



Declaration on the German Corporate Governance Code for 2005

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 May 21, 2003) since the last declaration of conformity of February 2004 and will comply with the recommendations of the Code.

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, account-

ing 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 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 thus ensured; stating individual compensation elements would not provide any additional information relevant to the capital market.

In derogation of section 6.6 subsection 2 of the Code, 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 non-binding suggestions of the Code. An exception involves the Shareholders' Committee: a former Management Board member (back in 1975/76) chaired the financial subcommittee until April 29, 2004 (section 5.3.2 of the Code). Another exception involves the remuneration of the Supervisory Board and the Shareholders' Committee: it is suggested that the performance-related compensation of these corporate bodies contains components with a long-term incentive effect (section 5.3.2 of the Code). Based on the jurisdiction of the Federal Court of Justice with respect to stock option rights the members of the Supervisory Board and the Shareholders' Committee, in April 2004, renounced being granted so-called "value creation rights", as was decided upon in the General Meeting of 2000, both with retroactive and future effect. It is planned to present to the General Meeting 2005 for approval new compensation components with long-term incentive effect.

Düsseldorf, February 2005

Management Board

Shareholders' Committee

Supervisory Board