



(Status: April 2018)

Corporate Governance at Henkel AG & Co. KGaA

The Management Board, the Shareholders' Committee and the Supervisory Board are committed to ensuring that the management and stewardship of the corporation are conducted in a responsible and transparent manner aligned to achieving a long-term increase in shareholder value. With this in mind, they have pledged themselves to the following principles:

- **Value creation** as the foundation of our managerial approach
- **Sustainability** achieved through the application of socially responsible management principles
- **Transparency** supported by an active and open information policy

The main features of corporate governance at Henkel AG & Co. KGaA (also referred to as the Corporation) are described in the following.

1. Organization and business sectors

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. As such it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. Henkel AG & Co. KGaA performs its tasks within the legal scope afforded to it as part of the Henkel Group, with the affiliated companies otherwise operating as legally independent entities.

Operational management and control is the responsibility of the Management Board of Henkel Management AG in its function as sole Personally Liable Partner. The Management Board is supported in this by the central, corporate functions.

Henkel is organized into three business sectors:

- Adhesive Technologies
- Beauty Care
- Laundry & Home Care

Our three business sectors are managed on the basis of globally responsible strategic business units. These are supported by the central functions of Henkel AG & Co. KGaA, our shared services, and our Global Supply Chain organization in order to ensure optimum utilization of corporate network synergies.

Implementation of the strategies at a country and regional level is the responsibility of the national affiliated companies whose operations are supported and coordinated by regional centers. The executive bodies of these companies manage their businesses in line with the relevant statutory regulations, supplemented by their own articles of association, internal procedural rules and the principles incorporated in our globally applicable management standards, codes and guidelines.

2. Legal form of Henkel AG & Co. KGaA and special features derived from its Articles of Association

Henkel is a “Kommanditgesellschaft auf Aktien” (KGaA), i.e. a partnership limited by shares and incorporated under German law. As the personally liable partner is not a natural person but rather a joint stock entity in the form of Henkel Management AG, the name of the Corporation has to indicate the limitation of liability (§ 279 (2) of the German Stock Corporation Act (AktG)). Consequently, the Corporation trades under the name “Henkel AG & Co. KGaA”.

2.1 Characteristic features of a “Kommanditgesellschaft auf Aktien” (KGaA)

A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company’s creditors (personally liable partner). The other partners’ liability is limited to their shares in the capital stock and they are thus not liable for the company’s debts (limited partners, § 278 (1) AktG).

In terms of its legal structure, a KGaA is a mixture of a joint stock corporation and a limited commercial partnership, with a leaning toward stock corporation law. The internal relationship between the two classes of partner – the personally liable partners (aka general partners) on the one hand, and the collectivity of limited partners (aka shareholders) – and also the management structure of the KGaA are aligned to commercial partnership law, while the capital structure and the rights of the shareholders are aligned to corporate law.

The main differences with respect to a joint stock corporation (AG) are as follows:

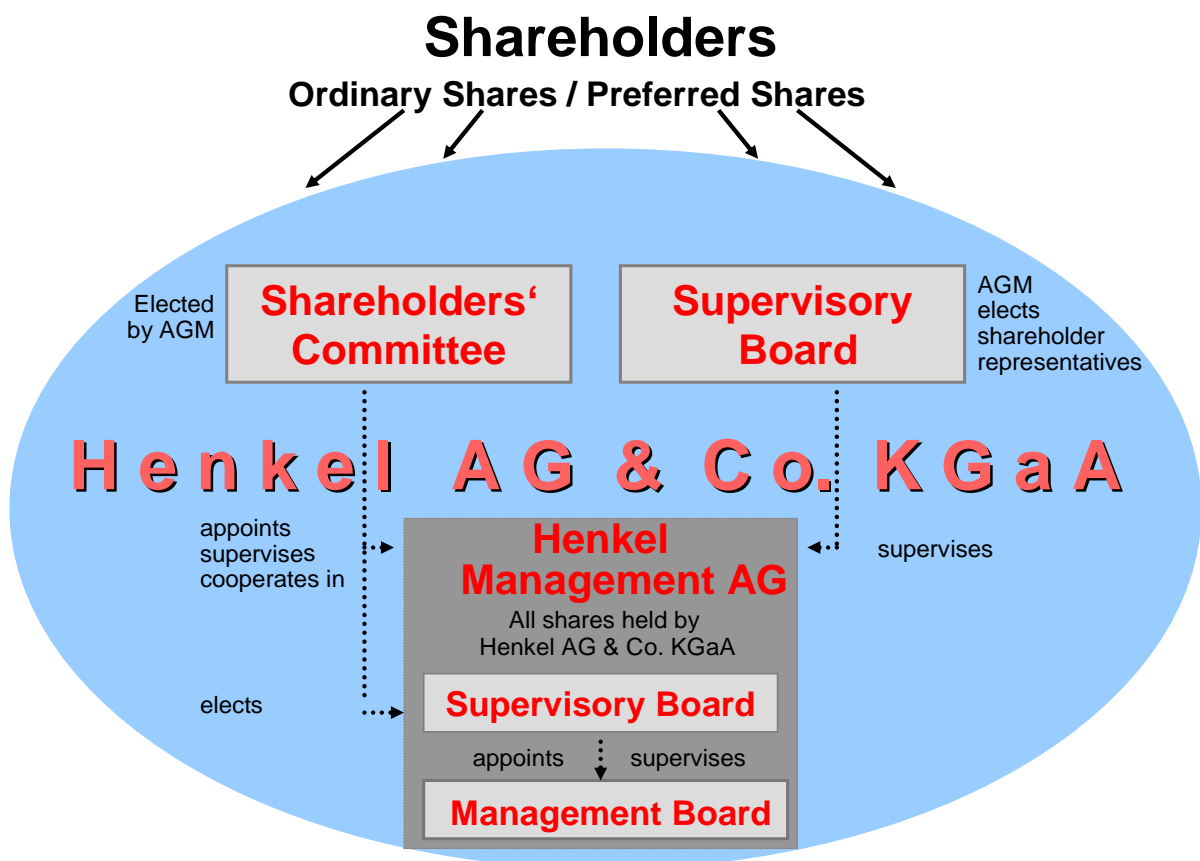
- The duties of the executive board of an AG are performed at Henkel AG & Co. KGaA by Henkel Management AG – acting through its Management Board – as the sole Personally Liable Partner (Sections 278 (2) and 283 AktG in conjunction with Art. 11 of our Articles of Association).
- The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. Specifically, the supervisory board is not authorized to appoint personally liable partners, preside over the partners’ contractual arrangements, impose procedural rules on the management board, or rule on business transactions. 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 general meeting of a KGaA essentially has the same rights as the shareholders’ meeting of an AG. For example, it votes on the appropriation of earnings, elects members of the supervisory board (shareholder representatives), and formally approves the supervisory board’s actions. It appoints the auditor and also votes on amendments to the articles of association and measures that change the company’s capital, which are implemented by

