



## Declaration for 2020 pursuant to the German Corporate Governance Code

The Management Board of Henkel Management AG as the personally liable partner (general partner), the Shareholders' Committee and the Supervisory Board of Henkel AG & Co. KGaA ("**Corporation**") declare, pursuant to Section 161 of the German Stock Corporation Act [AktG], that notwithstanding the specific regulations governing companies with the legal form of a German partnership limited by shares ("KGaA") and the pertinent provisions of its Articles of Association ("**bylaws**") concretizing this legal form, the Corporation has complied with the current recommendations of the German Corporate Governance Code ("**GCGC**") as amended on February 7, 2017 (GCGC 2017) since the last declaration of compliance of February 2018, and presently complies and will comply in the future with the recommendations of the Code in the version adopted by the Government Commission on December 16, 2019 (GCGC 2019), subject to certain derogations indicated below.

### Modifications due to the legal form of a KGaA and their concretization in the bylaws

- The Corporation is a German partnership limited by shares ("*Kommanditgesellschaft auf Aktien*" or "**KGaA**"). The tasks and duties of an executive board in a German joint stock corporation ("**AG**") are assigned to the personally liable partner(s) of a KGaA. The sole personally liable partner of the Corporation is Henkel Management AG, the Management Board ("**Management Board**") of which is thus responsible for managing the business activities of the Corporation. The Corporation is the sole shareholder of Henkel Management AG.
- The Shareholders' Committee established in accordance with the Corporation's bylaws acts in place of the General Meeting of the Corporation, its primary duties being to engage in the management of the Corporation's affairs and to appoint and dismiss personally liable partners; it holds representative authority and the power of management, allowing it to preside over the legal relationships between the Corporation and Henkel Management AG as the latter's personally liable partner. It also issues the rules of procedure governing the actions of Henkel Management AG.

The Shareholders' Committee is further responsible for exercising the voting rights of the Corporation in the shareholders' meeting of Henkel Management AG. In so doing, it likewise appoints the members of the supervisory board of Henkel Management AG, which in turn appoints the members of the Management Board. The supervisory board of Henkel Management AG comprises three members; these are also members of the Shareholders' Committee.

Recommendations of the Code that refer to the duties and responsibilities of a supervisory board that are performed by the Shareholders' Committee in accordance with the Corporation's bylaws, are analogously applied to the Shareholders' Committee.

- The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. In particular, the Supervisory Board of the Corporation has no authority to appoint personally liable partners or to preside over the associated contractual arrangements; it may not issue rules of procedure governing the actions of the Management Board, and it is not permitted to designate business transactions requiring oversight consent. These duties are performed by the Shareholders' Committee or the supervisory board of Henkel Management AG. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany's Codetermination Act of 1976.
- The annual general meeting of a KGaA essentially has the same rights as the shareholders' meeting of an AG. In addition, it resolves on the adoption of the annual financial statements of the KGaA and

formerly approves the actions of the personally liable partner(s). At Henkel, the Annual General Meeting also elects the Shareholders' Committee and formally approves its actions. Numerous resolutions passed in the Annual General Meeting require the consent of the personally liable partner, including approval of the annual financial statements of the Corporation.

### **Recommendations of the Code**

Where the Code offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the Corporation's Shareholders' Committee or the Supervisory Board of Henkel Management AG due to the legal form of the Corporation or in compliance with the bylaws, those recommendations have been adopted accordingly for the Shareholders' Committee and the Supervisory Board of Henkel Management AG respectively. Such recommendations contained in GCGC 2019 relate to the composition of the Management Board, succession planning, the length of first terms in office and specification of an age limit, definition of a remuneration system and of total remuneration, and specification of the amount of variable remuneration to be paid to the Management Board and of the monetary arrangements upon termination of a contract (Recommendations B.1 to B.5 and G.1 to G.16).

