



# Sustainable Finance Framework

October 2021

## Table of Contents

1.	Introduction .....	3
	Henkel in brief .....	3
	Sustainability strategy .....	3
	Reducing our environmental footprint and promoting a circular economy.....	5
2.	Rationale for issuing Sustainability-Linked Bonds and Green Bonds.....	8
3.	Sustainability-Linked Bond.....	9
	Selection of Key Performance Indicators (“KPIs”).....	9
	SDG 12: Ensure sustainable consumption and production patterns.....	11
	Calibration of Sustainability Performance Targets (“SPTs”).....	12
	Bond Characteristics.....	15
	Reporting .....	15
	Verification .....	15
4.	Green Bond .....	16
	Use of Proceeds .....	16
	Process for Project Evaluation and Selection .....	18
	Management of Proceeds .....	19
	Reporting .....	20
	External Review .....	21
5.	Annex 1: Calculation methodologies .....	21
6.	Annex 2: Methodology for identification and assessment of CO2-saving portfolio .....	22

# 1. Introduction

## I. Henkel in brief

Henkel operates globally with a well-balanced and diversified portfolio. The company holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market – across all industry segments worldwide. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2020, Henkel reported sales of more than 19 billion euros and adjusted operating profit of about 2.6 billion euros. Henkel employs about 53,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose to create sustainable value, and shared values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel's preferred shares are listed in the German stock index DAX.

## II. Sustainability strategy

Commitment to sustainability has been an integral part of our corporate culture for decades. It is part of our strategic framework for purposeful growth, through which we aim to be successful over the next decade. We are committed to leadership in sustainability – this is one of our corporate values. As a sustainability leader, we aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success. We create more value – for our customers and consumers, our employees, our neighbours, our shareholders, for the communities we operate in, and for our company – while reducing our environmental footprint at the same time. This idea is central to our sustainability strategy and our ambitious goals.

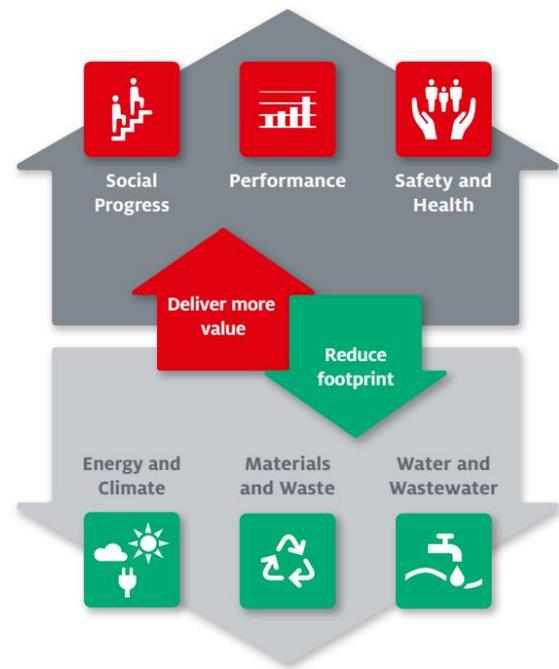
We are facing immense challenges, which also present numerous opportunities. By the year 2050, the world's population is expected to grow to more than nine billion. The accompanying acceleration in global economic activity will lead to rising consumption and demand for resources. Humankind already has a global environmental footprint that is greater than the planet's resources can sustain. In line with our efforts to shape our business responsibly and in a way that delivers economic success, we developed our sustainability strategy in 2010 and defined our long-term goal for 2030: to triple the value we create through our business operations in relation to the environmental footprint of our operations, products, and services. 2020 marks the end of the first decade on the road to our long-term goal. Interim targets at five-year periods help us to highlight, accelerate and demonstrate progress. This also allows us to present our long-term vision and commitment while constantly developing our strategic framework, responding with agility to changes in stakeholder expectations, and driving forward progress.



The core of our sustainability strategy is to deliver more value and reduce our environmental footprint. We focus our activities along the value chain on **six focal areas** that reflect the key challenges and opportunities of sustainable development as they relate to our business. Three describe how we want to deliver more value, and the other three describe how we want to reduce our environmental footprint. Following our 2020 targets for these focal areas, we have already set ourselves new goals for 2025 and beyond.

We want to make contributions to the three focal areas that we have identified related to delivering **more value: social progress, performance, and health and safety.**

We strive to **reduce our environmental footprint** along the value chain through important activities covered by our focal areas of **energy and climate, materials and waste, and water and wastewater:**



- By adopting the Paris Climate Agreement, the UN member states made a commitment to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit this increase to 1.5 degrees Celsius. Henkel is committed to helping to reach this target. We are starting by focusing on our own production, which we can influence directly. We also want to reduce the footprint of the raw materials and packaging that we use. In terms of our environmental footprint along the value chain, the product usage phase has the largest impact. For this reason, we also want to leverage the potential of our brands and technologies to help our customers and consumers to save CO<sub>2</sub> when using our products.
- Our focal area of materials and waste also includes the responsible use of resources and our goal of reducing the volume of waste generated by our company. In addition, we have set ambitious targets for our product packaging. With this, we plan to further drive progress toward a circular economy. This includes developing Henkel's packaging so that it is recyclable or reusable. We have also set ourselves targets for the percentage of recycled plastic in the packaging for our consumer products.
- In the focal area of water and wastewater, it is our goal to reduce water consumption during production and avoid generating wastewater. We also focus on developing products that enable our customers and consumers to make their own contribution to saving water. Our detergents, household cleaners, cosmetic and body care products that enter wastewater after use have been developed so that they have the least possible impact on the environment. Wastewater from industrial facilities is pre-treated with state-of-the-art technologies and disposed of professionally.