the management board. Additionally, as stipulated by the legal form, it also votes on the adoption of the annual financial statements of the company, formally approves the actions of the personally liable partner, and elects and approves the actions of the members of the shareholders' committee as established under the articles of association. Resolutions passed in general meeting require the approval of the personally liable partner where they involve matters which, in the case of a limited partnership, require the authorization of the personally liable partners and also that of the limited partners (Section 285 (2) AktG) or relate to the adoption of annual financial statements (Section 286 (1) AktG).

2.2 Structure and corporate bodies of Henkel AG & Co. KGaA

The sole **Personally Liable Partner** of the Corporation is Henkel Management AG (see 4.), the Management Board of which is responsible for managing the business activities of the Corporation. All the shares in Henkel Management AG are held by the Corporation. Such a structure in which a KGaA itself is the sole shareholder of the joint stock entity which, in turn, is the sole Personally Liable Partner of the KGaA is described as a "Unified Company".

The other legally required corporate bodies are the **Supervisory Board** (see 6.1) and the **General Meeting** (see 8.). In addition, there is also a **Shareholders' Committee** (see 5) set up in accordance with the Corporation's Articles of Association. The following diagram provides an overview of the corporate structure:



3. Capital stock / Shareholder structure

3.1 Division of the capital stock, shareholder rights

The capital stock of the Corporation amounts to 437,958,750 euros. It is divided into a total of 437,958,750 bearer shares of no par value, of which 259,795,875 are ordinary bearer shares (total nominal proportion of capital stock: 259,795,875 euros, representing 59.3 percent) and 178,162,875 are preferred bearer shares (total nominal proportion of capital stock: 178,162,875 euros, representing 40.7 percent). All the shares are fully paid up. Multiple share certificates for shares may be issued. In accordance with Art. 6 (4) of the Articles of Association, there is no right to individual share certificates.

Each ordinary share grants to its holder one vote (Art. 21 (1) of the Articles of Association). The preferred shares accord to their holders all shareholder rights apart from the right to vote (§ 140 (1) AktG).

The preferred shares carry the following preferential right in the distribution of unappropriated profit (Section 139 (1) AktG in conjunction with Art. 35 (2) of the Articles of Association) unless otherwise resolved by the Annual General Meeting:

- The holders of preferred shares receive a preferred dividend in the amount of 0.04 euros per preferred share. If the profit to be distributed in a fiscal year is insufficient for payment of a preferred dividend of 0.04 euros per preferred share, the arrears are paid without interest from the profit of the following years, with older arrears to be paid in full before more recent arrears and the preferred dividend from the profit of a particular fiscal year paid only after the clearance of all arrears. The holders of ordinary shares then receive a preliminary dividend from the remaining unappropriated profit of 0.02 euros per ordinary share, with the residual amount being distributed to the holders of ordinary and preferred shares in accordance with the proportion of the capital stock attributable to them.
- If the preferred dividend is not paid out either in part or in whole in a year, and the arrears are not paid off in the following year together with the full preferred share dividend for that second year, the holders of preferred shares are accorded voting rights until such arrears are paid (Section 140 (2) AktG). Cancellation or limitation of this preferred dividend requires the consent of the holders of preferred shares (§141 (1) AktG).

The shareholders exercise their rights in the General Meeting as per the relevant statutory provisions and the Articles of Association of Henkel AG & Co. KGaA. In particular, they may vote (ordinary shares only) – either personally, by postal vote, through a legal representative or through a proxy-holder nominated by the company (Section 134 (3) and (4) AktG in conjunction with Article 21 (2) and (3) of the Articles of Association) – and are also entitled to submit motions on the resolution proposals of the management, speak on agenda items, and raise pertinent questions and motions (Section 126 (1), Section 131 AktG in conjunction with Art. 23 (2) of the Articles of Association). The ordinary Annual General Meeting usually takes place within the first four months of the fiscal year (see 8.).

