



(Status: July 2022)

## 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 allegiance to the following three 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 units

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.

The business activities of our operational business units are supported by the central functions of Henkel AG & Co. KGaA, our Global Supply Chain organization and our Global Business Solutions organization with its Shares Service Centers, thus enabling optimum utilization of corporate network synergies.

Implementation of the business activities at the 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 national affiliates 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.

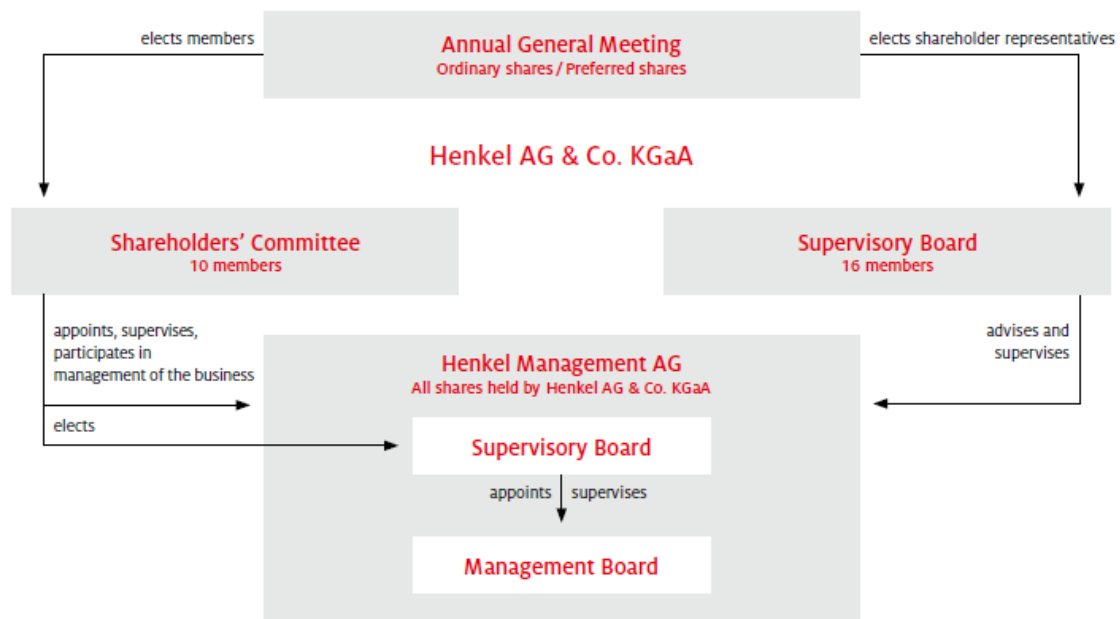
The main differences with respect to a joint stock corporation (AG) are as follows:

- 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 Corporation is the sole shareholder of Henkel Management AG.
- 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 of a KGaA 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. These duties are performed for the Corporation by the Shareholders’ Committee and by the Supervisory Board of Henkel Management AG respectively. 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 Corporation’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 Corporation, 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 Composition of issued capital/Shareholders' 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), with each share representing a nominal proportion of the capital stock of 1 euro. Of this total, 259,795,875 are ordinary shares (total nominal proportion of capital stock: 259,795,875 euros, representing 59.3 percent) and 178,162,875 are preferred shares without voting rights (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 Corporation's Articles of Association. 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 June 16, 2025, by up to a nominal total of 43,795,875 euros by issuing against cash contributions up to 43,795,875 new non-voting bearer preferred shares, these being equivalent to the existing preferred shares in the distribution of profits or corporate assets. The new shares have exactly the same rights as the preferred bearer shares already in circulation in respect of eligibility for distribution of profits or corporation assets. Existing shareholders must be granted pre-emptive subscription rights in such issuances. The new shares may also be subscribed pursuant to Section 186 (5) sentence 1 AktG by one or more banks or financial institutions or companies to be determined by the Personally Liable Partner, with the obligation to offer them to the shareholders for subscription.

The authorization may be utilized to the full extent allowed or in one or several installments. New non-voting preferred shares participate in profits from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Personally Liable Partner may, with the approval of the Shareholders' Committee and of the Supervisory Board and in derogation from Section 60 (2) AktG, determine that the new shares shall participate in profits from the beginning of a fiscal year that has already elapsed and for which, at the time of their issuance, no resolution has yet been passed by the Annual General Meeting on the appropriation of retained earnings.

In addition, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 7, 2024, up to a maximum proportion of 10 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. Equity derivatives (put and/or call options and/or forward contracts or a combination of such derivatives) can also be used for such purchase. The volume of all shares purchased using such derivatives must not exceed 5 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. The term of the derivatives must not exceed 18 months in each case and shall be contracted such that, after April 7, 2024, it will not be possible to acquire treasury shares through exercise of such derivatives.