**Sustainability in the Company and the entire value chain:**

- Sustainability Management with globally uniform codes and standards, integrated management systems, and an organizational structure with clearly defined responsibilities.
- Responsible management of raw materials, and especially the conservation of natural resources and biodiversity.
- Reduce environmental footprint in production sites while maintaining high quality and safety standards.
- Reducing our emissions in our logistics and transports
- Encourage responsible product use with customers and consumers
- Foster a transition towards a circular economy

Henkel supports the implementation of the 17 Sustainable Development Goals (SDGs) that were adopted by the 193 United Nations Member States in September 2015 and continuously reviews its own targets and initiatives to ensure they reflect the priorities set out by the SDGs. (Providing access to good education, committed to protecting the climate, Turning Waste into opportunities, Promoting sustainable consumption)

**III. Reducing our environmental footprint and promoting a circular economy**

We strive to reduce our environmental footprint along the value chain through important activities covered by our focal areas: **Energy and climate, materials and waste, and water and wastewater.**

In thousands of metric tons of CO<sub>2</sub>/CO<sub>2</sub> equivalent

	 <b>1. Raw materials</b>	 <b>2. Production</b>	 <b>3. Logistics</b>	 <b>4. Industry and retail</b>	 <b>5. Consumers</b>	 <b>6. Disposal/ recycling</b>	
Direct CO <sub>2</sub> emissions (Scope 1)		Energy use at our production sites: 336					336 (0.7%)
Indirect CO <sub>2</sub> emissions (Scope 2)		Bought-in energy (electricity, steam): 200					200 (0.4%)
Indirect emissions in CO <sub>2</sub> equivalents (Scope 3)	Chemicals: 9,924 Packaging: 1,842 Raw materials transportation: 217	Production waste: 19 Business travel: 43	Transportation of our products: 606		Use of our products: 30,658	Disposal of our products: 1,863	45,172 (99%)
	11,983 (26%)	598 (1%)	606 (1%)		30,658 (67%)	1,863 (4%)	
<b>Total: around 45,708 thousand metric tons of CO<sub>2</sub>/CO<sub>2</sub> equivalent</b>							

Henkel carbon footprint along the value chain (source: Henkel Sustainability Report 2020)

Within this Framework, we focus our disclosures on the areas of climate (Scope 1-4) and materials and waste (circular economy).



## Energy and Climate



Henkel is committed to helping to reach this 1.5°C target and, to do so, we have defined science-based emission reduction targets. In March 2020, the Science Based Target Initiative (SBTI) confirmed the alignment of such Targets with a 1.5°C scenario. In scope of the SBTI, Henkel commits to reduce scope 1 and 2 GHG emissions 67% per ton of product by 2030 from a 2017 base year. Henkel also commits to increase annual sourcing of renewable electricity from 6% in 2017 to 100% by 2030. Furthermore, Henkel commits to reduce scope 3 GHG emissions from purchased goods and services 30% per ton of product by 2030 from a 2017 base year. In view of the urgent need to reduce CO<sub>2</sub> emissions, it is Henkel's long-term vision to become a climate-positive company by 2040 and make progress in further relevant parts of the value chain.

**Long Term Goal:** Becoming Climate-positive by 2040

### Intermediary Goals:

- The carbon footprint of our production is around 535.000 metric tons of CO<sub>2</sub> and is attributable to the fuels we use ourselves (Scope 1) and the energy purchased (Scope 2), in particular electricity. We are aiming to reduce the carbon footprint of our production by 65 percent by 2025 and by 75 percent by 2030 compared to the base year 2010. To do so, we continually improve our energy efficiency and use more energy, particularly electricity, from renewable sources.
- We aim to reduce the energy used by our production sites by 50 percent per ton of product by 2030 compared to the base year 2010.
- In addition to our efficiency targets, we are striving to source 100 percent of the electricity we purchase for production from renewable sources by 2030. To implement the target of sourcing 100 percent renewable electricity, it is important to consider differences in legislation and infrastructure, as well as levels of regulation and variations in climate conditions in each of the countries we operate in. For this reason, we are following country-specific approaches that are flexible and leverage a portfolio of options.
- It is our target that 100 million ton of CO<sub>2</sub> are saved together with our consumers, customers and suppliers in the ten-year period 2016-2025. Our products are used millions of times every day in households and industrial processes. As our analysis shows, the product use phase has the greatest impact on our carbon footprint. For this reason, our goal is to leverage the potential of our brands and technologies and to offer our expertise to help our customers and consumers save CO<sub>2</sub> emissions. Our goal includes two approaches. With our engagement, we want to help reduce CO<sub>2</sub> emissions that are generated by customers when they use our products (called Scope 3 emissions). In addition, we want to help customers avoid CO<sub>2</sub> emissions by using our products and technologies (called Scope 4 emissions). Through our brands and technologies, we make products that are used and applied in ways that 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<sub>2</sub> footprint.



## Materials and waste



Our focal area of materials and waste also includes the responsible use of resources and our goal of reducing the volume of waste generated by our company. In addition, we have set ambitious targets for our product packaging. With this, we plan to further drive progress toward a circular economy. This includes developing Henkel's packaging so that it is recyclable or reusable. We have also set ourselves targets for the percentage of recycled plastic in the packaging for our consumer products.

### Overview of our packaging targets for 2025

- 100 percent of Henkel's packaging will be recyclable or reusable.\*
- 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.

