RACE TO NET-ZERO

HENKEL

CLIMATE TRANSITION PLAN

November 2024

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“At Henkel, we are committed to the Paris Agreement and strive to limit global warming to 1.5°C.”

Our Climate Transition Plan is central to our climate strategy, which guides our holistic organizational and cultural shift toward net-zero.

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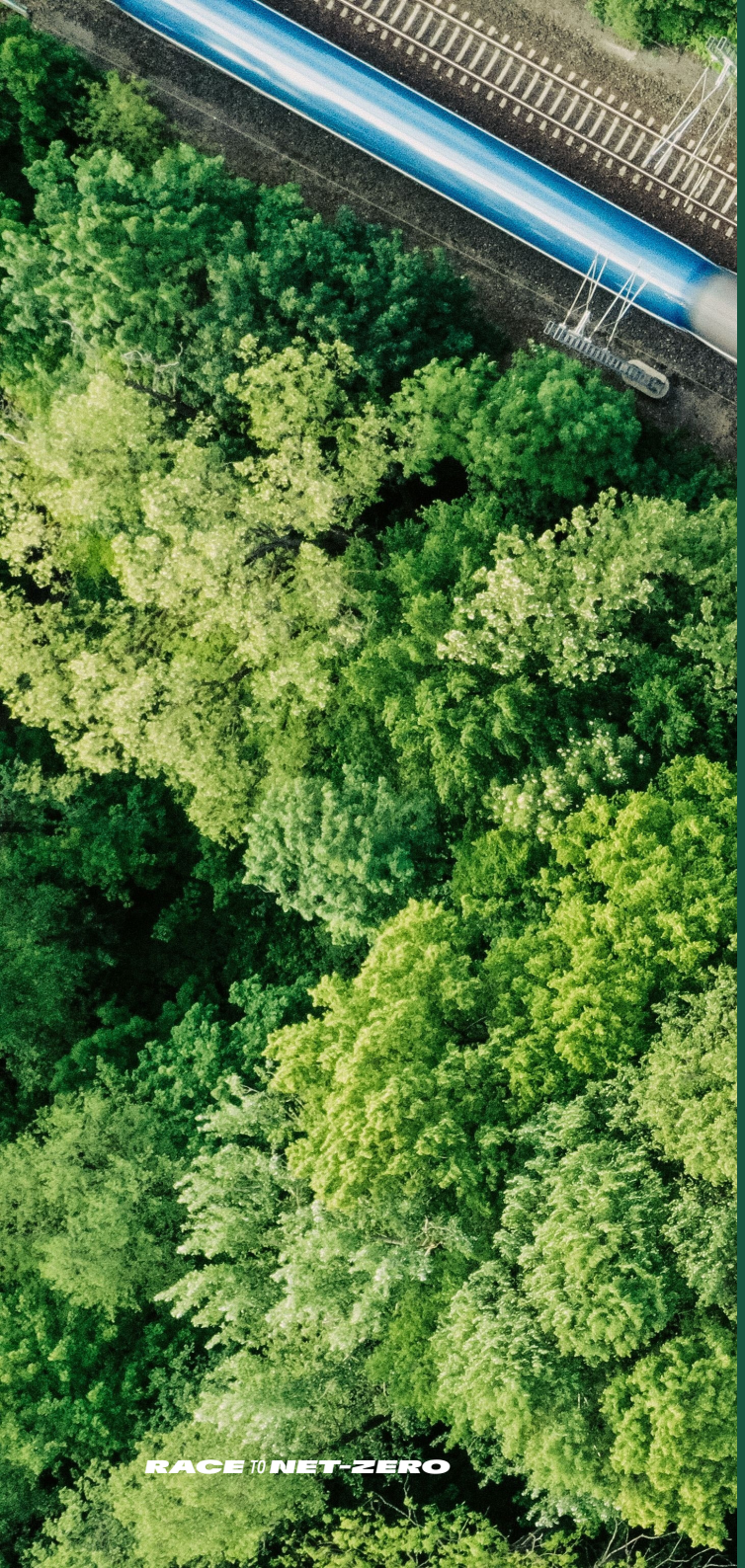
OUR COMMITMENT

WE AT HENKEL ARE COMMITTED TO THE PARIS AGREEMENT AND THUS TO LIMIT GLOBAL WARMING TO 1.5°C.

