

Corporate Governance Report of the Würth Group

The Würth Group, too, needs for its over 50,000 employees certain regulations for the conduct in their cooperation, but also for the entrepreneurial decisions that need to be taken.

The corporate constitution of the Würth Group consists, besides the regulations on the legal structure, of the following components:

- Corporate Philosophy
- Corporate Culture
- Corporate Ethics
- Corporate Governance

The Corporate Philosophy that had been formed and defined by Reinhold Würth determines the identity and the self-image of the Würth Group. The Corporate Culture, in connection with the Corporate Ethics, deals with the questions of what values and standards determine the entrepreneurial decisions and actions as well as the behavior and the living together of people. The Corporate Culture of Würth is marked by terms like dynamism, orientation towards performance, openness, honesty, reliability and responsibility. Corporate Ethics refers to the question of the right action and the proper conduct relative to the legal norms.

Würth is active all over the world. It is consequently necessary to lay down binding standards and ways of conduct to avoid that the predominant values in various countries and cultural groups are violated. Based on Corporate Philosophy and Corporate Culture, the rules and codes of conduct are drawn up in our PAP (Policy and Procedure Manual) to indicate to managers and employees what conduct we expect from everyone.

Corporate Governance includes the regulations and standards for good and responsible leadership and for the supervision of companies. Corporate Governance consequently stands in close relation to Corporate Ethics. The Würth Group welcomes the German Corporate Governance Code submitted by the government commission and updated for the last time in June 2005.

In order to continue the successful development of the Würth Group, to safeguard our over 50,000 jobs or to even create further jobs we set up rules and standards of conduct and operation for the functions of management and supervision within the Würth Group many years ago. The Board of Directors compares to the board, the Advisory Board to the supervisory board of a stock corporation. Shareholders in the sense of the Corporate Governance Code are the five foundations:

- Carmen Würth Family Foundation
- Bettina Würth Family Foundation
- Marion Würth Family Foundation
- Markus Würth Family Foundation
- Adolf Würth Foundation

The Corporate Governance in the Würth Group is guaranteed by the following regulations and institutions:

- Dual management system, that means division of operative management and supervisory bodies
- Intra-Group auditing
- Auditing of individual and Group financial statements through independent auditors
- Risk management and risk controlling
- Target-setting and planning process on company and Group level
- Well thought-out controlling methods for the creation of transparency in the operative units
- Rating process by international rating agencies

We see the interplay of these systems as good basis for a Corporate Governance that is lived in the Würth Group.

On 25 November 2005, the Board of Directors and the Advisory Board of the Würth Group made the following first joint statement of correspondence for the year 2004 concerning the German Corporate Governance Code, version of 2 June 2005.

Policy statement according to article 161 of the German corporate act:

We declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been complied with in 2005 and are going to be complied with in 2006 based on the following conditions.

Exceptions:

The recommendations of the Corporate Governance Code are the guideline for our entrepreneurial activity. However, the rules contain requirements that seem to be inappropriate for a non-listed family business or that turn out to be too rigid with regard to times and contents given.

It concerns the following individual clauses of the German Corporate Governance Code that have its legitimization in the stock market listing:

- 4.2.3 Publication of compensation system of the Board of Directors on the internet and in the business report
- 5.4.7 Success-oriented compensation for the members of the Advisory Board
- 5.6 Checking of efficiency of the Advisory Board
- 6.7 Publication of "financial calendar"
- 7.1.1 Publication of interim reports
- 7.1.2 Publication of the group financial statement within 90 days after the end of the business year
- 7.1.4 Publication of list of third-party companies

Furthermore, does the Corporate Governance Code contain recommendations that restrict the rights of personality of individual members of the body, which we, however, want to give priority. They refer to the following clauses of the German Corporate Governance Code:

- 4.2.4 Detailed and individualized publication of the compensations of the members of the Board of Directors and their components
- 5.4.7 Detailed and individualized publication of the compensations of the members of the Advisory Board and their components