decisive action is now.

A deeper integration of capital markets through a Savings and Investment Union (SIU) that fosters individual investors’ participation into capital markets is critical to strengthen Europe’s resilience and attract global capital. Stable, transparent, and accessible markets – where investors benefit from fair fees and clear rules – are the foundation for building trust and driving long-term growth. Eliminating cross-border barriers, often caused by bureaucracy, tax, and regulatory fragmentation, must therefore remain a top priority for the EU Commission.

The green and digital transitions offer not just challenges but also opportunities for Europe to take a global leadership role. Achieving this, however, requires sustainable financial frameworks that promote transparency without imposing excessive costs on businesses, especially SMEs as the backbone of the European economy. Similarly, the rise of digital finance brings exciting opportunities but also comes with new risks. Policymakers must find ways to foster innovation while ensuring fairness, and inclusivity for all participants, particularly individual investors.

The new EU Commission faces the monumental task of balancing competitiveness, stability, and sustainability. This requires bold action to promote innovation, simplify regulation, and strengthen financial integration – and most of all a Single Market for investments. Europe’s competitiveness depends on establishing stable frameworks that encourage investors to contribute to Europe’s transformation.

As Mario Draghi said in his report “The future of European competitiveness”: “We need radical change in EU policies to reboot our competitiveness.“

Content

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AGM Season 2024 in Germany: A Return to In-Person Shareholder Meetings

In 2024, the clear majority of publicly listed companies in Germany held their annual general meetings (AGMs) in person. A total of 67 percent engaged in face-to-face dialogue with their shareholders (2023: 61 percent). Only in the DAX did the majority (74 percent) stick to the virtual format, unchanged from 2023. In the MDAX, 54 percent of companies held in-person AGMs (2023: 51 percent), while 58 percent of SDAX companies did the same (2023: 62 percent). Among non-index companies, 76 percent held in-person meetings (2023: 69 percent).

The belief that virtual AGMs attract more shareholders remains a "myth". Participation rates at DAX AGMs have remained steady at around 66 percent since 2018. Notably, participation rates at in-person AGMs of DAX companies were significantly higher at 68.02 percent, compared to 65.03 percent for virtual AGMs – a clear signal from shareholders that they prefer the in-person format. Moreover, the choice of a virtual format does not appear to shorten AGM durations. While 50 percent of virtual AGMs concluded within four hours, 71 percent of in-person AGMs achieved the same.

Technology Has Improved but Still Needs Work

The technology used for virtual AGMs, while better than in the previous year, is still not state-of-the-art. Around a quarter of participants experienced technical issues during the broadcast (2023: 32 percent).

These insights come from the DSW AGM report 2024, based on input from DSW's representatives and shareholders at nearly 400 AGMs in 2024.

"The German government's goal remains to uphold shareholders' rights without compromise, even in the virtual format. However, after the second AGM season under the new legislation, it is clear from the investors' perspective that this important objective has not been met," says Christiane Hölz, Managing Director of DSW.

Pre-Submitted Questions Prove Ineffective

Among the 76 index-listed companies that held virtual AGMs in 2024, only two (Deutsche Bank and DWS Group) utilized the option to have shareholders submit questions in advance. From the shareholders' perspective, this is a positive development. AGMs are not just about asking questions and receiving answers – they are about dialogue. Moreover, there is no evidence that pre-submitted questions have led to higher-quality responses in recent years.

The Case for Hybrid or In-Person AGMs

"Direct interaction between shareholders and company management, as well as among shareholders themselves, are vital elements of an AGM," says Marc Tüngler, CEO of DSW. "The in-person or hybrid AGM formats provide shareholders with these opportunities while, in the case of hybrid meetings, expanding accessibility for those who prefer a virtual option. The hybrid AGM remains the most suitable format, as it gives the company's owners the freedom to choose their preferred format. It is therefore not surprising that fully virtual AGMs play a minor role in other European countries. Abroad, shareholder preferences regarding AGM formats evidently carry more weight."

Shareholder Rights Often Hindered by High Costs

DSW criticizes the high costs imposed by intermediaries for access to general meetings. "In recent years, we have observed an increasing number of private investors participating in capital markets, a development we welcome, particularly as it has been driven by the rise of neobrokers. However, this trend has unfortunately been limited to the growing number of German shareholders and has not extended to the exercise of their rights. One significant barrier is the cost associated with participating in general meetings and exercising voting rights. This contradicts the principle of barrier-free access and an open equity culture in Germany," says Tüngler.

Expensive Admission Tickets

Shareholder rights are often significantly hindered by such costs. Many depository banks charge fees in the double- or triple-digit euro range for issuing admission tickets to general meetings. The lack of full upfront disclosure of potential (external) fees by some banks further complicates the situation for investors.

These fees act as deterrents, effectively discouraging retail investors from exercising their rights. "This creates a regulatory gap that conflicts with the fundamental goals of the Shareholder Rights Directive and its incorporation into national law. Access to general meetings must be free of charge for retail investors," emphasizes Hölz.

Leveraging Digitalization

The operational and financial burdens could be significantly reduced through the consistent digitalization of intermediary processes, particularly within banking systems. Manual processing of ticket orders via fax, for example, naturally incurs higher costs compared to fully electronic data transmission.

Incomplete Consideration in New Regulation

DSW welcomes the German draft regulation on reimbursing intermediaries, which now establishes clear cost criteria for expenses banks can charge to companies. However, the draft regulation overlooks a critical aspect: the ticketing process for general meetings typically involves two steps.

