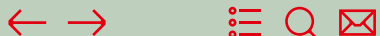




SUSTAINABILITY *REPORT* 2021





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Dear friends of the Company,

The past year put our individual and collective resilience to the test. Certainly, 2021 did not draw us out of the COVID-19 pandemic as we had hoped: our economy and communities unfortunately continue to struggle with the outbreak's lingering impacts. Our mission to tackle environmental, social, and political challenges has therefore never been clearer.

I am proud to say that Henkel has taken further bold action in 2021, for which we were once again recognized by key sustainability ratings. Despite the challenging environment, we remained resilient and resolute in our commitment to embed sustainability into the heart of our business. We advanced commitments to becoming a climate-positive company by converting the first of many sites to climate-neutral production. We reduced waste by using more recycled packaging material with help from partners like Plastic Bank, which turns plastic waste into Social Plastic® for product packaging. And we elevated sustainable financing by

launching a “Sustainable Finance Framework,” tying company financing to transparent ESG criteria.

Beyond this, we also reinvigorated our culture by defining a new company purpose: Pioneers at heart for the good of generations. It is built from our roots and carries our long-standing legacy of innovation, responsibility, and sustainability into the future. This lies at the center of Henkel's strategic framework “Purposeful Growth,” our formula for success in the current decade.

With these achievements in mind, we also spent the last year developing our sustainability strategy – how can we be faster, bolder, and go further? We want to drive the sustainability transformation towards a regenerative planet and thriving communities, acting as a trusted partner to our stakeholders. We pushed ourselves to define our roadmap beyond our 2025 targets and shape new ambitions for 2030 and beyond.

Looking ahead, we are well prepared: sustainability is deeply anchored in our business strategy and alive in our purpose. With that foundation, our sustainable transformation continues – because a true pioneer is never finished and continuously seeks out the next frontier!

On behalf of everyone at Henkel, I would like to thank you for your interest in our 2021 Sustainability Report.

SYLVIE NICOL

Executive Vice President Human Resources and
Chair of Henkel's Sustainability Council



COMPANY *PROFILE*

Henkel was founded in 1876. That means the year under review marks the 145th in our corporate history. At the end of 2021, Henkel employed around 52,450 people worldwide. We occupy globally leading market positions in our consumer and industrial businesses. Our Purpose defines the common ground that unites all of us at Henkel: Pioneers at heart for the good of generations.

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HENKEL 2021

SUCCESS WITH BRANDS AND TECHNOLOGIES FOR

145 YEARS

THREE BUSINESS UNITS



ADHESIVE TECHNOLOGIES



BEAUTY CARE



LAUNDRY & HOME CARE

LEADING BRANDS

LOCTITE

Schwarzkopf

Persil

52,450 EMPLOYEES FROM

124 COUNTRIES

€ 20.1 BN SALES IN 2021

174 PRODUCTION SITES AROUND THE WORLD

HEADQUARTERED IN

Düsseldorf GERMANY

79 NUMBER OF COUNTRIES IN WHICH WE OPERATE



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Henkel was founded in 1876. Therefore, the year under review marks the 145th in our corporate history. At the end of 2021, Henkel's workforce worldwide numbered around 52,450. We occupy globally leading market positions in our consumer and industrial businesses.

Our Purpose defines the common ground that unites all of us at Henkel: Pioneers at heart for the good of generations. This spirit is deeply anchored in our DNA, and it drives our success story of innovation, responsibility and sustainability into the future.

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. In this capacity, it is responsible for defining and pursuing the company's goals. It is also responsible for the management, governance and control systems, including risk management, as well as the allocation of resources. Henkel AG & Co. KGaA performs its responsibilities 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 operational business units: Adhesive Technologies, Beauty Care, and Laundry & Home Care.

Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings. The business unit is composed of four business areas: Automotive &

Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

The Beauty Care business unit is globally active in the consumer goods business area with hair cosmetics, body care, skin care and oral care products. It is also active in the professional hair salon business worldwide. We hold leading positions in numerous markets and categories in both business areas.

The Laundry & Home Care business unit occupies leading market positions in both its Laundry and Home Care business areas. Our product portfolio ranges from heavy-duty and specialty detergents, laundry additives, dishwashing products, hard surface and WC cleaners, to air fresheners and insect control products.

The business activities of our three 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 Shared Service Centers. This enables the 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. Their 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.



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Henkel's innovative products and solutions create value in its business units for its stakeholders – across the entire value chain. We operate 174 production sites in 56 countries worldwide, invest in research and development, maintain close cooperation with our suppliers, and contribute to economic development in our target markets. As an employer, we create jobs in industrial countries, as well as in emerging and developing economies, and we generate purchasing power through wages and salaries. The taxes and levies we pay help to finance communities and support public infrastructure.

Value added statement 2021

The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 60.2 percent – went to our employees in the form of salary and pension benefits. Central and local governments received 9.8 percent in the form of tax revenues; lenders received 1.6 percent in the form of interest income. We distributed 13.9 percent of the value added as dividends to our shareholders. The value added remaining in the company is available for investments in future growth.



1. Raw materials



2. Production



3. Logistics



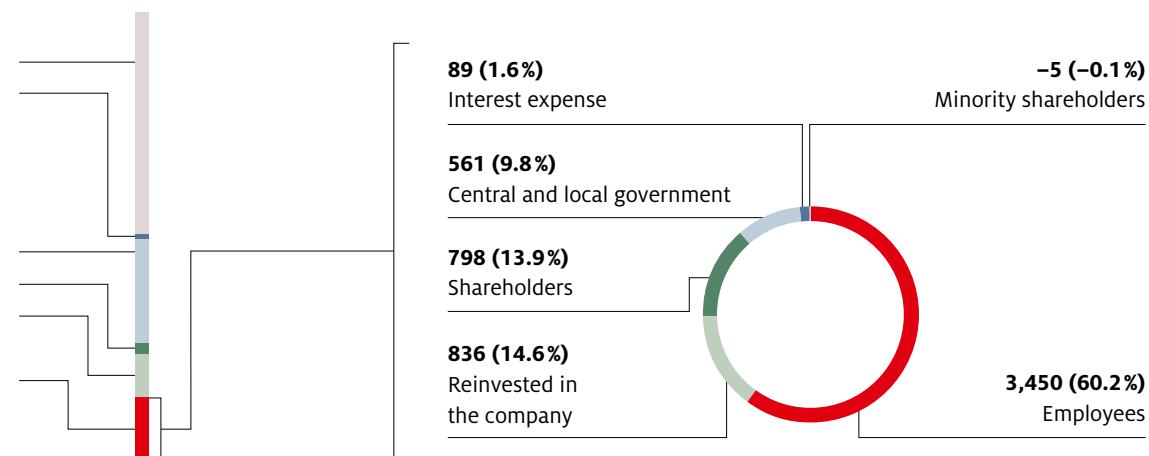
4. Use



5. Disposal / recycling

In million euros

Sales	20,066	98.1%
Other income	391	1.9%
Total sales / other income	20,457	100.0%
Cost of materials	9,697	47.4%
Depreciation	978	4.8%
Other expenses	4,052	19.8%
Value added	5,730	28.0%





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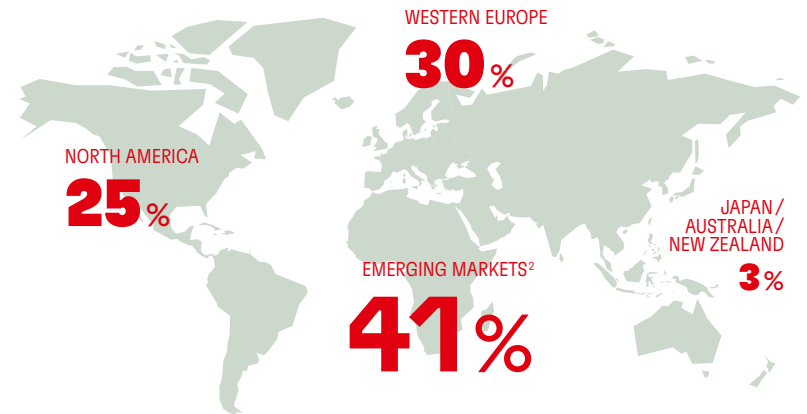
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Our contribution in emerging markets

In the fiscal year 2021, Henkel generated worldwide sales of 20,066 million euros, 41 percent of which was generated in the emerging markets of Eastern Europe, Africa / Middle East, Latin America and Asia (excluding Japan). 54.2 percent of our people are employed in emerging markets, and these regions account for around 38.5 percent of our global purchasing volume. This makes us an important local employer and business partner. The issue of the social added value of products is especially important in emerging markets. Products that are geared to the needs of lower income groups have more than just economic potential. They also make positive contributions to social well-being, for example to hygiene and health in the home. In order to meet needs that differ greatly around the world, we pursue different strategies depending on the market situation.

Sales by region¹



¹ Incl. 1% Corporate (= sales and services not assignable to the individual business units).

² Eastern Europe, Africa / Middle East, Latin America, Asia (excluding Japan).



STRATEGY

Our sustainability strategy is a direct reflection of our company's commitment to "Purposeful Growth". We are committed to creating more value for our stakeholders, developing our business responsibly and successfully, and building on our leading role in sustainability.

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Responsibility for people, planet and society

Our corporate purpose defines the common ground that unites all of us at Henkel: Pioneers at heart for the good of generations. With our pioneering spirit, our knowledge, our products and technologies, we want to enrich and improve the lives of billions every day and shape a viable future for the next generations. Sustainable business practices have been an integral part of our [company culture](#) for decades, and are also a central element of our vision of the future.

Our sustainability strategy is inspired by our purpose. We will actively drive the transformation to a sustainable economy and society, help to protect and regenerate the natural environment, contribute to strong communities and to strengthen trust with our stakeholders.

Together with innovation and digitalization, sustainability is at the heart of our corporate strategy ([“Purposeful Growth” agenda](#)) to shape competitive edge and enable us to grow our company and create value for our customers, consumers and all of our stakeholders.



“Our corporate purpose describes our ambition to act for the good of present and future generations. With the help of our new sustainability strategy, we will accelerate our transformation and evolve our portfolio and processes even more strongly towards sustainability.”

CARSTEN KNOBEL
Chair of the Management Board

Transformation towards sustainable development

At Henkel, we see sustainability as a constant endeavor to make progress on present topics and keep learning about new issues, based on scientific knowledge. Global climate change is one of the greatest challenges humanity is facing today, requiring urgent and ambitious action. It is also critical to protect and regenerate life-support systems like forests, water and biodiversity, for present and future generations. At the same time, we are seeing global poverty and social inequality increase, in part because of the COVID-19 pandemic. And in the process, we acknowledge that companies like Henkel play a role in meeting these challenges and bringing about transformational change.



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This is a collective undertaking. For several years now, our customers, partners and consumers have expressed an increasing interest in sustainability-oriented products and solutions. They are looking to understand and track sustainability contributions along the value chain. Investors are also placing increasing emphasis on the sustainability of their investments. The issue of corporate responsibility is gaining further importance in media reporting, as is the discussion of sustainability issues on public platforms such as social networks. In addition, at the political level, we have seen great progress toward a shared understanding of global priorities over the past few years, most notably the global climate agreement in Paris in 2015 and the climate summit in Glasgow in 2021, as well as the [17 Sustainable Development Goals \(SDGs\)](#). Global awareness of issues such as climate change, the circular economy, human rights, and the management of water and biodiversity are on the rise. This underscores the urgency of a comprehensive transformation towards sustainable development.

We will build on our particular strengths, such as the innovation of our business units, the outstanding knowledge of our employees, as well as various contact points of our products and technologies with customers and consumers. We see our company as an important player and partner in society, and we intend to work with others to create fundamental change.

Three dimensions of our strategy

Building on our previous strategy, we developed our [→ 2030+ Sustainability Ambition Framework](#) in 2021 encompassing three dimensions:

- **Regenerative Planet:** We want to enable a circular and net-zero carbon future by transforming our business, products and raw materials underpinned by science and innovation.
- **Thriving Communities:** We want to help people lead a better life through the collective strength of our business and brands by supporting equity, education and wellbeing.
- **Trusted Partner:** We want to drive performance and systems change with integrity through our values-based culture, deep rooting in science and our passion for technology.



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Levers for change

We also defined how we aim to make progress across our value chain by defining three key levers to achieve systemic change:

- **Products and technologies** are at the heart of everything we do. We create more value for our customers and consumers by constantly innovating to offer better performance with a reduced ecological footprint.
- **People** are the focal point for our business and our sustainability-related activities. This includes our employees, who contribute to sustainable development – through their expertise in daily work and in their private lives. It also includes the people in our supply chain, our customers and consumers, our neighbors, our shareholders and the communities we operate in.
- **Partnerships** play a decisive role in driving sustainability in our value chain and beyond. We help our customers and consumers to reduce their ecological footprint and to use resources responsibly. We work together with our suppliers to promote sustainable practice and respect for human rights, and we cooperate with partners to share knowledge and drive systemic solutions forward together.

Our targets and ambitions

Our new sustainability strategy revolves around implementing our ambitions through concrete measures and projects to achieve practical progress. We will build on the success of recent years and our medium-term targets for 2025 and beyond, **→ for which we provide detailed information in this Sustainability Report.**

With our **→ 2030+ Sustainability Ambition Framework**, we have developed new long-term ambitions in the three dimensions of **→ “Regenerative Planet,” → “Thriving Communities”** and **→ “Trusted Partner”** to drive further progress.

We have robust plans and investments in place to advance on our sustainability transformation. We expect to continue to develop our strategic framework, responding with agility to stakeholder expectations, new scientific insights and emerging issues.



2030+ SUSTAINABILITY AMBITION FRAMEWORK

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OUR PURPOSE

Pioneers at heart for the good of generations.

TRANSFORMATIONAL IMPACT FOR THE GOOD OF GENERATIONS



REGENERATIVE PLANET

We want to enable a circular and net-zero carbon future by transforming our business, products and raw materials underpinned by science and innovation.



CLIMATE

Decarbonize our operations and raw materials on the way to a carbon-neutral business.



CIRCULARITY

Embed circular practices in our operations, products and packaging, and enable circularity through our industrial solutions.



NATURE

Protect and restore biodiversity, with focus on forests, land and water, through more regenerative ingredients and resource stewardship.



THRIVING COMMUNITIES

We want to help people lead a better life through the collective strength of our business and brands by supporting equity, education and wellbeing.



EQUITY

Strengthen Diversity & Inclusion, respect human rights and enhance the livelihoods of people.



EDUCATION

Support lifelong learning and education of employees and communities and enable consumers to take action for sustainability.



WELLBEING

Foster health and wellbeing of employees, partners and consumers, and help drive social progress through our brands.



TRUSTED PARTNER

We want to drive performance and systems change with integrity through our values-based culture, deep rooting in science and our passion for technology.



PERFORMANCE

Deliver best-in-class product performance and chemical safety for our customers and consumers, as foundations of our business success.



TRANSPARENCY

Integrate sustainability in our business governance, processes and policies with transparent reporting, disclosure and engagement.



COLLABORATION

Scale sustainability impact with our partners, leading to responsible business practices in our supply chains.

PRODUCTS

PEOPLE

PARTNERSHIPS



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Development of our strategy, targets and roadmaps for implementation

There are numerous challenges and new developments facing society, and Henkel as a company. These include aspects such as the environment, employee and social topics, respecting human rights, and combating corruption and bribery. These topics and others are also reflected in the international [Sustainable Development Goals \(SDGs\)](#). For the development of our sustainability strategy and the definition of the related targets and ambitions, we engage in dialog with the Management Board and form working groups that act under the guidance of the [Sustainability Council](#). In these groups, we evaluate trends and developments, while also reviewing the expectations of our stakeholders and analyzing our environmental footprint along the value chain.

Engaging in dialog with stakeholders to gain new perspectives

[Dialog with our stakeholders](#) helps us to obtain insights and perspectives from inside and outside our company, and fosters a common understanding of expectations and priorities. In 2021, we conducted a comprehensive survey of our stakeholders. We have also engaged in dialog with opinion leaders, the professional public, academia, international rating agencies and analysts for many years. Sustainability analysts and

professional institutions regularly evaluate how companies manage the economic, environmental and social aspects of their business activities. We welcome these [external assessments](#) of our sustainability performance, as they lead to greater transparency in the market and show us how our performance is assessed. We also consider the assessment criteria of various financial and sustainability-oriented ratings and the guidelines of the Global Reporting Initiative ([GRI](#)).

Identifying relevant topics

To determine and categorize relevant topics for our business activities and reporting, we engage in a continuous process of recording and evaluating the challenges and opportunities of sustainable development using various tools. We assess the importance of the topics for the company, environment and society, and also for our stakeholders. When selecting the topics, we go beyond the definition of materiality included within the CSR Directive Implementation Act (“CSR-RUG”) in conjunction with Sections (§§) 289b to 289e of the German Commercial Code (HGB). The results of this process can be broken down into the three dimensions of Regenerative Planet, Thriving Communities and Trusted Partner, each with three themes that we identified in a materiality analysis. In these nine topic areas, we want to drive sustainable development around the world and along the value chain with our business activities.



Relevant topics

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REGENERATIVE PLANET

CLIMATE

- Operational energy efficiency
- Renewable energies
- Energy-efficient products
- Transport and logistics
- CO₂ reductions / CO₂ footprint
- Climate change adaption

CIRCULARITY

- Resource consumption
- Packaging and waste
- Production waste material
- Recycling / reusability

NATURE

- Renewable raw materials
- Sustainable palm (kernel) oil
- Water consumption in production
- Wastewater and wastewater disposal
- Biodegradability
- Water footprint / water scarcity
- Deforestation and land use



THRIVING COMMUNITIES

EQUITY

- Diversity and inclusion
- Fair working conditions
- Human rights

EDUCATION

- Employee development
- Corporate volunteering

WELLBEING

- Occupational safety and health
- Plant safety
- Hygiene
- Future of work



TRUSTED PARTNER

PERFORMANCE

- Business performance
- Quality
- Reliability
- Convenience
- Eco-efficiency
- Product safety

TRANSPARENCY

- Alternative test methods
- Product information
- Reporting

COLLABORATION

- Supplier relationships
- Fair business practices



Process for identifying key issues and developing targets

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CHALLENGES AND DEVELOPMENTS

Demographic changes, growing consumption, climate change, resource scarcity, increasing regulation ...

NON-FINANCIAL ASPECTS

Environment, social aspects, workers, respecting human rights, and combating corruption and bribery

RECORDING AND CATEGORIZATION

Trend and market analyses, strategic development, reporting and ratings, expert dialog, risk and compliance management ...

IDENTIFICATION AND COMBINATION OF RELEVANT TOPICS

Regenerative Planet

- Climate
- Circularity
- Nature

Thriving Communities

- Equity
- Education
- Wellbeing

Trusted Partner

- Performance
- Transparency
- Collaboration

EVALUATION AND PRIORITIZATION (PERIODICALLY AND AD HOC)



Environmental footprint along the value chain and sustainability effect



Exchange with different stakeholders, including alignment of their expectations

DEFINITION OF TARGETS AND ROADMAPS OF IMPLEMENTATION



Medium-term targets for 2025 and beyond



Roadmaps for implementation of sustainability management in our key topics



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Evaluating our influence

To evaluate and prioritize relevant topics and their sub-areas, we work with various measurement and evaluation methods to identify the activities that have the greatest influence along the value chain. To assess our footprint, we use representative **→ life cycle appraisals** across all product categories. We also assess data on the raw materials and packaging materials we use, as well as the transport operations.

This enables us to identify hot spots as fields of action that are most relevant to sustainability for the company as well as for every product category and specific products on the basis of scientific measurement methods. Viewed across our entire portfolio, improvements in input materials and in the use phase are the decisive factors when it comes to our water and **→ CO₂ footprints**.

We systematically integrate the assessment tools and findings into our **→ innovation process**. By combining product performance and quality with responsibility for people and the environment, we strive for all of our new products to make a contribution to sustainable development.

Definition of targets and roadmaps for implementation

Based on this assessment and our priorities, we have set specific targets for 2025 and beyond as well as additional long-term ambitions that will help transform the economy and society toward sustainability. Engagement with our stakeholders and the broader framework of our strategy, which was further developed in 2021, have also revealed new areas of focus that we will work on together. Some of these ambitions, such as those related to **→ water resources** and **→ biodiversity**, are still in their early stages, and assessment methods are constantly evolving. We will work with experts and partners to contribute our experience and develop coordinated action plans. To implement our strategy, we have also established **→ management systems**, standards and guidelines, as well as related processes and organizational structures that provide a framework for measures to implement these concepts. We continuously review our targets and roadmaps for implementation, and develop them further when necessary.



TARGETS AND AMBITIONS

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The following overview shows a selection of the main medium-term targets and new long-term ambitions to advance on our sustainability transformation. Details as well as additional targets can be found in the relevant chapters of this report.

Dimension	Topic	Targets and ambitions	Achieved 2021	Trend (vs. 2020)	More on page	
REGENERATIVE PLANET	Climate	Climate-positive operations (2030)	New ambition		63	
		100% of our electricity sourced from renewable sources (2030)	68%	↗	63	
		- 65% CO ₂ emissions from our operations per ton of product (2025; vs. 2010)	- 50%	↗	63	
		- 30% CO ₂ emissions from raw materials and packaging per ton of product (2030; vs. 2017)	- 12% ²	↗	61	
		- 100 million tons of CO ₂ with customers, consumers and suppliers (2016–2025)	>68 million	↗	69	
	Circularity	Zero plastic waste into nature	Continuous ambition			73
		> 30% recycled plastic content for all packaging of our consumer goods products (2025) (50% fossil-based virgin plastics)	18%	↗	75	
		100% of packaging designed for recyclability and reusability ¹ (2025)	86% ²	↘	74	
		- 50% production waste per ton of product (2025; vs. 2010)	- 42%	↘	81	
		Circular use of production waste material (2030)	New ambition		81	
	Nature	Encourage the responsible use of our products to reduce water consumption	Continuous ambition			90
		- 35% water consumption per ton of product (2025; vs. 2010)	- 28%	→	90	
		Circular water use at key manufacturing sites (2030)	New ambition		89	
		100% paper and cardboard from recycled material or from sustainable forestry sources	New indicator under development		88	
		100% palm and palm kernel oil responsibly sourced and externally assured (2025)	93%	↗	85	

¹ Excluding products where ingredients or residue may affect recyclability or pollute recycling streams.

² Change in value among others due to adjusted calculation methodology.



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Dimension	Topic	Targets and ambitions	Achieved 2021	Trend (vs. 2020)	More on page
THRIVING COMMUNITIES	Equity	Gender parity across all management levels (2025)	New ambition		103
		Improve livelihoods of smallholders and protection of nature	New indicator under development		87
	Education	Expand our community education programs and volunteering	New ambition		113
		Engage and empower 50,000+ employees to take action on sustainability	Continuous ambition		94
	Wellbeing	Improve 20 million lives globally (2010–2025)	>26 million	↗	113
		Shape the future of work for our company and employees	New ambition		98
TRUSTED PARTNER	Performance	Each new product contributes to sustainability	Continuous ambition		24
		Provide our customers and consumers with a comprehensive sustainability profile of our products (2025)	Method under development		24
		Become three times more efficient (2030; vs. 2010) – Factor 3	74%	↗	28
	Transparency	100% transparency and traceability for palm and palm kernel oil (2025)	84%	↗	86
	Collaboration	Commit to 100% responsible sourcing together with our partners	Continuous ambition		45

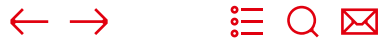
Constant review and adaptation

We know that the world around us, the expectations of our stakeholders and the opportunities for advancing sustainability are in constant transformation. That’s why we plan to regularly review and update our **→ 2030+ Sustainability Ambition Framework** with new tangible ambitions as we go forward.

We are already working with our partners to further accelerate progress on climate action across the value chain, zero deforestation and the increased use of bio-based as well as responsibly sourced ingredients.

We are actively looking at ways to advance diversity, equity and inclusion as well as the education of communities and consumers on sustainable consumption. And we explore ways to further strengthen the traceability of key commodities and transparency in ESG reporting and governance.

As we move forward on exploring more topics for driving impact, we will continue to follow best practice on social and governance issues, seek independent opinions and expert advice, and regularly incorporate these ideas into our strategic framework.



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Achieving the global Sustainable Development Goals together

Henkel supports the implementation of the 17 Sustainable Development Goals (SDGs) that were adopted by the 193 United Nations Member States in September 2015. As a company, we are convinced that the goals provide a shared focus that can empower collaborative action and will accelerate progress toward sustainability. Sustainable consumption, packaging and plastics, combating climate change, water, human rights, equal opportunities and education are important topics for our work.



By continuously reviewing our company's goals and initiatives, we ensure that these are aligned with the 17 SDG priorities that are relevant for us. Our activities support the SDGs because we have a long history of working intensively on various aspects of sustainability, as well as a broad product portfolio and a presence across diverse markets. In the context of our social commitment, for example, we track the percentage of projects we support that contribute to the achievement of the SDGs.

The following examples highlight our contribution to the implementation of the global development goals and demonstrate the range of our activities.

Committed to protecting the climate



In view of the urgent need to reduce CO₂ emissions, it is our long-term vision to become → **climate-positive** in production by 2030 and to make progress in further relevant parts of our value chain. On the way, we plan to achieve a 65-percent reduction in the carbon footprint of our production by 2025. We also want to obtain 100 percent of our electricity from renewable sources by 2030. In addition, we want to leverage our → **brands and technologies** to help our customers, consumers and suppliers save 100 million metric tons of CO₂ in the period from 2016 to 2025.

Promoting sustainable consumption



We support the goal of promoting sustainable and resource-efficient consumption. Our products and technologies are key to this because they are used in millions of households and industrial processes every day. We focus on developing products that lead to resource efficiency in everyday use. We also strive to encourage responsible use of our products through targeted communication. This is important because the environmental footprint of many of our products is determined during the use phase. The → **Henkel footprint calculator** helps individuals to calculate their CO₂ footprint.



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Turning waste into opportunities



It is our continuous ambition to reduce the flow of plastic waste into nature, especially into the oceans. In 2017, Henkel became the first major global consumer goods company to work with the social enterprise → **Plastic Bank**. In 2019, we extended this partnership for another five years. The aim is to reduce plastic waste in nature, including the oceans, while also providing new opportunities for people in poverty – especially in countries with no or insufficient recycling infrastructure for waste disposal. We plan to steadily expand this commitment in the coming years.

Promoting sustainable palm oil



As part of our responsibility, we aim to support sustainable practices in the palm oil industry along the entire value chain. By supporting → **sustainable palm (kernel) oil**, we contribute to sustainable forest management and prevent deforestation. Collaboration with representatives from across the industry is at the heart of our approach. We aim to increase the availability of sustainable palm oil and palm kernel oil on the market, for example, through collaborative projects that enable → **smallholder farmers** to certify their crops as sustainable, increase productivity and improve their livelihoods.

Improving quality of life



With our social engagement activities, we aim to support people around the globe and improve their quality of life. For example, the volunteer efforts by our employees have provided support for social projects in Guatemala, in cooperation with the organization ↻ **United Way Worldwide**. The focus is on education, financial stability and health. Our → **corporate citizenship** has been an integral part of our corporate culture ever since the company was established by Fritz Henkel in 1876.

Providing access to good education



We aim to promote access to high-quality education and increase the number of young people and adults with relevant abilities and skills. → **Schwarzkopf's Million Chances initiative** was launched in 2016 to support women and girls in building a successful future for themselves. The long-running project Shaping Futures gives young people the opportunity to gain professional training in basic hairdressing techniques. Henkel is also the main sponsor of the → **Teach First Deutschland** initiative. In this way, we support the commitment of university graduates who, as additional teachers, support children in schools in socially disadvantaged communities.

More information on our specific contributions to achieving the SDGs can be found on our ↻ [website](#).



TRUSTED ***PARTNER***

We draw on our value-oriented corporate culture and our scientific and technological expertise to strengthen our performance while maintaining our integrity. We deliver safe and best-in-class product and technology solutions to our customers and consumers. We integrate sustainability in our portfolio and in our business processes, and provide transparent reporting on this to our stakeholders.

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We want to drive performance and systems change with integrity through our values-based culture, deep rooting in science and our passion for technology.



PERFORMANCE

Deliver best-in-class product performance and chemical safety for our customers and consumers, as foundations of our business success.



TRANSPARENCY

Integrate sustainability in our business governance, processes and policies with transparent reporting, disclosure and engagement.



COLLABORATION

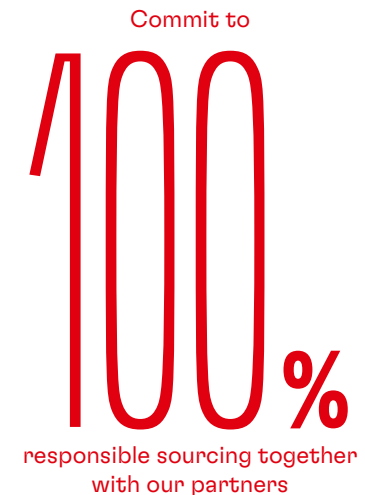
Scale sustainability impact with our partners, leading to responsible business practices in our supply chains.

TARGETS AND AMBITIONS

EACH NEW PRODUCT CONTRIBUTES TO SUSTAINABILITY

PROVIDE OUR CUSTOMERS AND CONSUMERS WITH A **COMPREHENSIVE SUSTAINABILITY PROFILE OF OUR PRODUCTS¹**

BECOME THREE TIMES MORE EFFICIENT²



FURTHER ASPIRATIONS FOR 2030 AND BEYOND

Strengthening full traceability of key commodities | ESG reporting and governance

¹ until 2025
² until 2030



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Contribution of our product portfolio to sustainability




Our business units – Laundry & Home Care, Beauty Care and Adhesive Technologies – are responsible for adapting our → **sustainability strategy** to their operating needs. They align their brands and technologies to sustainability in line with the specific challenges of their product portfolio. They also work on sustainable products and tomorrow's key technologies. Achieving our ambitious new → **targets** means integrating sustainability even more closely into our brand and business strategies in the future.

Our goal is to transform our company and our product portfolio sustainably so that we can stand at the side of our stakeholders as a reliable partner. We strive to ensure that each new product contributes to sustainability. We also intend to provide our customers and consumers with a comprehensive sustainability profile of our products by 2025. Our aim is to offer increasingly better solutions, products and services that also have a positive impact on the environment and society, and therefore make a positive contribution to value.

 **504**
million euros in
research and
development

 around **2,600**
employees in research
and development

A high degree of innovativeness is very important in achieving this. Henkel systematically anchors → **sustainability assessment** criteria in its innovation process to manage product development in line with our sustainability strategy right from the start. In 2021, we employed an average of around 2,600 people in research and development, and invested 504 million euros in these activities.

Sustainability is a central pillar of the innovation strategies of the Laundry & Home Care and Beauty Care consumer goods businesses. They place particular focus on developing their product portfolios using resource-efficient technologies with sustainable packaging solutions and optimized ingredients, and are driving the expansion of sustainable brands such as Love Nature,  **Pro Nature**,  **Nature Box** or  **N.A.E.** (Naturale Antica Erboristeria) with a holistic approach.

Our Adhesive Technologies business unit combines technical material expertise and science-based innovation to support our industrial customers and business partners in achieving their sustainability goals. Customized solutions help to increase energy and material efficiency, recycle valuable resources and improve safety during the manufacturing and use phases, as well as for end users.



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Promoting sustainable consumption

Our products are used millions of times a day in households and industrial processes. This is why we concentrate on developing products that enable resources such as energy and water to be used efficiently during everyday life. Our aim is to help our customers and consumers save → CO₂ through our products and expertise. Through targeted communication, we also strive to encourage responsible-minded behavior while using our products. This is especially important because the use phase accounts for up to 90 percent of the environmental footprint of many of our products. The importance of the use phase is also shown in the [Henkel footprint calculator](#). It shows that not only companies, but also each individual can make a contribution to greater sustainability through their behavior.

 up to **90%**
of the environmental footprint of our
products is generated during their use

To promote sustainable consumption, Henkel partnered with cosmetics companies Unilever, LVMH, L'Oréal and Natura to establish an [Eco Beauty Score Consortium](#) in September 2021. The goal is to develop an industry-wide system for assessing the environmental impact of cosmetic products to make it easier for consumers to make sustainable shopping decisions. This approach, which is based on the latest research, is designed to take into account the entire product life cycle. We also have plans to create a database of standard cosmetic ingredients and their environmental impact.

Developments in Laundry & Home Care

Our clear vision in our Laundry & Home Care business unit is: "Together Creating a Cleaner World". We believe that our team, our customers, and our suppliers have to innovate together to provide better solutions, products and services – and to create value for consumers and society. We focus on resource-efficient technologies, innovative [products](#), and optimized [packaging](#) and ingredients to maximize cleaning performance.

In 2021, Laundry & Home Care made significant progress in promoting a circular economy. Our [partnership with Plastic Bank](#) and the use of Social Plastic® in much of our product packaging contributes to our commitment to prevent plastic waste in nature while improving living conditions for people in poverty. The bottle body of the limited edition Pril dishwashing product is made from 100 percent Social Plastic® and the bottle cap is now made from 84 percent recycled material. We also promote the circular economy in the selection of our ingredients. In partnership with BASF, we have succeeded in transforming vegan biomass from agricultural waste into active ingredients, which we use in our Love Nature laundry and dishwashing detergents.

In addition to the ongoing portfolio transformation and innovation strategies in sustainability, Henkel acquired a leading provider of sustainable homecare solutions, [Swania SAS](#), based in Nanterre, France, in July 2021. This acquisition expanded Laundry & Home Care's position in the market for sustainable laundry and home care products. Our sustainable brand portfolio now includes strong sustainable brands such as Maison Verte ([EU Ecolabel](#) certified) and the vegan brand You ([ECOCERT labeled](#)), which appeals to a young, tech-savvy target audience.



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Developments in Beauty Care

In line with its mission statement of “Together for true beauty and a more beautiful world,” our Beauty Care business unit continued to pursue the sustainable transformation of its own **product portfolio** in 2021. This includes the relaunch of our **Fa** brand, with shower product formulas that consist on average of 94 percent ingredients of natural origin (including water; calculated according to the ISO standard). All of the products for men and a large number of the Fa shower products for women now also have transparent packaging. This optimizes recyclability and supports the circular economy. The transparent bottle bodies are made of 100 percent recycled PET (excluding the cap), 25 percent of which is Social Plastic®. The caps have also been modified and use 10 percent less plastic than before.

While recycling remains an important consideration in terms of sustainability, refill solutions are also becoming more important. Refill packs for products from our ECOCERT-certified natural cosmetics brands **N.A.E.** and **Nature Box** have been available in stores since 2021. We also offer refill packs for some Fa shower gel and liquid soap products. These refill packs hold the contents of two shower gel bottles. The refill packs can, when disposed of correctly, be recycled. Their manufacture requires around three-quarters less plastic than bottles of the same capacity.

Refill packs are just one component of the sustainability commitment of our hair and body care brand Nature Box. It is the first consumer goods brand worldwide to use Social Plastic® as a packaging material for its entire bottle portfolio. All bottle bodies are made of 100 percent recycled plastic. These liquid products have been supplemented since 2021 by solid conditioners in recyclable packaging made of FSC-certified paper, in addition to solid shampoos and shower care products. Nature Box combines high standards of production and quality with a long-term sense of responsibility. For this reason, the brand’s team collaborates with the international development organization **Solidaridad** and the specialty chemicals company Solvay. It supports smallholders in the sustainable farming of guar and palm kernel oil, both feedstock materials used to make ingredients found in this product range.

The **Syoss** brand is another example of the sustainable transformation of our product portfolio. Following the comprehensive relaunch of our hair care lines in 2020, we launched a new generation of hair sprays in 2021. Syoss Compressed Micro Sprays in 200 ml format are only half the size of conventional products that can be used the same number of times. This means that less aluminum and propellant gas are used, reducing the spray’s environmental footprint. The reduced weight and volume during transport also results in lower CO₂ emissions.



