

ANNUAL REPORT

2021



Contents

The Company

- 2 Fiscal 2021 at a glance
- 6 What drives us
- 7 Foreword
- 15 Report of the Supervisory Board
- 26 Our Management Board
- 28 Shaping our future

29 Shares and bonds

Corporate governance

- 39 Takeover-relevant information
- 44 Corporate governance statement

Combined management report

- 72 Fundamental principles of the Group
- 86 Economic report
- 142 Henkel AG & Co. KGaA
(condensed version according to the German
Commercial Code [HGB])
- 149 Risks and opportunities report
- 170 Forecast

Consolidated financial statements

- 176 Consolidated statement of financial position
- 178 Consolidated statement of income
- 179 Consolidated statement of comprehensive income
- 180 Consolidated statement of changes in equity
- 181 Consolidated statement of cash flows
- 183 Notes to the consolidated financial statements
- 299 Subsequent events
- 300 Recommendation for the approval of the annual
financial statements and the appropriation of the
profit of Henkel AG & Co. KGaA
- 301 Corporate bodies of Henkel AG & Co. KGaA

Further information

- 306 Independent Auditor's Report
- 317 Responsibility statement
- 318 Quarterly breakdown of sales
- 319 Multi-year summary
- 321 Glossary
- 325 Credits
- 326 Contacts
- 326 Financial calendar

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

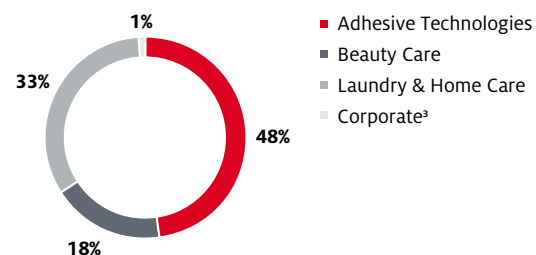
Fiscal 2021 at a glance

Key financials

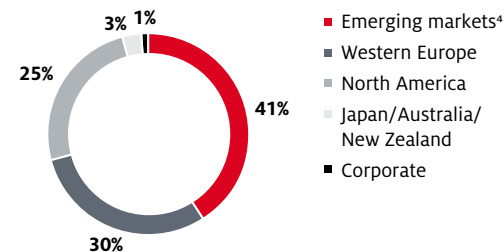
in million euros	2017	2018	2019	2020	2021	+/- 2020-2021
Sales	20,029	19,899	20,114	19,250	20,066	4.2%
Operating profit (EBIT)	3,055	3,116	2,899	2,019	2,213	9.6%
Adjusted ¹ operating profit (adjusted EBIT)	3,461	3,496	3,220	2,579	2,686	4.2%
Return on sales (EBIT margin)	15.3%	15.7%	14.4%	10.5%	11.0%	0.5pp
Adjusted ¹ return on sales (adjusted EBIT margin)	17.3%	17.6%	16.0%	13.4%	13.4%	0.0pp
Net income	2,541	2,330	2,103	1,424	1,629	14.5%
Attributable to non-controlling interests	22	16	18	16	-5	-
Attributable to shareholders of Henkel AG & Co. KGaA	2,519	2,314	2,085	1,408	1,634	16.1%
Earnings per preferred share (EPS) in euros	5.81	5.34	4.81	3.25	3.78	16.3%
Adjusted ¹ earnings per preferred share (adjusted EPS) in euros	5.85	6.01	5.43	4.26	4.56	7.0%
Return on capital employed (ROCE)	16.3%	15.5%	13.5%	9.6%	11.0%	1.4pp
Dividend per ordinary share in euros	1.77	1.83	1.83	1.83	1.83²	-
Dividend per preferred share in euros	1.79	1.85	1.85	1.85	1.85²	-

pp = percentage points

Sales by business unit 2021



Sales by region 2021



¹ Adjusted for one-time expenses and income, and for restructuring expenses.

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

³ Sales and services not assignable to the individual business units.

⁴ Eastern Europe, Africa/Middle East, Latin America, Asia (excluding Japan).

Organic
sales growth

7.8%

Adjusted¹
EBIT margin

13.4%

Adjusted¹
EPS

€ 4.56

Development of adjusted¹
EPS at constant exchange
rates

9.2%

Dividend per preferred
share²

€ 1.85

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Adhesive Technologies

Key financials

in million euros	2020	2021	+/-
Sales	8,684	9,641	11.0%
Proportion of Henkel sales	45%	48%	-
Operating profit (EBIT)	1,248	1,524	22.2%
Adjusted ¹ operating profit (adjusted EBIT)	1,320	1,561	18.2%
Return on sales (EBIT margin)	14.4%	15.8%	1.4pp
Adjusted ¹ return on sales (adjusted EBIT margin)	15.2%	16.2%	1.0pp
Return on capital employed (ROCE)	13.4%	17.2%	3.8pp
Economic Value Added (EVA [®])	410	747	82.1%

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

pp = percentage points

Our top brands

LOCTITE

TECHNOMELT

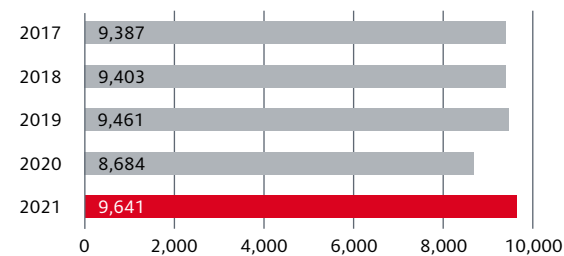
BONDERITE

Organic sales growth

13.4%

Sales Adhesive Technologies

in million euros



☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Beauty Care

Key financials

in million euros	2020	2021	+/-
Sales	3,752	3,678	-2.0%
Proportion of Henkel sales	19%	18%	-
Operating profit (EBIT)	246	77	-68.8%
Adjusted ¹ operating profit (adjusted EBIT)	377	351	-6.9%
Return on sales (EBIT margin)	6.6%	2.1%	-4.5pp
Adjusted ¹ return on sales (adjusted EBIT margin)	10.0%	9.5%	-0.5pp
Return on capital employed (ROCE)	6.2%	1.8%	-4.4pp
Economic Value Added (EVA [®])	-47	-208	-

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

pp = percentage points

Our top brands

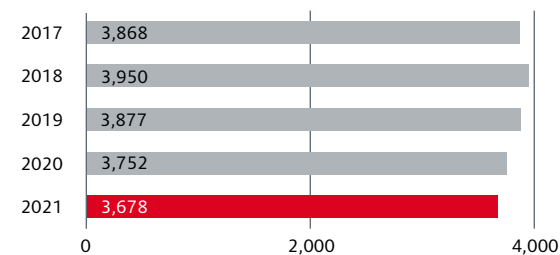


Organic sales growth

1.4%

Sales Beauty Care

in million euros



☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Laundry & Home Care

Key financials

in million euros	2020	2021	+/-
Sales	6,704	6,605	-1.5%
Proportion of Henkel sales	35%	33%	-
Operating profit (EBIT)	688	797	15.9%
Adjusted ¹ operating profit (adjusted EBIT)	1,004	904	-10.0%
Return on sales (EBIT margin)	10.3%	12.1%	1.8pp
Adjusted ¹ return on sales (adjusted EBIT margin)	15.0%	13.7%	-1.3pp
Return on capital employed (ROCE)	9.3%	11.4%	2.2pp
Economic Value Added (EVA [®])	150	326	>100%

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

pp = percentage points

Our top brands

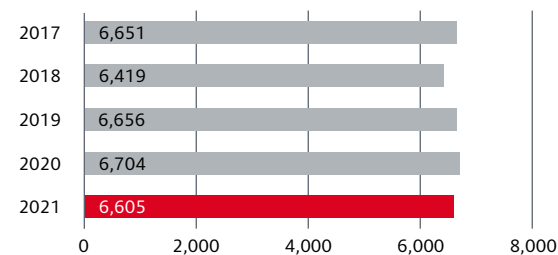


Organic sales growth

3.9%

Sales Laundry & Home Care

in million euros



☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

What drives us

Our purpose

Pioneers at heart for the good of generations.

Our vision

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

Our values

We put our **customers** and **consumers** at the center of what we do.

We value, challenge and reward our **people**.

We drive excellent sustainable **financial performance**.

We are committed to leadership in **sustainability**.

We shape our future with a strong entrepreneurial spirit based on our **family business** tradition.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar



“We will introduce important changes in 2022 to strengthen our competitiveness and deliver sustainable profitable growth going forward.”

CARSTEN KNOBEL
CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders and Friends of the Company,

The COVID-19 pandemic has profoundly changed our lives over the past two years. We had all hoped that we might see a greater degree of normality by now. However, at the start of 2022, COVID-19 still affects the way we live and work. In many countries, infection rates have again soared. At the same time, vaccination and booster campaigns are under way and there is reason to hope that we might finally return to a more normal life.

Our highest priority has been and will always be clear: to lead our teams and our company safely through the crisis. Throughout the pandemic, we have done everything possible to ensure the safety and wellbeing of more than 52,000 Henkel colleagues, as well as to protect their jobs and incomes.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

In 2021, we once again navigated Henkel through a year with many unpredicted challenges, which has only been possible thanks to the unwavering commitment shown by our people around the world. Together, as a strong global team, we managed to advance our Purposeful Growth agenda – even in these challenging times. I would like to thank all Henkel employees for their resilience and tireless efforts – particularly those who keep our production and business-critical processes running on site, as well as those who have had to work off-site or from their homes during the pandemic. They have all gone above and beyond to ensure our business continuity while following our precautionary measures. Every day, our strong team spirit and company culture make me proud and confident for our future.

Good business performance in 2021

Overall, we delivered a good business performance in 2021. We recorded organic growth across all business units, kept our margin stable and achieved a significant increase in earnings per preferred share – despite a very challenging business environment with unprecedented disruptions in global supply chains, a shortage of raw materials, and exceptionally strong material price increases.

Henkel Group sales in fiscal 2021 rose to 20,066 million euros. This corresponds to an organic sales growth of 7.8 percent versus 2020. A significant recovery in demand in the industrial and hair salon businesses had a particularly positive effect. In the consumer goods business, demand in many categories returned to more normal patterns compared to the previous year, when demand was particularly strong for hygiene and cleaning products as well as hair colorants and less strong for styling products. At the same time, the impact of significantly higher raw material and logistics prices and currency effects weighed on profitability.

Thanks to significantly increased sales volumes, successful price increases, active cost management and ongoing structural adjustments, we were able to more than offset the impact of the crisis on our earnings. Adjusted¹ earnings before interest and taxes (EBIT) grew by 4.2 percent to 2.7 billion euros. Adjusted¹ return on sales (EBIT margin) was unchanged year on year at 13.4 percent. And adjusted¹ earnings per preferred share (EPS) rose to 4.56 euros, marking a significant improvement of 9.2 percent at constant exchange rates.

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The performance of our business units was affected by a range of factors in 2021. Sales of our Adhesive Technologies business unit increased to 9,641 million euros, reflecting double-digit organic sales growth of 13.4 percent, driven primarily by the global economic recovery and a significant increase in demand from key customer industries. Adjusted¹ return on sales (EBIT margin) for Adhesive Technologies amounted to 16.2 percent. Beauty Care recorded sales of 3,678 million euros and organic growth of 1.4 percent. While the recovery in the Professional business area had a positive effect following the closures imposed in the first waves of the pandemic, Beauty Care's consumer business area was impacted in particular by a normalization of demand – after strong increases in the previous year – in the body care category, causing a decline in performance. Adjusted¹ return on sales for Beauty Care was 9.5 percent. In Laundry & Home Care, sales grew to 6,605 million euros, with both business areas delivering a strong performance. The organic growth rate was 3.9 percent. Adjusted¹ return on sales (EBIT margin) for Laundry & Home Care amounted to 13.7 percent.

The net financial position of Henkel improved significantly in the course of 2021, mainly due to the good free cash flow. At the end of 2021, net debt amounted to 292 million euros compared to 888 million euros at the end of 2020.

Henkel shares declined overall in fiscal 2021. The preferred share closed at 71.14 euros, significantly below the previous year and the DAX performance. The ordinary shares closed the year at 68.70 euros. This is clearly not in line with our own ambitions as a management team and your expectations as our shareholders. We are convinced that we can – and must – generate more value for our shareholders going forward. We will therefore initiate a range of far-reaching measures in 2022 to underpin our commitment and deliver on our ambitions.

At the Annual General Meeting on April 4, 2022, we will propose to our shareholders a stable dividend of 1.85 euros per preferred share and 1.83 euros per ordinary share. This represents a payout ratio of 40.5 percent and is thus slightly above our target range of 30 to 40 percent of adjusted¹ net income after non-controlling interests.

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Major progress in all areas of our strategic agenda

We continued to execute our Purposeful Growth agenda to lead our company successfully into the future. We made great progress in all areas of our strategy in 2021, despite the difficult economic and market environment.

In addition to active portfolio management, we focused primarily on two aspects of our Purposeful Growth agenda: First, we became more competitive in the areas of innovation, sustainability and digitalization. And second, we effectively strengthened our company culture.

In pursuing an active portfolio management, at the beginning of 2020 we identified brands and businesses with a total sales volume of more than one billion euros, with the aim of divesting or discontinuing around half by the end of 2021. Since the beginning of 2020, we have sold or discontinued brands and businesses representing an annual sales volume of around 0.5 billion euros – thus achieving our goal. In addition, the acquisition of Swania in the first half of the year has strengthened our position in sustainable laundry and home care products in France.

To further improve our competitiveness, we focused on accelerating impactful innovations, on strengthening sustainability as a clear differentiator, and on increasing value creation for customers and consumers through digitalization.

Successful innovations

I would like to highlight one innovation from each of our business units: In Adhesive Technologies, we developed additional solutions for automotive applications – sustainable adhesive technologies, for example, that support thermal dissipation. In Beauty Care, we successfully relaunched several brands, including our hair styling brand Taft and – in the Professional business – our hair colorant brand Igora Royal, and launched several successful hair care innovations. In Laundry & Home Care, we strengthened our detergent caps business through innovations under various brands and launched our new “Somat Excellence” dishwasher caps.

New sustainability strategy and ambitions

In line with our strategic agenda, we focus on sustainability to differentiate Henkel from the competition, to generate purposeful growth and to create value for all stakeholders. We stand by our responsibility as a global company and we are determined to drive meaningful change in key areas. In addition to climate protection and the circular economy, these include forest regeneration, water conservation and our commitments to social responsibility.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The greatest leverage we have in promoting sustainable development lies in our products and solutions. In the Laundry & Home Care business unit, we have positioned our new Love Nature brand in the fast-growing segment for sustainable laundry and home care products in Germany. In our Beauty Care business, we have developed recyclable refill packaging for the Nature Box brand that contains more than 70 percent less plastic than conventional packaging. And our Adhesive Technologies business has, for example, introduced a novel water-based technology for bonding shoes that can reduce CO₂ emissions in the production process by up to 30 percent.

We have now set ourselves the goal of becoming a climate-positive company by 2030 – ten years earlier than previously planned. We are committed to converting to CO₂-free energy sources for our sites. We are also aiming to procure 100 percent of the energy required for our production processes from renewable sources by 2030. In 2021 we have already fully converted the first sites.

In addition to climate protection, we have put in place ambitious targets for sustainable packaging: 100 percent of our packaging shall be re-usable or recyclable by 2025. We support the development of a circular economy, for example by reducing production waste and increasing recycling at our sites, as well as through innovative packaging solutions – initiatives aimed at enabling us and our customers to reduce or completely avoid packaging material. We also support programs to collect waste and extend recycling programs – for example in partnership with the social enterprise Plastic Bank. Together, we have opened a number of new collection centers for plastic waste in Egypt.

In recent years, Henkel has led the way in the area of sustainable finance. In 2021, we became the first company in our industry to issue a euro bond with interest rates linked to the achievement of specific sustainability targets. In total, we issued bonds with a volume of more than 700 million euros.

To reflect the growing importance of sustainable management and the rising expectations of our customers and society, we have refined our long-term sustainability strategy and targets with our new “2030+ Sustainability Ambition Framework.” You will find details of our progress to date and ambitions for the future in our latest Sustainability Report available at

www.henkel.com/sustainabilityreport

 Contents

The Company

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Further progress in the digital transformation

Next to innovation and sustainability, digitalization is a key success factor in further strengthening our competitive edge. Digital sales increased significantly across all business units in 2021. At Group level, the share of digital revenue grew by 50 percent based on 2019 figures, and accounted for more than 18 percent of total sales by the end of 2021.

With our digital unit Henkel dx, we are accelerating the digital transformation of the company, driving innovation and creating new business opportunities. In 2021, we opened new digital innovation hubs in Berlin and Shanghai. We are also engaging in strategic partnerships: Working with Adobe, we developed a new, integrated digital platform for digital business and e-commerce in 2021, enabling us to accelerate and optimize the development, market launch and marketing of products.

The digitalization of our production and logistics processes, also called Industry 4.0, is an important focus for us. We were delighted that Henkel was recognized last year by the World Economic Forum for the third consecutive year as a pioneer in the implementation of Industry 4.0.

Strengthening our company culture

The development of our company culture is particularly important for me. A strong culture is essential to successfully implementing our Purposeful Growth agenda. Hence, strengthening our company culture was again a key area of activity last year. We fostered an open feedback culture and introduced a new “Smart Work” concept which offers our employees worldwide more flexibility in shaping their working life. The promotion of diversity and inclusion constitutes an essential element of our culture. Diversity, equality and an inclusive working environment are of great importance to us. Through the expansion of our internal networks, targeted training, and awareness campaigns, we have further enhanced our employees’ understanding of the importance of diversity and inclusion.

Pioneers at heart for the good of generations

Another important milestone in fiscal 2021 was the development and global roll-out of our new company purpose: Pioneers at heart for the good of generations. For us, this is not a slogan. It is an expression of what we expect of ourselves, of what guides us and of the contribution we make – for our employees, our customers and consumers, our shareholders and for the benefit of future generations. In more than 25 years with this company I have seen time and again how people at Henkel have embraced change, seizing opportunities with an entrepreneurial and pioneering spirit and deep sense of responsibility. So I know that our purpose summarizes who we are and what we do. And I am sure that it will provide clear guidance for us as we continue on our journey forward.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

For all the progress we have made in the past two years, we also know that we need to be bolder in tackling the challenges ahead. While most of our businesses are delivering very good results, some continue to fall short of our expectations, despite all efforts that have been made. So “business as usual” is not an option. In 2022, we will therefore introduce major changes as part of our strategic agenda to strengthen our competitiveness and achieve sustainable profitable growth in all our business areas. We will continue to sharpen our customer focus, strengthen our innovation capabilities, and accelerate our digital transformation and progress toward a more sustainable business.

Merger of our consumer businesses to create “Henkel Consumer Brands”

We have decided to merge the Laundry & Home Care and Beauty Care businesses into a new business unit: “Henkel Consumer Brands.” We are creating a strong multi-category platform for future growth, combining our consumer brands and businesses under one roof, side-by-side with our highly successful Adhesive Technologies business unit. We aim to sustainably strengthen the growth and margin profile of both Henkel Consumer Brands and the entire Group. We will focus the Consumer Brands portfolio on strategic core brands and businesses with attractive growth and margin potential. We have already identified the first wave of measures to improve the portfolio in the Beauty Care business unit, and these will be implemented in the course of 2022. The integration will also create significant synergies and efficiency gains as well as greater agility, allowing us to free up resources to be used in part for targeted investments in our strategic priorities, such as innovation, sustainability, and digitalization, and to strengthen our profitability.

We aim to have the new integrated Consumer Brands business unit in place by the beginning of 2023 at the latest. This is an ambitious plan, and we know that it will also involve many changes within the organization. But we are convinced that this is the right way forward and that it will enable us to create more value – for our company, our shareholders, our customers and our teams.

Henkel is also launching – for the first time – a share buyback program with a total volume of up to 1 billion euros. The program is expected to run until March 31, 2023 at the latest. In launching this program, we confirm our confidence in our financial strength and the future growth and earnings potential of Henkel.

Reflecting all measures, we have also formulated a new mid- to long-term financial ambition: We aim for 3 to 4 percent in organic sales growth, an adjusted¹ EBIT margin of around 16 percent and an increase in adjusted¹ earnings per preferred share (EPS) in the mid- to high single-digit percentage range (at constant exchange rates and including acquisitions), with a continued focus on expanding our free cash flow.

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Committed to delivering purposeful growth

We made great progress in the implementation of our strategy in 2021, achieving a good business result overall – despite a global pandemic, significantly constrained supply chains and exceptionally sharp increases in raw material and logistics prices. This is thanks to our employees, our management teams, our business partners and, of course, our corporate bodies, with particular thanks owed to our Shareholders' Committee and our Supervisory Board. On behalf of the entire Henkel Management Board, I would like to express our gratitude for their support and their valued advice in this challenging year – especially in the context of our plans for the future direction of Henkel and the changes we will be implementing in 2022.

We would also like to thank our customers and consumers around the world for their trust in our company, our brands and our technologies. And, finally, I would especially like to thank you, our shareholders, for your continued confidence in Henkel, our strategy and our team in these exceptional times.

We are now looking ahead – to the tasks, challenges and opportunities that lie before us in 2022 and the years beyond. We have a clear strategy in place with a focus on generating purposeful growth. We have a strong team with many highly motivated colleagues worldwide. And we trust in our shared values, our culture and our purpose to guide us. I am more convinced than ever that our global team has what it takes to achieve our ambitious goals and deliver on our Purposeful Growth agenda.

We look forward to having you with us on this journey.

Düsseldorf, January 30, 2022



Carsten Knobel
Chairman of the Management Board

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar



“Our growth strategy and the measures planned for 2022 will provide an important basis on which to build our successful future.”

DR. SIMONE BAGEL-TRAH
CHAIRWOMAN OF THE SHAREHOLDERS'
COMMITTEE AND THE SUPERVISORY BOARD

Dear Shareholders and Friends of the Company,

Henkel succeeded in delivering a good business performance overall, despite a challenging environment characterized by rapid economic recovery, the ongoing impacts of the COVID-19 pandemic, sharply rising raw material prices and strained supply chains.

On behalf of the Supervisory Board, I would like to thank all employees at Henkel for their dedicated commitment and their contribution to the successful further development of our corporation over the past year. My thanks are equally due to the members of the Management Board who have steered the corporation through a difficult market environment. I am also grateful to our employees' representatives and works councils for their consistently constructive support in growing Henkel.

To you, our shareholders, I extend my special thanks for your continued confidence in our company, its management and employees, and our brands and technologies over this past year.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Ongoing dialog with the Management Board

We continued to diligently discharge in full our Supervisory Board duties in fiscal 2021 in accordance with the legal statutes, Articles of Association and rules of procedure governing our actions. We consistently monitored the work of the Management Board, advising and supporting it in its stewardship and in the strategic development of the corporation, and discussing with it business matters of major importance. In doing so, we were able to ascertain that the Management Board's performance of its duties was consistently legally compliant, fit for purpose, and proper at all times.

The Management Board and Supervisory Board continued to cooperate in 2021 through extensive dialog founded on mutual trust and confidence. The Management Board kept us regularly and extensively informed of all major issues affecting the corporation's business and our Group companies with prompt written and oral reports. Specifically, the Management Board reported on the business situation, operational development, business policy, profitability issues, our short-term and long-term corporate, financial and personnel plans, as well as capital expenditures and organizational measures. We also discussed the risk situation and dealt with compliance and governance issues. Financial reports focused on the sales and earnings figures of the Henkel Group as a whole, with further analysis by business unit and region. We also regularly discussed the impacts of the pandemic and the actions taken to protect our employees and customers. All members of the Supervisory Board and the Audit Committee consistently had sufficient opportunity to critically review and address the issues raised by each of these reports and associated explanations, and to provide their individual guidance.

Outside of Supervisory Board meetings, the Chairman of the Audit Committee and I, as Chairwoman of the Supervisory Board, remained in regular contact with individual members of the Management Board or with the Management Board as a whole, discussing with them issues relating particularly to strategy, business performance, risk management and compliance. This procedure ensured that we were constantly aware of current business developments and significant events. Outside of meetings, we also regularly held confidential talks with the auditor to discuss audit-related topics and other important issues of relevance for the Supervisory Board's work. Major outcomes of these talks were shared with the other members no later than by the next Supervisory Board or committee meeting.

As Chairwoman of the Supervisory Board, I also held several talks with investors on issues relating specifically to the Supervisory Board and on questions of corporate governance. I reported on these talks in summary form to the Supervisory Board.

There were no indications of conflicts of interest involving Management Board or Supervisory Board members that might have required immediate disclosure to the Supervisory Board and reporting to the Annual General Meeting.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Members of the Supervisory Board take it upon themselves to seek the training needed to perform their duties; these efforts are appropriately supported by the corporation. The corporation also offers information and training events focusing on specific topics. For example, questions of content and procedure regarding the remuneration report to be prepared jointly by the Management Board and the Supervisory Board for the first time starting in fiscal 2021 per Section (§) 162 of the German Stock Corporation Act [AktG] were explained, as were the effects of the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz, FSG) on the work of the Supervisory Board and the Audit Committee.

Supervisory Board meetings

The Supervisory Board and the Audit Committee each held four regular meetings in the reporting year. Because of the COVID-19 pandemic, most of these meetings were a mixture of personal attendance and video/telephone conferences.

In each of our meetings, we discussed the reports submitted by the Management Board, conferring with it on the development of the corporation and on strategic issues. We also discussed the overall economic situation and Henkel's business performance. Similarly, we regularly reviewed the impacts of the COVID-19 pandemic and the associated actions taken to protect our employees.

As already discussed in our last Annual Report, our meeting on February 26, 2021 focused on the annual and consolidated financial statements for 2020, including the combined management report for Henkel AG & Co. KGaA and the Group, together with the risk report, corporate governance report and separate combined non-financial statement for Henkel AG & Co. KGaA and the Group, which was issued in the form of our Sustainability Report. We also approved the declaration of compliance for 2021. In addition, we conferred in depth on the development of the new corporate strategy, its focal areas and the actions and activities involved.

Our meeting on April 16, 2021 focused on the performance of our business units in the first three months of the fiscal year, the impacts of the COVID-19 pandemic and the associated efforts to manage this crisis. We also discussed the provisional expectations with regard to further business development and the enormous uncertainty still being caused by the dynamics emanating from raw material price trends and transport costs, and by the further development of the pandemic.

In our meeting on September 17, 2021, we focused both on the performance of our business units over the first eight months, and on the progress achieved in implementing our strategic priorities in the business units and functions. We discussed in depth aspects of portfolio management, innovation, sustainability, digitalization and cultural transformation.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

A further area of focus was our new Henkel purpose “Pioneers at heart for the good of generations” and the corporate vision and Group brand strategy evolving therefrom.