1. Shareholders notify their intermediary – usually their depository bank – of their intent to attend a general meeting. The intermediary passes this information through the chain of intermediaries to the company and claims reimbursement for this service as outlined in the draft regulation.
2. The company, having received the shareholder's notification, processes it and sends the required admission ticket back through the intermediary chain to the shareholder's depository bank. The shareholder ultimately receives their admission ticket from their bank. This second, essential step of delivering the admission ticket to the shareholder is not explicitly addressed in the draft regulation.

Both the German Stock Corporation Act and the draft regulation assign the cost of necessary communication between the shareholder and the company – facilitated by the intermediary – to the company. "Forwarding the shareholder's meeting registration only makes sense if they subsequently also receive the necessary admission ticket free of charge," adds Hölz.

A European Perspective

This perspective aligns with the values of the Shareholder Rights Directive, which mandates intermediaries to facilitate the flow of information between companies and their shareholders. Charging shareholders for these costs, however, impedes their ability to exercise their rights as owners.

DSW/Ethos engagement campaign 2025

DSW together with its Swiss partner Ethos Foundation and the Ethos Engagement Pool International representing 117 Swiss pension funds have published their engagement campaign 2025, Together, they are advocating for in-person annual general meetings (AGMs) at the ten largest DAX companies by market capitalization. These companies have continued to adhere exclusively to the virtual AGM format even after the end of the COVID pandemic. DSW and Ethos, supported by Shareholders for Change and the European association BETTER FINANCE, urged the chairpersons of the management and supervisory boards to revert to in-person AGMs in 2025. They warned that failing to do so would result in a vote against the necessary amendments to the articles of association required to continue the virtual format. Collectively, the signatories of this campaign represent over €350 billion in assets under management.

The German government committed in its coalition agreement to safeguarding shareholder rights without compromise, even in the virtual format. However, as the second AGM season under the new legislation nears its end, it is evident from investors' perspectives that this important goal has not been achieved.

DSW and Ethos consider that constructive and direct exchanges between shareholders and management, as well as dialogue among shareholders themselves, are vital components of an AGM. The in-person or hybrid AGM provides these opportunities while, in the case of the hybrid model, extending access to shareholders who prefer the virtual format. It remains the most appropriate and important option, as it offers company owners the freedom to choose their preferred format.

In this spirit, DSW, Ethos, the Swiss pension funds represented by the Ethos Engagement Pool International, Shareholders for Change, and BETTER FINANCE appeal to the ten largest DAX companies to reconsider their commitment to the virtual format. The groups will take the companies' decisions into account in their voting behavior at the 2025 AGMs. Siemens AG will kick off this process in February 2025.

Sustainability as a Creative Gamechanger

The term "sustainability" has recently suffered a decline in both attractiveness and reputation. The complexity of regulatory requirements appears to be weighing heavily on industries.

In Germany, there is often a superficial impression that listed companies overemphasize environmental and social topics – representing the "E" and "S" in ESG. However, appearances can be deceiving. Many aspects of "E" and "S" are simply easier to measure and, therefore, evaluate. The foundation of these efforts, though, remains good corporate governance – the "G" in ESG. Ultimately, the "G" serves as the basis for everything, enabling a solid approach to addressing environmental and social aspects.

The German Corporate Governance Code, as a voluntary commitment, already includes key principles, recommendations, and suggestions for management and supervisory boards to ensure that companies operate in a sustainable manner and with consideration for all stakeholders. In recent years, lawmakers have introduced numerous new rules on governance and compliance that companies are required to implement. However, companies often find these requirements challenging. The intent of regulations in the environmental and social spheres is to drive improvement. However, this approach does not always resonate effectively in governance. Particularly in compliance, the principle is clear: it must be done well – meaning correctly – or it is done poorly.

Boards Fully Engaged

New rules have increased transparency across governance, requiring many companies to revamp their risk management systems. For example, sustainability risks, previously managed separately, now need to be integrated into comprehensive systems. This integration demands significant effort, as sustainability is increasingly central to reporting, annual forecasts, and corporate strategy. The management and supervisory boards are fully challenged in this regard.

Sustainability Audits as an Opportunity

The new Corporate Sustainability Reporting Directive (CSRD), however, also offers supervisory boards an opportunity to drive a thorough sustainability audit within their organizations. Ideally, this makes it possible to understand how sustainability data points are incorporated into strategies and materiality analyses.

For management teams this often adds a significant workload to their daily responsibilities. Despite regulatory mandates, debates between management and supervisory boards over the tangible benefits of this “sustainability inventory” are taking place.

In this context, a supervisory board’s core task is to transform these challenges into genuine value for the company. Increased transparency, if managed well, can become a competitive advantage benefiting all stakeholders.

CSRD: Bureaucratic Burden or Effective Climate Tool?

Some companies recognize the CSRD as a gamechanger – and rightly so. Yet, others lag in implementation, despite having had years to prepare.

From DSW’s perspective, it is unproductive for companies to gather and report on every conceivable data point. An overwhelming amount of information is difficult for anyone to process or analyze constructively. Instead, the true value of the CSRD lies in its demand for companies to reflect on themselves and, through double materiality analyses, identify the key issues they should report on – those that are crucial to their unique, positive future.

