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

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

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.

SUSTAINABILITY STRATEGY

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.

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.

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

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**

MATERIAL ISSUES

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

REGENERATIVE PLANET

CLIMATE
- → Operational energy efficiency
- → Renewable energies
- → Energy-efficient products
- → Transport and logistics
- → CO_2 reductions / CO_2 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

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

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 → CO_2 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

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.

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
		Improve 20 million lives globally (2010–2025)	>26 million	↗	113
	Wellbeing	**Shape the future of work for our company and employees**	**New ambition**		98
		+60% safer per million hours worked (2025; vs. 2010)	+42%	↘	107
		Reach >90% of our employees with global health campaigns (each year)	>90%	→	105
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.

CONTRIBUTIONS TO THE SDGS

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 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 CO_2 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 CO_2 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 CO_2 footprint.

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.

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.

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.

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.

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.

TARGETS AND AMBITIONS

EACH NEW PRODUCT
CONTRIBUTES TO SUSTAINABILITY

PROVIDE OUR CUSTOMERS AND CONSUMERS WITH A **COMPREHENSIVE SUSTAINABILITY PROFILE** *OF OUR PRODUCTS*[1]

BECOME THREE TIMES MORE EFFICIENT[2]

100%
transparency and traceability palm (kernel) oil[1]

Commit to
100%
responsible sourcing together with our partners

FURTHER ASPIRATIONS FOR 2030 AND BEYOND

Strengthening full traceability of key commodities | ESG reporting and governance

1 until 2025
2 until 2030

→ **Complete overview of targets and ambitions**

PRODUCTS AND TECHNOLOGIES

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.

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 → CO_2 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.

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 CO_2 emissions.

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 CO_2-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.

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, CO_2 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.

SUSTAINABILITY MANAGEMENT

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.

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.

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.

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.

over **99** %
of annual sales is covered
through life cycle appraisals

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

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 CO_2 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.

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 CO_2 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.

SOURCING

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

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 CO_2 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.

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.

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

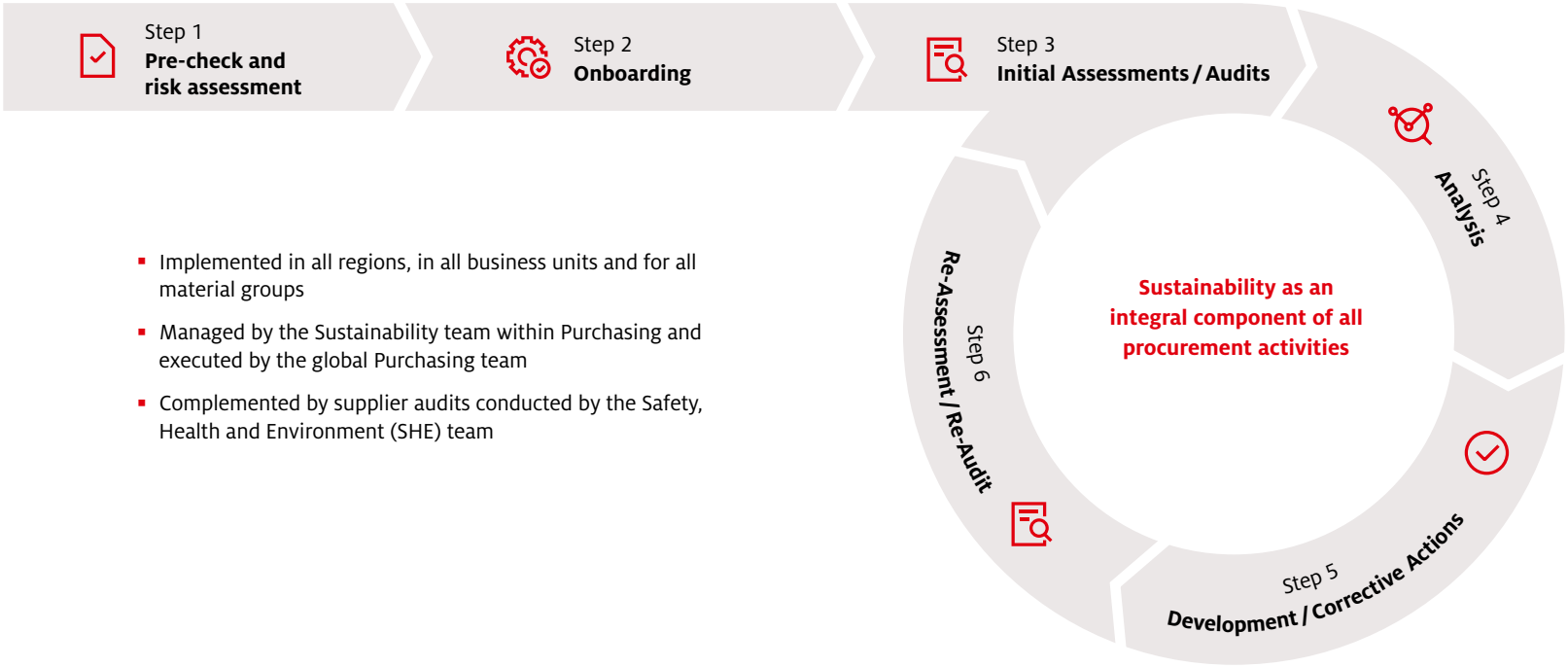
We use recurring re-assessments or re-audits to monitor the performance progress of our suppliers and ensure a continuous improvement cycle consisting of evaluation, analysis and corrective measures. Data on the measured sustainability performance of our suppliers is made available in real time via digital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