Our meeting on December 10, 2021 focused on the expected results for 2021 and our assets and financial planning based on various assumptions for fiscal 2022. We also discussed in detail the associated budgets of our business units based on comprehensive documentation.

Committees of the Supervisory Board

In order to enable us to efficiently comply with the duties incumbent upon us according to legal statute and our Articles of Association, we have established an Audit Committee and a Nominations Committee. Prof. Dr. Michael Kaschke, who chaired the Audit Committee in the year under review, and Simone Menne both comply with the statutory requirements for Audit Committee membership of impartiality and expertise in the fields of accounting and auditing. For more details on the responsibilities and composition of the committees, please refer to the corporate governance statement (on pages 44 to 70) and the membership lists (on page 302) of this Annual Report.

Committee activities

Following the appointment of the external auditor by the 2021 Annual General Meeting, it was mandated by the Audit Committee to audit the annual financial statements and the consolidated financial statements, including the combined management report for Henkel AG & Co. KGaA and the Group, and to review the half-year financial report for fiscal 2021. The audit fee was also established, and the key audit matters were discussed. It was agreed that the auditor will notify the Supervisory Board immediately of any findings or incidents discovered or occurring during the audit that are material to the performance of the Supervisory Board’s duties. Appropriate procedures for the provision of non-audit-related services as permitted in the relevant EU regulations were specified. The Audit Committee also obtained the necessary validation of auditor independence for the performance of these tasks. The Audit Committee likewise commissioned the external auditor to review the content both of the separate, combined non-financial statement for Henkel AG & Co. KGaA and the Group, which is compiled as a separate non-financial report, and of the remuneration report compiled in accordance with Section 162 AktG. Both reports will be made available in the public domain through publication on our website.

The Audit Committee met four times in the year under review.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The meetings and resolutions were prepared through the provision of reports and other information by the Management Board. The heads of the relevant Group functions also reported on individual agenda items and were available to answer questions. The Chairman of the Committee reported promptly and in full to the plenary Supervisory Board on the content and results of each of the committee meetings.

The company and Group accounts, including the interim financial reports (quarterly statements and half-year financial report) were discussed at all Audit Committee meetings, with all matters arising being duly examined with the Management Board. The auditor was present to discuss the relevant agenda items at the three meetings at which we discussed and approved the interim financial reports; it also reported on the findings of the audit procedures commissioned by the Supervisory Board and the Management Board and on the main issues and occurrences relevant to the work of the Audit Committee. There were no objections raised in response to these reports.

The Audit Committee likewise focused in great detail on the accounting process and the efficacy and further development of the Group-wide internal control and risk management systems. The efficiency of the risk management system was reviewed on the basis of the risk reports of previous years. The report given by the General Counsel & Chief Compliance Officer on material legal disputes and compliance within the Group was also discussed, as was the status report submitted by Internal Audit. The audit plan submitted by Internal Audit, focusing on audits of the functional reliability and effectiveness of the internal control system and the compliance organization, was approved. The Audit Committee further discussed treasury risks, their management, and the EMIR mandatory audit pursuant to Section 32 Securities Trading Act [WpHG]. The auditor's provision of non-audit-related services and adherence to the general conditions specified for same were monitored.

Related party transactions per Section 111a ff AktG and the internal procedures adopted by the corporation in this respect were also discussed. There were no transactions requiring approval pursuant to Section 111b AktG.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

At its meeting on February 18, 2022, attended by the auditor, the Audit Committee discussed the annual and consolidated financial statements, together with the combined management report for Henkel AG & Co. KGaA and the Group, and also the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2021, as well as the respective audit reports and auditor's notes, the associated proposal for appropriation of profit, and the risk report, and prepared the corresponding resolutions for the Supervisory Board. The Audit Committee also discussed the quality of the audit at this meeting. As in previous years, other members of the Supervisory Board took part as guests in this specifically accounting-related meeting of the Audit Committee.

The Nominations Committee submitted its recommendation for the Supervisory Board's proposal to the 2022 Annual General Meeting for resolution with regard to the planned election of Paul Weihrauch as shareholder representative to succeed Timotheus Höttges, who left the Supervisory Board effective September 30, 2021.

Efficiency audit

The Supervisory Board and Audit Committee regularly review the efficiency with which they perform their duties. This assessment is performed on the basis of an extensive company-specific checklist focusing on the relevant key aspects, such as meeting frequency, duration, preparation and organization, scope and content of the underlying documentation, information and reports submitted by the Management Board, minutes, committee work and information disclosure, financial control and risk management systems, requests for information, collaboration with the auditor, corporate governance matters and improvement opportunities. Such a self-assessment took place in the reporting year. The results and individual assessments were examined in detail in the meetings of the Audit Committee and Supervisory Board on February 18, 2022, when issues of corporate governance and opportunities for improvement were also discussed. The efficiency with which the Supervisory Board and Audit Committee carry out their duties and the required independence of their membership were duly confirmed.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Corporate governance and declaration of compliance

The Supervisory Board again dealt with questions of corporate governance in the reporting year.

In the course of our meeting on September 17, 2021, we discussed in depth the general content and procedural issues surrounding the remuneration report to be issued jointly by the Management Board and Supervisory Board for the first time, starting in fiscal 2021, pursuant to Section 162 AktG. We also debated extensively the impacts of the Financial Market Integrity Strengthening Act on the work of the Supervisory Board and Audit Committee, together with the resulting need to amend the rules of procedure. The corresponding amendments were agreed in our meeting on December 10, 2021. We further updated the objectives with regard to composition of the Supervisory Board.

Details of Henkel's corporate governance can be found in the corporate governance statement (pages 45 to 71 of this Annual Report), with which we fully acquiesce.

At our meeting on February 18, 2022, we discussed and approved the joint declaration of compliance for 2022 to be submitted by the Management Board, Shareholders' Committee and Supervisory Board, as specified in the German Corporate Governance Code. The full wording of the current and previous declarations of compliance can be accessed through the company website. The current declaration of compliance is also reflected in the corporate governance statement.

Individual meeting attendance

Attendance at the meetings of the Supervisory Board and the Audit Committee was 97 percent. The special circumstances surrounding the COVID-19 pandemic meant that the meetings took place online or face-to-face with the option of online attendance. The following table lists the attendance of each Supervisory Board member at meetings of the Supervisory Board and Audit Committee:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Individual meeting attendance by Supervisory Board members 2021

Supervisory Board member	Supervisory Board and Audit Committee meetings ¹	Attendance	Presence
Dr. Simone Bagel-Trah (Chair)	8	8	100%
Birgit Helten-Kindlein (Vice Chair)	8	8	100%
Michael Baumscheiper	4	3	75%
Jutta Bernicke	4	3	75%
Lutz Bunnanberg	4	4	100%
Benedikt-Richard Freiherr von Herman	4	4	100%
Timotheus Höttges (until 9/30/2021)	3	2	67%
Prof. Dr. Michael Kaschke	8	8	100%
Barbara Kux	4	4	100%
Simone Menne	8	8	100%
Andrea Pichottka	4	4	100%
Philipp Scholz	4	4	100%
Dr. Martina Seiler	4	4	100%
Dirk Thiede	4	4	100%
Edgar Topsch	8	8	100%
Michael Vassiliadis	8	8	100%

¹ Number of meetings of relevance for the respective member, i.e. excluding attendance at the Audit Committee's meeting to discuss the annual financial statements by members of the Supervisory Board who are not members of the Audit Committee.

The members of the Management Board generally attended Supervisory Board meetings. If deemed necessary, the Supervisory Board also met without Management Board attendance.

Annual and consolidated financial statements/Audit

In its capacity as auditor appointed for 2021 by the Annual General Meeting on April 16, 2021, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, examined the annual financial statements prepared by the Management Board, and the consolidated financial statements, together with the consolidated management report, which has been combined with the management report for Henkel AG & Co. KGaA for fiscal 2021. The annual financial statements and the combined management report were prepared in accordance with German statutory provisions. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU, and in accordance with the supplementary German statutory provisions pursuant to Section 315e (1) German Commercial Code [HGB]. The consolidated financial statements in their present form exempt us from the requirement to prepare consolidated financial statements in accordance with German law.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

PwC conducted its audits in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer, IDW]. Unqualified audit opinions were issued for the annual and the consolidated financial statements, as well as for the combined management report.

Separate non-financial report

PwC also reviewed the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2021 as compiled by the Management Board to ensure its content included the disclosures required by law. The review was based on the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” as published by the International Auditing and Assurance Standards Board (IAASB) for the purpose of obtaining limited assurance. Based on its review and the evidence obtained, the auditor is not aware of any circumstances that might prompt it to believe that the disclosures in the separate, combined non-financial report for Henkel AG & Co. KGaA and the Group for fiscal 2021 have not been prepared in compliance with all material aspects of commercial law provisions.

The annual financial statements, consolidated financial statements, combined management report, and separate, combined non-financial report for fiscal 2021 were presented in good time to all members of the Supervisory Board, together with the corresponding audit reports and relevant auditor’s notes and the recommendations by the Management Board for the appropriation of the profit made by Henkel AG & Co. KGaA. We examined these documents and discussed them at our meeting on February 18, 2022 in the presence of the auditor, which reported on its main audit findings. We received and approved the audit reports. The Chairman of the Audit Committee provided the plenary session of the Supervisory Board with a detailed account of the treatment of the annual financial statements, the consolidated financial statements, the combined management report and the separate, combined non-financial report at the Audit Committee’s meeting on February 18, 2022.

Having received the final results of the review conducted by the Audit Committee and concluded our own examination, we see no reason for objection to the aforementioned documents. We confirm the results of PwC’s audits. The assessment by the Management Board of the position of the company and the Group coincides with our own appraisal. At our meeting on February 18, 2022, we concurred with the recommendations of the Audit Committee and therefore approved the annual financial statements, the consolidated financial statements, the combined management report and the separate, combined non-financial report as prepared by the Management Board.

 Contents**The Company**

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Additionally, we discussed and approved the proposal by the Management Board to pay out of the unappropriated profit of Henkel AG & Co. KGaA a dividend of 1.83 euros per ordinary share and of 1.85 euros per preferred share, and to carry the remainder and the amount attributable to the treasury shares held by the corporation at the time of the Annual General Meeting forward to the following year. This proposal takes into account the financial and earnings position of the corporation, its medium-term financial and investment planning, and the interests of our shareholders.

We also approved our proposals for resolution at the Annual General Meeting at our meeting on February 18, 2022. Following the recommendation of the Audit Committee, the Supervisory Board proposes the engagement of PwC to audit the annual and consolidated financial statements and to review the half-year financial report for fiscal 2022.

Remuneration report

The remuneration report for fiscal 2021 was prepared jointly by the Management Board and the Supervisory Board. The remuneration report was prepared as specified in Section 162 AktG and approved in the meeting on February 18, 2022.

In addition to its formal audit, PwC also examined the content of the remuneration report with regard to the disclosures required by law; no cause for reservation was found.

Risk management

Risk management issues were examined by both the Audit Committee and the plenary Supervisory Board. There were no identifiable risks that might jeopardize the continued existence of the corporation as a going concern. During their audit of the annual financial statements 2021, in compliance with Section 317 (4) German Commercial Code [HGB], the auditor examined whether the Management Board had put in place adequate measures as required under Section 91 (2) Stock Corporation Act [AktG], particularly with regard to establishing a monitoring system, and whether said monitoring system was suitable in all material respects for identifying at an early stage and with reasonable assurance any developments that might jeopardize the continued existence of the corporation as a going concern. We believe that the risk management system corresponds to the statutory requirements.

Changes in the Supervisory Board and Management Board

Changes occurred both in the Supervisory Board and in the Management Board.

Timotheus Höttges, who had been a member of the Supervisory Board since April 2016, resigned from the Supervisory Board effective September 30, 2021. We thanked him for his contribution to the Supervisory Board and his valuable advice.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Jens-Martin Schwärzler, who had been responsible for the Beauty Care business unit since November 1, 2017 and had worked for Henkel for more than 28 years, requested that his contract not be extended and left the Management Board by mutual agreement at the end of business on April 30, 2021. Effective June 1, 2021, Wolfgang König was appointed to the Management Board as the member responsible for the Beauty Care business unit. We thanked Jens-Martin Schwärzler for his dedication and commitment, and for all he had achieved for the benefit of our corporation.

We are delighted to welcome Wolfgang König as new Executive Vice President on the Management Board. He has over 25 years' experience in the FMCG industry, both in mature and emerging markets. In early 2022, we announced the planned merger of Laundry & Home Care and Beauty Care into one integrated business unit. Management Board member Wolfgang König has been appointed to lead this new business unit, which will be called Henkel Consumer Brands. On behalf of our corporate bodies, we wish him all the best in his new role. Bruno Piacenza, who has been at Henkel for more than 30 years and has been leading the Laundry & Home Care business unit since 2011, will continue to manage the unit's business and to support the integration process before retiring from the Management Board and the corporation toward the end of 2022. In more than three decades, he has achieved much for our corporation. Laundry & Home Care has evolved successfully under his leadership. We are very grateful for his long-standing commitment and contribution and are glad he will be working with Wolfgang König to ensure an efficient transition process.

The coming year will again pose special challenges for both our employees and the corporation's management. The further course of the COVID-19 pandemic and the considerable disruptions to global supply chains will continue to burden our corporation in 2022. To strengthen our ability to compete, we plan to implement far-reaching changes to the corporation in 2022. At the same time, we will continue to invest in key strategic areas, such as innovation, sustainability and digitalization. In doing so, we will build further on our strengths, successful brands and technologies and our motivated and dedicated employees around the globe. I am convinced that our growth strategy and the measures planned for 2022 will provide an important basis on which to build our successful future. We thank you for your ongoing trust and support.

Düsseldorf, February 18, 2022

On behalf of the Supervisory Board



Dr. Simone Bagel-Trah
(Chairwoman)

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Our Management Board



Carsten Knobel

Chairman of the Management Board

Born in Marburg/Lahn, Germany,
on January 11, 1969;
with Henkel since 1995.



Marco Swoboda

Executive Vice President
Finance/Purchasing/Global Business Solutions

Born in Velbert, Germany,
on September 23, 1971;
with Henkel since 1997.



Sylvie Nicol

Executive Vice President
HR/Infrastructure Services

Born in Paris, France,
on February 28, 1973;
with Henkel since 1996.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar



Jan-Dirk Auris

Executive Vice President
Adhesive Technologies

Born in Cologne, Germany,
on February 1, 1968;
with Henkel since 1984.



Wolfgang König

Executive Vice President
Beauty Care

Born in Kassel, Germany,
on May 2, 1972;
with Henkel since 2021.



Bruno Piacenza

Executive Vice President
Laundry & Home Care

Born in Paris, France,
on December 22, 1965;
with Henkel since 1990.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Shaping our future

We shape our future on the basis of a long-term strategic framework that builds on our purpose and our values.

With this strategic framework, we want to be successful in the current decade – with a clear focus on purposeful growth. This means, we aim to create superior value for customers and consumers to outgrow our markets, to strengthen our leadership in sustainability, and to enable our employees to grow both professionally and personally at Henkel.

The key elements of our strategic framework are a winning portfolio, clear competitive edge in the areas of innovation, sustainability and digitalization, and future-ready operating models – underpinned by a strong foundation of a collaborative culture and empowered people.



 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Shares and bonds

In a challenging market environment characterized by the impacts of the global COVID-19 pandemic, the performance of the Henkel shares was negative overall in fiscal 2021. After a sluggish start to the year and a significant decline in share price, Henkel's shares were able to initially benefit from the dynamic economic recovery and a sales performance that exceeded market expectations. Accompanied by the advance release on March 31, 2021 with news of strong sales growth in the first quarter and an increase in the sales outlook, the shares reached their respective highs for the year in April in a generally buoyant market. The performance of Henkel's shares from the second quarter onward was impacted in particular by the extraordinary increase in raw material prices, which accelerated as the year progressed, and by strained global supply chains. Both exerted an increasingly negative impact on Henkel's earnings development. In addition, the performance of key areas in our Beauty Care consumer businesses fell short of market expectations. Although the Henkel Group was able to raise its annual guidance for organic sales growth in August on publication of its figures for the first six months of the year, the guidance for adjusted return on sales was lowered to the level communicated at the beginning of the year with another reduction in November, also for adjusted earnings per preferred share.

Henkel preferred shares closed the year at 71.14 euros, significantly down year on year (-22.9 percent). The ordinary shares closed the year down -12.9 percent at 68.70 euros. Assuming reinvestment of the dividend (before tax deduction) in the shares at the time of payment, the total return generated by the preferred and ordinary shares was -21.5 and -11.0 percent respectively. Henkel preferred share performance therefore remained significantly behind that of the benchmark indices, the DAX (+15.8 percent) and the STOXX® Europe 600, which gained 22.2 percent over the course of the year. Henkel preferred shares traded at an average premium of 11.1 percent over the ordinary shares in 2021. Year on year, the trading volume (Xetra) of preferred shares decreased in 2021. Each trading day saw an average of around 465,000 preferred shares changing hands (2020: 604,000). By contrast, the average trading volume of the ordinary shares increased marginally to around 141,000 shares (2020: 121,000). The market capitalization of the ordinary and preferred shares totaled 30.5 billion euros as of year-end 2021.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Key data on Henkel shares 2017 to 2021

in euros	2017	2018	2019	2020	2021	
Earnings per share						
Ordinary share	5.79	5.32	4.79	3.23	3.76	
Preferred share	5.81	5.34	4.81	3.25	3.78	
Share price at year-end¹						
Ordinary share	100.00	85.75	84.00	78.85	68.70	
Preferred share	110.35	95.40	92.20	92.30	71.14	
High for the year¹						
Ordinary share	113.70	104.70	89.55	87.55	85.80	
Preferred share	128.90	115.05	97.02	96.02	98.92	
Low for the year¹						
Ordinary share	96.15	83.30	76.20	55.00	65.55	
Preferred share	110.10	93.46	81.78	64.94	69.52	
Dividend						
Ordinary share	1.77	1.83	1.83	1.83	1.83²	
Preferred share	1.79	1.85	1.85	1.85	1.85²	
Market capitalization¹						
Ordinary shares	in bn euros	45.6	39.3	38.2	36.9	30.5
Preferred shares	in bn euros	26.0	22.3	21.8	20.5	17.8
Preferred shares	in bn euros	19.6	17.0	16.4	16.4	12.7

¹ Closing share prices, Xetra trading system.

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

Over the last ten years, Henkel preferred shares have earned an average return of 6.5 percent per year (assuming reinvestment of the dividend before tax deduction), which is lower than the average DAX performance of 10.4 percent per year for the same period. Over the past five years, Henkel preferred shares earned an annual return of -7.2 percent compared to the average plus for the DAX of 6.7 percent per year. Shareholders who invested the equivalent of 1,000 euros when Henkel preferred shares were issued in 1985, and reinvested the dividends received (before tax deduction) in the stock, had a portfolio value of 25,478 euros at the end of 2021. This represents an increase in value of 2,448 percent or an average return of 9.3 percent per year. Over the same period, the DAX provided an annual return of 7.5 percent. Henkel shares have therefore proven to be a good investment for investors with a very long-term horizon.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

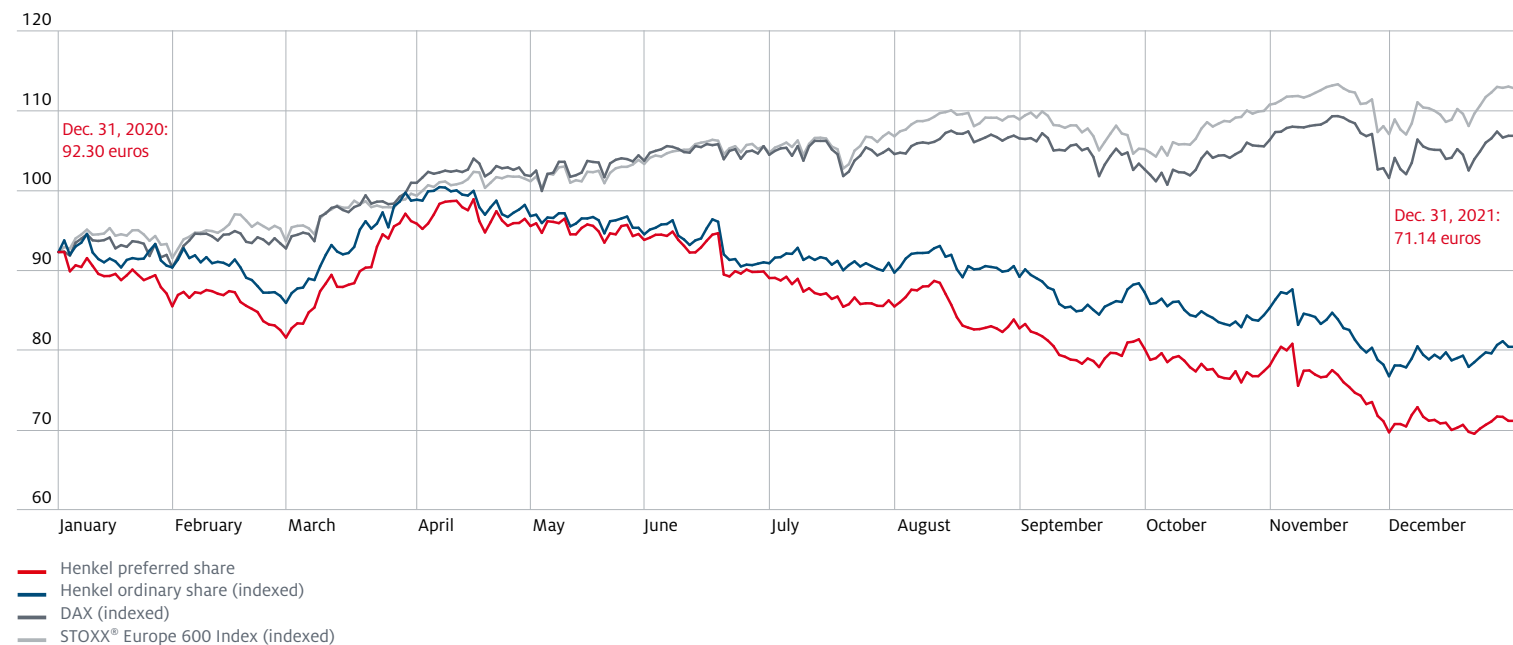
Further information

Credits

Contacts

Financial calendar

Performance of Henkel shares versus market
January through December 2021
in euros



☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

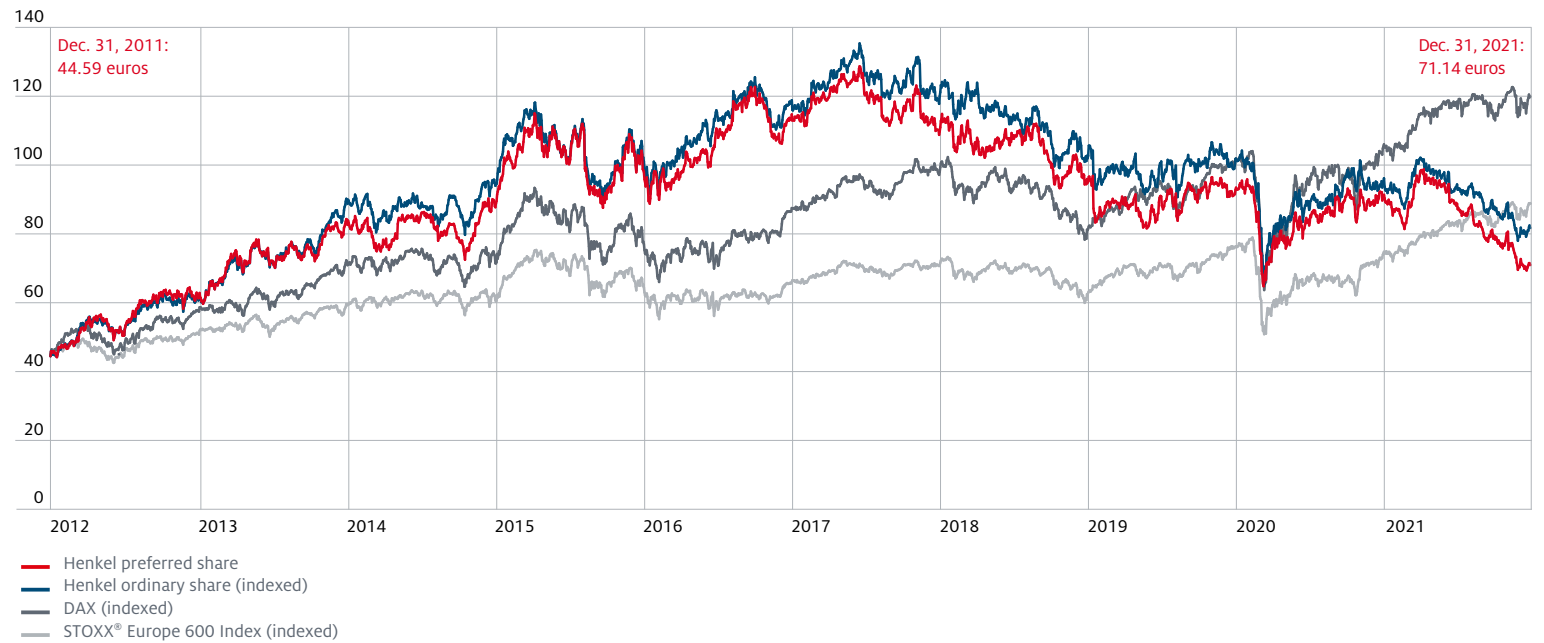
Further information

Credits

Contacts

Financial calendar

Performance of Henkel shares versus market
from 2012 through 2021
in euros



 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Henkel represented in all major indices

Henkel shares are traded on the Frankfurt Stock Exchange, predominantly on the Xetra electronic trading platform. Henkel is also listed on all regional stock exchanges in Germany. In the USA, investors are able to invest in Henkel preferred and ordinary shares by way of stock ownership certificates obtained through the Sponsored Level I ADR (American Depositary Receipt) program. One share is equivalent to four ADRs. The number of ADRs outstanding for ordinary and preferred shares at the end of the year increased over the course of the year to approximately 15.8 million (2020: 13.3 million).

Share data

	Preferred shares	Ordinary shares
Security code No.	604843	604840
ISIN code	DE0006048432	DE0006048408
Stock exch. symbol	HEN3.ETR	HEN.ETR
Number of shares	178,162,875	259,795,875

ADR data

	Preferred shares	Ordinary shares
CUSIP	42550U208	42550U109
ISIN code	US42550U2087	US42550U1097
ADR symbol	HEN0Y	HENKY
Ratio	1 share : 4 ADRs	1 share : 4 ADRs

The international importance of Henkel preferred shares derives not least from their inclusion in many leading indices that serve as important indicators for capital markets, and as benchmarks for fund managers. Particularly noteworthy in this respect are the STOXX® Europe 600, MSCI World and FTSE World Europe indices. Henkel's inclusion in the Dow Jones Titans 30 Personal & Household Goods Index also makes it one of the most important corporations in the personal and household goods sector worldwide. As a DAX stock, Henkel is one of the most significant exchange-listed companies in Germany.

