



Corporate governance report 2007 of the Würth Group

With more than 63,000 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 is made up of the following components in addition to the fixed regulations provided by its legal structure:

- 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 questions of which values and standards should underlie entrepreneurial decisions and actions 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. Corporate ethics provides the answer to questions about doing the right thing within the regulatory framework.

Würth operates worldwide. This means that we need to set out binding standards and rules of conduct without infringing on values prevailing in various countries and cultures. On the basis of our 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 attitudes we expect 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 and safeguarding our more than 63,000 jobs and even creating new positions, many years ago we already defined rules, codes of conduct and standards for management and monitoring functions within the Würth Group. Our Central Managing Board is comparable to the management board and our 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

We consider these interacting elements as a good basis for corporate governance practiced in the Würth Group.

The Advisory Board of the Würth Group decided on November 24, 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 November 23, 2006 the Würth family trusts as the shareholders of the Würth Group unanimously voted for exempting the Central Managing Board from the obligation to publish its individual members' remuneration.

Declaration of compliance:

On December 7, 2007 the Central Managing Board and the Advisory Board of the Würth Group issued the following joint declaration of compliance for 2007 with the German Corporate Governance Code as amended on June 14, 2007.

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 electronic Bundesanzeiger ('Federal Gazette') with the following exceptions in 2007 and will continue to comply with them in 2008.



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:

5.4.7 Incentive-based remuneration of the Advisory Board

6.7 Publication of a financial calendar

7.1.1 Publication of interim reports

7.1.2 Publication of 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, and we have therefore given precedence to the latter. Specifically, these concern the following sections of the German Corporate Governance Code:

4.2.5 Publication of total compensation in a remuneration report

5.4.7 Detailed and individualized publication of the remuneration of the Advisory Board members in the corporate governance report