Companies can alleviate their burden by doing their homework and identifying the sustainability impact areas that are truly relevant to them. When this process is carried out diligently, the obligations under the CSRD become manageable and gain a distinctly constructive dimension. The German Government is well advised to transpose the CSRD into German law as soon as possible.

Photo: www.freepik.com/8photo

Checklist for sustainable investing: 9 golden rules for investors

1. What actually is a sustainable investment?
2. Check carefully which investment approach and which product suits you!
3. How does the investor recognise a sustainable investment?
4. Let your consultant explain the sustainability approach to you in detail and be aware of greenwashing!
5. What about the potential return on the investment?
6. What exactly are the risks and opportunities of this investment?
7. What about the costs/fees for investing?
8. Is there a rating from an independent agency?
9. Does a reputable sustainability label exist?

DAX Executives See 6% Pay Rise Amid Economic Challenges

Photo: www.freepik.com/8photo

The executives of DAX-listed companies earned around six percent more in 2023 than in the previous year. This is the finding of the annual study on executive remuneration conducted by the Technical University of Munich (TUM) and DSW. Despite numerous crises, the DAX showed a positive long-term development, which is reflected in the remuneration of executives.

The executives of the 40 companies listed in the DAX earned an average of €3.6 million in 2023, a 5.8 percent increase compared to the previous year. In 2022, managers had experienced a significant decrease of 8.4 percent. On average, executives earned 40 times the salary of their employees in 2023, slightly widening the pay gap within companies (2022: 39 times).

DAX:
TOP 10 average total executive board member compensation in 2023 (incl. CEOs) compared to the average personnel expenses per FTE

company	Ø total compensation [k€]	Ø personnel expenses/ FTE [k€]	employee-to-executive-pay ratio
Volkswagen	6.499	76	85
Adidas	3.579	50	71
Merck	6.655	104	64
Henkel	4.980	79	63
Siemens	5.703	92	62
Deutsche Post	2.854	49	58
Deutsche Bank	6.581	115	57
Continental	3.024	56	54
E.ON	4.441	84	53
Qiagen	5.249	104	51
Ø DAX			**40**

table 1

Executive remuneration is composed of various components: approximately 32 percent consisted of fixed payments. Around 43 percent were tied to long-term goals, such as stock price performance, with a horizon of at least three years. About 25 percent were bonuses linked to short-term objectives.

"The year 2023 was marked by ongoing geopolitical tensions and macroeconomic challenges for German companies, including high inflation, restrictive monetary policies, and the energy crisis," said Prof. Gunther Friedl, Head of the Department of Management Accounting at TUM. "Despite these challenges, the DAX achieved a positive development."

As the index's performance has trended upwards over multiple years, long-term remuneration for executives also increased by 5.7 percent. Short-term payments rose by 6.2 percent, and fixed salaries grew by 5.8 percent.

CEOs earned an average of €5.7 million, up from €5.1 million the previous year. However, in an international comparison, their salaries remain relatively low. CEOs of non-German companies listed in the EuroStoxx 50 earned an average of €6.9 million, while CEOs in the U.S. Dow Jones Industrial Average (DJIA) received an average of €24.2 million.

Average CEO compensation in selected indices in 2023

CEO pay 2023	fixed pay [k€]	short-term variable pay [k€]	long-term variable pay [k€]
DJIA	2.170	4.146	17.859
EuroStoxx 50 ex-DE	1.751	2.145	2.984
EuroStoxx 50	1.845	2.109	3.027
SMI	1.814	1.652	4.115
DAX	1.671	1.476	2.551
CAC40	1.418	1.822	3.619

table 2

Highest pays in Germany, Europe and the US

In 2023, Oliver Blume (Volkswagen) earned the most in the DAX with total remuneration of €10.322 million. 76.2 percent of his remuneration consists of variable remuneration components. Due to the Group perspective, this figure also includes the remuneration earned as CEO of Porsche AG (a subsidiary of Volkswagen AG). He is followed by Bjørn Gulden (Adidas) with €9.181 million and Christian Sewing (Deutsche Bank) with €9.001 million. In comparison with the CEOs of the other companies in the indices analyzed by DSW and TUM, Oliver Blume is "only" in 12th place. The highest total remuneration in Europe across the indices analyzed was received by the CEO of CAC40-listed software developer Dassault Systèmes, Bernard Charlès, at €46.724 million. Carlos Tavares (Stellantis) came a distant second in the European ranking. He was awarded remuneration of €17.796 million in 2023. Michel Doukeris (Anheuser-Busch InBev) received total remuneration of €16.064 million, putting him in third place in our ranking.

Highest paid CEOs in Europe 2023

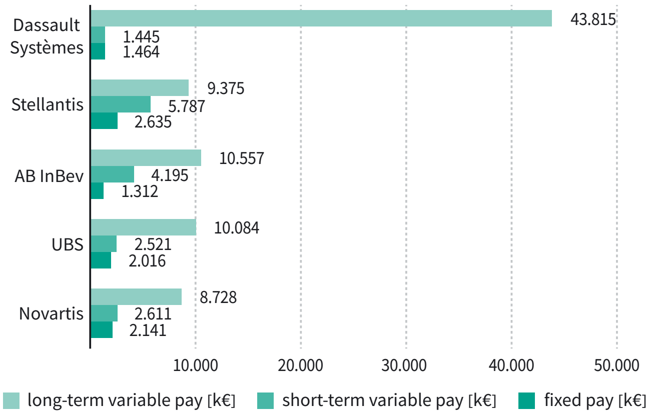

figure 1

The highest total remuneration in the DJIA and also by far the highest remuneration for a CEO in all the indices analyzed was once again received by Tim Cook of Apple at €58.385 million or $63.187 million, although his remuneration was down 41.3 percent compared to 2022. Satya Nadella (Microsoft) came a distant second with total remuneration of €44.815 million (down 18.4 percent) or $48.501 million. The Chairman and CEO of Salesforce, Marc Benioff, received remuneration of €36.625 million (up 29.3 percent) or $39.637 million for the past fiscal year.