Climate change is one of the greatest challenges of our time. The planet's temperature is already 1.1°C above pre-industrial levels. Human activities that generate greenhouse gas emissions have caused significant damage to ecosystems. This has exposed up to 3.6 billion people to severe climate risks like floods, extreme weather and water insecurity. The Intergovernmental Panel on Climate Change (IPCC) warns that exceeding 1.5°C of global warming would lead to irreversible impacts on people, wildlife and ecosystems.

The world's first universal climate treaty, the Paris Agreement, aims to limit global warming to well below 2°C – with efforts to keep it below 1.5°C. To achieve this, global emissions must be brought to net-zero latest by 2050. Within the past few years, however, the planet's temperature increase has come dangerously close to the 1.5°C threshold. It is essential that companies take their responsibility seriously and drive the transformation toward net-zero.



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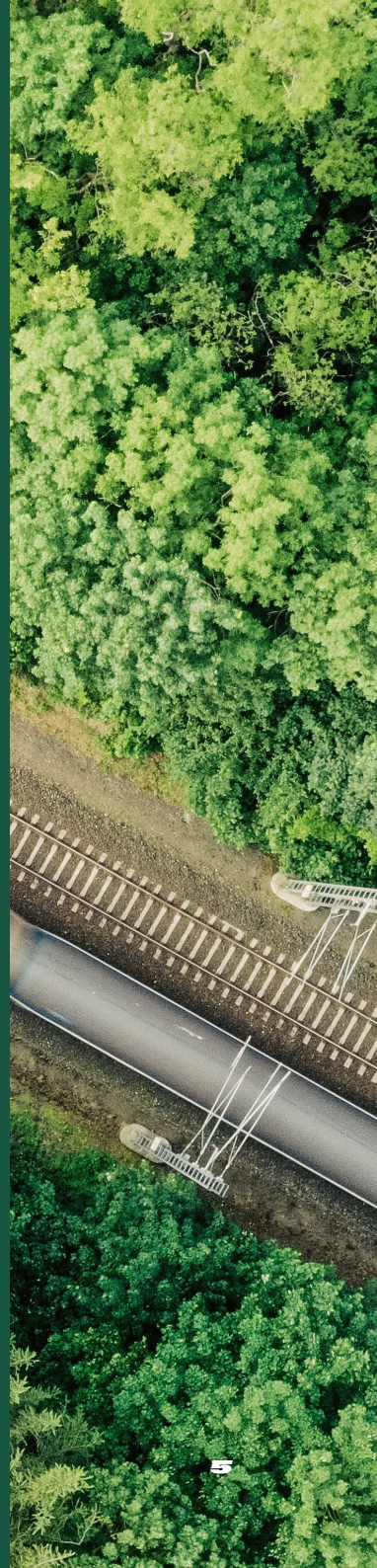


OUR CLIMATE STRATEGY

For Henkel, mitigating climate change is a core element of our climate strategy.

It is also one of the main pillars of our 2030+ Sustainability Ambition Framework, which considers interconnections and interdependencies to other environmental, social and governance topics. Climate change and the related emission reduction targets have been core topics at Henkel for many years because of their societal, environmental and strategic relevance.

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

- CLIMATE
- CIRCULARITY
- NATURE

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

- EQUITY
- EDUCATION
- WELLBEING

TRANSFORMATIONAL IMPACT FOR THE GOOD OF GENERATIONS

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

- PERFORMANCE
- TRANSPARENCY
- COLLABORATION

OUR STRATEGIC ROADMAP

At Henkel, net-zero is more than just a target. To us, net-zero is a transformation of our entire organization.

Setting a science-based target for this transformation is only the first step of our net-zero roadmap. Our Climate Transition Plan (CTP) serves as a key element of our climate change mitigation approach. It outlines our corporate near-term, and net-zero targets and emission reduction activities to achieve these targets, as well as our governance and delivery mechanisms to implement our net-zero transformation.

Net-zero defines the point where all greenhouse gas emissions caused by human activity are balanced out by removing the same volume of emissions from our planet's atmosphere over a specific period of time. In other words, net-zero is a state of equilibrium.