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

## **2. Rationale for issuing Sustainability-Linked Bonds and Green Bonds**

With this Framework Henkel aims at aligning its business and financing with its commitments and values, by creating a direct link between its sustainability strategy and the funding strategy. The Key Performance Indicators in this Framework are linked to our climate and circularity goals, which are part of our focal areas and material to Henkel's business and the eligibility criteria for the Use of Proceeds have been designed in line with our stringent way of doing business and best market practices or EU Taxonomy criteria when available.

The Framework is aligned with the five core components of the ICMA Sustainability-Linked Bond Principles ("SLBP") 2020:

1. Selection of Key Performance Indicators ("KPIs")
2. Calibration of Sustainability Performance Targets ("SPTs")
3. Financing instrument characteristics
4. Reporting
5. Verification

The Framework is also aligned with the four components of the ICMA Green Bond Principles ("GBP") 2021:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Henkel will continue to monitor the sustainable finance market and may adapt this framework in the future to the latest available standards or principles, including the final EU Taxonomy Delegated Acts as and when they are published.

### 3. Sustainability-Linked Bond

#### I. Selection of Key Performance Indicators (“KPIs”)

Henkel has decided to focus on 3 KPIs described below. These KPIs were chosen because they are core, relevant, and material to our business and they measure progress against our sustainability commitments:

Energy and Climate (Focal Area)

KPI 1	Scope 1 and 2 GHG emissions per ton of product																									
<b>Definition</b>	<b>Scope 1 and 2 emissions in tons of CO<sub>2</sub>/ tons of product produced</b> Please refer to Annex 1 for calculation methodology																									
<b>Perimeter</b>	<p>The indicator covers all production sites, reflecting Henkel’s fully consolidated relevant activities. Acquisitions are taken into account as of January 1st of the current year (on a pro forma basis) to the extent possible or as of the following year.</p> <p>The levels of CO<sub>2</sub> emissions during the base year 2017 will be recalculated to reflect any significant changes in Henkel group’s structure (e.g., acquisition, divestiture, mergers, insourcing or outsourcing). Recalculated levels of CO<sub>2</sub> emissions will be reported to Science Based Targets initiative.</p>																									
<b>Rationale</b>	<p>The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Henkel fully supports the commitment of the United Nations’ Paris Agreement on climate change and sees the 1.5 degrees Celsius target as an essential prerequisite if more than nine billion people are to be able to live well within the resource limits of our planet in 2050. Henkel pursues the vision to become a climate-positive company by 2040 by driving significant progress <b>in our own operations</b>. By pursuing this goal, we will make an active and committed contribution toward climate protection.</p>																									
<b>Reporting periodicity and review</b>	Annually, KPI performance will be included in the corporate responsibility report, combined non-financial declaration ( <i>Nichtfinanzielle Erklärung</i> ), or a similar report. Henkel will engage an external auditor to provide at least a limited assurance regarding such KPI performance information.																									
<b>Historical data:</b>	<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Total emissions/pr oduction volumes</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Scope 1 &amp; 2 emissions of CO<sub>2</sub>e (in thousands of metric tons)</td> <td>709</td> <td>682</td> <td>665</td> <td>535</td> </tr> <tr> <td>Production volumes (in thousands of metric tons)</td> <td>9,390</td> <td>9,057</td> <td>9,532</td> <td>9,486</td> </tr> <tr> <td>Scope 1 and 2 emissions CO<sub>2</sub>e / t of product</td> <td>0.076</td> <td>0.075</td> <td>0.070</td> <td>0.056</td> </tr> </tbody> </table> <p>Emissions from the generation of energy for sale to third parties are not included in these figures. Emissions are calculated using the market-based method in accordance with the Greenhouse Gas (GHG) Protocol.</p>		2017	2018	2019	2020	Total emissions/pr oduction volumes					Scope 1 & 2 emissions of CO <sub>2</sub> e (in thousands of metric tons)	709	682	665	535	Production volumes (in thousands of metric tons)	9,390	9,057	9,532	9,486	Scope 1 and 2 emissions CO <sub>2</sub> e / t of product	0.076	0.075	0.070	0.056
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Scope 1 and 2 emissions CO <sub>2</sub> e / t of product	0.076	0.075	0.070	0.056																						
<b>Contribution to SDG</b>	SDG 13 : Climate Action. Henkel’s target to reduce carbon intensity contributes to this goal																									



Energy and Climate (Focal Area)

<b>KPI 2</b>	<b>Scope 3 GHG emissions from purchased goods and services per ton of product</b>				
<b>Definition</b>	<b>Scope 3 emissions in tons of CO<sub>2</sub>e (equivalent) / ton of product produced</b> Please refer to Annex 1 for calculation methodology				
<b>Perimeter</b>	<p>The indicator covers Henkel's fully consolidated activities. Acquisitions are taken into account as of January 1st of the current year (on a pro forma basis) to the extent possible or as of the following year.</p> <p>The indicator covers purchased goods and services (GHG Protocol Scope 3.1).</p> <p>The levels of CO<sub>2</sub>e emissions during the base year 2017 will be recalculated to reflect any significant changes in Henkel Group's structure (e.g., acquisition, divestiture, mergers, insourcing or outsourcing). Recalculated levels of CO<sub>2</sub>e emissions will be reported to Science Based Targets initiative.</p>				
<b>Rationale</b>	<p>The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Henkel fully supports the commitment of the United Nations' Paris Agreement on climate change and sees the 1.5 degrees Celsius target as an essential prerequisite if more than nine billion people are to be able to live well within the resource limits of our planet in 2050. Henkel pursues the vision to become a climate-positive company by 2040 by driving significant progress <b>in relevant areas of our value chain</b>. By pursuing this goal, we will make an active and committed contribution toward climate protection.</p>				
<b>Reporting periodicity and review</b>	Annually, KPI performance will be included in the corporate responsibility report, combined non-financial declaration ( <i>Nichtfinanzielle Erklärung</i> ), or a similar report. Henkel will engage an external auditor to provide at least a limited assurance regarding such KPI performance information.				
<b>Historical data</b>		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	Scope 3 emissions of CO <sub>2</sub> e (in thousands of metric tons)	13,157	11,938	11,618	11,766
	Production volumes (in thousands of metric tons)	9,390	9,057	9,532	9,486
	Scope 1 and 2 emissions CO <sub>2</sub> e / t of product	1.40	1.32	1.22	1.24
<b>Contribution to SDG</b>	SDG 13 : Climate Action. Henkel's target to reduce carbon intensity contributes to this goal				

