

Corporate Governance



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Corporate-
Governance

Good Management (Corporate Governance)

Beiersdorf welcomes the German Corporate Governance Code last updated in June 2008. The Code creates transparency with regard to the legal framework for corporate management and supervision in Germany, and also establishes generally accepted standards for good and responsible company management.

Good corporate governance has always been a high priority at Beiersdorf. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, and responsible risk management are the basis of the Company's success. As a result, compliance with the Code and its amendments did not necessitate any fundamental changes at Beiersdorf. We consider corporate governance to be an ongoing process and will continue to track future developments carefully.

I. Declaration of Compliance

At the end of December 2008, the Executive Board and Supervisory Board issued the Declaration of Compliance with the recommendations of the Code for fiscal year 2008 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act, *AktG*). Beiersdorf AG fulfills all the recommendations as well as a large number of the suggestions made in the Code.

The following declaration was made permanently accessible to the shareholders on the Company's website at www.Beiersdorf.com:

Declaration by the Executive Board and the Supervisory Board of Beiersdorf Aktiengesellschaft on the Recommendations of the "Government Commission on the German Corporate Governance Code", in Accordance with § 161 of the German Stock Corporation Act (*AktG*)

In fiscal year 2008, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, all recommendations of the "Government Commission on the German Corporate Governance Code" in the versions dated June 6, 2008 and June 14, 2007 respectively.

Hamburg, December 2008
For the Supervisory Board

For the Executive Board

PROF. DR. REINHARD PÖLLATH
CHAIRMAN OF THE
SUPERVISORY BOARD

THOMAS-B. QUAAS
CHAIRMAN OF THE
EXECUTIVE BOARD

DR. BERNHARD DÜTTMANN
MEMBER OF THE
EXECUTIVE BOARD

II. General Information on Beiersdorf's Management Structure

As an international stock corporation domiciled in Hamburg, Germany, Beiersdorf AG is governed by the provisions of German stock corporation, capital market, and codetermination law, as well as by the provisions of its Articles of Association. Like all German stock corporations, Beiersdorf has a dual management and supervisory structure consisting of two bodies, the Executive Board and the Supervisory Board. In addition, the Annual General Meeting acts as the decision-making body for shareholders for fundamental decisions by the Company. These three bodies are all dedicated in equal measure to the interests of the shareholders and the good of the Company.

1. The Supervisory Board

The Supervisory Board of Beiersdorf AG consists of twelve members, six of whom are elected by the Annual General Meeting in accordance with the provisions of the *Aktiengesetz* and six by the employees in accordance with the provisions of the *Mitbestimmungsgesetz* (German Co-Determination Act, *MitbestG*), each for a period of five years. The term of office of the current Supervisory Board ends with the conclusion of the Annual General Meeting resolving on the approval of their activities for fiscal year 2008.

The Supervisory Board advises the Executive Board on the management of the Company and supervises its conduct of the Company's business within the framework laid down by the law, the Articles of Association, and the bylaws. It works closely with the Executive Board for the benefit of the Company and is involved in decisions of fundamental importance.

Supervisory Board members disclose potential conflicts of interest due to their activities as consultants to or officers of other companies to the Supervisory Board without delay; material conflicts of interest that are more than temporary in nature result in the termination of the mandate of the member concerned. In its report, the Supervisory Board informs the Annual General Meeting of any conflicts of interest that have occurred and of how these were handled. The D&O insurance policy taken out by the Company for the members of the Supervisory Board includes a suitable deductible. Supervisory Board members should not be older than 72 years.

The work of the Supervisory Board is performed within and outside of the full Board as well as in the committees. The Supervisory Board has formed the following four committees from among its members:

The **Executive Committee** prepares the Supervisory Board meetings and the Supervisory Board's human resources decisions, resolves on the contracts of service and pension agreements for members of the Executive Board and on other issues involving the Executive Board in the place of the Supervisory Board, and regularly reviews the efficiency of the Supervisory Board's activities. In addition, it regularly discusses long-term succession planning for the Executive Board. Finally, the Executive Committee is authorized to make urgent decisions on transactions requiring Supervisory Board approval in those cases in which the Supervisory Board cannot pass a resolution in time.

The **Audit and Finance Committee** prepares the decisions of the Supervisory Board on the approval of the annual and consolidated financial statements, the proposal to the Annual General Meeting on the election of the auditors, and the agreement with the auditors. It also advises and supervises the Executive Board on questions relating to accounting, controlling, risk management, and compliance as well as internal auditing. In addition, the Audit and Finance Committee monitors corporate policy in the areas of finance, tax, and insurance. It decides in place of the Supervisory Board on the raising and extension of loans, on the assumption of liability for third-party liabilities, and on investment transactions. Finally, the Audit and Finance Committee discusses the quarterly reports with the Executive Board prior to publication.

The **Mediation Committee** formed in accordance with the provisions of the *MitbestG* makes proposals to the Supervisory Board on the appointment of Executive Board members if the requisite two-thirds majority is not reached during the first ballot.

In accordance with section 5.3.3 of the German Corporate Governance Code, a **Nomination Committee** was also formed. It is composed of shareholder representatives and proposes suitable candidates to the Supervisory Board for proposal to the Annual General Meeting.

2. The Executive Board

The Executive Board manages the Company and conducts its business. It is obliged to act in the Company's best interests and to increase the Company's sustainable enterprise value. The members of the Executive Board are appointed by the Supervisory Board. The Company's Executive Board consists of five members. The duties of the Executive Board are assigned by functions and regions.

The Executive Board develops the Company's strategy, agrees it with the Supervisory Board, and ensures its implementation. It is responsible for the Company's annual and multi-year planning and for preparing the quarterly, annual, and consolidated financial statements. It is also responsible for ensuring adequate risk management and risk control and for regular, timely, and comprehensive reporting to the Supervisory Board. Certain measures and transactions performed by the Executive Board require the approval of the Supervisory Board.

Executive Board members disclose potential conflicts of interest to the Supervisory Board without delay and inform their colleagues on the Executive Board of them. Material transactions between the Company and members of the Executive Board and related parties require the approval of the Supervisory Board; such transactions must comply with the standards customary in the sector. Sideline activities also require the approval of the Supervisory Board. The Company has concluded a D&O insurance policy for the members of the Executive Board that provides for a suitable deductible.

3. The Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and vote there. Each share entitles the holder to one vote.

The ordinary Annual General Meeting takes place each fiscal year, generally during the first six months. The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is also published on the Company's website; on request, the notice convening the Annual General Meeting together with the associated documents can also be dispatched electronically with the consent of the individual shareholder.

To assist shareholders in personally exercising their rights, Beiersdorf AG offers its shareholders a voting representative who votes in accordance with shareholders' instructions. The invitation explains how to issue instructions for exercising voting rights in the run-up to the Annual General Meeting. In addition, shareholders are free to appoint a proxy of their choice as their representative at the Annual General Meeting.