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Developments in Adhesive Technologies

The focus of our Adhesive Technologies business unit is on enabling sustainability for our customers as well as on optimizing the footprint of our own operations. We develop customized technological solutions for this. Even though our products typically make up only a small proportion of the end product, they can be a relevant factor that help our customers achieve their sustainability goals.

We analyze the sustainability contribution of our products during product development and systematically evaluate the contribution of our existing [portfolio](#). This transparency has allowed us to anchor sustainability as an integral part of our strategic orientation while forming the basis for aligning our business for the challenges of the future and identifying the most important levers we can use to contribute to solving global challenges.

- Our products conserve resources by promoting the efficient use of energy and materials. They also help cut emissions in production and application, for example, by using electrically conductive adhesives from the [LOCTITE® ABLESTIK](#) range to make solar panels more productive. These technologies and others can also be found in our CO₂-saving portfolio.

- Our solutions ensure that valuable resources are kept in the cycle. We do this by using renewable raw materials in production, and by promoting the reuse and recycling of materials at the end of their life cycle. For example, we use [LOCTITE® LIOFOL](#) coatings for solutions that can be fully recycled with paper without affecting the quality of the recycled material.
- We are committed to continuously optimizing the safety of our products while going beyond legal requirements and working actively to avoid substances of concern. Our [TECHNOMELT®](#) PUR adhesives, for example, have been developed to contain a particularly low proportion of isocyanates.

We also strive to use our broad market access to put innovative approaches into practice across industries: for example, the use of renewable carbon sources through the mass balance principle. This is a transparent model for tracking the amount of certified and non-certified material along the entire production process.



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Improved efficiency demonstrates our commitment to sustainability

Excellent quality and performance are the central value propositions for our brands and technologies, and create the foundation for our business success. Products that combine high performance with a reduced environmental footprint are key factors for successful future-oriented business development.

Our goal for 2030 for our entire company is to triple the value we create for the environmental footprint made by our operations, products and services. We call this goal to become three times more efficient “Factor 3”. The increase in efficiency results from the ratio of sales volume relative to the environmental footprint per production volume. The three dimensions of environmental footprint, CO₂ emissions, waste and water, are equally weighted. The increase in efficiency totaled 74 percent in 2021.

	Achieved 2021 ¹	Targets 2025 ¹
More net sales per ton of product	+ 4 %	+ 10 %
Safer per million hours worked	+ 42 %	+ 60 %
Less CO ₂ emissions per ton of product	- 50 %	- 65 %
Less waste per ton of product	- 42 %²	- 50 %
Less water per ton of product	- 28 %	- 35 %
Total efficiency	+ 74 %	+ 120 %

¹ Compared to the base year of 2010.

² Amounts of waste from our production sites excluding construction and demolition work.



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Steering sustainable economic activity

The implementation of our sustainability strategy is based on globally uniform codes and standards, integrated management systems, and an organizational structure with clearly defined responsibilities. Within Henkel, efficient processes also contribute to environmental protection and occupational health and safety, while additionally reducing resource consumption and costs. We use a variety of methods and tools to assess and manage our corporate sustainability and to measure the progress that we make toward our objectives across the entire company and our value chain.

Risk management as a prevention tool

Group-wide risk management also makes an indispensable contribution to our strategic focus on sustainability and enables us to identify potential risks and business opportunities at an early stage. As part of the non-financial reporting process, a risk analysis has been conducted in line with the concepts and processes for risk mitigation that are described in this report. During this analysis of our own operations, our business relationships, our products and our services, no material risks were identified that meet, or will meet, the criteria of “having severe negative consequences” and “being very probable” according to the definition set out in paragraphs 2 and 3 of section 289c, as well as section 315c of the German Commercial Code (HGB).

Uniform codes and standards worldwide

Based on our corporate purpose, our vision, mission and [values](#), we have formulated globally binding rules of conduct that are specified in a series of codes and corporate standards. These apply to all employees worldwide, in all of the business areas and cultural spheres in which we operate.

The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest, which are designed to prevent corruption.

The codes and corporate standards specifically address the issues of compliance with competition and antitrust law, safety, health, environmental and social standards, human rights and public affairs. They also provide the basis for implementing the [UN Global Compact](#). You can find the following codes and standards on our [website](#):

- Purpose, Vision, Mission and Values,
- Code of Conduct,
- Code of Corporate Sustainability,
- Responsible Sourcing Policy,
- Safety, Health, and Environmental (SHE) Standards,
- Social Standards,
- Public Affairs Standard.



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Management systems govern our structures and processes

Globally uniform standards for Safety, Health, and Environment (SHE), together with integrated management systems, provide the basis for our worldwide optimization programs. Our SHE Standards and our Social Standards apply to all sites. Our management systems ensure that these standards are implemented consistently across our global production network and at all sites. This is based on the continuous training of our employees.

We carry out → **regular audits** at our production and administration sites, and at our subcontractors and logistics centers, to verify compliance with our codes and standards. All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department’s annual report to the Henkel Management Board. We have our management systems externally certified at the site level wherever this is expected and recognized by our partners in the respective markets.

External certification of our management systems in 2021

Code	Standard for	Percentage of production volume covered
ISO 14001	Environmental management systems	83 percent
ISO 9001	Quality management systems	85 percent
ISO 50001	Energy management systems	54 percent
ISO 45001	Occupational health and safety management systems	82 percent

Our organization for sustainability

Sustainability management is integrated vertically, horizontally and cross-functionally into our organizational structure. The Henkel Management Board bears overall responsibility for our sustainability strategy and for the compliance organization in order to ensure that legislation and internal guidelines are observed.

Sustainability Council

Chaired by Sylvie Nicol, Chief Human Resources Officer, the Sustainability Council is the central decision-making body for our global sustainability activities. On behalf of senior management, the committee performs coordination, initiative and control functions in relation to sustainability issues. These include strategic topics as well as issues that are operationally relevant, such as climate change and its effects, human rights, sustainable products and technologies, packaging, product safety and management systems. The Sustainability Council sets up project groups to deal with sustainability topics, and monitors the results. It also handles cross-departmental projects and regularly monitors the extent to which sustainability targets are met. This includes the progress of our climate-related corporate targets and initiatives, for example.

The Sustainability Council is made up of top managers from all of the business units and functions of the company. It normally meets six times a year. In addition, the members take decisions on matters as required during the year.



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Business units

The business units (Adhesive Technologies, Beauty Care and Laundry & Home Care) are also responsible for adapting our sustainability strategy to their operating needs, as well as providing the resources needed for its implementation. They align their brands and technologies, and the sites involved, to sustainability in line with the specific challenges and priorities of their product portfolio. The research and development departments of our three business units work on key technologies and supply the basis for tomorrow's sustainable products.

Regional and national companies

Managers in the regional and national companies steer the implementation of Henkel standards and compliance with legal requirements in their respective regions. With the support of the corporate functions and the operating business units, they develop an implementation strategy appropriate to the individual sites and their local circumstances.

Corporate functions

Through their representatives, our corporate functions support the implementation of our sustainability strategy in their respective areas of responsibility. For example, they develop appropriate supplier management tools or systems for measuring greenhouse gas emissions. Key sustainability topics for Henkel are coordinated by a specialist unit that reports directly to the Management Board and which serves as the company-wide interface for sustainability. Ulrike Sapiro, Chief Corporate Sustainability Officer, has been head of this specialist unit since May 1, 2021.

Management conferences and specialist committees

In addition to the central role of the Sustainability Council and the interaction between the various units and functions, international management conferences and the sharing of information in specialist committees form an important basis for the ongoing development of Henkel's sustainability policy. These meetings deal with new scientific findings, practical experience, changes in laws and regulations, and other current topics. The objective is to initiate new projects within Henkel, as well as to further develop approaches to solving problems and to encourage employees to share their experiences with one another.



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Measurement and evaluation over the entire life cycle

We use a variety of methods and tools to assess our progress across the entire company and our value chain. We are continuously developing these methods and tools, which include trend and market analyses, as well as the evaluation of ratings and life-cycle analyses. In addition to the achievement of our → **sustainability targets**, we continuously review our management processes and optimize them where needed. This includes measures in the areas of environmental protection and occupational safety, technical developments and process optimization to reduce resource consumption and costs. These measures are supported and implemented by our three business units, as well as our regional and national companies and our corporate functions. Together, they contribute to the achievement of our sustainability targets.

Our innovation process employs a variety of tools to systematically analyze, measure and evaluate our products. Hot spots can be identified as fields of action that are most relevant to sustainability for every product category on the basis of scientific measurement methods. Our researchers have to identify the points in the value chain and the strategic areas in which the product offers concrete advantages. Each product receives a separate sustainability profile based on this data. To make it easier to optimize our products while they are being developed, we integrate the environmental profiles of possible raw ingredients and packaging materials into the information systems of our product and packaging development teams. This allows the footprint of a new formulation to be calculated as early as the development phase. Our three business units also collaborate

extensively on an overarching initiative for more transparency of sustainability-related data to meet our markets' growing transparency requirements, drive profitable growth, and position our existing portfolio even more effectively when it comes to sustainability.

Footprint across the entire value chain

We use representative life cycle appraisals for all product categories to assess our footprint along the entire value chain. We also assess data covering the raw ingredients and packaging materials we use, as well as relevant transport operations. We have assessed more than 99 percent of our annual sales through life cycle appraisals: more than 67 percent has been evaluated through representative life cycle analyses and about 32 percent through simplified life cycle appraisals. In this way, we ensure validated greenhouse gas (GHG) reporting along the value chain.



In preparing life cycle analyses, we use our own primary data as well as data from our partners along the supply chain. If such data is not available, we draw on secondary data from existing databases of life cycle analyses, average values, and emission factors. To further develop metrics and indicators, we collaborate with external partners on topics such as product carbon footprints and water footprints. We also participate in international initiatives such as the **Sustainability Consortium** and the **Consumer Goods Forum's** Measurement Group. We are also



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involved in standardizing the methodology for calculating footprints and the associated data exchange for all participants in the automotive value chain as part of the [“Catena-X Automotive Network”](#).

In addition, we have further developed our “EasyLCA” software tool for the fast calculation of CO₂ footprints for product formulations. This is a quick way to make the footprint of formulations transparent for decision-making processes during the product development process.

In order to measure the contribution of individual products to climate protection, experiments are being carried out worldwide to measure product carbon footprints. Unlike complete life cycle analyses, this involves determining only the climate-relevant greenhouse gas emissions throughout the value chain of a product – from the purchase of the raw materials through to production, use and disposal. However, until now there has been no standardized method for determining the carbon footprint of a product. For this reason, Henkel participates in pilot projects in the USA and Europe with the aim of driving forward the development of a reliable and internationally harmonized method of determining carbon footprints.

Sustainability assessment by our business units

In collaboration with the European Commission and various stakeholders, in 2014 the Europe-based International Association for Soaps, Detergents and Maintenance Products (Wasch-, Pflege- und Reinigungsmittelverband [A.I.S.E.](#)) launched a pilot project on the Product Environmental Footprint (PEF) of heavy-duty liquid detergents for machine applications to reduce the overall footprint of products. Henkel, represented by the Laundry & Home Care business unit, was joined in the project by other companies, national industry associations, and the external organizations [CESIO](#), [Global Standards 1](#), [SGS](#), the [Sustainability Consortium](#), the [Swiss Federal Office for the Environment](#), and the [Technical University of Berlin](#). The pilot project resulted in the publication of rules based on product categories and life cycles. This is the first method based on a harmonized and transparent life cycle assessment throughout Europe. However, it is not yet sufficiently mature at the current stage of development to allow accurate product comparisons, as LCA science is still evolving. For example, some impact assessment methods are not yet ready to be applied to comparative, detailed assessment at the product level or to market communication. However, they are useful for reviewing, prioritizing, and managing the eco-design of products within the company. We support A.I.S.E.’s objective of integrating a harmonized PEF method into the product assessment of the long-standing [“Charter for Sustainable Cleaning”](#). This method had been in place since 2006 and is regularly updated.



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Today, there are also consumer apps that evaluate products in the non-food sector, particularly when it comes to their ingredients. As part of this effort, in 2021, with the help of cross-departmental innovation teams in Laundry & Home Care, we laid the foundations for developing a country-specific consumer app based on the latest scientific research. This internal pilot project has made it possible for us to compare different third-party assessments with our own data. This provides valuable insights for our product development. We initially began with new health criteria, but we are also taking into account criteria relating to the environment and product performance.

Our Beauty Care business unit has calculated the environmental footprint of more than 200,000 product formulas over the past six years. Each formula comes with a compact sustainability report that clearly summarizes relevant categories, such as carbon footprint, biodegradability, data on ingredients of natural origin (according to the ISO 16128 standard developed for cosmetic products), as well as their proportion of the overall product formula. There is also a database that provides sustainability data for all relevant raw materials. This makes it possible to compare the sustainability profiles of specific raw materials. At all times, the standardized methodology, the comparability of the reports and the raw material properties provide our developers with easy access to information about how our formulas contribute to sustainability, as well as full transparency about potential optimization approaches for a reduced overall footprint.

Our Adhesive Technologies business unit has introduced an internal portfolio assessment process to analyze the sustainability contribution of our portfolio. By integrating this assessment into our strategic management and product development, we are able to sustainably align our portfolio based on the latest scientific facts.

The assessment criteria cover different dimensions of sustainability and were determined on the basis of a customer-oriented approach. They focus on CO₂ reduction and energy efficiency, the circular economy, health and safety, water conservation and quality across the value chain. A systematic and fact-based approach means that appropriate supporting documentation must be available for all products with a contribution that is judged to be significant.

We have trained more than 900 employees from our Adhesive Technologies business unit in the implementation of this portfolio assessment process since it was developed.



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Dialog with our stakeholders

Understanding the social demands that stakeholders of all kinds place on our company is a key component of our [→ sustainability management](#). This includes our customers, consumers, suppliers, business partners, employees, shareholders, investors, neighbors and local communities, associations and Non-Governmental Organizations (NGOs), academia, as well as politicians and government authorities.

To better understand the expectations and perspectives of our stakeholders and to engage in dialog that is more targeted and solution-oriented, we make use of specific surveys and continuously monitor the opinions at several levels: in direct dialog, in multi-stakeholder initiatives, and through dialog platforms. Cooperation with NGOs and opinion leaders gives us insights into global challenges and enables us to respond to issues at an early stage. Stakeholder dialog is a key element of our approaches to innovation and risk management, and helps us to continuously develop our sustainability strategy and reporting.

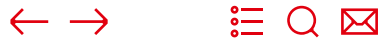
Stakeholder survey confirms Henkel as a reliable partner

In 2021, we once again conducted a comprehensive survey of our stakeholders to identify which topics have priority for them and to map the current expectations of the various stakeholder groups as part of the development of our [→ sustainability strategy](#). Another aim was to obtain a clear picture of our international sustainability reputation. We followed both a quantitative and a qualitative approach, with in-depth interviews

in addition to a comprehensive online survey. The survey confirmed that our target groups place great importance on our efforts to integrate sustainability into all of our activities and product life cycles, and that they also have a strong focus on the environmental impacts that occur during the individual phases of our products' life cycles. The sustainability topics our stakeholders particularly prioritize are [→ materials and waste](#), [→ energy and climate](#), and [→ water and wastewater](#). A special focus is also placed on the [→ mental health and well-being of employees](#). Our stakeholders consider Henkel to be well positioned in addressing these key issues. Another result of the survey was that Henkel is perceived as a reliable partner by 87 percent of the stakeholders. This is due to our commitment to high industry standards, our clarity of direction, our reliability and competence, and last but not least, our employees.



We are in close dialog with our stakeholders on a continuous basis. The following overview shows a current selection of the main dialog formats and activities, as well as the expectations placed on our company. Additional information on collaboration and partnerships can be found on our [website](#).



Effectively addressing the expectations of our stakeholders

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Customers & consumers

... are increasingly interested in sustainable products and are looking to understand their impact along the value chain.

- Calculating their CO₂ footprint with the [Henkel footprint calculator](#)
- Our [“Be smarter.”](#)-initiative encourages water-saving behavior and responsible waste management
- Our [“Fritz for Future”](#) podcast provides information on important sustainability topics

Associations & NGOs

... expect us to actively promote sustainable development. We are therefore involved in numerous initiatives:

- Engagement in industrial associations, such as the [World Business Council for Sustainable Development \(WBCSD\)](#) and the [German Chemical Industry Association \(VCI\)](#)
- Member of initiatives, such as Chemie³, the [Renewable Carbon Initiative](#) and the [Alliance to End Plastic Waste \(AEPW\)](#)

Suppliers & business partners

... expect a fair and reliable business relationship that fosters intensive dialog and close cooperation.

- Pan-European network [“Catena-X”](#) for continuous data exchange along the automotive value chain
- Member of initiatives to promote a sustainable palm oil industry, such as [Action for Sustainable Derivatives \(ASD\)](#) as well as the [Forum for Sustainable Palm Oil \(FONAP\)](#)
- [“Together for Sustainability” \(TfS\)](#) supplier training

Academia

... expects us to address issues of sustainable development beyond our own sphere of influence.

- Henkel Endowed [Chair for Sustainability Management for Business Management](#) at the Heinrich Heine University in Düsseldorf
- Dialog with organizations, such as the [European Centre for Ecotoxicology and Toxicology of Chemicals \(ECETOC\)](#), to improve measurement methods for the collection of sustainability data

Employees

... expect to be encouraged, challenged and empowered to contribute to sustainable development.

- Our initiative [→ “MIT Volunteering”](#) supports volunteer work
- The [→ Sustainability Ambassador Program](#) as global training in sustainability
- The “Henkel Learning Festival 2021” with panel discussions and fireside chats on topics like sustainability

Politicians & government authorities

... expect us to provide our experience-based knowledge to support [political decision-making processes](#).

- Our [Public Affairs Standard](#) is applicable worldwide, and lays down clear rules of conduct and regulations in this respect
- Entry in the transparency register of the European Union
- Continuous exchange with German and international political representatives

Neighbors & local communities

... expect us to promote general welfare and contribute to social development, environmental and climate protection.

- Global employee initiative [→ “Trashfighter”](#) to collect plastic waste
- [Forscherwelt](#) (Researcher’s World) – An international education initiative involving local activities for children
- Participation in local initiatives, for example City Cycling 2021 (Stadtradeln 2021)

Shareholders & investors

... are increasingly interested in sustainable investments. By engaging in dialog as part of our Investor Relations activities, we can address issues at an early stage and make our company fit for the future through activities such as [→ sustainable financing](#). The [→ assessment](#) of our performance by independent sustainability analysts creates transparency in this context.



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Wide range of dialog

All of our employees worldwide are encouraged to be engaged in their working environment and to base their decisions on the principles of sustainable development. For many of our employees, this includes regular dialog with stakeholders – both on specific topics and on sustainability in general. Experts at our various company sites and in our business units engage in discussion with relevant stakeholder groups on specific local and regional challenges. This allows us to develop customized concepts and solutions that can be implemented and assessed effectively. In 2021, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public. Due to the COVID-19 pandemic, many events were again held in virtual formats to protect the participants.

- Sustainable packaging and the circular economy were key topics of discussion at many stakeholder dialog events in 2021. In November 2021, Henkel invited key stakeholders from the packaging and consumer goods industry to the [“Sustainability Days 2021”](#). By bringing together the entire value chain in the field of packaging and consumer goods, Henkel has established a strong platform for discussions and solutions for current and upcoming topics – from circular economy and energy saving to health and safety and many more. The business fields this year will include end of line packaging and labeling, flexible packaging, paper solutions, tapes and labels and – for the first time – personal hygiene.

- Recyclable packaging and sustainable product applications were also addressed in April 2021 at the “Better Future Conference – Sustainability,” an initiative of WELT AM SONNTAG. In an interview, Carsten Knobel, Chair of the Management Board, highlighted how Henkel is embedding sustainability in the company and among consumers.
- In May 2021, the [ChangeNOW](#) Summit took place for the fourth time in a row as an online format in which Henkel France was a partner. ChangeNOW is one of the world’s most important innovation platforms and brings together a large number of actors from various sectors, all committed to promote sustainable development. At this event, representatives from Henkel and the social enterprise [Plastic Bank](#) discussed the challenges of the circular economy.
- In the digital Futuretalk, hosted by the Futurewoman initiative, Henkel representatives discussed with other experts the extent to which plastic can be part of the solution for greater sustainability and where concrete action is needed.
- Another focus was the discussion on diversity and inclusion. At a panel discussion during the “Better Future Conference – Diversity” of WELT AM SONNTAG in November 2021, Sylvie Nicol, Executive Vice President Human Resources and Chair of the Sustainability Council, discussed the relevance of an inclusive, strong leadership culture to promote diversity, equal opportunity and inclusion in the company.



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In addition, Carsten Knobel, Chair of the Management Board, participated in the campaign [“Diversität muss Chef:innensache werden”](#) (Diversity must become a management issue) by BeyondGenderAgenda. The involvement is an expression of a public commitment on the part of the participants and their companies.

- In November 2021, the [Henkel Xathon](#), an ideation hackathon for female founders, took place for the third time. The aim of the hybrid event was to promote female entrepreneurs and talents in the technology industry, strengthen their business innovation and support them in building a relevant business network. It was hosted by Henkel dx Ventures, Henkel’s platform for open innovation and collaboration, together with the initiative Global Digital Women. A key focus this year was the rapidly accelerating direct-to-consumer (D2C) sector, influenced by changing consumer behaviors towards hyper-personalization across all channels.
- Henkel was again a partner of the [German Sustainability Award](#) in 2021 and took the opportunity to engage with stakeholders on German Sustainability Day. Ulrike Sapiro, Chief Sustainability Officer at Henkel, provided insights into how Henkel is actively driving the transformation to a sustainable economy and society in a plenum on the topic “Accelerating Transformation – Embracing Challenges as Opportunities”. The German Sustainability Award is an initiative of the Stiftung Deutscher Nachhaltigkeitspreis e. V. in cooperation with the German Federal Government, the German Council for Sustainable Development, economic associations, local government associations, civil society organizations and research institutions.

- In November 2021, the annual partnership meeting between the development organization [Solidaridad](#) and Henkel took place virtually. The participants discussed cooperation to support [→ smallholders](#) and local initiatives to promote [→ sustainable palm \(kernel\) oil](#). In addition to the milestones that have already been achieved, the development of Henkel’s palm (kernel) oil strategy and future cooperation with Solidaridad were also discussed. This collaboration will continue to focus on improving livelihoods for smallholders. To further scale up our joint actions, we started developing our Partnership Theory of Change in 2021. This framework will help us to define our strategic actions in the future as well as to define and achieve a concrete impact.



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Organization for compliance with norms, standards and laws

Our Compliance organization has global responsibility for all preventive and reactive measures. It is supported by integrated management systems and an organizational structure with clearly defined responsibilities.

The General Counsel & Chief Compliance Officer reports directly to the Chair of the Management Board. He is supported by the Corporate Compliance Office, our interdisciplinary Compliance & Risk Committee, and 50 locally appointed compliance officers all over the world. Our Corporate Data Protection Officer is also part of our Compliance organization. Together, this organization coordinates the flow of information and helps our employees to implement our requirements locally – for example, through specially adapted training courses. The General Counsel & Chief Compliance Officer reports any infringements, as well as the measures taken to deal with them, to the Management Board and the Audit Committee of the Supervisory Board on a regular basis. Our internal reporting and complaints channels are supported by a compliance hotline, which was set up to enable employees to report infringements of our [Code of Conduct](#), internal standards, or applicable laws anonymously. It is run by an independent external provider and is available globally, allowing both open as well as anonymous reporting. The hotline and alternative reporting channels are available to employees and third parties.

Focus on communication and training

Since we operate on a global scale, our employees find themselves working within a variety of legal systems and value systems. Many of our employees work in countries where, according to surveys by organizations such as [Transparency International](#), there is a greater risk of encountering corrupt practices. The same expectations apply to all employees at all locations without exception: Henkel strictly opposes the infringement of laws and standards, and rejects all dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday working situations, we focus on regular training courses and communication measures. Our managers play a key role with regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. For this reason, all of our managers across the globe must participate in our mandatory Compliance eLearning program and attend relevant training courses. The program addresses many different compliance topics, such as data protection, competition law and anti-corruption. In 2021, more participants took part in these compliance training courses (52,471 registered participants) than in previous years.

Zero tolerance for violations of regulations

Improper conduct is never in Henkel's interest. The Management Board and senior management circles at Henkel all subscribe to this fundamental principle. Improper conduct undermines fair competition and damages our trustworthiness and reputation. Our employees attach great importance to a correct and ethically impeccable business environment.



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We react forcefully to violations of laws, codes and standards. Where necessary, we initiate appropriate disciplinary measures. In 2021, four employees received written warnings, and 27 contracts were terminated as a result of conduct violating compliance rules.

Data protection and compliance management systems

Henkel's compliance culture involves continuous **monitoring and improvement of the compliance process**. Against this background, our data protection management system was reviewed and confirmed by external auditors in 2019 in accordance with the IDW PS 980 auditing standard – with regard to the appropriateness, implementation and effectiveness of the data protection processes. Henkel has previously had similar external audits related to competition law and anti-corruption carried out on several occasions.

Results of our audits

The Head of the Corporate Audit department reports directly to the Chair of the Management Board. We carry out regular audits based on our risk-based audit planning at our production and administration sites, and at our subcontractors and in logistics centers, to verify compliance with our codes and standards. The audits are a key instrument for identifying risks and potential improvements.

 **70**
audits conducted
around the world

In 2021, we conducted 70 audits around the world. In the course of the audits, a total of 852 corrective actions were agreed upon. The audits covered all major units of the company: Sales, Marketing, Purchasing, Finance, HR, IT, Supply Chain, Operations and SHE. Compliance with our SHE Standards was audited at 25 sites, resulting in the initiation of a total of 127 optimization measures. We examined compliance with our Social Standards in three assessments.

Due to the COVID-19 pandemic, a significant proportion of our 2021 audits was again conducted using a “remote audit” approach. This requires powerful infrastructure, as well as the digitalization of processes and documents. Our overall assessment of our experience of this remote audit approach remains positive, although the effectiveness and efficiency of the approach is limited in certain audit areas and when auditing across different time zones. In 2021, SHE audits were in part supported by third-party vendors to enable on-site audits.

All audit results are included in the Corporate Audit department's annual report to the Henkel Management Board and the Audit Committee of the Supervisory Board. In addition to the regular audits, Corporate Audit also conducted an assessment of internal control systems. In 2021, Corporate Audit also trained 3,122 employees worldwide on compliance, risk management and internal controls, in the course of seminars and during audits.



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Product responsibility as an important lever for sustainability

Our customers and consumers should be able to rest assured that our products are safe when used as intended. All raw materials and finished products are subjected to numerous assessments and tests to ensure a high level of safety during production, use and disposal. This is based on ensuring compliance with statutory requirements and more extensive [Henkel standards](#).

Our product developers and [product safety](#) experts assess ingredients according to the latest scientific findings and safety data. They continuously track Henkel products on the market and incorporate the insights gained into the assessments. We follow a risk-based approach in accordance with scientific standards when assessing the consumer safety and environmental compatibility of materials and products. A key step in this assessment process is that, in addition to the safe concentration for using a substance, we also determine the extent to which humans or the environment are exposed to it. Since exceeding the safe concentration for use may result in a risk to humans and/or the environment, we restrict the use of the substance in these cases to relatively low concentrations and/or certain product categories. In individual cases, this can also lead to a substance not being used at all.

Since many of our products pass into wastewater after use, their composition has been designed to minimize the impact on the environment. Wastewater from chemical engineering applications is treated using state-of-the-art technology to remove harmful substances and is then disposed of properly.

In selecting and using ingredients, we also follow controversial discussions about the safety of chemical ingredients in products. As a rule, we respond by critically reviewing the scientific basis of our assessments with particular care. If this gives rise to reservations about product safety, and if the scientific data and findings cannot dispel these doubts, we either avoid using a substance altogether or restrict its use so that it will still meet our stringent safety criteria.

At the same time, it is becoming increasingly important to enable consumers to learn about the ingredients contained in our products. In line with this, we will enhance global transparency about the substances used and their respective safety.

Regular audits are carried out to verify compliance with corporate product safety requirements and procedures. The business units are responsible for the implementation of the respective measures.



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Identifying hazards – assessing risks

In assessing the safety of a product, the first step our experts take is to determine whether its ingredients could pose a hazard to people or the environment. An exposure analysis is carried out in a second step to clarify the extent to which people or the environment could be exposed to this substance. This analysis is important as, in most cases, a harmful effect will only occur when the quantity and concentration of the questionable substance reach a certain level. The results of these two steps have to be combined to arrive at a comprehensive risk assessment. It is only by considering this overall picture that our experts can make reliable statements about whether a product will be safe when it is used. A simple example is acetic acid, which represents a potential hazard because it can cause serious harm in high concentrations due to its caustic properties. When used as vinegar in diluted form in our food, however, it does not pose a risk.

Evaluation of the substances used

Regarding substances with certain dangerous properties, we have decided that these shall not be used at all for specific applications. For other substances, we have introduced strict internal constraints and restrictions and, by doing so, we often go beyond legal requirements. In other cases, we work to further improve health compatibility by developing alternative ingredients. One example of this is the switch from solvent-based to water-based formulations for our consumer and contact adhesives.

Assessment of the products

Once they have evaluated all of the individual ingredients, our experts perform a further safety assessment focusing on the overall formulation of a product. This looks at the properties of the individual ingredients, their concentrations in the product and the conditions under which the product will be used. Products for use on the human body are additionally evaluated dermatologically. The results of these evaluations and assessments then form the basis for defining the required precautionary and protective measures for safe use of the product. These measures are specifically adapted as appropriate, taking account of whether the product is to be used by consumers or industrial professionals, and can range from package design features, through to detailed instructions and warnings, or restrictions regarding use.

Controversially discussed ingredients

Scientists and the general public often take different views regarding the risks that chemical substances might pose. There are many reasons for this. Particularly often, we see that a direct link is made between the potential hazard a substance may have for humans or the environment and the ensuing risk, without taking into account the extent to which humans or the environment are actually exposed to that substance. It is our view that a differentiation must be made between hazard and risk, and that this is in fact essential to ensure that safety assessments of ingredients reflect reality.



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Product recall process

Although our products undergo numerous tests and assessments to ensure a high level of safety, unforeseen deviations from our high quality standards may occur in very rare cases. In preparation for any such cases and to ensure the best possible health and safety of customers and consumers, in 2009 Henkel introduced a corporate standard for potential product crises and product recalls that applies to all sites. This global corporate standard defines binding procedures, clear responsibilities and guidelines for an appropriate and rapid response if deviations and unforeseen events were to occur in connection with our products, despite all of the safety precautions we have taken. Following a fundamental revision of this corporate standard, our internal target groups were informed about new content in 2020 through training sessions and short presentations. A digital training course has also been available since the end of 2020.

Innovations and alternative test methods

We have a clear [commitment](#): We do not test our cosmetic products, our detergents and cleaning products, or our adhesives for industrial customers, consumers and craftspeople on animals. Unfortunately, we cannot claim that animal testing no longer plays any role at all. This is because there are some countries where animal testing is still mandatory to obtain market and/or regulatory approval for products such as cosmetics, detergents and cleaning products, or adhesives. We are working together with the relevant industry associations to convince the authorities

to abandon animal testing. Furthermore, we believe being present in these markets and supporting the non-animal testing agenda will ultimately help to gain acceptance for alternatives to animal testing. We and other manufacturers in our industry cannot rule out the possibility that an ingredient was tested on animals at some point before it was introduced to the market. In particular, this is because we mostly source our ingredients from suppliers, and manufacture very few ingredients ourselves. In this context, it is also important to know that ingredients used in products including detergents, cleaning products and adhesives are chemical substances. This means they must be secured by the respective manufacturer in line with the relevant legal requirements for chemicals, such as the [REACH regulation](#) in Europe. In some cases, animal testing is still required by law to ensure safety and compatibility for humans and the environment. This is because recognized alternative methods are not yet available for all aspects of testing. We use recognized, alternative testing methods or existing data to demonstrate the safety of our ingredients. For 40 years now, we have been intensively committed to developing alternative testing methods ourselves. Henkel was one of the companies that founded the [‘European Partnership on Alternative Approaches to Animal Testing’ \(EPAA\)](#) in 2005, together with the European Commission and several industry associations. Since then, this partnership has advanced numerous projects that have successfully promoted alternatives to animal testing and made them useable for conducting safety assessments in line with the REACH regulation.



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Wherever possible, questions regarding the skin compatibility of ingredients are now investigated with the help of in-vitro tests. In-vitro tests have been developed over the past decades by Henkel in cooperation with external partners. They have been proposed for international recognition by the Organization for Economic Cooperation and Development (OECD) as a substitute method for animal testing.

For this purpose, Henkel uses [e piCS® skin models](#) produced in its own laboratories under the [Phenion®](#) brand. The e piCS® technology includes reconstructed human epidermal equivalents, which are officially recognized by the OECD for assessing skin-corrosive potential, and, since April 2019, also assessing skin-irritant potential.

Our scientists are currently working to ensure that the skin models, which are the size of a one-cent coin, can also be used to research other chemical safety issues. You can find more information on the website of the European Commission's [Scientific Committee on Consumer Products](#).

Computer-aided analysis is also playing an increasingly important role in our testing and assessment strategies. Additionally, we make our expertise available to legislators through a range of associations to shorten the lengthy processes leading to recognition of an alternative test method and to promote the acceptance of proven alternatives.

Enhancing human health and safety

We test and assess our raw materials and finished products throughout the entire product lifecycle to make sure they meet the highest standards. Of course, our customers share our commitment to health and safety – and their focus is being sharpened by regulatory changes that aim to protect consumers. A new chemical strategy for sustainability, for example, is expected to be included within the Green Deal in the European Union.

Adapting our product formulas in Adhesive Technologies is just one of the ways that we seek to enhance safety and help our customers to exceed regulatory requirements. For example, our Loctite 2400 thread-locker is not required to display any hazard symbols, risk statements or safety-related warnings on the packaging because it does not contain any substances of concern.



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
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Responsible sourcing underpins holistic growth

Our responsible sourcing approach focuses on sustainability aspects along our supply chains for the benefit of people and our planet. Intensive dialog and close cooperation with our suppliers are essential for achieving sustainable business, process and production practices. Over a decade ago, we established a framework for sustainable procurement in the supply chains of the chemical industry based on cooperation, trust and responsibility.

100 percent responsible sourcing strategy

Our ambition is to commit to 100 percent responsible sourcing together with our partners. The key element here is our  **responsible-sourcing strategy**, which places a clear focus on a shared fundamental approach. We are firmly convinced that we can only establish sustainable procurement practices if every single decision-maker in the global supply chains acts in the spirit of sustainability. This requires a fundamental recognition of this responsibility, as well as adopting the right attitude and building skills and knowledge.

Our strategy is based on our comprehensive **→ risk management** and **→ compliance** approach. The aim here is to gather and provide transparent key figures on the sustainability performance and risks of our suppliers as a basis for fact-based decision-making in sourcing processes and the awarding of contracts. The transparency gained in this area also benefits risk management and risk mitigation, as well as dialog and cooperation

with our suppliers. With respect to **→ climate action**, we are making a valuable contribution to a low-carbon economy within sourcing by driving the reduction of greenhouse gas emissions in our supply chains and implementing appropriate sourcing solutions. We are supporting the **→ transition to a circular economy** in sourcing raw materials and packaging from sustainable sources and adopting a circular approach. In particular, our Purchasing department makes a valuable and active contribution to **→ social progress** by demanding and promoting sustainable business practices and **→ respect for human rights** along the entire value chain.