Highest paid CEOs in the DJIA 2023

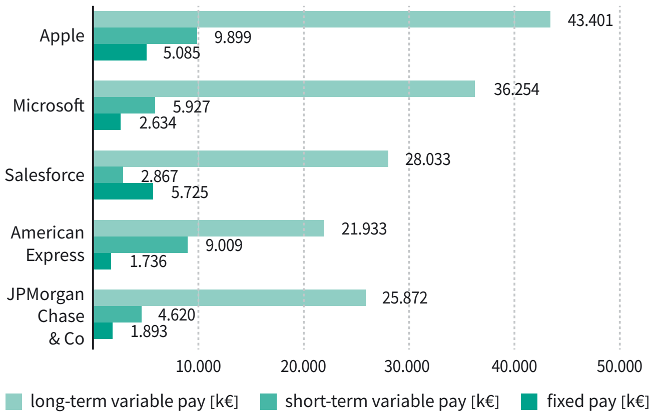

figure 2

The study also examines how transparently companies disclose executive pay. Transparency in top executive remuneration is crucial. It greatly contributes to credibility and perceived accountability. The transparency of executive compensation in DAX companies is nominally at a good level. All companies disclose remuneration at an individual level, and most provide extensive reports on the basis of calculation. However, there is still a lack of comparability across companies. This is mainly due to the abolition of standardized code tables of the German Corporate Governance Code and legal changes that allow companies significant freedom in presentation. What is missing is the standardization of reports to enable effortless comparison.

ESG Gains Importance

Sustainability has steadily gained relevance in recent years and now plays a significant role in executive compensation. This trend has been driven both by pressure from investors and by regulatory requirements aimed at aligning executive compensation with sustainable and long-term goals.

Sustainability is integrated into compensation through the so-called ESG criteria, which encompass Environmental, Social, and Governance factors. For the first time in the 2023 fiscal year, all 40 DAX companies included at least one ESG target in their executive compensation plans (2022: 98 percent).

Environmental and Social Factors Take the Lead

16 DAX companies include all three ESG components in their compensation plans, but environmental and social criteria play a significantly larger role than governance factors. Specifically, 37 out of 40 companies incorporate either environmental or social criteria, whereas only 17 companies include governance-related aspects.

It is noteworthy that when ESG criteria are integrated as performance metrics, they are given a higher average weighting in long-term incentives (LTIs) at 26 percent than in short-term incentives (STIs) at 19 percent. When sustainability goals are used as multipliers, the average weighting rises to 57 percent in STIs and even 81 percent in LTIs. This indicates that long-term ESG goals carry greater importance in executive compensation due to their higher proportional weighting compared to short-term ESG goals. This is understandable, as the aim is to incentivize long-term sustainable corporate development.

Environmental criteria are embedded in short-term variable compensation by only 18 DAX companies, whereas they are included in long-term variable compensation by 31 companies. For social criteria, the trend is reversed. These are more frequently included in STIs (27 companies) than in LTIs (22 companies). This distinction makes sense: environmental goals, such as improving energy efficiency, require long-term planning and investments, while improvements in employee satisfaction or workplace safety can often be implemented more quickly. Similarly, governance criteria, such as implementing or improving compliance programs, are three times more likely to be included in STIs (15 companies) than in LTIs (5 companies).

Both Long-Term and Short-Term Goals Are Important!

Nine companies exclusively integrate sustainability criteria into short-term variable compensation, while five companies consider them only in long-term variable compensation. The majority of DAX companies (26) incorporate ESG goals into both STIs and LTIs.

From DSW's perspective, measurable and strategically relevant ESG goals should ideally be included in both short-term and long-term variable executive compensation, with an emphasis on long-term incentives. This ensures that executives pursue both short-term and long-term ESG objectives, promoting sustainable value creation and positive societal impacts.

DSW Voting Guidelines

The German Corporate Governance Code sets standards for corporate governance in Germany. It is at the same time the basis for DSW's voting recommendations. Beyond the official Code, DSW developed its own Voting Guidelines to be transparent towards investors how we exercise voting rights for our members and other investors.

DSW's Voting Guidelines are updated annually and cover recurring proposals at German general meetings, like for instance the discharge of management and supervisory board, capital measures, executive remuneration or board elections.

