

STATEMENT OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF IDS SCHEER AG

regarding conformity with the German Corporate Governance Code in accordance with § 161 of the German Corporation Act



Since its founding IDS Scheer has operated under responsible corporate governance and followed the recommendations of the Government Commission on the German Corporate Governance Code. Both the Executive Board and the Supervisory Board of IDS Scheer are committed to these internal principles; and neither body is aware of any incident that would violate these principles.

IDS Scheer's Corporate Governance principles and its behavior are and have been in conformance with the applicable German Corporate Governance Code, most recently that of June 2005, with the exception of the points stated below; the Statement of Observance of the Corporate Governance Code from the previous year is therefore part of this year's statement as well.

Age limitations for executive and supervisory board members

The German Corporate Governance Code recommends setting age limitations for advisory board members. IDS Scheer perceives this practice as an inappropriate restriction of the rights of the shareholders to select the members of the Supervisory Board. IDS Scheer's corporate governance principles therefore contain no such age limitation.

Similarly, the IDS Scheer principles deviate from the respective recommendation of the Corporate Governance Code in not setting an age limitation for Executive Board members, as this would place a general restriction on the Supervisory Board of IDS Scheer in its selection of appropriate members of the Executive Board.

Deductible for D&O insurance

The German Corporate Governance Code recommends that an appropriate deductible be designated for Directors and Officers (D&O) Liability Insurance purchased by a company for its executive board and supervisory board members. IDS Scheer is fundamentally opposed to this practice, believing that the motivation and responsibility with which the members of the Executive and Supervisory Boards of IDS Scheer approach their duties cannot be improved by such disincentives. IDS Scheer AG's corporate governance principles therefore do not impose a deductible, and IDS Scheer AG plans no change to its current D&O insurance.

Executive Board compensation

The German Corporate Governance Code recommends that the compensation of Executive Board members be reported in the notes to the consolidated financial statements, broken down into base salary, profit-related components, and components with long-term incentive effect. The code further recommends that these figures be stated separately for each individual. IDS Scheer AG follows the recommendations of the Corporate Governance Code with regard to the reporting of Executive Board compensation, profit-related components, and components with long-term incentive effect. The recommendation to state these figures separately for each individual has not been followed.

The Executive Board of IDS Scheer AG works together as a group to achieve the company's objectives. The Executive Board and Supervisory Board believe that the performance of the Executive Board can be appropriately evaluated only based upon the overall success of the Executive Board and the success achieved by the company as a whole. For this reason, the company will continue to divide the compensation of the Executive Board into variable and fixed components. In the opinion of the Executive Board and Supervisory Board, the figures for the overall compensation of the Executive Board provides transparency on the compensation structure and compensation amounts that is sufficient to evaluate the appropriateness of the Executive Board members' earnings.

Former executive board members on advisory boards

The German Corporate Governance Code recommends that no more than two former members of the executive board belong to the advisory board. IDS Scheer considers a corresponding regulation to be an inappropriate restriction of the rights of the shareholders to select the members of the Supervisory Board. The Code furthermore recommends that the chairman of the future audit committee not be a former member of the Executive board. Currently, only one former member of the Executive Board of IDS Scheer is serving on the Supervisory Board and as Chairman of the audit committee. IDS Scheer AG considers long experience in management with the company to be quite valuable in responsibly performing the duties of the audit committee. IDS Scheer's corporate governance principles therefore contain no such regulation.

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