In the areas of strategic sustainability in sourcing mentioned above, a large number of indicators are collected and made available to measure the value contribution as a basis for strategic sourcing decisions.

business partners from
 **119**
countries

Henkel currently has business partners from 119 countries. About 75 percent of our purchasing volume comes from countries that belong to the  **Organization for Economic Cooperation and Development (OECD)**. However, we are increasingly opening up new purchasing markets in countries that are not OECD members. We place the same exacting demands on business partners worldwide. We expect their business



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conduct to be consistent with our sustainability requirements. In selecting and working with our business partners, we also consider their performance with regard to safety, health, environment, social standards and fair business practices. This is based on our corporate [Safety, Health and Environment Standards](#). Our corporate purchasing standards apply worldwide, and we have supplemented these with an updated [Responsible Sourcing Policy](#) in 2018. The Chief Procurement Officer (CPO) is responsible for all procurement activities and responsible supply chain management. He reports directly to the Chief Financial Officer (CFO).

Binding supplier code

Compliance with the cross-sector Code of Conduct of the German [Association of Materials Management, Purchasing, and Logistics \(BME\)](#) is mandatory for all of Henkel's suppliers worldwide. The BME Code of Conduct is based on the ten principles of the [UN Global Compact](#). This Code of Conduct makes international application possible and, in addition to the Responsible Sourcing Policy, also serves as the basis for contractual relationships with our strategic suppliers.

Cooperation with strategic suppliers and partners

Our current cooperation with our suppliers centers on the definition and implementation of a common plan for Henkel's sustainability targets for 2025 and beyond. We use different platforms and forums to develop pioneering innovations in the field of sustainable products and technologies together with our suppliers. We use target agreements with our strategic suppliers to manage transparency, sustainability performance and innovation potential in the area of sustainable sourcing solutions. As part of our risk management approach, we are working to improve the transparency of our upstream supply chains with regard to sustainability risks. To support climate action across the value chain, we also require our suppliers in the raw materials and packaging sectors to be transparent about the emissions levels of their product portfolios. We expect them to make a contribution to reducing CO₂ emissions along their supply chains in line with our science-based target for Scope 3 greenhouse gas emissions. This approach addresses about 50 percent of our indirect emissions in the area of raw materials. In addition, we encourage sustainable innovation by engaging in dialog with suppliers and setting individual targets. This is how we ensure that focus topics such as biodegradability are systematically integrated into Henkel's holistic approach to sustainability.



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Six-step process as an integral component of our procurement activities

Our six-step Responsible Sourcing Process, which generates indicators on the sustainability performance of our suppliers, is a central element of our strategic risk management and compliance approach. We use the resulting transparency to support our buyers in working with suppliers to continuously improve sustainability performance in the value chain.

These continuous improvement processes are based primarily on knowledge transfer and competence building with respect to process optimization, resource efficiency, and environmental and social standards. The Responsible Sourcing Process is an integral component of our sourcing activities. This process is initiated before the start of any new cooperation. It culminates in a recurring cycle of review, analysis and continuous improvement with existing suppliers. Using this process for the audit and assessment of the sustainability performance of our suppliers, we cover about 93 percent of our purchasing volume in the areas of packaging, raw materials, and contract manufacturing.

Step 1: Pre-check and risk assessment

Henkel uses an early warning system for sustainability risks in global purchasing markets. We begin by evaluating the potential risks in a region or country. In doing so, we concentrate on countries identified by international institutions as being associated with heightened levels of sustainability risks. The assessment includes the criteria “Human Rights,” “Corruption” and “Legal Environment”. This also includes the assessment of risk-value chains. Risk value chains are related to industries and sectors that we consider to potentially represent a sustainability risk for our company. This helps us to identify countries and purchasing markets that may require special precautions.

Step 2: Onboarding

The results of the pre-check and the risk assessment then flow into our supplier onboarding process. We expect our suppliers to acknowledge our supplier code of conduct as well as our Responsible Sourcing Policy. Our onboarding process is anchored in a globally uniform registration system and provides a standardized summary of our sustainability requirements.

Step 3: Initial assessment or audit

At the start of a new business relationship, suppliers are asked to either disclose existing sustainability performance results, or to undergo a self-assessment that provides transparency about their sustainability performance. We do this for the majority of our external purchasing volume using a methodology developed by EcoVadis, an independent sustainability assessment specialist. These questionnaires cover expectations in the areas of safety, health, environment, quality, human rights, employee standards and anti-corruption.

We also piloted the [IntegrityNext](#) software-as-a-service solution in 2021 for suppliers with lower purchasing volumes. A compact assessment questionnaire is used to make the sustainability performance and risks of suppliers in various purchasing segments transparent.

Selected suppliers undergo initial audits as an alternative to the assessment of the self-assessment questionnaires. Our supplier base also includes contract manufacturers from which we source around 10 percent of our production tonnage each year. Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements, and are reviewed as necessary.



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In this process, Henkel works with specialized independent service providers to check compliance with the defined standards in audits. Our audits consist of on-site inspections (e.g., at production sites of our suppliers) and include both factory inspections and discussions with employees at all levels of the hierarchy.

Step 4: Analysis of the performance assessment

External sustainability experts, as well as the supplier owners in our Purchasing team, analyze the results of the audits or the results of the self-assessment questionnaire to identify sustainability deficits and improvement areas. At the same time, the suppliers are assigned to different sustainability risk classes. A standardized process following an assessment or audit ensures that our suppliers implement the corrective actions that have been specified. Repeated serious non-compliance leads to termination of the supplier relationship.

Step 5: Corrective actions and continuous improvement process

Independently of the results of an audit or assessment, we ask our assessed suppliers to draw up a Corrective Action Plan and to work on the defined areas of potential optimization. We monitor the progress made in the implementation together with our suppliers in the course of the period until the re-assessment or re-audit takes place.

Step 6: Re-Assessment / Re-Audit

We use recurring re-assessments or re-audits to monitor the performance progress of our suppliers and ensure a continuous improvement cycle consisting of evaluation, analysis and corrective measures. Data on the measured sustainability performance of our suppliers is made available in real time via digital platforms.

Development or termination of the supplier relationship

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability performance. We strive to initiate positive change throughout the value chain, through training programs and joint projects. During 2021, we did not receive any notifications of an infringement by any of our strategic business partners that would have given cause for terminating our relationship with that supplier.



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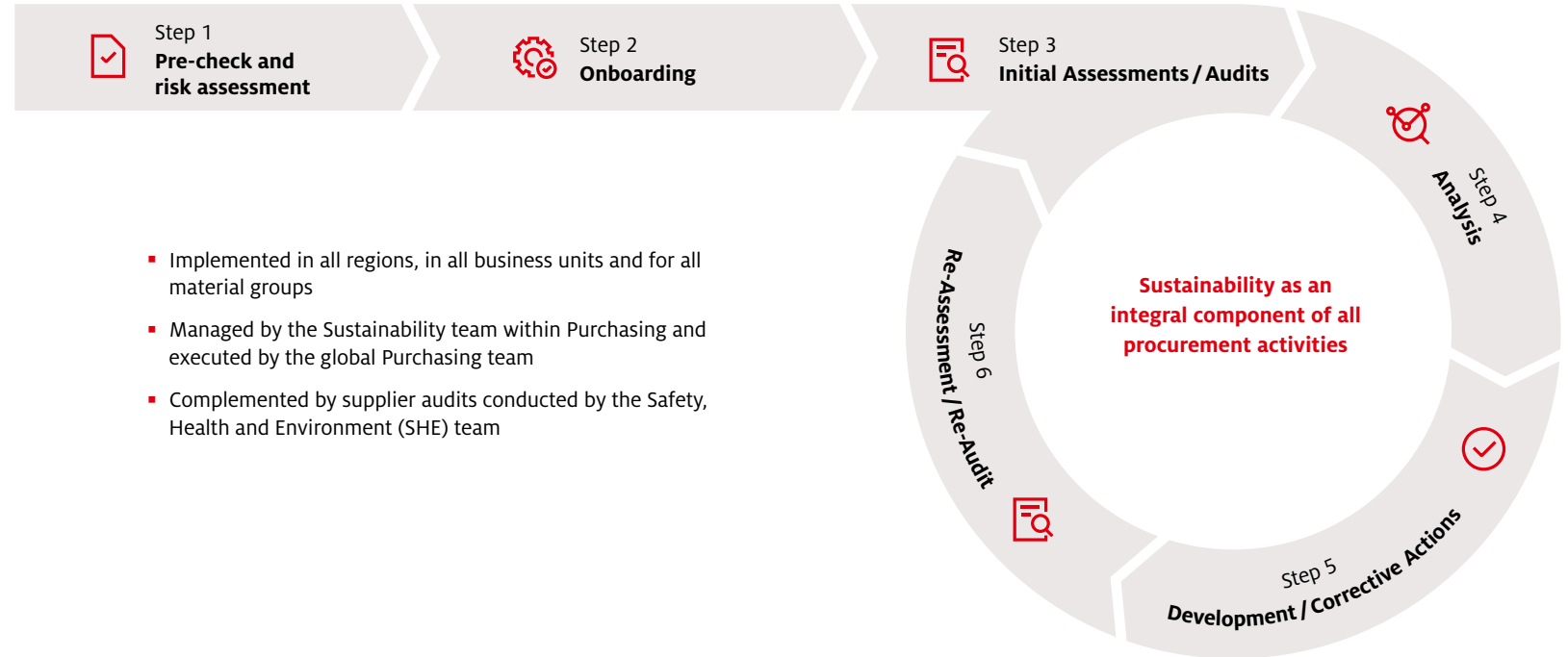
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Responsible Sourcing Process

Six-step supplier management process



- Implemented in all regions, in all business units and for all material groups
- Managed by the Sustainability team within Purchasing and executed by the global Purchasing team
- Complemented by supplier audits conducted by the Safety, Health and Environment (SHE) team

Together for a sustainable supply chain

A strong partner in the “Together for Sustainability” (Tfs) initiative

In 2011, Henkel and five other companies in the chemical industry introduced the initiative [Together for Sustainability – Chemical Supply Chains for a Better World \(Tfs\)](#). It is based on the principles of the [UN Global Compact](#) and the Responsible Care Initiative of the

[International Council of Chemical Associations \(ICCA\)](#). The Tfs initiative today consists of 34 members representing total expenditures of more than 267 billion euros. It aims to harmonize increasingly complex supply chain management processes with regard to sustainability and to optimize dialog among worldwide business partners. Above all, synergies are to be created so that resources can be used more efficiently and with a minimum of administrative effort, not only among the member companies but also with all of our shared suppliers.



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At the heart of the audits and online assessments of the Tfs initiative is the core idea: “An audit for one is an audit for all!”: Suppliers then only have to undergo one assessment or one audit. The audits are carried out by a number of selected, independent audit companies. For the online assessments, Tfs works with [EcoVadis](#), a sustainability performance assessment specialist.

Around 18,000 assessments and audits have taken place since Tfs was founded. Performance is assessed in the areas of management, environment, health and safety, labor and human rights, and issues of ethical corporate governance. The measures then introduced are reviewed via re-assessments or re-audits. Follow-up monitoring and subsequent supplier management are the responsibility of the individual member companies. An online platform is used to make the results available to all members of the initiative.

 **18,000**
Tfs assessments and audits

 **34**
member companies
of the Tfs initiative

The initiative not only expanded to include additional member companies in 2021, it also established a regional working group in Singapore, headed by a Henkel representative. Together with the Chinese Petroleum and Chemical Industry Federation, Tfs is working to raise awareness of the initiative in China.

Another working group was also launched in 2021 with the goal of establishing a global program to collect and share information on Scope 3 greenhouse gas emissions. This includes developing a standardized approach for measuring greenhouse gas emissions data in the chemical industry. This also includes defining a data collection and sharing process using a scalable platform, designing a supplier engagement program, and maintaining dialog with key stakeholders.

In 2021, the initiative also developed the [Tfs Academy](#). After completion of the pilot phase, the Academy will provide a learning environment for both of the core target groups, buyers and suppliers, as well as other key stakeholders within Tfs member companies. The Tfs Academy will initially offer more than 200 learning contents in four languages.

Training and development of suppliers and employees

During the year, Henkel continued to focus on building up and expanding the expertise of its buyers and suppliers. Henkel experts trained both purchasing experts and suppliers in focus areas like palm oil, greenhouse gas emissions and conflict minerals. Experts at Tfs, together with representatives of the strategic supplier evaluation partner EcoVadis, were also trained in content related to the assessment process. In total, about 2,360 participants were trained in various webinars in four languages (English, Spanish, Portuguese, Chinese) in 2021. At the annual conference of the Chinese Petroleum and Chemical Industry Federation, personal training was provided for about 370 suppliers on site in Ningbo for the second year.



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As in previous years, internal Henkel stakeholders and new employees in the Purchasing department were also trained on the contents of our Responsible Sourcing Strategy. During the year, 970 employees completed eLearning courses on sustainability topics in purchasing. We placed a special focus on human rights due diligence training in purchasing. About 370 employees in the Purchasing area underwent extensive human rights training in 2021, focusing on human rights due diligence in supply chains.

Honoring our suppliers

Henkel has regularly honored suppliers for special achievements for many years. In 2021, the [Adhesive Technologies](#) business unit presented BASF with the Sustainability Award for its outstanding contributions to achieving our sustainability targets and ambitions. BASF's contributions include joint development projects for improved health and safety standards, for reducing the company's carbon footprint by sourcing raw materials based on the biomass balance process for new adhesive products, and the partnership in the ReciChain initiative for tracking plastics and plastic products.

The [Laundry & Home Care](#) business unit presented the 2021 Sustainability Award to Firmenich and Takasago in recognition of their achievements in the development of new biodegradable capsules for fragrances. We use this technological development for fabric softeners and laundry detergents. It also fulfills the criteria of biodegradability and fragrance performance and longevity.

The [Beauty Care](#) business unit presented the Sustainability Award for 2021 to Sasol, whose Parafol chemical line allows us to replace cyclic silicones from antiperspirant sprays. This is an important step in adapting our products to the current specifications and needs of consumers.

Close collaboration with partners

In addition to our work in the Together for Sustainability initiative, Henkel is a member of [AIM-PROGRESS](#), a forum of companies from the consumer goods industry. The objective here is also to encourage member companies to share experiences in the area of sustainable sourcing and utilize synergies. The forum also focuses on holding regional supplier events to improve sustainability performance within the value chain.

We are also a founding member of the [Action for Sustainable Derivatives \(ASD\)](#) initiative. It brings together organizations from along the palm oil derivative supply chain to support efforts to increase transparency and promote compliance with NDPE (No Deforestation, No Peat, No Exploitation) principles to positively transform the palm oil industry.



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Increasing relevance for investors

Sustainability is a key component of our [strategic agenda for purposeful growth](#). This topic is already highly relevant for investors and the global financial markets today and is increasingly gaining in importance. This means that the proportion of investors who use sustainability criteria as a basis for both their strategic portfolio management and their specific investment decisions is increasing. Institutional investors are increasingly including sustainability in their risk and opportunity management, as they are convinced that sustainable companies are more successful in the long term. This development is also being actively promoted by political decision-makers at global level – with concrete legal requirements and initiatives for greater climate and environmental protection. For example, the European Commission's [“Green Deal”](#) includes measures for the financial market. In this respect, sustainability is an increasingly critical success factor for competitiveness as an issuer on the capital market. ESG (Environment, Social, Governance) is therefore a key pillar of our financing strategy.

Integrated dialog with our shareholders

For many years now, we have been engaged in intensive dialog with our shareholders on the topic of sustainability. As part of our capital market communications, we regularly report on our strategy, goals, and concrete initiatives and progress in this area. Sustainability has been an integral part of our financial reporting in our Annual Report since 2001. It is also a significant topic at our Annual Press Conference as well as Annual General Meeting – not least because it is deeply anchored in Henkel's corporate strategy, culture and values. In addition, we engage with investors both in one-on-one meetings as well as at conferences



“Sustainability criteria continue gaining importance in investment decisions and hence also in our Investor Relations activities. We have once again demonstrated our commitment to sustainable finance and integrated ESG as a central pillar in our financing strategy.”

MARCO SWOBODA

CFO and Executive Vice President
Finance / Purchasing / Global Business
Solutions

and roadshows. In particular, events with a special focus on ESG offer an important platform for these exchanges. We also provide transparent information about our positions, activities and progress in the area of sustainability by responding to in-depth questionnaires from investors. This also provides us with detailed insights into the interests and requirements of capital market players with regard to relevant ESG criteria.

Sustainable financing

Henkel implemented innovative solutions in the area of sustainable finance at an early stage. We introduced an ESG Framework for Pension Asset Management in 2015 and updated it in 2020 by integrating ESG ratings for active fund managers and ESG index benchmarks for passively managed investments. In 2018, Henkel was the first company in Germany to conclude a syndicated [“Sustainability-Linked Loan,”](#) a



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credit facility linked to Henkel's performance in the Sustainalytics, EcoVadis and ISS-oekom sustainability ratings. In July 2020, we also became the first company worldwide to issue a [🔗](#) **"Plastic Waste Reduction Bond"**. The bond consists of two tranches of 70 million US dollars and 25 million euros and has a maturity of five years. The proceeds will be exclusively invested in projects participating in Henkel's activities to reduce plastic waste. This bond underscores our commitment to promoting a circular economy and reducing plastic waste.

We further expanded our commitment to sustainable finance in October 2021, by defining the [🔗](#) **"Sustainable Finance Framework"**. This [🔗](#) **framework** enables the issuance of two types of bonds: Sustainability-Linked Bonds and Green Bonds. The financing costs for Sustainability-Linked Bonds are linked to the achievement of sustainability targets, while the proceeds from the issuance of Green Bonds are used exclusively for sustainable investments. The framework was reviewed by the independent ESG rating agency ISS ESG, which confirmed the environmental added value and the compliance of the framework with the Green Bond and Sustainability-Linked Bond Principles of the International Capital Market Association (ICMA). Henkel successfully issued two [🔗](#) **Sustainability-Linked Bonds** with a volume of 720 million euros under the framework in November 2021.

With this "Sustainable Finance Framework," we aim to align our business as well as our financing with our commitments and values by creating a direct link between our [➔](#) **sustainability strategy** and our funding strategy. This underscores our commitment to achieving our sustainability targets, as well as our Henkel Finance team's ongoing commitment to actively supporting our sustainability agenda.

EU taxonomy

In view of global warming, the European states have committed themselves to more climate protection. In this regard, both the Paris Climate Agreement and the European Green Deal view sustainable investments as an important starting point. A key instrument in this context is the [🔗](#) **EU taxonomy** – an EU-wide classification system for sustainable economic activities with the aim of promoting investment in them.

According to the "Regulation (EU) 2020/852 of the European Parliament and of the Council of June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088," an economic activity is considered environmentally sustainable if it substantially contributes to achieving one or more of the environmental objectives. At the same time, an economic activity must not significantly harm the other environmental objectives. The environmental objectives defined in terms of the Taxonomy Regulation are: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems. In addition, the economic activity must be carried out in compliance with the minimum social safeguards and comply with the technical screening criteria established by the EU Commission by means of delegated acts. The technical screening criteria specify the performance requirements for a specific economic activity, determining under what conditions the activity makes a substantial contribution to achieving a particular environmental objective and does not significantly harm the other objectives.



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The EU Taxonomy Climate Delegated Act introduces the first set of technical screening criteria to determine which activities contribute significantly to achieving two of the environmental objectives set out in the Taxonomy Regulation: climate change mitigation and climate change adaptation. The Delegated Act covers economic activities of about 40 percent of listed companies in sectors that account for nearly 80 percent of direct greenhouse gas emissions in Europe. These sectors include energy, forestry, manufacturing, transport, and buildings.

After a thorough examination involving all of our relevant business units and functions, we came to the conclusion that our economic activities are not covered under the EU Taxonomy Climate Delegated Act and are consequently not taxonomy-eligible. We therefore deduce that Henkel, with its core business activities, is not identified as a relevant source of emissions. Consequently, the share of taxonomy-eligible economic activities accounts for 0 percent of our total sales and – as a consequence – the related capital expenditures as well as operating expenses also amount to 0 percent. The share of taxonomy non-eligible economic activities in our total sales and capital expenditures and operating expenses therefore amounts to 100 percent.

In addition, the capital expenditures and operating expenses to be reported include those related to the acquisition of production from taxonomy-aligned economic activities and to individual measures that reduce the carbon footprint or greenhouse gas emissions of the target activities, as well as to individual building renovation measures. As the reporting requirements for fiscal year 2021 relate exclusively to taxonomy-eligible investments and expenditures and reliable statements on taxonomy-alignment are not possible or such an assessment is not required for this reporting period, we are unable to report any corresponding expenditures here either. We did not take into account the “Draft Commission Notice” published on February 2, 2022, as the drafting process was almost complete at that time.

We will continue to intensively examine whether our economic activities are covered by the delegated acts yet to be adopted on the remaining four environmental objectives.



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Accounting policy

The definition and determination of turnover and capital expenditure (CapEx) under the EU taxonomy is based on the corresponding International Financial Reporting Standards (IFRS). Turnover is determined in accordance with IFRS 15 “Revenue from Contracts with Customers”.

For more information on revenue, please refer to the corresponding item “Sales” in the consolidated income statement on page 180 of the [Annual Report 2021](#). For more information on the principles of revenue recognition, please refer to section 24 (pages 273 and 274) of the Annual Report 2021. The determination of capital expenditure (CapEx) follows IAS 16 “Property, Plant and Equipment” (IAS 16.73(e)(i) and (iii)), as well as IAS 38 “Intangible Assets” (38.118(e)(i)) and IFRS 16 “Leases” (IFRS 16.53(h)). Capital expenditures for 2021 are calculated based on the aggregate of the corresponding lines “Acquisitions,” “Additions to existing operations,” and “Additions of right-of-use assets” under property, plant and equipment in the Annual Report 2021 on page 211, as well as “Acquisitions” and “Additions” under intangible assets, page 205 in the Annual Report 2021. Goodwill is not included in capital expenditures in the context of EU taxonomy reporting. For more information on property, plant and equipment, intangible assets and leases, please refer to pages 205 to 215 of the Annual Report 2021. For estimates, assumptions and judgments in connection with the aforementioned key performance indicators, please refer to page 197 of the Annual Report 2021.

Operating expenses (OpEx) include direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. This includes research and development expenses recognized as an expense in our income statement during the reporting period in accordance with IAS 38 (see page 275 of our Annual Report 2021). Lease expenses were determined in accordance with IFRS 16 and include expenses for short-term leases and leases of low-value assets (see page 214 of our Annual Report 2021). Maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment as well as building renovation measures are determined and allocated appropriately.

Direct costs for training and similar expenses are not included in the numerator and denominator, as Annex I to Art. 8 of the Delegated Act lists these costs only for the numerator, which does not allow for a mathematically meaningful calculation of the OpEx KPI.



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Assessment and recognition from independent sustainability experts increases transparency and provides important feedback about how effectively we are implementing our sustainability strategy.

SUSTAINABILITY RATINGS AND INDICES IN 2021

EcoVadis Rating	As a member of the TfS initiative, Henkel's sustainability management was again assessed by the rating agency EcoVadis . Henkel received the "Platinum Recognition Level," which is the highest assessment category for this corporate social responsibility rating.
ISS ESG Rating	Henkel retained its Prime Status from ISS ESG . With the rating B+, Henkel was the best performer in the consumer goods sector.
Sustainalytics Rating	The sustainability rating published by Sustainalytics recognizes Henkel as a global leader in its "Household & Personal Products" sector comparison and has again been classified in the "Low Risk" category.
ECPI Index	Henkel is listed in the "ECPI Global Ethical Equity," "ECPI Euro Ethical Equity," "ECPI Euro ESG Equity" and "ECPI EMU Ethical Equity" indices. According to the screening procedure adopted by ECPI, the 150 market-capitalized companies included in the ECPI Indices constitute the most highly recommended investments in the European market (Euro) and the European Monetary Union (EMU), respectively.
Solactive Corporate Social Responsibility Indices	Henkel is included in the "Solactive Europe Corporate Social Responsibility Index" and the "Solactive Global Corporate Social Responsibility Index". Solactive is a globally operating German index provider.
Euronext V.E. Indices	Henkel was again listed in the Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indices. They are issued by the international stock exchange Euronext and the rating agency Vigeo Eiris (V.E) , and include the 120 highest ranking companies.

FTSE4Good Ethical Index	For the 21st consecutive year, Henkel is included in the FTSE4Good ethical index, which was introduced by the Financial Times and the London Stock Exchange in 2001.
Global Challenges Index	Henkel was again one of only 50 companies worldwide to be listed in the Global Challenges Index, which is provided by the Börse Hannover and ISS ESG.
MSCI World ESG Index and MSCI Europe ESG Index	Henkel is again included in the Sustainability Indices MSCI ACWI ESG Leaders and MSCI ACWI SRI . These include companies with a strong risk and opportunity management approach for environmental, social and governance (ESG) performance.
STOXX ESG Leaders Indices	STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices . It assesses companies in terms of their environmental, social and governance performance.

OTHER ASSESSMENTS AND RANKINGS

Carbon Disclosure Project	Henkel has been participating in the Carbon Disclosure Project (CDP) since 2004 to foster transparency in our markets and for our investors. In 2021, the company achieved an "A-" rating in climate change and a "B" in water. For its commitment to forests, Henkel received an "A-" rating for palm oil and a "B" for wood/paper.
Global 100 Most Sustainable Corporations in the World	Henkel was listed in the "2022 Global 100 Most Sustainable Corporations in the World" (Global 100 Index) of Corporate Knights, a media and investment advisory company. Companies named in the Global 100 index are the top overall sustainability performers in their respective industrial sectors. Henkel was ranked second within the personal product sector.



Awards and customer recognition

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External assessments of our sustainability performance also include awards from our customers, as well as awards from local and national environmental, business or governmental organizations. A selection for the year 2021 is presented below.

Henkel recognized as “Sustainability Champion”

Henkel has been recognized as a [Sustainability Champion](#) for its customized adhesive solutions for Debatin products. Debatin is a leading producer of packaging materials, shipping bags, and secure packaging. This award acknowledges our focus on sustainability and an resource-efficient solution tailored to the customer’s needs. Debatin’s packaging, made with Henkel products, is used successfully in a wide variety of sectors around the world. With this title, which was awarded for the first time in 2021, Debatin honors its suppliers for special commitment in the categories of environmental, economic and social sustainability.

Recognition from the World Economic Forum

Henkel has been awarded as an [“Advanced 4th Industrial Revolution Lighthouse”](#) by the World Economic Forum and McKinsey & Company for the third time. An independent expert panel recognized Henkel’s Laundry & Home Care production in Toluca, Mexico, as a global lighthouse and frontrunner in Industry 4.0. Henkel has already received awards for two lighthouse factories in Düsseldorf, Germany, and Montornès del Vallès, Spain. The World Economic Forum and McKinsey & Company identify and honor leading manufacturers to become members of their Global Lighthouse Network. The aim is to foster leadership in using Industry 4.0 technologies to transform factories, value chains and business models.

Awards for packaging

Henkel was honored with the [PCD Innovation Award 2021](#) in the personal care sector for its partnership with Plastic Bank. The PCD Innovation Awards recognize the best packaging innovations and launches in the global cosmetics market from the past year. In addition, our [Perlana](#) brand was recognized by CONAI (Consorzio Nazionale Imballaggi) for the eco-design of its packaging as a best-practice example for the improvement of recycling processes. Perlana’s black bottles are made with an alternative, carbon-free colorant, which makes the bottle fully recyclable. Furthermore, all bottles contain 25 percent recycled PE.

Henkel wins the Enlighten Award

More than 4 million vehicles are pretreated annually with Henkel’s PALLUMINA™ metal pretreatment process, which received the second-place award in the “Sustainable Process” category of the [2021 Altair Enlighten Awards](#). The award honors the greatest sustainability and light-weighting advancements in the automotive industry. The PALLUMINA™ metal pretreatment process is used in the production of the 2021 Toyota Tacoma and Tundra and offers several sustainability benefits compared to conventional processes. This includes the elimination of heavy metal phosphates, up to a 90 percent reduction in sludge generation, up to a 40 percent reduction in energy consumption and up to a 50 percent reduction in water usage.



REGENERATIVE *PLANET*

We are on a journey toward an environmental transformation of our business model. To achieve this ambition, we intend to transform our processes, products and use of raw materials in the direction of a resource-efficient, carbon-neutral future. We are focusing on climate change mitigation measures, a functional circular economy, and the protection of nature and biodiversity.

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REGENERATIVE **PLANET**

We want to enable a circular and net-zero carbon future by transforming our business, products and raw materials underpinned by science and innovation.



CLIMATE

Decarbonize our operations and raw materials on the way to a carbon-neutral business.



CIRCULARITY

Embed circular practices in our operations, products and packaging, and enable circularity through our industrial solutions.



NATURE

Protect and restore biodiversity, with focus on forests, land and water, through more regenerative ingredients and resource stewardship.

TARGETS AND AMBITIONS



-30%

CO₂ from raw materials and packaging per ton of product²

-100M

tons of CO₂ with partners along the value chain¹

100%

of packaging designed for recyclability/reusability¹

50% / >30%

fossil-based virgin plastics¹ / recycled plastics¹
for consumer packaging



AIM FOR CIRCULAR USE OF **PRODUCTION WASTE MATERIAL**²



AIM FOR CIRCULAR **WATER USE AT KEY MANUFACTURING SITES**²

-35%

water consumption per ton of product¹

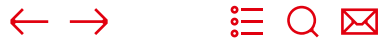
100%

responsibly sourced and externally assured palm (kernel) oil¹

FURTHER ASPIRATIONS FOR 2030 AND BEYOND

Accelerating progress on climate action across the value chain | zero deforestation | using more bio-based and responsibly sourced ingredients

¹ until 2025
² until 2030



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Our climate change mitigation activities

Climate change is one of the major global challenges of our time. We are committed to the 1.5 degree target of the Paris Climate Agreement. We take **→ climate change and its impacts** into account as part of our sustainability and risk management approach, and across our entire value chain. It is relevant for us from two perspectives: One is the potential impact of our business activities on the global greenhouse gas balance, and the other is the potential impact of climate change on our business activities. In the context of our **→ sustainability strategy**, we consider our direct and indirect CO₂ emissions and their potential impact on the climate. We are starting by focusing on our own sites, which we can influence directly. We plan to achieve a reduction in the carbon footprint of our production. We will achieve this by continuously **→ improving our energy efficiency** and by increasingly making use of power, especially electricity, that is generated by **→ renewable sources**.

We are always exploring ways to achieve climate neutrality faster for selected sites. Based on our progress in these areas and the experience we have gained, we have decided to bring forward our ambition for 2040 by ten years: By 2030, we intend to achieve a **→ climate-positive carbon footprint** for our production sites.

To do this, we are planning to replace the fuels we need to generate thermal energy at our sites with CO₂-free alternatives such as biogas or biomass by no later than 2030. We continue to strive towards our existing goal of sourcing 100 percent of the electricity we purchase for production



“As market leader for adhesives, sealants and functional coatings, we are making an important contribution to climate protection by becoming climate-positive and leveraging our technologies and solutions to enable CO₂ savings along the value chain.”

JAN-DIRK AURIS
Member of the Management Board
Adhesive Technologies

from renewable sources by 2030. In parallel, we also want to continuously improve our energy efficiency. In line with our vision, the sites will become **↻ climate-positive** in terms of their carbon balance when surplus CO₂-free energy that Henkel does not need for its own purposes is supplied to third parties. Along the journey toward this goal, we are still pursuing our target of making a 65-percent reduction in the carbon footprint of our production sites by 2025 compared to the base year 2010. In addition to the major opportunities presented by the accelerated transition to climate-neutral solutions, we also see a number of challenges, including changing framework conditions and accounting methods that differ around the world, as well as the local availability of climate-neutral technologies.



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In addition to our activities at our own sites, we want to leverage our influence on areas of our value chain that are particularly relevant to CO₂ emissions. We determine this data using the recognized methods of the Greenhouse Gas (GHG) Protocol. Analysis shows that the product use phase has the greatest impact on our CO₂ footprint. Our products are used in millions of households and industrial processes every day. Accordingly, our goal is to work with our customers, consumers and suppliers to save 100 million metric tons of CO₂ over the ten-year period from 2016 to 2025. To achieve this, we have developed a CO₂ savings portfolio that can be used as a basis for quantifying the exact contributions made by products to reducing emissions. We also want to reduce the footprint of the raw materials and packaging that we use by 30 percent by 2030 compared to a 2017 baseline. One component of this is our packaging strategy, as CO₂ emissions can be reduced by using recycled material, for example.

In 2020, the [Science Based Targets initiative \(SBTi\)](#) confirmed that our science-based emissions reduction targets, which we derived based on our long-term goals, are consistent with the initiative’s criteria. Our targets for Henkel’s greenhouse gas emissions (Scope 1 and 2) are in line with the reductions required to keep warming to 1.5 degrees Celsius. We have committed to reducing our Scope 1 and 2 emissions per metric ton of product by 67 percent by 2030 compared to 2017, and we have converted our existing climate targets with the reference year 2010 accordingly to the more current reference year 2017. Our [target](#) for value chain emissions (Scope 3) also meets SBTi’s criteria for ambitious value chain targets, which means it is in line with best practice. By 2030, we aim to reduce our emissions from raw materials and packaging that meet Scope 3.1 “Goods and Services” of the GHG Protocol by 30 percent per metric ton of product compared to 2017.

The effects of climate change on potential risks and opportunities

When assessing the potential impact of climate change on our business activities, we consider the entire value chain – from the raw materials we purchase through to the marketing of our products. We draw on the findings of our comprehensive risk and opportunity assessment process.

We identify and assess climate-related risks based on the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). The recommendations made by the reporting department are assigned to the core areas of governance, strategy and risk management of a company. This framework addresses how an organization manages climate-related risks and opportunities, how the actual and potential impacts of climate-related risks and opportunities on the company’s business are assessed, and how the organization identifies, assesses, and manages climate-related risks if they are considered to be material.

To this end, we identify relevant impacts in two major risk categories: transition risks associated with the transition to a low-emission economy and society; and physical risks, such as the increased probability of extreme weather events in the future. In line with the timeframe of our current sustainability strategy and our Group-wide risk management approach, we are initially focusing on the period up to 2030.



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To explore the potential impacts of climate change, one of the sources we use is data from transition scenarios developed by the [International Energy Agency \(IEA\)](#) and from climate scenarios conducted by the [Intergovernmental Panel on Climate Change \(IPCC\)](#). The scenarios are based on different assumptions of potential climate warming. We have considered the following risks:

The main transition risks for Henkel include the potential financial impact of a significant increase in the price of CO₂. By analyzing the CO₂ price developments based on different climate scenarios, we have identified potential risks both for production and along the value chain. We have assessed the potential direct and indirect effects on the costs of energy, products and services purchased by Henkel if the widely introduced price of CO₂ rises. We did this in the context of other price factors and possible feedback effects. We expect to help reduce potential long-term risks by implementing our medium and long-term climate change mitigation targets.

We have also examined the physical risks for Henkel. Our focus was on the risks associated with our raw material sourcing and on direct risks to our production from potential climate-related changes in the frequency and intensity of weather events such as heavy rain, droughts or floods.

With respect to sourcing, the raw material palm (kernel) oil is particularly interesting, as the yield of the plantations and consequently prices are influenced by prevailing weather conditions. Our main focus is on monitoring the El Niño weather phenomenon and managing its impacts. Based on the scenarios issued by the IPCC and IEA that we have applied, we do not expect any climate changes in the period up to 2030 that would lead to a significant long-term increase in the prices of our palm (kernel) oil-based raw materials.

We primarily based our analysis of possible climate-related production losses on the new [IPCC report](#) published in 2021. Henkel will continue to develop its assessment of these risks in the future, even though we currently assume that the risk to our sites from intensified climate events is low, based on the current interpretation of the climate scenarios. Where relevant, we have put in place a system for managing weather and other geohazards.

The transition risks also present opportunities for Henkel: to position itself as a company with a proactive climate protection strategy, to improve its own competitiveness by optimizing its production and raw material base, and to create added value for customers and consumers with innovative solutions and strong brands. Henkel's CO₂ savings portfolio provides examples of this. [More information about our TCFD reporting](#) is available on our website.



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Significantly reducing the carbon footprint in production

Becoming climate-positive by 2030

In light of the need to reduce emissions and decarbonize the economy, we pursue the ambition of converting our production sites to a [climate-positive CO₂ balance](#) by 2030, which will make an active contribution toward [climate protection](#).