Materials and Waste (Focal Area)

<b>KPI 3</b>	<b>Percentage of recycled plastics in all plastic packaging of consumer products</b>
<b>Definition</b>	Recycled plastic / all plastic packaging of consumer goods products (%)
<b>Perimeter</b>	The indicator covers Henkel's fully consolidated activities. Acquisitions are taken into account as of January 1st of the current year (on a pro forma basis) to the extent possible or as of the following year.
<b>Rationale</b>	Henkel is committed to fostering a circular economy. Our mission is to include materials from sustainable sources into smart designs to close the loop. Our goal is to design packaging with the most sustainable materials available, while using the least possible amount of packaging material – all without compromising the high level of performance expected by consumers. To achieve this goal, our packaging engineers work closely with partners along the entire value chain so they can make use of leading design techniques, modern production technologies and sustainable materials in the development process. We aim to reduce the amount of virgin plastics from fossil sources in our consumer products by 50%. We will achieve this by increasing the proportion of recycled plastic to more than 30%, by reducing the plastic volume and by increasingly using bio-based plastics.
<b>Reporting periodicity and review</b>	Annually, KPI performance will be included in the corporate responsibility report, combined non-financial declaration ( <i>Nichtfinanzielle Erklärung</i> ), or a similar report. Henkel will engage an external auditor to provide at least a limited assurance regarding such KPI performance information.
<b>Historical data</b>	Recycled plastic share: 2020: 15% (global) 2019: 10% (global) 2018: 10% (Europe)
<b>Contribution to SDG</b>	<b>II. SDG 12: Ensure sustainable consumption and production patterns</b>



## II. Calibration of Sustainability Performance Targets (“SPTs”)

### Energy and Climate – KPI 1

<b>SPT 1 2025</b>	<b>Reduce Scope 1 and 2 GHG emissions 54% per ton of product by <u>2025</u></b>
<b>Benchmark</b>	SBTi validated in March 2020 Henkel’s reduction targets for Scope 1 and Scope 2 as consistent with a 1.5°C scenario
<b>Target Year</b>	2025
<b>Baseline Year</b>	2017
<b>Baseline figure</b>	0.076 CO <sub>2</sub> per ton of product (basis: 709,000 t CO <sub>2</sub> ; 9390,000 t product)
<b>Means to achieve SPT</b>	<p><b>Increase energy efficiency at all our production sites and design sustainable factories:</b></p> <ul style="list-style-type: none"> <li>▪ Example of our factory in Kurkumbh, India which was developed in line with lean manufacturing concepts that organize material flows in the best possible way to increase productivity, minimize waste and cut emissions. Alongside highly efficient equipment, it uses digital technology to optimize processes, and features smart systems for ventilation, air conditioning and lighting. On top of this, the roof is covered by 7,000 square meters of solar panels that generate more than 1,000,000 kilowatt hours of energy and save around 800 tons of CO<sub>2</sub> each year – and plans are in place to add more panels soon and to purchase additional solar power from an external provider. In recognition of its energy-efficient design, the factory is one of only a handful of chemical manufacturing sites in the world that have received the LEED Gold certificate from the US Green Building Council.</li> <li>▪ Example of our headquarters in Düsseldorf, Germany. In 2019, we optimized our spraydrying tower at this site. This tower is used to make a powder that forms the basis for many of our laundry detergents – and more than one third of the energy consumed by our Laundry &amp; Home Care business in Düsseldorf is used in this process. Our team installed additional sensors inside and outside the tower to gather more data, and this data is made available in our global Digital Backbone system. It enables us to increase the efficiency of our processes and to make comparisons across our sites worldwide. Following this successful pilot project in Düsseldorf, we’re implementing this data-driven approach across all of our factories that produce washing powder with spraydrying towers. This will empower our teams to identify opportunities to further increase energy efficiency by analyzing data at their site, as well as by benchmarking against other sites around the globe.</li> </ul>

### Energy and Climate – KPI 1

<b>SPT 1 2030</b>	<b>Reduce Scope 1 and 2 GHG emissions 67% per ton of product by <u>2030</u></b>
<b>Benchmark</b>	In scope of the SBTi, Henkel commits to reduce scope 1 and 2 GHG emissions 67% per ton of product by 2030 from a 2017 base year. Henkel also commits to increase annual sourcing of renewable electricity from 6% in 2017 to 100% by 2030.
<b>Target Year</b>	2030
<b>Baseline Year</b>	2017
<b>Baseline figure</b>	0.076 CO <sub>2</sub> per ton of product (basis: 709,000 t CO <sub>2</sub> ; 9390,000 t product)
<b>Means to achieve SPT</b>	<i>Please refer to SPT 1 2025</i>