If you are interested in the DSW Voting Guidelines, please contact us via E-Mail:

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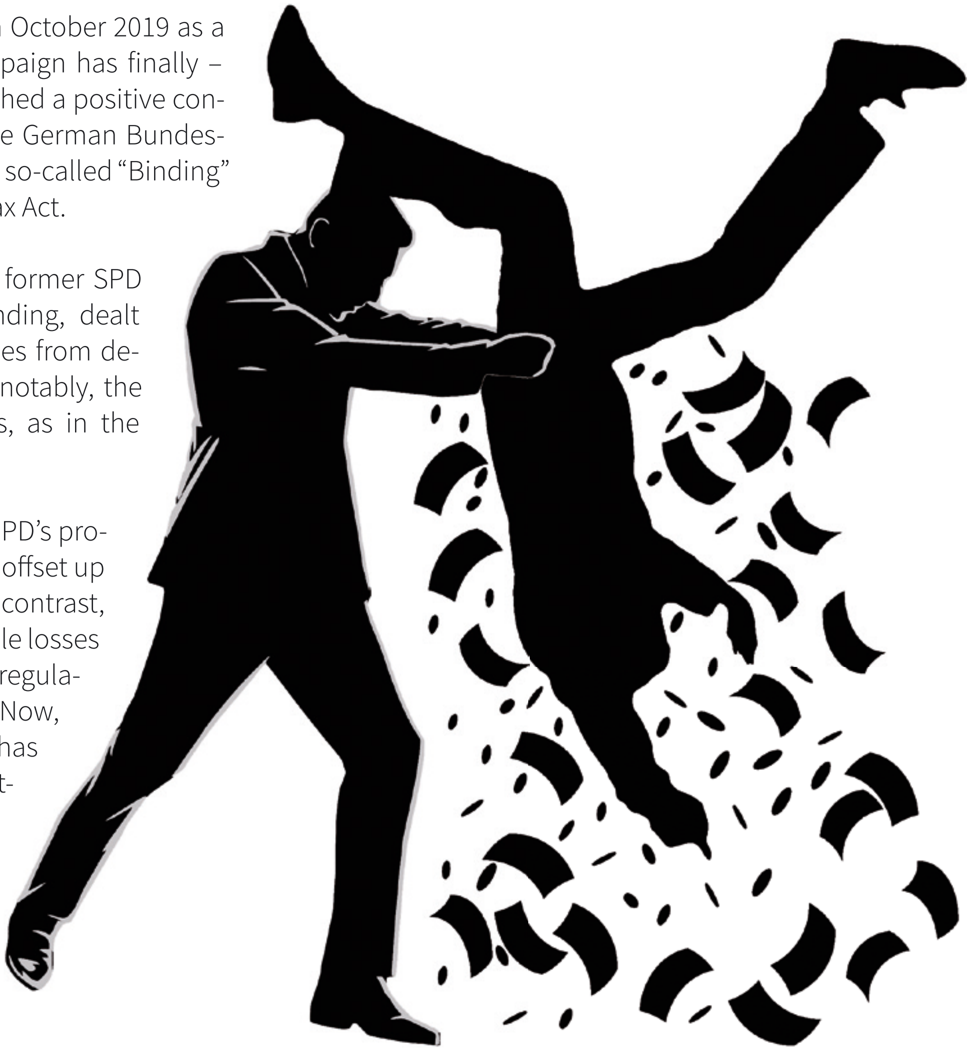
The End of the "Binding" Tax

What began five years ago in October 2019 as a major DSW signature campaign has finally – albeit after a long journey – reached a positive conclusion. On 18 October 2024, the German Bundestag approved the abolition of the so-called "Binding" Tax as part of the 2024 Annual Tax Act.

The "Binding" Tax, named after former SPD Bundestag member Lothar Binding, dealt with the rules for offsetting losses from derivative transactions and, most notably, the write-off of worthless securities, as in the cases of Wirecard or Leoni.

According to Binding's and the SPD's proposal, such losses could only be offset up to a limit of €20,000 per year. In contrast, profits were to be fully taxed, while losses would not be fully credited – a regulation deemed unconstitutional. Now, the Federal Ministry of Finance has put an end to this rule, preempting a decision by the Federal Constitutional Court. Remarkably, the change is retroactive to 2020.



A Fight Worth Fighting

While restoring the constitutional right to loss offsetting was long overdue, this success underscores the importance of persistent and consistent advocacy. It's essential to highlight the role of individual retail investors, who from the outset united in opposition to this regulation. Over 50,000 investors joined DSW's signature campaign since 2019, providing unwavering support – a powerful signal.

A heartfelt thank-you is owed to everyone who supported DSW in this cause, keeping us motivated to persist.

The Fight Isn't Over

While this marks a significant victory, much remains to be done – especially in the realm of taxation. It is still not possible to offset losses against all types of gains or income across all levels. Our next goal is to eliminate the confusion surrounding loss carryforward mechanisms.

We look forward to your continued support as we tackle these challenges. Thank you!

Forecasts reports: Increasing Number of DAX Companies with Low Transparency

Photo: stock.adobe.com/Bruno Mader

DSW together with Kirchhoff Consult has once again analyzed the transparency of forecast reports issued by DAX companies. Conducted since 2005, the study evaluates both qualitative and quantitative disclosures on the future business development of these companies. The current analysis is based on the forecast sections of the 2023 annual reports. Airbus and Qiagen did not provide forecast reports and were therefore excluded from the study.

Overall Forecast Transparency Stable

Compared to the previous year, overall forecast transparency remains stable. This year's analysis is particularly comparable to last year as there were no changes in the DAX composition, and the data collection methodology remained consistent. The forecast reports were categorized into "high," "medium," and "low" transparency based on 15 criteria.