The net carbon footprint of our production is around 475,000 metric tons of CO₂ and is attributable to the fuels we use ourselves (Scope 1) and the energy purchased (Scope 2), in particular electricity. To date, we have been able to achieve a reduction of 50 percent CO₂ emissions per ton of product (2021 vs. 2010). Our target is an overall reduction of 65 percent by 2025 (vs. 2010).

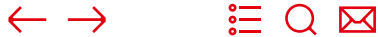
We are continuously developing our climate strategy in the area of production, drawing on internal experts and our partner network. In 2021, we hosted a number of strategic workshops in collaboration with external partners to critically examine our ambitions, and to identify opportunities and risks. The main factors to be taken into account in this context are the continuously evolving energy markets, potential changes to the legislative framework, and technical innovations. For example, determining the optimal supply strategy for each site requires intensive analysis of the changing emissions trading systems and carbon markets. The reason for this is that we purchase electricity as well as thermal energy, and we use energy sources that can be subject to rapidly changing framework

conditions in the countries in question. Accordingly, we are continuously reviewing our timetable and strategy for decarbonizing our production sites. Our considerations also take into account the results of the negotiations at the UN Climate Change Conference in Glasgow in 2021.

Driving the conversion to renewable energy

We are focusing on a combination of the following three models to transition to 100 percent renewables by 2030: on-site production, direct purchases and virtual coverage. By 2030, we aim to replace the last remaining fossil fuels that we use in our production to generate process energy by switching to carbon-neutral alternatives such as biogas or biomass. We also aim to supply surplus carbon-neutral energy that Henkel does not need for its own purposes to third parties – thus becoming a climate-positive company in our production. In doing so, we will avoid emissions from our own activities, and also enable third parties to use carbon-neutral energy.

Since August 2021, the [Henkel Fragrance Center](#) in Krefeld in the Laundry & Home Care business unit in Germany has been operating on a CO₂-neutral basis, making it the first Henkel site to switch its production completely to CO₂-neutral energy. We have been operating a 17,000 square meter solar plant at our largest Beauty Care site in Wassertrüdingen, Germany, since the beginning of 2021, generating 1,675 megawatt hours (MWh) of green electricity per year. Combined with the conversion to biogas, the production facilities have been operated with 100 percent renewable energy since August 2021.



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Our production facility for detergents and cleaning products in Düsseldorf, Germany, is aiming to meet the important milestone of becoming carbon neutral by the beginning of 2022. To achieve this goal, the site is accelerating its shift to renewable energy sources, including the use of biogas for various processes. While we have already been using 100 percent renewable electricity for our laundry detergent production in Düsseldorf-Holthausen since 2020, we have now also been sourcing the thermal energy required for liquid laundry detergent and dishwasher tab production from renewable sources since July 2021. In our role as site operator at our headquarters in Düsseldorf-Holthausen, we provide electricity and heat to third parties. Our power station uses fossil energies (such as natural gas) and renewable energies (such as biogas). We separate the CO₂ emissions caused by generating energy for external third parties from the energy that we use for our own production activities at this site. We use the term “net emissions” when describing this situation.

By the end of 2021, we had fully converted 21 countries to 100 percent renewable electricity, and we managed to increase the proportion of our electricity purchase that comes from renewable sources to 68 percent during the entire year. We also have concrete plans to accelerate our respective sourcing and continue to fully convert further countries to green power in order to reduce the current use of fossil fuels.

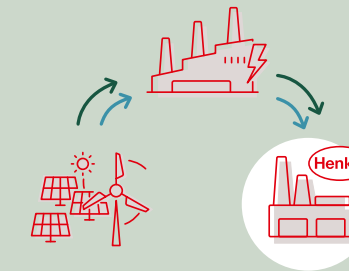
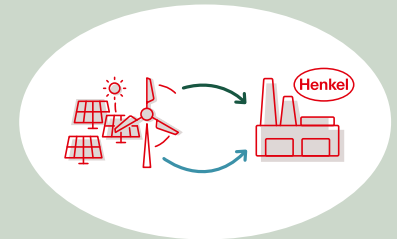
21
countries entirely transitioned
to 100% renewable electricity

Through a gradual conversion of the sites to renewable energy through the use of the three models shown in the box on the right, we will be able to meet the individual circumstances and the energy needs.

Three models of conversion to renewable energy

On-site production:

This model involves generating green power at our sites through wind turbines, solar cells or other technologies. The infrastructure is either funded by Henkel itself or paid for by collaboration with external partners.

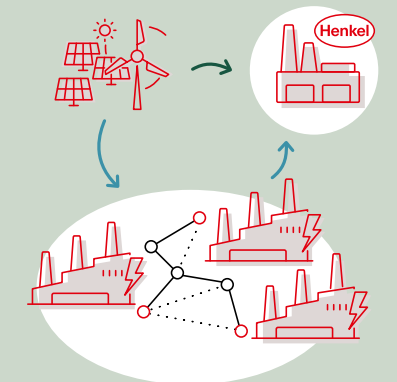


Direct purchase:

For this model, we purchase green power straight from the grid of a local energy utility company, or as part of a long-term Power Purchase Agreement (PPA).

Virtual coverage:

If the two options above cannot be implemented at one of our sites, green power requirements can be covered virtually. For example, by entering into long-term PPAs that feed green power from sites into the supply grid in an amount that is equal to the amount consumed.





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Climate change mitigation initiatives of the business units

Digitalization is the key to making our production sites climate-positive, because it serves as a driver for sustainability. We were once again recognized as an “Advanced 4th Industrial Revolution Lighthouse” by the World Economic Forum and McKinsey & Company for our achievements in this area. An independent panel of experts recognized Henkel’s [🔗 Laundry & Home Care production facility in Toluca, Mexico](#), in September 2021 and [🔗 Montornès del Vallès, Spain](#), in March 2020, as a global “Lighthouse” project and pioneer for [🔗 Industry 4.0](#). The Mexican plant is one of our five largest Laundry & Home Care sites in the world. This is our third such award. The other two were in 2020 for [🔗 Laundry & Home Care’s two Lighthouse factories in Düsseldorf, Germany](#), and – as mentioned above – Montornès del Vallès, Spain. In addition, the Forum named the Holthausen plant in Düsseldorf a [🔗 “Sustainability Lighthouse”](#) in 2021. We now operate one of the three most sustainable production sites in the Global Lighthouse Network and three Industry 4.0 best practice factories. This showcases our potential in using Fourth Industrial Revolution (4IR) technologies in manufacturing for environmental responsibility and sustainable business. This positions us as part of a community of production sites that are leading the world in the introduction and integration of Fourth Industrial Revolution technologies at the cutting edge.

One example of our achievements in this area is the decarbonization of the energy-intensive spray drying of powder detergents. To this end, we use our measured values to set up a “digital twin” – a cloud-based 3D replica of the plant, where we simulated operations to arrive at optimal process parameters for the facility. We are planning to scale up these Industry 4.0 applications to further improve the sustainability performance of all of our spray tower sites.

Henkel uses smart factory tools to make greater use of methods for improved planning, sourcing, manufacturing and logistics. Data-driven, intelligent systems are used to control machines and optimize production processes in real time – including energy consumption. Our [🔗 factory in Kurkumbh, India](#), was designed as a smart factory of this kind and engineered using lean manufacturing concepts. This helps to optimize the organization of material flows to increase productivity, minimize waste and reduce emissions. Highly efficient equipment and digital technology are used to optimize processes, and the plant has smart systems for ventilation, air conditioning and lighting. Solar panels, covering an area of 7,000 square meters of the roof, generate more than 1,000,000 kilowatt hours of energy and save about 800 metric tons of CO₂ annually.

Increased energy efficiency

Our business units continuously strive to increase energy efficiency in our existing sites and are stepping up the use of renewable energy systems. This effort entails regular upgrades, such as converting to LEDs and expanding solar installations. In Bogotá, Colombia, we installed a closed-loop plumbing system to transport heated water for the production of hair and body care products, reducing CO₂ emissions by 33 metric tons per year. Henkel Adhesive Technologies has also launched a multi-year solar energy program. In China, for example, solar modules have been installed at four production sites. The combined installed capacity totals 1.64 megawatts (MW). Together, the sites produce more than 1,700 MWh of solar power.



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Sustainability from the very beginning

We plan to integrate innovative and environmentally compatible technologies into our new production facilities, starting from the initial design. Our new [production facility in Songdo, South Korea](#), has paved the way for energy-efficient production. This site uses solar panels and energy-efficient equipment, as well as rainwater for water supply. Biodiversity is also ensured by maintaining grassland around the site (start of construction 08/2019). This site will be the future global production center for the electronics business of Henkel Adhesive Technologies. The facility received LEED Gold certification from the [US Green Building Council](#) in 2021 in recognition of its energy-efficient design.

Innovative approaches for the purchase of sustainable electricity

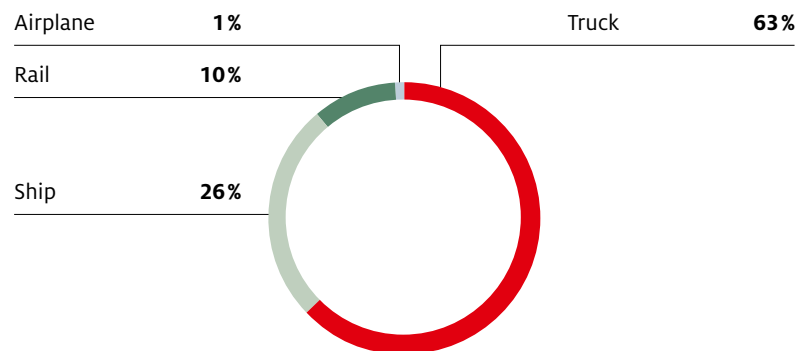
We continue to assess [virtual power purchase agreements \(“VPPAs”\)](#) for sites at which the electricity needs cannot be met through on-site generation or direct procurement from renewables. We achieved this in the US in 2021, with a new wind power project in Texas that is being developed by a utility company.

Low-emission logistics and mobility

Optimizing transport and logistics processes

Our responsibility along the entire value chain also includes optimizing our [transport and logistics processes](#) in terms of environmental compatibility and resource efficiency. We set ourselves the overall aim to reduce the emissions from transporting our products by around 15 percent between 2015 and 2025. We also aim to use renewable electricity at

Product transports per transport mode in 2021



50 percent of our pallet spaces within Henkel-operated warehouses by 2025. Our approach to reducing our logistics footprint starts in the product development stage. This is why we are optimizing our products and the related packaging in terms of weight and volume, whenever it is possible to do so without compromising performance, convenience or stability. More concentrated products and [lighter packaging](#) reduce transport weight, which decreases the amount of fuel required during transport and reduces the related emissions. Improving our logistics structures also helps to reduce transport emissions. Our approach takes the location of our production sites into account. For bulkier products, we reduce transport distances and environmental impact by operating regional production sites. For compact products, we leverage efficiencies in production by manufacturing these products centrally whenever possible. For transportation and logistics for finished goods, we focus our efforts on three major drivers:



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- **Expanding intermodal transport:** Intermodal transport involves using more than one mode of transportation. At Henkel, this means more of our transports are being switched from road to rail. This process begins with a truck carrying the goods to the nearest rail loading terminal. From there, the goods cover longer distances by train, before a second truck collects the goods at the destination terminal and delivers them to the customer. This allows us to make use of the lower CO₂ footprint of rail transport compared to road transport, since a train emits about one-third of the CO₂ of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO₂ reduction in logistics at Henkel. Through our dedicated tendering processes, we are adding further train routes in Europe to support our shift toward intermodal transport. We stepped up these efforts further in 2021. Since May 2021, detergents and cleaning products produced at our site in Kruševac, Serbia, have been transported to Vienna by truck and from there to Düsseldorf by rail. This approach saved about 280 tons of CO₂ in 2021. This project is an important step for Henkel in expanding intermodal transport, because the route was previously served exclusively by trucks. We have also increased the share of intermodal transports on the Hungary–Düsseldorf route by 360 more transports per year.

- **Improving our warehouse network:** We select the location of our warehouses and distribution centers to optimize the routes between our production sites and our customers. A “wall-to-wall production” approach, where the warehouse is directly connected to the production facility, minimizes transport from production to storage. Where this is not in place, we achieve synergies by consolidating transport between

individual factories and warehouses. We also make use of the “mega warehouse” concept, where a small group of main distribution centers store products until the required quantities are due for on-time delivery to regional warehouses and retailers.

- **Optimizing transport:** We continuously increase the capacity utilization of our cargo containers by expanding our pooling activities. This includes the targeted consolidation of transport and storage of similar product categories within Henkel, as well as combining transport with other manufacturers. In addition, closely collaborating with our customers further helps to optimize our processes. The resulting synergies in storage, consignment and transportation ensure that more fully loaded trucks travel to our customers’ central warehouses. We also rent pallets instead of buying them. This makes it more efficient to collect them and improves the management of damaged pallets. Where possible, we utilize reusable cardboard pallets instead of wooden pallets. Due to their lighter weight, they are easier to handle and reduce fuel consumption. We have recently continued to streamline our pallet use, and we have implemented various solutions to reduce the overall use of pallets and increase their reuse rate.

We leverage these three drivers through close collaboration with our suppliers and customers to implement joint logistics projects. We also use advanced digital solutions and alternative propulsion systems for transport. When choosing our transport partners, we consider efficiency, environmental compatibility and safety performance. Relevant criteria are included in our tendering and decision-making processes for the purchase of logistics services.



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Digital tools for improved logistics

Our transport management system systematically captures the CO₂ emissions of our logistics operations and makes our transport planning and implementation even more efficient across all business units and countries. Higher truck capacity utilization and optimized routes play a particularly important role in reducing transport kilometers, cutting fuel consumption and saving CO₂.

Our progress is presented using a digital tool that calculates the environmental impact of transportation for all modes of transport based on the DIN EN 16258 standard. Inputs include actual distances based on GPS data, country-specific emission factors, and data from the respective modes of transportation.

The combined application of both IT solutions enables us to foster transparency and data comparability across the entire industry, and helps us to track progress toward our emissions reduction target. By the end of 2021, Henkel had achieved a reduction in transport-related emissions of about 14 percent compared to 2015. Our logistics emissions have been calculated using a new methodology developed by our service provider ETW since 2021. By recalculating the values for the previous year, we intend to have in place a method for reliably tracking progress made towards the target. Progress in the previous target period from 2015 to 2020 is not affected.



* Base year 2015

Future mobility

Beyond the use of advanced digital tools, alternative propulsion types also form part of our approach to optimizing transport and logistics. We are testing the operational capability of vehicles powered by alternative propulsion systems at our sites. At our headquarters in Düsseldorf, we have, for example, incorporated around 43 electric vehicles into the internal fleet since 2012 to replace conventional vehicles with internal combustion engines. In 2021, we also converted the first in-house vans to purely electric vehicles. We have built a corresponding infrastructure with over 120 charging stations in and around the industrial park, ten of them in cooperation with the utility company Stadtwerke Düsseldorf. Our vehicle policy for electric and hybrid cars also gives our employees in Germany the option of driving an electric or hybrid vehicle as a company car.

In 2019, the first hydrogen-powered vehicle was added to the internal fleet at our Düsseldorf plant, and a hydrogen filling station was installed. To promote hydrogen mobility, Henkel has been actively engaged over the past few years in various initiatives and research projects, such as “Modellregion Wasserstoffmobilität NRW Düssel.Rhein.Wupper.” However, hydrogen mobility solutions suitable for our logistics operations are not currently available for mass production. For this reason, we are exploring several alternatives for sustainable logistics that are ready to contribute today.

The deployment of conventional combustion engines that run on Compressed Natural Gas (CNG), which is mainly composed of methane, is one of the technologies that we are implementing into our business operations as part of our journey toward more sustainable mobility.



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CNG produces the least amount of CO₂ of all types of fossil fuel combustion. As a test, we have continuously operated CNG-powered trucks for delivery runs on the route between Serbia and Austria since 2021. The use of a CNG powered truck saves about 14 percent of CO₂ emissions on this route compared to a conventional diesel truck. Trucks powered by liquefied natural gas (LNG) are another alternative mobility solution for Henkel. Since 2020, two LNG-powered trucks have been traveling on our supply routes from Düsseldorf to Bönen, Germany, and Barcelona, Spain. The technology saves 20 percent of CO₂ compared to conventional diesel trucks. In 2021, the Düsseldorf site logistics operations commissioned another LNG truck, which will also be used on the Düsseldorf–Bönen supply route.

Alongside transport to locations outside of our company's premises, we also make use of alternative transport modes for internal deliveries at our sites. In the context of future mobility, we also seek to reduce transport-related emissions by generating a holistic, modern and sustainable concept to foster our staff's mobility.

The contribution of our products and technologies to climate change mitigation

Leverage along the value chain

Together with our customers, consumers and suppliers, we aim to achieve reductions in CO₂ emissions. This includes emissions from the raw materials we use. We also want to help customers and consumers reduce CO₂ emissions that are generated when they use our products (called Scope 3 emissions). In addition, we want our products and technologies to help to avoid CO₂ emissions from being generated (called Scope 4 emissions).

Through our brands and technologies, we make products that are used and applied in ways that are directly linked to the use of energy, such as detergents, shower gels, or hotmelt adhesives. We want to enable the efficient use of energy with innovations that cut energy consumption and the related CO₂ footprint. On top of this, we use targeted communications activities to encourage responsible-minded behavior when our products are being used. The importance of the use phase is also shown in the [🔗 Henkel footprint calculator](#). It shows that not only companies, but also each individual can make a contribution to greater sustainability through their behavior. The calculator enables users to calculate their personal carbon footprint in just a few minutes. By answering simple questions, they can quickly estimate how much CO₂ they generate through their own lifestyle in the areas of housing, food, mobility or vacations and leisure activities.

The initiative [🔗 "Be smarter. Save water."](#) from Beauty Care is one example. Launched in 2016, this initiative involves our Schauma, Fa and Theramed brands, and it aims to raise consumer awareness about the responsible use of water as an important resource. Using less hot water also results in less CO₂ emissions. More than 190,000 metric tons of CO₂ emissions could be saved each year if consumers of our products shortened their shower times by an average of 15 percent. The initiative includes information provided on the product packaging and a related website.



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Lower water temperatures when washing clothes also help to reduce energy use and CO₂ emissions. Through continuous research and development partnerships, as well as significant investments in new formulations, we enable our consumers to achieve excellent washing results when using increasingly concentrated dosages at lower temperatures – or even when washing laundry in cold water. We raise awareness of the need to save energy by placing the “be sustainable – wash cold” logo on our laundry detergent packaging to draw consumers’ attention to this topic. The potential for savings is enormous: if no water had to be heated for any of the loads of laundry washed with our heavy-duty detergents, it would be possible to avoid around 6.4 million metric tons of CO₂ emissions each year.

Henkel’s CO₂ savings portfolio


In relation to the leverage points we have identified along our value chain, we have set a target of saving 100 million metric tons of CO₂ together with our customers, consumers and suppliers over the ten-year period from 2016 to 2025. We have developed a CO₂-savings portfolio¹ for this purpose. The evaluation of the contributions in this portfolio is based on a company-wide, standardized process that sets out the criteria for the selection of the products and the calculation of CO₂ emissions. In the following pages, we have summarized some examples of our products and technologies in the following six groups, which contribute to → **energy and material efficiency**. With regard to the products sold between 2016 and 2021, we enabled our customers and consumers to reduce CO₂ emissions by more than 68 million metric tons. In the future, we plan to evaluate additional applications and further expand the portfolio of products that contribute to CO₂ savings in the use phase.

New product developments

One aspect of product optimization in our Adhesive Technologies business unit is the switch from solvent-based adhesives to water-based solutions. Water-based adhesives generate lower emissions of volatile organic compounds (VOCs) and also help to save CO₂ emissions. We have developed an innovative water-based adhesive technology for sports shoes that enables to reduce CO₂ emissions significantly during the bonding process.

The  **N.A.E.** brand of solid shower care products gently cleanses and supports the skin’s natural moisture balance. Due to its concentrated formula, the solid shower care product is as economical as three liquid shower gels (200 ml each), with lower weight and volume. This results in lower CO₂ emissions during transport. The packaging is also made from FSC-certified paper and is fully recyclable.

Another innovation in the consumer goods business is the Love Nature brand. This is the first brand of the recently established company, Love Nature GmbH. It is a wholly-owned Henkel subsidiary and belongs to the Laundry & Home Care business unit. The new Love Nature detergents, Universal Cactus Leaves and Color Cherry Blossom, are plant-based. They have cleaning power at washing temperatures as low as 20 degrees Celsius, which helps to save resources. As another product example, the Love Nature bath cleaner can be applied either directly with a sponge or with a spray attachment that is sold separately and can be reused. “Mein Spülmittel” and “Mein Waschmittel” are also available for refilling at Love Nature refill stations.

¹ Further information can be found in the  **methodology document for Scope 4**.



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Contributions to energy efficiency

Energy-saving building facades

Our thermal insulation composite systems for building facades help to cut energy consumption by reducing the loss of heat. In addition, our “cool roof” coatings, which reflect 87 percent more sunlight than conventional roof coatings, reduce the consumption of energy because fewer air conditioning units are needed. The products sold in 2021 enabled our customers to save around 6 million metric tons of CO₂ emissions.

More efficient renewable energy

Our electro-conductive adhesives enable manufacturers of photovoltaic modules to increase the efficiency of solar panels. More solar cells can be installed in each module, and the loss of conductivity within the module can be reduced. This enables the modules to generate more renewable energy. The products that we sold in 2021 helped our customers to save around 1.7 million metric tons of CO₂ emissions.

Consuming less hot water

We help consumers by providing products that can reduce energy consumption for warming up water, as well as the related CO₂ emissions. With our Laundry & Home Care products Colour Catcher laundry sheets and Somat dishwasher cleaner, customers can reduce the number of washing cycles. In addition, leave-in conditioners and dry shampoos from Beauty Care do not require warm water for rinsing. The products sold in 2021 enabled consumers to save around 200,000 metric tons of CO₂ emissions.

Contributions to material efficiency

Repair and renovation

Our industrial coating products enable our customers to protect machinery like pumps against wear and tear, and extend their lifetime. Machinery of this kind is often operated continuously, which can cause abrasion and corrosion – leading to production downtime. With our coatings, customers are able to increase operational efficiency by reducing energy consumption or making it possible to use the machine for longer. The products sold in 2021 enabled our customers to save around 400,000 metric tons of CO₂ emissions.

Intelligent material replacement

Our adhesive solutions make it easy to sustainably replace emission-intensive materials. An example of this is our Loctite Threadlocker. Even a small quantity of this product matches the performance of conventional steel washers for securing screws. This saves a significant amount of steel, which is an emission-intensive material. Another example is our Liofol Purbond HB adhesives, which are used to manufacture wood composites and replace CO₂-intensive concrete construction. The products sold in 2021 enabled our customers to save around 620,000 metric tons of CO₂ emissions.

Lightweight vehicle designs

We support our industrial customers with solutions for lightweight automotive designs. This includes pretreatments for metal surfaces that make it possible to combine steel and aluminum, as well as liquid soundproofing and 3D reinforcement technologies. These solutions all contribute to weight reduction in the chassis and increase fuel efficiency. The solutions sold in 2021 saved around 3.4 million metric tons of CO₂ emissions for our customers.



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Closing material cycles and increasing resource efficiency

Decoupling economic growth from the consumption of finite natural resources and developing a **circular economy** are key approaches to sustainable value creation.

Reducing or completely eliminating packaging material, especially for our consumer goods, is the best way to minimize waste and the related negative environmental effects. Our goal is to reduce the amount of packaging material we use to a minimum – without compromising the quality, performance or safety of our products. All of our **packaging** is designed to provide the level of performance consumers expect while using the minimum amount of packaging and the most sustainable materials possible.

At the same time, resource consumption can be reduced if materials are kept within the cycles of the economy for as long as possible. As a result, our mission is to include materials from sustainable sources into smart designs to close the loop. To achieve this goal, our packaging engineers work closely with partners along the entire value chain in the areas of design methods, modern production technologies and sustainable materials.



“To continue promoting the circular economy in our business operations, we are focusing on reducing production waste and increasing recycling at our sites, as well as on innovative, intelligent and sustainable packaging concepts.”

BRUNO PIACENZA
Executive Vice President
Laundry & Home Care

In our Adhesive Technologies business unit, we also pursue the approach of using our high-quality, innovative packaging adhesives to support other companies in their implementation of a circular economy, for example, by facilitating recyclability. We have also set the goal of helping our industrial customers to make their products even more suitable for a circular economy. To accomplish this, we are focusing on innovative solutions that facilitate recycling and on the separation of materials to make it possible to repair, reuse and refurbish products and product parts.

Henkel is also pursuing a variety of approaches to implement closed-loop recycling in its own production processes. In this area, we emphasize efficient waste management at our sites.



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What we want to achieve with packaging

Our goals for packaging by 2025 are:

- 100 percent of Henkel’s packaging will be designed for recyclability or reusability.¹
- We aim to reduce the amount of virgin plastics from fossil sources in our consumer products by 50 percent. We will achieve this by increasing the proportion of recycled plastic to more than 30 percent, by reducing the plastic volume, and by increasingly using bio-based plastics.
- We want to help prevent waste from entering the environment. In order to achieve this, we are supporting waste collection and recycling initiatives. We invest in innovative solutions and technologies to promote closed-loop recycling, and we aim to enable contact² with more than 2 billion consumers per year by providing targeted information about recycling.

Alongside this, we aim for 100 percent of the paper and cardboard we use for packaging to be made of recycled material or, where virgin fiber is required, to come from fresh fiber originating from sustainable forestry. We also want to remove and avoid polyvinyl chlorides (PVC) and other substances of potential concern.

Promoting the circular economy

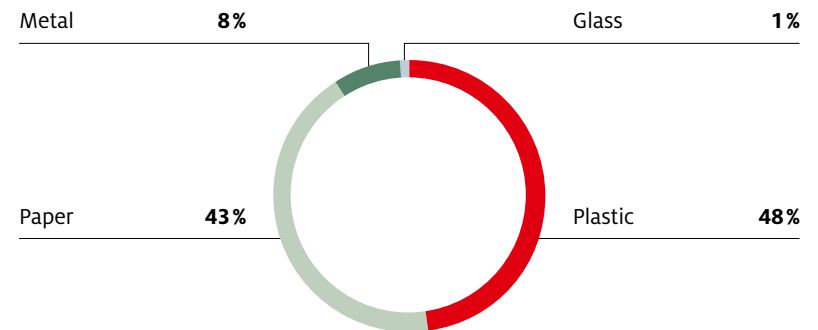
Our strategy to promote the **♻️ circular economy** for packaging is centered around three pillars:

1. Intelligent packaging design and reduction of packaging material

Reducing packaging material by using smart solutions is the best way to minimize waste and the related negative environmental effects. Innovative design is essential in replacing virgin materials with recycled or renewable alternatives wherever possible, which makes it possible to use more sustainable material in smaller quantities. We also continuously test new product solutions that have an impact on packaging. This effort involves, for example, offering concentrates or switching from a liquid product to a compact powder format.

Our experts rethink packaging concepts and assess further ways of developing reusable and refillable solutions that place a stronger focus on durability. They are also optimizing transport packaging and related logistics. Our aim is that 100 percent of Henkel’s packaging will be recyclable or reusable by 2025. At the end of 2021, this share was around 86 percent.¹ We base our understanding of the concept of recyclable or

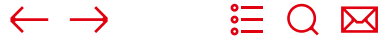
Henkel packaging: 2021 footprint*



* Around 708,000 metric tons (estimated; based on spending on packaging materials). The packaging quantity shown does not include the packaging of products from contract manufacturers and trade products.

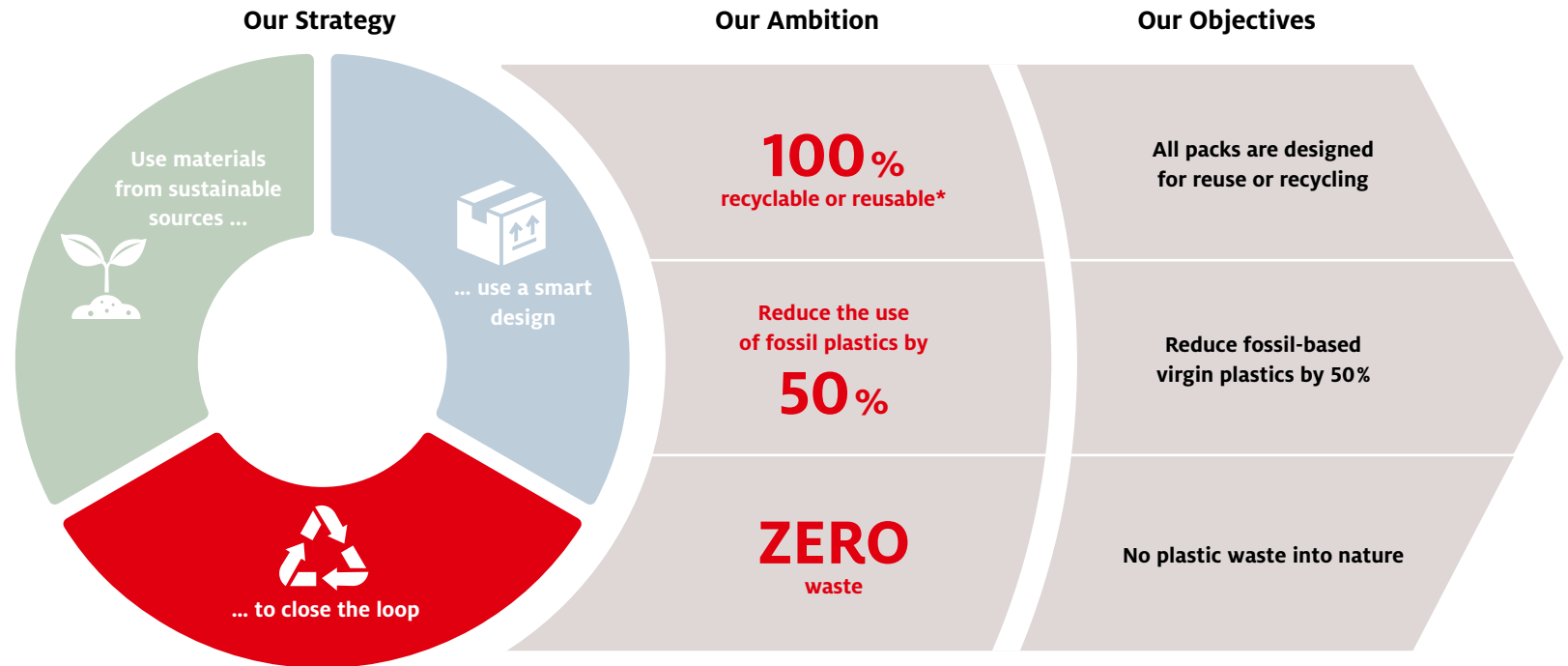
¹ Excluding products where ingredients or residue may affect recyclability or pollute recycling streams.

² Measuring systems are still being developed.



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Our packaging targets for 2025



* Excluding products where ingredients or residue may affect recyclability or pollute recycling streams.

reusable on the guidelines issued by the European PET Bottle Platform (EPBP) industry initiative, Recyclclass from Plastics Recyclers Europe and the Ellen MacArthur Foundation’s “design for recyclability guidelines”. By consistently applying these types of design principles to support recycling, we aim to overcome the barriers to recycling that are specific to each category of packaging – such as flexible packaging, shrink-wrapping and black packaging. At the same time, it is important that appropriate systems for recycling packaging materials are in place.

In order to quickly and reliably determine the recyclability of new packaging, starting from the product development phase, Henkel has developed the software tool EasyD4R®. This is based on public and recognized sets of criteria, such as those from Plastics Recyclers Europe. It is used by Henkel throughout the company. The tool’s effectiveness was confirmed in an independent test conducted by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT). Henkel developed its software tool [EasyD4R®](#) further in 2020. Alongside quickly and reliably

¹ The reported recyclability value reflects the properties of the packaging, but not the recyclability in specific markets with differing waste collection and recovery systems. Plastic recyclability is based on a detailed assessment, while the assessment for glass, paper and metal is based on an expert evaluation.



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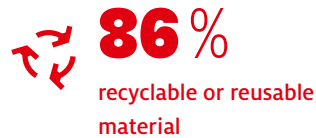
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checking the recyclability of plastic packaging, it is now also possible to check packaging made of paper, cardboard, glass, aluminum, or tinplate. This involved integrating design guidelines created by the University of Applied Sciences, FH Campus Vienna, along with the German minimum standard for packaging.



2. Use of material from sustainable sources

Henkel constantly works on increasing the share of recycled content in its packaging. We set the ambitious goal of expanding the share of recycled plastic to more than 30 percent for all plastic packaging materials used for our consumer goods products worldwide by 2025. At the end of 2021, this share was around 18 percent.

In addition, we will increasingly use bio-based plastic because it enables more sustainable solutions. Provided they can deliver the same technical performance as conventional polymers, they could offer a good alternative and provide long-term benefits. We explicitly exclude sources of raw materials that might be in competition with food. For this reason, we are testing the use of second-generation bio-based feedstock material.

The most widely used packaging materials made from renewable raw materials are paper and cardboard. It is our goal to obtain 100 percent of the paper and cardboard that we use in our packaging from recycled material or, where virgin fiber is required, from sustainable forestry sources. A 2020 survey showed that our suppliers used 69 percent recycled material in 2020.

Today, we only use PVC in a few exceptional cases for which we have not yet found a workable alternative. Overall, materials containing PVC currently make up less than 0.1 percent of our total global expenditure on packaging. We continue to work toward our goal of fully removing PVC from our packaging materials.

3. Closing the loop together

We partner with organizations from along the packaging value chain to drive progress in the infrastructure for recycling. Working in cooperation with our retail partners, our aim is to help consumers use and dispose of our products correctly, for example by placing special recycling symbols on packaging. This targeted information about recycling will enable contact with more than two billion consumers per year. Another option to close the loop is to reuse packaging. We also want to maximize the reusability of secondary and tertiary packaging that is typically used for shelf displays or for logistical purposes.

Refill packaging and reusable systems are also gaining importance alongside recycling. In addition to new product forms and the use of recyclable and recycled plastics in our packaging, we also use refillable packaging and refill stations where consumers can fill laundry and dishwashing detergents or shampoo into special bottles. When the contents are used up, the packaging can be refilled again.



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One example of refill stations is the laundry and dishwashing detergents from the Laundry & Home Care brand Love Nature. In stores of several drugstore and supermarket chains, “Mein Spülmittel” and “Mein Waschmittel” can be filled and easily refilled again and again. In 2020, this made Love Nature the first detergent and cleaning brand to offer this service across all retailers in Germany. In 2021, there were a total of 48 refill stations all over Germany. In addition, the bottle bodies are made of 100 percent recycled plastic and can be fully recycled.

The Beauty Care business unit also uses refill stations. The Beauty Care Professional brand **Authentic Beauty Concept** offers refill stations in 49 selected hair salons in Europe, including Germany and Austria, as well as in Central Asia. Consumers can also use these refill stations to refill their favorite products again and again in a suitable bottle.

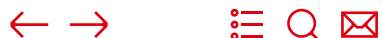
Henkel is developing and testing new logos for product packaging to promote sustainable purchasing habits and communicate how to recycle properly. The logos indicate the percentage of recycled material or the recyclability of the packaging, and some also help to ensure that the product is recycled properly. Henkel also states the proportion of **Social Plastic®** in its product packaging. In addition, Henkel is a partner of the **How2Recycle program** in the United States to strengthen consumer awareness about how packaging cycles can be closed. As part of the program, we create more transparency about different recycling options using an explanatory logo on the product packaging. The program is a project within the scope of the **Sustainable Packaging Coalition**, an association of industrial companies, research institutes and public authorities that aims to increase the general understanding of sustainability related to packaging and smarter packaging solutions.