Energy and Climate – KPI 2

<b>SPT 2 2030</b>	<b>Reduce scope 3 GHG emissions from purchased goods and services 30% per ton of product by 2030</b>
<b>Benchmark/Rationale</b>	SBTI validated in March 2020 Henkel's scope 3 GHG emissions reduction target as in line with SBTi's criteria for scope 3 intensity targets.
<b>Target Year</b>	31/12/2030
<b>Baseline Date</b>	31/12/2017
<b>Baseline figure</b>	1.4 tons of CO <sub>2</sub> e (equivalent) per ton of product
<b>Means to achieve SPT</b>	<p>For many years, Henkel has engaged in a targeted dialog with its most important strategic partners on the subject of sustainable supply chains. The dialog centers on the definition and implementation of a common plan for Henkel's sustainability goals for 2025 and beyond. The focus here is to create transparency about the sustainability performance of our direct suppliers and the responsible program they have been implementing in their upstream supply chain beyond the second level. To support Henkel's vision to become climate-positive by 2040, we also require our suppliers to provide transparency about the emission values of the product portfolios.</p> <p>Our six-step Responsible Sourcing Process, which assesses the sustainability performance of our suppliers, is a central element of our strategic risk management and compliance approach. The Responsible Sourcing Process is an integral part of our purchasing activities and is applied both at the beginning of any cooperation and in the repeated 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 91% of our purchasing volume in the areas of packaging, raw materials and contract manufacturing.</p>

Material and Waste – KPI 3

<b>SPT 3 2025</b>	<b>Increase the percentage of recycled plastics in all plastic packaging of consumer products to 30% by 2025</b>
<b>Benchmark/Rationale</b>	<p>Recycled materials are not yet used on any large scale, hence only few benchmarks or trajectories exist.</p> <p>The European Strategy for Plastics has set the target that 10 million tons of recycled plastics are used to make products in the EU by 2025. This compares to less than 4 million tons used in 2016. This corresponds to an increase of 150% of recycled plastics used to make products in the EU from 2016 to 2025. Henkel plans to increase the use of recycled plastics in consumer products by 200% (from 10% to 30%) in a shorter timeframe (2019 to 2025).  <a href="https://circulareconomy.europa.eu/platform/en/commitments/pledges?populate=henkel">https://circulareconomy.europa.eu/platform/en/commitments/pledges?populate=henkel</a></p>
<b>Target Year</b>	2025
<b>Baseline Year</b>	2019
<b>Baseline figure</b>	10%
<b>Means to achieve SPT</b>	<p>Henkel is 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. Henkel has 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. We believe that partnerships along the value chain are the only way we can make sure our product packaging can be recycled or reused after the product has been consumed. Some examples:</p> <ul style="list-style-type: none"> <li>▪ Cooperation with retail partners through the Recyclate Forum in Germany.</li> <li>▪ The initiative has two objectives: first, to significantly increase the reuse of packaging materials in order to offer consumers more sustainable packaging alternatives and reduce the amount of packaging waste. And second, to raise awareness about a closed-loop system – from product development at the manufacturers, through to use by customers, disposal of household waste, and recycling of packaging.</li> <li>▪ 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. In certain cases, chemical recycling can be used alongside mechanical recycling. By using chemical recycling, material made from fossil resources can be replaced by recycled material made from plastic waste.</li> <li>▪ Henkel is part of the new HolyGrail 2.0 initiative, making it a pioneer in digital watermarks for better recycling of packaging. Digital watermarks are inconspicuous, postage stamp-size codes that are applied to the surface of consumer product packaging.</li> </ul>

### III. Bond Characteristics

The financial and/or structural characteristics of Henkel's Sustainability-Linked Bonds may vary depending on whether or not the selected KPI reaches the predefined SPT(s). They are to be specified in the final terms of each Sustainability-Linked Bond issued and may include (but not limited to) coupon step-up(s), coupon step-down(s) and/or a higher repayment amount and/or structural (non-financial) characteristics.

### IV. Reporting

Annually, KPI performance will be included in the corporate responsibility report, combined non-financial declaration (*Nichtfinanzielle Erklärung*), or a similar report. Henkel will engage an external auditor to provide at least a limited assurance regarding such KPI performance information.

The reporting will include the following information:

- The performance of the KPIs, as per the relevant reporting period and when applicable, as per the Target Date including the calculation methodology and baselines where relevant
- A verification assurance report by an independent external auditor outlining the performance against the SPTs;
- Any update in Henkel's sustainability strategy or any recent announcements, strategic decisions and means mobilized that might impact the achievement of the SPT(s);
- Qualitatively or quantitatively explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI;
- When possible, illustration of the positive sustainability impacts of the performance improvement (e.g. translation of the positive climate impact of the KPI on the Group's carbon intensity);
- When relevant, any re-assessments of KPI and/or restatement of the SPT and/or pro-forma adjustments of KPI scope information on the products range/mix as evolution drivers of the KPIs;

### V. Verification

Henkel has appointed ISS ESG to provide an independent Second Party Opinion report ("SPO") to evaluate this Framework and its alignment with the SLBP. The SPO will be made publicly available on Henkel's corporate website. Annually, KPI performance will be included in the corporate responsibility report, combined non-financial declaration (*Nichtfinanzielle Erklärung*), or a similar report. Henkel will engage an external auditor to provide at least a limited assurance regarding such KPI performance information.

## 4. Green Bond

### I. Use of Proceeds

An amount at least equivalent to the net proceeds from the issuance of notes will be used to finance or refinance, in whole or in part, new or existing projects (assets, capital expenditures, operational expenditures, including research & development expenses) that meet the Eligibility Criteria defined below (the “Eligible Green Projects”). Such notes are herein referred to as “Green Financing Instruments”.