Nearly half (18) of the DAX companies achieved a "high" transparency rating, including Deutsche Telekom and Fresenius, whose reports were highlighted as best practices. However, the transparency of Deutsche Bank, Commerzbank, and Merck was rated as "low". This represents an increase in the number of companies in the lowest transparency category, from one to three.

Jens Hecht, CFA, Managing Partner at Kirchhoff Consult: "The stock market trades on the future. While investors don't expect every forecast to come true, they do expect companies to handle their forecasts with care and transparency. Effective expectation management builds trust and can strengthen stock performance. It is surprising, therefore, to see more companies falling into the low transparency category this year."

Key Findings: Forecasting Financial Results

The most important criterion in the study is the forecast of future financial results. A clear majority of 33 companies provided quantitative forecasts for their overall results, an increase of two companies compared to the previous year. At the segment level, 25 companies offered quantitative forecasts.

However, there was a decline in mid-term forecasts (beyond one year). Only three companies now provide quantitative mid-term forecasts, down from five the previous year.

Report Length Does Not Correlate with Transparency

As in previous years, the study found that longer reports do not necessarily translate to higher transparency. Reports in the lowest transparency category averaged six pages, the longest among all categories. By contrast, the "high" transparency category averaged 5.2 pages.

Companies like Bayer and RWE (two pages each) and Covestro, DHL Group, and Siemens (three pages each) demonstrated that concise reports can still achieve high transparency.

Non-Financial Performance Indicators Lagging

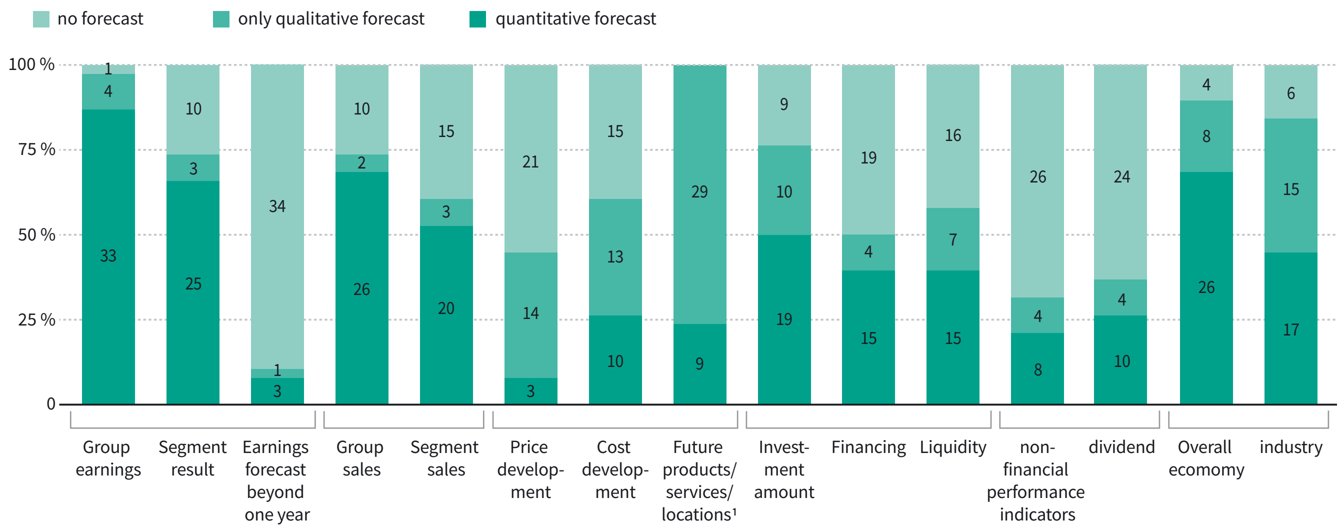
The importance of non-financial performance indicators (KPIs) continues to grow. However, fewer than a third of the DAX companies included such metrics in their forecast reports. On a qualitative level, the number of companies addressing non-financial KPIs fell from 13 to twelve. Quantitatively, the number increased slightly, from six to eight.

Marc Tüngler, CEO of DSW, remarked: "Forecast quality often reflects the good – or poor – governance of a company. The use of adjusted figures can be particularly critical and, at times, disastrous from an investor's perspective. The decline in forecast quality for non-financial KPIs is particularly notable and concerning, especially given the implementation of CSRD and CS3D."

Integration of Sustainability Reporting

Vincent Furnari, Managing Partner at Kirchhoff Consult, emphasized: "The Corporate Sustainability Reporting Directive (CSRD) has introduced universal reporting standards through the European Sustainability Reporting Standards (ESRS). These have already defined KPIs for sustainability goals in current reports. Unfortunately, fewer than a third of DAX companies include non-financial KPIs in their forecast reports. These indicators are becoming increasingly important in the capital markets. The lack of integration between financial and sustainability reporting is a significant gap." Furnari added that the mandatory integration of sustainability reporting into management reports is expected to drive substantial improvement in this area.

DAX forecast reports 2023: Transparency per criterion



¹ *Quantification of the forecast was not assessed for this criterion*

DSW Study on Supervisory Board Compensation 2023: Increases in DAX Compensation

Supervisory board compensation in DAX companies continued to rise in fiscal year 2023. A total of approximately €123.7 million was paid to the supervisory boards of the 38 DAX companies examined, an increase of 5.4 percent compared to the previous year. This is one of the main findings of DSW's study on supervisory board compensation in 2023.