3.2 Authorized capital / Share buy-back

According to Art. 6 (5) of the Articles of Association, there is an authorized capital limit. Acting within this limit, the Personally Liable Partner is authorized, subject to the approval of the Shareholders' Committee and the Supervisory Board, to increase the capital stock of the Corporation during the period until April 12, 2020, by up to a nominal total of 43,795,875

euros through the issuance of up to 43,795,875 new preferred shares with no voting rights for cash or in-kind consideration. The authorization may be utilized to the full extent allowed or once or several times in partial amounts. The proportion of the capital stock represented by the shares issued on the basis of this authorization for consideration in kind must not exceed 10 percent of the capital stock in existence at the time of this authorization takes becoming effect.

The Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and the Supervisory Board, to set aside the pre-emptive subscription rights of shareholders in the case of a capital increase against contributions in kind, particularly for the purpose of business combinations or the (direct or indirect) acquisition of entities, operations, parts of businesses, equity interests or other assets, including claims against the Corporation or companies dependent upon it, in accordance with Section 17 AktG.

If capital is increased against cash contributions, all shareholders are essentially assigned pre-emptive subscription rights. The Personally Liable Partner is, however, authorized, subject to the approval of the Shareholders' Committee and of the Supervisory Board, to exclude the pre-emptive subscription rights of existing shareholders in three cases: (1) in order to dispose of fractional amounts; (2) to grant to creditors/holders of bonds with warrants or conversion rights or a conversion obligation issued by the corporation or one of the companies dependent upon it, pre-emptive rights corresponding to those that would accrue to such creditors/ bondholders following exercise of their warrant or conversion rights or on fulfillment of their conversion obligations; or (3) if the issue price of the new shares is not significantly below the quoted market price at the time of issue price fixing.

In addition, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time up to April 12, 2020, up to a maximum nominal proportion of the capital stock of 10 percent. This authorization can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests in entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner is also authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury stock without further resolution in General Meeting being required.

Insofar as shares may be issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

3.3 Restrictions with respect to voting rights or the transfer of shares

Generally, preferred shares do not convey any voting rights (Sections 139 (1), 140 (1) AktG; please refer to the discussion above for further details). Voting rights attached to treasury shares held by the company (Section 71b AktG) and to ordinary shares for which the statutory notification requirement has not been met (Section 44 sentence 1 German Securities Trading Act [WpHG]) may not be exercised. The voting rights attached to ordinary shares are also excluded by law in the cases cited in Section 136 AktG (conflicts of interest surrounding

ordinary shares held by members of the Management Board, Supervisory Board or Shareholders' Committee).

A share-pooling agreement has been concluded between members of the families of the descendants of company founder Fritz Henkel, pursuant to which the members agree on how to exercise the voting rights conveyed by their relevant ordinary shares in Henkel AG & Co. KGaA. The agreement also contains restrictions with respect to transfers of the ordinary shares covered (Art. 7 of the Articles of Association).

Henkel preferred shares acquired by employees through the Employee Share Program, including bonus shares acquired without additional payment, are subject under civil law to a company-imposed lock-up period of three years, which begins on the first day of the respective participation period. Essentially, the shares should not be sold before the end of this period. If employee shares are sold during the lock-up period, the bonus shares are forfeited.

Henkel preferred shares that will be acquired by employees through the Long Term Incentive (LTI) Plan 2020+, which was introduced on January 1, 2017, are also subject to a company-imposed contractual lock-up period and may not be sold before expiration of the four-year term of each tranche.

Contractual agreements also exist with members of the Management Board governing lock-up periods for Henkel preferred shares which they are required to purchase out of their variable annual cash remuneration.

3.4 Major shareholders

According to notifications received by the Corporation, more than 50 percent of the voting rights are held by parties to the Henkel family's share-pooling agreement.

3.5 Shares with special rights, interlocking relationships

There are no shares carrying multiple voting rights, preference voting rights, maximum voting rights or special control rights. There are no interlocking relationships/shareholdings.

4. Personally Liable Partner / Management Board

The sole Personally Liable Partner of the Corporation is Henkel Management AG of which the Management Board is therefore responsible for management of the business activities of the Corporation. Henkel Management AG is not authorized beyond this scope to transact business for its own account or for the account of others, or to pursue other entrepreneurial activities (Art. 8 (2) of the Articles of Association).

The Corporation is the sole shareholder of Henkel Management AG. The tenure of Henkel Management AG as Personally Liable Partner with the Corporation expires once the Corporation no longer holds all the shares in that entity (Art. 8 (5) of the Articles of Association). This structure ensures that the shareholders and corporate bodies of the Corporation retain their influence over Henkel Management AG and therefore retain control over the business activities of the Corporation, i.e. it is not possible for third parties to take control of Henkel Management AG as the Personally Liable Partner and thus acquire significant rights of influence over the Corporation.

The Supervisory Board of Henkel Management AG is responsible for the appointment and dismissal of members of the Management Board of Henkel Management AG (Management Board). The appointments are for a maximum tenure of five years. A reappointment or extension of the tenure is permitted for a maximum period of five years in each case (Section 84 AktG).