Taking into account the special features arising from its legal form and bylaws, the Corporation complies with all recommendations ("shall" provisions) of the GCGC as amended on February 7, 2017 (GCGC 2017) and as adopted by the government commission on December 16, 2019 (GCGC 2019), with the following exceptions:

- According to Section 4.2.3 (2) Sentence 8 GCGC 2017 and Recommendation G.8 GCGC 2019, any subsequent change in performance targets or the comparison parameters should be precluded in the case of variable remuneration components. Following modifications to the Management Board remuneration scheme in 2019 with regard to the Long Term Incentive tranches issued in 2017 and 2018 – of which the three-year performance terms end on December 31, 2019 and December 31, 2020 respectively – the method of performance measurement derogates from this recommendation insofar as the related performance parameters are determined pro rata temporis in accordance with the previously valid conditions for the period up to December 31, 2018, and for the period from January 1, 2019 in accordance with the conditions effective from 2019. This will ensure a cogent and consistent incentive system of Management Board compensation effectively aligned to officer performance.
- According to Recommendation G.10 GCGC 2019, the amounts corresponding to the variable components of remuneration awarded to the members of the Management Board should be predominantly invested by them in Corporation shares or be awarded in appropriately share-based form. Long-term variable remuneration awards to Management Board members should be subject to a four-year lock-up period.

In derogation from this recommendation, the portion of the personal investment in Henkel preferred shares (share deferral) to be made under the Short Term Incentive (STI) scheme in relation to the at-target remuneration (target achievement, functional factor 1) amounts to around 25 percent of the total variable remuneration (comprising the STI and the Long Term Incentive) and around 47 percent of the total long-term remuneration (comprising the share deferral and the Long Term Incentive).

The lock-up period for the Henkel preferred shares expires in each case on December 31 of the fourth year following the remuneration year. This share deferral ensures that the members of the Management Board are required to accumulate a significant share portfolio representing a multiple of their basic remuneration during the rolling lock-up period, and that they participate

in the long-term performance of the Corporation, whether this be positive or negative. This share portfolio continues to grow due to the fact that shares are sold, if at all, only in exceptional instances once the respective lock-up period has expired.

The performance period for the LTI is three years. The LTI is paid in cash once the Corporation's annual financial statements for the final year in the performance period have been approved by the Annual General Meeting.

In keeping with the objectives of the Management Board remuneration policy, this structure of the STI and LTI rewards sustainably profitable growth and thus supports the long-term development of Henkel; and Management Board remuneration is aligned to the interests of the Corporation's shareholders.

- According to Section 5.4.5 (1) Sentence 2 GCGC 2017 and Recommendation G.5 GCGC 2019, members of the Management Board of a listed company should not accept more than three (GCGC 2017) respectively two (GCGC 2019) Supervisory Board mandates in non-group listed companies or similar mandates. In addition, they should not serve as Chairman of the Supervisory Board of a non-group listed company. Whether the number of mandates held by members of the Management Board of listed companies can still be regarded as appropriate is, however, to be assessed more appropriately on a case-by-case basis than by rigid upper limits.
- In derogation from Recommendation D.8 GCGC 2019, individual meeting attendance by Supervisory Board members is disclosed together with individual meeting attendance by the members of the Shareholders' Committee in the remuneration report and not in the report of the Supervisory Board.
- In derogation from the suggestion in Section 4.2.3 GCGC 2017 and Recommendation G.12 GCGC 2019 to refrain from premature payment of variable remuneration components in the event of termination of a Management Board contract, all lock-up periods relating to investments in Henkel preferred shares that are financed by the recipient (share deferral) end if said recipient dies. By the same token, LTI entitlements with regard to outstanding tranches are settled on the basis of budget figures and paid to the heirs.

### **Suggestions of the Code**

The suggestion in Section 2.3.3 GCGC 2017 to enable shareholders to follow general meetings online has been adopted to the extent that the Annual General Meeting is broadcast publicly on the internet up to the conclusion of the address by the Chairman of the Management Board. The subsequent discussion of the agenda is not broadcast, in keeping with the character of the Annual General Meeting as an event that people attend in person.

Notwithstanding the aforementioned exception and the special features arising from its legal form, the Corporation has adopted the discretionary suggestions of GCGC 2017 and GCGC 2019 respectively.

Düsseldorf, March 2020

Management Board

Shareholders' Committee

Supervisory Board