#### Eligible Green Projects may contribute to various EU Environmental Objectives:

ICMA GBP Categories	Eligible Green Projects	UN SDGs / EU Environmental Objective
<p><b>Circular economy adapted products, production technologies and processes; and /or certified eco-efficient products</b></p>	<p>Enabling products based on Henkel’s product assessment methodologies, such as the Sustainability Master, or based on external recognized eco-certifications, such as the EU Ecolabel. Enabling products include in particular the following product groups:</p> <p>Products that are part of the <b>CO<sub>2</sub>-saving portfolio</b> (see detailed assessment process in Annex 2), including solutions in the following six groups:</p> <ul style="list-style-type: none"> <li>▪ Energy saving building facades</li> <li>▪ Lightweight vehicle design</li> <li>▪ More efficient renewable energy</li> <li>▪ Repair and renovation</li> <li>▪ Intelligent material replacement</li> <li>▪ Consuming less hot water</li> </ul> <p>Reusable/recyclable packaging solutions, reducing packaging at the source, enabling significant reduction of virgin plastics’ use, including solutions such as:</p> <ul style="list-style-type: none"> <li>▪ Chemical recycling</li> <li>▪ Refill solutions</li> <li>▪ Solid products without packaging</li> </ul> <p>IT tools for the assessment of CO<sub>2</sub> footprints and recyclability, including solutions such as:</p> <ul style="list-style-type: none"> <li>▪ EasyLCA for calculating CO<sub>2</sub> footprints of product formulations</li> <li>▪ EasyD4R for evaluating recyclability of packaging</li> </ul>	<p>Climate Change Mitigation</p>  
<p><b>Clean Transportation</b></p>	<p>In line with EU Climate Delegated Acts criteria as adopted on 4 June 2021, notably vehicles with specific emissions of CO<sub>2</sub> lower than 50gCO<sub>2</sub>/km until 31 December 2025, and zero specific emissions thereafter</p>	<p>Climate Change Mitigation</p> 

<b>Sustainable water and wastewater management</b>	<p>Expenditures related to implementation and expansion of water efficiency and wastewater management initiatives, including projects such as:</p> <ul style="list-style-type: none"> <li>▪ highly efficient reverse-osmosis systems for filtering water</li> <li>▪ water treatment installations</li> </ul> <p>and/or in line with technical screening criteria to be published in the final Delegated Act related to “sustainable use and protection of water and marine resources” as applicable</p>	<p>Sustainable use and protection of water and marine resources</p> 
<b>Pollution prevention and control</b>	<p>Projects or activities related to:</p> <ul style="list-style-type: none"> <li>▪ reduction of air emissions</li> <li>▪ soil remediation</li> <li>▪ waste prevention, reduction and recycling</li> </ul> <p>and/or in line with technical screening criteria to be published in the final Delegated Act related to “pollution prevention and control” as applicable</p>	<p>Pollution prevention and control</p>
<b>Energy efficiency</b>	<p>In line with technical screening criteria included in the EU Climate Delegated Act adopted on 4 June 2021, including projects such as:</p> <ul style="list-style-type: none"> <li>▪ LED lighting</li> <li>▪ Smart meters</li> </ul>	<p>Climate Change Mitigation</p>  
<b>Renewable energy</b>	<p>In line with EU Climate Delegated Acts criteria as adopted on 4 June 2021, including projects such as:</p> <ul style="list-style-type: none"> <li>▪ wind power generation units</li> <li>▪ solar power generations units</li> <li>▪ wind/solar related installation and maintenance</li> </ul>	<p>Climate Change Mitigation</p>   

<b>Green Buildings</b>	<p>In line with EU Climate Delegated Acts criteria as adopted on 4 June 2021, projects related to the acquisition and or construction of:</p> <ul style="list-style-type: none"> <li>▪ Buildings built before 31 December 2020 either with an EPC label <math>\geq</math> "A" or belonging to the top 15% of the national building stock</li> <li>▪ Buildings built after 31 December 2020 with energy performance lower of at least 10% than the threshold set for nearly zero-building (NZEB) requirements</li> <li>▪ Renovations of existing buildings and individual measures to improve energy performance and achieve energy savings of at least 30% (or at least two steps of improvement in EPC label) in comparison to the baseline performance before the building renovation</li> </ul>	<p>Climate Change Mitigation</p>  
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## II. Process for Project Evaluation and Selection

Henkel has a Sustainable Finance Working Group chaired by the head of Treasury composed of but not limited to members of the following departments:

- Treasury
- IR
- Accounting
- Planning
- Global Sustainability
- Business Units (guests)

The responsibilities of the Sustainable Finance Working Group in relation to the Green Bonds are:

- Evaluation and Selection of eligible projects in accordance with the eligibility criteria
- Validation of the allocation of net proceeds towards a pool of Eligible Green Projects (in line with the criteria defined in the framework)
- Reallocation of net proceeds in case a project does not meet the eligibility criteria any more or has been disinvested
- Validation of the Allocation and Impact Reports
- To discuss and validate potential evolution of this Framework upon regulatory or market standards changes

Henkel has put in place a strong evaluation and selection process, corporate sustainability and risk management framework in order to ensure mitigation of potential environmental and social risks associated with the Eligible Green Projects (e.g. list of policies, codes and standards below), in addition to applicable national and international environmental & social standards and regulations. In case of any controversy on a specific asset, Henkel intends to replace this asset in the portfolio of Eligible Green Projects and will inform Investors through its reporting.

