

**German companies reasons to
choose an alternative board
structure within the framework of
SE**

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The central characteristics of the monistic and dualistic system

Dualistic system (Germany)	Monistic system (Italy, UK, USA)
Two- tier- board	One- tier- board
Business management through the <i>management board</i>	Business management through the <i>Executive Officers</i>
Organizational diversion	Functional diversion
Compensation of the information asymmetry through: <ul style="list-style-type: none"> - legal obligation of the management board to report to the supervisory board - right to information and subject to prior approval compared to the supervisory board 	No information asymmetry occurs in the CEO- modell
	The board administers all authority compared with the shareholders

Weaknesses of the monistic and dualistic system

Dualistic System	Monistic system
Information problem, reasons: <ul style="list-style-type: none">- supervisory board attends not permanently- size of the management and supervisory board- asymmetric flow of information	Self- supervision <ul style="list-style-type: none">- Président- directeur général (France)- Chairman and Chief Executive Officer (USA)
Time of reference	Group dynamics

Convergence of the systems

Dualistic System	Monistic System
<p>Solution of the problem between supervision and leading: German Corporate Governance Code</p>	<p>Solution of the self supervising problem through:</p> <ul style="list-style-type: none"> - Functional diversion - Comprehensive allocation of supervision tasks to Non-Executive Directors - Appointment of an Independent Lead Director - Special meetings for Non-Executive Directors - Rules for an independent majority of board members - Independent entity for control
<p>Solution of the information and time problem through:</p> <ul style="list-style-type: none"> - informal advices in advance - Audit Committees - Catalogue of concurrence transactions 	

Remaining differences between the Systems

Dualistic System	Monistic System
Decision making is next to the business- management	Decision making is next to the whole board
Prerogative of the Management board	Extensive arrangements within the corporation without shareholder's decision
Concentration on the CEO is difficult to realise	Concentration on the CEO
Independency of the management board is constricted	Majority of the board members are independent

Positive and negative features of the German Modell

Positive	Negative
International standing	Unfortunate evolution in practice
Increasingly accepted as Good Practise	German workers' participation: <ul style="list-style-type: none">- size of the supervisory board- presence of the union- influence on the shareholders property rights
Advances at transparency, independence and professionalisation	Acceptance of the Corporate Governance Codex has no effect on the valuation level of German concerns
International precursor in the board assessment	

Positiv and negative features of the SE

Positives	Negatives
One general office in the concern, branches in EU- memberstates	Tax problems - lack of company tax harmonization - unanswered questions
One uniform board	Complex convert procedure, complex rules
One annual account	No changes for shareholders
Corporate Identity	employees co- determination
EU- wide judicially accepted	
Easy transfer of the business seat to another European country while keeping the companies identity	
Higher flexibility	
One contractual partner for the employees	

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