2011
'Factor 3' targets were set, focusing on efficiency gains

2019
Next-level climate SBTi targets for scope 1 & 2 as well as scope 3.1

2022
With the SBTi Corporate Net-Zero Standard we developed guardrails for our net-zero roadmap

2024
Launch of SBTi validated science-based near-term and net-zero targets in November

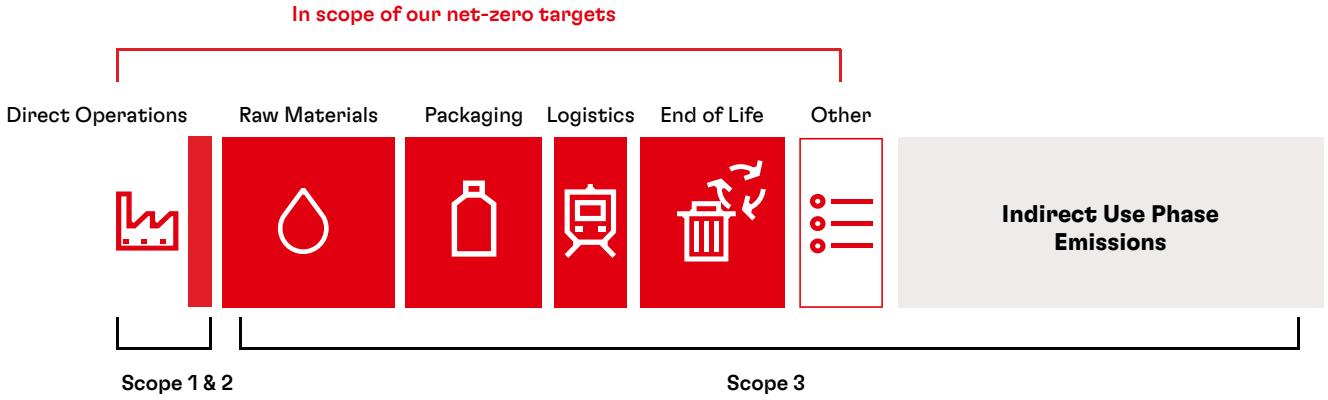
2030
Henkel near-term targets year

2045
Henkel net-zero target year

OUR GREENHOUSE GAS INVENTORY

Our greenhouse gas (GHG) inventory encompasses scope 1, 2 and 3 emissions. Scope 1 and 2 emissions cover direct and indirect emissions from our operations. Scope 3 covers emissions that originate in our upstream and downstream value chain. We follow the GHG Protocol, the worldwide-guiding accounting framework for GHG emissions, which categorizes scope 3 emissions into fifteen categories based on the cause of these emissions. Following the guidelines of the SBTi Corporate Net-Zero Standard, our net-zero targets and GHG inventory cover all scope 3 categories except the category of use phase emissions of sold products.

The reason for this is the following: the GHG Protocol differentiates between direct and indirect use phase emissions. Direct emissions occur when products directly consume energy during use, for example cars. Indirect emissions arise from products that indirectly consume energy during use, as for example detergents requiring heated water for application. Indirect emissions are reported on an optional basis. Therefore, the SBTi Corporate Net-Zero Standard excludes indirect use phase emissions from its required target boundary. Since our products mainly cause indirect emissions during use, these emissions are not included in our net-zero targets or GHG inventory.



GHG emissions generated by our own operations – scope 1 and 2 emissions – only account for a small fraction of our overall GHG emissions. Scope 3 emissions make up the majority of our emissions. These emissions result from raw materials, packaging, logistics, end of life activities and other sources.

OUR TARGETS

In line with the SBTi's net-zero criteria, our emission reduction targets encompass all seven GHGs covered by the Kyoto Protocol as well as all material emission scopes and categories.

Our Target-Setting Methodology:

Our science-based near-term and net-zero targets are set according to the guidance, criteria and recommendations of the SBTi Corporate Net-Zero Standard. They are also officially validated by the SBTi. Our targets are the following:

OUR NEAR-TERM TARGETS

1. Henkel commits to reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 base year.[1]
2. Henkel commits to reduce absolute scope 3 GHG emissions by 30% by 2030 from a 2021 base year.

To substantiate our strong commitment to the Paris Agreement and to reinforce our strategic positioning as sustainability leader within our industry, we have set ourselves the target of achieving net-zero by 2045. We are convinced that this positive signal will encourage our business partners, suppliers, customers and even competitors to push our industry toward a net-zero future.