Using the slogan **“Be smarter. Recycle.”** the Beauty Care business unit provides information about the correct handling of waste and the recyclability of various types of packaging. In this way, we want to raise consumer awareness of the concept of a **circular economy**.

Our contribution to the circularity of industrial products

Our Adhesive Technologies business unit makes it possible to keep high-quality materials in circulation and turn waste into valuable resources. By combining our expertise in materials with our innovative technologies, we provide solutions that play an important role in the transition to a circular economy and are driving a rethink in industrial design and production. Our approach to promoting a circular economy is centered around the following factors.

- **Recyclability:** Our easily recyclable or reusable packaging design solutions deliver recyclability at the end of the value chain. We are developing adhesives for this purpose, for example, which are optimized for recycling PET bottles and substantially improve the recycling rate and quality by ensuring that the bottle label can be removed cleanly. We also offer our customers solutions for the innovative redesign of products and packaging. One example of this is our novel **EPIX coatings** for the development of sustainable and safe food packaging based on paper.



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- **Debonding:** A circular value chain depends on recognizing and conserving the value of materials. Debonding makes it possible to repair, reuse and recycle products and product parts, and to separate materials that are not suitable for collective recycling. As such, this is an important lever for extending the useful life of products and recovering the value of materials at the end of a product's life cycle. Our adhesive solutions contribute to these efforts by facilitating product repair. Our [Teroson](#) hotmelt solutions are one example. Using these solutions, headlights can be opened up for lens component repair, such as for replacing an LED module, without damaging the lens or housing.

At the end of the value chain, our technologies, such as adhesives that enable material separation in multilayer flexible packaging, support the separation of materials that cannot be recycled collectively.

- **Renewable carbon:** Henkel has been a founding member of the [Renewable Carbon Initiative](#) since 2020. This aims to promote acceleration of the transition from fossil-based to renewable carbon for all organic chemicals and materials. Henkel Adhesive Technologies is also carrying out pioneering work with new solutions for adhesives, sealants and functional coatings that replace fossil carbon-based raw materials with renewable materials. This reduces the carbon footprint of our products and supports our customers in reducing their emissions along the value chain. In addition, we contribute to a circular economy by reducing the consumption of resources.

We are committed to using recycled materials as a renewable carbon source, both for our product packaging and as part of our product formulas. For example, the packaging material of one of our [Pattex](#) insulating foams is made from 25 percent recycled steel, and 98 percent post-consumer recycled (PCR) plastic in the cap. Additionally, 16 percent of the ingredients are derived from recycled material.

- **Bio-based adhesives:** We have also developed a range of bio-based adhesives. To this end, we are working with our suppliers to advance the concept of mass balance. This is a transparent model for tracking the amount of certified and non-certified material along the entire production process. Because the principle of mass balance enables the drop-in of renewable carbon-based raw materials into existing processes, it is an important step for a gradual transition to the use of renewable resources. In 2021, three production sites of our Adhesive Technologies business unit were fully certified under [ISCC PLUS](#), a globally recognized certification system for mass balance.



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Partnerships along the value chain

A key partner on the journey toward better recycling of waste and establishing a circular economy is the social enterprise [Plastic Bank](#), which works to reduce plastic waste in nature, including in the world’s oceans, while at the same time offering new opportunities to people who live in poverty – especially in countries where recycling infrastructure for waste disposal is non-existent or inadequate. In 2017, Henkel became the first major global consumer goods company to partner with Plastic Bank. In 2021, Henkel and Plastic Bank started to expand the recycling infrastructure in Egypt, opening ten collection centers in the Cairo area. This commitment will be steadily expanded over the next few years. By 2023, the goal is for the partners to achieve an annual capacity for 5,000 metric tons of plastic.

Plastic Bank is building recycling ecosystems in countries that lack adequate waste management infrastructure. Collectors receive compensation for the materials they collect, which helps them meet the basic needs of their families – including food, cooking fuel such as charcoal for preparing daily meals, and paying for schooling or health insurance. The plastic collected is reprocessed as Social Plastic®, which can be used again in products and packaging as part of a closed-loop supply chain. Henkel and Plastic Bank aim to create around 1,000 jobs in Egypt over a period of two years by building a long-term recycling infrastructure. This will have a direct positive impact on more than 4,000 Egyptian citizens.

Henkel already uses Social Plastic® in a number of its packaging products. Hair and body care brand Nature Box was the first cosmetics brand to use Social Plastic® as a packaging material for its entire bottle portfolio. All shampoo bottle bodies are made of 100 percent Social Plastic®. In our

Laundry & Home Care business unit, the [Pro Nature](#) product range has switched to PET bottles made from 100 percent recycled plastic, up to 50 percent of which is Social Plastic®. The bottle body of limited edition Pril dishwashing liquid, launched in 2021, is made from 100 percent Social Plastic® and the bottle cap is now made from 84 percent recycled material. In 2021, 723 metric tons of Social Plastic® were processed at Henkel, making a total of more than 1,480 metric tons processed since the partnership began in 2017.



Henkel’s experts are engaged in several cross-industry initiatives to drive innovation in packaging development and to find effective solutions that can be developed on a large scale. Our membership in the [New Plastics Economy \(NPEC\)](#), an initiative of the [Ellen MacArthur Foundation](#) that brings together different stakeholders to shape the future of plastics and create momentum for a circular economy, is an important example of our engagement in this area. Other initiatives include the [Alliance to End Plastic Waste \(AEPW\)](#), [European Plastics Pact](#) and [U.S. Plastics Pact](#), [CEFLEX](#) and the [Circular Economy Initiative Deutschland](#). The [Plastic Waste Coalition of Action](#) was formed from the [Consumer Goods Forum \(CGF\)](#) in 2020. In this coalition, Henkel is working with 35 other companies on the basis of Golden Design Rules to develop a more circular approach to the design and processing of plastic packaging in the consumer goods industry. In 2020, Henkel was also a founding



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member of the [UN Treaty on plastic pollution](#). Together with 28 other major global companies, Henkel will endorse a business manifesto against plastic pollution.

We have also teamed up with different organizations that are working on improving recycling infrastructure to enable a circular economy. Appropriate systems for recycling packaging materials are not in place in many areas, especially in developing countries. For example, Henkel has been working with [TerraCycle](#) in a number of countries since 2016. This organization offers recycling solutions for materials that are difficult to recycle. It is also important to work hand-in-hand with our retail partners to promote a functioning circular economy. This includes membership in the Recyclate Forum.

In 2021, the new [Cospatox Consortium](#) evolved from the Recyclate Forum. It includes distributors, manufacturers, recyclers, packaging producers, and other members. The abbreviation is short for Cosmetic Packaging Toxicology. In this project, industrial companies are working together to develop a standard for high-quality plastic recyclates for cosmetics packaging, and detergents and cleaning products.

Innovations for the future

- In 2019, Henkel and the packaging manufacturer Alpla jointly produced bottle bodies based on chemically recycled plastic for the first time. Plastic waste that is not recycled by mechanical recycling can be returned to the cycle through chemical recycling. Chemical recycling can complement mechanical recycling. By using chemical recycling, material made from fossil resources can be replaced by recycled material made from plastic waste. The pilot project using Perwoll bottles is part of [BASF's ChemCycling project](#).
- For many years, black plastic packaging posed a challenge to the recycling value chain due to the colorant that was previously used to make it black. Together with its supplier Ampacet, a global masterbatch producer, Henkel began working on an innovative solution for black plastic packaging that is fully recyclable in 2019. The new packaging material uses an alternative black colorant that is carbon-free, so that bottles can be returned to the value chain after use. The [Cyclos-HTP Institute](#), which specializes in classifying, assessing and certifying the recyclability of packaging and products, has confirmed that Henkel's bottles, in black color and carbon-free, are fully detectable and sortable.



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- One of the most pressing challenges on the journey to a circular economy for packaging is the need to improve the sorting of consumer waste through accurate identification. One particularly promising approach here is to capture and decode digital watermarks using a high-resolution camera mounted on the waste sorting system. Depending on the marking that is picked up, the system can then sort the packaging waste into the appropriate categories of material. This would lead to better and more precisely sorted flows of waste, as well as higher quality recycled material. Since September 2020, Henkel has been one of more than 85 companies and organizations in the new [HolyGrail 2.0](#) initiative, which is a pioneering initiative for digital watermarks for better recycling of packaging. Following the first HolyGrail project, which was led by the [Ellen MacArthur Foundation](#), the next phase, HolyGrail 2.0, was implemented on a much larger scale and scope. This included commissioning an industrial test facility to determine how effective watermarking technology is in delivering more accurate sorting of packaging waste and higher quality recycling. It also involved conducting a large-scale assessment of the business viability of this technology. Henkel is cooperating in the tests with packaging for its Vernel and Pattex products. The aim is to gain more insight into how digital watermarking technology could improve the sorting of PET bottles with perforated sleeves and PE cartridges for silicone sealant. Over 100,000 packaging samples and a total of 250 different packages were successfully tested in 2021. The recognition rate was more than 97 percent. Henkel is using digital watermarking technology in a product line for its fabric softener brand Vernel.

Packaging examples for more sustainability

Adhesive technologies for paper-based KeelClip™

With Technomelt adhesives that are fully compatible with recycled paper, Henkel is helping packaging manufacturer Graphic Packaging International to develop an award-winning, more sustainable packaging design. The KeelClip™ replaces the outer packaging for beverage cans made from single-use plastic with solutions made from recycled cardboard.

Persil Eco Power Bars

These compact detergent bars help to reduce packaging waste. The product contains 97 percent less plastic packaging per wash load than for conventional liquid detergents. In addition, the packaging is made of recycled and recyclable cardboard. The film used for the tabs is biodegradable and 100 percent water-soluble.

Nature Box as recyclable refills

Selected shampoos and shower gels from our natural cosmetics brand Nature Box (like the nourishing repair shampoo Avocado or the revitalizing shower gel Pomegranate) have been available in refill packs in stores since 2021. The refill packaging can be recycled. Manufacturing these packages requires around 74 percent less plastic than bottles of the same capacity.



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Investments for a circular economy

The topic of the circular economy is becoming increasingly relevant for investors and the financial markets. In January 2019, Henkel invested in the [Circularity European Growth Fund I LP](#), an impact fund managed by Circularity Capital. This investment of 5 million pounds sterling enables Henkel to drive its venturing activities forward while also supporting the development of a circular economy.

Henkel invested in the recycling start-up [Saperatec](#) in 2019. The recycling specialist has developed a new type of patented technology that can be used, for example, to separate and recycle aluminum-containing flexible composite packaging.

In July 2020, Henkel became the first company in the world to issue a [“Plastic Waste Reduction Bond”](#). The bond is a private placement with the Japanese insurance companies Dai-ichi Life and Dai-ichi Frontier Life as anchor investors. The proceeds will be invested in projects participating in Henkel’s activities to reduce plastic waste.

Reducing production waste

We aim to reduce production waste and promote a circular economy in our operations. We drive this process by systematically identifying waste streams and creating closed-loop systems where possible. We are focusing on increasing recycling at our sites and working closely with

our partners in the value chain – suppliers, customers, and recycling and disposal companies. Our initiatives are centered around three key areas:

- Reducing material consumption and waste generation.
- Reusing materials.
- Recycling materials.

In line with our goal of reducing our environmental footprint, we intend to reduce the total volume of waste* by 50 percent per metric ton of product by 2025 compared to a 2010 baseline. We achieved a reduction of 42 percent in 2021. We are also reaffirming our ambition to achieve closed-loop management of waste materials in our production by 2030.

A further goal is to stop disposing of production waste* in landfills at all production sites, including for our industrial business, by 2030. Overall, 78 percent of our production sites had already achieved this target by the end of 2021. These include the adhesives plants in Épernon, France; North Kansas City, USA; Bangpoo, Thailand; Zuhai, China; Quilicura, Chile; Elgin, Scotland, and Montornès del Vallès, Spain. This success is based primarily on partnerships with local waste management service providers.



* Base year 2010, without construction and demolition debris



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Make waste streams transparent and share best practices

We have been successfully implementing global waste mapping initiatives for many years. A digital tool is used to document waste flows, types of waste and disposal/recycling paths, which is also the basis for our other measures. We record more than 600 waste streams worldwide in the Laundry & Home Care business unit alone, and we present this information transparently to all relevant stakeholders. We integrate this data into our “digital backbone” so that company managers can analyze and compare data on locations and development over time.

We see this as an essential mechanism for facilitating the exchange of best practices and as a milestone in creating transparency worldwide. This transparency also includes a detailed overview of the entire waste life cycle – from generation to disposal. The Adhesive Technologies business unit also uses a system for the classification, compliance testing, reporting and control of waste streams for its production plants and research centers. This makes it possible to identify differences between sites that generate similar types of waste. We then develop specific improvement actions and share best practices throughout the company.

Raw material packaging accounts for a significant share of the total amount of waste generated at our sites. For this reason, our Adhesive Technologies business unit has launched an initiative to reuse materials. In this way, we are striving to implement circular thinking and reduce packaging waste in cooperation with our suppliers. In 2021, projects under this initiative led to a reduction of – 4 percent compared to 2020. The initiative will continue in 2022 and will be extended to all regions.

Raw material packaging frequently consists of drums and pallets, big bags and other containers used to transport goods. We aim to actively manage use cycles and reuse these materials. At our adhesives site in Bogotá, Colombia, we implemented a reverse logistics program with our raw material suppliers. This program reuses the metal drums that are used for transporting chemicals, and avoids sending empty drums to be disposed of as hazardous waste. In Chile and Brazil, we recycled more than 7,000 additional pallets through an initiative in 2021.

The Beauty Care site in Geneva, New York, has undertaken another collaborative project with a waste management company to reuse wastewater as cooling water. This initiative reduced the amount of wastewater disposal by 2,000 metric tons from January to September 2021, and our partner avoided the use of fresh water.



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Biodiversity and responsible resource management

Growing consumption and resource scarcity due to an increasing global population and accelerated economic activity are putting more and more pressure on ecosystems. The negative effects are already being felt: according to a report published by [IPBES](#) (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services), human activities are threatening nearly 1 million species with extinction. Conserving species diversity and biodiversity is important to Henkel, as intact ecosystems and soil biodiversity are essential as a basis for sustainable agriculture and the use of raw materials in production. Our 2021 stakeholder survey results showed that biodiversity is also becoming an increasingly important issue for our partners and other stakeholders.

We follow current efforts to protect biodiversity and deforestation very closely, such as the EU's Deforestation Regulation. We continue to develop our approach in line with the resulting expectations. This also includes dialog and collaboration with external stakeholders, as well as industry initiatives such as the European brand association [AIM](#). In September 2020, we signed up to the [Business for Nature's](#) Call to Action to urge governments to incorporate nature in their policymaking. We also participated in the [Consumer Goods Forum](#) initiative against worldwide deforestation and for the protection of biodiversity. And we are working with the development organization [Solidaridad](#) to support smallholders in the palm oil and palm kernel oil sector in projects that promote climate-smart agricultural practices.



“Protecting natural resources and biodiversity is important to us – as it is to our customers and consumers. Our sustainability strategy picks up on this ambition and is supported by the contributions of our brands, products and services.”

WOLFGANG KÖNIG
Executive Vice President
Beauty Care

Our [→ sustainability strategy](#) aims to protect and restore biodiversity – with a particular focus on forests, land and water. In addition to applying these principles to the activities at our own sites, we also promote the responsible management of raw materials and the use of renewable inputs. In 2021, we started to identify the potential impacts on biodiversity of our production sites by identifying and mapping their geographical location and assessing their proximity to important biodiversity areas. This will enable us to develop comprehensive measures and programs. We are also participating in a research project by the international consultancy [GlobeScan](#), which is designed to better understand challenges in the context of nature and biodiversity, and to identify solutions to protect and restore nature.



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A responsible approach to raw materials

Use of nature-based raw materials

Henkel is committed to responsible management of raw materials, and especially the conservation of natural resources and biodiversity. We use ingredients based on renewable raw materials to optimize the overall characteristics of our products, wherever this is compatible with environmental, economic and social considerations. Renewable raw materials are already key ingredients in many of our products, such as detergents, soaps, shampoos, glue sticks and wallpaper adhesives. We are also committed to environmental and social considerations when purchasing renewable raw materials.

Many of our consumer and industrial adhesives are based on nature-based raw materials, such as plant-based oils and their derivatives, as well as tree resin and carbohydrates like starch, sugar and cellulose. Our [Pritt](#) glue stick, which was relaunched in 2021, is formulated with 97 percent natural ingredients (including water). We also pioneer new solutions for adhesives, sealants and coatings that replace fossil raw materials with materials made from biomass. For example, we have developed a high-performance hotmelt adhesive made of over 80 percent¹ bio-based materials and with a significantly reduced carbon footprint. We work with our suppliers to ensure sustainable sourcing of natural resources.

Nature-based raw materials are used in all product groups in cosmetics – not only in our soaps, shampoos and shower gels, but also in styling products. We refer to the use of individual nature-based active ingredients or fragrances if these are associated with specific properties – for example, the care properties of shea butter and yogurt or the soothing effect of

aloe vera. We are also working to further increase the proportion of ingredients based on renewable raw materials in our cosmetic products and to use fewer fossil resources, wherever this is possible and appropriate. As an example, we have been using potato starch in our new Taft mousse since 2021. Another example of our responsible use of raw materials is the use of guar and guar derivatives as a key source of plant-based raw materials. Guar is a nourishing ingredient that is used, for example, in hair care products from our natural cosmetics brand [Nature Box](#). Henkel's Nature Box brand supports guar farmers in the desert region of Bikaner in Rajasthan, India. They learn sustainable guar farming methods and receive assistance in planting their own vegetable gardens. Nature Box also supports sustainable palm oil and palm kernel oil production together with Solidaridad.

Renewable raw materials are historically one of the major sources of raw materials for laundry detergents and household cleaners. For example, soap – which has traditionally been used to wash laundry as well as for personal hygiene – has been made from vegetable or animal oils and fats. Today, most laundry detergents and household cleaners consist of a large number of ingredients, each with its own special function. Most bulk ingredients of detergents and household cleaners are inorganic and therefore cannot be replaced by ingredients based on renewable raw materials. Surfactants are an important exception. They consist of a lipophilic (fat-loving) part, which is obtained from vegetable or mineral oils, and a hydrophilic (water-loving) part, which is usually based on mineral oil or is inorganic. Surfactants like alkyl polyglycosides that are produced only from renewable raw materials are the exception. To achieve the best washing performance, we use a mixture of different surfactants. In more than half of them, the lipophilic part is based on renewable raw materials.

¹ Combination of direct bio-based and certified mass balance transfer raw materials based on internal analyses



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This is the result of Henkel's many years of experience with ingredients based on plant-based oils. 43 percent¹ of the surfactants for Henkel's laundry detergents and household cleaners are now based on renewable raw materials. The remaining share is accounted for by inorganic and mineral-oil-based ingredients.

Zero net deforestation as a goal

Forests function as carbon sinks and are key to protecting biodiversity. They also provide us with wood and other raw materials. We are committed to sourcing our raw materials sustainably and not through deforestation. Our goal is to prevent the deforestation of primary and secondary forests with significant ecological value. These include peat lands and other high-carbon stock areas. This is why under our [Responsible Sourcing Policy](#) we are committed to zero net deforestation, and expect our suppliers to support this aim.

We have been partnering with the international, non-profit organization [Rainforest Alliance](#) since 2021 to minimize nature-related risks in our value chain. The goal is to continue to develop our due diligence approach to preventing deforestation, as well as to draft a comprehensive policy in this area. We are also partners of the [Tropical Forest Alliance](#), a multi-stakeholder partnership platform hosted by the [World Economic Forum \(WEF\)](#). Their primary goal is to promote deforestation-free supply chains for the production of palm oil and palm kernel oil, beef, soy, paper and pulp.

Responsible use of palm oil and palm kernel oil

Palm oil, palm kernel oil and their derivatives are two of the most important renewable raw materials we use to manufacture ingredients for our laundry detergents, household cleaners and cosmetic products. We use less than 0.2 percent of the palm oil and palm kernel oil produced worldwide. In particular, we use palm kernel oil as the basis for surfactants. Palm oil is the most widely used vegetable oil in the world and comes from a highly efficient crop: for the same yield, oil palm requires about three times less land than rapeseed and as much as six times less than soybeans. Unfortunately, palm oil cultivation, when done unsustainably, is often associated with large-scale deforestation of rainforests.

For this reason, our goal is to ensure that the ingredients for our products are made from [sustainable palm oil and palm kernel oil](#). With this in mind, we work with the companies from which we source our raw materials and with other partners to exert influence on the palm oil supply chain, from smallholders to consumers. With this approach, we seek to further develop our supply chains to ensure full NDPE (No Deforestation, No Peat, No Exploitation) compliance, and to ensure that the palm oils and palm kernel oils that go into our products are not associated with the deforestation of primary or secondary rainforests. Our palm oil strategy through 2025 comprises three areas:

¹ Calculation based on data of 2019.



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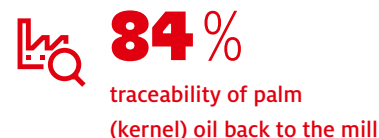
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1. Cover 100 percent of our demand with oils that are certified or externally confirmed as responsibly sourced: We plan to continue to expand the certification of our raw materials in accordance with [RSPO's Mass Balance model](#). We are also aiming at certification according to the RSPO's Segregation model for the portion of palm oil and palm kernel oil that is directly sourced. We have achieved considerable progress in this area in recent years with a wide range of measures. In fiscal year 2021, we were able to source 93 percent of our total demand for palm oil, palm kernel oil and its derivatives as certified raw materials in line with the [RSPO's Mass Balance supply chain model](#). Derivatives account for the majority of the palm-based materials used by Henkel. Despite this strong achievement, we still encounter a lack of availability of RSPO-certified materials in some of the markets where we operate and for a number of selected derivatives of palm-kernel-oil-based raw materials used in small quantities. In these circumstances, we maintain an intensive dialog with our suppliers to look for solutions or we rely on the import of raw materials. These challenges continued to be compounded in 2021 by shortages in RSPO certification as a consequence of the COVID-19 pandemic. We are confident that we will make further progress in the years ahead, yet we must acknowledge that full transition of our global supply chains to sustainable palm oil and palm kernel oil remains challenging.

2. Establish full traceability and transparency of the palm oil and palm kernel oil used in our products: From our activities, we have learned that there is a need for further optimization with regard to transparency and traceability, especially for palm-kernel-oil-based derivatives, and that cross-industry initiatives are necessary to make the achievement of the “zero net deforestation” target verifiable. In 2021, we increased the traceability rate to the mill to 84 percent and the traceability rate to the plantation to 42 percent by engaging with our suppliers to map our joint palm-based supply chain.¹ We did this with the support of an external sustainability consultancy. As part of our supplier management activities, we collaborate intensively with our strategic suppliers to ensure the procurement of sustainable raw materials. We use the Sustainable Palm Index (SPI) to assess the progress of our suppliers with respect to their level of supply chain knowledge, sustainable sourcing practices and compliance with the NDPE Principles. We once again used the SPI to create a compliance profile of our major suppliers of palm-oil-based raw materials in 2021. This tool helps us to identify potential improvements and define action plans together with our suppliers.



¹ The survey was conducted in 2021 based on the supplier data for 2020.



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3. Improve the livelihoods of smallholders and protection of nature:

We are building on the success of our collaborative projects with smallholders and will continue strengthening our commitment to integrate raw materials delivered by these smallholders into our supply chain. Greater consideration is also given to ecological aspects while supporting climate-friendly agriculture and a positive impact on biodiversity. To date, around 36,400 smallholders have been reached on some 340,000 hectares under cultivation.



Support for smallholder farmers

Smallholders produce about 40 percent of the world’s palm oil, yet their productivity and the quality of their products are much lower compared to large plantations. They often lack access to technical knowledge and financial services that are crucial to improving their production. Some farmers are also concerned that access to the palm oil market will be limited if their harvests do not meet the criteria set out by the RSPO. This is because many major buyers of palm oil have committed to buying only oil products that are certified as sustainable. In collaboration with the development organization **Solidaridad**, Henkel is addressing these challenges.

We have partnered with Solidaridad on initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria since 2013. The focus was on training in best practice approaches, including climate-

friendly agriculture, along with exerting an influence on policy and involving stakeholders. Many of our projects were successfully completed in 2020 and 2021. Last year, we were engaged in projects in Colombia, Nicaragua and Nigeria. Building on the very good collaboration with Solidaridad, we have developed specific plans for the next few years to expand the commitment further.

Our project in Nicaragua, which was successfully completed in 2021, focused on creating a 100-percent-RSPO-certified sustainable palm oil sector involving smallholders. The project has accompanied 173 farmers on their journey to certification and led to the creation of the first association of palm oil producers in Nicaragua. This enables smallholder farmers to cooperate in the transition to the RSPO standard and generate RSPO credits. There was also an average yield increase of at least 13 percent.

Solidaridad’s National Initiatives for Sustainable and Climate-Smart Oil Palm Smallholders (NISCOPS) and the **IDH Sustainable Trade Initiative** contribute to the attainment of self-sufficiency in palm oil production in Nigeria. This includes teaching climate-smart agricultural practices as well as the sustainable intensification of farms. This improves the productivity and livelihoods of smallholder farmers. Henkel’s commitment helped to increase the capacity of farmers in Akwa Ibom and Cross River states. The initiative involves the technical upgrading of two mills and the construction of tree nurseries to grow improved varieties that will increase crop yields and prevent deforestation through the planting of new trees. The nurseries will be accompanied by training courses that teach sustainable land use practices and topics related to forest conservation.



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Other initiatives for sustainable palm oil and palm kernel oil

We support the physical transformation toward the use of certified products in the industry and the shift in the market toward certified sustainable palm oil products. A multi-stakeholder approach is at the core of our initiative for sustainable management of palm oil and palm kernel oil. Through partnerships, projects and dialog, we engage with key players and are expanding our contribution to sustainable practices in the palm oil industry.

Henkel is a committed founding member of the [Forum for Sustainable Palm Oil \(FONAP\)](#) in Germany and is a member of several of its working groups. This collaboration between companies, NGOs, associations and political bodies is pursuing the goal of significantly increasing the proportion of sustainably produced palm oil, while also improving existing standards and certifications. We are also actively involved in the Roundtable on Sustainable Palm Oil ([RSPO](#)). The RSPO standard increasingly includes compliance with human rights along the entire supply chain, in addition to environmental aspects. In April 2021, our Global Supply Chain organization was again successfully certified in line with the RSPO's supply chain standard.

Henkel, along with other leading consumer goods manufacturers and companies in the oleochemical industry, is a member of the cross-industry [Action for Sustainable Derivatives \(ASD\)](#) initiative. The primary objective of the initiative is to generate more transparency in the complex value chain for palm derivatives.

Reducing paper consumption, ending deforestation

Demand for paper products is increasing worldwide. According to the [World Wildlife Fund \(WWF\)](#), 13 to 15 percent of all wood consumption is used in the production of pulp, paper and packaging products. If wood is sourced and produced in an unsustainable manner, it can lead to deforestation in areas of high ecological value. We aim to source 100 percent of the paper and board material used in our packaging as recycled material or – where the use of virgin fiber is required – from sustainably managed forests.

All suppliers of paper-based packaging materials must confirm that they are compliant with our procurement guidelines as part of our onboarding process. We expect them to support our goal of net zero deforestation. Creating more transparency in the supply chain is focus of our cooperation with our suppliers of paper-based packaging. This involves the traceability of the materials we buy, especially in the case of suppliers that source virgin fibers from high-risk countries. In these circumstances, we work together on measures to minimize risk.

We conducted a comprehensive survey of our main suppliers in the corrugated board and printed paper sector in 2020. This approach provided transparency on the business conduct of those tier one suppliers which represent 93 percent of our spend in this area. The results showed that 69 percent of our suppliers were using recycled material in 2020. Around 86 percent of suppliers use at least one or more certification systems. [FSC \(Forest Stewardship Council\)](#) certification was most commonly cited, followed by [PEFC \(Programme for the Endorsement of Forest Certification\)](#) and [SFI \(Sustainable Forestry Initiative\)](#).



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Careful use of water as an important resource

The Earth’s water resources are unequally distributed and are threatened by climate change as well as increasing pollution and overuse. We recognize the importance of using this resource responsibly, particularly as healthy water ecosystems are key to protecting biodiversity. Water plays an important role along our value chain. We use water for our production processes and as an ingredient for our products, and many of our products also require water in the use phase.

For this reason, reducing water usage during the production and use of our products is an important aim for us. In order to identify suitable approaches for improvements in this area, we have worked with various stakeholders in recent years. In 2021, for example, we reassessed our impact on water along the value chain with the support of external partners as part of our sustainability strategy development. This included examining the water footprint of raw materials, our production processes and the consumption of water during the use of our products, as well as the treatment of wastewater.

Water risk analysis

The global availability of water is affected by regional and seasonal scarcities. There are also differences in the availability and performance of wastewater treatment facilities, as well as differences in the specific environmental characteristics of individual water bodies. To identify production sites that are located in water-stressed regions, in 2021 we conducted water scarcity research on a global scale using the [World Resource Institute’s \(WRI\) Aqueduct™ tool](#). We took into account qualitative, quantitative and regulatory risks for all sites, as well as water risk forecasts for the year 2030. Each production site was assessed, taking into account its precise geo-coordinates and nearby water basins and watersheds.

We have been reporting our water consumption in hydrologically stressed areas since 2020 and have reaffirmed our ambition to focus on saving water in regions where water is in short supply. We conducted workshops with partners on the topic of water in 2021 to reflect this ambition. For example, at the [Forum for the Future](#), we reflected on risks, opportunities and future scenarios to help us further develop our global strategy. One of the main results is that we aim to achieve circular water use at key manufacturing sites by 2030.



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Saving water during production

We set the goal of using 35 percent less water per ton of product by 2025.

By the end of 2021, Henkel had saved 28 percent.



To achieve our goal, each production site carefully examines all options for reducing water consumption and avoiding wastewater. Wastewater from industrial applications is disposed of properly in accordance with legal requirements. Where applicable, Henkel provides pretreatment with state-of-the-art technologies for removing contaminants.

We source a significant proportion of our water from local supply networks. We also use water from other sources, such as rainwater or groundwater, to reflect local conditions. For example, to save water, our Laundry & Home Care business unit uses online metering systems and our Digital Backbone to identify optimization potential and increased water consumption. Additionally, we continuously review and optimize the amount of water needed to clean production lines when changing the product that is being manufactured on the line. In doing this, we take into account specific characteristics of the product that is being manufactured before and after the changeover.

At our site in Vienna, Austria, we began replacing the well water used for cooling with a central, closed-loop cooling system, which saves us up to 5,000 cubic meter of fresh water per month. This site is our show-case project for the use of recycled water in production plants. At the [Humen site in China](#), an additional filter system was installed for the discharge of wastewater in 2021. This system allows the treated water to be reused in cooling towers, saving around 4,000 cubic meter of fresh water each year.

Water treatment is an important process for us because we need a certain quality of water for our production. At our sites in Ferentino, Italy, and in 6th of October, Egypt, we have invested in our existing water treatment plants so that we can treat wastewater directly on site. This is the first step to being able to use the purified water again in future phases of the project. We also commissioned a new water treatment facility at our site in Jundiaí, Brazil, which processes rainwater for reuse in applications such as irrigation or for flushing toilets. This will reduce water consumption and the amount of wastewater produced by 1,000 cubic meter annually. At our site in Ankara, Turkey, we have similarly launched a pilot project to collect rainwater with the aim of saving up to 1,700 cubic meter of water per year.

* Base year 2010



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Conserving resources together with our consumers

We want to encourage the responsible use of our products to reduce water consumption. Life cycle analyses have shown that more than 90 percent of the water and energy consumption of our rinse-off products occurs during use. That is why our Beauty Care business unit leverages its brands to raise awareness among customers about sustainable product use. We do this by providing information on the products and on a comprehensive website, and through supporting measures in sales outlets as part of our [“Be smarter.”](#) initiative to explain how consumers can help conserve resources. The focus here is on the area of water and, in particular, the energy-intensive provision of hot water. The “Be smarter.” initiative now includes 28 brands and more than 100 countries. We are also developing products that do not require the use of water. Our leave-in conditioners and dry shampoos do not require water for rinsing, for example.

Preventing water pollution from microplastics

We are committed to ensuring that our consumer products do not cause any [microplastics](#) to enter the environment. We understand microplastics to refer to solid, insoluble plastic particles that are five millimeters or smaller and are not biodegradable. These can enter rivers and oceans via wastewater and accumulate there permanently.

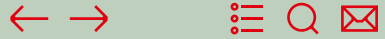
Several years ago, we stopped using microbeads in cosmetics, detergents and cleaning products, which were used as exfoliating or abrasive particles in certain products. In addition, we have been dealing more closely with solid synthetic plastics. These solid synthetic plastics are used as opacifiers in consumer products to give them a creamy white appearance.

In our cosmetic products, the switch to opacifiers that have a natural origin or are biodegradable was nearly completed in spring 2021. The last remaining cosmetic products will be switched by the end of the first quarter of 2022. For our other consumer products we replaced opacifiers with poor biodegradability with a newly developed opacifier with improved biodegradability in the second quarter of 2021. We continue to pursue the technical challenge of using only natural or biodegradable opacifiers and eliminating solid synthetic plastics as soon as a suitable alternative is available for this purpose.

Certain types of perfume encapsulation are also under discussion because they are considered as microplastics. These encapsulated perfume oils are used in fabric softeners and certain detergents to create long-lasting fragrances with significantly less perfume than would otherwise be required. We are already working together with our technology partners to replace all synthetic perfume encapsulations with biodegradable materials by the end of 2022 at the latest.

We have already achieved success in using soluble, biodegradable materials for encapsulation in other areas; for example, in the shells of our pre-dosed liquid detergent capsules and dishwasher detergent tabs, which consist of soluble polyvinyl alcohol foil.

To prevent improper disposal of our plastic product packaging from contributing to ocean pollution, we are striving for a [circular economy](#) for plastics that is similar to existing systems. We will continue to increase the recyclability of our packaging, while also increasing the percentage of recycled material in our packaging.



THRIVING COMMUNITIES

We want to help people live better lives. Our social responsibility is to promote equal opportunity, strengthen diversity and respect human rights. We offer our employees lifelong learning opportunities, and an attractive and healthy working environment. We advocate for social progress and access to education worldwide, and we provide assistance in emergency situations.

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We want to help people lead a better life through the collective strength of our business and brands by supporting equity, education and wellbeing.



EQUITY

Strengthen Diversity & Inclusion, respect human rights and enhance the livelihoods of people.



EDUCATION

Support lifelong learning and education of employees and communities, and enable consumers to take action for sustainability.



WELLBEING

Foster health and wellbeing of employees, partners and consumers, and help drive social progress through our brands.

TARGETS AND AMBITIONS



**GENDER PARITY
ACROSS ALL
MANAGEMENT LEVELS¹**

Engage and empower

50,000+

employees to take action on sustainability

+60%
safer per million hours worked¹

**IMPROVE LIVELIHOODS
OF SMALLHOLDERS
AND PROTECTION
OF NATURE**



EXPAND OUR **COMMUNITY
EDUCATION PROGRAMS**
AND VOLUNTEERING



SHAPE THE **FUTURE OF
WORK** FOR OUR COMPANY
AND EMPLOYEES

FURTHER ASPIRATIONS FOR 2030 AND BEYOND

Advancing diversity, equity and inclusion | Promoting consumer awareness of the importance of sustainable consumption

¹ until 2025



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Modern and attractive employer

Henkel aims to create sustainable value with its business activities. This purpose unites all of our employees. In order to continue to be internationally successful, we want to acquire, develop and retain the best talents for Henkel. We offer an inspiring and challenging working environment with flexible, digital work and a value-oriented leadership style. Our corporate culture is based on continuous open feedback and on appreciation for outstanding performance – both through attractive compensation and through individual and long-term development opportunities. We strengthen our global team by valuing diversity and cultural backgrounds, interacting openly and constructively with each other, and looking after the health and safety of our people. The role of our employees is anchored in a central position in our newly launched **→ 2030+ Sustainability Ambition Framework** and is closely linked to the pillar “Thriving Communities”.