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.

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.

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.

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.

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

CO_2

CLIMATE-POSITIVE OPERATIONS

2030

–30%

CO_2 from raw materials and packaging per ton of product[2]

–100 M

tons of CO_2 with partners along the value chain[1]

100%

of packaging designed for recyclability/reusability[1]

50% fossil-based virgin plastics[1] / **>30%** recycled plastics[1]

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 product[1]

100%

responsibly sourced and externally assured palm (kernel) oil[1]

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

→ **Complete overview of targets and ambitions**

CLIMATE

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 CO_2 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 CO_2-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 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 CO_2-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.

"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 CO_2 savings along the value chain."

JAN-DIRK AURIS
Member of the Management Board
Adhesive Technologies

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 CO_2 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 CO_2 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 CO_2 over the ten-year period from 2016 to 2025. To achieve this, we have developed a CO_2 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 CO_2 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.

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 CO_2. By analyzing the CO_2 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 CO_2 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 CO_2 savings portfolio provides examples of this. More information about our TCFD reporting is available on our website.

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 CO_2 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 CO_2 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 CO_2 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 CO_2-neutral basis, making it the first Henkel site to switch its production completely to CO_2-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.

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 CO_2 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.

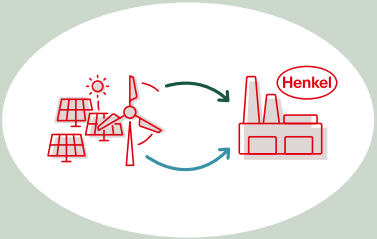
By the end of 2021, we had fully converted 21 countries to 100 percent renewable electricity, and we managed to increase the proportion of our electricity purchase that comes from renewable sources to 68 percent during the entire year. We also have concrete plans to accelerate our respective sourcing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

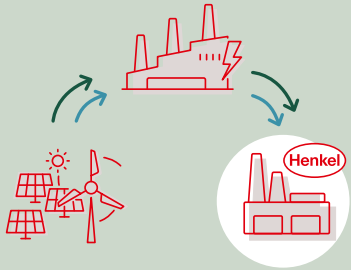
21
countries entirely transitioned to 100 % renewable electricity

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

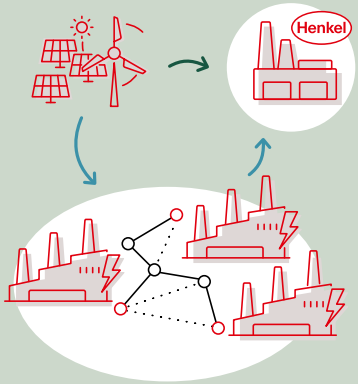
On-site production:
This model involves generating green power at our sites through wind turbines, solar cells or other technologies. The infrastructure is either funded by Henkel itself or paid for by collaboration with external partners.