At year-end 2021, Henkel ranked 30th in terms of free float-weighted market capitalization of the preferred shares included in the DAX index (2020: 22nd). Since the DAX reform in September 2021, stock exchange turnover is no longer considered for ranking purposes. Added to this, the DAX was expanded to include ten more company shares and now covers a total of 40 shares. The weighting of Henkel preferred shares decreased, not least due to this expansion, to 0.89 percent (2020: 1.49 percent).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

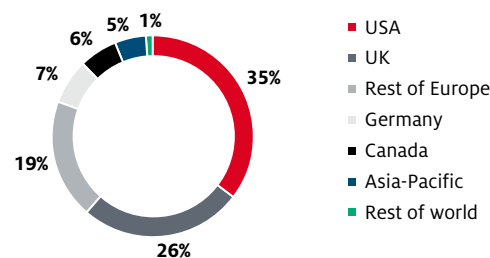
Once again, our advances in sustainable management earned recognition from external experts in 2021. Our performance with respect to non-financial indicators (environmental, social and governance themes) was reflected in regular positive assessments by various national and international rating agencies, from which – among other things – sustainability indices are derived.

Henkel has been represented in the ethics index FTSE4Good since 2001, and in the STOXX® Global ESG Leaders index family since its launch by Deutsche Börse in 2011. Our membership in the Solactive Global Corporate Social Responsibility Index and the Solactive Europe Corporate Social Responsibility Index as well as in the Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indices was confirmed, as was our membership in the MSCI Global Sustainability Index series. Henkel is, moreover, one of only 50 companies worldwide to be included in the renowned Global Challenges Index of particularly sustainable companies who make substantial contributions to overcoming major global challenges, such as climate change.

International shareholder structure

Compared to the ordinary shares, our preferred shares are the significantly more liquid class of Henkel stock. Apart from the treasury shares held, which amount to 2.07 percent, they are entirely in free float. A large majority are owned by institutional investors whose portfolios are, in most cases, broadly distributed internationally. As of December 31, 2021, treasury stock amounted to 3.7 million preferred shares.

Shareholder structure:
Institutional investors holding Henkel shares



At November 30, 2021
Source: Investor Update

 Contents

 The Company

Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

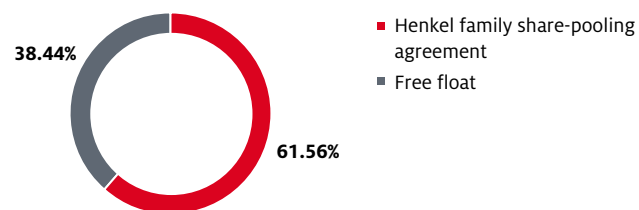
 Credits

 Contacts

 Financial calendar

According to notices received by the company, members of the Henkel family share-pooling agreement own a majority of the ordinary shares amounting to 61.56 percent as of March 1, 2021. We have received no other notices indicating that a shareholder holds more than 3 percent of the voting rights (notifiable ownership).

Shareholder structure:
Ordinary shares



At December 31, 2021

Source: Henkel

Employee share plan

Since 2001, Henkel has offered an employee share plan (ESP) enabling its employees to acquire Henkel shares. In 2021 again, Henkel added 33 eurocents for each euro invested by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year). Around 12,700 employees in 58 countries purchased Henkel preferred shares under this program in 2021. At year-end, some 18,400 employees held a total of around 2.8 million shares in the ESP securities accounts, representing 1.6 percent of total preferred shares outstanding. The lock-up period for newly acquired ESP shares is three years.

Investing in Henkel shares through long-term participation in our ESP has proven to be very beneficial for our employees in the past. Employees who invested 100 euros each month in Henkel shares since the program was first launched held portfolios valued at 68,815 euros at the end of 2021 (assuming reinvestment of the dividends before tax deduction), which equates to a total return of 44,815 euros or 287 percent of the cumulative investment.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Henkel bonds

At the end of fiscal 2021, nine Henkel bonds were outstanding with a total volume of around 2.5 billion euros and maturities ranging between 2022 and 2032.

Henkel published its new “Sustainable Finance Framework” in October 2021. This framework will enable Henkel to issue both sustainability-linked bonds and “green bonds” on the capital market in the future. November 2021 saw the first issuance under our “Sustainable Finance Framework” of a sustainability-linked bond with a volume of 500 million euros and a term of eleven years, and a further sustainability-linked bond with a volume of 250 million US dollars and a term of five years. Henkel thus became the first corporation in its sector to place sustainability-linked eurobonds and the first-ever issuer of a sustainability-linked US dollar bond in the eurodollar market. When issuing the bonds, we committed to meet certain sustainability targets by 2025 and 2030 respectively. These targets relate to the sustainability of our packaging and to the reduction of greenhouse gas emissions. The cost of financing the bonds is contingent upon these sustainability targets being achieved. The issuance proceeds will be used for general corporate purposes, including the refunding of a maturing bond.

With these bonds, Henkel has also expanded its sustainable issuance activities in the area of capital market financing. They supplement the private placement in July 2020 to reduce plastic waste, implemented by Henkel as the world’s first ever company to follow this route. The issue consisted of two tranches – 70 million US dollars and 25 million euros – with a term of five years.

Further information can be found on the website: www.henkel.com/creditor-relations

Bond data¹

	2016			2019			2020			2021	
Currency	GBP	GBP	GBP	GBP	CHF	USD	EUR	EUR	USD		
Volume	300 million	400 million	350 million	100 million	330 million	70 million	25 million	500 million	250 million		
Coupon	0.875% p.a.	1.00% p.a.	1.25% p.a.	1.00% p.a.	0.2725% p.a.	1.042% p.a.	0.12% p.a.	0.50% p.a.	1.75% p.a.		
Maturity	9/13/2022	9/30/2022	9/30/2026	9/30/2022	4/28/2023	7/7/2025	7/10/2025	11/17/2032	11/17/2026		
Issue price	99.59%	100%	99.99%	100.22%	100%	100%	100%	99.989%	99.692%		
Issue yield	0.95% p.a.	1.00% p.a.	1.25% p.a.	0.91% p.a.	0.2725% p.a.	1.042% p.a.	0.12% p.a.	0.501% p.a.	1.815% p.a.		
Day count convention	Act/Act (ICMA)	Act/Act (ICMA)	Act/Act (ICMA)	Act/Act (ICMA)	30/360	30/360	Act/Act (ICMA)	Act/Act (ICMA)	30/360 (ISMA)		
Denomination	1,000 GBP	100,000 GBP	100,000 GBP	100,000 GBP	5,000 CHF	200,000 USD	200,000 EUR	100,000 EUR	200,000 USD		
Security code No.	A2BPAZ	A2YN22	A2YN23	A254YF	A289R9	A289QD	A289X0	A3MQMC	A3MQMB		
ISIN	XS1488419935	XS2057835717	XS2057835808	XS2108492468	CH0541537996	XS2198440260	XS2202774969	XS2407955827	XS2407954002		
Listing	Regulated Market of the Luxembourg Stock Exchange				SIX Swiss Exchange Ltd.	not listed	not listed	Regulated Market of the Luxembourg Stock Exchange			

¹ Bonds outstanding as of December 31, 2021.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Pro-active capital market communication

An active and open information policy ensuring prompt and continuous communication is a major component of the value-based management approach at Henkel. Hence, shareholders, shareholder associations, participants in the capital market, financial analysts, the media and the public at large are kept informed of the current situation and major business changes relating to the corporation. All stakeholders are treated equally in this respect.

Up-to-date information is incorporated in the regular financial reporting undertaken by the company. The dates of the major publications, and also the dates for the press conference on the preceding fiscal year and the Annual General Meeting, are published together with all relevant information on the internet at www.henkel.com/ir.

This also serves as the portal for the live broadcast of telephone conferences and parts of the Annual General Meeting (AGM). In 2021 again, the COVID-19 pandemic posed special challenges in respect of capital market communication, which we were nevertheless able to successfully overcome. Thanks to our comprehensive initiative in digitalization, we were able to maintain the same high quality and volume of communication almost entirely virtually via digital channels. Thanks to these efforts, Henkel achieved a good second place in the "NetFederation IR Benchmark 2021," which analyzed the 50 DAX, SDAX, MDAX and TecDAX companies with the highest capitalization in Germany.

Due to COVID-19 restrictions, our 2021 AGM was held exclusively online, as had also been the case the previous year. Nevertheless, we made sure all shareholders had the opportunity to directly obtain extensive information about the company. In particular, shareholders were given the opportunity of submitting questions and contributions in advance, and of submitting follow-up questions during the event.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

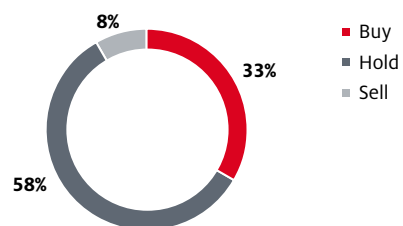
Contacts

Financial calendar

Shareholders, the media and the public at large are regularly provided with comprehensive information through press releases and information events – most of which took place online in 2021 as a result of the pandemic, while occurrences with the potential to materially affect the price of Henkel shares are communicated in the form of ad hoc announcements. The company’s advancements and targets in relation to the environment, safety, health and social responsibility continue to be published annually in our Sustainability Report.

Henkel is covered by numerous financial analysts at an international level. A total of 24 equity analysts regularly publish reports and commentaries on the current performance of the corporation.

Analyst recommendations



At December 31, 2021
Basis: 24 equity analysts

Henkel places great importance on dialog with investors and analysts. There were 35 virtual capital market conferences and roadshows attended by people from Europe, North America and Asia, through which institutional investors and financial analysts had an opportunity to engage with representatives of the corporation and, in many instances, directly with senior management. In total, we exchanged views with more than 700 different institutional investors and financial analysts around the globe in individual or group meetings and telephone or video conferences.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Corporate governance at Henkel AG & Co. KGaA

The corporate governance report takes into account the relevant recommendations of the German Corporate Governance Code (GCGC) as amended on December 16, 2019, and contains all disclosures and explanations required according to Sections 289a and 315a (takeover-relevant information) and Sections 289f and 315d (corporate governance statement) of the German Commercial Code [HGB]. The corporate governance report forms part of the combined management report for Henkel AG & Co. KGaA and the Group, which has been audited by the external auditor. It should be noted that Section 317 (2) sentence 6 HGB stipulates that the audit of the disclosures pursuant to Sections 289f (2), 315d HGB is limited to the question as to whether the requisite information has been disclosed.

Takeover-relevant information

(Disclosures required per Sections 289a, 315a HGB, and explanations)

Composition of issued capital/Shareholders' rights

As at December 31, 2021, the capital stock of the corporation was unchanged year on year at 437,958,750 euros. It is divided into a total of 437,958,750 bearer shares (of no par value), with each share representing a nominal proportion of the capital stock of 1 euro. Of this total, 259,795,875 are ordinary shares (total nominal proportion of capital stock: 259,795,875 euros, representing 59.3 percent of the capital stock), and 178,162,875 are preferred shares without voting rights (total nominal proportion of capital stock: 178,162,875 euros, representing 40.7 percent of the capital stock). All shares are fully paid in. Multiple share certificates for shares may be issued. In accordance with Art. 6 (4) of the Articles of Association, there is no right to individual share certificates. Each ordinary share grants to its holder one vote (Art. 21 (1) of the Articles of Association). The preferred shares grant to their holders all shareholder rights apart from the right to vote (Sections 139 (1) and 140 (1) German Stock Corporation Act [AktG] in conjunction with Art. 6 (1) of the Articles of Association). The preferred shares carry the following preferential right in the distribution of profit (Section 139 (1) AktG in conjunction with Art. 35 (2) of the Articles of Association) unless otherwise resolved by the Annual General Meeting:

- The holders of preferred shares receive a preferred dividend in the amount of 0.04 euros per preferred share. If the profit to be distributed in a fiscal year is insufficient for payment of a preferred dividend of 0.04 euros per preferred share, the arrears are paid without interest from the profit of the following years, with older arrears to be paid in full before more recent arrears, and the preferred dividend from the profit of a particular

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

fiscal year paid only after the clearance of all arrears. The holders of ordinary shares then receive a preliminary dividend from the remaining unappropriated profit of 0.02 euros per ordinary share, with the residual amount being distributed to the holders of ordinary and preferred shares in accordance with the proportion of the capital stock attributable to them.

- If the preferred dividend is not paid out either in part or in whole in a year, and the arrears are not paid off in the following year together with the full preferred share dividend for that second year, the holders of preferred shares are accorded voting rights until such arrears are paid (Section 140 (2) AktG). Cancellation or limitation of this preferred dividend requires the consent of the holders of preferred shares (Section 141 (1) AktG).

The shareholders exercise their rights in the Annual General Meeting per the relevant statutory provisions (especially Sections 118 ff, 186 AktG) and the corporation's Articles of Association (especially Art. 18 ff). In particular, they exercise the right to vote conveyed by the shares with voting rights – either personally, by postal (mail-in) vote, through a legal representative or through a proxy-holder nominated by the corporation (Section 134 (3) and (4) AktG in conjunction with Art. 21 (2) and (3) of the Articles of Association) – and are also entitled to submit motions on the resolution proposals of management, speak on agenda items, raise pertinent questions and propose motions (Sections 126 (1) and 131 AktG in conjunction with Art. 23 (2) of the Articles of Association). The ordinary Annual General Meeting usually takes place within the first four months of the fiscal year.

Shareholders whose combined shares represent one-twentieth of the capital stock – equivalent to 21,897,938 ordinary or preferred shares or a combination of the two – may demand that an Annual General Meeting be convened. Shareholders whose combined share of the capital stock amounts to 500,000 euros or more – equivalent to 500,000 ordinary or preferred shares or a combination of the two – may demand the inclusion of items on the agenda and publication of same (Section 122 (1) and (2) AktG). In addition, shareholders whose combined share of the capital stock amounts to 100,000 euros or more – equivalent to 100,000 ordinary or preferred shares or a combination of the two – may, subject to certain conditions, request that a special auditor be appointed by the court to examine certain matters (Section 142 (2) AktG).

Through the use of electronic communications, particularly the internet, the corporation makes it easy for shareholders to participate in the Annual General Meeting. It also enables them to be represented by proxy-holders for exercising their voting rights. The reports, documents and information required by law for the Annual General Meeting, including the financial statements and annual reports, are made available on the internet, as are the agenda for the Annual General Meeting and any countermotions or nominations for election by shareholders that require publication.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Restrictions with respect to voting rights or the transfer of shares

Generally, preferred shares do not convey any voting rights (Sections 139 (1), 140 (1) AktG; please refer to the remarks above for further details). Voting rights attached to treasury shares held by the corporation (Section 71b AktG) and to ordinary shares for which the statutory notification requirement has not been met (Section 44 sentence 1 German Securities Trading Act [WpHG]) may not be exercised. The voting rights attached to ordinary shares are also excluded by law in the cases cited in Section 136 AktG (conflicts of interest concerning ordinary shares held by members of the Management Board, Supervisory Board or Shareholders' Committee).

A share-pooling agreement has been concluded between members of the families of the descendants of company founder Fritz Henkel, pursuant to which the members agree on how to exercise the voting rights conveyed by their relevant ordinary shares in Henkel AG & Co. KGaA and ensure their voting rights are exercised consistently. The agreement also contains restrictions with respect to transfers of the ordinary shares covered (Art. 7 of the Articles of Association).

Henkel preferred shares acquired by employees through the employee share plan, including bonus shares acquired without additional payment, are subject to a company-imposed contractual lock-up period of three years, which begins on the first day of the respective participation period. The shares may not be sold before expiration of this lock-up period. If employee shares are sold during the lock-up period, the bonus shares are forfeited.

Henkel preferred shares acquired by employees through the Long Term Incentive (LTI) Plan 2020+ are also subject to a company-imposed contractual lock-up period and may not be sold before expiration of the four-year term of each tranche.

Contractual agreements also exist with members of the Management Board governing lock-up periods for Henkel preferred shares which they purchase out of part of their variable annual cash remuneration.

Major shareholders

According to notifications received by the corporation, as of March 4, 2021, a total of 61.56 percent of the voting rights are held by members of the Henkel family share-pooling agreement (for additional information, please see the disclosures provided in the notes to the consolidated financial statements under Note 42 on pages 293 and 294). No other direct or indirect investment in capital stock exceeding 10 percent of the voting rights has been reported to us or is known to us.

Shares with special rights

There are no shares carrying multiple voting rights, preference voting rights, maximum voting rights or other special controlling rights.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Statutory requirements and provisions in the Articles of Association governing the appointment and dismissal of members of the Management Board and amendment of the Articles of Association

Decisions regarding the appointment and dismissal of personally liable partners are taken by the Shareholders' Committee of Henkel AG & Co. KGaA and not by the Annual General Meeting (Art. 26 of the Articles of Association). Henkel Management AG is the sole Personally Liable Partner of the corporation (Art. 8 (1) of the Articles of Association); all its shares are held by Henkel AG & Co. KGaA.

The Supervisory Board of Henkel Management AG is responsible for the appointment and dismissal of members of the Management Board of Henkel Management AG (Management Board). The appointments are for a maximum tenure of five years, although initial appointments tend to be for a period of three years, in accordance with the recommendations of the GCGC. Reappointment or an extension of tenure is permitted for a maximum period of five years in each case (Section 84 (1) AktG). The Supervisory Board of Henkel Management AG may revoke the appointment as member of the Management Board for good cause or reason, which may consist of gross dereliction of management board duties or inability to properly manage the company's affairs (Section 84 (3) AktG). The Supervisory Board of Henkel Management AG exercises due discretion when appointing and revoking appointments.

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board of Henkel Management AG is also responsible for determining the number of members on the Management Board. The Supervisory Board can appoint a member of the Management Board as Chairperson (Section 84 (2) AktG; Art. 7 (1) of the Articles of Association of Henkel Management AG).

Unless otherwise mandated by statute or the Articles of Association, the resolutions of the Annual General Meeting of Henkel AG & Co. KGaA are adopted by simple majority of the votes cast. If a majority of capital is required by statute, resolutions are adopted by simple majority of the voting capital represented (Art. 24 of the Articles of Association). This also applies to changes in the Articles of Association. However, modifications to the object of the corporation require a three-quarters' majority (Section 179 (2) AktG). The Supervisory Board and Shareholders' Committee have the authority to resolve purely formal modifications of and amendments to the Articles of Association (Art. 34 of the Articles of Association). By resolution of the Annual General Meeting, the Supervisory Board is also authorized to amend Art. 5 and 6 of the Articles of Association with respect to each use of the authorized capital and upon expiration of the term of the authorization.

Authorization of the Management Board to issue or buy back shares

Authorized capital was created by resolution of the Annual General Meeting on June 17, 2020 (Art. 6 (5) of the Articles of Association). Under the new resolution, the Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to increase the capital of the corporation at any time through to June 16, 2025, by up to a nominal amount of 43,795,875 euros in total from the issuance of up to 43,795,875 new non-voting preferred bearer shares for cash consideration (Authorized Capital 2020). The new shares have exactly the same rights as the preferred bearer shares already in circulation in respect of eligibility

 Contents

[The Company](#)

[Shares and bonds](#)

Corporate governance

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

for distribution of profits or corporation assets. Existing shareholders must be granted pre-emptive rights. Pursuant to Section 186 (5) sentence 1 AktG, the new shares can be acquired by one or more banks or companies to be nominated by the Personally Liable Partner on condition that they offer them for purchase to the shareholders.

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

In addition, pursuant to the resolution adopted by the Annual General Meeting on April 8, 2019, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 7, 2024 up to a maximum proportion of 10 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. Equity derivatives (put and/or call options and/or forward contracts or a combination of same) can also be used for such purchase. The volume of any and all shares purchased using such derivatives must not exceed 5 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. The terms of the derivatives must not exceed 18 months in each case and shall be contracted such that, after April 7, 2024, it will not be possible to acquire treasury shares through exercise of such derivatives.

This authorization to purchase treasury shares can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests in entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. Treasury shares may also be offered for purchase or transferred to members of the corporation's staff, or managers and employees of affiliated companies, particularly in connection with share-based payment plans, including the Long Term Incentive (LTI) Plan 2020*. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner is also authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury shares without the need for further resolution by the Annual General Meeting.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Insofar as shares are issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

Concerning the number of treasury shares and their use, please refer to the disclosures provided in the notes to the separate financial statements of Henkel AG & Co. KGaA, Note 10, on pages 15 to 17, and in the notes to the consolidated financial statements, Note 10, on pages 218 and 219.

Material agreements governed by a change of control, and compensation agreements in the event of a takeover bid

The corporation has not entered into any material agreements governed by a change of control in the wake of a takeover bid, nor any compensation agreements with members of the Management Board or individual employees in the event of a takeover bid.

Corporate governance statement

(Disclosures required under Sections 289f, 315d HGB, and explanations)

The following statement takes into account the relevant recommendations of the GCGC and contains all disclosures and explanations required according to Sections 289f and 315d HGB (corporate governance statement). It should be noted that Section 317 (2) sentence 6 HGB stipulates that the audit of the disclosures pursuant to Sections 289f (2), 315d HGB is limited to the question as to whether the requisite information has been disclosed.

The Management Board, the Shareholders' Committee and the Supervisory Board are committed to ensuring that the management and stewardship of the corporation are conducted in a responsible and transparent manner aligned to achieving a long-term increase in shareholder value. With this in mind, they have pledged allegiance to the following three principles:

- **Value creation** as the foundation of our management approach
- **Sustainability** achieved through the application of socially responsible management principles
- **Transparency** supported by an active and open information policy

How Henkel applies the GCGC

The GCGC is substantially aligned to the statutory provisions applicable to a German joint stock corporation ("Aktiengesellschaft" [AG]). It is applied analogously by Henkel AG & Co. KGaA (the corporation) to the extent that its regulations are applicable to the legal form of a Kommanditgesellschaft auf Aktien. A description is provided below to enable a better understanding of the principles underlying the management and control structure of the corporation and the special features distinguishing us from an AG which derive from our specific legal form and our Articles of Association, with indication also of the primary rights accruing to the shareholders of Henkel AG & Co. KGaA.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Legal form/Special statutory features of Henkel AG & Co. KGaA

Henkel is a “Kommanditgesellschaft auf Aktien” [KGaA]. A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company’s creditors (personally liable partner), while the liability for such debts of the other partners participating in the share-based capital stock is limited to their share capital (limited shareholders, Section 278 (1) AktG).

In terms of its legal structure, a KGaA is a mixture of a joint stock corporation [AG] and a limited partnership [KG], with a leaning toward stock corporation law. The differences with respect to an AG are primarily as follows: The duties of the executive board of an AG are performed at the corporation by Henkel Management AG – acting through its Management Board – as the sole Personally Liable Partner (Sections 278 (2) and 283 AktG in conjunction with Art. 11 of the Articles of Association). The corporation is the sole shareholder of Henkel Management AG.

The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. Specifically, the supervisory board of a KGaA is not authorized to appoint personally liable partners, preside over the partners’ contractual arrangements, impose procedural rules on the management board, or rule on business transactions. These duties are performed for the corporation by the Shareholders’ Committee and by the Supervisory Board of Henkel Management AG respectively. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany’s Codetermination Act of 1976.

The general meeting of a KGaA essentially has the same rights as the shareholders’ meeting of an AG. For example, it votes on the appropriation of earnings, elects members of the supervisory board (shareholder representatives) and formally approves the supervisory board’s actions. It appoints the auditor and also votes on amendments to the articles of association and measures that change the company’s capital, which are implemented by the management board. Additionally, as stipulated by the legal form, it also votes on the adoption of the annual financial statements of the company, formally approves the actions of the personally liable partner (general partner), and elects and approves the actions of the members of the shareholders’ committee as established under the articles of association. Resolutions passed in general meeting require the approval of the personally liable partner where they involve matters which, in the case of a limited partnership, require the authorization of the personally liable partners and that of the limited partners (Section 285 (2) AktG) or relate to the adoption of annual financial statements (Section 286 (1) AktG).

According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders’ Committee comprising a minimum of five and a maximum of 10 members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). The Shareholders’ Committee is required in particular to perform the following functions (Section 278 (2) AktG in conjunction with Sections 114 and 161 HGB, and Art. 8, 9 and 26 of the Articles of Association):

- In particular, the Shareholders’ Committee acts in place of the Annual General Meeting in guiding the business activities of the corporation.
- It decides on the appointment and dismissal of the Personally Liable Partners.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

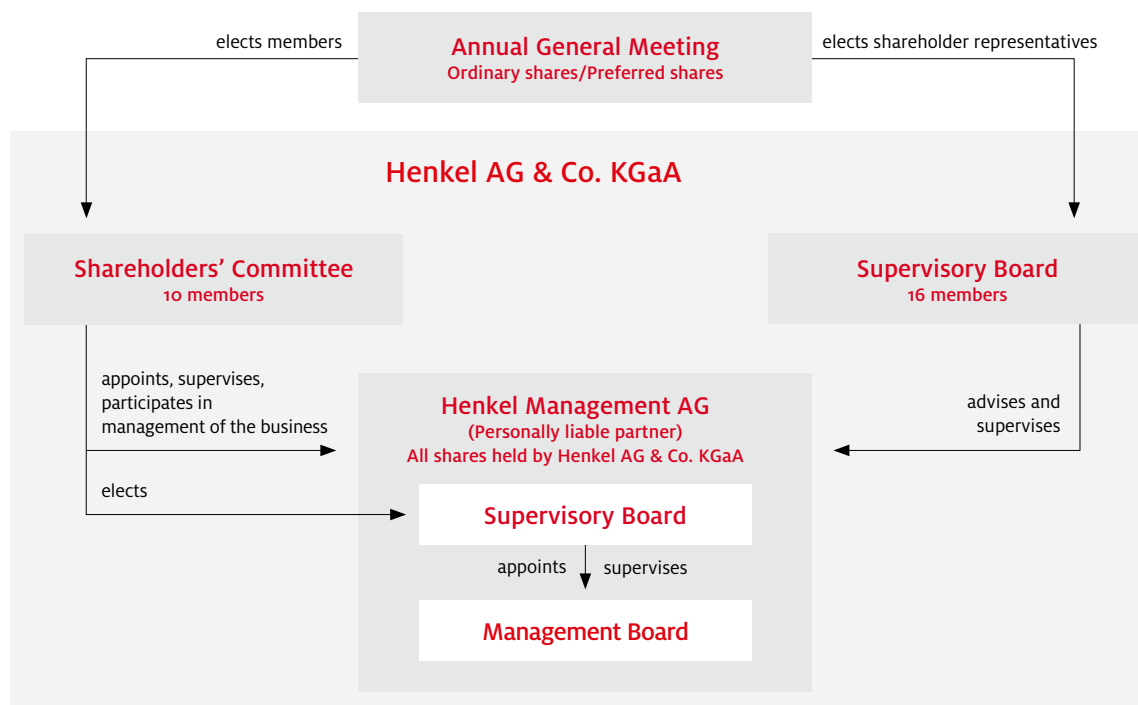
Contacts

Financial calendar

- It holds both the power of representation and executive powers over the legal relationships prevailing between the corporation and Henkel Management AG, the Personally Liabe Partner.
- It exercises the voting rights of the corporation in the Annual General Meeting of Henkel Management AG, thereby choosing its three-member Supervisory Board which, in turn, appoints and dismisses the members of the Management Board.
- It determines the rules of procedure for the Personally Liabe Partner, Henkel Management AG, and specifies which transactions it must submit to the Shareholders' Committee for approval.