 **52,450**
employees

Commitment to sustainable development

Sustainability is one of our five **corporate values**. It means that we strive to create a balance between people, planet and profit. When it comes to implementing our **→ sustainability strategy**, it is our people who make the difference – through their dedication, skills and knowledge. Because of this, we want to foster our people’s commitment to sustainability. And we have expanded our existing training offers to include a holistic engagement program, which will be rolled out at the beginning of 2022.



“The success of our sustainability transformation greatly depends on our employees. They contribute to the sustainable development of our business every day, driving the fundamental change toward a future worth living.”

SYLVIE NICOL
Member of the Management Board
HR/Infrastructure Services

The objective is to comprehensively equip our employees with the knowledge, skills and mindset that are central to Henkel’s role as a leader in sustainability. We also seek to engage and empower them to become actively involved in sustainability in their work environment and in their private lives.

This initiative builds on our Sustainability Ambassador Program, which has trained more than 50,000 motivated employees at our sites around the world since 2012. Alongside an eLearning program on our core global learning platform, this approach was specifically implemented through team training sessions, which were conducted worldwide in more than 30 different languages using standardized training materials. In addition to discussing the fundamental principles of sustainability – from concept to key global challenges – the training material also explains how Henkel is responding to these challenges and implementing sustainability.



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With this knowledge, our employees can make an important contribution to sustainability at our sites, and by engaging with our customers and other partners within our business environment.

Our “Say yes! to the future” initiative, for example, provides Henkel sales representatives from all business units around the world with training in sustainability topics that apply to sales, going beyond the content of the Sustainability Ambassador program. They then apply this knowledge in joint projects with our trade partners – in logistics, for example, or by promoting sustainable purchasing decisions.

The “(Y)our move toward sustainability” initiative at Henkel, by comparison, focuses on water and energy consumption and the amount of waste generated at our sites. It encourages employees to make a contribution to sustainability in these areas, for example by avoiding unnecessary printing, switching off lights or eating healthily.

As part of another project, we offer employees the opportunity to visit schools and teach children about sustainable action in their everyday lives. This helps the next generation to understand how to use resources efficiently from an early age. At the same time, the children multiply the impact by imparting their knowledge and enthusiasm to others around them. School visits are an important element of our commitment to reaching schoolchildren through educational initiatives.

In addition, we want to enable our employees to engage in volunteer projects and make their own contribution to the communities in which we operate. For example, our → “MIT Volunteering” (Make an Impact on Tomorrow) initiative is designed to support our employees and pensioners around the world in their volunteer work for charitable organizations.

Employee development

We promote the skills and knowledge of our employees to help them achieve their full potential. Regular and open feedback about performance and potential serves as a foundation for their development. This makes it easier to define individual development measures that address both the company’s needs and each employee’s potential. We focus on → **digital learning opportunities** and the development of digital skills so that we can take full advantage of the opportunities offered by these technologies.

Individual development planning through regular feedback

To foster the targeted development of our employees, we make use of regular development meetings and individual development plans. This helps us to systematically identify and develop talents within the company, and to plan internal succession.



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- **For our non-managerial employees**, we use locally customized evaluation and development systems. In many countries, supervisors assess their employees on the basis of their achievements and hold confidential feedback conversations with them. The meetings are followed by specific development measures. These can include training in the workplace, such as seminars and workshops, as well as job enlargement, for example by taking on management tasks.

- **Our managers** and selected non-managerial employees are assessed every year in the globally standardized Talent Management Cycle. This includes a performance evaluation and potential assessment as two separate steps. To evaluate performance, managers and employees agree on an individual role ambition at the beginning of a year, which contributes to the fulfillment of the company’s strategic objectives. This is re-validated in the middle of the year and then evaluated at the end of the year.

The potential assessment is based on a self-assessment by the employees and an evaluation conducted by their supervisors. The evaluation is made on the basis of uniform principles and clearly defined criteria such as expected leadership behavior. Supervisors then discuss the assessment results with their employees in personal feedback meetings and, together, they agree on individual development measures. In 2021, more than 1,500 managers were promoted.

Henkel has been using a **digital feedback tool** to complement the assessment interviews since 2021. Employees can use this tool to receive recognition and direct feedback from colleagues and superiors alike – at any time. The objective is to promote a day-to-day culture of dynamic and open feedback at Henkel.

Career launch and lifelong learning programs

Henkel helps many young people embark on a successful career. The company offers 25 vocational training and five dual-study programs in Germany. In the 2021 training year, 138 new trainees and students started pursuing a professional qualification at Henkel. A total of 498 people are participating in our vocational training programs at nine German locations.



Lifelong learning is a core element of continuous development at our company. Learning as part of everyday work, as well as through handling a varied range of tasks, is particularly important for us. Henkel encourages this by offering opportunities to take advantage of new roles both locally and in other countries. We learn from supervisors, team members, and other colleagues on a daily basis. For some years now, Henkel has been using virtual services to train its employees worldwide, in addition to conventional attendance-based formats. To do this, we use a global learning platform that includes virtual sharing formats along with eLearning, podcasts and videos. As all services on the Henkel Learning Hub are cloud-based, they can be accessed at any time – not only in the office environment, but also on the road or at home.

In 2021, we continued to expand our training formats in line with our Purposeful Growth agenda. We developed and digitalized new global and regional learning programs. There was a particular focus on programs relating to health and wellbeing. For the first time, we organized a global



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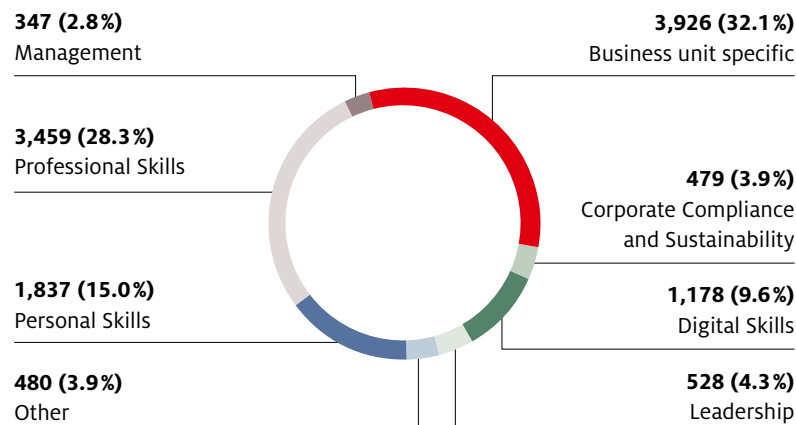
virtual learning week in 2021 to further expand the learning culture at Henkel and to offer employees a range of business insights in the areas of sustainability, innovation, digitalization and culture. This event drew more than 6,200 participants from all over the world together for four days of learning. Through these and other digital formats, our employees were able to learn together even during the time when attendance-based training was limited due to the COVID-19 pandemic. In 2021, the average training time of our employees was around 2.3 days.

Expansion of digital training opportunities

- We structure the learning content in a way that allows us to react more quickly and individually to new requirements for knowledge within the organization. The Henkel Learning Hub hosts all formal training courses in one place. These include basic knowledge – such as management, process, and software training – as well as content specific to our business units and material related to improving soft skills. Leadership skills represent a key element of the learning content. The main aim is to train new competencies and skills that will provide our managers with the best possible preparation for future challenges. Based on our Leadership Commitments, we want to foster a global, → **value-oriented leadership** standard that takes account of different regional and cultural considerations.

In addition, digital transformation represents a key element of the learning content. Our **“Digital Upskilling”** initiative is designed to provide targeted support for employees in expanding their digital skills. It is based on two pillars and an in-depth analysis of the status quo: Anonymous online surveys are used to assess employees’ digital skills. This includes both a playful quiz about digital general knowledge (Digital BaseFit) and an analysis of experts’ professional and specialist skills (Digital ExpertFit). Based on these efforts, we are continuously

Training categories in 2021



developing our digital skills training portfolio and advancing the training of our employees in skills that will be relevant in the future.

- Digital learning formats also play an important role for us in making training opportunities available flexibly worldwide. Where possible, general in-person training courses are complemented by digital and virtual services. As part of a partnership between Henkel and LinkedIn Learning, all employees with PC access are able to choose from more than 15,000 online courses in seven languages.
- The COVID-19 pandemic has significantly accelerated the digital transformation in the world of work, and has greatly expanded and reinforced virtual collaboration. In this context, IT security has become more important than ever. Therefore, Henkel has further expanded its Group-wide cyber-awareness campaigns. To increase employee awareness of cyber attacks, the company organized numerous events



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and presentations on the subject of cyber security, specifically as part of the worldwide Cyber Awareness Month in October 2021.

Flexible working prioritized

At Henkel, we measure performance by results and not by presence. This is why we have been promoting flexible working models for many years. Based on a culture of trust, part-time work, flexible working hours, new workplace concepts and mobile working are a natural part of our work – and not just since the COVID-19 pandemic. By signing our global [Work-Life Flexibility Charter](#) in 2012, the Management Board has been emphasizing the importance of this topic at Henkel for many years. Our managers are instructed to put opportunities for flexible working into practice and to support them actively.

The pandemic has hastened a number of developments at Henkel. This situation has again highlighted how well virtual collaboration and mobile working work, as well as how important it is to pull together as a team. We leverage these experiences and insights to actively shape and develop our corporate culture and working environment. We want to create the [workplace of the future](#) for our company and our employees. Our sites and offices will at all times serve as places to work together and exchange ideas with colleagues. At the same time, a future-oriented working environment also offers employees more flexibility and freedom to find an optimal balance between their professional lives and their private lives. Henkel developed its “Smart Work” program in 2021 to address this issue. This comprehensive concept provides a global framework for mobile working and highlights the potential for improving how our office landscapes support collaboration among our employees, the improvements that can be made through our health program, the additional opportunities offered by digitalization, and how we at Henkel can become even more sustainable.

Attractive compensation and benefits

The appreciation of the work of our global team is an important element of our [corporate culture](#), and enables us to ensure our long-term and sustainable business success. For this reason, it is important to recognize our people’s performance through appropriate, competitive remuneration in line with the market. We use performance-based components of compensation in order to reward individual contributions. In contrast to the globally standardized remuneration system for our managers, the compensation systems for our non-managerial employees are based on local requirements and existing collective agreements. There is no systematic difference between the compensation received by male and female employees. In addition to fixed and performance-based components of pay, our remuneration system also includes benefits in kind and social security components.

Individual performance as a compensation criterion

Our remuneration system has as its foundation an appropriate and competitive level of basic pay, which all employees receive, respectively, in accordance with local market conditions and the collective agreements in place. It takes into account the demands of the job and the employee’s individual performance and development potential. In addition to the basic pay, we strive to reward the individual performance of our employees with attractive incentives:

- **For our non-managerial employees**, we use locally adapted compensation components to reward their performance and their contribution to the company’s success. Depending on the nature of the job and region, there are various bonus systems for employees, for example in sales and production. These systems cover almost all of our non-managerial employees worldwide.



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- **For our managers**, we use short-term variable remuneration components to reward individual contributions to the company's success. The Short Term Incentive (STI), which is paid out annually, takes into account both our short-term financial targets and each person's individual performance. Some of our managers with direct responsibility for sales are compensated through separate bonus arrangements that focus on sales-related targets, instead of through the STI.
- **For top management**, the annual STI is complemented by a Long Term Incentive (LTI) plan covering a period of four years. The objective of the LTI plan is to motivate and retain our top managers, and to help them view their tasks from the perspective of their shareholders.
- **For Management Board members**, we also use an annual bonus, as well as a bonus related to the company's long-term success as variable compensation elements. For details, please refer to the description of the compensation system and the 2021 remuneration report. Both documents are available on our website at www.henkel.com/ir. The performance parameters of the annual variable remuneration (STI) are the financial targets achieved in the relevant fiscal year, the bonus, and the individual performance and targets of the Management Board members, including individually agreed sustainability targets.

We always assess the performance of our employees in the context of our vision and corporate values. We are committed to leadership in sustainability – this is one of our five corporate values. Accordingly, contributions to Henkel's sustainability strategy and to its targets form part of the annual → **performance assessment**, which influences variable compensation. Where specific aspects of our sustainability performance, such as the reduction of energy use and waste volumes, fall within the sphere of influence of the employee concerned and have a clear bearing on business performance (as in the case of site managers), these are included in the individual performance assessment. In addition, almost every manager has to confirm compliance with the [Henkel standards](#) in writing during their annual review. These include our Code of Corporate Sustainability, the SHE Standards, and Social Standards.

Our employee share plan

We believe it is important for our employees to share in the success of our business. This improves motivation, as well as the strength of identification with the organization. Since 2001, Henkel has offered a voluntary employee share plan. For each euro invested in 2021 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added 33 eurocents. Around 12,700 employees in 58 countries purchased Henkel preferred shares under this program in 2021. At year-end, around 18,400 employees held a total of around 2.8 million shares in the program's securities accounts, representing 1.6 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.



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Social security services and benefits

Our employees worldwide benefit from a high level of social insurance provisions. In countries where no state social insurance system exists or such a system covers only basic needs, we organize our own measures and initiatives to supplement state health and pension insurance provisions.

In the USA, for example, we cover our employees almost completely with private health insurance plans. In addition, in many countries where this is usual market practice, Henkel provides company pension provision plans.

In cooperation with the Allianz Insurance Group, we have been offering all of our employees in Germany the opportunity to have selected preventive health check-ups as private patients, with a free choice of doctor and without any contribution to the costs. We also offer “Henkel CareFlex,” a supplementary company nursing care insurance policy developed jointly with the Industrial Union for Mining, Chemicals and Energy. In this way, approximately 9,000 employees and trainees in Germany have a basic insurance for outpatient, inpatient and semi-inpatient care. The insurance is available without a medical examination and waiting period. In addition to the basic insurance, employees can add the supplementary long-term care insurance and can also add family members, such as partners, children, parents or parents-in-law.

Where appropriate, we would like to give our employees the opportunity to individually structure their fringe benefits to suit their personal life situation. In some countries, for example, we offer flexible solutions that allow employees to pick and choose their own fringe benefits and top them up. Over the past year, our employees in China, for example, have received a credit balance that they can spend flexibly on more than 30 different benefits, including health, risk management and lifestyle options.

Corporate culture of open communication and trust-based collaboration

We are building an environment of trust in our company that is open to ideas and innovations, and that enables decisions to be made. This is only possible with a successful management culture. We are committed to communicating openly with our employees and their representatives, and to pursuing constructive dialog. Our goal is to inform them about important issues early and to involve them in the process. As a result, we are in a position to successfully face challenges and changes in society, the economy and politics in a way that enables us to remain competitive for the future.

With our [Leadership Commitments](#) we want to establish a [corporate culture](#) in which employees show entrepreneurial spirit and initiative, think proactively, put team spirit into practice and take responsibility – no matter whether they lead a team or not. Henkel’s dedicated Leadership Commitments communication platform offers a range of workshop, learning and reflection elements to promote sustainable cultural change at Henkel and to help make the Leadership Commitments our cultural norm.

To obtain a clear picture of the status quo of our corporate culture, and to identify strengths and potential improvements, in 2020 we conducted a comprehensive employee survey, the Organizational Health Index (OHI). Around 10,000 employees worldwide were invited to take part in this anonymous survey with the aim of providing open and honest feedback. Based on the results, which indicate a good overall score for Henkel’s corporate health, we have defined clear fields of action. A wide range of



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measures were developed in 2021, some of which have already been implemented, to further drive cultural change at Henkel. These include a 360° feedback tool, the simplification of internal processes to facilitate faster decision-making and to increase the scope for creativity and innovation, and the introduction of our “Smart Work” concept.

The important role of our employee representatives

Our various employee representative bodies play a key role. An in-depth exchange of views and consultations with our management takes place at the operational level, for example with the local works councils, as well as across companies with the trade union. We provide our employee representatives with information regularly and on a timely basis, and give them as much detail as possible about topics such as the corporate strategy, for example. In countries where no employee representation is planned or established, social dialog with the respective management serves as a voluntary and informal instrument for close exchange. This enables us to improve communication with our employees, include their perspectives early on, and jointly shape future-oriented issues. It also helps Henkel to avoid conflicts of interest and strengthens employee identification with the company. Employee representation plays a particularly important role in Europe. In 1995, Henkel was one of the first German companies to voluntarily set up a European Works Council (EWC) to continue the successful cooperation between management and employee representatives at the European level. Through the EWC, Henkel informs the representatives of its European companies about matters such as the economic situation, transnational initiatives of the company such as restructuring or reorganization programs, safety, health and the environment, and training and development programs.

In Germany, Henkel also involves employee representatives in many decision-making processes beyond those for which worker participation is a statutory requirement. The results of this decades-long, open and constructive cooperation between employers and employee representatives include, for example, an improved → **work-life balance**, flexible working hours, → **accident prevention and health protection in the workplace**, → **company pension plans and retirement schemes**, and preventive healthcare.

Dealing with structural changes

Preserving jobs and dealing with necessary structural changes responsibly are important to us. In order to secure the company’s competitiveness, we continually adapt our structures to market conditions. If jobs are affected by this, we enter into a solution-oriented dialog with employee representatives before actions are taken. In doing so, we follow all applicable codetermination legislation and apply the required procedures for each action. To date, we have been able to manage necessary restructuring measures through socially compatible solutions while reconciling interests. The actions involved range from special semi-retirement models and early retirement, through to support with professional reskilling and refocus.



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Diversity & Inclusion as factors for success and innovation

At Henkel, [Diversity & Inclusion](#) are a business imperative and form an integral part of our corporate culture. We are convinced that a diversified workforce, as well as an open and appreciative corporate culture, are important success factors in a globalized world. Different perspectives, cultures and ways of thinking enable us to meet the needs of our increasingly diverse markets and stakeholders with creative and innovative products, services and solutions. Through a number of programs and training courses, we strengthen the understanding and appreciation of diversity while promoting an inclusive corporate culture.

Diversity at Henkel represents the variety of talents, attitudes, perspectives, strengths, abilities and characteristics of our employees and business partners that make us unique and contribute to creativity, innovation and business success. It is the differences of individuals in our company, such as experience, values, education, gender, sexual orientation, origin or religious background, that make us strong and successful. We want to create an inclusive working environment in which every employee is valued and individual performance is recognized. On principle, we also fill our job vacancies exclusively according to ability, potential and performance. We do not tolerate discriminatory behavior either when we hire new employees or in our daily interaction with each other. With our Global Diversity & Inclusion policy, we have promised to further strengthen diversity and the related appreciative behavior at Henkel.

As part of the [ERT initiative \(European Round Table for Industry\)](#), we signed a pledge to promote diversity and inclusion together with 53 business leaders. We also support the initiative [“Business for Inclusive Growth” \(B4IG\)](#), a global business coalition for inclusive growth that is supported by the OECD and aims to pool and strengthen the commitment of private companies to reduce inequality related to opportunity, gender and region. Our commitment to diversity and inclusion has been recognized several times in recent years, including Henkel's recognition as a [“Diversity Leader 2021”](#) by Statista and the Financial Times.

As in previous years, global and regional campaigns related to diversity and inclusion topics were held at our sites in various regions throughout the year. Examples of this include the [#ChooseToChallenge](#) initiative for the International Women's Day and the Diversity Talk Series in the Asia-Pacific region. To foster our values-based culture, we also offered interactive videos on the topic of Unconscious Bias, and eLearning modules that were accessed more than 7,500 times in total. A new anti-harassment compliance training was also introduced in 2021.



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Our diversity dimensions

At Henkel, we pursue a holistic Diversity & Inclusion approach. The many dimensions that define us as individuals include our education, family and relationships, strengths and abilities, and personal experiences.

And while we recognize that all of these individual attributes contribute to our diversity, our strategic initiatives focus on the following core dimensions of diversity:

- Gender:** Our goal is to continuously increase the ratio of women in the company at all levels, and we have the ambition to achieve gender parity across all management levels by 2025. The percentage of women in management positions was around 38 percent in 2021, representing a further increase on the previous year. To achieve these ambitious targets, we strive to make it even easier for women to combine their careers with their personal life plans. We support our employees by offering them flexible working models. These models include mobile working, part-time and → **flexible working hours**, job sharing and tandem models, or sabbaticals. Another way we help families balance work and family life is by offering childcare and → **social services**. At the Düsseldorf site, there are 240 childcare places in three company daycare centers. Henkel also offers care places for 75 children at the company daycare center in Bratislava, Slovakia. In Germany, Henkel is a partner in the initiative “Success Factor Family”. Through this program, the Federal Ministry of Family Affairs, together with the central associations of German business and the German Trade Union Federation (DGB), are committed to more family-friendliness in the German economy.

We also have a number of support programs for women in our business units and functions around the world. In the Beauty Care business unit, for example, a global, internal network called RISE was created to promote gender balance in management positions, for example, through the participation of women in a mentoring program. The aim of the → **Women into Science and Engineering program**, run by the Adhesive Technologies business unit, is to connect women at various management levels with managers in the technology and engineering sector worldwide to enable the sharing of skills and knowledge. Even outside our own company, we are seeking to counteract the underrepresentation of women in technical professions and driving forward gender diversity in the start-up and technology sector. Our digital unit and platform for open innovation and collaboration, Henkel dx Ventures, hosted the → **Xathon** for the third time in 2021, an ideation hackathon for 100 female founders.

 **38.1%**
ratio of women in
management positions

 **124**
nationalities

- Internationality and origin:** With employees from a total of 124 countries, cultural diversity is a part of everyday working life at our company. An international workforce composed of people with different cultural backgrounds is important in a global company like Henkel, as it enables us to develop an understanding of our markets. To address the challenges of mixed teams, we offer intercultural training and workshops to raise awareness of different value systems and their influence on daily actions. Henkel also encourages international transfers within employees' career paths.



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- **Sexual orientation:** Henkel strives to create a working environment that is open to all people regardless of their sexual orientation or identity. We have LGBTQ+ networks in several countries and raise awareness of the topic through a range of events and activities. During Pride Month 2021, we displayed the rainbow flag behind our corporate logo on our global social media channels to express our solidarity with the LGBTQ+ community, as well as our support for the LGBTQ+ community through internal and external outreach on Coming Out Day. Since 2021, Henkel has also been a member of **Out Leadership**, a global LGBTQ+ business network that offers insights and information on LGBTQ+ topic and key tools for companies and employees to promote equality.

- **Generations:** At Henkel, four generations – Baby Boomers, Gen X, Y and Z – work together under the same roof. We encourage → **life-long learning** across all generations through appropriate training measures. Specifically, we use mentoring and employee networks in different business units and countries to promote knowledge transfer and an exchange of perspectives between experienced and less experienced employees. We also offer employees of all generations a wide range of programs for → **maintaining physical and mental health**. Our social services also help to provide support to employees facing challenges at different stages of their lives such as when they take on responsibility for relatives in need of care.

With three models for semi-retirement, we want to actively shape the demographic change at Henkel. This enables our employees at all sites in Germany to leave work up to six years early, depending on the semi-retirement model. This provides particularly important support for employees in demanding shift work. At the same time, we encourage the targeted training of qualified young people by having their experienced colleagues in semi-retirement coach them in direct preparation for the tasks in a specific role.

- **People with disabilities:** At Henkel, we foster a culture of inclusion that focuses on the skills and individual talents of people with disabilities. In 2021, we marked the International Day of Persons with Disabilities as an opportunity to raise awareness of the topic among all employees. A specially developed toolkit provides important information on the topic of inclusion. Through targeted programs, including in our emerging markets, we strive to offer everybody the same opportunities while always focusing on a person's individual strengths rather than their limitations. One representative example of this approach is an integration program at our Global Business Solutions Center in Manila, Philippines, which takes a holistic approach to integrating people with disabilities into the world of work.



Maintain and improve health

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We promote the health and vitality of our employees to help create an agile, high-performance organization. To do so, we rely on globally uniform health and safety standards, and provide health and preventive care programs to guard against workplace risks and general health risks that could lead to illness. The broad range of health services offered at our sites has two aims: promoting our employees' physical health (via seminars for giving up smoking, health check-ups, AIDS prevention, etc.), and maintaining their mental vitality (through stress management and similar measures). We pick up on important social trends, such as the demographic change, with our program for maintaining working capacity. In addition to a number of regional and local programs, we have been carrying out a major joint health campaign with all sites every year. The aim here is to reach more than 90 percent of employees globally, which is a key target of our sustainability strategy.

"Back-Up Your Life" is the most recent of five global health campaigns to date. In 2021, the activities targeted the physical and mental strengthening of employees through a number of initiatives. The focus was on ergonomics and fitness in the workplace. More than 800 employees worldwide have been trained as ErgoScouts, who act as ambassadors for this topic within the company. A fitness week themed "Smart Work – Smart Fitness" rounded off the campaign with a diverse program for physical and mental fitness and nutrition. Information about the campaign was shared on a globally accessible platform and actively communicated to all channels. With this approach, "Back-Up Your Life" was able to reach more than 90 percent of our employees.

Our approach to global health management

In order to ensure holistic health care at all sites, we work continuously to establish uniform principles. These now include the availability of first responders, the offer of flu shots and participation in the global health campaign, as well as conducting emergency medical drills and occupational health screenings. To monitor these health protection measures, we collect metrics worldwide, which are reported annually by all Henkel sites. In addition, the sites report occupational diseases as soon as they have been officially confirmed by the authorities.

The Henkel Health Procedure describes the minimum global standards for protecting and promoting health. In the implementation of internal guidelines, programs and legal requirements, regional managers for health, workplace safety and security provide support for management and employees. In several regions, locally employed physicians also act as health managers to oversee the local implementation of health programs in the local language, taking local requirements into account.

Each year, company physicians from all Henkel sites in Germany join together to share experiences and exchange best practice. Several annual exchange activities for our global occupational safety officers and our regional health and safety managers also take place. The global Head of Health Management in Düsseldorf maintains weekly contact with colleagues in the different regions and makes important findings available to all sites worldwide. An annual survey of all Henkel sites on local health programs and fulfilling requirements provides us with an overview of our global health management. This is the foundation for global and regional coordination activities for the further expansion of our programs.



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Boosting the mental health of our employees

Henkel supports its employees in maintaining their mental resilience by offering consulting on the subjects of time, stress, and conflict management, as well as coaching as a preventive, development and coping service. In addition, there are tailored care packages for the early medical treatment of health disorders. Our learning platform offers learning paths on physical and mental health with short learning units. Also on offer are online training courses, available globally, for managers to learn how they can contribute to greater motivation and a better working atmosphere combined with higher performance, while at the same time reducing absences due to illness. We continued to expand our digital formats for boosting mental health in 2021. Our initiatives to create **→ flexible working hours** also aim to improve work-life balance and reduce stress factors.

In addition to providing individual psychological and social counseling, our social services at all our German sites also offer assistance with workplace integration management and the **→ work-life balance**, for example in the search for childcare or in the case of relatives in need of care. At all locations in Germany, Austria and Switzerland, we also offer preventive health training aimed at strengthening the individual's own personality, identifying existing resources and teaching helpful coping strategies for dealing with daily challenges at work and in everyday life.

Continuous expansion of health programs

New measures to address overall wellbeing and mental and physical health were also identified in all regions in 2021. Our new digital MyCare Hub, for example, raises awareness and increases uptake of all local and global health and prevention services as a central platform for health campaigns, ranging from vaccinations to our collaborations with sports and fitness providers, which we have also expanded globally. We have also further improved and expanded our Employee Assistance Program. These services provide our employees with support in coping with professional and family problems, as well as help in the event of physical or mental illness.

Demography and Work 4.0

We launched a demography program at our headquarters in Düsseldorf in 2013 to promote long-term employability against the backdrop of demographic change. This holistic concept includes a combination of preventive occupational healthcare with a general medical check-up, workability index, and employee surveys. This program is complemented by the "TOP Check 4 Health" assessment for mental stress. In this process, supervisors and employees systematically analyze work flows, work organization and environment, and teamwork and leadership. Where improvement is needed, they also initiate measures to address the problem. This also includes specific suggestions and offers for improving and maintaining the health and performance capabilities of participating employees.



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Increased occupational safety

The COVID-19 pandemic: Prevention and crisis management

We do everything we can to ensure the safety of our employees, whether they are on site or working from home. We have implemented comprehensive measures to protect our employees and prevent the further spread of COVID-19. These included the possibility of mobile working, modified workflows, social distancing regulations, personal protective equipment, and the provision of tests and hand disinfectants. Full-coverage COVID-19 vaccinations were also a key contributor to protecting our employees in 2021.

The Henkel Crisis Management Committee (CSC) was tasked with global responsibility for crisis management within the company. With the aid of a clearly defined process, decisions made at global level to protect our employees are cascaded down and implemented at country and regional level, while local crisis teams take additional measures in line with local COVID-19 requirements. In addition to regular newsletters about new requirements, our employees can find information about all issues related to COVID-19 on an internal company website. This includes a wide range of tips for how to ensure safety in the workplace and while on the road, as well as contact partners who are available to provide assistance, best practice examples from around the world, and responses to frequently asked questions.

In 2021, we conducted a global employee survey on the impact of the COVID-19 pandemic on the general and health needs of employees. 90 percent of the participants were satisfied to very satisfied with our crisis management, including the safety and health measures on site.

“Zero accidents” as a long-term goal

Occupational safety within the company and along the value chain was a top priority for us even before the COVID-19 pandemic. We remain focused on our long-term objective of zero accidents and want to improve our occupational safety by 60 percent by the end of 2025 compared to 2010. We have anchored this overarching goal as a key performance indicator in our new sustainability strategy. In 2021, we recorded 0.7 occupational incidents per million hours worked by our employees. This is an improvement of 42 percent over the base year 2010. In 2021, there were no fatal occupational accidents involving an employee of Henkel or an external company working on behalf of a Henkel company at a Henkel site.



To achieve our goal, we invest in training to raise awareness and increase technical safety standards. We regularly review whether our **Safety, Health and Environment (SHE) standards** are being strictly adhered to. We are also committed to improving occupational safety at our subcontractors and that of other companies' employees working at our sites.

Regular training courses are held at all sites to ensure that our employees are able to identify and eliminate accident risks. We are increasingly extending the programs already in place in certain areas to cover the entire company. We also conduct global safety campaigns aimed at creating even greater awareness of the most important safety issues among our employees.

* Base year 2010



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Measures for improved workplace protection and safety

In 2021, all three business units (Adhesive Technologies, Beauty Care and Laundry & Home Care) continued their efforts to increase the engagement and participation of our employees in safety programs. One of the measures implemented for this purpose was a Safety Day held across the business units, during which the employees at each site were briefed on the common goal of zero accidents. Despite the limitations imposed by COVID-19, the program was scheduled to run over the course of an entire week, with the option of virtual participation. This allowed us to reach as many participants as possible. The activities focused on raising awareness of health and safety topics in a fun way. We also expanded our Cultural and Behavior-Based Safety programs, the core elements of which are open dialog about safe and risky practices in the workplace. More than 350,000 such dialogs were conducted at our production facilities in 2021. In our Laundry & Home Care business unit, we used a specially developed app that enables employees to directly and easily report safety concerns and analyze safety indicators. We also held a wide range of training courses on health and occupational safety topics at our sites over the course of the year.

In addition to measures to foster a safety-oriented corporate culture, we also rolled out a range of technical improvements at our sites in 2021. For several years, Henkel has invested in technology pilot projects to increase occupational safety related to the use of forklifts. Launched in 2021, the Safety4DRIVE campaign focuses on reviewing traffic patterns and safety equipment at both the Laundry & Home Care and Beauty Care business unit sites. We also modernized our forklift fleet and trained local teams on implementing the forklift safety standard in the next few years. The campaign will also be continued in our Adhesive Technologies business unit in 2022.

Another focus was on the prevention of trip, slip and fall accidents, which are among the most frequent causes of accidents at Henkel. Beauty Care worked out a systematic approach to root cause analysis for this purpose. Laundry & Home Care held training sessions on identifying trip hazards at all of its manufacturing facilities. Adhesive Technologies conducted a trip, slip and fall campaign in Europe, challenging its sites to conduct a critical self-assessment of all areas on their premises. This also involved a risk assessment of any shortcomings identified as well as the preparation of an appropriate action plan to correct these deficiencies and prevent this type of accident.



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Applying due diligence at all levels

The way that companies act on their responsibility to [respect human rights](#) and exercise due diligence is the focus of increasing public discussion and political debate.

Our commitment to respecting human rights

Henkel has a clear policy of doing business in an ethical and legal manner. This is inseparably linked with our commitment to respecting internationally acknowledged human rights. As early as 1994, Henkel's Mission and Principles document emphasized that respecting social values and standards is an integral part of our company policy. Since then, we have developed and adapted a comprehensive set of [codes, standards and processes](#) to provide our employees, customers, suppliers, investors and the communities we operate in with a clear definition of the ethical and social values we uphold – including human rights expectations.

In 2000, we also introduced our Code of Conduct, including a clear and proactive commitment to support human rights: We expect our employees to respect local customs, traditions and social values, and to respect human rights for a free and fulfilling life. In 2003, we underscored our commitment to supporting and respecting human rights by joining the [United Nations Global Compact](#). We still refer to this commitment today as a fundamental element in our Code of Conduct and provide details of it in our Code of Corporate Sustainability, as well as in our Social Standards and SHE Standards.

In addition to auditing and compliance processes designed to ensure compliance with our codes and standards, we also recognize our responsibility for respecting human rights along the value chain through our supplier management system. This approach supports our commitment to the Forced Labor Resolution of the [Consumer Goods Forum \(CGF\)](#). Our membership of [Together for Sustainability – Chemical Supply Chains for a Better World \(TfS\)](#) is a strong example of this approach in action.

We follow ongoing human-rights-related developments very closely at both international and national level, including the National Action Plans for Business and Human Rights, as well as the [UK's Modern Slavery Act](#). We continue to develop our approach in line with the resulting expectations. This includes the creation of an internal cross-functional task force on human rights due diligence in 2021. In addition, we are in continuous dialog with stakeholders outside the company and are actively involved in industry initiatives. For example, in 2020 we participated in a webinar as part of the German chemical and pharmaceutical industry's sustainability initiative Chemie³. This dealt with current developments concerning human rights in the supply chain, as well as management approaches for companies. Internally, we promote awareness of our obligation to respect human rights by integrating relevant content into eLearning courses and training sessions attended by our employees. In 2021, we placed a special focus on human rights due diligence training in our purchasing activities.



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Our approach to respecting human rights

Alongside legal requirements, our codes and standards provide a basis for decision-making and engagement within our sphere of influence worldwide. In this context, we adhere to international labor standards as a minimum, and local statutes where these are more exacting. Our codes and standards also reflect our commitment to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact, as well as the expectations set out in the UN Guiding Principles on Business and Human Rights.

The Guiding Principles were adopted in 2011 and, through their "Protect, Respect, Remedy" framework, contribute to clarity regarding the different roles that states and companies play in relation to human rights. Within their own sovereign territory, states are responsible for protecting against human rights violations and ensuring access to the full range of human rights. Companies are expected to respect human rights, comply with national legislation, and establish reporting channels and provide access to remedy in the event of human rights violations. These guiding principles include key elements such as principles and policies, risk analysis, effective measures, and reporting and complaints mechanisms, which we have incorporated into our approach to respecting human rights.

Principles and policies

Our codes and standards cover a wide range of topics including working hours, occupational health and safety, data protection, non-discrimination, fair remuneration, freedom of association and collective bargaining, and zero tolerance of child and forced labor. We have formulated the [codes and standards](#) in line with expectations that are relevant to our specific business operations. We revise the documents on a regular basis to ensure that we conduct our business in a way that reflects our commitment to support and respect internationally proclaimed human rights. Our most important documents include: Code of Conduct; Code of Corporate Sustainability; Social Standards; Safety, Health and Environment (SHE) Standards and the Responsible Sourcing Policy. An [overview of human rights](#) in the context of responsible business practices at Henkel is available on our website.