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.



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 CO_2 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 CO_2 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.

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

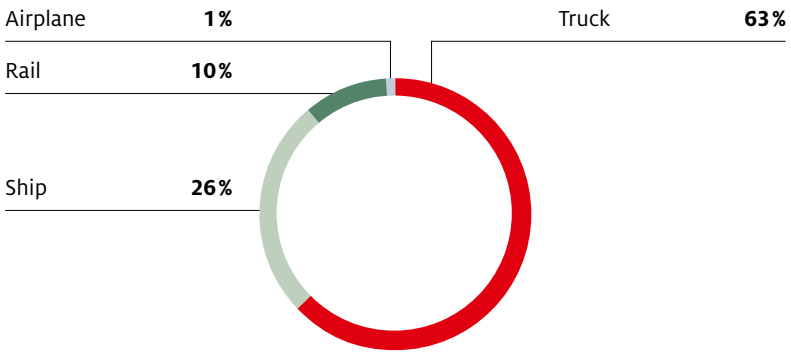
We continue to assess virtual power purchase agreements ("VPPAs") for sites at which the electricity needs cannot be met through on-site generation or direct procurement from renewables. We achieved this in the US in 2021, with a new wind power project in Texas that is being developed by a utility company.

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:

- **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 CO_2 footprint of rail transport compared to road transport, since a train emits about one-third of the CO_2 of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO_2 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 CO_2 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.

Digital tools for improved logistics

Our transport management system systematically captures the CO_2 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 CO_2.

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.

–14 %
lower transport-related CO_2 emissions per ton of product*

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.

* Base year 2015

CNG produces the least amount of CO_2 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 CO_2 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 CO_2 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 CO_2 emissions. This includes emissions from the raw materials we use. We also want to help customers and consumers reduce CO_2 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 CO_2 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 CO_2 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 CO_2 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 CO_2 emissions. More than 190,000 metric tons of CO_2 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.

Lower water temperatures when washing clothes also help to reduce energy use and CO_2 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 CO_2 emissions each year.

Henkel's CO_2 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 CO_2 together with our customers, consumers and suppliers over the ten-year period from 2016 to 2025. We have developed a CO_2-savings portfolio[1] 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 CO_2 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 CO_2 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 CO_2 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 CO_2 emissions. We have developed an innovative water-based adhesive technology for sports shoes that enables to reduce CO_2 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 CO_2 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.

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 CO_2 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 CO_2 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 CO_2 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 CO_2 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 CO_2 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 CO_2-intensive concrete construction. The products sold in 2021 enabled our customers to save around 620,000 metric tons of CO_2 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 CO_2 emissions for our customers.

CIRCULAR ECONOMY

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.

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 contact[2] 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

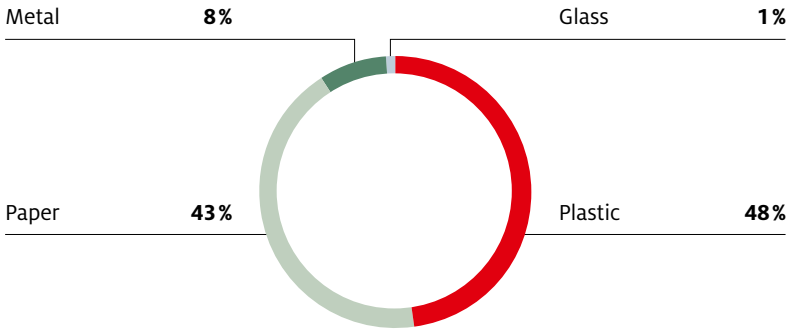
Our strategy to promote the circular economy for packaging is centered around three pillars:

