The 16th Economic International Conference

New Challenges and Opportunities for the Economy 4.0

May 7, 2020 – May 8, 2020

Evolution of Corporate Governance in automotive industry. Study case Daimler AG

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Abstract

The purpose of the paper is to examine the evolution of the corporate governance in automotive industry.

Corporate governance is vital as it influences growth in financial markets and plays a central role in corporate performance, capital formation, and maximization of shareholder value as well as protection of investors' rights.

I identified that Daimler, like others German companies follows the German Corporate Governance Code. It mainly presents essential statutory regulations for the management and supervision of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance.

Keywords: The Evolution of Corporate Governance, Daimler, German Corporate Governance Code

Introduction

Corporate governance provides a greater assurance that there is implemented an effective control system within an entity, thus ensuring that business is run in the interest of shareholders and stakeholders.

The Institute of Internal Auditors (IIA) defines corporate governance as a set of procedures used by company stakeholder representatives to provide an overview of risk and management control procedures.

The main principles of corporate governance:

- ❑ Fairness
- ❑ Accountability
- ❑ Responsibility
- ❑ Transparency

Corporate Governance in Germany

The principles of corporate governance also differ from country to country. Most countries set their own standards and principles based on their cultural characteristics.

In many companies, it is essential to set up a department for corporate governance, since the system and the associated measures also involve considerable effort.

The German companies follows the German Corporate Governance Code for their reporting.

Corporate Governance in automotive industry

The German automotive industry:

- it is the key industry in the German economy.
- it is of eminent significance for -growth and prosperity of Germany as a business location. It is
- it is indispensable for guaranteeing a high level of income and for safeguarding a high employment volume.
- has strong regional ties to the German states in which they were established and in which they maintain their headquarters. Each of the German car companies
- must deal with its own regional government, as well as the national German government.

Corporate Governance reporting – DAIMLER – a qualitative analysis

The Daimler Group is one of the biggest producers of premium cars and the world's biggest manufacturer of commercial vehicles with a global reach.

In this article, I decided to analyze the annual reports from last three years.

Daimler complies the recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on April 24, 2017 in the Code version dated February 7, 2017.

Corporate Governance reporting – DAIMLER – a qualitative analysis

Exceptions:

1. Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board)

The remuneration structure of the Supervisory Board is limited to function-related fixed remuneration without performance bonus components.

Setting a deductible for Supervisory Board members would have a disproportionate economic impact when compared with the members of the Board of Management.

2. Clause 5.4.5 Paragraph 1 Sentence 2 (maximum number of Supervisory Board mandates for members of the Management Board of a listed company)

According to this recommendation, members of the Management Board of a listed company shall not accept more than a total of three Supervisory Board mandates in nongroup listed companies or on supervisory bodies of non-group entities that make similar requirements.

Conclusion and further research direction

Since it is announced that the new German Corporate Governance Code will be realized this year, the auditors recommended to the Supervisory Board to review the overall requirements profiles for its own composition and the composition of the Board of Management.

German corporate governance, like all systems of corporate governance, has involved in its own unique way because of distinctive historical, political, social and economic developments.

Daimler business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation and the German Corporate Governance Code. These standards are based on four corporate values integrity, respect, passion and discipline and represent a key factor in the success of Germany's automotive industry.


Thank
you