OUR NET-ZERO TARGET

Henkel commits to reduce absolute scope 1, 2 & 3 GHG emissions by 90% by 2045 from a 2021 base year.[1]

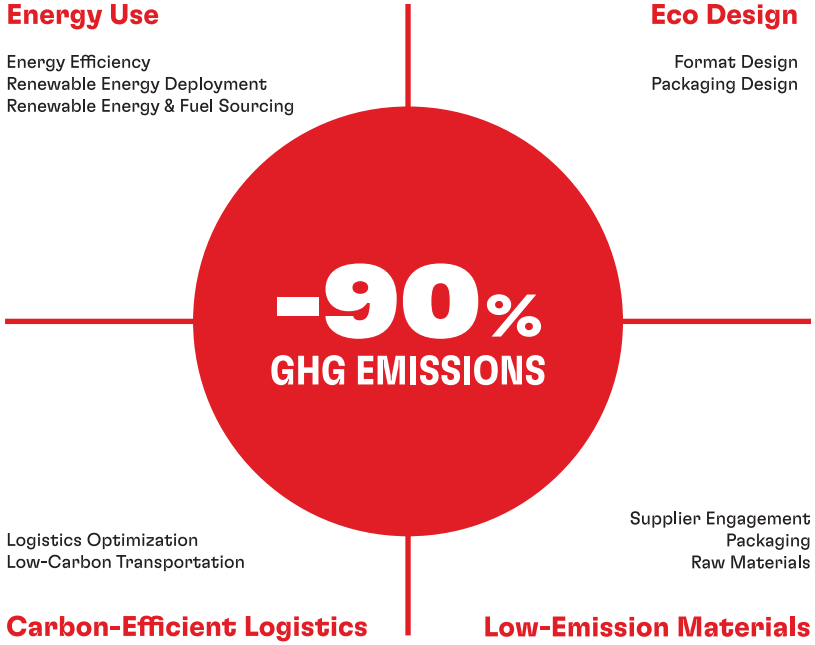
[1] The target boundary includes biogenic land-related emissions and removals from bioenergy feedstocks.

REDUCING EMISSIONS ALONG AND BEYOND OUR VALUE CHAIN

Successful progress toward net-zero will require a holistic transformation of our business model as well as our interactions with business partners, customers and society as a whole. For this reason, Henkel has identified key activity areas along as well as beyond our value chain where we are going to engage with partners to deliver on our emission reduction targets and support the transition toward a net-zero future.

Through various activities along our value chain, we will mitigate our absolute greenhouse gas emissions by 90% through direct abatement. Furthermore, we will counterbalance any residual emissions by means of permanent removal and storage following the SBTi Corporate Net-Zero Standard's guidelines.

Additionally, we will further drive emission reduction engagement outside of our target scope - by tackling product use phase emissions and by contributing to a societal net-zero through beyond value chain mitigation.



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TACKLING **PRODUCT USE PHASE** *EMISSIONS*

BEYOND VALUE CHAIN *MITIGATION*

OUR EMISSION REDUCTION ACTIVITIES

ALONG OUR VALUE CHAIN

We will reduce emissions in our direct operations by transforming our energy use through energy efficiency, renewable energy deployment, renewable energy and fuel sourcing. We will also reduce emissions from upstream and downstream value chain activities by focusing on eco design, low-emission materials, supplier engagement and carbon-efficient logistics.

To achieve our ambitious net-zero target, we aim for at least 90 percent absolute emission reductions through abatement across at least 95 percent of all scope 1 and 2 emissions and across 90 percent of all scope 3 emissions. We will follow the SBTi's guidelines and make use of permanent carbon removals and storage to neutralize any residual emissions at a maximum 10 percent of our total emissions.

OUR DIRECT OPERATIONS

Energy Use

Reducing emissions that directly result from our own operations is a key focus for our climate change mitigation actions because we have direct influence on measures to reduce these emissions. Respective measures are energy-related and include: energy efficiency, renewable energy deployment, and renewable energy and fuel sourcing.

Energy Efficiency

For our operations, we strive to increase energy efficiency by investing in technologies and processes that reduce energy consumption in manufacturing, warehousing, offices, vehicle fleets and R&D centers. Examples include the redesign of manufacturing processes, energy recovery and the renewal of technical equipment. For reducing emissions from our vehicle fleet, we have a global mobility initiative offering flexible and sustainable mobility solutions.

Renewable Energy Deployment

Wherever feasible, we install solar panels and biomass boilers at our facilities to generate clean, renewable energy directly at the source. This contributes to our overall sustainability goals by reducing our reliance on fossil fuels and lowering our operational carbon footprint.

Renewable Energy and Fuel Sourcing

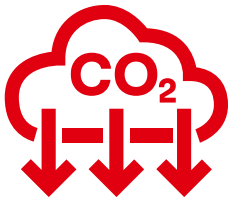
For the energy required in our operational processes, we target the transition to 100 percent renewable energy sources by following best practices from the GHG Protocol. For heat generation, we rely on renewable fuels because the electrification of all of our processes is not feasible. We plan to source biomethane or other renewable fuels to reach our direct emission reductions.

