

Corporate governance

Responsible and effective corporate management requires transparency and understandable rules. The German Corporate Governance Code has given companies a framework for decision-making and control processes. By compiling a comprehensive corporate governance manual, LINOS has created the necessary organisational basis for complying with the specifications of the Code.

Instructions about the insider and disclosure directives were included in the manual in 2004. Precautions were also taken to make sure that comprehensive records about insiders are kept. In view of the more restrictive interpretation of some of the insider regulations, organisational changes had to be made in internal communication policy in particular.

LINOS has publicised the compensation system for the Executive Board too.

LINOS AG implements the recommendations currently made by the German Corporate Governance Code Government Commission with the following exceptions:

- The D&O insurance contract concluded by LINOS AG for the entire Group does not include a deductible for the Executive Board and the Supervisory Board. This is not planned in future either (section 3.8 of the Code).
- No cap for the variable compensation component has been arranged at the present time for one member of the Executive Board (section 4.2.3 of the Code).
- Since the Supervisory Board consists of only three members, it does not make sense to form committees. LINOS AG has not implemented this recommendation and will not be doing so in future either. This applies to the establishment of an audit committee too (section 5.3.1 and 5.3.2 of the Code).

LINOS AG has adapted its corporate governance standards to the new version of the Code that was issued on May 21, 2003 and will be complying with it in future where the following points are concerned:

- The compensation system for the Executive Board has been explained in the Internet since the spring of 2005 (section 4.2.3 of the Code).
- The compensation received by the members of the Supervisory Board of LINOS AG did not incorporate a performance-related component until 2003. A resolution about such a compensation component was passed by the Annual Shareholders' Meeting in 2004 and has in the meantime come into force (section 5.4.5 of the Code).

The conformity statement was approved by the Executive Board and the Supervisory Board in an updated form on November 29, 2004 and has been published in the Internet at www.linos.de.