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board is also responsible for determining the number of members on the Management Board. The Supervisory Board can appoint a member of the Management Board as Chairperson.

The Management Board is responsible for the stewardship of the Corporation as a whole, its responsibilities encompassing planning, coordination, allocation of resources, financial control and risk management. It is bound to promote the interests of the Corporation and is committed to the sustainable increase of its corporate wealth (shareholder value). The Management Board develops the strategic alignment of the Corporation, agrees this with the Shareholders' Committee and, in compliance with the statutory limits of group management, effects its implementation. The Management Board is also responsible for preparing the quarterly, annual and consolidated financial statements. It must also ensure compliance with legal provisions, regulatory requirements and internal company guidelines, and take steps to ensure that Group companies observe them

The members of the Management Board are responsible for managing Henkel's business operations in their entirety. To this end, the individual Management Board members are assigned – in accordance with a business distribution plan – areas of competence for which they bear lead responsibility. The members of the Management Board cooperate closely as colleagues, informing one another of all major occurrences within their areas of competence and conferring on all actions that may affect several such areas.

Rules of procedure issued for Henkel Management AG by the Shareholders' Committee specify the actions and transactions that require the approval of the Shareholders' Committee. Rules of procedure issued by the Supervisory Board of Henkel Management AG govern the distribution of business responsibilities and cooperation within the latter's Management Board. The Management Board reaches its decisions by a simple majority of the votes cast. In the event of a tie, the Chairperson has the casting vote.

Notwithstanding the key requirements of qualification, competence and professional excellence for the relevant areas of responsibility on the Management Board, the Supervisory Board of Henkel Management AG has specified the following criteria – after consultation in the Shareholders' Committee and its Human Resources Subcommittee – that must be considered when making Management Board appointments to ensure as broad a spectrum as possible of knowledge, skills and professional experience (diversity) on the Management Board:

- Education / career experience

Overall, the members of the Management Board must demonstrate knowledge, skills and professional experience in the following areas in particular:

- Management / leadership experience: Experience with managing globally operating entities, involvement of employee representative bodies, leading and motivating employees, succession planning.
- Business acumen: Knowledge of / experience in industrial / consumer business areas and key markets, including the social environment in which Henkel operates, as well as knowledge of / experience in the fields of marketing, selling and distribution, digitalization / eCommerce, research and development, production / engineering and sustainable management.
- Strategic expertise: Ability to develop and implement prospects and strategies for the future.
- Financial expertise: Experience in accounting, auditing financial statements, issues surrounding funding and capital markets.
- Financial control / risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance / compliance / ethics: Experience with interaction among corporate bodies (governance) and in compliance with statutory / in-house requirements; modern understanding of corporate ethics and how to implement them.

- Internationality

The international activities of the corporation in both mature and emerging markets should be appropriately reflected in the composition of the Management Board. Henkel therefore strives to ensure that several members of different nationalities or with international backgrounds (who have spent many years working abroad or supervising foreign business activities, for example) are included on the Management Board.

- Gender

A reasonable proportion of women shall be represented in the Management Board. Henkel therefore strives to ensure that at least one woman is a member of the Management Board.

- Seniority

Change and continuity are two issues that must be taken into reasonable account when composing the Management Board. Henkel therefore aims to include members with different levels of seniority on the Management Board. Irrespective of this requirement, members of the Management Board should generally not be older than 63.

5. Shareholders' Committee

According to the Articles of Association, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of ten members, all of whom are elected by the General Meeting of Henkel AG & Co. KGaA (Sec. 27 of the Articles of Association). The tenure of office is five years unless otherwise stipulated at the time of election.

The Shareholders' Committee carries out the tasks and functions delegated to it by the General Meeting or by dint of the Articles of Association. In particular, the Shareholders' Committee participates in the management of the Corporation's business in lieu and as an

agent of the General Meeting. It is involved in the formulation of the corporate guidelines, the corporate objectives and long-term planning, and it supervises and regularly advises Henkel Management AG through the latter's Management Board on the stewardship of the Corporation. It participates in the drafting of important corporate decisions, offers suggestions as to business development and monitors planning compliance.

It is also responsible for resolving on the appointment and dismissal of the personally liable partners and holds both the power of representation and executive powers over the legal relationships prevailing between the Corporation and Henkel Management AG as sole Personally Liable Partner. Moreover, it is also the responsibility of the Shareholders' Committee to exercise the voting rights of the Corporation in the Annual General Meeting of Henkel Management AG. Consequently, it appoints the members of the Supervisory Board of Henkel Management AG and is intimately involved in the appointment of the members of the Management Board. It may also issue Rules of procedure incumbent upon Henkel Management AG (§ 278 (2) AktG in conjunction with § 114 and §161 HGB [German Commercial Code], and Articles 8, 9 and 26 of the Articles of Association of Henkel AG & Co. KGaA).

The Shareholders' Committee generally meets six times per year and holds a joint conference with the Management Board lasting several days. The Shareholders' Committee reaches its decisions by a simple majority of the votes cast. It has established a Finance and a Human Resources Subcommittees which comprise of five of its members each and likewise meet six times per year each, as a rule.