There were no changes in the Group management and supervisory structure in the year under review. The following chart illustrates the structure of the corporation.

Structure of Henkel AG & Co. KGaA



 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Declaration of compliance per Section 161 AktG

Where the GCGC offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the corporation's Shareholders' Committee or the Supervisory Board of Henkel Management AG in compliance with the Articles of Association, those recommendations have been adopted accordingly for the Shareholders' Committee and the Supervisory Board of Henkel Management AG respectively. Such recommendations by the GCGC relate to the composition of the Management Board, succession planning, the length of first terms in office, reappointment and specification of an age limit, definition of a remuneration system and of total remuneration, specification of the amount of variable remuneration to be paid to the Management Board and of the monetary arrangements upon termination of a contract.

In February 2021, the Management Board, Supervisory Board and Shareholders' Committee issued the following declaration, which was published on the corporation's website:

"Declaration for 2021 pursuant to the German Corporate Governance Code

The Management Board of Henkel Management AG as the personally liable partner (general partner), the Shareholders' Committee and the Supervisory Board of Henkel AG & Co. KGaA ("Corporation") declare, pursuant to Section 161 of the German Stock Corporation Act [AktG], that notwithstanding the specific regulations governing companies with the legal form of a German partnership limited by shares ("KGaA") and the pertinent provisions of its Articles of Association ("bylaws") concretizing this legal form, the Corporation has complied with the current recommendations of the German Corporate Governance Code ("Code") as amended on December 16, 2019 ("GCGC") since the last declaration of compliance of March 2020, and presently complies and will comply in the future with the recommendations of the Code subject to certain derogations indicated below:

Modifications due to the legal form of a KGaA and their concretization in the bylaws

- The Corporation is a German partnership limited by shares ("Kommanditgesellschaft auf Aktien" [KGaA]). The tasks and duties of an executive board in a German joint stock corporation ("AG") are assigned to the personally liable partner(s) of a KGaA. The sole personally liable partner of the Corporation is Henkel Management AG, the Management Board ("Management Board") of which is thus responsible for managing the business activities of the Corporation. The Corporation is the sole shareholder of Henkel Management AG.
- The Shareholders' Committee established in accordance with the Corporation's bylaws acts in place of the General Meeting of the Corporation, its primary duties being to engage in the management of the Corporation's affairs and to appoint and dismiss personally liable partners; it holds representative authority and the power of management, allowing it to preside over the legal relationships of the Corporation and Henkel Management AG as the latter's personally liable partner. It also issues the rules of procedure governing the actions of Henkel Management AG.

The Shareholders' Committee is also responsible for exercising the company's voting rights at Annual General Meetings of Henkel Management AG. In so doing, it likewise appoints the members of the supervisory board of Henkel Management AG, which in turn appoints the members of the Management Board. The super-

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

visory board of Henkel Management AG comprises three members; these are also members of the Shareholders' Committee.

Recommendations of the Code that refer to the duties and responsibilities of a supervisory board that are performed by the Shareholders' Committee in accordance with the Corporation's bylaws are analogously applied to the Shareholders' Committee.

- The rights and duties of the supervisory board of a KGaA are more limited compared to those of the supervisory board of an AG. In particular, the Supervisory Board of the Corporation has no authority to appoint personally liable partners or to preside over the associated contractual arrangements; it may not issue rules of procedure governing the actions of the Management Board, and it is not permitted to designate business transactions requiring oversight consent. These duties are performed by the Shareholders' Committee or the supervisory board of Henkel Management AG. A KGaA is not required to appoint a director of labor affairs, even if, like Henkel, the company is bound to abide by Germany's Codetermination Act of 1976.
- The general meeting of a KGaA essentially has the same rights as the shareholders' meeting of an AG. In addition, it resolves on the adoption of the annual financial statements of the Corporation and formally approves the actions of the personally liable partner(s). At Henkel, the General Meeting also elects the Shareholders' Committee and formally approves its actions. Numerous resolutions passed in the General Meeting require the consent of the personally liable partner, including approval of the annual financial statements of the Corporation.

Recommendations of the Code

Where the GCGC offers recommendations concerning the duties and responsibilities of a supervisory board that are performed by the Corporation's Shareholders' Committee or the Supervisory Board of Henkel Management AG due to legal form or in compliance with the Articles of Association, those recommendations have been adopted accordingly for the Shareholders' Committee and the Supervisory Board of Henkel Management AG respectively. Such recommendations contained in the GCGC relate to the composition of the Management Board, succession planning, the length of first terms in office, reappointments and specification of an age limit, definition of a remuneration system and of total remuneration, and specification of the amount of variable remuneration to be paid to the Management Board and of the monetary arrangements upon termination of a contract (Recommendations B.1 to B.5 and G.1 to G.16).

Taking into account the special features arising from its legal form and bylaws, the Corporation complies with all recommendations ("shall" provisions) of the GCGC, with the following exceptions:

- According to Recommendation C.5 GCGC, management board members of listed companies should not accept more than two supervisory board appointments or comparable offices in non-Group listed companies. Nor should they chair a supervisory board of a non-Group listed company. Whether the number of mandates held by members of the management board remains appropriate is to be assessed on a case-by-case basis as a more reasonable approach, rather than by means of a rigid upper limit.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

- In derogation from Recommendation D.8 GCGC, individual meeting attendance by Supervisory Board members is disclosed together with individual meeting attendance by the members of the Shareholders' Committee in the remuneration report and not in the report of the Supervisory Board.
- According to Recommendation G.8 GCGC, any subsequent change in target values or the benchmark parameters should be precluded in the case of variable remuneration components. Following the modification to the Management Board remuneration scheme in 2019 with regard to the Long Term Incentive (LTI) tranches issued in 2017 and 2018 – of which the three-year performance measurement terms ended on December 31, 2019 and December 31, 2020 respectively – the method of performance measurement derogates from this recommendation insofar as the related benchmark parameters are determined pro rata temporis in accordance with the previously valid conditions for the period up to December 31, 2018, and for the period from January 1, 2019 in accordance with the conditions effective from 2019. This has ensured a cogent and consistent incentive system of Management Board compensation effectively aligned to officer performance.

In keeping with Recommendation G.11 GCGC giving supervisory boards the option of considering unusual developments, the Supervisory Board of Henkel Management AG can, at its discretion, include reasonable consideration of unusual developments – the effects of which are not appropriately reflected in the achievement of the targets when determining the targets for the STI and for the LTI. This can result in both higher and lower target achievement values and, therefore, corresponding payout amounts.

- According to Recommendation G.10 GCGC, the amounts corresponding to the variable components of remuneration awarded to the members of the Management Board should be predominantly invested by them in Corporation shares, or be awarded in appropriately share-based form. Long-term variable remuneration awards to Management Board members should be subject to a four-year lock-up period.

In derogation from this recommendation, the portion of the personal investment in Henkel preferred shares (share deferral) to be made under the STI scheme in relation to the at-target remuneration (target achievement, functional factor 1) amounts to around 25 percent of the total variable remuneration (comprising the STI and the LTI) and around 47 percent of the total long-term remuneration (comprising the share deferral and the LTI).

The lock-up period for the Henkel preferred shares expires in each case on December 31 of the fourth calendar year following the remuneration year. This share deferral ensures that the members of the Management Board are required to accumulate a significant share portfolio during the rolling lock-up period, and that they participate in the long-term performance of the Corporation, whether this be positive or negative. This share portfolio continues to grow due to the fact that shares are sold, if at all, only in exceptional instances once the respective lock-up period has expired.

The performance measurement period for the LTI is three years. The LTI is paid in cash once the Corporation's annual financial statements for the final year in the performance measurement period have been approved by the General Meeting.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In keeping with the objectives of the Management Board remuneration policy, this structure of the STI and LTI rewards sustainably profitable growth and thus supports the long-term development of Henkel; and Management Board remuneration is aligned to the interests of the Corporation's shareholders.

- In derogation from Recommendation G.12 GCGC to refrain from premature payment of variable remuneration components in the event of termination of a Management Board contract, all lock-up periods relating to investments in Henkel preferred shares that are financed by the recipient (share deferral) end if said recipient dies. By the same token, LTI entitlements with regard to outstanding tranches are settled on the basis of budget figures and paid to the heirs.

Suggestions of the Code

Notwithstanding the aforementioned special features arising from its legal form, the Corporation has adopted the discretionary suggestions of the GCGC.

Düsseldorf, February 2021

Management Board	Shareholders' Committee	Supervisory Board"
------------------	-------------------------	--------------------

The corresponding declarations of compliance together with the reasons for deviations from recommendations can be found on our website: www.henkel.com/ir.

Managers' transactions

In accordance with Article 19 (1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation), members of the Management Board, the Supervisory Board and the Shareholders' Committee, and parties related to same, are obligated by law to disclose notifiable transactions involving shares in Henkel AG & Co. KGaA or their derivative financial instruments where the value of such transactions by the member, or a party related to the member, attains or exceeds 20,000 euros in a calendar year. The transactions reported to the corporation in the past fiscal year were properly disclosed and can be seen on the website: www.henkel.com/ir.

Remuneration policy/Remuneration report

According to Section 120a (1) AktG, the general meeting of an exchange-listed corporation adopts resolutions approving the remuneration policy for management board members as submitted by the supervisory board whenever the policy is substantially amended, and at least every four years. The Annual General Meeting of Henkel AG & Co. KGaA on April 16, 2021, approved the present remuneration policy for the Management Board per Section 87a (1) AktG by a majority of 98.50 percent. The remuneration policy and the corresponding resolution can be found on the website: www.henkel.com/ir.

The remuneration of the members of the Supervisory Board and of the Shareholders' Committee is governed by Article 17 (Supervisory Board remuneration) and Article 33 (Shareholders' Committee remuneration) of the Articles of Association of Henkel AG & Co. KGaA. According to Section 113 (3) AktG, listed companies must adopt

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

resolutions governing the remuneration of their supervisory board members at least every four years, whereby a resolution simply confirming the status quo is permissible. The Annual General Meeting of Henkel AG & Co. KGaA on April 16, 2021, approved the present rules governing remuneration of the Supervisory Board and the Shareholders' Committee by a majority of 99.96 percent. The rules and the corresponding resolution can be found on the website: www.henkel.com/ir.

According to Section 120a (4) AktG, the Annual General Meeting of an exchange-listed corporation must approve the remuneration report for the previous fiscal year, which report must be compiled and audited per Section 162 AktG. The first-ever remuneration report compiled in accordance with Section 162 AktG for fiscal 2021 and detailing the remuneration of the corporate bodies of Henkel can be found on the website, together with the associated audit opinion: www.henkel.com/ir.

Principles of corporate governance/Compliance

The members of the Management Board conduct the corporation's business with the care of a prudent and conscientious business director in accordance with legal requirements, the Articles of Association of Henkel Management AG and the Articles of Association of Henkel AG & Co. KGaA, the rules of procedure governing the actions of the Management Board, the provisions contained in the individual contracts of employment of its members, and also the compliance guidelines and resolutions adopted by and within the Management Board.

Corporate management principles which go beyond the statutory requirements are derived from our purpose, our vision, our mission and our values. For our corporation to be successful, it is essential that we share a common approach to entrepreneurship. We have defined a clear strategic framework with a long-term horizon. It guides us in making the right decisions and helps us to concentrate on our strategic priorities and focus resolutely on our ambition for the future.

We want to create value – for our customers and our consumers, for our people, for our shareholders, as well as for the wider society and communities in which we operate.

Our purpose:

- Pioneers at heart for the good of generations.

Our vision:

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

Our values:

- We put our customers and consumers at the center of what we do.
- We value, challenge and reward our people.
- We drive excellent sustainable financial performance.
- We are committed to leadership in sustainability.
- We shape our future with a strong entrepreneurial spirit based on our family business tradition.

 Contents

[The Company](#)

[Shares and bonds](#)

Corporate governance

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The corporate bodies of Henkel and our employees worldwide are guided by this purpose, this vision, and these values. They reaffirm our ambition to meet the highest ethical standards in everything we do. And they guide our employees in all the day-to-day decisions they make, providing a compass for their conduct and actions.

Henkel is committed to ensuring that all business transactions are conducted in an ethically irreproachable, legal fashion. Consequently, Henkel expects all our employees not only to respect the corporation's internal rules and all relevant laws, but also to avoid conflicts of interest, to protect Henkel's assets and to respect the social values of the countries and cultural environments in which Henkel does business. The Management Board has therefore issued a series of Group-wide codes and standards with precepts that are binding worldwide. These regulatory instruments are not static, but are periodically reviewed and amended as appropriate, evolving in step with the changing legal and commercial conditions that affect Henkel as a globally active corporation. The Code of Conduct supports our employees in ethical and legal issues. The Leadership Commitments define the principles of management conduct. The Code of Corporate Sustainability describes the principles that drive our sustainable, socially responsible approach to business. This code also enables Henkel to meet the commitments derived from the United Nations Global Compact.

Ensuring compliance with laws and regulations is an integral component of our operating models and business processes. Henkel has established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer (CCO). The General Counsel & CCO, supported by the Corporate Compliance Office and the interdisciplinary Compliance & Risk Committee, manages and controls compliance-related activities undertaken at the corporate level, coordinates training courses, oversees fulfillment of both internal and external regulations, and takes appropriate action in the event of compliance violations.

The local and regional compliance officers are responsible for organizing and overseeing the training activities and implementation measures tailored to the specific local and regional requirements. They report to the Corporate Compliance Office. The General Counsel & CCO reports regularly to the Management Board and to the Audit Committee of the Supervisory Board on identified compliance violations.

The issue of compliance is also a permanent item in the target agreements signed by all managerial staff of Henkel. Due to their position, it is particularly incumbent on them to set the right example for their subordinates, to effectively communicate the compliance rules and to ensure through the implementation of suitable organizational measures that these are obeyed.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

The procedures to be followed in the event of complaints or suspicion of malpractice also constitute an important element of the compliance policy. In addition to our internal reporting system and complaint registration channels, employees and third parties may also, for the purpose of reporting serious violations to the Corporate Compliance Office, anonymously use a compliance hotline operated by an external service provider. The Head of the Corporate Compliance Office is mandated to initiate the necessary follow-up procedures.

Our corporate compliance activities are focused on antitrust law and the fight against corruption. In our Code of Conduct, the corporate guidelines based upon it, and in other publications, the Management Board clearly expresses its rejection of all infringements of the principles of compliance, particularly antitrust violations and corruption. We do not tolerate such violations in any way. For Henkel, bribery, anticompetitive agreements, or any other violations of laws are no way to initiate or conduct business.

A further compliance-relevant area relates to capital market law. Supplementing the legal provisions, internal codes of conduct have been put in place to regulate the treatment of issues and information that have the potential to materially affect share prices. The corporation has an Ad Hoc Committee comprised of representatives from various departments. In order to ensure that potential insider information is handled as required by law, this Committee reviews occurrences for their possible effect on share prices, determining the need to issue reports to the capital markets on an ad hoc basis. The ultimate authority to decide how to handle potential insider information lies with the Management Board. There are also rules that go beyond the legal requirements, governing the behavior of the members of the Management Board, the Supervisory Board and the Shareholders' Committee, and also employees of the corporation who, due to their function or involvement in projects, have access to potential insider information.

Management and control structure

Management Board

The Management Board is composed of at least two members in accordance with Art. 7 (1) of the Articles of Association of Henkel Management AG. The Supervisory Board of Henkel Management AG is also responsible for determining the number of members on the Management Board; it can appoint a member of the Management Board as Chairperson. As at December 31, 2021, the Management Board had six members.

The members of the Management Board are segregated from both the Supervisory Board and the Shareholders' Committee of Henkel AG & Co. KGaA and from the Supervisory Board of Henkel Management AG; no member of the Management Board may also sit on either of the aforementioned Supervisory Boards nor the Shareholders' Committee.

As the executive body of the Group, the Management Board is bound to uphold the interests of the corporation and is responsible for ensuring a sustainable increase in shareholder value. The members of the Management Board are responsible for managing Henkel's business operations in their entirety. The individual Management

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Board members are assigned, in accordance with a business distribution plan, areas of competence for which they bear lead responsibility. The members of the Management Board cooperate closely as colleagues, informing one another of all major occurrences within their areas of competence and conferring on all actions that may affect several such areas. Further details relating to cooperation and the division of operational responsibilities within the Management Board are regulated by the rules of procedure issued by the Supervisory Board of Henkel Management AG.

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

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

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

Supervisory Board

Composition, duties

The corporation's Supervisory Board is composed of equal numbers of shareholder and employee representatives as specified in the 1976 Codetermination Act [MitbestG], and is made up of 16 members (Section 7 (1) sentence 2 MitbestG in conjunction with Art. 12 (1) of the Articles of Association). The eight shareholder representatives are elected by the Annual General Meeting and the eight employee representatives by the workforce in keeping with the 1976 Codetermination Act and the relevant voting procedures. All members of the Supervisory Board are bound in equal measure to protect the interests of the corporation. Members are appointed for five-year terms unless otherwise specified at election. At the last election of the shareholder representatives by the Annual General Meeting 2020, their term of office was set at four years.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

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

As a general rule, the Supervisory Board meets four times per year. If deemed necessary, the Management Board does not participate in such meetings. The Supervisory Board reaches its decisions by a simple majority of the votes cast. In the event of a tie, the Chair has the casting vote. The Supervisory Board has established an Audit Committee and a Nominations Committee.

The Audit Committee is made up of three shareholder and three employee representative members of the Supervisory Board. Each member is elected by the Supervisory Board based on nominations of their fellow shareholder or fellow employee representatives on the Board. The Chair of the Audit Committee is elected based on a proposal of the shareholder representative members. As of December 31, 2021, the following were members of the Audit Committee: Prof. Dr. Michael Kaschke (Chair), Simone Menne (Vice Chair) and Dr. Simone Bagel-Trah as shareholder representatives, and Birgit Helten-Kindlein, Edgar Topsch and Michael Vassiliadis as employee representatives. It is a statutory requirement that the Audit Committee includes at least one member with expertise in the field of accounting and at least one member with expertise in the field of auditing; all members must be familiar with the sector in which the corporation operates. Henkel's Audit Committee meets these requirements. Among the shareholder representatives, Prof. Dr. Michael Kaschke, current Chair of the Audit Committee, and Simone Menne are both experts in the fields of accounting and auditing. The shareholder representatives believe that Prof. Kaschke, who is/was neither Chair of the Supervisory Board nor a former member of the Management Board, and Dr. Bagel-Trah are independent from the corporation and the Management Board per Recommendation C.7 GCGC. Pursuant to Recommendation C.10 GCGC, Prof. Kaschke is, moreover, not dependent on the controlling shareholder in that he is not nor ever was a party to the Henkel family share-pooling agreement. Likewise pursuant to the aforementioned Recommendation, Simone Menne is also independent from the corporation, the Management Board, and the controlling shareholder.

As a general rule, the Audit Committee meets four times per year. It prepares the proceedings and resolutions of the Supervisory Board relating to the adoption of the annual financial statements and the consolidated financial statements, the review of the non-financial statement and also the auditor appointment proposal to be made to the Annual General Meeting. It issues audit mandates to the auditor following the latter's appointment by the

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Annual General Meeting and defines the focal areas of the audit, as well as deciding on the fee for the audit and other advisory services provided by the auditor. The Audit Committee specifies a cap on the provision of other advisory services, i.e. non-audit-related services as permitted in the relevant EU regulations, and oversees adherence to same. It also monitors the independence and qualifications of the auditor, requiring the latter to submit a declaration of independence, which it then evaluates. Furthermore, the Audit Committee monitors the accounts and the accounting process and assesses the effectiveness of the internal control system, the risk management system and the internal auditing and review system. It is likewise involved in issues relating to compliance and audit quality. The Group's Internal Audit function reports regularly to the Audit Committee. Prior to the respective publication dates, it discusses the quarterly statements and the financial report for the half year with the Management Board in a meeting that is also attended by the external auditor. The Audit Committee also monitors the internal procedure for assessing whether transactions with related parties are conducted correctly and at arm's length, and adopts resolutions in place of the Supervisory Board governing the approval of transactions with related parties as defined in Sections 111a to 111c AktG, where such transactions require Supervisory Board approval per Section 111b AktG. In the year under review, no transactions were conducted with related parties that would have required approval or disclosure per Section 111c AktG.

The Nominations Committee comprises the Chair of the Supervisory Board and two further shareholder representatives elected by the Supervisory Board based on nominations of the shareholders' representatives. The Chair of the Supervisory Board is also Chair of the Nominations Committee. The Nominations Committee prepares the resolutions of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members of the Supervisory Board (representatives of the shareholders). As of December 31, 2021, the following were members of the Nominations Committee: Dr. Simone Bagel-Trah (Chair), Benedikt-Richard Freiherr von Herman and Barbara Kux.

Shareholders' Committee

Composition, duties

According to our Articles of Association, in addition to the Supervisory Board, Henkel also has a standing Shareholders' Committee comprising a minimum of five and a maximum of ten members, all of whom are elected by the Annual General Meeting (Art. 27 of the Articles of Association). Members are appointed for five-year terms unless otherwise specified at election. At the last election by the Annual General Meeting of 2020, the term of office was set at four years. The Shareholders' Committee comprised ten members in the year under review.

The Shareholders' Committee performs the tasks assigned to it by the Annual General Meeting or according to the Articles of Association. In particular, the Shareholders' Committee acts in place of the Annual General Meeting in guiding the business activities of the corporation. It is involved in defining corporate policies, objectives and long-term planning activities, and monitors and regularly advises Henkel Management AG and its Management Board on the management of the corporation. The Shareholders' Committee takes part in important business

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

decisions, offers suggestions with regard to the further development of the corporation, and monitors adherence to budgets.

In addition, it governs the appointment and dismissal of personally liable partners and holds both executive powers and the power of representation over the legal relationships prevailing between the corporation and Henkel Management AG as the Personally Liable Partner. The Shareholders' Committee is also responsible for exercising the company's voting rights at Annual General Meetings of Henkel Management AG. In doing so, it also appoints members to the Supervisory Board of Henkel Management AG and is thus closely involved in the appointment and remuneration of members of the Management Board. The Shareholders' Committee has, moreover, determined rules of procedure for Henkel Management AG that specify which transactions are subject to its approval.

As a general rule, the Shareholders' Committee meets six times per year. If deemed necessary, the Management Board does not participate in such meetings. It also holds a joint conference with the Management Board lasting several days. The Shareholders' Committee reaches its decisions by a simple majority of the votes cast. It has established Finance and Personnel committees that likewise meet six times per year, as a rule. Each committee comprises five of the members of the Shareholders' Committee.

The Finance Committee deals primarily with financial matters, questions of financial strategy, financial position and structure, taxation and accounting policy, as well as risk management within the corporation. It also performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. As of December 31, 2021, the following were members of the Finance Committee: Dr. Christoph Henkel (Chair), Konstantin von Unger (Vice Chair), Dr. Paul Achleitner, Dr. Christoph Kneip and James Rowan.

The Personnel Committee deals primarily with personnel matters relating to members of the Management Board, with issues pertaining to human resources strategy, and with remuneration. It performs the necessary preparatory work for decisions to be made by the Shareholders' Committee in matters for which decision authority has not been delegated to it. The Committee also addresses issues concerned with succession planning and management potential within the individual business units, taking into account relevant diversity aspects. As of December 31, 2021, the following were members of the Personnel Committee: Dr. Simone Bagel-Trah (Chair), Johann-Christoph Frey (Vice Chair), Alexander Birken, Dr.-Ing. Norbert Reithofer and Jean-François van Boxmeer.

Conflicts of interest

Conflicts of interest must be disclosed in an appropriate manner to the Supervisory Board or Shareholders' Committee, particularly those that may arise as the result of a consultancy or committee function performed in the service of customers, suppliers, lenders or other business partners. Members encountering material conflicts of interest that are not of a merely temporary nature are required to resign their mandate.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Onboarding

In an onboarding procedure, newly elected members of the Supervisory Board and Shareholders' Committee are familiarized with our corporate values, applicable codes and standards, the basic organizational structure and strategy of the corporation together with the main corresponding initiatives, the corporation's operational performance and other current issues of relevance, and members' rights and obligations, taking into account the special features arising from our legal form and Articles of Association. Further, members take it upon themselves to seek the training needed to perform their duties, which efforts are appropriately supported by the corporation.

Some members of the Supervisory Board and of the Shareholders' Committee are or were in past years holders of senior managerial positions in other companies. If and when Henkel pursues business activities with these companies, the same arm's length principles apply as those adopted in transactions with and between unrelated third parties. In our view, such transactions do not affect the impartiality of the members in question.

Interaction between Management Board, Supervisory Board and Shareholders' Committee

The Management Board, Supervisory Board and Shareholders' Committee work in close cooperation for the benefit of the corporation.

The Management Board agrees the strategic direction of the corporation with the Shareholders' Committee and discusses with it the status of strategy implementation at regular intervals.

In keeping with the precepts of good corporate governance, the Management Board informs the Supervisory Board and the Shareholders' Committee regularly, and in a timely and comprehensive fashion, of all relevant issues concerning business policy, corporate planning, profitability, the business development of the corporation and major affiliated companies, and also matters relating to risk exposure, risk management and compliance.

For transactions of fundamental significance, the Shareholders' Committee has established a right of veto in the procedural rules governing the actions of Henkel Management AG in its function as sole Personally Liable Partner (Art. 26 of the Articles of Association). This covers, in particular, decisions or measures that materially change the net assets, financial position or results of operations of the corporation. The Management Board complies with these rights of consent of the Shareholders' Committee and also duly submits to the decision authority of the corporation's Annual General Meeting.

Our vision and values, Code of Conduct, Code of Corporate Sustainability and other codes and policies governing our stewardship of the corporation can be found on our website www.henkel.com.