Policies, codes and standards can be retrieved under the Corporate Governance Section of the group's website [https://www.henkel.com/investors-and-analysts/corporate-governance#Tab-35912\\_2](https://www.henkel.com/investors-and-analysts/corporate-governance#Tab-35912_2)

Some examples of relevant sustainability policies and measures are:

- **Code of Conduct:** The code contains a number of important guidelines of behaviour and is intended to guide all of us in our daily business but also in our strategic planning and our decision-making processes. Where appropriate, our Code of Conduct will be modified by local laws and standards.
- **Code of Corporate Sustainability:** The code applies to everyone, from the Board and the Group Executive to all colleagues across the organisation. It is intended to help protect our reputation as an ethical business and so maintain the trust of everyone that we do business with
- **Social Standards:** The aim of the Henkel Social Standards is to define for our employees, customers, suppliers, investors and the communities in which we operate the ethical and social values we respect and our commitment to uphold human rights. These derive from our key corporate value: "We value, challenge and reward our people". The Standards apply to Henkel's business operations worldwide and shall be supplemented according to the local legal requirements in order to legally safeguard their applicability.
- **Responsible Sourcing Policy:** Henkel has defined a Responsible Sourcing Process that focuses on two main challenges. First, ensuring that all of our suppliers comply with our defined sustainability standards. Second, we aim to purposefully work with our strategic suppliers to continuously improve sustainability standards in our value chain.
- **Safety, Health and Environmental Standards ("SHE Standards"):** Henkel strives to balance economic, ecological and social objectives to safeguard and strengthen our competitiveness in global markets. The Henkel SHE Standards address Safety, Health and Environmental Protection. They support Henkel's "Vision and Values" and Henkel's Codes such as the "Code of Corporate Sustainability." The SHE Standards are an integral element of Henkel's commitment to sustainable development.

### III. Management of Proceeds

Henkel intends to allocate the proceeds from the Green Financing Instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds eligibility criteria and evaluation and selection process presented above.

Over time, Henkel will strive to achieve a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Financing Instruments.

Activated eligible green assets and eligible green capital expenditures shall qualify for refinancing without a specific look-back period, provided that at the time of issuance they follow the relevant eligibility criteria. Eligible green operating expenditures shall qualify for refinancing with a maximum three-year look-back period.

Pending the full allocation of an amount equivalent to the net proceeds, the unallocated amount will be managed within Henkel's regular cash management operations.

#### IV. Reporting

Henkel will publish annually a reporting until full allocation of the proceeds and on a timely basis in case of material development. The reporting will include:

- Allocation reporting
- Impact reporting

The Allocation reporting will provide:

- The total amount of Green Bonds issued and of Eligible Green Projects by eligible project category
- The balance of unallocated proceeds

The impact reporting will include at least the following information and the methodology to evaluate Eligible Green Projects:

- A description of the Eligible Green Projects on an individual project level or by category
- The share of financing and refinancing, showing the percentage of the total Eligible Green Projects Portfolio corresponding respectively to projects financed during the reporting year and to projects financed during previous reporting years
- Metrics regarding the environmental impacts such as the indicators below and associated methodology calculation will be described

Henkel intends to align, on a best effort basis, the reporting with the portfolio approach described in ICMA's "Handbook – Harmonized Framework for Impact Reporting (June 2021)"<sup>1</sup>.

The Allocation and Impact reporting will be made available on Henkel's website.

Eligible Category	Impact Indicators may include:
<b>1. Circular economy adapted products, production technologies and processes; and /or certified eco-efficient products</b>	<ul style="list-style-type: none"> <li>▪ Sustainable products' impact such as CO<sub>2</sub> emissions avoided (compared to a reference market standard)</li> <li>▪ Waste management initiatives: tons of plastic recycled / tons of plastic avoided</li> </ul>
<b>2. Clean transportation</b>	<ul style="list-style-type: none"> <li>▪ Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub>/CO<sub>2</sub>e (equivalent)</li> </ul>
<b>3. Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>▪ Annual energy savings in MWh/GWh (electricity)</li> </ul>
<b>4. Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>▪ Annual water savings:               <ul style="list-style-type: none"> <li>▪ reduction in water consumption of economic activities (e.g. industrial processes, agricultural activities including irrigation, buildings, etc.)</li> </ul> </li> </ul>
<b>5. Energy efficiency</b>	
<b>6. Renewable energy</b>	
<b>7. Green buildings</b>	<ul style="list-style-type: none"> <li>▪ Capacity of renewable energy plant(s) constructed (in MW) and production (in MWh)</li> </ul>

<sup>1</sup> See [here](#)

## V. External Review

- **Second-party opinion:**

Henkel has appointed ISS to conduct an external review of its Framework and issue a Second Party Opinion to assess the environmental value-added and confirm the alignment of the Framework with the ICMA Green Bond Principles.

The Second Party Opinion will be available on Henkel's website.

- **Verification of the reporting:**

Henkel will engage an external auditor or other independent third party to verify the allocation of proceeds in accordance with this Framework.