The Finance Subcommittee deals primarily with financial matters, questions of financial strategy, financial position and structure, taxation and accounting policy, as well as risk management within the corporation. It also performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it.

The Human Resources Subcommittee deals primarily with personnel matters relating to members of the Management Board, issues pertaining to human resources strategy, and with remuneration. It performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. The Subcommittee also addresses issues concerned with succession planning and management potential within the individual business units, taking into account relevant diversity aspects.

6. Supervisory Boards

6.1 Supervisory Board of Henkel AG & Co. KGaA

In accordance with Germany's Co-Determination Act of 1976, the Supervisory Board of the Corporation has 16 members made up of an equal number of shareholder and employee representatives. The eight shareholder representatives are elected by the General Meeting, and the eight employee representatives are elected by the employees in accordance with the provisions of the Co-Determination Act of 1976 and the associated electoral regulations. All the members of the Supervisory Board are equally bound to uphold the interests of the

Corporation. The tenure of office is five years unless otherwise stipulated at the time of election.

The task of the Supervisory Board is to regularly advise and supervise Henkel Management AG and its Management Board in the stewardship of Henkel AG & Co. KGaA. The Supervisory Board also reviews the annual financial statements of Henkel AG & Co. KGaA and the consolidated financial statements, taking into account the audit reports submitted by the auditor. It further submits to the Annual General Meeting a proposal indicating its recommendations for the appointment of the external auditor.

The Supervisory Board generally meets four times a year. It passes its resolutions on the basis of a simple majority of the votes cast. In the event of a tie, the Chairperson has the casting vote. The Supervisory Board has formed an Audit and also a Nominations Committee.

The Audit Committee is made up of three elected shareholder- and three elected employee-representative members of the Supervisory Board. Each member is elected by the Supervisory Board based on nominations of their fellow shareholder or fellow employee representatives on the Supervisory Board. The Chairperson of the Audit Committee is elected based on a proposal of the shareholder representatives on the Supervisory Board. It is a statutory requirement that the Audit Committee includes an independent member of the Supervisory Board with expertise in the fields of accounting and auditing.

The Audit Committee, which generally meets four times a year, prepares the proceedings and resolutions of the Supervisory Board relating to the adoption of the annual financial statements and the consolidated financial statements, and also the auditor appointment proposal to be made to the Annual General Meeting. It issues audit mandates to the auditor and defines the focal areas of the audit or review, as well as dealing with questions of audit fee and other advisory services provided by the auditor. It monitors the independence and qualifications of the auditor, requiring the latter to submit a declaration of independence which it then evaluates. Furthermore, The Audit Committee monitors the accounting process and assesses the effectiveness of the Internal Control System, the Risk Management System and the Internal Auditing and Review System and is likewise involved in compliance issues. It discusses with the Management Board, in the presence of the auditor, the quarterly reports and the financial report for the half-year prior to their publication.

The Nomination Committee comprises the Chairperson of the Supervisory Board and two further shareholder representative members elected by the Supervisory Board based on proposals of the shareholder representative. The Chairperson of the Supervisory Board is also Chairperson of the Nomination Committee. The Nomination Committee prepares the resolution of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members to the Supervisory Board (shareholder representatives).

At regular intervals, the Supervisory Board – and the Shareholders' Committee – carry out an internal review to determine the efficiency with which they and their committees/sub-committees are performing their duties. This self-assessment is performed on the basis of a comprehensive checklist which also contains items relating to corporate governance and improvement indicators.

Pursuant to the German Corporate Governance Code, conflicts of interest must be disclosed in an appropriate manner to the Supervisory Board or Shareholders' Committee, particularly those that may arise as a result of a consultancy or committee function performed in the service of customers, suppliers, lenders or other business partners. Members encountering material conflicts of interest that are more than just temporary are required to resign their mandate.

Inasmuch as Henkel pursues business activities with companies in which members of the Supervisory Board and/or the Shareholders' Committee hold leading managerial positions, the same arm's length principles apply as those applicable to transactions with and between unrelated third parties.

Bearing in mind the legal requirements specified by the CSR Directive Implementation Act and the recommendations of the German Corporate Governance Code [DCGK], and taking into account the specific situation and global reach of the company's activities in industrial and consumer business areas, the Supervisory Board has established the following objectives governing its composition. When proposing candidates to the Annual General Meeting for both routine reelection and replacement election, the Supervisory Board must consider the following objectives, whereby the particular regulations of the Codetermination Act must be observed with regard to the elected employee representatives.

- **Education / Career experience**
Overall, the Supervisory Board must demonstrate knowledge, skills and professional experience in the following areas in particular:
 - **Management / leadership experience:** Experience with managing globally operating corporations / companies and with employee management.
 - **Business acumen:** Knowledge of / experience in the fields of research and development, production / engineering, marketing, selling and distribution, digitalization / eCommerce, as well as knowledge of / experience in industrial / consumer business areas, in the key markets in which Henkel operates, and in sustainable management.
 - **Financial expertise:** Experience in the fields of accounting / accounting processes or with auditing financial statements, knowledge of financial instruments and funding strategies.
 - **Financial control / risk management:** Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
 - **Governance / compliance:** Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory / in-house requirements.