Looking at the different positions within the board, the study finds that a supervisory board chair earned an average of approximately €421,000, reflecting an increase of 7.5 percent. This means the chair's compensation remains more than three times that of a regular supervisory board member, who earned an average of €127,000 (also up by 7.5 percent). The position of audit committee chair was compensated with an average of €245,000, only 11.2 percent less than that of the deputy supervisory board chair (€276,000).

Compensation Components: Focus on Fixed Elements

Fixed compensation components – consisting of base compensation, committee compensation, and meeting fees – accounted for 97.5 percent of total compensation in 2023, compared to 94.4 percent in the previous year. For the first time since DSW started its survey in 2006, no variable compensation was paid to supervisory board members of a DAX company. DSW explicitly welcomes this trend. The supervisory board is particularly challenged during a crisis, and the workload for its members can increase significantly in such times.

The majority of fixed compensation comprised base compensation (68.0 percent, 2022: 64.5 percent), followed by committee compensation (24.5 percent, unchanged) and meeting fees (5.0 percent, 2022: 5.5 percent). The share of other compensation decreased to 2.5 percent (2022: 3.9 percent).

Volkswagen leads the ranking

Volkswagen paid the highest total compensation in 2023, amounting to €7.5 million to its 20-member supervisory board. This represents an increase of 42.2 percent, attributed to a compensation increase approved by the annual general meeting and a rise in other compensation from group mandates.

Deutsche Bank paid its supervisory board €7.4 million in 2023, placing it second (+8.4 percent). The increase resulted from the transition to a purely fixed compensation.

In third and fourth place were Mercedes-Benz Group (€5.9 million, -9.1 percent) and BMW (€5.8 million, +5.5 percent). While BMW benefited from higher committee compensation, the decrease at Mercedes-Benz Group was due to adjustments in compensation and the elimination of other compensations.

Merck paid the lowest total compensation in the DAX, with its 16-member supervisory board receiving €960,550 – a decrease of 0.8 percent.

Highest supervisory board compensation in DAX companies in 2023

company	Board seats	Total board compensation 2023	Change compared to 2022
Volkswagen	20	7.496.095 €	+42,2%
Deutsche Bank	20	7.404.172 €	+8,4%
Mercedes-Benz Group	20	5.927.000 €	-9,1%
BMW	20	5.827.545 €	+5,5%
SAP	18	5.427.300 €	+4,2%

Notable Changes: Sartorius, Porsche, and Brenntag

The largest increase in total compensation was recorded by Sartorius, with a 54.0 percent rise to €1.6 million, driven by a compensation increase starting in fiscal year 2023. Porsche (+52.7 percent to €3.0 million) and Brenntag (+46.3 percent to €1.7 million) also stood out. At Porsche, the increase was mainly due to the introduction of fixed compensation and fewer members waiving compensation.

Largest Decreases: Mercedes-Benz Group, E.ON, and Vonovia

The largest decreases in total compensation were seen at Mercedes-Benz Group (-9.1 percent), E.ON (-8.4 percent), and Vonovia (-3.2 percent). These reductions were caused by changes in the composition of the supervisory boards and adjustments to compensation structures approved by the respective annual general meetings.

Enhancing the outcomes of our financial systems for citizens and the broader economy

Millions of individuals across Europe seek not just to save for their future, but to invest in it. How we can make financial systems work better for citizens – enabling their savings to drive growth, innovation, and sustainability, as well as boosting the EU's economy competitiveness, and providing decent returns (and better pension adequacy for pension savers).

Aleksandra Mączyńska, Managing Director of BETTER FINANCE

The Need for a Citizen-Centric Financial System

Europe faces a dual challenge: addressing the financial needs of an ageing population while ensuring that our financial systems effectively mobilize savings to enhance the competitiveness of the EU economy. This is not merely an issue of economic mechanics but a matter of trust and empowerment. As noted in the Letta Report for the European Commission, progress toward financial integration and a broader Savings and Investment Union (SIU) "will remain elusive unless it is clear that such integration **serves not merely the finance sector**."

The Draghi Report further underscores this point, highlighting the critical need to mobilize "retail" investing. Mario Draghi stated, "The financing needs required for the EU to meet its objectives are massive, but productive investment is weak despite ample private savings. (...) In 2022, EU household savings were EUR 1,390 billion compared with EUR 840 billion in the US. But, despite their higher savings, EU households have considerably lower wealth than their US counterparts, **largely because of the lower returns they receive from financial markets on their asset holdings**."

All this must guide us as we strive to transform savers into investors, making their contributions the foundation of a stronger, more competitive Europe.

A Pivotal Moment for Reform

This discussion comes at a pivotal time. President von der Leyen's mission letter to Maria Luís Albuquerque, the EU Commissioner for Financial Services, lays out an ambitious but essential agenda: advancing the Savings and Investment Union with a clear focus on citizens' needs. Ms. Albuquerque's role is critical as the EU faces a growing pensions crisis – a "ticking time bomb".

On 6 November 2024, BETTER FINANCE released the 12th edition of its **Annual Long-term & Pension Savings Report**, uncovering alarming trends:

1. **Sustained Inflation:** Inflation (even if small) is eroding the purchasing power of savers' returns, and exponentially over time, compromising the long-term value of their retirement savings.

2. **Opaque Fees:** Undisclosed or unclear total charges eat into real returns and leave citizens with less than they might expect or deserve.

