

Declaration of compliance by the Executive Board and Supervisory Board of BERU AG with the German Corporate Governance Code in accordance with §161 AktG (Corporation Law)

According to §161 AktG, the Executive Board and Supervisory Board of a listed company are annually obliged to state that the company has complied and complies with the recommendations made by the Government Commission German Corporate Governance Code, or which of these recommendations are or were not observed. The first declaration to be made in 2002 may be restricted to a statement that the recommendations were observed or which recommendations were not observed. This declaration must be available to shareholders at all times.

The German Corporate Governance Code includes stipulations with different levels of obligation. It contains both passages of the applicable Corporation Law and recommendations – as denoted by the word “shall” – from which corporations may deviate. The corporations are, however, bound to disclose such deviations annually. In addition, the Code includes suggestions – as denoted by the word “should” – which can be deviated from without disclosure. The Executive Board and Supervisory Board of BERU AG have decided to also largely disclose deviations from the suggestions made by the Code which the corporation is not legally bound to publish.

The Executive Board and Supervisory Board of BERU AG welcome the recommendations made by the Corporate Governance Code and identify with the principles which aim to make corporate governance more transparent for investors, shareholders and clients, in order to promote and deepen trust in the corporation on a national and international level.

On 12 December 2002, the Executive Board and Supervisory Board of BERU AG submitted their first declaration of compliance with the recommendations of the Government Commission German Corporate Governance Code in accordance with §161 AktG. The declaration is as follows:

“BERU AG fully complies with the recommendations of the Government Commission German Corporate Governance Code with the exception of the figures listed below. Furthermore, the corporation also already largely complies with the additional suggestions made in the Code.”

The corporation voluntarily agrees to allow its compliance with the principles to be supervised by an individual responsible for corporate governance, who will be named by the Executive Board in agreement with the Supervisory Board, and who will report to the Supervisory Board at least once a year.

Figure 4.2.4

According to figure 4.2.4, remuneration of the members of the Executive Board shall be recorded in the notes of the consolidated financial statement, subdivided according to fixed, performance-related and long-term incentive components. The figures for the remuneration of the members of the Executive Board should be listed individually in the notes.

Remuneration of the members of the Executive Board of BERU AG is classified according to fixed and variable, performance-related components. The decisive parameters for the variable remuneration represent long-term incentive components – development of the share price and of the Group’s annual net profit, and the sum of the distributed dividends – and are listed. They form the basis for an assessment of whether the division into fixed and variable components is reasonable. These figures thus also serve to determine whether the remuneration structure will create the desired long-term incentive, i.e. a sustained increase in the corporate value of BERU AG. Of far greater importance to the shareholder is the comprehensible incentive effect on the Executive Board as a whole – which acts as a collegial body at BERU AG – than its effect on individuals. Furthermore, individual listings are

often associated with an undesirable tendency to level out performance-related differences in remuneration.

Figure 7.1.1

Shareholders and third parties shall be informed during the financial year by means of interim reports. The consolidated financial statement and interim reports shall be prepared under observance of internationally recognised accounting principles.

BERU AG produces regular quarterly and half-yearly reports, and publishes these promptly. The corporation is currently converting from annual financial statements and interim reports which comply with national regulations (German Commercial Code) to observe IFRS international accounting principles (formerly IAS). The consolidated financial statements for the fiscal year 2003/04 (1 April 2003–31 March 2004) will be prepared in accordance with IFRS (IAS); the quarterly and half-yearly reports will observe IFRS (IAS) as of the 2004/05 business year.

Ludwigsburg, December 12, 2002

The Executive Board

The Supervisory Board