- **Impartiality, integrity**
To ensure the impartiality of its counseling activities and supervision of the Management Board, the Supervisory Board must include a reasonable number of impartial members, bearing in mind the company's ownership structure.
As a rule, the following people should not belong to the Supervisory Board:
 - Close family members of a Management Board member.
 - Anyone who, in the past three years, has been a partner of or in the employ of the present or previous external auditors of the corporation.

- Anyone who receives or has received over the past three years not inconsiderable remuneration of any nature from Henkel AG & Co. KGaA or one of its affiliates (excluding remuneration for Supervisory Board or Shareholders' Committee membership or, in the case of employee representatives, their salaries).
- Anyone with direct or indirect material business ties to Henkel AG & Co. KGaA or one of its affiliates, whether as partner, shareholder, member of the management body or executive of the company with which this business relationship exists.

Assuming that the exercise of their Supervisory Board mandate by the employee representatives as such does not constitute a basis for doubt as to whether the independence criteria as defined by Item 5.4.2 of the DCGK are fulfilled, the Supervisory Board should include at least 13 members who are impartial as defined by the DCGK. In keeping with the ownership structure and the corporation's tradition as an open family business to which the Henkel family has been committed ever since the company was founded in 1876, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that creates a conflict of interest in the meaning above. Membership of the Shareholders' Committee or of the Supervisory Board of Henkel Management AG is compatible with Supervisory Board membership. As a rule, however, at least three of the shareholder representatives on the Supervisory Board should be neither members of the share-pooling agreement nor members of the Shareholders' Committee nor members of the Supervisory Board of Henkel Management AG, and they must be named accordingly in the corporate governance report.

Moreover, no more than two former members of the Management Board should be elected to the Supervisory Board, nor people

- who – if members of a Management Board of a listed company – exercise more than three Supervisory Board mandates in total for non-Group listed companies or for non-Group companies with similar requirements,
- or who perform management or advisory tasks for material competitors.

Also, as a rule, nobody should be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already served more than two full terms of office on the Supervisory Board. However, to ensure continuity, members may also serve on the Supervisory Board for longer periods of time in individual cases. In keeping with the ownership structure and the corporation's tradition as an open family business, this applies particularly to members of the Henkel family share-pooling agreement.

Members of the Supervisory Board should, moreover, be capable of duly upholding Henkel's reputation in the public domain.

- **Availability**
When proposing new candidates to the Annual General Meeting for election to the Supervisory Board, the Supervisory Board must make sure that the relevant candidates can devote the anticipated time to the task.

- **Internationality**
The international activities of the corporation should be appropriately reflected in the composition of the Supervisory Board. Henkel therefore strives to ensure that several members with international backgrounds (who have spent many years working abroad or supervising foreign business activities, for example) are included on the Supervisory Board.
- **Gender**
A reasonable proportion of women shall be appointed to the Supervisory Board. The statutory minimum requirement of 30 percent is deemed to be reasonable. Henkel strives to increase the proportion of women when new or replacement members are elected.
- **Age**
The Supervisory Board should include representatives from different generations / age groups. Henkel therefore aims to include members from different generations / age groups on the Supervisory Board.

Irrespective of the aforementioned, nobody should, as a rule, be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already reached their 70th birthday.

6.2 Supervisory Board of Henkel Management AG

The Supervisory Board of Henkel Management AG comprises three members, all of whom are elected by the General Meeting of Henkel Management AG. The tenure of office is five years, unless otherwise stipulated at the time of election.

The sole shareholder of Henkel Management AG is Henkel AG & Co. KGaA. Corresponding voting rights assigned to Henkel AG & Co. KGaA are exercised by the Shareholders' Committee of Henkel AG & Co. KGaA, which thus also elects the members of the Supervisory Board of Henkel Management AG.

The three members of the Supervisory Board of Henkel Management AG are also members of the Shareholders' Committee of Henkel AG & Co. KGaA. This (partially) identical membership ensures that the Shareholders' Committee is responsible for appointing not only Henkel Management AG as the Personally Liable Partner but also its Management Board (through the members of the Supervisory Board of Henkel Management AG), i.e. those natural persons who actually manage the Corporation. Effective oversight and monitoring of management, i.e. the Management Board of Henkel Management AG, is assured by the following:

- Supervision and control of the Management Board by the Supervisory Board of Henkel Management AG in accordance with the principles of corporate law
- Supervision and control of Henkel Management AG as the Personally Liable Partner, and thus (also) of its Management Board
 - through the Shareholders' Committee, which exercises the associated powers of the Corporation's shareholders, and
 - through the Supervisory Board operating at the KGaA level, in accordance with the principles of corporate law.

7. Interaction between Management Board, Shareholders' Committee and Supervisory Board

The Management Board of Henkel Management AG, which is responsible for the stewardship of the Corporation as a whole, including planning, coordination, allocation of resources, financial control and risk management, the Supervisory Board and the Shareholders' Committee of the corporation cooperate closely for the benefit of the organization. The Management Board agrees with the Shareholders' Committee the strategic alignment of the corporation and discusses with the Shareholders' Committee at regular intervals the status of implementation of said strategy.

In keeping with good corporate management practice, the Management Board informs the Supervisory Board and the Shareholders' Committee regularly, and in a timely and comprehensive fashion, of all issues of relevance to the corporation concerning business policy, corporate planning, profitability, the business development of the corporation and of major Group companies, and also matters relating to risk exposure and risk management.