3. **Ineffective Asset Allocation:** Many funds, pension funds and insurers are missing opportunities that could increase value for savers, while current allocations – tilted much more to fixed income than their US counterparts – don't align with the realities of a low-interest environment.

These findings and analyses highlight an urgent need for regulatory action. We must prioritize transparency, fairer fees, better asset allocation, and retail access to EU capital markets to ensure that citizens' savings have the power to grow securely over time.

BETTER FINANCE had been heard by Christian Noyer for the French report on the SIU of last April, which, in line with the Eurogroup, Letta – and very recently the EU Council – supports a Pan-European tax incentivized long term savings plan into European equities. We also advocate for the launch of a European Total Stock Market Index Fund, allowing at last (like in the US) European citizens to invest massively into mid and small cap equities throughout EU Member States.

The Stakes: Financial Wellbeing for Citizens and Economic Growth for Europe

The EU, under Commissioner Albuquerque's leadership, must act now to make citizen-focused financial reforms. This is no longer just about achieving "market efficiency" or competitiveness; it's about creating a financial system that can sustainably support an ageing population. It's also about ensuring that Europe's citizens feel secure enough to invest in their futures and, in doing so, help fund Europe's future.

Individual investors are not only savers; they are citizens who want to invest in sustainable projects, new technologies, and a resilient EU economy. BETTER FINANCE and other organizations recognize the untapped potential of these individuals to contribute to a green and digital transition, and to European defence, yet they cannot do so alone. Industry leaders, financial institutions, and policymakers all have a role in unlocking this potential by creating clear pathways for citizens to confidently invest.

A Call to Action for Policymakers and Industry Leaders

Today, we need a concerted commitment from all stakeholders to advocate for a truly inclusive financial system that works for everyone. The policymakers should push forward with the right implementation and enforcement to protect and empower savers, and to make transparency a foundational principle of our financial systems. The industry leaders should ensure that products that they offer are accessible, understandable, simple, and fair, offering decent returns and not eroding the value of individual-investors' money. The solutions must be available to everyone, from seasoned investors to young savers just beginning to consider their financial futures. We owe it to them to make investing straightforward, transparent, and genuinely beneficial for all Europeans, citizens and businesses alike.

DSW's active engagement services

Active shareholders discuss environmental, social or corporate governance concerns with the company in which they invest, in order to preserve long-term shareholder value and enhance long-term returns. Effective institutional investor engagement programs can provide the company with a better understanding of the views and concerns of its shareholders and provide investors with a more nuanced understanding of the company's business, strategy and governance. The intensity of engagement will depend on the priorities and resources of the investor but has clearly become a year-round strategic endeavor.

DSW supports institutional and professional investors from all over the world by offering broad engagement services.

Our services include:

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- Voting advice for all listed companies in Germany and Europe
- Vote execution at all listed companies in Germany
- Preparation and support by taking shareholder actions such as countermotions or special audits
- Reports on all German general meetings
- Reports on data such as voting outcomes and turnouts
- Training programs for investors
- Class action claim filing and information service

Interested investors may wish to contact DSW for further information.

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Notes:

International Investors' Conference
'Europe at a crossroads – are we still competitive?'

10 of December 2024
in Frankfurt am Main / Germany

DSW Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

BETTER FINANCE The European Federation of Investors and Financial Services Users Fédération Européenne des Épargnants et Usagers des Services Financiers

Co-funded by the European Union

Conference Schedule

Date: 10 of December 2024
Venue: Kurhaus Wiesbaden
Kurhausplatz 1
65189 Wiesbaden

9.05 *Registration*

9.15 **Welcome address**

9.30 *Opening Speech:*
Natasha Cazenave, ESMA

10.00 **'Turning challenges into opportunities'**
Fireside Chat with Burkhard Lohr, CEO K+S
Moderation: Stefan Wolff, journalist

10.30 **Coffee Break**

11:00 *Panel:*
'How to build resilience and strategy in Europe's complex landscape?'
- Christina Bannier, Universität Giessen
- Rainier van Roessel, Chairman of the Supervisory Board Lanxess
- Christine Wolff, Supervisory Board member Sweco

Moderation: Johannes Hanshen, Audit Committee Institute

12.00 **Lunch**

1.45 *Keynote Speech:*
Alexandra Jour-Schröder, EU Commission

Panel:
'The EU agenda 2024-2029: Revamping the CMU'
- Stefan Maassen, Deutsche Börse
- Guillaume Prache, Better Finance
- Rüdiger Veil, Ludwig-Maximilians-Universität München

Moderation: Rainer Riess, FESE

3.00 *Panel:*
'Investor Engagement: International Perspectives'
Introductory statement:
Matthias Nau, Georgeson
- Rients Abma, Eumedion
- Ola Peter K Gjessing, Norges Bank Investment Management
- Katryna Krueger, ISS
- Klaus von der Linden, Linklaters
- Ulrike Sapiro, Henkel

Moderation: Christof Schwab, Computershare

4.15 **Coffee Break**

4.45 *Panel:*
'Digital Transformation: Boosting Europe's Competitive Edge'
- Anne d'Arcy, WU Wien
- Tom Oelsner, Gea Group
- Alexandra Steiger, SAP

Moderation: Christiane Hölz, DSW

5.45 *Closing remarks*

6.00 **Reception & VIP-Dinner**
Dinner speech:
Stefan Simon, Chief Executive Officer Americas and Chief Legal Officer of Deutsche Bank