Activities of the Supervisory Board and Shareholders' Committee in the year under review

For details of the activities of the Supervisory Board and its committees in fiscal 2021, please refer to the Report of the Supervisory Board (pages 15 to 25).

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

The Shareholders' Committee continued to discharge its duties diligently in fiscal 2021 in accordance with the legal statutes and Articles of Association. In compliance with the Articles of Association, the Shareholders' Committee engaged in the management of the corporation and carefully and regularly monitored the work of the Management Board, advising and supporting it in its stewardship and in the strategic development of the corporation. It also discussed and ruled on those transactions that required its approval.

Six scheduled meetings took place in the year under review, together with one ad hoc meeting and a conference with the Management Board of several days' duration. Likewise, the Personnel and Finance committees each met six times. Due to the COVID-19 pandemic, most of the meetings were a mixture of personal attendance and video/telephone conferences. Participation in the meetings of the Shareholders' Committee and its committees was 100 percent. For details of individual members' attendance at meetings, please refer to the remuneration report.

At all meetings, the reports submitted by the Management Board were discussed, and the general development of the corporation, the status of acquisitions and divestments, and other matters of strategic importance were analyzed together with the Management Board. The overall economic situation and Henkel's business performance were also discussed, together with a report on how the corporation was dealing with the COVID-19 pandemic and what actions had been taken to protect the workforce. Areas of particular focus included the new strategic alignment of the corporation and its implementation status, the status and strategic directions of the business units, financial reporting, overall performance by the business units and in the regions, options for advancing business unit development, capital expenditures and innovations, the sustainability strategy of the Group and business units, and the short- and mid-term plans of both the Group and the individual business units.

Business transactions requiring the approval of the Shareholders' Committee were discussed in detail together with the Management Board and appropriate resolutions adopted, some of which required preliminary consultation with the relevant committees. The issues involved focused mainly on strategy and financial planning, major capital expenditures, acquisitions and divestments, fundamental HR issues and Henkel's funding and financing strategy. The Shareholders' Committee and the Personnel Committee also submitted appropriate recommendations with regard to Management Board matters to the Supervisory Board of Henkel Management AG.

Efficiency audit

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

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

The efficiency of the activities of the Supervisory Board and Shareholders' Committee and their respective committees, and the required impartiality of their members, were confirmed in the efficiency audit performed in 2021/2022. Improvement opportunities were discussed. The next efficiency audit is scheduled to take place in 2023/2024.

Supervisory Board of Henkel Management AG

The corporation holds all shares in Henkel Management AG. The voting rights to which the corporation is entitled at the general meetings of Henkel Management AG are exercised by the Shareholders' Committee, which therefore also elects the members of the Supervisory Board of Henkel Management AG. Members are appointed for five-year terms unless otherwise specified at election. At the last election by the Annual General Meeting 2020, the term of office was set at four years.

The Supervisory Board of Henkel Management AG consists of three members who are also members of the Shareholders' Committee. At December 31, 2021, the following were members of the Supervisory Board: Dr. Simone Bagel-Trah (Chair), Johann-Christoph Frey (Vice Chair) and Dr.-Ing. Norbert Reithofer. Electing certain members to both corporate bodies ensures that the Shareholders' Committee not only appoints Henkel Management AG as the Personally Liable Partner, but also (through the members of the Supervisory Board of Henkel Management AG) appoints its Management Board and therefore the individuals who are responsible for managing the corporation. Effective control of management – i.e. of the Management Board of Henkel Management AG – is therefore also assured:

- The Supervisory Board of Henkel Management AG can oversee and monitor the Management Board in accordance with laws governing joint stock corporations.
- Henkel Management AG as the Personally Liable Partner and therefore (also) its Management Board can also be overseen and monitored
 - by the Shareholders' Committee which, in doing so, exercises the powers of the corporation's shareholders, and
 - by the Supervisory Board at KGaA level in accordance with laws governing joint stock corporations.

Statutory gender quota for Management Board composition

If its Management Board comprises more than three people, a listed company that is subject to the Codetermination Act must appoint at least one woman and at least one man to that executive body (participation requirement pursuant to Section 76 (3a) AktG as amended by the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private Sector and the Public Sector).

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In compliance with this requirement, the Management Board of Henkel Management AG – the sole Personally Liable Partner of Henkel AG & Co. KGaA, which is a listed company that is subject to the Codetermination Act – must include at least one woman and at least one man as it comprises more than three members.

Compliance with this legislation governing the composition of the Management Board was assured throughout the year under review.

In compliance with Sections 76 (4), III (5) AktG as amended prior to enactment of the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board of Henkel Management AG – as the corporate body responsible for appointments to the Management Board as recommended by the Shareholders' Committee in consultation with its Personnel Committee – had established a target for the proportion of women on the Management Board of 17 percent, taking into account the current composition and an appropriate Management Board size for the corporation. This target was to apply and be achieved in the period through to December 31, 2021. The proportion of women on the Management Board at December 31, 2021 was 17 percent; as such, this target was met.

Given that the participation requirement per Section 76 (3a) AktG now applies to the Management Board, the Supervisory Board is no longer obligated to set targets for Management Board composition pursuant to Section III (5) sentence 9 AktG (as amended in the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private Sector and the Public Sector).

Targets for the proportion of women in the first two management levels below the Management Board

Pursuant to Section 76 (4) AktG, targets must be set for the proportion of women in the first two management levels below the Management Board. If the proportion of women is below 30 percent at the time the targets are set, the targets may not be below the proportion already achieved. Deadlines for achievement of the targets must be established at the same time and must not be longer than five years in each case.

Based on the current personnel mix, the Management Board had established the following targets for the first two levels of management below the Management Board. These targets were expected to be achieved by December 31, 2021:

- First management level: Proportion of 25 percent women
- Second management level: Proportion of 30 percent women

In accordance with the legal requirements, the point of reference for the definition of the management levels and the proportion of women was based exclusively on Henkel AG & Co. KGaA and not the Henkel Group – regardless of Henkel's globally aligned management organization. As a result, the figures include only employees of Henkel AG & Co. KGaA with management responsibility who report directly to the Management Board (management level 1) and those who report to management level 1 (management level 2).

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

As of December 31, 2021, women accounted for 30 percent of the first management level, and for 33.3 percent of the second management level. As such, the targets were met at both management levels.

Separately from the targets for the first two levels of management below the Management Board of Henkel AG & Co. KGaA – and mindful of the globally aligned management organization – it is our goal to increase the ratio of women at all levels of management at Henkel in the long term. In 2021, we were again able to raise the proportion of women in management worldwide – to 38.1 percent at December 31, 2021.

Taking into account the current personnel mix, the Management Board has again set targets for the first two management levels below the Management Board to be achieved by December 31, 2026:

- First management level: Proportion of 30 percent women
- Second management level: Proportion of 35 percent women

In accordance with the legal requirements, the point of reference for the definition of the management levels and the proportion of women was again based exclusively on Henkel AG & Co. KGaA and not the Henkel Group. As a result, the figures include only employees of Henkel AG & Co. KGaA with management responsibility who report directly to the Management Board (management level 1) and those who report to management level 1 (management level 2).

Statutory gender quota for Supervisory Board composition

Given Henkel's position as a listed corporation subject to Germany's Codetermination Act of 1976, the Supervisory Board of Henkel AG & Co. KGaA must consist of at least 30 percent women and at least 30 percent men (Section 96 (2) AktG).

As at December 31, 2021, the Supervisory Board was comprised of eight men and seven women. Shareholder representatives consisted of four men and three women, while the employee representatives consisted of four men and four women. This represents an overall ratio on the Supervisory Board of around 53 percent men and 47 percent women. Throughout the entire year under review, the statutory minimum quota of both women and men was represented among both the shareholder representatives and the employee representatives.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Diversity considerations regarding composition of the Management Board of Henkel Management AG and of the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA

Diversity considerations governing Management Board composition/Succession planning

Notwithstanding the key requirements of qualification, competence and professional excellence for the relevant areas of responsibility on the Management Board, the Supervisory Board of Henkel Management AG has specified the following criteria – after consultation in the Shareholders' Committee and its Personnel Committee – that must be considered when making Management Board appointments to ensure as broad a spectrum as possible of knowledge, skills and professional experience (diversity) on the Management Board:

- Education/career experience

Overall, the members of the Management Board must demonstrate knowledge, skills and professional experience in the following areas in particular:

- Management/leadership experience: Experience with managing globally operating entities, involvement of employee representative bodies, leading and motivating employees, succession planning.
- Understanding of the business: Knowledge of/experience in industrial/consumer business areas and key markets, including the social environment in which Henkel operates, as well as knowledge of/experience in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management.
- Strategic expertise: Experience in developing and implementing prospects and strategies for the future.
- Financial expertise: Experience in accounting, auditing financial statements, issues surrounding funding and capital markets.
- Financial control/risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance/compliance/ethics: Experience with interaction among corporate bodies (governance) and in compliance with statutory/in-house requirements; modern understanding of corporate ethics and how to implement them.

- Internationality

The international activities of the corporation in both emerging and mature markets should be appropriately reflected in the composition of the Management Board. Henkel therefore strives to ensure that several members of different nationalities or with international backgrounds (who have spent several years working abroad or supervising foreign business activities, for example) are included on the Management Board.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

- **Gender**
A reasonable proportion of both genders shall be represented in the Management Board. The Management Board must include at least one woman and at least one man.
- **Seniority**
Change and continuity are two issues that must be taken into reasonable account when composing the Management Board. Henkel therefore aims to include members with different levels of seniority on the Management Board. Irrespective of this requirement, members of the Management Board should generally not be older than 63.

Implementation progress

We believe that the aforementioned requirements were met in full in the reporting period.

Overall, the Management Board, which includes one woman, has the knowledge, skills and professional experience needed to properly and effectively perform its duties. Several members of the Management Board have international business experience with both emerging and mature markets. No individual on the Management Board exceeds the specified maximum age.

Succession planning

Together with the Management Board, the Shareholders' Committee and the Supervisory Board of Henkel Management AG ensure long-term succession planning with regard to Management Board composition. Although both in-house and external candidates are considered for future appointment, every effort is made to select candidates from within the organization who have proven their aptitude for such duties.

Long-term succession planning takes account of the corporate strategy and the aforementioned diversity considerations. Key elements of the systematic management development process include:

- Early identification of suitable candidates
- Systematic development of managers by giving them tasks involving increasing levels of responsibility and in different areas of the corporation, regions and functions, where possible
- Proven ambition to successfully shape strategy and operations; strong leadership skills
- Role model in implementing our corporate values

Each year, the members of the first management level below the Management Board undergo corresponding assessment, during which the issue of potentially taking on Management Board responsibility and measures to secure succession are also considered. Management potential within the individual business units is likewise discussed.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Diversity considerations governing Supervisory Board composition

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

- Education/career experience

Overall, the Supervisory Board must demonstrate knowledge, skills and professional experience in the following areas in particular:

- Management/leadership experience: Experience with managing globally operating corporations/companies and with employee management.
- Understanding of the business: Knowledge of/experience in the fields of research and development, production/engineering, marketing, selling and distribution, digitalization/e-commerce, as well as knowledge of/experience in industrial/consumer business areas, in the key markets in which Henkel operates, and in sustainable management.
- Financial expertise: Experience in the fields of accounting/accounting processes and with auditing financial statements, knowledge of financial instruments and funding strategies.
- Financial control/risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance/compliance: Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory/in-house requirements.

- Impartiality, integrity

To ensure the impartiality of its counseling activities and supervision of the Management Board, the shareholder representatives on the Supervisory Board must include what they believe to be a reasonable number of independent members, bearing in mind the corporation's ownership structure. According to Recommendation C.6 GCGC, a member of a supervisory board is considered independent if they are independent from the corporation and its management board and independent from a controlling shareholder. Pursuant to Recommendation C.7 GCGC, more than half the shareholder representatives should be independent from the corporation and the Management Board. Supervisory Board members are considered independent from the corporation and its Management Board if they have no personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest. Assessing the independence of shareholder representatives from the company and its Management Board requires particular consideration of whether the respective Supervisory Board member or a close family member

- was a member of the company's Management Board in the two years prior to appointment,
- is or was in the past three years a partner of or in the employ of the present or previous external auditors of the corporation,

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

- receives or has received over the past three years not inconsiderable remuneration of any nature from Henkel AG & Co. KGaA or one of its affiliates (excluding remuneration for Supervisory Board or Shareholders' Committee membership),
- is currently involved in, maintains, or has maintained in the year prior to appointment by Henkel AG & Co. KGaA or one of its affiliates, a material business relationship – either directly or indirectly – as a partner, shareholder, member of management or in a leading position of the entity maintaining the business relationship (e.g. as customer, supplier, lender or advisor),
- is a close family member of a member of the Management Board or
- has been a member of the Supervisory Board for more than 12 years.

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

In keeping with the ownership structure and the corporation's tradition as an open family business to which the Henkel family has been committed ever since the company was founded in 1876, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that could create a substantial and not merely temporary conflict of interest as defined in the GCGC recommendation. Membership of the Shareholders' Committee or of the Supervisory Board of Henkel Management AG is compatible with membership of the corporation's Supervisory Board. As a rule, however, three, but at least two, of the shareholder representatives on the Supervisory Board or close members of their families should be neither members of the share-pooling agreement nor members of the Shareholders' Committee nor members of the Supervisory Board of Henkel Management AG, and they must be named accordingly in the corporate governance statement.

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

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

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Members of the Supervisory Board should, moreover, be capable of duly upholding Henkel's reputation in the public domain.

- Availability

When proposing new candidates to the Annual General Meeting for election to the Supervisory Board, the Supervisory Board must make sure that the relevant candidates can devote the anticipated time required to the task.

- Internationality

The international activities of the corporation should be appropriately reflected in the composition of the Supervisory Board. Henkel therefore strives to ensure that several members with international backgrounds (who have spent several years working abroad or supervising foreign business activities, for example) are included on the Supervisory Board.

- Gender

A reasonable proportion of women shall be appointed to the Supervisory Board. The statutory minimum requirement of 30 percent is deemed to be reasonable. Henkel strives to increase the proportion of women when new or replacement members are elected.

- Age and length of service

The Supervisory Board should appropriately include representatives from different generations/age groups. Henkel therefore aims to include members from different generations/age groups on the Supervisory Board. Irrespective of the aforementioned, nobody should, as a rule, be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already reached their 70th birthday. Also, as a rule, nobody should be proposed to the Annual General Meeting for election to the Supervisory Board who, at the time of the election, has already served ten years or more on the Supervisory Board. However, to ensure continuity, members may also serve on the Supervisory Board for longer periods of time in individual cases. In keeping with the ownership structure and the corporation's tradition as an open family business, this applies particularly to members of the Henkel family share-pooling agreement.

Implementation progress

In addition to the statutory minimum quota, the Supervisory Board believes that these aforementioned requirements were met in full in the reporting period.

Overall, the Supervisory Board believes it has the knowledge and skills needed to properly and effectively perform its duties. Several of the shareholder representatives on the Supervisory Board are or were members of Management Boards in relevant corporations and are experienced and skilled in managing globally operating corporations and in leading employees. Equally, several shareholder representatives have in-depth knowledge in the fields of research and development, production, marketing, selling and distribution, digitalization/e-commerce and sustainable management. The same applies for the fields of finance/accounting, financial control/risk management and governance/compliance.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In addition, several shareholder representatives on the Supervisory Board offer international business experience or other international expertise.

No shareholder representative exceeded the specified maximum age at the time of their election.

The GCGC recommendations on impartiality have been adopted.

None of the shareholder representatives nor close family members of a shareholder representative is a former Management Board member, or performs board or committee functions or acts as a consultant for major competitors, and none are persons whose business or personal relationship with the corporation or members of the Management Board that could create a substantial and not merely temporary conflict of interest.

When assessing impartiality in line with GCGC recommendations, the shareholder side gave full consideration to the fact that Dr. Simone Bagel-Trah, Supervisory Board Chair, and Prof. Dr. Michael Kaschke, Audit Committee Chair, have both been members of the Supervisory Board for more than twelve years, which – according to the GCGC – could indicate a lack of impartiality. After exercising their due discretion, the shareholder representatives judged that – despite this indication – Dr. Bagel-Trah and Prof. Dr. Kaschke may be regarded as independent from the corporation and its Management Board as seen from an overall perspective. Dr. Bagel-Trah and Prof. Dr. Kaschke maintain the necessary impartiality toward the corporation and the Management Board in the performance of their office and their respective functions. Their conduct of office demonstrates a critical approach to the issues and questions to be assessed, while safeguarding the interests of the corporation.

The other shareholder representatives had been members of the Supervisory Board for less than twelve years in the year under review and had not been in any other personal or business relationship with the corporation or its Management Board that could create a substantial and not merely temporary conflict of interest. According to the precepts of Recommendation C.7 GCGC, these shareholder representatives are therefore independent from the corporation and the Management Board. The shareholder side therefore believes that all shareholder representatives on the Supervisory Board are independent from the corporation and the Management Board.

Four of the eight shareholder representatives – Barbara Kux, Simone Menne, Timotheus Höttges (who left the Supervisory Board effective September 30, 2021) and Prof. Dr. Michael Kaschke – are not party to the Henkel family share-pooling agreement; under GCGC Recommendation C.9, they are therefore independent from the controlling shareholder. Apart from Dr. Simone Bagel-Trah, none of the shareholder representatives in office is a member of the Shareholders' Committee or the Supervisory Board of Henkel Management AG.

As such, the shareholder representatives on the Supervisory Board include what they believe to be a reasonable number of independent members as recommended by the GCGC.

 Contents

 The Company

 Shares and bonds

Corporate governance

 Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

For more details on the composition of the Management Board, Supervisory Board and the Shareholders' Committee or the committees established by the Supervisory Board and Shareholders' Committee, please refer to pages 301 to 304. Members' vitae can be found on the website: www.henkel.com.

Diversity considerations governing the composition of the Shareholders' Committee

Requirements profile

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

- Management/leadership experience: Experience in managing globally operating corporations.
- Managing executives: Experience in managing and remunerating executives; succession planning.
- Understanding of the business: Knowledge of/experience in industrial and/or consumer business areas and Henkel's key markets, as well as knowledge of/experience in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management.
- Strategic expertise: Experience in developing and implementing prospects and strategies for the future.
- Financial expertise: Experience in accounting, auditing financial statements, issues surrounding funding and capital markets.
- Financial control/risk management: Experience in the fields of internal control and risk management systems, as well as internal auditing systems.
- Governance/compliance: Experience with interaction among corporate bodies (governance) and in ensuring compliance with statutory/in-house requirements.

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

In keeping with the ownership structure and the corporation's tradition as an open family business to which the Henkel family has been committed ever since the company was founded in 1876, possession of a controlling interest or attribution of a controlling interest due to membership in the Henkel family share-pooling agreement is not viewed as a circumstance that could create a substantial and not merely temporary conflict of interest. Membership of the corporation's Supervisory Board or of the Supervisory Board of Henkel Management AG is compatible with membership of the Shareholders' Committee. As a rule, however, five, and at least four, members of the Shareholders' Committee or their close families should be neither members of the share-pooling agreement nor members of the corporation's Supervisory Board, and they must be named accordingly in the corporate governance statement.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Implementation progress

Overall, the Shareholders' Committee believes it has the knowledge and skills needed to properly and effectively perform its duties. Several of the Shareholders' Committee members are or were members of management boards in relevant corporations and are experienced and skilled in managing globally operating corporations, developing and implementing visions and strategies, and the management and remuneration of executives. Equally, several members have in-depth knowledge in the fields of marketing, selling and distribution, digitalization/e-commerce, research and development, production/engineering and sustainable management. The same applies for the fields of finance/accounting, financial control/risk management and governance/compliance.

None of the Shareholders' Committee members has a business or personal relationship with the corporation or members of the Management Board that could create a substantial and not merely temporary conflict of interest.

Five of the ten members in office as at December 31, 2021 – Dr. Paul Achleitner, Alexander Birken, Dr.-Ing. Norbert Reithofer, James Rowan and Jean-François van Boxmeer – are not party to the Henkel family share-pooling agreement; under GCGC Recommendation C.9, they are therefore independent from the controlling shareholder. Apart from Dr. Simone Bagel-Trah, none of the members currently in office is a member of the corporation's Supervisory Board.

Combined management report

72	Fundamental principles of the Group	98	Results of operations of the business units
72	Operational activities	98	Adhesive Technologies
72	Overview	102	Beauty Care
72	Organization and business units	106	Laundry & Home Care
75	Strategic framework for purposeful growth	110	Net assets and financial position
75	Our mid- to long-term financial ambitions	110	Acquisitions and divestments
75	Our strategic framework	110	Capital expenditures
79	Progress in fiscal 2021	112	Right-of-use assets
83	Management system and performance indicators	112	Net assets
84	Cost of capital	116	Financial position
85	Takeover-relevant information, corporate governance statement	117	Financing and capital management
85	Separate non-financial report	118	Key financial ratios
86	Economic report	119	Employees
86	Macroeconomic development	125	Procurement
88	Development by sector	128	Production
89	Review of overall business performance	131	Research and development
90	Results of operations of the Group	137	Marketing and distribution
90	Sales	142	Henkel AG & Co. KGaA (condensed version according to the German Commercial Code [HGB])
92	Operating profit	149	Risks and opportunities report
93	Expense items	149	Risks and opportunities
94	Other operating income and expenses	149	Risk management system and internal control system
94	Financial result	153	Major risk categories
94	Net income and earnings per share (EPS)	167	Major opportunity categories
95	Dividend	169	Risks and opportunities in summary
95	Return on capital employed (ROCE)	170	Forecast
96	Economic Value Added (EVA®)	170	Macroeconomic development
96	Comparison between actual business performance and guidance	171	Development by sector
		172	Outlook for the Henkel Group in 2022

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Fundamental principles of the Group

Operational activities

Overview

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

Our purpose describes what unites everyone at Henkel: Pioneers at heart for the good of generations. It is firmly anchored in our DNA and continues our success story of innovation, responsibility and sustainability as we move forward.

Organization and business units

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. As such it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. Henkel AG & Co. KGaA performs its tasks within the legal scope afforded to it as part of the Henkel Group, with the affiliated companies otherwise operating as legally independent entities.

Operational management and control is the responsibility of the Management Board of Henkel Management AG in its function as sole Personally Liable Partner. The Management Board is supported in this by the central, corporate functions.

Henkel is organized into three operational business units: Adhesive Technologies, Beauty Care and Laundry & Home Care. The Adhesive Technologies business unit is global market leader in the field of adhesives. In our Beauty Care and Laundry & Home Care consumer businesses, we also hold top positions in numerous markets and categories.

Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings. The business unit is composed of four business areas: Automotive & Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

1876

Year of foundation

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

In our Automotive & Metals business area, we supply our global customers in the automotive and metal processing industries with tailor-made, high-impact and future-oriented system solutions along the value chain, a comprehensive technology portfolio and specialized technical services.

Our Packaging & Consumer Goods business area serves both small and medium-sized branded goods manufacturers, as well as major international companies operating in the consumer goods, packaging and furniture industries. We lead the way in developing innovative solutions addressing global consumer trends, such as the growing demand for more sustainable products, and actively foster a circular economy.

In our Electronics & Industrials business area, we hold leading positions, offering major customers a specialized portfolio of innovative high-technology adhesives, materials for the manufacturing of microchips and electronic assemblies, as well as for industrial fabrication. Building on our strong technical knowledge and extensive research expertise, we support our customers to realize innovative designs for products that are world-renowned. Our solutions are also deployed in the expansion of digital infrastructures.

In our Craftsmen, Construction & Professional business area, we distribute a comprehensive range of branded products for private consumers, DIYers, craftsmen and retailers, as well as serving maintenance and installation experts in more than 800 different branches of industry. We supply our customers and consumers with adhesives and sealants for home use, with adhesive, sealant and insulating systems and building materials for use in construction, and with a comprehensive portfolio of high-impact solutions for machinery assembly and maintenance.

Globally, the **Beauty Care** business unit is active in the Consumer business area with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as in the Professional business area with its hair salon operations. In both business areas, we hold top positions in numerous markets and categories. Both our Consumer and Professional businesses offer strong brand portfolios featuring consumer-relevant innovations that create added value for our customers and consumers. We distribute our products through brick-and-mortar stores, hair salons, third-party online platforms and direct-to-consumer channels.

The **Laundry & Home Care** business unit occupies leading market positions in both its Laundry Care and Home Care business areas. Our strong brands and consumer-relevant innovations – such as our Persil 4-in-1 Discs – play a key role in the everyday lives of our consumers. Our product portfolio ranges from heavy-duty and specialty detergents, laundry additives, dishwashing products, hard surface and WC cleaners, to air fresheners and insect control products. Our products are sold mainly in brick-and-mortar stores, but also increasingly via online and TV-based retailing.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

 Henkel around the world: Regional Centers



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

Implementation of the business activities at the country and regional level is the responsibility of the national affiliated companies whose operations are supported and coordinated by Regional Centers. The executive bodies of these national affiliates manage their businesses in line with the relevant statutory regulations, supplemented by their own articles of association, internal procedural rules and the principles incorporated in our globally applicable management standards, codes and guidelines.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Strategic framework for purposeful growth

We shape our future on the basis of a long-term strategic framework that builds on our purpose and our values.

With this strategic framework, we want to be successful in the current decade – with a clear focus on purposeful growth. This means, we aim to create superior value for customers and consumers to outgrow our markets, to strengthen our leadership in sustainability, and to enable our employees to grow both professionally and personally at Henkel.

Our mid- to long-term financial ambitions

The implementation of our growth agenda supports us in the achievement of our mid- to long-term financial ambitions.

Together with the announcement of further strategic measures – including the merger of Laundry & Home Care and Beauty Care into one new business unit “Henkel Consumer Brands” – we published new mid- to long-term financial ambitions on January 28, 2022:

- For the **Group**, we are aiming to achieve organic sales growth of 3 to 4 percent, adjusted return on sales (EBIT) of around 16 percent and adjusted earnings per preferred share growth in the mid- to high single-digit percentage range (at constant exchange rates and including acquisitions). At the same time, Henkel places a continuous focus on free cash flow expansion.
- For the future **Consumer Brands** business unit, we are aiming for organic sales growth of 3 to 4 percent and adjusted return on sales (EBIT) in the mid-teens percentage range.
- For the **Adhesive Technologies** business unit, we are aiming for organic sales growth of 3 to 5 percent and adjusted return on sales (EBIT) in the high-teens percentage range.

Our strategic framework

The key elements of our strategic framework are a winning portfolio, clear competitive edge in the areas of innovation, sustainability and digitalization, and future-ready operating models – underpinned by a strong foundation of a collaborative culture and empowered people.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar



Rigorously shape a winning portfolio

A key element of our growth agenda is an active portfolio management. With emphasis on our consumer businesses, we have identified brands and categories with a total annual sales volume of more than one billion euros for portfolio measures that include turnaround strategies, as well as the divestment or discontinuation of brands or categories. To this end, we had defined the target of divesting or discontinuing around 50 percent of the identified sales volume by the end of 2021. Moving forward, active portfolio management will remain key to the continuous development of our business and brand portfolio.