This authorization to purchase treasury shares 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. Treasury shares may also be offered for purchase or transferred to employees of the corporation and employees and members of corporate bodies of affiliated companies, in particular in connection with share-based payment schemes, including the Long-Term Incentive Plan 2020+. 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 shares without the need for further resolution by the General Meeting.

Insofar as shares are 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 part of their variable annual cash remuneration.

### **3.4 Major shareholders**

According to notifications received by the Corporation, more than 60 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 members of the Management Board are segregated from both the Supervisory Board and the Shareholders' Committee of Henkel AG & Co. KGaA and from the Supervisory Board of Henkel Management AG; no member of the Management Board may also sit on either of the aforementioned Supervisory Boards nor the Shareholders' Committee.

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 Personnel Committee – 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.
  - Understanding of the business: 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: Experience in developing and implementing 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 both genders shall be represented in the Management Board. The Management Board must include at least one woman and at least one man.

- 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.

As the executive body of the Group, the Management Board is bound to uphold the interests of the corporation and is responsible for ensuring a sustainable increase in shareholder value. The members of the Management Board are responsible for managing Henkel's business operations in their entirety. 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. Further details relating to cooperation and the division of operational responsibilities within the Management Board are regulated by the rules of procedure issued by the Supervisory Board of Henkel Management AG.

It is the duty of the Management Board to prepare the annual financial statements of Henkel AG & Co. KGaA, the consolidated financial statements and combined management reports for Henkel AG & Co. KGaA and the Group, as well as the half-year financial reports and quarterly statements. Together with the Supervisory Board of Henkel AG & Co. KGaA, it compiles the annual remuneration report per Section 162 AktG.

The Management Board is responsible for management of the overall business including planning, coordination, allocation of resources, and control/risk management. It must also ensure compliance with legal provisions, regulatory requirements and internal company guidelines, and take steps to ensure that Group companies also observe them. To this end, the Management Board has put a comprehensive compliance management system in place that also enables confidential whistleblowing.

The Management Board adopts its resolutions in meetings held at regular intervals or by written procedure. Decisions by the Management Board are taken on the basis of detailed information submitted by the business units and central functions and – to the extent deemed necessary – by external consultants. Wherever possible, Management Board resolutions are adopted unanimously. In the absence of a unanimous vote, the majority decides; in the event of a tie, the Chair of the Management Board has the casting vote. If outvoted, the Chair has a veto right. Exercising the veto right prompts renewed debate of the resolution by the Management Board. If the veto right is exercised again in response to the proposed adoption of a resolution, the matter is forwarded to the Shareholders' Committee for a final decision.

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.

## **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.



Given the tasks of the Shareholders' Committee, its members should generally demonstrate knowledge, skills and experience in the following areas particularly:

- Management/leadership experience: Experience in managing globally operating corporations.
- Managing executives: Experience in managing and remunerating executives; succession planning.
- Understanding of the business: Knowledge of/experience in industrial and/or consumer business areas and Henkel's key markets, as well as knowledge of/experience in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management.
- Strategic expertise: Experience in developing and implementing 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: Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory/in-house requirements.

Members of the Shareholders' Committee should not have any personal or business relationship with the Corporation or its Management Board that could create a substantial and not merely temporary conflict of interest.

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 could create a substantial and not merely temporary conflict of interest.

Membership of the Corporation's Supervisory Board or of the Supervisory Board of Henkel Management AG is compatible with membership of the Shareholders' Committee. As a rule, however, five, and at least four, members of the Shareholders' Committee or their close families should be neither members of the share-pooling agreement nor members of the corporation's Supervisory Board, and they must be named accordingly in the corporate governance statement.

The Shareholders' Committee performs the tasks assigned to it by the General Meeting or according to 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 thus closely involved in the appointment and remuneration of the members of the Management Board. It has, moreover, determined Rules of procedure for 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).



As a general rule, the Shareholders' Committee meets six times per year. If deemed necessary, the Management Board does not participate in such meetings. It also 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 Committee and a Personnel Committee, comprising of five of its members each, and likewise meet six times per year each, as a rule.

The Finance Committee 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 Personnel Committee 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 Personnel Committee 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.

Bearing in mind the recommendations of the GCGC, and taking into account the specific situation and global reach of the corporation's activities in both industrial and consumer business areas, the Supervisory Board has specified the following objectives governing its composition. When proposing candidates to the Annual General Meeting for both routine re-election and replacement election, the Supervisory Board considers these objectives, whereby the particular regulations of the 1976 Codetermination Act must be observed with regard to the employee representative candidates.

- **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.
- **Understanding of the business:** 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 shareholder representatives on the Supervisory Board must include what they believe to be a reasonable number of independent members, bearing in mind the corporation's ownership structure.

According to Recommendation C.6 GCGC, a member of a Supervisory Board is considered independent if they are independent from the corporation and its management board and independent from a controlling shareholder.

