



Declaration on the German Corporate Governance

The Management Board, the Shareholders' Committee and the Supervisory Board of Henkel KGaA declare, pursuant to Art. 161 German Stock Corporation Act, that subject to the specific regulations governing companies with the legal form of a German partnership limited by shares ("KGaA") and to the pertinent provisions of its bylaws, pointed out below, Henkel KGaA, apart from the following exceptions, has complied with the recommendations ("shall" clauses) of the Code (version November 7, 2002) since the last declaration of conformity of February 2003 and will comply with the recommendations of the Code (version May 21, 2003).

Modifications due to the legal form of a KGaA and its basic features as laid down in the bylaws

- At Henkel KGaA, the functions of a stock corporation's executive board are incumbent on a management board, which is appointed by the Shareholders' Committee and consists of the general partners and further members. The recommendations of the Code are hence analogously applied to this Management Board.
- The authority to appoint Management Board members and define transactions subject to higher-tier approval is vested in the Shareholders' Committee, which, according to the bylaws and in lieu of the General Meeting, has additional responsibility for the conduct of business and management of Henkel KGaA. Accordingly, the functions, duties and powers of a stock corporation's supervisory board (chairman) as described in the Code under 4.3.4, 4.3.5, 5.1.2, and 5.2 are at Henkel KGaA exercised by the Shareholders' Committee (Chairman). The Chairman of the Shareholders' Committee concurrently presides over the human resources subcommittee within the Shareholders' Committee. Recommendations of the Code that refer to a supervisory board are analogously applied to the Shareholders' Committee.
- Given the statutory characteristics of a KGaA (especially the lack of authority of a KGaA's supervisory board to appoint management board members) and the establishment of a shareholders' committee by dint of the bylaws, Henkel KGaA's Supervisory Board has not set up any committees for the performance of duties incumbent on it. The Supervisory Board in its entirety deals with issues of accounting, risk management and the prescribed independence of the statutory auditor. The Supervisory Board issues the audit engagement letter, agrees on the audit fees and defines the focal audit areas.

The Shareholders' Committee has appointed subcommittees for financial and human resources issues. The financial subcommittee deals with Henkel's financial matters, accounting issues (including external auditing), tax planning and accounting policies, internal auditing and risk management. The human resources subcommittee mainly prepares personnel decisions of the Shareholders' Committee on Management Board issues and engages in HR strategy and compensation policies.

Deviation from the Code

In derogation of section 4.2.3 (2) and section 5.4.5, subsection 3 (1) of the Code (version May 21, 2003) the remuneration of the members of the corporate bodies is disclosed as a total amount with details of the relationship between the individual compensation elements and a breakdown according to fixed salary, performance-related compensation and components with a long-term incentive effect. Henkel complies with the requirements of the Code with respect to a performance-oriented remuneration. The General Meeting has fixed the individual remuneration payable to an ordinary member of the Supervisory Board and the Shareholders' Committee. In our opinion a sufficient transparency of the remuneration is ensured.

In derogation of section 6.6 subsection 2 of the Code (both versions November 7, 2002 and May 21, 2003), unless required by law, in order to protect the legitimate interests and private spheres of the members of the corporate bodies who are members of the Henkel family, their individual shareholding is not disclosed in cases where it exceeds 1% of the shares issued by the Company. However, the entire stake subject to the Henkel family's share pooling agreement is indicated. Also disclosed is whether the aggregate number of shares owned by all members of a corporate body exceeds 1% of all shares issued by Henkel KGaA.

Suggestions of the Code

Subject to the particularities of a KGaA, Henkel has also translated into practice the suggestions of the Code. An exception involves the Shareholders' Committee: a former Management Board member (back in 1975/76) presently chairs the financial subcommittee (section 5.3.2 of the Code)

Düsseldorf, February 2004

Management Board

Shareholders' Committee

Supervisory Board