In addition, M&A activities remain an integral part of Henkel's strategy, supported by our strong balance sheet. We follow a clear approach: Our assessment of potential acquisitions is based on whether the targets are available, fit Henkel's strategy, and are financially attractive. In the Adhesive Technologies business unit, we aim to advance our technology leadership, whereas in our Beauty Care and Laundry & Home Care business units, we are focusing on strengthening our categories in the respective countries, on "white spots" – regions or segments in which we are not active – as well as on new business models.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Accelerate impactful innovations with adequate investments

We want to accelerate impactful innovations and support them with adequate investments. This includes an enhanced innovation approach, for example by utilizing digital applications and data to gain faster and better insights into consumer behavior, and identifying key market trends. Decision-making across the organization is to take place closer to the market. We want to leverage the potential of open innovation and idea crowdsourcing, increasingly use agile methods, and continue investing in incubators and innovation centers. In doing so, we want to accelerate the development of impactful innovations in all three business units. Innovations and brands in core categories and regions will be consistently supported with corresponding investments. To achieve an adequate level, we gradually increased our investments in marketing, advertising, digitalization and IT in 2019 and 2020 – by 350 million euros in total compared to 2018.

Boost sustainability as a true competitive differentiator

We want to boost sustainability as a true competitive differentiator, building on a strong track record and our corporate culture.

We can look back on over more than 30 years of successful sustainable development: Back in 1991, Henkel signed the International Chamber of Commerce's Charter for Sustainable Development. In 2020, we successfully completed the second cycle of our long-term sustainability strategy and defined new targets both for our own business activities and along the entire value chain, which we are currently pursuing. Excellent assessments in the relevant sustainability ratings provide important and impartial confirmation of our achievements and progress.

As reflected in our corporate values, we are committed to leadership in sustainability. As leaders, we aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success.

Our sustainability strategy is inspired by our purpose. With our pioneering spirit, our knowledge, our products and technologies, we want to enrich and improve the lives of billions of people every day – and shape a viable future for the next generations. Sustainability is thus a central element in our vision of the future. We want to actively drive the transformation to a sustainable economy and society, help protect and regenerate nature, contribute to strong communities and strengthen the trust of our stakeholders. It is on this basis that we are continuously developing our sustainability strategy while incorporating the constantly changing stakeholder expectations and market conditions.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Building on our previous strategy, we refined our “2030+ Sustainability Ambition Framework” in 2021. Our sustainability strategy encompasses 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.

Moreover, as part of our “2030+ Sustainability Ambition Framework” we defined new long-term ambitions in the three dimensions to drive further progress.

We have also determined how we want to achieve progress along our entire value chain by defining three key levers for systemic change:

Our 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 smaller environmental 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, neighbors, shareholders and the communities we operate in.

Our partnerships play a decisive role in driving sustainability along our value chains and beyond. We help our customers and consumers reduce their ecological footprint and use resources responsibly. We work together with our suppliers to promote sustainable practice and respect for human rights, and cooperate with partners to share knowledge and develop systemic solutions together.

More details and background reading can be found in our Sustainability Report:

www.henkel.com/sustainabilityreport

Transform digitalization into a customer and consumer value creator

We aim to use digitalization to increase the value added for our customers and consumers. In our consumer businesses, we want to boost direct interaction with our consumers and increase our digital sales. To achieve this, we are expanding existing digital consumer platforms and establishing new ones. We want to drive customer-centric digitalization in our industrial business in order to develop new businesses and further enhance the customer experience. We also plan to expand the end-to-end integration of data to enable, for example, innovative and customer-specific solutions based on artificial intelligence. Moreover, we will be investing more in digital talents – especially data specialists with extensive technological industry knowledge. Finally, we want to strengthen our digital business focus and increase efficiency. In this respect, our digital unit Henkel dx, that was created in 2019 to bring together the digital and IT teams at Henkel under the newly created Chief Digital &

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Information Officer (CDIO) position, is of key importance. Henkel dx is responsible for both the continuous optimization of business processes and IT systems, and for market-focused incubation and innovation. Our approach to achieving this includes opening new centers for digital innovations and engaging in venture capital activities.

Reshape operating models to be lean, fast and simple

We are reshaping our operating models across the entire company to be lean, fast and simple, while continuously improving the competitiveness of our processes and structures. We want to step up customer and consumer proximity and establish faster decision-making processes. We are also striving to further increase efficiency.

Strengthen a collaborative culture with empowered people

We firmly believe that a strong culture, shared values and a clear understanding of collaborating as one team are key to Henkel's future success. One important cornerstone of this are the Leadership Commitments that we introduced for all employees worldwide in 2019. Building on these, we want to accelerate cultural change and establish a culture of collaboration and empowerment, foster the upskilling of our employees on future capabilities and enable them to constantly develop further.

Progress in fiscal 2021

In a challenging market environment characterized by the impact of the global COVID-19 pandemic and the exceptionally strained situation in raw material markets and global supply chains, last year we drove the implementation of the strategic priorities under our Purposeful Growth agenda with full force – and we continued to make good progress.

We consistently improved our **business and brand portfolio**. In 2021, as part of our active portfolio management, we signed divestment contracts, completed divestments and discontinued further businesses representing total annual sales of around 0.4 billion euros. These included among others the Beauty Care brands Right Guard and Dry Idea. Since the beginning of 2020, we have therefore divested or discontinued businesses and brands with a total annual sales volume of around 0.5 billion euros – and thus achieved our target set two years ago. Most of these businesses were from the Beauty Care and Laundry & Home Care units.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

 Acquisitions in fiscal 2021

Business	Key countries	Contract signed on	Completion on	Purchase price in million euros	For further information, see pages
Purchase of Swania International S.A. and its affiliates with a portfolio of sustainable detergents and household cleaners	France	5/10/2021	7/23/2021	166	110, 188–190

In addition, we strengthened our portfolio in 2021 with the addition of one acquisition offering promising growth opportunities. In the Laundry & Home Care business unit, Henkel expanded its position in the French market for sustainable laundry detergents and household cleaners by acquiring Swania. Its complementary portfolio is represented in very attractive and profitable market segments and has a successful track record of innovations with the established brands Maison Verte and You.

We also made progress in the area of impactful **innovations**, supported by our in-house idea factories and incubator teams that we set up last year in the Beauty Care and Laundry & Home Care business units. In our Adhesive Technologies business unit, we opened our new global innovation center – the Inspiration Center Düsseldorf. Work has already commenced on building a further cutting-edge innovation center in Shanghai.

We launched many innovations successfully onto the market in 2021. In our Beauty Care business unit, these included extensive relaunches of our hair styling brand Taft and our hair colorant brand Igora Royal, and the launch of successful hair care innovations. We also expanded the range of our sustainable brand Nature Box with additional products in solid form and refill packs. In Laundry & Home Care, we strengthened our detergent caps through innovations that cover all price segments and are available under different brands, including Perwoll. In addition, we rolled out our sustainable Persil Eco Power Bars to retail outlets in several European countries. Home Care innovations included the new “Somat Excellence” dishwashing caps. In the Adhesive Technologies business unit, we developed and launched additional solutions for automotive applications – for example, sustainable adhesive technologies for enhanced thermal management. Moreover, our innovative adhesives enable more sustainability in the packaging industry, and printed antennas made of conductive ink help our customers in the entertainment industry to become more efficient.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

We adequately supported our innovations with investments in the year under review. Following the increases in our investments in marketing, advertising, digitalization and IT in the two previous years, 2021 also recorded – in a dynamic and highly competitive environment – a significantly higher level compared to 2018.

In 2021, we further anchored **sustainability** in our activities, with distinct advancements in the areas of climate protection, circular economy and social progress. For example, we converted our Henkel Fragrance Center in Krefeld, Germany, entirely to carbon-neutral energy in August. This research and development site covers all its energy needs for production and research with green electricity and biogas. We also purchase biogas for our sites in Düsseldorf and Wassertrüdingen to cover parts of our energy needs there. These conversions mark an important step toward achieving Henkel’s ambitious sustainability targets.

We have, moreover, significantly expanded our partnership with the social enterprise Plastic Bank. The opening of ten collection centers in Egypt marks the first step in delivering on our commitment to help improve the country’s environmental, social and economic situation. Working together, Henkel and Plastic Bank aim to steadily expand their engagement in the coming years.

In October, Henkel introduced its “Sustainable Finance Framework” to define the conditions for issuing sustainable bonds in the future. The framework encompasses two possible forms of financing – the issuance of sustainability-linked bonds and of green bonds. About a month after the launch, Henkel placed its first two bonds in line with this framework. Both bonds are sustainability-linked; the financing costs are linked to Henkel’s success in achieving its sustainability targets.

Our sustainable innovations for consumers and industrial customers are another proof of the progress we are making in this domain. A particular area of focus in our consumer businesses has been on sustainable packaging solutions and expanding sustainable brands and product ranges. These include our Beauty Care brands Nature Box and N.A.E., and in our Laundry & Home Care business unit the brand Love Nature, the Pro Nature product range and the acquisition of Swania offering sustainable laundry detergents and household cleaners under the brands Maison Verte and You. Our innovations in the Adhesive Technologies business unit help our industrial customers to achieve their sustainability goals. Specific examples include the Bergquist Gap Filler 3010 APS for making lithium-ion battery packs, or bio-based hotmelt adhesives of the Technomelt Supra ECO range.

We also made important progress in the area of **digitalization** in 2021 – including a strong increase in digital sales across all three business units. We have continued to drive the strategic alignment of our digital unit “Henkel dx” and further expanded a team of experts focusing on software, data and artificial intelligence. The first “Innovation Hubs” in Berlin and Shanghai are in operation. In addition, we have entered into a strategic cooperation with Adobe aiming to accelerate digital innovations and creating new business opportunities for Henkel through a newly developed, integrated platform for digital business and e-commerce.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Henkel continued to drive the key changes which were initiated in 2020 to establish future-ready **operating models**. In Adhesive Technologies, the new structure comprising four business areas and eleven strategic business units has become firmly bedded-in. In addition, a special team is focusing on further expanding the business models in the field of IoT (Internet of Things) and services based on big data analysis. In Laundry & Home Care and Beauty Care, we have continued to implement organizational changes to strengthen regional focus and ensure closer proximity to customers and consumers.

We have also further strengthened our **corporate culture**. In 2021, we defined and communicated our new purpose – “Pioneers at heart for the good of generations” – which unites all Henkel employees and serves as our central mission statement. We have implemented new training and upskilling programs and, among other things, rolled out a comprehensive 360° feedback program for senior executives. Furthermore, we have developed the integrated “Smart Work” concept, forming the global framework for topics such as mobile work, digital workplace or employee health.

Planned merger of Laundry & Home Care and Beauty Care to create new “Consumer Brands” business unit
On January 28, 2022, we announced comprehensive measures to take the implementation of our strategic framework for purposeful growth to the next level. We will merge Laundry & Home Care and Beauty Care into one new business unit: Henkel Consumer Brands. With the new business unit, we will build one multi-category platform for growth of our entire consumer goods business, thus combining all consumer brands under one roof, including many iconic brands such as Persil or Schwarzkopf. The new business unit with total sales of around 10 billion euros will also include the Professional business. The merger is aimed at driving growth and profitability, both in the consumer goods business and throughout the entire Group. The portfolio will be consistently focused on strategic core businesses and brands with attractive growth and margin potential – beyond the active portfolio management measures completed by the end of 2021. The integration is expected to create significant synergies to be used in part for targeted investments in strategic priorities such as innovation, sustainability and digitalization, and to strengthen the business unit’s margin profile. The company plans to have the new organization in place by early 2023 at the latest.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Management system and performance indicators

Our management system and key performance indicators are derived from our ambition to generate purposeful growth. The key performance indicators are organic sales growth, adjusted return on sales, and growth in adjusted earnings per preferred share at constant exchange rates.

In the mid- to long-term, Henkel is aiming to achieve organic sales growth of 3 to 4 percent and adjusted return on sales of around 16 percent. For adjusted earnings per preferred share, Henkel is targeting growth in the mid- to high single-digit percentage range at constant exchange rates and including acquisitions.

The key performance indicators are represented in both our year and our medium-term plans. A regular comparison of these plans with current developments and the regular reporting of expected figures enable focused management of the company based on the described performance indicators.

Moreover, we report further key performance indicators, such as adjusted earnings per preferred share, net working capital as a percentage of sales, return on capital employed (ROCE), and free cash flow, which we are aiming to further expand, as described in our mid- to long-term financial ambition.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Cost of capital

The cost of capital is calculated as a weighted average of the cost of equity and debt capital (WACC).

We regularly review our cost of capital in order to reflect changing market conditions. In addition, we apply different WACC rates depending on the business unit involved. These are based on business-unit-specific beta factors determined from a peer group benchmark.

The following two tables indicate the WACC rates before and after tax for the Henkel Group and each business unit.

WACC before tax by business unit

in percent	2021	2022
Adhesive Technologies	8.75	9.00
Beauty Care	6.75	6.75
Laundry & Home Care	6.75	6.75
Henkel Group	6.75	7.00

WACC after tax by business unit

in percent	2021	2022
Adhesive Technologies	6.50	6.75
Beauty Care	5.00	5.00
Laundry & Home Care	5.00	5.00
Henkel Group	5.00	5.25

6.75%

Group WACC before tax
in fiscal 2021

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Takeover-relevant information, corporate governance statement

With regard to the disclosures and explanations

- pursuant to Sections 289a (1) and 315a (1) German Commercial Code [HGB] – takeover-relevant information – please refer to pages 39 to 44,
- pursuant to Sections 289f and 315d HGB – corporate governance statement – please refer to pages 44 to 70.

Pursuant to Section 317 (2) sentence 6 HGB, any audit of the disclosures pursuant to Sections 289f and 315d HGB – corporate governance statement – is limited to the auditor ensuring the relevant information has actually been disclosed.

Separate non-financial report

With regard to the explanations pursuant to Sections 289b and 315b HGB, please refer to our Sustainability Report 2021. This also constitutes the combined non-financial report for the Henkel Group and Henkel AG & Co. KGaA for fiscal 2021 within the meaning of Sections 315b, 315c in conjunction with 289b to 289e HGB, and also contains the information required by the EU Taxonomy Regulation. The Sustainability Report is made publicly available through publication on our website: www.henkel.com/sustainabilityreport

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Economic report

Macroeconomic development

The general economic conditions described in this section are based on data published by IHS Markit.

Overview:

Notable recovery of the global economic development

Following the significant economic downturn in 2020 as a result of the pandemic, the global economy recovered notably in 2021, although developments continued to be influenced by the impacts of the COVID-19 pandemic. Moreover, substantial supply chain disruptions, logistics bottlenecks and materials shortages, together with an exceptionally sharp rise in raw material prices affected the overall economy. Worldwide, gross domestic product increased by approximately 5.5 percent. The mature markets recorded a significant increase of approximately 5 percent; gross domestic product in the emerging markets also grew notably by approximately 6.5 percent year on year.

Economic growth in both North America and Western Europe was approximately 5.5 percent for the year under review. Japan recorded an increase of approximately 2 percent. Asia (excluding Japan) posted economic growth of around 7 percent. Economic development was positive in the Africa/Middle East region at approximately 4 percent. In Eastern Europe, economic output increased by approximately 5.5 percent, and in Latin America by approximately 6.5 percent.

Unemployment:

On a stable level worldwide

Global unemployment remained close to the level of the previous year at approximately 7.5 percent. Year on year, the unemployment rate in North America decreased to approximately 5.5 percent. By contrast, unemployment in Western Europe was on a par with the prior year at approximately 7 percent. The unemployment rate in Latin America improved slightly to approximately 10 percent, whereas it increased slightly in Africa/Middle East, to approximately 11 percent. In Asia (excluding Japan), the unemployment rate was around 6 percent, and approximately 7 percent in Eastern Europe.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Inflation:**Significant rise in global price levels**

Global inflation in 2021 was approximately 4 percent, which marks a significant increase versus the previous year. The inflation rate in the mature markets was approximately 3 percent. Inflation in Western Europe and North America was higher compared to the prior-year rates of increase, whereas the price trend in Japan was slightly negative. The inflation rate in the emerging markets was approximately 4 percent in the year under review. Prices in Latin America, Eastern Europe and Africa/Middle East rose significantly compared to prior-year levels. The inflation rate in Asia (excluding Japan) was slightly below the prior-year level.

Direct materials:**Significantly above the prior-year level**

Prices for direct materials (raw materials, packaging, and purchased goods and services) inflated exceptionally sharply in 2021, with an increase in the low double-digit percentage range compared to the previous year. This development was driven by a strong recovery in industrial demand and persistently high demand for numerous consumer categories, accompanied by extremely strained supply chains and rising logistics costs. There were significant price increases not just for petrochemical raw materials but also for palm kernel and other natural oils, synthetic resins and packaging.

Currencies:**Mainly negative trend in currencies**

Most of the currencies of relevance for Henkel in the emerging markets devalued on average over the year – with a few exceptions such as the Chinese yuan and the Mexican peso. The Turkish lira experienced the strongest depreciation. The US dollar closed at 1.13 US dollars to the euro at year-end. Averaged out over the year, the US dollar depreciated versus the euro. Changes in the average exchange rates of the currencies of relevance to Henkel are indicated in the following table:

Average rates of exchange versus the euro

	2020	2021	Appreciation (+)/ Depreciation (-)
Chinese yuan	7.87	7.63	3.1%
Mexican peso	24.52	23.99	2.2%
Polish zloty	4.44	4.57	-2.7%
Russian ruble	82.66	87.16	-5.2%
Turkish lira	8.05	10.50	-23.3%
US dollar	1.14	1.18	-3.5%

Source: ECB daily foreign exchange reference rates.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development by sector

Considerable increase in global consumption

Private consumer spending experienced a considerable increase of approximately 6 percent. In the mature markets, consumer spending rose by around 6 percent year on year. Consumers in North America increased their spending by approximately 8 percent. In Western Europe, the increase in consumer spending was more moderate at approximately 4 percent compared to the previous year. Private consumer spending in the emerging markets increased by approximately 6.5 percent.

Significant increase in industrial production

With a rise of around 7 percent globally, the industrial production index (IPX) was significantly higher than in the previous year. The mature markets experienced considerable growth of approximately 6 percent. Also in the emerging markets, the IPX recorded significant growth, at around 9 percent.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Review of overall business performance

Henkel delivered an overall good business performance in 2021, a challenging year that was characterized by a strong economic recovery, the ongoing impacts of the COVID-19 pandemic as well as sharply rising raw material prices and strained supply chains. After a significant decline in the previous year due to the pandemic, the industrial business benefited from a considerable increase in demand from key customer industries. The Professional business recovered significantly as official restrictions imposed in response to the COVID-19 pandemic were gradually lifted, and particularly following the re-opening of hair salons in numerous regions. At the same time, our consumer businesses increasingly returned to normal following the changes in demand and consumer behavior caused by the pandemic. This had both a positive and negative impact on business performance.

Sales totaled 20,066 million euros in the year under review, corresponding to significant organic sales growth of 7.8 percent. The emerging markets achieved double-digit organic sales growth of 15.4 percent. Our businesses in the mature markets recorded a good organic sales performance of 2.5 percent.

Year on year, adjusted¹ gross margin decreased by 1.5 percentage points to 45.2 percent. Positive price and volume effects as well as ongoing measures to reduce costs and enhance production and supply chain efficiency could not fully offset negative impacts on Group profitability from substantially higher prices for direct materials (raw materials, packaging and purchased goods and services) and logistics, and from currency effects. Adjusted¹ return on sales was unchanged year on year at 13.4 percent (2020: 13.4 percent).

Adjusted¹ earnings per preferred share (EPS) rose to 4.56 euros, equivalent to an increase of 7.0 percent versus 2020 (4.26 euros). At constant exchange rates, adjusted earnings per preferred share increased by 9.2 percent.

Net working capital expressed as a proportion of sales increased to 2.2 percent, up 1.5 percentage points compared to the previous year's exceptionally low figure of 0.7 percent. Thus, net working capital is returning to normal levels; compared to the pre-crisis level of 2019, it improved by 1.7 percentage points.

Free cash flow totaled 1,478 million euros, down from the figure for the previous year (2020: 2,340 million euros), which had been boosted by an unusually sharp decline in net working capital within cash flow from operating activities. Our net financial position came in at -292 million euros (December 31, 2020: -888 million euros).

Organic sales growth

7.8%

 Adjusted¹ EBIT margin

13.4%

 Adjusted¹ EPS

€ 4.56

 Development of adjusted¹ EPS at constant exchange rates

9.2%

 Dividend per preferred share²

€ 1.85

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

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

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Results of operations of the Group

Sales

Sales in fiscal 2021 increased nominally by 4.2 percent to 20,066 million euros. Foreign exchange developments had a negative effect on sales of -3.5 percent. Adjusted for these foreign exchange effects, sales growth was 7.7 percent. Acquisitions/divestments had a slightly negative effect of -0.1 percent on sales.

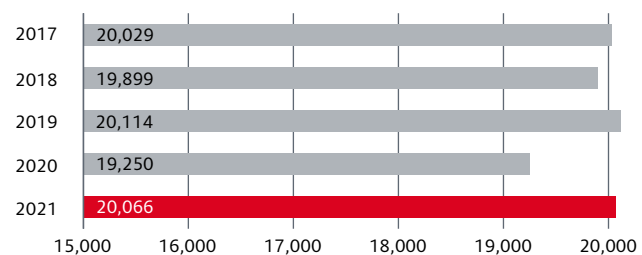
Sales development

in percent	2021
Change versus previous year	4.2
Foreign exchange	-3.5
Adjusted for foreign exchange	7.7
Acquisitions/divestments	-0.1
Organic	7.8
Of which price	3.0
Of which volume	4.8

Organic sales growth, i.e. adjusted for foreign exchange and acquisitions/divestments, was significant at 7.8 percent. This performance was driven by both volume and price.

Sales

in million euros



 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

The Adhesive Technologies business unit achieved double-digit organic sales growth of 13.4 percent, driven by a significant recovery in industrial demand compared to the previous year, which was strongly negatively affected by the COVID-19 pandemic. Sales in the Beauty Care business unit increased organically by 1.4 percent. While the significant recovery in the Professional business area had a positive effect, the Consumer business area recorded a negative sales development, particularly driven by demand for products in the Body Care category returning to normal, resulting in a downturn in revenues. Laundry & Home Care achieved strong organic sales growth of 3.9 percent thanks to strong growth in both Laundry and Home Care.

Price and volume effects

in percent	Organic sales development	Of which price	Of which volume
Adhesive Technologies	13.4	2.9	10.5
Beauty Care	1.4	2.4	-1.0
Laundry & Home Care	3.9	3.6	0.3
Henkel Group	7.8	3.0	4.8

In the Western Europe region, we were able to increase sales to 5,990 million euros. Organic sales growth was strong, at 3.2 percent. The share of sales from the region remained stable at 30 percent.

Sales in the Eastern Europe region totaled 3,114 million euros, up versus prior year. Organic sales growth was in the double-digit percentage range at 14.0 percent. At 16 percent, the share of sales from the region increased slightly year on year.

Our sales in the Africa/Middle East region were unchanged from the previous year at 1,208 million euros. Organically, the region posted sales growth of 20.3 percent. The share of sales from the region remained stable at 6 percent.

Sales in the North America region decreased to 5,028 million euros. Organically, sales grew by 1.2 percent. The share of sales from the region decreased versus prior year to 25 percent.

Sales in the Latin America region were significantly higher year on year at 1,211 million euros. Organic sales growth was in the double-digit percentage range, at 14.4 percent. At 6 percent, the share of sales from the region was on a par with the prior-year level.

Sales in the Asia-Pacific region also increased significantly to 3,374 million euros. Organically, the region recorded double-digit sales growth of 13.7 percent. The share of sales from the Asia-Pacific region increased slightly to 17 percent.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Sales in the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan) were higher year on year at 8,312 million euros. Organic sales growth was in the double-digit percentage range, at 15.4 percent. The share of sales from emerging markets increased slightly versus prior year to 41 percent.

Key financials by region

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

¹ By location of company.

Operating profit

The following explanations relate to results adjusted for one-time expenses and income, and for restructuring expenses so as to present operational performance before exceptional items.

Adjusted operating profit (adjusted EBIT)

in million euros	2020	2021	+/-
EBIT (as reported)	2,019	2,213	9.6%
One-time income	-5	-13	-
One-time expenses	328	259	-
Restructuring expenses	237	227	-
Adjusted EBIT	2,579	2,686	4.2%

The one-time expenses of 259 million euros are mainly attributable in the amount of 201 million euros to the non-cash impairment of an acquired technology in the Beauty Care business unit, the future usage of which is uncertain, as well as to impairment losses and other expenses in connection with divestments related to our active portfolio management. The one-time income is attributable to the proceeds from the divestment of our global closure sealants business.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In order to adapt our structures to our markets and customers, we spent 227 million euros on restructuring (previous year: 237 million euros). A significant portion of this amount is attributable to the optimization of our production and distribution structures, and to the strategic realignment of our digital and IT organization. Please refer to page 279 for more details on our restructuring expenses and an explanation of the one-time expenses and income.

Adjusted operating profit (adjusted EBIT) increased to 2,686 million euros, a rise of 4.2 percent compared to the prior-year figure of 2,579 million euros. This was attributable particularly to the positive effects of the significant recovery in demand in our industrial and Professional businesses and the resulting degression of fixed costs, whereas substantially higher prices for raw materials and logistics as well as currency effects had an adverse impact on Group profitability. Adjusted return on sales was unchanged year on year at 13.4 percent (2020: 13.4 percent).

Adjusted return on sales in the Adhesive Technologies business unit increased to 16.2 percent (2020: 15.2 percent). Adjusted return on sales in the Beauty Care business unit declined year on year to 9.5 percent (previous year: 10.0 percent). Adjusted return on sales in the Laundry & Home Care business unit also declined year on year to 13.7 percent (previous year: 15.0 percent).

Expense items

The following explanations relate to our operating expenses adjusted for one-time expenses and income, and for restructuring expenses. The reconciliation statement and the allocation of the restructuring charges between the various expense items of the consolidated statement of income can be found on page 279.