## 5. Annex 1: Calculation methodologies

KPI 1	Scope 1 and 2 GHG emissions per ton of product
<b>Definition</b>	<p><b>(Scope 1 + 2) emissions in tons of CO<sub>2</sub> / ton of product products</b></p> <p>Scope 1 and 2 emissions are reported in line with the Corporate Accounting and Reporting Standard (Scope 1 and 2) of the Greenhouse Gas Protocol</p> <p><b>Scope 1</b>  <b>Carbon dioxide emissions are calculated using emissions factors provided by Öko-Institut e.V. which are mainly based on data from RAINS7.52. No CO<sub>2</sub> offsets are taken into account when determining the Scope 1 carbon dioxide emissions</b></p> <p>The net volume of GHG emissions (Scope 1) is shown. The gross volume includes Electricity additionally generated and sold to third parties. For site-specific reasons, this occurs primarily at the Düsseldorf-Holthausen (Germany) site ; gross emissions at Henkel level total 592 thousand metric tons.</p> <p>Biogenic CO<sub>2</sub> emissions and CO<sub>2</sub> equivalents of other greenhouse gases are of minor importance in our business activities at present and are not reported separately.</p> <p><b>Scope 2:</b>  <b>Carbon dioxide emissions from bought-in energy (electricity, steam and district heating) are calculated using the market-based method as recommended by the Greenhouse Gas (GHG) Protocol. The CO<sub>2</sub> emissions relate to Henkel production sites that are under our direct operational control. These sites represent our core activities.</b></p> <p>Information on gross volume and CO<sub>2</sub> equivalents has not yet been provided in itemized form, as the data basis required for the calculation still has to be expanded.</p> <p>No emissions are calculated for the purchase of electricity from renewable sources that meets internal quality criteria. For the remaining electricity, contract, provider or region-specific emission factors are calculated, depending on the sites for which Henkel has access to the figures. In the remaining cases, Henkel uses country-specific factors that are published by the International Energy Agency (IEA) at the beginning of the respective year. 64 percent of the entire electricity purchase comes from renewable sources or falls under supplier-specific emission factors.</p> <p>No CO<sub>2</sub> offsets and no emissions certificate trading were taken into account when determining the Scope 2 CO<sub>2</sub> emissions.</p> <p><b>Production volumes:</b>  The indicator accounts for all company's worldwide production sites and include both i) finished good and ii) semi-finished goods/finished bulk products:  Finished goods represent the total amount of products produced by Henkel based on net quantity which leave the site i) to be sold to the customer, ii) for packing/blistering at contract packager and iii) for further product production at contractor. Traded goods and finished goods produced by third parties are explicitly excluded.  Semi-finished goods or finished bulk products represent the total amount of products which leave the site for further production at another Henkel sites or delivered to contract manufacturers.</p>

	Production volumes are measured and reported in metric ton.
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KPI 2	Scope 3 GHG emissions from purchased goods and services per ton of product
<b>Definition</b>	<p>Scope 3 emissions are calculated and reported in line with the Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol.</p> <p>Scope 3 emissions are calculated using supplier data-specific method and average-data method (for specific data) and spend-based method (for non-specific data).</p> <p>The activity data used in the reporting are based on the actual amounts of chemicals and packaging materials purchased.</p> <p>Emissions factors used are cradle-to-gate emission factors from suppliers (primary data) and average data (from associations or EcolInvent).</p>

## 6. Annex 2: Methodology for identification and assessment of CO<sub>2</sub>-saving portfolio

The CO<sub>2</sub> saving portfolio regroups selected product categories that **enable** significant carbon savings, also referred to as “Scope 4 emissions”.

Henkel reports Scope 4 emissions based on a proprietary standard which combines generally applicable accounting and reporting principles (WBCSD / WRI 2004) with a widely accepted methodology (WBCSD / WRI 2003). The Scope 4 emissions are reported for a portfolio of selected products or product categories that bring about emission savings for Henkel customers and consumers. It consists of a total 12 portfolio elements, which are grouped into six clusters:

- **industrial overhaul** (increase energy efficiency of pumps (1), extend lifetimes of industrial equipment (2))
- **smart material replacement** (use wood to replace concrete (3)),
- **automotive light-weighting** (enabling high aluminum contents in car bodies (4), lighter sound dampening systems (5), non-metal reinforcements (6))
- **energy saving building envelopes** (highly reflective roof coating (7), external thermal insulation composite systems (8))
- **renewable energy** (higher efficiency solar panels (9))
- **less domestic hot water use** (dry shampoo (10), leave-on hair conditioners (11), color catcher sheets (12), dual-purpose automated dishwasher cleaner pouches (13)).

The portfolio elements were identified in a thorough analysis of the entire portfolio. They were qualified by assessing the social and environmental impacts along the entire value chain ensuring that no trade-offs occur.

The emission of portfolio elements 2, 3, 10–13 are calculated as  
 $S_{\text{annual,immediate},i} = s_i \times Q_{\text{sold},i}$

with  $s_i$  and  $Q_{sold,i}$  being the saving per functional unit and the quantity of functional units related to the Henkel sales with a portfolio element, respectively.

For the remaining elements, the savings are calculated as

$$S_{annual,prolonged,i} = s_i \times Q_{sold,i} \times t_{Service,i}$$

with  $t_{Service,i}$  being the duration of the service life during which the respective object (cars, solar panels, building insulation, roof coatings) generates savings.

The unit emission of a portfolio element is established as the difference between the reference emissions (e.g. the emissions related to the market standard, per unit) and the emissions related to the portfolio element, per unit. The emissions are quantified in line with the established Greenhouse Gas Protocol Product Life Cycle Accounting and Reporting Standard (for potential reductions in Scope 3 emissions) and the ICCA / WBCSD ICCA-WBCSD Avoided Emissions Guidance. In addition, consistency is warranted by using the same emission factors for avoided emissions as for the Scope 3 reporting.

The reference was established by before / after comparison, comparison with the situation that has been improved, or comparison with the solution that has been replaced. For none of the clusters the savings are offset with emissions in other value chain-stages, as compared to the reference.

The savings of the clusters 2, 6, 7, 9, 10–13 are allocated entirely to Henkel. The respective allocation of the remaining portfolio elements is defined according to two dimensions:

- In the first dimension the Henkel product contribution is rated in terms of indispensability, unique positioning, required depth of the knowledge of customer process, and share in the economic value of the entire solution
- For the second dimension a distinction is made between extensive and minor contributions.



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