For transactions of fundamental significance, the Shareholders' Committee has established a right of veto in the procedural rules governing the actions of Henkel Management AG in its function as sole Personally Liable Partner (Article 26 of the Articles of Association). This covers, in particular, decisions or measures that materially change the net assets, financial position or results of operations of the corporation. The Management Board complies with these rights of consent of the Shareholders' Committee and also duly submits to the spheres of authority of the corporation's General Meeting.

8. General Meeting of Henkel AG & Co. KGaA

The General Meeting is the will-forming forum of all the Corporation's shareholders. The facilitator or chairman of the General Meeting is appointed by the Shareholders' Committee.

8.1 Subjects requiring General Meeting resolution

The General Meeting passes resolutions on certain matters as prescribed by law and the Articles of Association, and in particular on

- appointment of the members of the Supervisory Board (shareholders' representatives) and of the Shareholders' Committee;
- adoption of the annual financial statements and appropriation of the Corporation's profits;
- formal approval of the actions of the Personally Liable Partner, the Supervisory Board and the Shareholders' Committee;
- election of the auditor and appointment of special auditors;
- changes to the Articles of Association;
- the issuance of new shares, convertible bonds and convertible debenture stock;
- authorization to purchase the Corporation's own shares ("treasury stock");
- the conclusion of enterprise agreements, and company transformations;
- winding up of the Corporation.

Unless otherwise required by mandatory provisions of statute or the Articles of Association, the resolutions of the General Meeting are adopted by simple majority of the votes cast and, where a majority of shares is required by statute, by simple majority of the voting stock duly represented. There are no shares carrying multiple voting rights, preference voting rights,

maximum voting rights or special control rights (Art. 24 of the Articles of Association). This also applies to any amendments to the Articles of Association. However, any changes to the object of the Corporation require a three-quarters majority of the represented voting capital stock (§ 179 (2) AktG). The Supervisory Board and the Shareholders' Committee have the authority to resolve purely formal modifications of and amendments to the Articles of Association (Article 34 of the Articles of Association).

8.2 Convocation

The General Meeting is convened by the Personally Liable Partner.

Shareholders whose shares jointly represent at least one twentieth of the capital stock, corresponding to 21,897,938 ordinary or preferred shares or a combination of both, may request that a general meeting of shareholders be called. If their proportionate amount of the capital stock jointly amounts to 500,000 euros – corresponding to 500,000 ordinary or preferred shares or a combination of both – they may request that items be placed on the agenda and published (Section 122 (1 and 2) AktG). In addition, shareholders whose combined share of the capital stock amounts to 100,000 euros or more may, subject to certain conditions, request that a special auditor be appointed by the court to examine certain matters (Section 142 (2) AktG).

The Ordinary General Meeting (Annual General Meeting) usually takes place within the first four months of the financial year. The management publishes, together with the agenda, the reports and documents, including the Annual Report, required by law for the Annual General Meeting. These items also appear on the website of the Corporation. The results of the resolutions passed by the Annual General Meeting are likewise made available on the internet. Furthermore, the Annual General Meeting is partly broadcast live on the internet.

8.3 Participation / Voting rights

The shareholders exercise their rights in the General Meeting as per the relevant statutory provisions and the Articles of Association of Henkel AG & Co. KGaA. In particular, they may vote (ordinary shares only) – either personally, by postal vote, through a legal representative or through a proxy-holder nominated by the company (Section 134 (3) and (4) AktG in conjunction with Article 21 (2) and (3) of the Articles of Association) – and are also entitled to submit motions on the resolution proposals of management, speak on agenda items, and raise pertinent questions and motions (Section 126 (1), Section 131 AktG in conjunction with Art. 23 (2) of the Articles of Association).

The shareholders are assisted by the Corporation in the personal exercise of their rights. The Corporation also supports them in the issue of proxy instructions by appointing representatives (proxyholders) who are bound to exercise such voting rights in accordance with the instructions received from the shareholders in question. In addition, the General Meeting is transmitted live, either wholly or in part, via the internet.

In accordance with article 22 of the Articles of Association the members of the Management Board of the Personally Liable Partner may not exercise voting rights derived from their ownership of voting shares, nor exercise those by proxy on behalf of another, nor have their voting rights exercised by others in resolutions relating to the election and dismissal of members of the Supervisory Board (shareholder representatives) and of the Shareholders'

Committee, approval of the actions of the Personally Liable Partner, of the Supervisory Board and of the Shareholders' Committee, the appointment of special auditors, the election of the auditor and the adoption of resolutions on compensation claims.

Each ordinary share grants one vote. The Corporation has also issued preferred shares attracting a preferred dividend, the voting rights attached to which shares are revived in accordance with the provisions of the German Stock Corporation Act in the event of the preferred dividend not being paid (see 3.1).

9. Principles of corporate stewardship / Compliance

The members of the Management Board conduct the corporation's business with the care of a prudent and conscientious business director in accordance with the legal requirements, the Articles of Association of Henkel Management AG and the Articles of Association of Henkel AG & Co. KGaA, the rules of procedure governing the actions of the Management Board, the provisions contained in the individual contracts of employment and also the compliance guidelines and resolutions adopted by and within the Management Board.