UPSTREAM AND DOWNSTREAM VALUE CHAIN

Upstream and downstream emissions in our value chain account for by far the largest proportion of our total emissions. Upstream emissions from the raw materials and packaging materials that we purchase are of particularly high relevance for implementing our net-zero transformation. Downstream activities like logistics, distribution and the end-of-life disposal of our products are further key sources of emission that we aim to address. We cluster our activities into the following key abatement categories: eco design, low-emission materials and carbon-efficient logistics.

Eco Design

- Format Design
- Packaging Design



Low-Emission Materials

- Supplier Engagement
- Packaging
- Raw Materials

Carbon-Efficient Logistics

- Logistics Optimization
- Low-Carbon Transportation

ECO DESIGN

Our net-zero transformation requires us to design a low-emission product portfolio by optimizing the properties and compositions of our products. Two levers hold significant emission reduction potential in this context: format design and packaging design.

Format Design

The optimization of our product formats is a key aspect in designing a low-emission product portfolio. Shifting to more concentrated formulas and more innovative product formats can enable the use of raw materials that generate less emissions when they are made. This will lead to emission reductions in the upstream value chain. More compact product formulas can also support further emission reductions because less packaging material is required and emissions from distribution are lower.

Packaging Design

Innovative packaging designs that enable circularity are highly relevant for our abatement efforts in the downstream value chain. We aim to have 100 percent of our packaging designed for recycling or reuse.[1] This will help us to decrease end-of-life emissions. Developing reusable and refillable packaging solutions for our consumers and customers makes it possible to extend the lifespan of our packaging materials. This leads to less packaging material and a reduction in the related emissions.

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

LOW-EMISSION
MATERIALS

Sourced materials have a high impact on our GHG footprint. For this reason, the transition to more sustainable and low-emission materials is an important requirement for our net-zero transformation. In this regard, three abatement levers are key: supplier engagement, packaging, and raw materials.

Supplier Engagement

Collaborating with our suppliers is a critical requirement for the successful and holistic transformation of the emissions profile of our sourced materials. For years, our business units have been maintaining close relationships with strategic suppliers and engaging in direct abatement initiatives. This includes developing low-emission raw materials and optimizing process emissions through energy efficiency, renewable energy and further emission reduction measures across the supply chain.

To leverage our deeper knowledge of our upstream value chain, we increasingly incorporate emissions data into our initial supplier selection process. This makes it possible to base our supplier selections on strategic criteria that optimize our emissions profile, e.g. by selecting suppliers based on specific geographical considerations.

Henkel Climate Connect

In April 2024, we launched a comprehensive engagement program for our suppliers worldwide. It is called Henkel Climate Connect and it aims to scale up our supplier collaboration activities. The program's main objective is to engage with suppliers based on their maturity level. In this way, we can ensure that they initiate climate and decarbonization efforts while also enabling Henkel to report relevant GHG emissions related to our products or services – such as Product Carbon Footprints (PCFs) for chemical materials. We support our suppliers by collaborating and by providing targeted upskilling opportunities. Suppliers are also encouraged to utilize SBTi guidance and tools to set science-based targets. While not mandatory, we recommend SBTi validation of suppliers' science-based targets to ensure alignment with best practices.

LOW-EMISSION MATERIALS

Packaging

With our sustainable packaging strategy, we contribute to emission abatement by minimizing the amount of packaging material we use and maximizing the share of low-emission materials – without compromising the quality, performance or safety of our products.

Our packaging experts are constantly working on innovative and smart packaging solutions to reduce the amount of packaging material we use. To lower the emissions resulting from our packaging materials, it is essential to replace fossil-based virgin raw materials with recycled or renewable alternatives. Additionally, we ensure low-emission energy usage for the production of our packaging materials.

Raw Materials

The raw materials used as ingredients in our products play a crucial role in our emission reduction strategy. As we move toward net-zero, we are dedicated to use low-emission materials as well as replacing fossil-based raw materials with renewable and recycled alternatives to lower our overall GHG footprint. We accomplish our raw material transition in sequences:

First, our near-term targets for 2030 put focus on identifying and sourcing low-emission raw materials, for example via optimized energy usage in our upstream value chain. We also drive reduction of fossil fuel dependence by increasing the use of bio-based raw materials (such as biomass) as well as boosting our use of recycled materials, decreasing reliance on virgin fossil resources and enhancing circularity in our supply chain.