Risk analysis

We have clear due diligence and compliance processes in place to identify and assess social and human rights impacts, and ensure that – if necessary – access to remedy is in place and available. These processes include our Group-wide audit program, which assesses and improves governance, processes and controls independently and objectively. It also includes audits that form part of our supplier management system.



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Within the scope of the risk analysis, we identify relevant human rights risks by assessing individual cases according to the following four criteria:

- Potentially significant negative impact on humans.
- Systemic lack of protection by the government.
- Conditions that potentially encourage repeated or systemic non-compliance.
- And influence or potential influence by Henkel (positive or negative).

Henkel considers that a relevant human rights risk exists if all four are met. This allows us to make a clear distinction between an individual case of non-compliance due to a single incident, and a human rights risk that is relevant to our business activities. To do so, we analyze human-rights-related risks in our company and along our value chains. In our global supply chains, for example, we use an early-warning system for sustainability risks. This includes defining the risk potential in our procurement markets and evaluating value chains on a cross-industry basis. In doing so, we focus on countries that international institutions have classified as risk countries. Based on this, we define the riskiest markets by combining this analysis of risk countries with issues of particular relevance to our supply chains at that time, and take appropriate measures.

Effective measures

Based on our risk analysis, we have identified two significant human rights risks in our supply chain at present: raw materials based on palm oil and palm kernel oil, and raw materials from regions associated with military conflicts. We are closely monitoring these two areas with regard to their potential impact on human rights.

In order to reduce risks in the palm oil industry, we have made a commitment to procure our palm-oil-based raw materials in line with the principles and criteria of the [Roundtable on Sustainable Palm Oil \(RSPO\)](#). We also work closely with stakeholders along the value chain, from our suppliers to the RSPO, NGOs and smallholder farmers, to promote sustainable practices and respect for human rights.

To mitigate the risk associated with raw materials from regions associated with military conflicts, we require our direct metal suppliers to provide recognized documentation each year to prove that they do not source or process metals from these types of critical sources.

As a matter of principle, we maintain intensive dialog with our suppliers to promote sustainable practices and respect for human rights along the value chain. For example, we also work with partners from the entire chemical industry as part of the TFS initiative. More extensive information about this is available on our [website](#).



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Reporting

We carry out regular audits at our production and administration sites, and at our subcontractors and logistics centers, to verify compliance with our codes and standards. This also includes relevant human rights issues. All audit results, including the review of our SHE and Social Standards, are reported directly to Henkel's Management Board in the annual report compiled by the Internal Audit team. In line with the criteria of our risk analysis process, our comprehensive Group-wide audit program in 2021 did not reveal any indications of human rights violations related to Henkel's business operations. The identified risks related to raw materials are addressed as part of our supply chain management approach.

Grievance mechanisms

Henkel employees, as well as workers at our suppliers or other people affected, can report breaches of our codes and standards directly to the responsible contact person within our company. Our compliance hotline is operated by an independent external provider and is available globally. In addition, an email can be sent anonymously to the Henkel Compliance Office using a contact form.



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Corporate citizenship firmly anchored in our corporate culture

Corporate citizenship has been an integral part of our corporate culture ever since the company was established by Fritz Henkel in 1876 and is also clearly reflected in our corporate Purpose. Together with our employees, pensioners, customers, consumers and charitable organizations, we are committed to making a lasting contribution to society worldwide, above and beyond our business activities.

Henkel's commitment is based on three pillars: volunteer engagement by our employees, partnerships with charitable organizations, and emergency aid in the event of natural disasters. Our overarching goal was to reach 20 million people through our social engagement activities by 2025. We exceeded this target in 2021, ahead of schedule. From 2010 through the end of 2021, we reached more than 26 million people. This is particularly attributable to our contribution to the fight against the global COVID-19 pandemic. In the past year, we supported a total of about 2,050 projects and reached around 7.03 million people. Donations (of cash and products, excluding additional time off work for employees) amounted to about 23.8 million euros during the reporting year.

We are committed to further expanding our community education programs and volunteering. For 2030, we have set ourselves the new goal to contribute to improving the lives of 30 million people (base year 2010) worldwide.

Henkel's social engagement is primarily intended to contribute to securing the future viability of our society. We are facing enormous challenges, but they are also creating a wide range of opportunities, for example in the areas of sustainability, innovation and digitalization. This is why the focus of our support is on education. This is reflected in our own initiatives such as Forscherwelt (Researchers' World) and our Sustainability Ambassador Program, and also applies to our partnerships with non-profit organizations and our offers of voluntary work. For example, we are committed to the further education of smallholders as part of our commitment to sustainable palm oil, and to maintaining long-standing cooperations with educational institutions.

Our Corporate Standard "Donations, Memberships and Sponsorships" outlines how projects are selected. Corporate citizenship contributes significantly to the "Education" component in the "Thriving Communities" dimension of our new sustainability framework.





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Our three pillars



Voluntary commitment of employees

Since the foundation of the initiative “MIT Volunteering” (Make an Impact on Tomorrow) in 1998, we have supported the [voluntary activities](#) of Henkel employees and pensioners in over 16,800 projects and more than 100 countries around the world. At the same time, more and more employees and pensioners are joining forces to implement larger social projects.



Social partnerships

As part of our corporate engagement, we enter into social partnerships in the communities where Henkel operates, in an effort to support social initiatives and public institutions. The main goal is to promote education in the areas of digitalization, sustainability and innovation.



Emergency aid

Henkel takes a fast and unbureaucratic approach to providing emergency aid after natural disasters around the world through the Fritz Henkel Stiftung foundation.

Example: Corporate volunteering

In 2021, Henkel continued its commitment to achieving a viable circular economy and preventing plastic waste from entering the environment. As part of “Trashfighter,” our global employee initiative, we partnered with the non-profit international environmental protection organization “RhineCleanUp”. This organization conducts waste cleanup events, especially on riverbanks, but also in other public areas. The aim is to raise awareness of waste in the environment and of the value of recycling.

Example: Social partnerships

Since 2019, Henkel, in collaboration with the [Fritz Henkel Stiftung](#) foundation, has sponsored the non-profit programming school [“ReDI School of Digital Integration”](#). Local people interested in technology and immigrants who do not have access to digital education or a professional network are taught digital skills in professional training courses. The organization also offers participants the chance to work with a start-up and with the digital industry more broadly. The objective is to help them gain a position in German society and in the labor market. We have also been cooperating with the charity organizations [IntoUniversity](#) since 2021. We offer young people the support they need to realize their potential for the future. This includes a “future internship” in partnership with



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companies, and entrepreneurship programs to inspire young people through practical experience as entrepreneurs. The non-profit educational initiative Teach First Deutschland encourages and supports young people to achieve more at school. At Teach First Deutschland, university graduates help schools in disadvantaged communities. As additional teachers, they help students to find their own path. Beyond Germany, Henkel also supported the [Teach for All](#) organization in Argentina, Brazil, China, Colombia, India, Kenya, Latvia, Ukraine and the USA in 2021.

In addition, our brands, together with the Fritz Henkel Stiftung foundation, are also involved in partnerships with social initiatives and public institutions around the world in line with our sustainability strategy:

Schwarzkopf Million Chances initiative

Since 2016, the Schwarzkopf Million Chances initiative has been supporting girls and women in becoming more self-confident and building a successful future for themselves. The initiative supports aid projects worldwide, often in cooperation with independent organizations such as Plan International Deutschland e.V. in Colombia, Egypt and China. In 2021, a total of 30 projects reached around 5,600 girls and women worldwide. Since the initiative was launched, we have been able to provide assistance to a total of around 136,000 people. The fourth Schwarzkopf Million Chances Award was also presented in 2021, sponsored by the

Fritz Henkel Stiftung foundation. Four non-profit projects were awarded prize money of 10,000 euros for their outstanding commitment.

The umbrella of our Million Chances initiative also covers our long-term initiative [Shaping Futures](#). Since 2010, Schwarzkopf Professional has been working with non-profit organizations to offer young people the opportunity to obtain training in basic hairdressing techniques and establish livelihoods. The volunteer efforts of hairstylists and employees have made it possible to train over 2,600 young people in more than 30 countries, including Cambodia, Colombia, India, Lebanon and South Africa.

#RethinkFashion initiative at Perwoll

#RethinkFashion is an initiative from our Perwoll brand. Since 2018, it has encouraged a more conscious approach to clothing. This includes proper care to prolong the life of textiles, as well as the upcycling of clothing. Perwoll presented its own fashion collection at the Berlin Fashion Week in 2021. All of the 20 or so exclusive fashion outfits were designed and created in collaboration with students from the AMD Academy of Fashion & Design in Germany. The “NOT NEW” collection was created exclusively from second-hand clothing. Perwoll is using this as a way of making a clear statement: It doesn't always have to be new. The goal is to encourage consumers to rethink their attitudes and to highlight the problem of disposable fashion.



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Pritt “We Craft for Children” initiative

Since its launch in 1969, Pritt has supported the development of the motor and creative skills of children in handicrafts at school and in everyday life. With its global [“We Craft for Children”](#) initiative, Henkel has been involved for many years in a wide range of educational projects worldwide in partnership with different non-profit organizations. In 2021, Pritt partnered with [Visions for Children e.V.](#), a non-profit organization that focuses on improving learning conditions and educational quality in schools in crisis areas and war zones. A total of 50,000 euros was donated to Visions for Children e.V. as part of a fundraising craft campaign.

Example: Emergency aid

In 2021, forest fires destroyed entire towns in the USA. Hundreds of people fled and were relocated as a result. We provided support through financial donations to the American and Canadian Red Cross. To demonstrate our solidarity and provide support for those affected by the catastrophic flooding in Germany and Belgium in 2021, Henkel donated 1 million euros in cash and product donations (hygiene, cleaning and personal care products). Most of the funds were donated to Aktion Deutschland Hilft e.V., an alliance of respected German aid organizations that provides joint, rapid and coordinated emergency aid to people affected by disasters. The comprehensive [emergency aid package](#) also included financial assistance and paid time off for affected employees.



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The indicators we record throughout the company provide transparency while helping us to identify potential improvements, manage activities and monitor achievements. We show the progress of each of our indicators over a five-year period. In this Sustainability Report, we focus on the publication of our globally relevant core indicators. The figures in the tables within this chapter have been rounded up or down. As a result, the rounded figures in some of the rows in the tables may not add up to the totals as indicated.

Environmental indicators for our production operations

The production-related data for 2021 were determined at all 174 Henkel sites in 56 countries. This means the data represent 100 percent of our production volume. The data were validated centrally for year-end reporting and verified at the sites within the framework of our internal audit program. Any differences discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – due to the start-up of new sites or closure of existing sites, for example – the number of sites contributing data changes accordingly. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

Employee indicators

Occupational accidents are registered using a globally uniform reporting system. 99 percent of Henkel employees were covered in 2021. In line with this, the published employee indicators also cover 99 percent of our employees.

Adjustment of reported indicators

Acquisitions and divestments: Initial and historical data are only adjusted in exceptional cases in which disruptive acquisitions or divestments do not permit a meaningful comparison of timelines.

Updates in methodology: Initial and historical data are corrected where possible. The resulting changes are highlighted and commented on.

Updates in data: Where target-relevant or necessary for clarity, changes are highlighted and explained. Updates of individual or cumulative values are made when greater than one percent of the value of the superordinate indicator (for example, total energy consumption), including the subordinate indicators (for example, bought-in energy consumption).



Economic indicators

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Sales in million euros	19,250	20,066
Adjusted ¹ operating profit (EBIT) in million euros	2,579	2,686
Adjusted ¹ return on sales (EBIT) in percent	13.4	13.4
Adjusted ¹ earnings per preferred share (EPS) in euros	4.26	4.56
Dividend per ordinary share in euros	1.83	1.83²
Dividend per preferred share in euros	1.85	1.85²

¹ Adjusted for one-time charges / gains and restructuring expenses.

² Proposal to shareholders for the Annual General Meeting on April 4, 2022.

Key financials by region

in million euros	Western Europe	Eastern Europe	Africa / Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
Sales 2021¹	5,990	3,114	1,208	5,028	1,211	3,374	142	20,066
Sales 2020 ¹	5,782	2,919	1,208	5,173	1,090	2,968	110	19,250
Change versus previous year	3.6%	6.7%	-0.0%	-2.8%	11.0%	13.7%	-	4.2%
Organic	3.2%	14.0%	20.3%	1.2%	14.4%	13.7%	-	7.8%
Proportion of Group sales 2021	30%	16%	6%	25%	6%	17%	1%	100%
Proportion of Group sales 2020	30%	15%	6%	27%	6%	15%	1%	100%
Operating profit (EBIT) 2021	1,544	171	33	27	66	557	- 185	2,213
Operating profit (EBIT) 2020	1,457	228	31	- 88	69	484	- 162	2,019
Change versus previous year	6.0%	- 25.1%	4.0%	130.8%	- 4.2%	15.0%	-	9.6%
Adjusted for foreign exchange	5.7%	- 9.9%	60.6%	141.7%	4.8%	14.4%	-	12.4%
Return on sales (EBIT margin) 2021	25.8%	5.5%	2.7%	0.5%	5.5%	16.5%	-	11.0%
Return on sales (EBIT margin) 2020	25.2%	7.8%	2.6%	- 1.7%	6.3%	16.3%	-	10.5%

¹ By location of company.



Environmental indicators

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Our operational CO₂ footprint

The following table presents the CO₂ emissions associated with our business activities along the value chain. Henkel's own CO₂ emissions (Scope 1 and Scope 2 from a net viewpoint)¹ are primarily caused by energy generation and consumption. Other sources of CO₂ emissions

are not relevant to our business operations. The same applies to emissions of other greenhouse gases. We present the principal Scope 3 emissions along the entire value chain.

In thousands of metric tons of CO₂ / CO₂ equivalent

	 1. Raw materials	 2. Production	 3. Logistics	 4. Use	 5. Disposal / recycling	
Direct CO₂ emissions (Scope 1)		Energy use at our production sites: 343				343 (0.8%)
Indirect CO₂ emissions (Scope 2)		Bought-in energy (electricity, steam): 132				132 (0.2%)
Indirect emissions in CO₂ equivalents (Scope 3)¹	Chemicals ² : 9,854 Packaging: 1,732 Raw materials transportation: 249	Production waste: 19 Business travel: 43	Transportation of our products: 647	Use of our products: 29,217	Disposal of our products: 1,817	43,578 (98.9%)
	11,835 (27%)	537 (1.2%)	647 (1.5%)	29,217 (66%)	1,817 (4%)	
Total: around 44,053 thousand metric tons of CO₂ / CO₂ equivalent						

¹ For explanations see GRI 305 in the → [GRI-Index](#) and disclosures in the [Scope 3 methodology document](#).

² For explanations about scope and changed calculation method see GRI 305-3 in the → [GRI-Index](#)



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In thousand metric tons	2017	2018	2019	2020	2021
Production volumes	9,390	9,057	9,532	9,486	9,425

The changes shown include the pro rata annual production of our acquisitions.

Energy consumption

In thousand megawatt hours	2017	2018	2019	2020	2021
Direct energy consumption					
Coal	109	89	84	82	77
Fuel oil	114	103	114	111	111
Gas	1,490	1,473	1,461	1,423	1,420
Other combustibles	26	20	7	4	4
Biofuels	0	0	0	0	41
Generated renewable energy ¹	0	3	2	4	7
Indirect energy consumption					
Bought-in electricity	770	780	769	752	739
% bought-in renewable electricity	6%	11%	11%	48%	68%
Bought-in steam/heat	49	47	46	46	51
Total energy consumption	2,558	2,515	2,482	2,422	2,450
% Total renewable consumption	2%	4%	4%	15%	23%

Since 2021: Display of energy consumption with higher granularity for increased transparency.

¹ "Generated renewable energy" is understood as electricity and thermal energy generated on-site using fuel-free sources such as wind and solar power.

Carbon dioxide emissions

In thousand metric tons	2017	2018	2019	2020	2021
Henkel's own carbon dioxide emissions ¹ (Scope 1)	375*	353	351	345*	343
Carbon dioxide emissions from bought-in energy ² (Scope 2)	344*	329	315	191*	132
Total	718*	682	665	536*	475
CO₂ emissions from biofuels¹	0	0	0	0	8

¹ The net volume of emissions is shown. Emissions from the generation of energy for sale to third parties are not included in these figures. Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities.

² Emissions are calculated using the market-based method in accordance with the Greenhouse Gas (GHG) Protocol.

SBTi indicator¹: Scope 1 and 2 carbon dioxide emissions²**Per ton of product**

CO ₂	2017	2018	2019	2020	2021
In thousand metric tons	718	682	665	535	475
Per ton of product	0.076	0.076	0.070	0.057	0.050
per ton of product [%] (vs. 2017)	-	-1%	-9%	-26%	-34%

¹ Regarding "Science Based Targets initiative" (SBTi) see also → p. 61, chapter "Regenerative Planet / Climate / Significantly reducing the carbon footprint in production".

² Emissions from the generation of energy for sale to third parties are not included in these figures. Emissions are calculated using the market-based method in accordance with the Greenhouse Gas (GHG) Protocol.

SBTi indicator¹: Scope 3 GHG emissions from purchased goods and services per ton of product

CO ₂ equivalent	2017	2018	2019	2020	2021
In thousand metric tons	13,157	11,938	11,618	11,766	11,586
per ton of product	1.40	1.32	1.22	1.24	1.23
per ton of product [%] (vs. 2017)	-	-6%	-13%	-11%	-12%²

¹ Regarding "Science Based Targets initiative" (SBTi) see also → p. 61, chapter "Regenerative Planet / Climate / Significantly reducing the carbon footprint in production".

² Change in value 2021 versus 2020 among others due to adjusted calculation methodology.



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Emissions of volatile organic compounds

In metric tons**	2017	2018	2019	2020	2021
Emissions of volatile organic compounds	432	620*	451*	457*	470

Water consumption and volume of wastewater

In thousand cubic meters	2017	2018	2019	2020	2021
Water consumption	8,654	8,359	8,324	8,231	8,117
Volume of wastewater	3,423	3,544	3,485	3,616*	3,378

Because water is lost by evaporation and water is contained in many of our products, the volume of wastewater is smaller than the volume of water consumed.

COD emissions to wastewater

In metric tons	2017	2018	2019	2020	2021
COD emissions to wastewater	8,726	8,024	8,333	8,612	8,343

Chemical oxygen demand (COD): Measure of the pollution of wastewater with organic substances.

Emissions of heavy metals to wastewater

In kilograms**	2017	2018	2019	2020	2021
Zinc	593	445	621	468*	590
Lead, chromium, copper, nickel	228	277	241	248*	194
Total	821	721	862	716*	783

Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant in our production.

Waste for recycling and disposal

In thousand metric tons	2017	2018	2019	2020	2021
Non-hazardous waste					
Waste for recycling	45	44	40	36	38
Energy recovery	11	12	12	12	14
Incineration	5	5	5	5	7
Landfill ¹	33	35	27	25	19
Hazardous waste					
Waste for recycling	8	6	6	5	6
Energy recovery	8	9	12	13	11
Incineration	10	11	10	7	8
Landfill ¹	3	3	2	3	2
Total	124	125	113	105	107
Construction and demolition waste					
	28	42	23	18	24

We have removed the share of construction and demolition waste from our footprint and shown it separately, as the presence or absence of some larger construction projects have a significant effect on our waste footprint. This has enabled us to show the performance of our sites and our progress more transparently.

Since 2021: Display of waste with higher granularity for increased transparency.

¹ The category "Landfill" includes a non-significant amount of waste, which is disposed otherwise.

Packaging indicators of our products

	2017 ²	2018	2019	2020	2021
Share of recycled plastic content for all packaging of our consumer goods products	–	9% ³	11%	15%	18%
Share of packaging designed for recyclability and reusability ¹	–	86%	85%	89%	86%

¹ The reported recyclability value reflects the properties of the packaging, but not the recyclability in specific markets with differing waste collection and recovery systems. Plastic recyclability is based on a detailed assessment, while the assessment for glass, paper and metal is based on an expert evaluation. Change in value 2021 versus 2020 among others due to adjusted calculation methodology.

² In 2017 no data were collected.

³ In 2018 the share comprised only European data. Since 2019 global data are reported.

* Data adjusted.

** Emissions shown are partly based on projections using previous year's values and/or were derived on the basis of a few measured values.



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Dust emissions

In metric tons**	2017	2018	2019	2020	2021
Dust emissions	398	316	283*	290	292

The values include aerosols, since these are difficult to distinguish from dust during measurements.

Sulfur dioxide emissions

In metric tons**	2017	2018	2019	2020	2021
Sulfur dioxide emissions	94	80	70*	109*	80

Nitrogen oxide emissions

In metric tons**	2017	2018	2019	2020	2021
Nitrogen oxide emissions	493	414*	439*	572*	447

Use of chlorinated hydrocarbons

In metric tons	2017	2018	2019	2020	2021
Use of chlorinated hydrocarbons	1,387	1,320	1,415	1,155	1,222

* Data adjusted.

** Emissions shown are partly based on projections using previous year's values and/or were derived on the basis of a few measured values.



Employee indicators

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Employees (as of December 31)

	2017	2018	2019	2020	2021
Henkel worldwide ¹	53,700	53,000	52,450	52,950	52,450
Structure of workforce					
– Non-managerial employees	77.7%	77.4%	77.5%	76.5%	75.4%
– Managers	20.9%	21.3%	21.2%	22.1%	23.2%
– Top managers ²	1.4%	1.3%	1.3%	1.4%	1.4%
Employee fluctuation worldwide ³	6.8%	7.1%	6.6%	4.6%	7.1%

¹ Permanent staff excluding trainees. Figures have been rounded.

² Corporate Senior Vice Presidents, Management Circles I and IIa.

³ Based on employee resignations.

Age and seniority (as of December 31)

	2017	2018	2019	2020	2021
Average seniority in years	10.2	10.5	10.6	10.7	10.6
Average age of employees in years	40.5	40.9	41.1	41.2	41.2
Age structure					
16 – 29	16.9%	16.1%	15.3%	15.1%	14.8%
30 – 39	33.0%	32.7%	33.0%	32.8%	33.0%
40 – 49	27.3%	27.2%	27.1%	27.3%	27.7%
50 – 65	22.8%	24.0%	24.6%	24.8%	24.6%

The age structure at Henkel reflects the diversity of our customers and markets and enables us to satisfy the differing needs of our consumers and markets.

Nationalities (as of December 31)

	2017	2018	2019	2020	2021
Henkel	120	120	120	125	124
Managers	89	90	88	93	98
At headquarters in Düsseldorf	66	71	72	73	76

The internationality of our workforce reflects our business policy of filling local positions with local employees, and ensuring that we have international teams at our corporate headquarters in Germany.

Percentage of women (as of December 31)

in percent	2017	2018	2019	2020	2021
Henkel	34.3	34.4	35.5	36.1	36.7
Managers	34.5	34.7	35.7	36.9	38.1
Top managers ¹	23.2	22.9	24.3	25.2	27.6

¹ Corporate Senior Vice Presidents, Management Circles I and IIa.

As a result of our consistently applied diversity strategy, we have continually developed the percentage of women we employ, especially at the different management levels.

Part-time employees (as of December 31)

in percent	2017	2018	2019	2020	2021
Part-time contracts, global	3	3	3	3	3
Western Europe (including Germany)	9	9	10	9	9
Germany	12	12	12	12	11

Part-time work models are of relevance mainly in Western Europe and especially in Germany. In emerging markets, such as Asia, Eastern Europe, the Middle East, and Latin America, there is significantly less demand for part-time work models.



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Personnel development

	2017	2018	2019	2020	2021
Internal promotion (managers)	1,325	1,262	1,501	1,356	1,504
International job rotations	380	319	282	242	241
Trainees (Germany) ¹	502	501	534	519	498
Average number of training days ²	1.8	1.7	1.8	1.5	2.3

¹ Initial vocational training includes trainees and Bachelor students.

² Our employees have many different development opportunities. In addition to traditional training courses and in-person seminars, they also include eLearning modules and on-the-job training.

Employees with collective agreements (as at 31 December)

in percent	2017	2018	2019	2020	2021
Percentage worldwide	42*	47	47	49	50
Percentage in the European Union (EU)	56*	68	68	68*	68

Employee share program (as of December 31)

in percent	2017	2018	2019	2020	2021
Participation rate	31.4	31.5	30.2	29.6	30.1

Around 12,700 employees in 58 countries purchased Henkel preferred shares under this program in 2021. At year-end, some 18,400 employees held a total of around 2.8 million preferred shares, representing approximately 1,6 percent of total preferred shares outstanding.

Social indicators

Social engagement

	2017	2018	2019	2020	2021
Total number of projects supported	2,124	2,032	2,044	2,655	2,047
Number of people supported	1,268,791	1,285,851	1,324,806	7,362,052	7,029,323
Time off from work for employee-initiated projects (days)	204	327	301	71	174
Donations in thousand euros (financial and product donations, not counting time off)	8,037	8,304	8,096	29,992	23,815

The total amount of donations in 2020 and 2021 was significantly higher versus the prior years. This is attributable to our contribution to the fight against the global COVID-19 pandemic. Due to the special circumstances, employee projects required fewer days off from work in 2020 and 2021 than in the prior years. Generally speaking, employees may request up to five days off from work per year for volunteer activities.



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Percentage of projects supported per United Nations Sustainable Development Goal

	2021
in percent	
SDG 1: No poverty	43.5
SDG 2: Zero hunger	0.7
SDG 3: Good health and well-being	18.0
SDG 4: Quality education	20.5
SDG 5: Gender equality	0.2
SDG 6: Clean water and sanitation	0.1
SDG 7: Affordable and clean energy	0.1
SDG 8: Decent work and economic growth	0.2
SDG 9: Industry, innovation and infrastructure	0.2
SDG 10: Reduced inequalities	0.2
SDG 11: Sustainable cities and communities	11.5
SDG 12: Responsible consumption and production	0.0
SDG 13: Climate action	0.0
SDG 14: Life below water	0.0
SDG 15: Life on land	0.3
SDG 16: Peace, justice and strong institutions	3.8
SDG 17: Partnerships for the goals	0.5

In 2011, we began reporting the percentage of the social projects with which Henkel supports each of the Millennium Development Goals (MDGs), as part of our commitment to the United Nations Global Compact. In 2016, our Sustainability Report reflected our contributions to both the MDGs and the [Sustainable Development Goals \(SDGs\)](#) – which were introduced to replace the MDGs in September 2015. Since 2017, we have been reporting the contribution to the SDGs only. A list of the contributions to the MDGs from 2011 to 2016 can be found on page 133 in the 2016 Henkel Sustainability Report. The SDGs do not influence the type of projects proposed under our employee engagement program, but many of our corporate citizenship activities directly contribute to the SDGs.



Occupational safety

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99 percent of Henkel employees were covered.

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)	2017	2018	2019	2020	2021
Henkel employees	1.1	1.0	0.7	0.6	0.7
Temporary employees of external companies who work at Henkel sites and are directly contracted	1.0	1.0	0.6	0.7	0.4

Serious occupational accidents (Henkel employees)

More than 50 days lost	2017	2018	2019	2020	2021
Accidents during typical production activities	11	11	8*	5	15
Accidents while walking or moving around (e.g., stumbling)	6	9	5	8*	6

* Data adjusted.



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Explanatory information on the non-financial statement of Henkel AG & Co. KGaA according to Section 289b German Commercial Code

In addition to the aforementioned information regarding the Group in the separate and combined non-financial group report, the following special aspects or key figures relating to Henkel AG & Co. KGaA are reproduced below.

Business activities

Henkel AG & Co. KGaA is operationally active in the three business units Adhesive Technologies, Beauty Care, and Laundry & Home Care, 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. As of year-end 2021, the number of people employed at Henkel AG & Co. KGaA was around 8,500 employees.

The operating business of Henkel AG & Co. KGaA represents only a portion of the business activity of the entire Henkel Group and is managed across the Group by the business units.

Matters relating to sustainability at Henkel AG & Co. KGaA are characterized both by its own operating activities and those of its subsidiaries. Regarding sustainability issues and the risk position of Henkel AG & Co. KGaA, it is therefore appropriate to refer to the Group statement. The extent to which the key figures for Henkel AG & Co. KGaA deviate from the Group key figures is presented [and commented on] below:

Key figures for Henkel AG & Co. KGaA

	2021
Production volume (in thousand metric tons)	787
Carbon dioxide emissions (in thousand metric tons) ¹	94
Energy consumption (in thousand megawatt hours)	481
Waste (in thousand metric tons)	29
Water consumption (in thousand cubic meters)	1,621
Occupational accidents affecting Henkel employees (per million hours worked)	0.8
Headcount (as of December 31)	8,533

¹ Emissions are calculated using the market-based method in accordance with the Greenhouse Gas (GHG) Protocol. Emissions from the generation of energy for sale to third parties are not included in these figures.



Operational incidents and environmental violations

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Henkel openly reports operational incidents when the consequences include at least one of the following:

- Endangerment of the neighborhood or the environment.
- Tangible losses of more than 500,000 euros.
- A high level of public reaction.

Furthermore, Henkel transparently reports on environmental violations where the resulting fine exceeds 10,000 euros.

The measures and corrective actions initiated as a result are also disclosed.

Year	Operational incidents	Environmental violations
2021	There were no operational incidents in 2021.	There were no environmental violations in 2021.
2020	<p>A fire broke out in the shredder plant at the waste disposal center on the Düsseldorf, Germany, site in May 2020. It occurred during the shredding of plastic containers that had been emptied of residual material. The site fire service was alerted by the automatic fire alarm system and by an employee. Together with Düsseldorf's professional fire department, which was also alerted, it extinguished the fire in a short period of time. No personal injuries were sustained. The firefighting water was properly disposed of in consultation with the relevant authorities.</p> <p>Measures initiated: The waste disposal process was examined and employees working in waste-generating operations at the Düsseldorf site were trained in proper waste disposal. In addition, the shredding process was assessed to see how safety could be improved. The resulting recommendation is that any new shredder should be designed with an extinguishing system in mind and implemented as such.</p> <p>In July 2020, a fatal accident involving a temporary employee occurred at our detergent factory in Ibadan, Nigeria. The employee was fatally injured inside a soap mixing machine when he attempted to access it during normal operation. The machine was immediately stopped with the emergency shut-off switch. Family and authorities were notified promptly. The causal analysis revealed a failure of the machine safeguard.</p> <p>Measures initiated: Henkel was in close contact with the family of the victim and cooperated with the Nigerian government in the accident investigation. All machinery at the Nigerian site was checked for safety before operations were resumed. A safety inspection was also conducted on all machines at our sites with similar production areas.</p>	There were no environmental violations in 2020.



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Year	Operational incidents	Environmental violations
	<p>Air contamination occurred due to an overpressure incident at our Laundry & Home Care production site in St. Louis, USA, in May 2020. A raw material caused overpressure in the facility's air duct system while a truck was being unloaded. All the processes were shut down and repair work was started promptly. No personal injuries occurred.</p> <p>Measures initiated: After the factory's air ducts had been decontaminated and before operations were resumed, all the containers at the sulfonation facility were inspected for possible damage. In addition, Henkel took preventive measures at all sites worldwide with similar production processes, with the aim of preventing similar incidents in the future.</p> <p>A fire occurred in March 2020 at our adhesives plant in Bopfingen, Germany, during production of a hotmelt adhesive, causing extensive property damage. The building was evacuated once the fire alarm had been set off and the facility had been shut down as an emergency measure. The fire service was able to bring the fire under control after a short period of time. Further damage was prevented by the safety equipment installed. The resulting extinguishing water was properly disposed of in coordination with the responsible authorities.</p> <p>Measures initiated: An investigation team and a crisis management team were formed to establish the cause of the fire, while coordinating the smooth resumption of production at a different site. The damaged building is currently being rebuilt for another use.</p>	
2019	<p>During the production of powder laundry detergent, a fire broke out inside the filtering system in the spray-drying area in our laundry detergent factory in Ibadan, Nigeria, in August 2019. The installed detectors instantly recognized the fire. Respective measures were immediately taken with internal and external support, in accordance with the provisions of the local intervention plan. The fire was brought under control within a short period of time. There was no damage to people or the environment. The fire caused a brief interruption to operations.</p> <p>Measures initiated: After a comprehensive check of all safety-relevant systems at the entire site, additional training and emergency exercises that involved the entire workforce at the plant were carried out. These will also be repeated regularly in the future. The comprehensiveness and suitability of the safety concept was confirmed after an on-site audit by TÜV Nord.</p> <p>A deflagration occurred in our adhesives plant in Kurkumbh, India, in April 2019. Unfortunately, two employees suffered burns as a result of the deflagration. They immediately received emergency medical aid and were then transferred to a hospital where one employee died of his injuries during treatment.</p> <p>Measures initiated: Henkel started assisting the families and relations during the treatment of the employees and continues to support the families. Immediately after the incident, safety reviews were completed at each of our sites with similar production to ensure that operations could continue safely.</p>	There were no environmental violations in 2019.



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Year	Operational incidents	Environmental violations
2018	There were no operational incidents in 2018.	There were no environmental violations in 2018.
2017	<p>In January 2017, there was a product spillage on the site of our adhesives plant in Düsseldorf, Germany. During the production of an adhesive, an aqueous solvent was unintentionally added, triggering the curing process of the adhesive. The resulting adhesive foam activated the pressure relief system, overflowed out of the containment chamber and spilled onto a street within the site. The hardened foam was mechanically removed from the street surface. The incident did not cause any significant interruption to operations and there were no personal injuries or damage to the environment.</p> <p>Measures initiated: The design of the pressure relief system was examined and the alarm function was tested. A measuring device was installed that continuously monitors the solvent to make sure it is free of water.</p>	There were no environmental violations in 2017.



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We prepared our Sustainability Report in alignment with the Global Reporting Initiative's (GRI) [“GRI Standards”](#)*. The following GRI index indicates how our reporting meets GRI standards. The required information is available on the indicated pages of the Sustainability Report and in the audited parts of the Annual Report. Where a disclosure is not completely covered by the disclosures, we have included the relevant data directly in the index or have labeled the gaps as “omissions”. Henkel transparently reports all information and data that are ascertainable and relevant for the Group from a management perspective.

At the same time, we present our progress regarding the principles defined by the [United Nations Global Compact](#) (UNGC) as part of our annual Sustainability Report. Henkel has been a signatory to the Global Compact since 2003. The UNGC is a strategic initiative for companies that have aligned their strategies and operations with ten universally recognized principles related to human rights, labor, environment and anti-corruption. The UNGC index shows where to find information relating to the implementation of the respective principles within the Henkel Sustainability Report 2021.

The GRI index and UNGC index are presented together below. The overview lists information relating to the GRI standards and to topics that are relevant for the ten principles of the United Nations Global Compact (UNGC Principles).

The 2021 Sustainability Report is also the separate combined non-financial report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2021 within the meaning of Sections 315b and 315c, in conjunction with 289b to 289e of the German Commercial Code (HGB) and the Regulation (EU) 2020/852 of the European Parliament, and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (in the following EU taxonomy regulation). Reporting that goes beyond GRI to meet requirements of the HGB and of the EU taxonomy regulation is presented in the index with the title “Information on the non-financial report (NFR).”

For the disclosures marked with a “,” PricewaterhouseCoopers GmbH WPG performed a limited assurance engagement. The [→ independent assurance report](#) by PricewaterhouseCoopers GmbH WPG can be found in the scope and reference framework section (p. 154–157) of the Sustainability Report 2021.