Cost of sales was 7.3 percent higher year on year at 10,999 million euros. Gross profit increased by 0.8 percent to 9,067 million euros. Year on year, adjusted gross margin decreased by 1.5 percentage points to 45.2 percent. Positive price and volume effects and ongoing measures to reduce costs and enhance production and supply chain efficiency could not fully offset the negative impacts from substantially higher prices for direct materials (raw materials, packaging and purchased goods and services) and logistics – mainly due to strong industrial demand and sustained elevated demand in numerous consumer categories on the one hand, and strained supply chains on the other – as well as from adverse currency effects.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Reconciliation from sales to adjusted operating profit

in million euros	2020	%	2021	%	+/-
Sales	19,250	100.0	20,066	100.0	4.2%
Cost of sales	-10,255	-53.3	-10,999	-54.8	7.3%
Gross profit	8,995	46.7	9,067	45.2	0.8%
Marketing, selling and distribution expenses	-5,034	-26.2	-5,087	-25.4	1.1%
Research and development expenses	-495	-2.6	-504	-2.5	2.0%
Administrative expenses	-906	-4.7	-921	-4.6	1.7%
Other operating income/expenses	18	0.1	132	0.7	>100%
Adjusted operating profit (adjusted EBIT)	2,579	13.4	2,686	13.4	4.2%

At 5,087 million euros, marketing, selling and distribution expenses slightly exceeded the prior-year figure of 5,034 million euros. Compared to fiscal 2020, the ratio to sales decreased by -0.8 percentage points to 25.4 percent as a result of the strong sales growth achieved. We spent a total of 504 million euros for research and development. The ratio to sales, at 2.5 percent, was slightly below the prior-year figure of 2.6 percent. Administrative expenses totaled 921 million euros – up from 906 million euros in the previous year. At 4.6 percent, administrative expenses as a percentage of sales were slightly lower versus 2020.

Other operating income and expenses

At 132 million euros, the balance of adjusted other operating income and expenses increased year on year (2020: 18 million euros). The change versus prior year was particularly attributable to higher gains from the divestment of various business activities, the reimbursement of indirect taxes in Brazil, the reversal of provisions, and earnings from transitional service agreements relating to completed divestments.

Financial result

The financial result was -64 million euros in 2021 after -94 million euros in 2020. The difference of 30 million euros was mainly attributable to lower US dollar financing costs.

Net income and earnings per share (EPS)

Income before tax increased from 1,925 million euros in the previous year to 2,149 million euros. Taxes on income amounted to 519 million euros. The tax rate of 24.2 percent was lower year on year (2020: 26.0 percent). At 25.0 percent, the adjusted tax rate was 0.2 percentage points lower compared to the previous year. Net income increased by 14.5 percent from 1,424 million euros to 1,629 million euros. After allowing for -5 million euros attributable to non-controlling interests, net income attributable to shareholders of Henkel AG & Co. KGaA amounted to 1,634 million euros, 16.1 percent above the prior-year figure (2020: 1,408 million euros). Adjusted net income after deducting non-controlling interests was 1,973 million euros compared to 1,843 million euros in fiscal 2020, representing an increase of 7.1 percent year on year. A condensed version of the annual financial statements of the parent company of the Henkel Group – Henkel AG & Co. KGaA – can be found on pages 142 to 148.

€ 1,629 m

Net income

Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Earnings per preferred share (EPS) rose from 3.25 euros to 3.78 euros. Earnings per ordinary share increased from 3.23 euros to 3.76 euros.

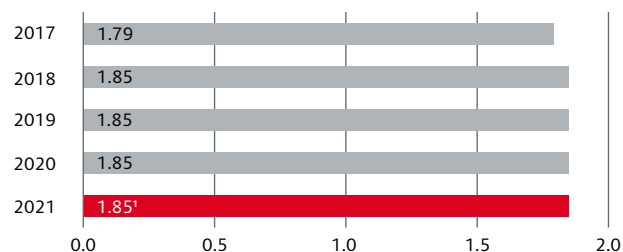
Adjusted earnings per preferred share increased by 7.0 percent to 4.56 euros (previous year: 4.26 euros). At constant exchange rates, adjusted earnings per preferred share were up by 9.2 percent. In calculating adjusted earnings per preferred share, figures are adjusted for one-time expenses and income, and for restructuring expenses.

Dividend

According to our dividend policy, dividend payouts of Henkel AG & Co. KGaA shall, depending on the company's asset and profit positions as well as its financial requirements, amount to 30 to 40 percent of net income after non-controlling interests and adjusted for exceptional items. We will propose to the Annual General Meeting a stable dividend compared to the previous year of 1.85 euros per preferred share and 1.83 euros per ordinary share for the fiscal year just ended. This equates to a payout ratio of 40.5 percent, which is slightly above the targeted bandwidth of 30 to 40 percent.

Dividend per preferred share

in euros



¹ Proposal to shareholders for the Annual General Meeting on April 4, 2022.

Return on capital employed (ROCE)

At 11.0 percent, return on capital employed (ROCE) was above the prior-year figure of 9.6 percent, mainly as a result of the higher operating profit.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Economic Value Added (EVA®)

Economic Value Added (EVA®) increased to 852 million euros from 503 million euros in the previous year.

Comparison between actual business performance and guidance

Based on the business development in the first nine months of 2021 and assumptions regarding the business performance in the fourth quarter, the Management Board of Henkel AG & Co. KGaA updated its guidance for fiscal 2021 on November 8, 2021.

We expected the Henkel Group to generate organic sales growth of 6.0 to 8.0 percent. For the Adhesive Technologies business unit, Henkel forecasted organic sales growth of 10.0 to 12.0 percent. For the Beauty Care and Laundry & Home Care business units, Henkel anticipated organic sales growth in the range between 2.0 and 4.0 percent.

We forecasted an adjusted return on sales (adjusted EBIT margin) for the Henkel Group of around 13.5 percent in fiscal 2021. We expected an adjusted return on sales (adjusted EBIT margin) of around 16.0 percent for the Adhesive Technologies business unit. Our expectations with regard to adjusted return on sales (adjusted EBIT margin) were around 9.5 percent for Beauty Care, and around 14.0 percent for Laundry & Home Care.

For adjusted earnings per preferred share at constant exchange rates, we expected an increase in the high single-digit percentage range.

At 7.8 percent, organic sales growth of the Henkel Group was at the upper end of our forecast range of 6.0 to 8.0 percent. This positive deviation was mainly due to the strong performance of our Adhesive Technologies business unit, which was able to exceed the expected range with organic sales growth of 13.4 percent, not least due to the automotive business recording a less negative development in the fourth quarter than originally expected. At 1.4 percent, organic sales growth in the Beauty Care business unit was, by contrast, slightly below the forecast range, due primarily to persistently negative performance in the North American Consumer business. Conversely, the Laundry & Home Care business unit achieved organic sales growth of 3.9 percent, thus at the upper end of the forecast bandwidth.

Adjusted return on sales (adjusted EBIT margin) for the Henkel Group was 13.4 percent, on a par with the guidance of around 13.5 percent. Adjusted return on sales in Adhesive Technologies was 16.2 percent compared to our guidance of around 16 percent. In Beauty Care, adjusted return on sales, at 9.5 percent, was also in line with our guidance of around 9.5 percent. Adjusted return on sales in Laundry & Home Care, by contrast, fell slightly short of our guidance of around 14.0 percent, at 13.7 percent.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Adjusted earnings per preferred share at constant exchange rates increased by 9.2 percent, in line with our guidance for an increase in the high single-digit percentage range.

Beyond the key indicators, our expectations for restructuring expenses in 2021 had been 250 to 300 million euros. At 227 million euros, the figure was slightly below this range. Cash outflows from investments in property, plant and equipment and intangible assets were expected to be between 600 million euros and 700 million euros. At 640 million euros, the figure was at the midpoint of the forecast bandwidth.

Guidance versus performance 2021

	Original guidance for 2021	Guidance for 2021 as updated on May 6	Guidance for 2021 as updated on August 12	Guidance for 2021 as updated on November 8	Results 2021
Organic sales growth					
Henkel Group:	2.0 to 5.0 percent	4.0 to 6.0 percent	6.0 to 8.0 percent	6.0 to 8.0 percent	7.8 percent
Adhesive Technologies:	2.0 to 6.0 percent	7.0 to 9.0 percent	10.0 to 12.0 percent	10.0 to 12.0 percent	13.4 percent
Beauty Care:	2.0 to 6.0 percent	2.0 to 6.0 percent	2.0 to 4.0 percent	2.0 to 4.0 percent	1.4 percent
Laundry & Home Care:	1.0 to 3.0 percent	1.0 to 3.0 percent	2.0 to 4.0 percent	2.0 to 4.0 percent	3.9 percent
Adjusted¹ return on sales (adjusted EBIT margin)					
Henkel Group:	13.5 to 14.5 percent	14.0 to 15.0 percent	13.5 to 14.5 percent	around 13.5 percent	13.4 percent
Adhesive Technologies:	15.5 to 16.5 percent	16.0 to 17.0 percent	16.0 to 17.0 percent	around 16.0 percent	16.2 percent
Beauty Care:	10.5 to 12.0 percent	10.5 to 12.0 percent	9.5 to 10.5 percent	around 9.5 percent	9.5 percent
Laundry & Home Care:	15.0 to 16.0 percent	14.5 to 15.5 percent	14.0 to 15.0 percent	around 14.0 percent	13.7 percent
Development of adjusted¹ earnings per preferred share at constant exchange rates	Increase in the range 5.0 to 15.0 percent	Increase in the high single-digit to mid-teens percentage range	Increase in the high single-digit to mid-teens percentage range	Increase in the high single-digit percentage range	9.2 percent

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Results of operations of the business units

Adhesive Technologies

Overview

The economic environment in which the Adhesive Technologies business unit operates was characterized by the ongoing recovery of global industrial demand following the significant decline in the previous year in the wake of the COVID-19 pandemic and associated restrictions. As a result, major customer industries worldwide experienced very strong growth in 2021. Year on year, the global industrial production index (IPX) rose by around 7 percent, especially driven by very strong growth in the first half of the year. The second half of the year was substantially impacted by exceptionally sharp increases in raw material prices as well as by supply and capacity bottlenecks. The global shortage of semiconductors, in particular, caused automotive production to decline significantly in the second half of the year.

Under these dynamic economic conditions, the organic sales performance and adjusted return on sales of the Adhesive Technologies business unit improved significantly overall compared to the previous year.

Key financials

in million euros	2020	2021	+/-
Sales	8,684	9,641	11.0%
Proportion of Henkel sales	45%	48%	-
Operating profit (EBIT)	1,248	1,524	22.2%
Adjusted operating profit (adjusted EBIT)	1,320	1,561	18.2%
Return on sales (EBIT margin)	14.4%	15.8%	1.4pp
Adjusted return on sales (adjusted EBIT margin)	15.2%	16.2%	1.0pp
Return on capital employed (ROCE)	13.4%	17.2%	3.8pp
Economic Value Added (EVA®)	410	747	82.1%

pp = percentage points

Organic sales growth

13.4%

Adjusted¹ EBIT

€ 1,561 m

Adjusted¹ EBIT margin

16.2%

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Sales

Sales generated by the Adhesive Technologies business unit rose nominally by 11.0 percent to 9,641 million euros in the year under review. Foreign exchange effects reduced sales by -2.5 percent. Acquisitions/divestments accounted for 0.2 percent of the growth.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 13.4 percent. This growth was driven by both significantly higher volumes and a steady increase in pricing as the year progressed.

Growth in the first six months of the year was characterized by a broad-based volume-driven recovery in industrial demand compared to the prior-year period, which had been strongly impacted by the COVID-19 pandemic. The organic sales growth in the second half of the year was driven both by further strong volume development and, increasingly, by price increases.

Sales development

in percent	2021
Change versus previous year	11.0
Foreign exchange	-2.5
Adjusted for foreign exchange	13.5
Acquisitions/divestments	0.2
Organic	13.4
Of which price	2.9
Of which volume	10.5

Organic sales development by business area

In 2021, all business areas achieved organic sales growth in the double-digit percentage range.

Organic sales development in the **Automotive & Metals** business area was driven by a dynamic recovery in demand in the first six months of the year, while the prior-year period had been significantly impacted by the COVID-19 pandemic. As the year progressed, however, the momentum slowed down in the wake of the increasingly adverse effects of the global shortage of semiconductors on automobile production. We achieved above-average growth stimulus in particular with new solutions for electric vehicles – for example, in the area of thermal management.

The organic sales growth in the **Packaging & Consumer Goods** business area was driven particularly by double-digit organic growth in the Packaging and Lifestyle businesses, while the Consumer Goods business reported very strong growth compared to the previous year. This performance was substantially attributable to our innovative bonding technologies that replace plastics in food packaging, thus increasing their recyclability. Also, the strong e-commerce trend contributed to the growth of this business area.

Top brands

LOCTITE

TECHNOMELT

BONDERITE

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

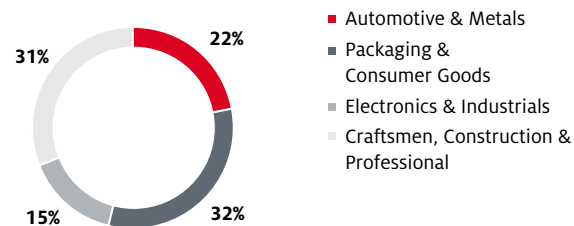
Financial calendar

The **Electronics & Industrials** business area achieved double-digit organic sales growth in both businesses. In addition to a significant recovery in the manufacturing industry segments compared to the previous year, which was affected by the COVID-19 pandemic, we also recorded persistently high demand for our solutions for microchips and electronic modules. Our sustainable solutions for wearable consumer electronic devices, which are largely made from plant-based raw materials, also contributed to growth.

In the **Craftsmen, Construction & Professional** business area, the General Manufacturing & Maintenance and Construction businesses each achieved double-digit growth. The Consumers & Craftsmen business generated significant organic sales growth. Drivers of this growth included our broad range of products for consumers and craftsmen and for the construction industry and, in particular, our maintenance, repair and overhaul solutions for machinery, plant and equipment – such as our new sustainable high-performance adhesives for the mining industry.

For details of the activities of the individual business areas, please refer to pages 72 and 73.

Sales by business area 2021



 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Organic sales development by region**

The **emerging markets** achieved the strongest performance with significant double-digit organic sales growth in all regions. Sales in the **mature markets** were significantly higher year on year. Here, the North America region recorded the strongest increase by achieving double-digit organic sales growth. Sales in Western Europe were significantly above the prior-year level and the mature markets of the Asia-Pacific region generated very strong organic sales growth.

In 2021, we realized more than 80 percent of all sales with our five technology-based brand clusters for industrial customers and our four strong brands for consumers. The proportion of sales from products successfully launched onto the market in the last five years was around 30 percent.

Operating profit

Adjusted operating profit was significantly higher year on year at 1,561 million euros (2020: 1,320 million euros). Adjusted return on sales reached 16.2 percent. The increase of 100 basis points versus prior year was positively impacted, particularly, by the double-digit percentage growth in sales. By contrast, gross margin was lower year on year. Volume increases in the double-digit percentage range, particularly in the first half of the year, and continued measures to reduce costs and improve operations and supply chain efficiency, had a positive effect on the gross margin. However, the substantially higher prices for direct materials, especially in the second half of the year, could only be partially offset through successive price increases. At 10.1 percent, net working capital as a percentage of sales was higher compared to prior year. Return on capital employed (ROCE) increased to 17.2 percent, mainly as a result of the higher operating profit. Economic Value Added (EVA®) increased year on year to 747 million euros.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Beauty Care

Overview

The development of the global cosmetics markets and categories of relevance to the Beauty Care business unit was driven in 2021 by, in particular, the normalization of consumer demand compared to a prior year heavily impacted by the COVID-19 pandemic.

The markets of relevance for the unit's Consumer business were below prior year overall. In particular, North America – which had witnessed strong growth in the prior year – experienced a very significant decline. In the Western Europe region, performance was also negative. By contrast, the emerging markets in all regions performed well.

The various categories in the Consumer business were affected to differing degrees as demand returned to normal. The relevant markets in the Body Care category declined substantially versus their prior-year levels. This was due, particularly, to demand for hygiene and soap products returning to normal following the significant increase in the prior-year period in response to the pandemic. The Hair Colorants category also recorded a very substantial market decline. With the official closure of hair salons in numerous regions in the prior year having given rise to a surge in demand, it was the gradual re-opening of said hair salons that in particular led to the downturn. By contrast, the markets of relevance for the Hair Care, Hair Styling and Skin Care categories performed very strongly as demand returned to normal after having declined – significantly in some cases – in the previous year as a result of the pandemic.

The global hair salon market showed clearly positive development in all regions, especially in the period from the second quarter as the restrictions imposed in response to the COVID-19 pandemic were increasingly lifted and, in particular, hair salons were allowed to re-open. The recovery in the second half of the year was also appreciable, although growth momentum slowed compared to the prior-year period, which was less negatively affected by the pandemic.

In a market environment that remained challenging, the Beauty Care business unit generated positive organic sales growth. The Professional business achieved significant double-digit organic sales growth. By contrast, organic sales development in the Consumer business was negative. Adjusted return on sales in the Beauty Care business unit was lower year on year.

Organic sales growth

1.4%

Adjusted¹ EBIT

€ 351 m

Adjusted¹ EBIT margin

9.5%

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Key financials

in million euros	2020	2021	+/-
Sales	3,752	3,678	-2.0%
Proportion of Henkel sales	19%	18%	-
Operating profit (EBIT)	246	77	-68.8%
Adjusted operating profit (adjusted EBIT)	377	351	-6.9%
Return on sales (EBIT margin)	6.6%	2.1%	-4.5pp
Adjusted return on sales (adjusted EBIT margin)	10.0%	9.5%	-0.5pp
Return on capital employed (ROCE)	6.2%	1.8%	-4.4pp
Economic Value Added (EVA [®])	-47	-208	-

pp = percentage points

Sales

Sales generated by the Beauty Care business unit decreased nominally by -2.0 percent to 3,678 million euros in the year under review. Acquisitions/divestments reduced sales by -0.9 percent. Foreign exchange effects also reduced sales by -2.5 percent.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased due to pricing by 1.4 percent.

Sales development

in percent	2021
Change versus previous year	-2.0
Foreign exchange	-2.5
Adjusted for foreign exchange	0.6
Acquisitions/divestments	-0.9
Organic	1.4
Of which price	2.4
Of which volume	-1.0

Organic sales development by business area

Fiscal 2021 saw organic sales performance in the **Consumer business area** decline year on year, mainly as a result of significantly lower sales in the Body Care category. This was due, particularly, to demand for soap products returning to normal following the significant increase in the prior-year period in response to the pandemic. By contrast, organic sales growth in the Hair Cosmetics category was good overall. The Hair Styling business achieved very strong growth as the market started to recover following the difficult environment faced in the previous year due to the pandemic. Sales growth was good in the Hair Care business and on a par with the prior year in the Hair Colorants category, despite demand returning to normal following the significant increase in 2020 due to the pandemic.

Top brands



SYOSS

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

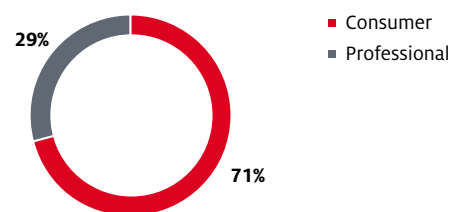
 Contacts

 Financial calendar

Following a substantial decline in sales in the previous year, the **Professional business area** posted significant double-digit sales growth in both emerging and mature markets. This was due in particular to the re-opening – as the first half-year progressed – of more and more hair salons, many of which had been officially closed in many countries in the prior-year period.

For details of the activities of the individual business areas, please refer to page 73.

Sales by business area 2021



Organic sales development by region

The regional picture shows that sales growth was in the double-digit percentage range across all **emerging markets** with the exception of the Eastern Europe region, which posted significant organic sales growth. Both the Consumer and the Professional business areas contributed to the growth posted in all regions. By contrast, sales decreased in the **mature markets**. The double-digit percentage growth in the Professional business was unable to fully offset the negative performance especially in the North America region, which was significantly down year on year, mainly as a result of demand returning to normal in the Body Care category. Performance was also negative in the Western Europe region, whereas the mature markets of the Asia-Pacific region showed significant growth.

In 2021, the business unit generated around 85 percent of its sales with its top 10 brands. The proportion of sales from products successfully launched onto the market in the last three years was around 55 percent.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Operating profit

The Beauty Care business unit generated an adjusted operating profit of 351 million euros, down from the prior-year result (377 million euros). Gross margin declined versus prior year. Particularly positive effects from the increase in volumes in the Professional business, price increases, and measures to reduce costs and enhance efficiency in production and the supply chain were unable to fully offset the negative impact of significantly higher material prices. Overall, adjusted return on sales decreased to 9.5 percent (previous year: 10.0 percent), due not just to the decline in gross margin but also in part to an increase in investments in marketing and advertising.

At -0.5 percent, net working capital as a percentage of sales was on a par with the prior year. Return on capital employed (ROCE), at 1.8 percent, was down year on year, mainly as a result of the impairment loss described on page 92. Economic Value Added (EVA®) totaled -208 million euros.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Laundry & Home Care

Overview

Growth in the global market for laundry detergents and household cleaners relevant to the Laundry & Home Care business unit remained flat in 2021.

Overall, this also applied to the mature markets, although the relevant market for laundry detergents and household cleaners in North America and the mature markets in the Asia-Pacific region recorded a strong performance versus prior year. By contrast, relevant market developments in the Western Europe region were negative.

Market development in the emerging markets was positive. Growth was very strong in the Africa/Middle East region, while the relevant markets in Eastern Europe and Latin America showed positive and strong growth respectively. Asia (excluding Japan) was down year on year.

Despite continued intense price and promotional competition in our relevant markets, the Laundry & Home Care business unit recorded further expansion in 2021 with strong organic sales growth. The sustained success of our brands contributed to this performance, while demand and consumer behavior in our relevant markets continued to be influenced by the COVID-19 pandemic. The return of demand for hygiene products to normal following the significant increase in the prior year due to the pandemic, particularly affected our Home Care business area. Adjusted return on sales for the business unit was down year on year, mainly due to considerably higher raw materials and logistics prices.

Key financials

in million euros	2020	2021	+/-
Sales	6,704	6,605	-1.5%
Proportion of Henkel sales	35%	33%	-
Operating profit (EBIT)	688	797	15.9%
Adjusted operating profit (adjusted EBIT)	1,004	904	-10.0%
Return on sales (EBIT margin)	10.3%	12.1%	1.8pp
Adjusted return on sales (adjusted EBIT margin)	15.0%	13.7%	-1.3pp
Return on capital employed (ROCE)	9.3%	11.4%	2.2pp
Economic Value Added (EVA ¹)	150	326	>100%

pp = percentage points

Organic sales growth

3.9%

Adjusted¹ EBIT

€ 904 m

Adjusted¹ EBIT margin

13.7%

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Sales

Sales generated by the Laundry & Home Care business unit decreased nominally by -1.5 percent to 6,605 million euros in the year under review. Foreign exchange effects reduced sales growth by -5.4 percent. Acquisitions/divestments had no substantial impact on sales.

Organically (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.9 percent. This sales growth was driven by prices, while volumes remained stable.

Sales development

in percent	2021
Change versus previous year	-1.5
Foreign exchange	-5.4
Adjusted for foreign exchange	3.9
Acquisitions/divestments	0.0
Organic	3.9
Of which price	3.6
Of which volume	0.3

Organic sales development by business area

Our **Laundry Care** business area achieved strong organic sales growth. The heavy-duty laundry detergents category showed a good development, due primarily to a significant increase in the sales generated by our core brand Persil. This performance was particularly supported by our Persil 4-in-1 Discs, the portfolio of which was expanded with further variants in the course of the year. The specialty detergents category recorded significant growth, particularly driven by the brand Perwoll.

The **Home Care** business area likewise recorded strong organic sales growth in fiscal 2021, with dishwashing products and WC cleaners as the biggest drivers. Our core brands Pril, Bref and Somat all made important contributions to growth with double-digit and significant percentage increases respectively. By contrast, performance in the hard surface cleaners category was negative. This was due to the demand for hygiene products returning to normal following the significant increase in the prior-year period in response to the COVID-19 pandemic.

For details of the activities of the individual business areas, please refer to page 73.

Top brands

Persil



Bref

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

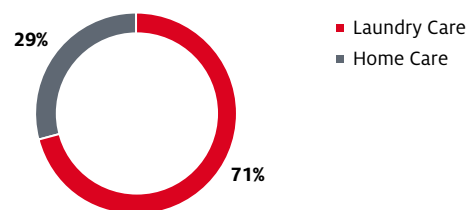
 Further information

 Credits

 Contacts

 Financial calendar

 Sales by business area 2021



Organic sales development by region

The **emerging markets** recorded double-digit organic sales growth and were the main driver of organic growth in the Laundry & Home Care business unit. The Africa/Middle East, Eastern Europe, and Asia (excluding Japan) regions each contributed to this performance with double-digit percentage sales growth. Organic sales growth in the Latin America region was significant. Sales performance in the **mature markets** was negative. Organic sales development in the Western Europe region was positive. In the North America region, organic sales development was negative due mainly to issues in procurement and logistics. The mature markets of the Asia-Pacific region achieved sales growth in the double-digit percentage range.

In 2021, we generated around 70 percent of our sales with our top 10 brand clusters. A brand cluster comprises individual global and local brands that share a common brand positioning internationally. The proportion of sales from products successfully launched onto the market in the last three years was around 50 percent.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Operating profit**

Adjusted operating profit was down year on year, at 904 million euros (2020: 1,004 million euros). Adjusted return on sales in the Laundry & Home Care business unit decreased 130 basis points to 13.7 percent, largely due to the impact of considerably higher raw material and logistics prices. Gross margin came in below the prior-year level. Ongoing measures to enhance efficiency in production and the supply chain coupled with selective price increases served to only partially offset the adverse effects of higher prices for direct materials.

Net working capital as a percentage of sales increased to -7.5 percent. Return on capital employed (ROCE) was higher year on year at 11.4 percent. At 326 million euros, Economic Value Added (EVA®) was also up versus prior year.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Net assets and financial position

Acquisitions and divestments

Effective July 23, 2021, Henkel acquired all shares in Swania International S.A., based in Luxembourg, Luxembourg. The acquisition of the company and its subsidiaries encompasses, in particular, the business with the fast-growing organic detergent and cleaning brands Maison Verte and You in the French market. In fiscal 2021, the company and its subsidiaries generated sales revenues of 36 million euros.

As part of our active portfolio management in our Adhesive Technologies business unit, we sold the global insulated metal substrates business effective May 1, 2021. Effective May 7, 2021, we also completed the sale of our global closure sealants business.

In the Beauty Care business unit, Henkel Group sold the consumer business operations involving the two brands Scorpio and Mont St. Michel, effective March 31, 2021. The brands are marketed mainly in Europe. In addition, the sale of the business with the two consumer brands Right Guard and Dry Idea was completed effective June 1, 2021. The brands are mainly distributed in North America and the UK.

As part of our active portfolio management in the Laundry & Home Care business unit, we sold a few small non-core European consumer goods brands and businesses in the first six months of 2021. In addition, secondary brands from the aforementioned acquisition of Swania International S.A. were sold, effective December 13, 2021, as were some small French consumer goods brands.

