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VIP Association of Institutional Shareholders  
- the european proxy agency -

PLUS Does the Fame Academy approach to classical music hurt talent? Page 14

# FINANCIAL TIMES

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## BRIEFING

### Fiat planning to cut up to 30,000 jobs in restructuring

Fiat will next week announce a restructuring plan involving the loss of up to 30,000 jobs, according to sources. Page 19

### Stronger US recovery

The US economy appeared to be on course to a stronger recovery as factory activity rebounded in June. Page 4

### UK welcomes Putin

British President Visiting Putin will next week pay a state visit to Britain, designed to show that the two countries have moved on from their dispute over Iraq. Page 11 US soldier killed. Page 6

### Pakistan plans bond return

Pakistan plans to launch a \$500 million bond issue to help it return to the international capital markets. Page 18

### Hork floats Agri

Senegalese industrial conglomerate Thakos Holdings is to float its Agri fertilizer business, offering specialists about a further look up. Page 15. See Page 18

### Hungary raises base rate

Hungary's central bank raised its base rate to 5.5 per cent, to stem a currency slide and boost inflation. Page 2

### Banks near derivative deal

European banks will announce a deal to swap derivatives. Page 10

## Lufthansa vote threatens German employees' rights

By Bertrand Besset in Frankfurt and Hugh Williams in Berlin

The campaign by German business to vote back laws that give employees' representatives (including members of works and trade unions) a say in the company's strategic decisions, is the subject of a new article in the Financial Times.

The so-called co-determination laws, which give employees a key role in shaping corporate strategy and are one of the pillars of Germany's social market model, have long been seen as flawed by executives and investors. But fears of a labour clash have so far deterred the companies from the wave of reforms that in recent years has swept away many aspects of Germany's model of consensus-oriented "Rhineland capitalism".

This could change after as a 3 per cent of shareholders in Lufthansa adopted a motion on Wednesday endorsing Frank Bsirske, supervisory board vice-chairman and head of the mighty Verdi service workers' union, for encouraging strikes in December that cost millions of euros.

"This is the first time a minority motion is endorsed by the majority of equity holders," said

Hans-Martin Buhlmann, head of VIP, the association of institutional shareholders that tabled the motion. "It is impossible for the debate on co-determination not to rebound after that."

The vote, backed by retail and institutional investors alike, represented a "new discussion" in efforts to dismantle co-determination, or Mitbestimmung, according to Cornelia Haas, a Verdi spokeswoman. The debate "had a symbolic character," she added. Mr Bsirske cannot be forced to step down from the Lufthansa post, but critics of co-determination said the vote had demonstrated that union representatives on supervisory boards were serving existing interests.

"This is a perfect case to show that these people cannot sit on the board," said Joachim Schmalz, professor of management at Berlin's Humboldt University.

Chancellor Gerhard Schröder's Social Democratic government is already at loggerheads with the union movement over its economic reform agenda, which includes significant changes to labour market law.

It will most probably need business pressure to give another push to the, leading to

investment choice to reduce union laws' impact.

But the campaign for a shift has strengthened recently, prompted by cases like Thales France, the state aircraft company, and Michael Happe, head of the IIG industry federation, becoming more vocal in favouring what was one of labour's targets.

"We nevertheless need the 67% approval given by shareholders," Bsirske said. "I qualified members and other employees whose employment is outside Germany added to the long run. But we remain confident we will have to go."

He said that such a vote that year would be "difficult" enough.

The Lufthansa supervisory board will vote on the proposal in June. The board will then have to vote on the motion.

From the Financial Times, June 19, 2003. www.ft.com



Frank Bsirske, head of Verdi

## Unternehmen

### Lufthansa-Aktionäre verweigern Bsirske die Entlastung

Frank Bsirske, head of the Verdi union, has been elected to the Lufthansa supervisory board. The vote was a surprise, as Bsirske is not a shareholder. The union leader's election was a clear signal that the union is now a powerful force in the company's strategic decisions. The vote was backed by retail and institutional investors alike, representing a "new discussion" in efforts to dismantle co-determination, or Mitbestimmung, according to Cornelia Haas, a Verdi spokeswoman. The debate "had a symbolic character," she added. Mr Bsirske cannot be forced to step down from the Lufthansa post, but critics of co-determination said the vote had demonstrated that union representatives on supervisory boards were serving existing interests.

## WIRTSCHAFT

### Lufthansa-Aktionäre strafen Verdi-Chef ab

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## GERMAN SPRING IN CORPORATE GOVERNANCE LUFTHANSA AGM - JUNE 18TH 2003:

We have got it! VIP counter-motion to initiate the non-discharge of the union-leader and board-member FRANK BSIRSKE was followed by 58.29 % of capital in the today AGM.