Corporate management principles which go beyond the statutory requirements are derived from our purpose, our vision, our mission and our values. For our company to be successful, it is essential that we share a common approach to entrepreneurship. We have defined a clear strategic framework with a long-term horizon. It guides us in making the right decisions and helps us to concentrate on our strategic priorities and focus strictly on our ambition for the future.

We want to create value – for our customers and our consumers, for our people, for our shareholders as well as for the wider society and communities in which we operate.

Our purpose:

- Creating sustainable value.

Our vision:

- Leading with our innovations, brands and technologies.

Our mission:

- Serving our customers and consumers worldwide as the most trusted partner with leading positions in all relevant markets and categories – as a passionate team united by shared values.

Our values:

- We put our customers and consumers at the center of what we do.
- We value, challenge and reward our people.
- We drive excellent sustainable financial performance.
- We are committed to leadership in sustainability.
- We shape our future with a strong entrepreneurial spirit based on our family business tradition.

The corporate bodies of Henkel and our employees worldwide are guided by this purpose, this vision, this mission, and these values. They reaffirm our ambition to meet the highest ethical

standards in everything we do. And they guide our employees in all the day-to-day decisions they make, providing a compass for their conduct and actions.

Henkel is committed to ensuring that all business transactions are conducted in an ethically irreproachable, legal fashion. Consequently, Henkel expects all its employees not only to respect the company's internal rules and all relevant laws, but also to avoid conflicts of interest, to protect Henkel's assets and to respect the social values of the countries and cultural environments in which the company does business. The Management Board has therefore issued a series of Group-wide codes and standards with precepts that are binding worldwide. These regulatory instruments are not static, but are periodically reviewed and amended as appropriate, evolving in step with the changing legal and commercial conditions that affect Henkel as a globally active corporation. The Code of Conduct and the Henkel Social Standards supports our employees in ethical and legal issues. The Leadership Principles, for example, define the scope of responsibilities for managers. The Code of Corporate Sustainability describes the principles that drive our sustainable, socially responsible approach to business. These codes also enable Henkel to meet the commitments derived from the Global Compact of the United Nations.

Ensuring compliance with laws and regulations is an integral component of our business processes. Henkel has established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (CCO). The General Counsel & CCO, supported by the Corporate Compliance Office and the interdisciplinary Compliance & Risk Committee, manages and controls compliance-related activities undertaken at the corporate level, coordinates training courses, oversees fulfilment of both internal and external regulations, and supports the corporation in the further development and implementation of the associated standards.

The local and regional compliance officers are responsible for organizing and overseeing the training activities and implementation measures tailored to the specific requirements of their locations. They report to the Corporate Compliance Office. The General Counsel & CCO reports regularly to the Management Board and to the Audit Committee of the Supervisory Board on identified compliance violations.

The issue of compliance is also a permanent item in the target agreements signed by all managerial staff of Henkel. Due to their position, it is particularly incumbent on them to set the right example for their subordinates, to effectively communicate the compliance rules and to ensure that these are obeyed through the implementation of suitable organizational measures.

The procedures to be followed in the event of complaints or suspicion of malpractice also constitute an important element of the compliance policy. In addition to our internal reporting system and complaint registration channels, employees may also, for the purpose of reporting serious violations to the Corporate Compliance Office, anonymously use a compliance hotline operated by an external service-provider. The head of the Corporate Compliance Office is mandated to initiate the necessary follow-up procedures.

Our corporate compliance activities are focused on antitrust law and fight against corruption. In our Code of Conduct, the corporate guidelines based upon it, and other publications, the Management Board clearly expresses its rejection of all violations of the principles of

compliance, particularly antitrust violations and corruption. We do not tolerate such violations in any way. For Henkel, bribery, anticompetitive agreements, or any other violations of laws are no way to conduct business.

A further compliance-relevant area relates to capital market law. Supplementing the legal provisions, internal codes of conduct have been put in place to regulate the treatment of information that has the potential to affect share prices. The company has an Ad Hoc Committee comprised of representatives from various departments. In order to ensure that all insider information is handled as required by law, this Committee reviews developments and events for their possible effect on share prices, determining the need to issue reports to the capital markets on an ad hoc basis. There are also rules that go beyond the legal requirements, governing the behavior of the members of the Board of Management, the Supervisory Board and the Shareholders' Committee, and also employees of the corporation who, due to their function or involvement in projects, have access to insider information.

For further information relating to the principles guiding our corporate stewardship, we would like to refer you to the respective codes.

10. Transparency / Communication

An active and open communication policy ensuring prompt and continuous information dissemination is a major component of the value-based management approach at Henkel. Hence shareholders, shareholder associations, participants in the capital market, financial analysts, the media and the public at large are kept informed of the current situation and major business changes relating to the Henkel Group, with all stakeholders being treated equally. All such information is also promptly made available on the internet.

Up-to-the-minute information is also incorporated in the regular financial reporting undertaken by the corporation. The dates of the major recurring publications, including the dates for the press conference on the preceding fiscal year and the Annual General Meeting, are announced in our financial calendar, which is also available on the internet.

The corporation's advancements and targets in relation to the environment, safety, health and social responsibility are published annually in our Sustainability Report. Shareholders, the media and the public at large are provided with comprehensive information through press releases and information events, while occurrences with the potential to materially affect the price of Henkel shares are communicated in the form of ad-hoc announcements.