* 2016, unless stated otherwise



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Organizational profile

GRI 102-1 Name of the organization

Sustainability Report 2021 (p. 158), Credits
 Annual Report 2021 (p. 325), Credits
 Henkel AG & Co. KGaA

GRI 102-2 Activities, primary brands, products, and services

Sustainability Report 2021 (p. 5, 6, 8), Company profile
 Annual Report 2021 (p. 98–109), Business units

GRI 102-3 Location of the organization’s headquarters

Sustainability Report 2021 (p. 158), Credits
 Annual Report 2021 (p. 325), Credits
 Henkel AG & Co. KGaA
 Henkelstraße 67
 40589 Düsseldorf
 Germany

GRI 102-4 Countries where the organization has significant operations

Sustainability Report 2021 (p. 5), Company profile / Henkel 2021
 Sustainability Report 2021 (p. 117–130), Indicators

GRI 102-5 Nature of ownership and legal form

Sustainability Report 2021 (p. 158), Credits
 Annual Report 2021 (p. 39–70), Corporate governance

GRI 102-6 Markets served

Annual Report 2021 (p. 73–74), Fundamental principles of the Group



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GRI 102-7 Scale of the organization

Sustainability Report 2021 (p. 5), Company profile / Henkel 2021 Annual Report 2021 (p. 29), Shares and bonds
 Annual Report 2021 (p. 35–36), Shares and bonds / International shareholder structure / Employee share program / Henkel bonds
 Annual Report 2021 (p. 110–118), Economic report / Net assets and financial position
 The quantity of products provided amounts to 10 million metric tons, 90 percent of which are produced in our own facilities. The remaining 10 percent are produced by contract manufacturers.

GRI 102-8 Total number of employees

Sustainability Report 2021 (p. 5), Company profile / Henkel 2021
 Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators
 Annual Report 2021 (p. 119–124), Economic report / Employees
 Subdivided by contract type, 90 percent of contract relationships were permanent contracts and 10 percent were fixed-term contracts. These figures correspond to an employee share of around 99 percent. The share of fixed-term employment relationships includes employment contracts with interns, trainees and temporary cover. The gender distribution of employees with fixed-term contracts corresponds roughly to the gender distribution of the total workforce. No information by region.
 Non-payroll employees account for an insignificant proportion of the organization’s activities.

GRI 102-9 Organization’s supply chain

Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Annual Report 2021 (p. 125–127), Economic report / Procurement

GRI 102-10 Changes regarding the organization’s size, structure, ownership

Sustainability Report 2021 (p. 4–6, 8), Company profile
 Annual Report 2021 (p. 110–118), Economic report / Net assets and financial position

GRI 102-11 Precautionary approach

Sustainability Report 2021 (p. 9–21), Strategy
 Sustainability Report 2021 (p. 24–28), Trusted Partner / Products and technologies
 Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety
 Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Annual Report 2021 (p. 149–169), Risks and opportunities report

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GRI 102-12 Externally developed economic, environmental and social charters, principles, or other initiatives

Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Sustainability Report 2021 (p. 29–34), Trusted Partner / Sustainability management
 Sustainability Report 2021 (p. 113–116), Thriving Communities / Social engagement

GRI 102-13 Memberships of associations

Sustainability Report 2021 (p. 48–50), Trusted Partner / Sourcing / Together for a sustainable supply chain
 Sustainability Report 2021 (p. 31–33), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle
 Sustainability Report 2021 (p. 111–114), Thriving Communities / Social engagement

Our description of initiatives, industry associations and other organizations in the chapters “Stakeholder management” and “Sourcing” in our report lists the most important examples in the context of sustainability.

In 2021, Henkel did not provide substantive funding beyond routine membership dues.

Strategy

GRI 102-14 Statement from the most senior decision-maker of the organization

Sustainability Report 2021 (p. 3), Foreword
 Annual Report 2021 (p. 7–14), Foreword

GRI 102-15 Description of key impacts, risks, and opportunities

Sustainability Report 2021 (p. 9–21), Strategy
 Annual Report 2021 (p. 77–78), Fundamental principles of the Group / Sustainability strategy
 Annual Report 2021 (p. 149–169), Risk and opportunities report

Ethics and integrity

GRI 102-16 Values, principles, standards and norms of behavior

Sustainability Report 2021 (p. 4–6, 8), Company profile
 Sustainability Report 2021 (p. 9–21), Strategy
 Sustainability Report 2021 (p. 29–34), Trusted Partner / Sustainability management
 Sustainability Report 2021 (p. 109–112), Thriving communities / Respecting human rights
 Annual Report 2021 (p. 77–78), Fundamental principles of the Group / Sustainability strategy

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Governance		
GRI 102-18 Governance structure Sustainability Report 2021 (p. 30–31), Trusted Partner / Sustainability management / Our organization for sustainability Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle Annual Report 2021 (p. 39–70), Corporate governance Annual Report 2021 (p. 72–74), Fundamental principles of the Group / Operational activities Annual Report 2021 (p. 77–78), Fundamental principles of the Group / Sustainability strategy		
Stakeholder engagement		
GRI 102-40 Stakeholder groups Sustainability Report 2021 (p. 35–38), Trusted Partner / Stakeholder management	✓	
GRI 102-41 Percentage of total employees covered by collective bargaining agreements Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators	✓	3
GRI 102-42 Identification and selection of stakeholders Sustainability Report 2021 (p. 35–38), Trusted Partner / Stakeholder management For Henkel, everyone who is either directly or indirectly interested in our company or who influences our company is a stakeholder, whether a group or an individual. We are open to dialog with all of our stakeholders.	✓	
GRI 102-43 Approach to stakeholder engagement Sustainability Report 2021 (p. 35–38), Trusted Partner / Stakeholder management Sustainability Report 2021 (p. 14), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation / Engaging in dialog with stakeholders to gain new perspectives Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle	✓	
GRI 102-44 Key topics and concerns that have been raised through stakeholder engagement Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation Sustainability Report 2021 (p. 35–38), Trusted Partner / Stakeholder management Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing	✓	



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	Audited	UNGC Principles
Reporting practice		
GRI 102-45 Entities included in the organization's consolidated financial statements Annual Report 2021 (p. 186–187), Accounting principles and methods applied in preparation of the consolidated financial statements / Scope of consolidation Register of shareholders 2021	✓	
GRI 102-46 Defining the report contents Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle Sustainability Report 2021 (p. 35–38), Trusted Partner / Stakeholder management	✓	
GRI 102-47 Material aspects Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation Our material aspects are: Climate, Circular economy, Natural resources, Equity, Education, Wellbeing, Performance, Transparency and Collaboration.	✓	
GRI 102-48 Restatements of information Our sustainability reporting is based on GRI Standards; we had previously reported according to GRI G4 Standards until 2017. To align our reporting with GRI Standards, we revised our key aspects and structured our GRI index accordingly.	✓	
GRI 102-49 Significant changes from previous reporting periods in the Scope and Aspect Boundaries General reporting boundaries have not changed. Environmental and social indicators are based on the principle of management control. There were no significant changes in our basis data from 2010. Therefore, no modifications were necessary.	✓	
GRI 102-50 Reporting period This report covers the period from January 1 to December 31, 2021.		
GRI 102-51 Date of most recent previous report The most recent previous sustainability report was published on March 4, 2021. It covered the year 2020.		
GRI 102-52 Reporting cycle Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle The reporting cycle is annual.		



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GRI 102-53 Contact point for questions

Sustainability Report 2021 (p. 158), Credits / Contacts

GRI 102-54 Claims of reporting in accordance with the GRI Standards

This Sustainability Report 2021 has been prepared in accordance with the GRI Standards: Core option.

GRI 102-55 GRI content index

Sustainability Report 2021 (p. 131), Indices

GRI 102-56 External assurance

Sustainability Report 2021 (p. 131), Indices

Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report

Sustainability Report 2021 (p. 154–157), Scope and reference framework / Independent Practitioner’s Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information

External assurance of the Sustainability Report was initiated by the Sustainability Council. The outcome of the assurance engagement will be reported to the Sustainability Council.

GRI 103-1 Explanation of the material topic and its Boundary

Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation

As part of the process of determining key action areas and material topics, we have defined where our key aspects have an effect within and outside the organization. In this way, we have set the boundaries for the aspects that we consider to be material. The effects occur where our business activities and products have a material impact on the environment and society, and where external challenges influence our business.

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Topic-specific Standards

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Economy

GRI 103-1	<p>Explanation of the material topic and its Boundary Sustainability Report 2021 (p. 4–6, 8), Company profile Sustainability Report 2021 (p. 10–13), Strategy / Sustainability strategy Sustainability Report 2021 (p. 94–108), Thriving Communities / Responsibility for our employees Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation Sustainability Report 2021 (p. 22–57), Trusted Partner Sustainability Report 2021 (p. 95–98), Thriving Communities / Responsibility for our employees / Employee development Sustainability Report 2021 (p. 118), Indicators / Economic indicators</p>	✓
GRI 103-2	<p>The management approach and its components Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report Sustainability Report 2021 (p. 10–13), Strategy / Sustainability strategy Sustainability Report 2021 (p. 22–57), Trusted Partner Sustainability Report 2021 (p. 118), Indicators / Economic indicators</p>	✓
GRI 103-3	<p>Evaluation of the management approach Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report Sustainability Report 2021 (p. 4–6, 8), Company profile Sustainability Report 2021 (p. 10–13), Strategy / Sustainability strategy Sustainability Report 2021 (p. 14–17), Strategy / Material issues Sustainability Report 2021 (p. 24–28), Trusted Partner / Products and technologies Sustainability Report 2021 (p. 29–34), Trusted Partner / Sustainability management Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing Sustainability Report 2021 (p. 118), Indicators / Economic indicators</p>	✓



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Economic performance

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GRI 201-2 Financial implications and other risks and opportunities for the organization’s activities due to climate change		7
Sustainability Report 2021 (p. 4–6, 8), Company profile		
Sustainability Report 2021 (p. 9–21), Strategy		
Sustainability Report 2021 (p. 60–71), Regenerative Planet / Climate		

Indirect economic impacts

GRI 203-2 Significant indirect economic impacts		
Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing		
Sustainability Report 2021 (p. 95–98), Thriving Communities / Responsibility for our employees / Employee development		

Anti-corruption

GRI 205-2 Communication and training on anti-corruption policies and procedures		10
Sustainability Report 2021 (p. 39–40), Trusted Partner / Compliance		
Combating corruption is one of the key focal areas of our global compliance training: All Henkel managerial employees worldwide are obliged to complete a compliance training via eLearning. In addition, new managerial employees have to complete a compliance onboarding training. Non-managerial employees participate in training depending on their operational areas, e.g. in Purchasing or Sales. All Henkel business partners worldwide receive information on our anti-corruption measures through our globally applicable corporate purchasing standards.		
GRI 205-3 Confirmed incidents of corruption and actions taken		10
Sustainability Report 2021 (p. 39–40), Trusted Partner / Compliance		



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Environment

GRI 103-1 Explanation of the material topic and its Boundary

Sustainability Report 2021 (p. 4–6, 8), Company profile
 Sustainability Report 2021 (p. 11–13), Strategy / Sustainability strategy
 Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation
 Sustainability Report 2021 (p. 20–57), Trusted Partner
 Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Sustainability Report 2021 (p. 60–71), Regenerative Planet / Climate
 Sustainability Report 2021 (p. 72–82), Regenerative Planet / Circular economy
 Sustainability Report 2021 (p. 83–91), Regenerative Planet / Natural resources
 Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety
 Sustainability Report 2021 (p. 24–27), Trusted Partner / Products and technologies / Contribution of our product portfolio to sustainability
 Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle
 Sustainability Report 2021 (p. 117–130), Indicators
 Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators

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GRI 103-2 The management approach and its components

Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report
 Sustainability Report 2021 (p. 9–21), Strategy
 Sustainability Report 2021 (p. 22–57), Trusted Partner
 Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Sustainability Report 2021 (p. 60–71), Regenerative Planet / Climate
 Sustainability Report 2021 (p. 72–82), Regenerative Planet / Circular economy
 Sustainability Report 2021 (p. 83–91), Regenerative Planet / Natural resources
 Sustainability Report 2021 (p. 117–130), Indicators
 Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators





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<p>GRI 103-3 Evaluation of the management approach</p> <p>Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report Sustainability Report 2021 (p. 9–21), Strategy Sustainability Report 2021 (p. 22–57), Trusted Partner Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety Sustainability Report 2021 (p. 47–49), Trusted Partner / Sourcing / Six-step process as an integral component of our procurement activities Sustainability Report 2021 (p. 60–71), Regenerative Planet / Climate Sustainability Report 2021 (p. 72–82), Regenerative Planet / Circular economy Sustainability Report 2021 (p. 83–91), Regenerative Planet / Natural resources Sustainability Report 2021 (p. 117–130), Indicators Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators</p>		
Materials		
<p>GRI 301-1 Materials used by weight or volume</p> <p>Sustainability Report 2021 (p. 66–67), Regenerative Planet / Climate / Low-emission logistics and mobility / Optimizing transport and logistics processes Annual Report 2021 (p. 125–127), Economic report / Procurement</p>		7, 8, 9
Energy		
<p>GRI 302-1 Energy consumption within the organization</p> <p>Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators Sustainability Report 2021 (p. 120), Indicators / Environmental indicators / Energy consumption</p> <p>For site-specific reasons, self-generated electricity and thermal energy are resold primarily at our site in Düsseldorf-Holthausen (Germany); the primary energy used for this purpose amounts to 1,132 thousand MWh.</p> <p>Calculations of energy usage within the organization are based on internal standards that follow recognized external standards (GRI 302-1) with associated methods and assumptions.</p> <p>Due to the number of different conversion factors (including International Energy Agency), these are not explicitly listed.</p>		7, 8, 9



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<p>GRI 302-2 Energy consumption outside of the organization Sustainability Report 2021 (p. 119), Indicators / Environmental indicators / Our operational CO₂ footprint</p> <p>The description of Scope 3 is based on the CO₂ footprint, which fully includes energy consumption.</p>		7, 8, 9
<p>GRI 302-3 Energy intensity Sustainability Report 2021 (p. 120), Indicators / Environmental indicators / Indicators / Production volumes Sustainability Report 2021 (p. 120), Indicators / Environmental indicators / Indicators / Energy consumption</p>		7, 8, 9
<p>GRI 302-4 Reduction of energy consumption Sustainability Report 2021 (p. 63–66), Regenerative Planet / Climate / Significantly reducing the carbon footprint in production</p>		7, 8, 9
<p>GRI 302-5 Reductions in energy requirements of products and services Sustainability Report 2021 (p. 24–28), Trusted Partner / Products and technologies</p>		7, 8, 9
Water and effluents*		
<p>GRI 303-1 Interactions with water as a shared resource Sustainability Report 2021 (p. 89–91), Regenerative Planet / Natural resources / Careful use of water as an important resource Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety</p> <p>Water extraction is categorized as follows: from third parties, surface water, groundwater, seawater, rainwater (for production purposes).</p> <p>International standards are applied and, depending on the options available at the site, data obtained from measurement, calculation or estimates is used.</p> <p>We have conducted investigations into water scarcity on a global level to identify those production sites that operate in regions of water stress.</p> <p>We report the total water consumption (303-5a) as well as the water consumption from regions that are assigned a “high” or “extremely high” rating in the parameter Basic Water Stress (BWS). To do this, we use the Aqueduct™ tool developed by the World Resources Institute (WRI).</p>	✓	7, 8, 9
<p>GRI 303-2 Dealing with the impact of water recirculation Sustainability Report 2021 (p. 89–91), Regenerative Planet / Natural resources / Careful use of water as an important resource</p> <p>Our minimum standards are based on international and national regulations and legislation.</p>	✓	

* GRI Standards 2018



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GRI 303-5 Water consumption

Sustainability Report 2021 (p. 121), Indicators / Environmental indicators / Water consumption and volume of waste water

Our total consumption of water from regions with water stress (high to extremely high risk as defined by WRI) is 2,314 thousand cubic meters of water per year from regions with water stress.

Water storage has no significant impact on wastewater or process water.

Data on water consumption is recorded in line with internal standards. Whenever possible, measurement data is used; otherwise, a well-founded calculation based on general conditions must be available. An estimate is made as a last resort.

Audited UNGC Principles



(Water consumption from areas with water stress not audited)

Emissions

GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1)

Sustainability Report 2021 (p. 119), Indicators / Environmental indicators / Our operational CO₂ footprint (Scope 1)

For the calculation of the Scope 1 carbon dioxide emissions from various energy sources, we apply the factors provided by Öko-Institut e.V. These are mainly based on data from RAINS 7.52. No CO₂ offsets were taken into account when determining the Scope 1 carbon dioxide emissions.

The net volume of GHG emissions (Scope 1) is shown. The gross volume includes electricity additionally generated and sold to third parties. For site-specific reasons, this occurs primarily at our site in Düsseldorf-Holthausen (Germany); gross emissions at Henkel level total 597 thousand metric tons, and biogenic gross emissions at Henkel level total 25 thousand metric tons.

The published Scope 1 emissions include CO₂ emissions from vehicles used at our production sites (e.g. forklifts) to a large degree. CO₂ emissions from vehicle fleets operated outside our sites are excluded. Direct GHG emissions resulting from processes are currently not considered to be significant based on an analysis carried out in Germany.

CO₂ equivalents of other greenhouse gases are of minor importance in our business activities at present and are not reported separately.



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GRI 305-2	<p>Energy indirect greenhouse gas (GHG) emissions (Scope 2) Sustainability Report 2021 (p. 119), Indicators / Environmental indicators / Our operational CO₂ footprint (Scope 2)</p> <p>For the calculation of the Scope 2 carbon dioxide emissions from bought-in energy (electricity, steam and district heating), we have been using the market-based method (Scope 2) since 2018. We previously used the location-based method (Scope 2).</p> <p>Information on gross volume and CO₂ equivalents has not yet been provided in itemized form, as the data basis required for the calculation still has to be expanded.</p> <p>The CO₂ emissions relate to our production sites that are under our direct operational control. These sites represent our core activities. In the location-based method, country-specific emission factors were used for calculating carbon dioxide emissions; based on this method, a Scope 2 emissions value of 305 thousand metric tons would have been determined for 2021.</p> <p>For the market-based method (Scope 2), we do not calculate emissions for the purchase of electricity from renewable sources that meets internal quality criteria. For the remaining electricity, we calculate contract, provider or region-specific emission factors, depending on the sites for which we have access to the figures.</p> <p>They are updated each year. In the remaining cases, we use country-specific factors. For European countries, we use residual factors if available. For all other countries, we use the factors that are most recently published by the International Energy Agency (IEA). 72 percent of the entire electricity purchase comes from renewable sources or falls under supplier-specific emission factors.</p> <p>No CO₂ offsets and no emissions certificate trading were taken into account when determining the Scope 2 carbon dioxide emissions.</p>	✓	7, 8, 9
GRI 305-3	<p>Other indirect greenhouse gas (GHG) emissions (Scope 3) Sustainability Report 2021 (p. 119), Indicators / Environmental indicators / Our operational CO₂ footprint (Scope 3)</p> <p>🔗 Document “Henkel GHG Reporting, Scope 3 Methodology”</p> <p>We are in active dialog with our suppliers in order to achieve our CO₂ reduction target for our purchased goods and services (raw materials / chemicals) and to improve the quality of the data. As part of a project, they report Scope 1, Scope 2 and Scope 3 emissions (or life cycle emissions) for the products they supply. In 2021, we replaced less than 20 % of secondary data with quality-verified primary data in estimating Scope 3 emissions. This resulted in a single-digit reduction in raw material footprint. The integration of supplier data will be further increased in the coming years.</p>	✓	7, 8, 9
GRI 305-4	<p>GHG emissions intensity Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators</p>		7, 8, 9



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GRI 305-5	<p>Reduction of GHG emissions</p> <p>Sustainability Report 2021 (p. 10–13), Strategy / Sustainability strategy Sustainability Report 2021 (p. 24–28), Trusted Partner / Products and technologies Sustainability Report 2021 (p. 63–66), Regenerative Planet / Climate / Significantly reducing the carbon footprint in production</p> <p>Document “Henkel GHG Reporting, Scope 3 Methodology” Document “Henkel GHG Reporting, Scope 4 Methodology”</p>	✓	7, 8, 9
GRI 305-6	<p>Emissions of ozone-depleting substances (ODS)</p> <p>Sustainability Report 2021 (p. 122), Indicators / Environmental indicators / Use of chlorinated hydrocarbons</p> <p>The majority of chlorinated hydrocarbons are used in one region and are subject to an exemption for volatile organic compounds. In addition, dichloromethane is mainly used in another region.</p>		7, 8, 9
GRI 305-7	<p>Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions</p> <p>Sustainability Report 2021 (p. 119–122), Indicators / Environmental indicators</p> <p>The calculation of air emissions (emissions of volatile organic compounds) is performed either by directly measuring emissions or based on location-specific data.</p>	✓ <small>(Use of chlorinated hydrocarbons not audited)</small>	7, 8, 9
Waste**			
GRI 306-1	<p>Waste generation and significant waste-related impacts</p> <p>Sustainability Report 2021 (p. 81–82), Regenerative Planet / Circular economy / Reducing production waste</p>		7, 8, 9
GRI 306-2	<p>Management of significant waste-related impacts</p> <p>Sustainability Report 2021 (p. 81–82), Regenerative Planet / Circular economy / Reducing production waste</p> <p>Waste disposal is carried out in accordance with country-specific requirements. Determination of waste disposal method is based primarily on information provided by disposal service providers. Depending on the options available at the site, data obtained from measurement, calculation or estimates is used.</p>		7, 8, 9
GRI 306-3	<p>Waste generated</p> <p>Sustainability Report 2021 (p. 121), Indicators / Environmental indicators / Waste for recycling and disposal</p>	✓	7, 8, 9

** GRI Standards 2020



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GRI 306-4 Waste diverted from disposal

Sustainability Report 2021 (p. 121), Indicators / Environmental indicators / Waste for recycling and disposal

Data on waste that is diverted from disposal is mainly based on information provided by external service providers. Due to the wide range of specific site conditions, there is no breakdown in various operations of recovery.

Audited



UNGC Principles

7, 8, 9

GRI 306-5 Waste directed to disposal

Sustainability Report 2021 (p. 121), Indicators / Environmental indicators / Waste for recycling and disposal

Data on waste that is directed to disposal is mainly based on information provided by external service providers. Due to the wide range of specific site conditions, there is no breakdown in various operations of disposal.



7, 8, 9

Environmental compliance

GRI 307-1 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

In 2021, Henkel did not receive any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

7, 8, 9

Supplier environmental assessment

GRI 308-1 Percentage of new suppliers that were screened using environmental criteria

Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing Annual Report 2021 (p. 125–127), Economic report / Procurement

When selecting all of our suppliers and business partners, we also consider their performance with regard to sustainability and environmental criteria. This is based on our globally applicable corporate purchasing standards, which we defined in 1997 for the first time, as well as our Safety, Health and Environmental Protection standards, which we supplemented with a Sustainable Sourcing Policy in 2015. This was updated in 2018 and is now known as our Responsible Sourcing Policy, which we have systematically integrated into the purchasing process.

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Social aspects

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GRI 103-1 Explanation of the material topic and its Boundary ✓

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 Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Sustainability Report 2021 (p. 24–27), Trusted Partner / Products and technologies / Contribution of our product portfolio to sustainability
 Sustainability Report 2021 (p. 32–34), Trusted Partner / Sustainability management / Measurement and evaluation over the entire life cycle
 Sustainability Report 2021 (p. 94–108), Thriving Communities / Responsibility for our employees
 Sustainability Report 2021 (p. 113–116), Thriving Communities / Social engagement
 Sustainability Report 2021 (p. 117–130), Indicators
 Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators

GRI 103-2 The management approach and its components ✓

Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report
 Sustainability Report 2021 (p. 9–21), Strategy
 Sustainability Report 2021 (p. 22–57), Trusted Partner
 Sustainability Report 2021 (p. 41–44), Trusted Partner / Product safety
 Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Sustainability Report 2021 (p. 117–130), Indicators
 Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators

GRI 103-3 Evaluation of the management approach ✓

Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report
 Sustainability Report 2021 (p. 14–17), Strategy / Material issues / Development of our strategy, targets and roadmaps for implementation
 Sustainability Report 2021 (p. 22–57), Trusted Partner
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Employment

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GRI 401-1 Total number and rates of new employee hires and employee turnover by age group, gender, and region Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators No information by age group, gender and region. The total number of new employees was around 7,550 in 2021.	✓	6
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation Sustainability Report 2021 (p. 95–98), Thriving Communities / Responsibility for our employees / Employee development Fundamentally, all occupational benefits also apply to part-time and fixed-term employees, except if applicable local regulations in our countries of activity specify otherwise.		6

Labor / Management relations

GRI 402-1 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements In Germany, rules on employee codetermination apply. Locations in other countries are included via the European Works Council. Notice periods correspond to legal requirements or exceed them. We comply with the applicable national or local notice periods and obligations.		
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Occupational health and safety*

GRI 403-1 Workers representation in formal joint management-worker health and safety committees Sustainability Report 2021 (p. 29–30), Trusted Partner / Sustainability management / Steering sustainable economic activity Sustainability Report 2021 (p. 105–106), Thriving Communities / Responsibility for our employees / Increased occupational safety		
GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Sustainability Report 2021 (p. 29–34), Trusted Partner / Sustainability management Hazard identification, risk assessment and investigation of incidents are part of the management systems (ISO 14001 and 45001).	✓	

* GRI Standards 2018



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GRI 403-4 Health and safety topics covered in formal agreements with trade unions

Sustainability Report 2021 (p. 107–108), Thriving Communities / Responsibility for our employees / Increased occupational safety

In 2018, Henkel expanded the range of social benefits offered by adding the corporate long-term care insurance CareFlex, which was developed together with the Mining, Chemical and Energy Industrial Union (IG BCE). In this way, Henkel is able to offer all of its approximately 9,000 employees and trainees in Germany a basic insurance for outpatient, inpatient and semi-inpatient care.

Training and education

GRI 404-1 Average hours of training per year per employee by gender, and by employee category

Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators

Indication of average training commitment per employee, in days. No breakdown by gender and employee category, as this information is not fully available.

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GRI 404-2 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Sustainability Report 2021 (p. 95–98), Thriving Communities / Responsibility for our employees / Employee development

6

GRI 404-3 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

Sustainability Report 2021 (p. 95–96), Thriving Communities / Responsibility for our employees / Employee development / Individual development planning through regular feedback

Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators

We assess the performance of our managerial employees (around 25 percent of our employees, of which around 38 percent are female) and selected high-potential non-managerial employees (around 3 percent of our non-managerial employees), during the Annual People Review.

Other non-managerial employees are assessed in confidential feedback meetings with their superiors. The frequency of these confidential feedback meetings differs depending on team or region. Due to locally customized evaluation and development systems, we are unable to provide a breakdown by gender and employee category.

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Diversity and equal opportunity

GRI 405-1 Diversity of governance bodies and employees

Sustainability Report 2021 (p. 123–124), Indicators / Employee indicators
 Annual Report 2021 (p. 26–27), Management Board
 Annual Report 2021 (p. 63–70), Corporate governance / Management and control structure / Diversity considerations / Diversity considerations governing Supervisory Board composition

Indication of the share of women, the age structure and number of nationalities in the total workforce. Indication of the gender, age and origin of Management Board members: www.henkel.com/company/management-corporate-boards/management-board

Audited UNGC Principles



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Freedom of association and collective bargaining

GRI 407-1 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights

Henkel does not influence in any way employee decision-making regarding joining a union or participating in collective bargaining. The Henkel Social Standards guarantee the right to exercise freedom of association and collective bargaining.

1, 2, 3,
4, 5, 6

Supplier social assessment

GRI 414-1 Percentage of new suppliers that were screened using labor practices criteria

Sustainability Report 2021 (p. 45–51), Trusted Partner / Sourcing
 Annual Report 2021 (p. 125–127), Economic report / Procurement

When selecting all of our suppliers and business partners, we also consider their performance with regard to sustainability and environmental criteria. This is based on our globally applicable corporate purchasing standards, which we defined in 1997 for the first time, as well as our Safety, Health and Environmental Protection standards, which we supplemented with a Sustainable Sourcing Policy in 2015. This was updated in 2018 and is now known as our Responsible Sourcing Policy, which we have systematically integrated into the purchasing process.



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Public Policy

GRI 415-1 Total value of political contributions by country and recipient / beneficiary

Donations, whether direct or indirect, to political parties, campaigns, politicians, or candidates for a political office as well as for political campaigns and referendums are not permitted and were therefore not made. Political activities by employees outside of work are also not supported by Henkel directly or indirectly.

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Customer health and safety

GRI 416-1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

Sustainability Report 2021 (p. 40–43), Trusted Partner / Product safety

All of our finished products are subjected to numerous assessments and tests to ensure a high level of safety during production, use and disposal (see GRI Standards 103).

Using representative life cycle assessments, we regularly evaluate the raw materials we use across all product categories. In selecting and using ingredients, we also follow controversial discussions in the general public about the safety of chemical ingredients in consumer products. These provide us with opportunities to continually conduct a critical review of the scientific basis of our assessments.

Henkel has been carrying out successful research since the 1980s to develop new methods for testing the safety and compatibility of raw materials and products.



Information on the non-financial report (NFR)

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The 2021 Sustainability Report is also the separate combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2021 within the meaning of Sections 315b, 315c, and 289b to 289e of

the German Commercial Code (HGB) and of the EU taxonomy regulation. Reporting that goes beyond the GRI to meet the requirements of the HGB and the EU taxonomy regulation is presented in this index.

	Audited
Non-financial risks Sustainability Report 2021 (p. 29), Trusted Partner / Sustainability management / Steering sustainable economic activity	✓
Framework used Sustainability Report 2021 (p. 153), Scope and reference framework / Separate non-financial group report	✓
Business model Sustainability Report 2021 (p. 6), Company profile / Business model	✓
Reference to explanatory information on non-financial statement (parent company) Sustainability Report 2021 (p. 127), Indicators / Explanatory information on the non-financial statement of Henkel AG & Co. KGaA according to Section 289b German Commercial Code	✓
Total number of projects supported Sustainability Report 2021 (p. 124), Indicators / Social indicators	✓
Number of people reached Sustainability Report 2021 (p. 124), Indicators / Social indicators For 2025, we have set ourselves the goal to contribute to improving the lives of 20 million people worldwide (base year 2010). We also support social projects worldwide. Our Sustainability Ambassador program is one part of this. It was launched in 2012 to encourage our employees to engage even more strongly with the issue of sustainability. Since then, Henkel has trained more than 50,000 ambassadors worldwide. In the period from 2010 until the end of 2021, we reached more than 26 million people.	✓
Time off from work for employee-initiated projects (days) Sustainability Report 2021 (p. 124), Indicators / Social indicators	✓
Percentage of Mass Balanced certified palm (kernel) oil used in our products Sustainability Report 2021 (p. 85–87), Regenerative Planet / Natural resources / Biodiversity / Responsible use of palm oil and palm kernel oil	✓
EU taxonomy regulation Sustainability Report 2021 (p. 53–54), Trusted Partner / Sustainable finance / EU taxonomy	✓



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Separate non-financial group report

The 2021 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2021 within the meaning of Sections 315b and 315c, in conjunction with 289b to 289e of the German Commercial Code (HGB), which is made available to the public by publication on the website.

In its sustainability reporting, Henkel applies the principles and standard disclosures specified in the GRI Standards of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2), and the Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

PricewaterhouseCoopers GmbH WPG, was engaged by the Management Board of Henkel Management AG to perform an independent limited assurance engagement on selected disclosures of the Sustainability Report in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information,” issued by the International

Auditing and Assurance Standards Board (IAASB). Selected disclosures in the separate, combined non-financial group report were reviewed for the purpose of obtaining limited assurance. The audited contents of the Sustainability Report can be found in the GRI Index.

In addition, the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2021 was examined on behalf of the Supervisory Board by PricewaterhouseCoopers GmbH WPG, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information,” published by the International Auditing and Assurance Standards Board (IAASB) for the purpose of obtaining limited assurance (Limited Assurance Engagement) with respect to the disclosures required by law in accordance with Sections 315b and 315c, in conjunction with 289b to 289e of the German Commercial Code (HGB). The audited contents can be found in the Notes in the Indices chapter.



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Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information¹

To Henkel AG & Co. KGaA, Düsseldorf

We have performed a limited assurance engagement on

- the chapters on sustainability reporting denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the sustainability report (hereinafter the “Sustainability Disclosures”) and
- the chapters of the non-financial report denoted with “✓” in the subsections “General Standard Disclosures,” “Topic-specific Standards” and “Information on the non-financial report (NFR)” of the section “Indices” in the sustainability report (hereinafter the “Disclosures on Non-financial Reporting”) of the “Sustainability Report 2021,” which is also the combined separate non-financial report pursuant to §§ 289b Abs. 3 and 315b Abs. 3 HGB, of Henkel AG & Co. KGaA, Düsseldorf, (hereinafter the “Company”) for the period from 1 January to 31 December 2021 (hereinafter the “Sustainability Report”). Our engagement in this context relates solely to the disclosures denoted with the symbol “✓”.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Sustainability Report.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the selection of the Sustainability Disclosures and Disclosures on Non-financial Reporting to be evaluated as well as for the preparation of the Sustainability Disclosures in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the “GRI-Criteria”) and the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB (“Handelsgesetzbuch”: “German Commercial Code”) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the “EU Taxonomy Regulation”) and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section “Sustainable Finance,” subsection “EU taxonomy” of the Sustainability Report.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting and sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures and non-financial

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the “Sustainability Report 2021” and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.



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disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Sustainability Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “Sustainable Finance,” subsection “EU taxonomy” of the Sustainability Report. Company’s executive directors have also stated in the section “Sustainable Finance,” subsection “EU Taxonomy” of the Sustainability Report that the interpretations of the EU Commission, which were published on February 2, 2022 as “Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets” and which are not yet legally binding, were not taken into account due to their publication shortly before the finalization of the Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer”: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Sustainability Disclosures denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” in the section “Indices” in the Sustainability Report and the Disclosures on Non-financial Reporting denoted with “✓” in the subsections “General Standard Disclosures,” “Topic-specific Standards” and “Information on the non-financial report (NFR)” in the section “Indices” in the Sustainability Report based on our assurance engagement.



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We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that

- the Sustainability Disclosures denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the Company’s Sustainability Report for the period from 1 January to 31 December 2021 have are not prepared, in all material respects, in accordance with the relevant GRI-Criteria, or
- the Disclosures on Non-financial Reporting denoted with “✓” in the subsections “General Standard Disclosures,” “Topic-specific Standards,” and “Information on the non-financial report (NFR)” of the section “Indices” in the Company’s Sustainability Report for the period from 1 January to 31 December 2021 have are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “Sustainable Finance,” subsection “EU taxonomy” of the Sustainability Report.

In a limited assurance engagement the assurance procedures are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and further activities:

- Gain an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of executive directors and relevant employees involved in the preparation of the Sustainability Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Sustainability Report
- Identification of the likely risks of material misstatement of the Sustainability Report
- Analytical procedures on selected disclosures in the Sustainability Report
- Reconciliation of selected disclosures with corresponding data in the consolidated financial statements and in the combined management report
- Evaluation of the presentation of the disclosures
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Sustainability Report
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.



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Assurance Opinion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that

- the Sustainability Disclosures denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the Company’s Sustainability Report for the period from 1 January to 31 December 2021 are not prepared, in all material respects, in accordance with the relevant GRI-Criteria, or
- the Disclosures on Non-financial Reporting denoted with “✓” in the subsections “General Standard Disclosures,” “Topic-specific Standards” and “Information on the non-financial report (NFR)” of the section “Indices” in the Company’s Sustainability Report for the period from 1 January to 31 December 2021 are not prepared, in all material respects, in accordance with the §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “Sustainable Finance,” subsection “EU taxonomy” of the Sustainability Report.

We do not express an assurance opinion on the external sources of information or expert opinions, mentioned in the Sustainability Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Munich, February 7, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Credits

Published by

Henkel AG & Co. KGaA

40191 Düsseldorf, Germany

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Publication date of this report

February 23, 2022

PR No.: 02 22 0

accurate. Future performance and the results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties, and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell securities, or a solicitation of an offer to buy securities.

Further publications

Our website offers access to all of the Environment Reports and Sustainability Reports we have published since 1992, which are also available as downloads. There you will also find our Annual Reports, Quarterly Statements and Financial Reports for the Half Year, Vision and Values, Code of Conduct, Code of Corporate Sustainability, SHE Standards, Public Affairs Standard, and our Social Standards.

www.henkel.com/publications

Our financial publications on the internet:

www.henkel.com/reports

Our sustainability publications on the internet:

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Henkel app available for iOS and Android:



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