This non-discharge is a great success for corporate governance, can open discussion of co-determination in German corp. - is the very 1st time in Germany to follow in AGM-majority a counter-motion - a great success of VIP engagement.

We in VIP say thank you very much to all who helped us to come to this victory! A chance of Lufthansa value

best regards

Hans-Martin Buhlmann  
Vorsitzender - Ceo

VIP (Vereinigung Institutionelle Privatanleger) eV  
Association of institutional shareholders

Hans-Martin Buhlmann  
Chairman

Tel: +49 (0)228 24 25 212  
Fax: +49 (0)228 24 25 288

hmbuhlmann@vip-cg.com

Buschstraße 52  
D-53113 Bonn  
www.vip-cg.com

**Vereinigung  
Institutionelle  
Privatanleger e.V.**

association of institutional shareholders  
association des actionnaires institutionnels

Buschstraße 52  
D-53113 Bonn  
www.vip-cg.com

**Hans-Martin Buhlmann**

Vorsitzender

Tel: +49 (0)228 - 24 25 212

Fax: +49 (0)228 - 24 25 288

hmbuhlmann@vip-cg.com

## FIRST TIME IN GERMANY: COUNTER MOTION SUCCEEDS

**58,29% FOLLOWED VIP MOTION  
NO DISCHARGE FOR FRANK BSIRSKE!  
(VICE PRESIDENT OF LUFTHANSA SUPERVISORY BOARD)**

Counter motion by **VIP association of institutional shareholders e.V.**, Buschstr. 52, 53113 Bonn

"We - VIP association of institutional shareholders e.V., Bonn (Buschstr. 52, 53113 Bonn; www.VIP-cg.com) - hereby move, at the forthcoming annual general meeting on 18 June 2003 in Cologne, that:

- discharge to Supervisory Board members be voted on **INDIVIDUALLY** and  
- deputy Supervisory Board chair (and simultaneously chair of ver.di trade union)  
Mr Frank Bsirske be refused discharge, because:

the targeted warning strike by the ver.di trade union on 17 December 2002, in the public-service collective bargaining dispute, at all Lufthansa hubs caused damage to Lufthansa shareholders. A Supervisory Board member is obligated to company interests.

In his capacity as chair of the ver.di trade union Mr Frank Bsirske had a manifest conflict of interest in the collective bargaining dispute in the public service. He resolved it, obviously at the expense of LH, by exclusively pursuing ver.di's interests and even using the damage to Lufthansa as a lever to conspicuously promote collective-bargaining interests foreign to Lufthansa.

For a third time Lufthansa is being harmed, from within its own ranks so to speak, by striking Supervisory Board members: after Heinz Klunker in 1974 and Monika Wulf-Mathies in 1992, now Frank Bsirske 2002. With his responsibility as deputy Supervisory Board chair, he is bringing the sensitive model of parity-based codetermination in 'Germany Inc.' into disrepute internationally - and more and more non-German employees, not entitled to vote for 'their' supervisory board, are rightly complaining. The Corporate Governance Commission's efforts at enhancing the attractiveness of the German capital market through transparency were stymied by Mr Bsirske's behaviour. The debate on the parity-based Supervisory Board naturally took a controversial turn and came to nothing. We shareholders must accordingly act to punish Mr Bsirske's misconduct by refusing discharge.

Not only the shareholders, but also the efforts of all the workers fighting for their jobs, and of the management acting successfully to cope with the air traffic crisis (9/11, the Iraq crisis, SARS), are harmed by such extraneous influences from SB members - not independant.

VIP (www.VIP-cg.com) represents shareholders at the general meeting, and is putting forward the necessary motion for giving discharge to Supervisory Board members individually. Only thereafter can each shareholder send a signal: against conflicts of interest, for independent boards. Institutional investors must act in accordance with their individual directives and take up their responsibility for their clients.

By § 120 AktG (the German Companies Act), discharge to Supervisory Board members has to be voted on individually if a minority of 390.625 individual Lufthansa shares so requests. Each one should turn up at the AGM or confer a proxy with both instructions, as the forthcoming Security Exchange Commission (SEC) regulations on fiduciary duties provide.

For the effort towards transparent, conflict-free Corporate Governance, for independent Supervisory Boards - vote for the VIP motions, or give us your proxy - no discharge for Frank Bsirske!"

### VIP Association of Institutional Shareholders

- the european proxy agency -

Hans-Martin Buhlmann  
Chairman



see reverse side >>