



## Corporate Governance Report 2008 of the Würth Group

With around 60,000 employees, the Würth Group needs certain rules to govern the behavior of people and the way they work together as well as to provide a framework for entrepreneurial decisions.

The corporate constitution of the Würth Group sets out the following components in addition to the legal regulations:

- Corporate philosophy
- Corporate culture
- Corporate ethics
- Corporate governance

The corporate philosophy, lived and defined by Prof. Dr. h. c. mult. Reinhold Würth, determines the understanding and image the Würth Group has of itself. Together with corporate ethics, the corporate culture deals with the values and standards that should underlie entrepreneurial actions and decisions as well as the behavior of people working together. Würth's corporate culture is described by terms such as dynamism, performance-orientation, openness, honesty, reliability and responsibility.

Würth operates worldwide. This means that we need to set out binding standards and rules of conduct without infringing values prevailing in various countries and cultures. On the basis of Würth's corporate philosophy and corporate culture, our PAP rules (Policy and Procedure Manual) set out a code of conduct to guide executives and employees with respect to the behavior and actions expected of them.

Corporate governance provides rules and standards for good and responsible management and monitoring of companies. It is thus closely related to corporate ethics. With the aim of continuing the successful development of the Würth Group as well as safeguarding around 60,000 jobs and even creating new ones, rules, codes of conduct and standards were defined many years ago already for management and monitoring functions within the Würth Group. The Central Managing Board is comparable to the management board and the Advisory Board to the supervisory board of a stock corporation. Shareholders in the sense of the Corporate Governance Code are the Würth family trusts.



Corporate governance in the Würth Group is ensured by the following rules and systems:

- Dual management system, i.e. segregation of operative management and supervisory bodies
- Internal audit department
- Audit of the separate financial statements and the consolidated financial statements by independent auditors
- Risk management and risk controlling
- Target setting and planning process at company and Group level
- Refined controlling methods to create transparency in operating units
- Rating by two international rating agencies

The Central Managing Board considers these interacting elements to be a good basis for corporate governance practiced in the Würth Group.

The Advisory Board of the Würth Group decided on 24 November 2006 to measure efficiency based on recommendation 5.6 of the German Corporate Governance Code, starting as of fiscal 2006. Paragraph 4.2.4 of the German Corporate Governance Code refers to the content of Sec. 286 (5) HGB [“Handelsgesetzbuch”: German Commercial Code]. It allows the exemption of the Management Board from the obligation to present the individual remuneration of each Board Member. On 23 November 2006 the Würth family trusts as the shareholders of the Würth Group unanimously voted to exempt the Central Managing Board from the obligation to publish its individual members’ remuneration.

Declaration of compliance:

On 28 November 2008 the Central Managing Board and the Advisory Board of the Würth Group issued the following joint declaration of compliance for 2008 with the German Corporate Governance Code as amended on 6 June 2008.

Declaration of compliance pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporations Act]:

We declare that Würth complied with the recommendations of the government commission for the German Corporate Governance Code as published by the German Federal Ministry of Justice in the official part of the elektronischer Bundesanzeiger (‘Electronic Federal Gazette’) with the following exceptions in 2008 and will continue to comply with them in 2009.



Exceptions:

We see the recommendations of the Corporate Governance Code as guidelines for our entrepreneurial action. Notwithstanding this, some of the rules contain requirements which do not seem appropriate for family businesses that are not listed on the stock exchange or which prove to be too rigid in terms of time or content requirements. Specifically, these concern the following paragraphs of the German Corporate Governance Code designed for entities listed on the stock exchange or for stock corporations:

- 6.7 Publication of a financial calendar
- 7.1.1 Publication of quarterly reports
- 7.1.2 Publication of quarterly reports and consolidated financial statements within 90 days of the close of the fiscal year
- 7.1.5 Relationships to shareholders

The Corporate Governance Code includes further recommendations which would constitute too severe a restriction of the individual rights of certain board members. We have given precedence to their right of personality. Specifically, these concern the following sections of the German Corporate Governance Code:

- 4.2.2 Determination by the full Advisory Board of the compensation of the Central Managing Board
- 4.2.5 Publication of total compensation of the Central Managing Board in a remuneration report
- 5.4.6 Detailed and individualized publication of the remuneration of the Advisory Board members in the corporate governance report