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

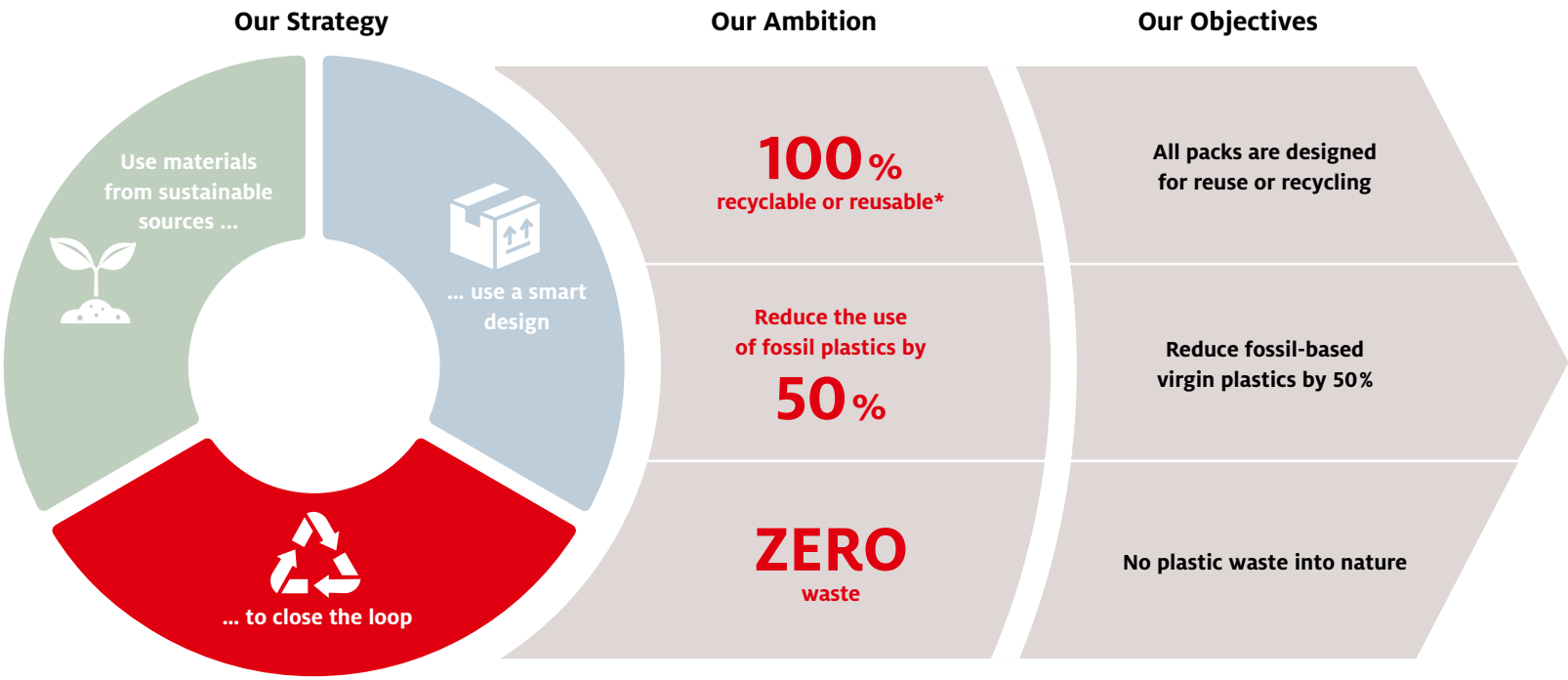
Henkel packaging: 2021 footprint*



* 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.

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, Recyclass 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.

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.

86 %
recyclable or reusable material

18 %
share of recyclate 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.

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.

- **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.

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.

723
metric tons of Social Plastic® processed at Henkel

10
collection centers in Egypt

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

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.

- 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.

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.

–42 %
waste*

78 %
of sites with no landfill waste

* Base year 2010, without construction and demolition debris

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.

NATURAL RESOURCES

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.

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 percent[1] 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

This is the result of Henkel's many years of experience with ingredients based on plant-based oils. 43 percent[1] 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.

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.

84 %
traceability of palm (kernel) oil back to the mill

42 %
traceability of palm (kernel) oil back to the plantation

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

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.

~36,400
smallholders reached

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.

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 forestries.

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).

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.

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 showcase 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

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.