Pursuant to Recommendation C.7 GCGC, more than half the shareholder representatives should be independent from the corporation and the Management Board. Supervisory Board members are considered independent from the corporation and its Management Board if they have no personal or business relationship with the corporation or its Management Board that may cause a material – and not merely temporary – conflict of interest.

Assessing the independence of shareholder representatives from the company and its Management Board requires particular consideration of whether the respective Supervisory Board member or a close family member

- was a member of the company's Management Board in the two years prior to appointment,
- was in the past three years or is a partner of or in the employ of the present or previous external auditors of the corporation,
- 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),
- is currently maintaining or has maintained in the year prior to appointment by Henkel AG & Co. KGaA or one of its affiliates a material business relationship – either directly or indirectly – as a partner, shareholder, member of management or in a leading position of the entity maintaining the business relationship (e.g., as customer, supplier, lender or advisor),
- is a close family member of a member of the Management Board or
- has been a member of the Supervisory Board for more than 12 years.

If one or more of the aforementioned indicators apply and the Supervisory Board member concerned is still considered independent, the reasons for this assessment must be given in the corporate governance statement.

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 substantial and not merely temporary conflict of interest as indicated in the GCGC recommendations. Membership of the Shareholders' Committee or of the Supervisory Board of Henkel Management AG is compatible with Supervisory Board membership. As a rule, however, three, but at least two of the shareholder representatives on the Supervisory Board or close members of their families 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 statement.

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

- who – if not members of a management board of a listed company – exercise more than five supervisory board mandates in total for non-Group listed companies or for non-Group companies with similar requirements (chairing a supervisory board counts twice),
- who – if members of a management board of a listed company – exercise more than two supervisory board mandates in total for non-Group listed companies or for non-Group companies with similar requirements, or chair the supervisory board of a non-Group listed company,
- who perform management or advisory tasks for material competitors.

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 and length of service**  
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. 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 ten years or more 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.

It is the responsibility of the Supervisory Board to advise and supervise the Management Board in the performance of its business management duties. At regular intervals, the Supervisory Board discusses with the Management Board business policy, business performance and planning, the risk situation, risk management and the internal control system, as well as issues relating to compliance. It reviews the annual financial statements of Henkel AG & Co. KGaA and the Group's consolidated financial statements together with the associated combined management reports and the non-financial statement, taking into account the reviews and audit reports submitted by the auditor. It also votes on the proposal of the Management Board regarding the appropriation of profit and submits to the Annual General Meeting a proposal for the appointment of the external auditor, based on the recommendation submitted by the Audit Committee. The Supervisory Board also compiles jointly with the Management Board the annual remuneration report in accordance with Section 162 AktG. Approving the annual financial statements is not the Supervisory Board's duty, but rather the responsibility of the Annual General Meeting.

As a general rule, the Supervisory Board meets four times a year. If deemed necessary, the Management Board does not participate in such meetings. The Supervisory Board 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 established an Audit Committee and 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 at least one member with expertise in the field of accounting and at least one member with expertise in the field of auditing; all members must be familiar with the sector in which the Corporation operates.

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, the review of the non-financial statement and also the auditor appointment proposal to be made to the Annual General Meeting. It issues audit mandates to the auditor following the latter's appointment by the Annual General Meeting 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. The Audit Committee specifies a cap on the provision of other advisory services, i.e. non-audit-related services as permitted in the relevant EU regulations, and overseas adheres to same. It also 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. 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. It is likewise involved in issues relating to compliance and audit quality. The Group's Internal Audit function reports regularly to the Audit Committee. Prior to the respective publication dates, it discusses the quarterly statements and the financial report for the half year with the Management Board in a meeting that is also attended by the external auditor. The Audit Committee also monitors the internal procedure for assessing whether transactions with related parties are conducted correctly and at arm's length, and adopts resolutions in place of the Supervisory Board governing the approval of transactions with related parties as defined in Sections 111a to 111c AktG, where such transactions require Supervisory Board approval per Section 111b AktG.

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).

Every two years, the Supervisory Board – and the Shareholders' Committee – hold an internal review to determine the efficiency with which they and their committees carry out their duties. This assessment is performed on the basis of a comprehensive company-specific checklist covering important aspects – such as meeting frequency, duration, preparation and organization, the scope and content of documents and information, reports submitted by the Management Board, minutes, committee work and information disclosure, financial control and risk management systems, requests for information, collaboration with the auditor, corporate governance matters and improvement opportunities.

Pursuant to the German Corporate Governance Code (GCGC), 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.

## **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 exercise the right to vote conveyed by the shares with voting rights – 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:**

- Pioneers at heart for the good of generations.

#### **Our vision:**

- Win the 20s by outperforming the markets through innovative and sustainable solutions.



### 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 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 Commitments define the leadership principles of management conduct. 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 United Nations Global Compact.

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. The ultimate authority to decide how to handle potential insider information lies with the Management Board. 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.