Second, our net-zero target for 2045 is driving efforts to advance our transformation through innovative technology-based solutions. Besides continuing to source low-emission raw materials, a greater use of CO_2-utilization technologies to derive raw materials from the chemical conversion of CO_2 will become more important. We are also further expanding our use of recycled feedstocks to minimize waste and resource consumption. As the renewable transformation of the chemical industry progresses, we will gradually shift toward higher-quality biomass feedstocks, ensuring traceability through segregation methods. Additionally, we will strive to minimize any adverse impacts on biodiversity and food chains as part of our responsible sourcing strategy.

CARBON-EFFICIENT LOGISTICS

Our logistics emissions result from upstream transportation of our sourced materials, as well as from downstream transportation and distribution of our products. To reduce the related emissions, we apply the following two abatement levers: logistics optimization and low-carbon transportation.

Logistics Optimization

The optimization of our logistics and distribution networks is key to reducing fuel consumption and emissions. Central measures here include using digital tools, maximizing load efficiency and minimizing transport distances. Additionally, we will advance nearshoring and local sourcing to further optimize our logistics network.

Low-Carbon Transportation

To successfully lower emissions within our transportation system, we apply the following logic: First, we optimize the mode of transportation in terms of emissions footprint. In line with this, we aim to substitute air freight with ocean freight and switch from road to rail wherever possible. Second, we shift from conventional drivetrains toward sustainable alternatives. This includes the strategic evaluation and application of electric vehicles, bio-based fuel alternatives and green hydrogen for our product distribution.

PRODUCT USE PHASE

Emissions generated during the use phase of our products are very difficult for us to influence due to their indirect nature. For this reason, they are excluded from our net-zero target boundary. However, the scale of these emissions is still very significant. To address this point and live up to our responsibility, efforts to reduce these emissions are an important objective of our climate strategy. We approach this from two perspectives: First, **product innovations** to optimize the properties of our products. And second, **customer and consumer engagement** to foster energy-efficient and sustainable utilization and disposal of our products.

PRODUCT INNOVATIONS

We aim for our products and technologies to help reduce emissions or, depending on the application, to help avoid emissions from being generated during use by our customers and consumers. Through our brands and technologies, we make products that are used and applied in ways that are linked to the use of energy. This includes detergents, shower gels, hotmelt adhesives and many others. We want to contribute to improving the efficient use of energy by creating innovations that cut energy consumption and the related emission footprint.

Emissions from the use phase of our products are indirect, which means that we are heavily dependent on the application behavior of our customers and consumers in order to achieve reduction in emissions. Therefore, engaging with our customers and consumers and enabling a more sustainable behavior and product use is a central aspect of our emission reduction efforts. In this regard, we build collaborations with our industrial customers to optimize the application process of our products and boost energy-efficiency. Furthermore, we design engagement programs to upskill consumers about energy-efficient use of our laundry & home care and hair & body care products to foster a behavioral change.

CUSTOMER & CONSUMER ENGAGEMENT

BEYOND OUR VALUE CHAIN

As outlined in this CTP, emission abatement is the central and most important focus of our net-zero transformation. However, our net-zero transformation goes beyond emission reductions. It also involves taking responsibility for hard-to-abate emissions, while aiming to contribute to societal net-zero by fostering a fair and just transition.

In line with the SBTi Corporate Net-Zero Standard, we define this approach as “Beyond Value Chain Mitigation” (BVCM) and will follow the respective SBTi guidelines. BVCM encompasses “mitigation action or investments that fall outside a company’s value chain, including activities that avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere.”

By following a BVCM approach, we aim to accelerate global progress toward net-zero by supporting and collaborating with other economic and social actors to reduce and/or remove GHG emissions, as well as by advocating for supportive public policies that encourage sector transformation. This progress also entails the financial and systemic support of technology, as well as nature-based carbon reduction and removal solutions. These solutions will allow us to build a balanced carbon-credit portfolio that is in line with our holistic approach to climate and nature.

OUR NET-ZERO GOVERNANCE & DELIVERY

To ensure the success of our transformation toward net-zero, emission abatement management is anchored within our organizational structure vertically, horizontally and cross-functionally. Given its strategic relevance, our net-zero transition is strongly aligned with our financial planning and is also subject to annual CSRD-compliant sustainability progress reporting.

Following our company purpose “Pioneers at heart for the good of generations”, we strive to enable every single one of our employees to become part of our net-zero transformation. Accordingly, we offer dedicated training formats with content focused on a variety of topics and with various levels of detail to enable tailored upskilling of every Henkel employee.

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