Additional disclosures relating to acquisitions can be found on pages 188 and 189 of the notes to the consolidated financial statements.

Neither the acquisitions and divestments nor other measures undertaken in the year under review resulted in any material changes in the business and organizational structure of the Henkel Group, nor did they have any material effect on the net assets, financial position and results of operations. For detailed information on our organization and business activities, please refer to the disclosures on pages 72 to 74.

Capital expenditures

In the reporting period, capital expenditures (excluding acquisitions) amounted to 640 million euros (previous year: 715 million euros). At 576 million euros, investments in property, plant and equipment for existing operations were below the prior-year figure of 649 million euros.

Capital expenditures on property, plant and equipment totaled 252 million euros (previous year: 281 million euros) in the Adhesive Technologies business unit, 83 million euros (previous year: 91 million euros) in Beauty Care, and 227 million euros (previous year: 268 million euros) in Laundry & Home Care. We invested 64 million euros in intangible assets (previous year: 66 million euros).

€ 640 m

Investments in property, plant and equipment and intangible assets

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Around two-thirds of these expenditures were channeled into expansion projects, innovations and streamlining measures, which, for example, included expanding our production capacity and our IT infrastructure, and also implementation of our innovation strategy.

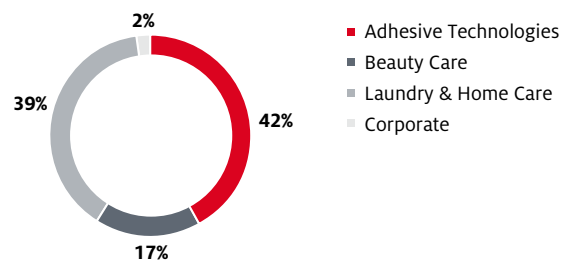
The major projects of 2021 were as follows:

- Construction of an Innovation Center in Düsseldorf, Germany (Adhesive Technologies)
- Expansion of sulfation capacities for surfactant production in the USA (Laundry & Home Care)
- Expansion of innovative detergent capsule production in Serbia (Laundry & Home Care)
- Optimization of our production structure in Bowling Green, USA (Laundry & Home Care)
- Global optimization of our supply chain and consolidation and optimization of our IT system architecture for managing business processes

In regional terms, capital expenditures focused primarily on Western and Eastern Europe and North America.

The acquisitions resulted in additions to intangible assets in the amount of 162 million euros. Details of these additions can be found on pages 202 to 211 of the notes to the consolidated financial statements.

Capital expenditures by business unit in 2021¹



¹ Existing operations

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Capital expenditures 2021

in million euros	Existing operations	Acquisitions	Total
Intangible assets	64	162	226
Property, plant and equipment	576	0	576
Total	640	162	802

Right-of-use assets

In the course of its business operations, Henkel enters into various lease agreements as a lessee. In 2021, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment totaling 151 million euros (previous year: 182 million euros). Acquisitions did not account for any additions in the fiscal year (previous year: 3 million euros). Additional disclosures relating to leases can be found on pages 209 to 211 of the notes to the consolidated financial statements.

Net assets

At 32.7 billion euros, total assets showed an increase compared to year-end 2020 (30.2 billion euros).

Overall, **non-current assets** rose from 20.9 billion euros to 22.3 billion euros in fiscal 2021. At 16,643 million euros, intangible assets were slightly up on the figure at year-end 2020 (15,995 million euros). Additions to goodwill and other intangible assets from acquisitions and investments in existing operations totaling 226 million euros together with positive currency effects of 833 million euros were offset by scheduled amortization (150 million euros) and impairments (226 million euros) of other intangible assets. Compared to year-end 2020, property, plant and equipment increased by 221 million euros following the additions described under “Capital expenditures” and “Right-of-use assets,” exceeding the total of scheduled depreciation (563 million euros, of which 134 million euros attributable to right-of-use assets) plus impairment losses (32 million euros). Sundry non-current assets increased to 352 million euros (December 31, 2020: 236 million euros), mainly as a result of higher overfunding of portions of our pension schemes. Deferred tax assets totaled 1,194 million euros as of December 31, 2021 up from 887 million euros at the end of the previous year. The increase was mainly due to centralization of intangible assets, reorganization within the Group, and higher other expense carry-forwards.

Current assets, at 10.4 billion euros, were likewise higher compared to December 31, 2020 (9.3 billion euros).

Inventories and trade accounts receivable increased by 441 million euros and 350 million euros respectively in fiscal 2021 as business returned to normal after the significantly negative impacts in 2020. Other current financial assets decreased by 162 million euros following the disposal of securities and time deposits, whereas cash and cash equivalents increased by 389 million euros from 1,727 million euros to 2,116 million euros. Following divestments as part of our active portfolio management, assets held for sale decreased by 170 million euros from 228 million euros at the end of fiscal 2020 to 58 million euros as at December 31, 2021. The development of cash

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

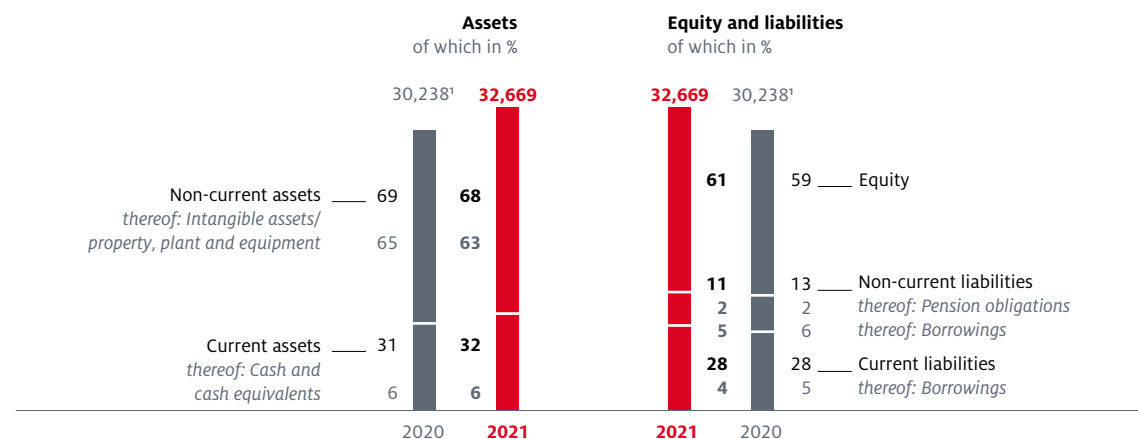
Financial calendar

and cash equivalents is discussed in the section on our financial position, starting on page 116. For further discussion of the assets held for sale, please refer to Note 9 on page 216.

Compared to year-end 2020, **equity** including non-controlling interests increased by 1.9 billion euros to 19.8 billion euros. Equity rose primarily through the addition of net income for the year of 1,629 million euros, with currency translation of our subsidiaries' financial statements adding a further 762 million euros. In particular, the dividend distribution to shareholders of Henkel AG & Co. KGaA in April 2021 and dividend payments to non-controlling interests exerted a countervailing effect of reducing equity by a total of 809 million euros. The individual components influencing equity development are shown in the consolidated statement of changes in equity on page 180. By year-end 2021, the equity ratio had increased compared to year-end 2020 by 1.5 percentage points to 60.6 percent.

Financial structure

in million euros



¹ Prior-year figures amended (please refer to the notes on pages 195).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Non-current liabilities decreased by 0.4 billion euros to 3.6 billion euros. In light of their residual terms, bonds with a nominal value of 800 million British pounds in total were reclassified from non-current to current borrowings. This was countervailed by two sustainability-linked bonds with a nominal value of 500 million euros and 250 million US dollars respectively that were issued in the fourth quarter of 2021. The other changes in borrowings were due to exchange rate effects associated with our bonds denominated in foreign currencies. Other non-current financial liabilities totaled 501 million euros, down 303 million euros compared to the end of the previous year. Lease liabilities increased by 40 million euros compared to the previous year-end figure but were more than offset by the reclassification to current financial liabilities of a liability in an amount totaling to put options granted to minority interests and the remeasurement of these liabilities in an amount totaling 297 million euros. At year-end 2021, deferred tax liabilities totaled 717 million euros following 628 million euros as at December 31, 2020.

At 9.3 billion euros, **current liabilities** were higher compared to the level at year-end 2020 (8.4 billion euros). Current borrowings decreased slightly from 1,418 million euros on December 31, 2020 to 1,295 million euros as at December 31, 2021. In fiscal 2021, we repaid a bond with a nominal value of 700 million euros as scheduled, and reduced our commercial paper liabilities by 414 million euros. On the other hand, bonds denominated in British pounds increased the item total following their reclassification from non-current borrowings. Trade accounts payable increased by 432 million euros in the reporting year. The increase of 264 million euros to 416 million euros in other current financial liabilities was essentially due to the reclassification of a liability from non-current financial liabilities. Income tax liabilities increased by 236 million euros.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

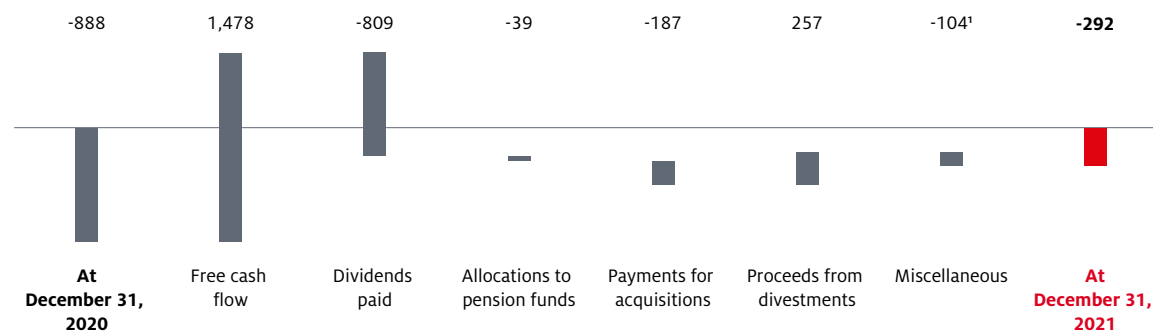
Credits

Contacts

Financial calendar

Net financial position

in million euros



¹ Primarily foreign exchange effects.

€ -292 m

Net financial position

Effective December 31, 2021, our **net financial position¹** amounted to -292 million euros (previous year: -888 million euros). The change compared to the end of 2020 was mainly due to positive free cash flow.

Net financial position 2016 to 2021

in million euros

2016	-2,301
2017	-3,222
2018	-2,895
2019	-2,047
2020	-888
2021	-292

¹ The net financial position is defined as cash equivalents plus readily monetizable securities and time deposits and financial collateral provided, less borrowings, plus positive and minus negative fair values of derivative financial instruments.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Financial position

Cash flow from operating activities in fiscal 2021 came in at 2,141 million euros, representing a decrease versus fiscal 2020 (3,080 million euros). With operating profit up 194 million euros year on year, the lower cash flow from operating activities was substantially due to a significant increase in net working capital¹ in fiscal 2021 following the positive business performance. In the previous year, the reduction in net working capital resulting from the difficulties posed by the COVID-19 pandemic had a positive impact on cash flow from operating activities. Year on year, the ratio of net working capital to sales increased by 1.5 percentage points from 0.7 percent to 2.2 percent, returning to normal after the unusually low prior-year figure. Compared to the level in 2019 before the COVID-19 pandemic, the ratio of net working capital to sales improved by 1.7 percentage points.

The cash outflow in **cash flow from investing activities** (-479 million euros) was below the figure for the prior-year period (-1,261 million euros). This development was mainly due to lower cash outflows for investments in subsidiaries and other business units compared to the prior year, coupled with higher proceeds from the disposal of subsidiaries, other business units and investments as part of our divestment program. For further explanations, please refer to the “Acquisitions and divestments” section on page 110 and to the notes on page 189. The disposal of other current financial assets also produced higher cash inflows year on year, mainly as a result of the disposal of securities and time deposits.

The cash outflow in **cash flow from financing activities** totaled -1,294 million euros in fiscal 2021, slightly down on the comparable figure for the year 2020 (-1,475 million euros). The issuance in November of our sustainability-linked bonds with a nominal value of 500 million euros and 250 million US dollars respectively was countervailed by the scheduled redemption of a bond with a nominal value of 700 million euros. In addition, other changes in borrowings resulted in lower cash outflows year on year.

Cash and cash equivalents increased compared to December 31, 2020, by 389 million euros to 2,116 million euros.

At 1,478 million euros, **free cash flow** was down year on year (2020: 2,340 million euros), due in particular to the lower cash flow from operating activities in the period under review.

The development of our financial position is indicated in detail in the consolidated statement of cash flows on pages 181 and 182.

¹ Inventories plus payments on account, trade accounts receivable and receivables from suppliers, less liabilities to customers, trade accounts payable and current sales provisions.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Financing and capital management

The financing of the Group is centrally managed by Henkel AG & Co. KGaA. Funds are, as a general rule, obtained centrally and distributed within the Group. Our financial management is based on the financial ratios defined in our financial strategy (see table of key financial ratios on the following page). We pursue a conservative and flexible investment and borrowings policy with a balanced investment and financing portfolio. The primary goals of our financial management are to secure the liquidity and creditworthiness of the Group, together with ensuring access at all times to the capital market, and to generate a sustainable improvement in shareholder value.

Measures deployed in order to achieve these aims include optimization of our capital structure, adoption of an appropriate dividend policy, equity management and long-term debt reduction. Our capital needs and capital procurement activities are coordinated to ensure that requirements with respect to earnings, liquidity, security and independence are taken into account and properly balanced.

In fiscal 2021, Henkel paid the same dividends for both ordinary and preferred shares as in 2020. Cash flows not required for capital expenditures, dividends and interest payments were used to reduce our net debt and to fund acquisitions. We covered our short-term financing requirement primarily through commercial paper. Our multi-currency commercial paper program is additionally secured by a syndicated credit facility. In addition, the Henkel Group had access to credit lines of 1.6 billion euros as of December 31, 2021 (previous year: 1.6 billion euros) that remain unutilized.

Our credit rating is regularly assessed by the rating agencies Standard & Poor's and Moody's. As in previous years, our ratings remain within the "single A" target corridor, at A/A-1 (Standard & Poor's) and A2/P1 (Moody's). This is a good rating in the prime investment grade segment.

Credit ratings

	Standard & Poor's	Moody's
Long term	A	A2
Outlook	Stable	Stable
Short term	A-1	P1

At December 31, 2021

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Our long-term ratings remain at A flat (Standard & Poor's) and A2 (Moody's). We intend to maintain a solid "A" rating to ensure our continued unrestricted access to the money and capital markets and to favorable financing terms and conditions.

As of December 31, 2021, our borrowings totaled 2,838 million euros (previous year: 3,084 million euros) and mainly comprised bonds issued and commercial paper.

Henkel's financial risk management activities are explained in the risks and opportunities report on pages 149 to 169. Further detailed information on our financial instruments can be found in the financial instruments report on pages 239 to 267 of the notes to the consolidated financial statements.

Key financial ratios

Leverage in fiscal 2021 was 0.4 compared to 0.6 in 2020. The interest coverage ratio was 49.2 in the year under review, following 33.1 in fiscal 2020. The equity ratio as at December 31, 2021 was 60.6 percent (previous year: 59.1 percent).

Key financial ratios

	2020	2021
Leverage		
Net financial position extended ¹ /EBITDA	0.6	0.4
Interest coverage ratio		
EBITDA/financial result excluding investment result	33.1	49.2
Equity ratio		
Equity/total assets	59.1%	60.6%

¹ For the extension provisions for pensions and similar obligations, lease liabilities and sundry financial liabilities are added. The receivable from Henkel Trust e.V. is subtracted.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Employees

Our employees shape our company through their commitment, knowledge and skills. They are crucial for driving our long-term success. This is why strengthening a corporate culture characterized by close collaboration and empowered people is an integral element of our strategic framework for purposeful growth. Building on shared values and a clear understanding of collaborating as one team, we want to accelerate our cultural transformation, drive the upskilling of our employees regarding future capabilities, and enable our people to continuously develop. The importance of a strong corporate culture has become particularly clear during the COVID-19 pandemic. We continued to make further progress over 2021 and have together successfully driven forward the cultural journey.

Open and appreciative leadership culture

The basis for an inspiring and modern working environment where team spirit plays a key role is an open and appreciative leadership culture. The foundation for collaboration in teams and for the behavior of each individual has been created by our Leadership Commitments, which we introduced in 2019 and which apply to all Henkel employees – regardless of whether or not they lead a team. With them, we place high expectations on our employees in terms of leadership behavior, agility and collaboration. Since their introduction, the Leadership Commitments have been consistently integrated into all our HR processes and systems.

In 2021, we introduced our new, meaningful purpose for the company – “Pioneers at heart for the good of generations.” Here, the Leadership Commitments represent behavioral guidelines for our employees in bringing our purpose to life.

We firmly believe that cultural change requires the engagement of all employees, which is why we have developed various learning formats aimed at helping our employees and teams to reflect on and adjust their behavior. One example is our “Iceberg Learning Module” that encourages self-reflection with the aim of improving collaboration and leadership competence at all levels. The content is available in a total of eleven languages to maximize its accessibility for all employees.

Payroll cost and average employee numbers

	2020	2021
Payroll cost in million euros	3,307	3,450
Average employee numbers	52,600	52,700

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

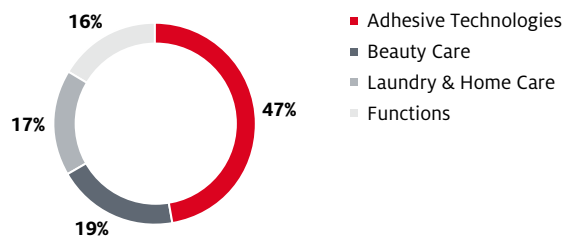
At the same time, cultural change requires greater transparency across all areas of leadership development. Hence, we launched a structured process in 2021 to start leading our top executives through a 360-degree coaching process – a key element for supporting executives as role models in creating an inspiring and modern work environment.

Promoting diversity

Everyone who works at Henkel acts in an environment characterized by its international nature and diversity. We are represented by around 52,450 employees (as at year-end 2021) with 124 nationalities operating in 79 countries. The slight decrease in the number of employees compared to December 31, 2020 (around 52,950) is due in part to the divestment of businesses.

Diversity and inclusion are strategically important for Henkel and are an integral part of our corporate culture. We are convinced that a diverse workforce as well as an open and appreciative corporate culture are important success factors in a globalized world. Different viewpoints, cultures and mindsets enable us to meet the needs of increasingly diverse markets and stakeholders with creative and innovative products, services and solutions. Our approach to diversity and inclusion at Henkel is holistic and encompasses all relevant dimensions of diversity. We host numerous programs and training courses to deepen understanding and appreciation of diversity.

Employees by organizational unit



At December 31, 2021

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

We have set ourselves the goal of steadily increasing the proportion of women at all levels of the company, and are pursuing the ambition of achieving gender parity across all management levels by 2025. The proportion of women in management positions was around 38 percent in 2021, which represents another increase year on year. Cultural diversity is also a natural part of the world of work at Henkel: Around 85 percent of our workforce operates outside Germany. To better capture our cultural diversity and internationality, we also developed a new internationality index in the reporting year. It considers both the nationalities of our employees and aspects such as international work experience.

Women in management

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

¹ Corporate Senior Vice Presidents, management circles I and IIa.

The key to our success, however, lies not just in the diversity of our workforce. We promote a culture of collaboration and integration, while striving to ensure equal opportunities to leverage the full potential of our diversity. With this in mind, we offered a range of training programs in 2021 – including an eLearning course to better understand unconscious biases. We also organized various events and activities to raise awareness for the different dimensions of diversity, such as for the LGBTQ+ community. At the same time, we promote equal opportunities by identifying obstacles facing our employees and enabling individualized solutions to match their respective life circumstances. For example, we help families to achieve a balance between career and personal life by offering childcare facilities and a range of social services. Furthermore, we provide the same support to all generations and actively embrace demographic change at Henkel by offering various partial retirement plans. We encourage the targeted, cross-generational training of qualified newcomers by having their experienced colleagues coach them in direct preparation for a specific role.

Energized and empowered teams

To foster the targeted development of our employees, we make use of regular development meetings and individual career plans. This enables us to systematically identify and develop talents within the company and ensure internal succession planning. Our globally standardized assessment process includes an annual evaluation of the potential of our employees and, independently of this, an appraisal of their performance against pre-agreed role expectations. Individual training programs and potential career moves are also discussed.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

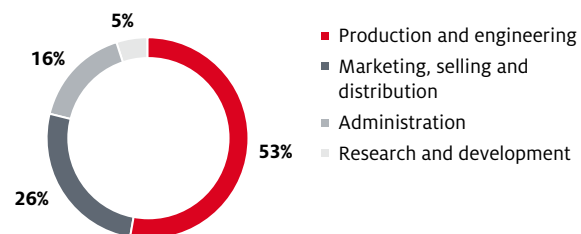
Credits

Contacts

Financial calendar

We enhance our employees' skills and knowledge and help them to reach their full potential. Regular and open feedback on performance and potential serves as a foundation for their development. This facilitates the definition of individual development measures that address both the company's needs and the employees' potential. We focus on digital learning opportunities and the development of digital skills. For example, we offer all employees around the world personalized digital-specific training sessions through our global Digital Upskilling initiative. By the end of 2021, more than 16,400 employees had made use of these offerings to extend their digital competences. As such, the Digital Upskilling initiative is making a key contribution to digital transformation at Henkel, which is also demonstrated by the fact that the number of digital learning hours completed by our employees again nearly doubled in 2021 compared to the previous year. We also introduced a new format: Around the globe, more than 6,200 employees attended our virtual "Learning Festival," which lasted for several days and focused on the topics of digitalization, innovation, sustainability and culture.

Employees by activity



At December 31, 2021

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

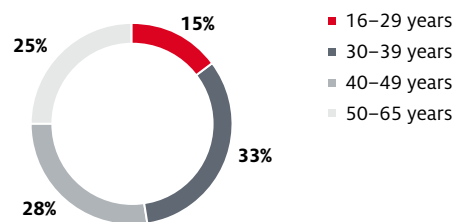
Shaping the future of work

At Henkel, we measure performance by results, not by physical presence. This is why we have been promoting flexible working models for years. Based on a culture of trust, part-time work, flexible working hours, new work-place concepts and mobile working are a natural part of our work, and not just since the COVID-19 pandemic. By signing our global “Work-Life Flexibility” charter in 2012, the Management Board has long emphasized that this is an important topic at Henkel. Our managers are instructed to put the opportunities for flexible working into practice and to support them actively.

The pandemic accelerated numerous developments at Henkel and again very clearly demonstrated how well virtual collaboration and mobile working can be embraced – but also how important it is to meet as teams. We want to use these experiences and insights to actively shape and advance the corporate culture and work environment at Henkel. Our sites and offices will always be places where we can work together and exchange with colleagues. At the same time, however, the work environment of the future will be characterized by more flexibility and scope for people to find the best possible balance between their professional and private lives.

That is why Henkel developed a holistic “Smart Work” concept in 2021 aligned to shaping the future of work. The concept forms the global framework for mobile working, but also shows potential how our office landscapes might better support collaboration among our people, what improvements our health program can bring and which additional opportunities are offered by digitalization.

Employees by age group



At December 31, 2021

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Recruiting, developing and retaining talents

As an employer, we want our employees as well as applicants and people interested in Henkel to be inspired and convinced by our culture and what we can offer. This is why, among other things, we updated our employer brand in 2021, supported by a global internal and external campaign focusing on social media and (online) trade fairs. Using formats such as #MyStory@Henkel and #JobOfTheMonth, employees post insights into their day-to-day work and their ongoing development at Henkel. The positive response to these formats and the high level of transparency are reflected not least by the growing numbers of followers on our social media channels, and also in our good results in employer rankings and ratings. We are continuously improving our application process to make sure it appeals to interested talents – for example by including more diversity aspects or adding the option of video application.

We place great importance on the in-house training and professional development of our people, giving due consideration to locally different training paths. Henkel offers 25 apprenticeship and five dual-track study programs in Germany. In 2021, we welcomed 138 new apprentices and dual-track students – despite the ongoing COVID-19 pandemic – as they embarked on the journey toward a professional qualification. In selected emerging markets, we also offer a range of trainee programs tailored specifically to the needs of the relevant country.

Employees per region over time

	2017	%	2018	%	2019	%	2020	%	2021	%
Western Europe	14,750	27.5	14,750	27.8	14,750	28.1	14,900	28.1	14,750	28.1
Eastern Europe	9,950	18.5	9,800	18.5	9,800	18.7	10,150	19.2	10,350	19.7
Africa/Middle East	4,750	8.8	4,200	7.9	3,900	7.4	3,850	7.3	3,650	7.0
North America	9,050	16.9	9,000	17.0	8,950	17.1	8,850	16.7	8,250	15.7
Latin America	5,500	10.2	5,800	11.0	5,900	11.3	6,150	11.6	6,300	12.0
Asia-Pacific	9,700	18.1	9,450	17.8	9,150	17.4	9,050	17.1	9,150	17.5
Total	53,700	100.0	53,000	100.0	52,450	100.0	52,950	100.0	52,450	100.0

Basis: permanent employees excluding apprentices; figures rounded.
(at December 31)

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

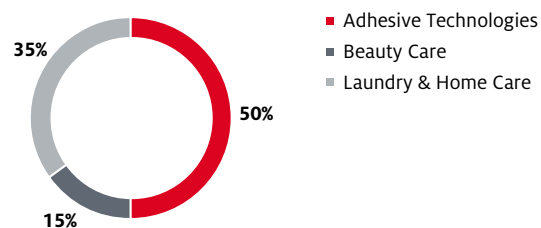
Procurement

We use externally sourced materials (raw materials, packaging and purchased goods) and services to produce our finished products. These items all fall under the general category of direct materials. Examples include washing-active substances (surfactants), adhesive components, cardboard boxes and external bottling services.

Aside from supply and demand, the prices of **direct materials** are mainly determined by the prices of the input materials used to manufacture them.

In 2021, prices for direct materials (raw materials, packaging, and purchased goods and services) rose exceptionally strongly versus prior year with an increase in the low double-digit percentage range. This development was driven by several factors: After the COVID-19 pandemic had caused a significant economic downturn in the previous year and weaker demand on the procurement markets, 2021 was characterized by a strong recovery in industrial demand and continuing high demand in numerous consumer goods categories – while supply chains became substantially strained. The increase in the overall inflation rate, the shortage of workers in several industrial sectors (truck drivers, for example), the generally sharp increase in logistics costs as well as disruptions in the supply chain – for example, caused by the blockage of the Suez Canal or extreme weather in the USA – affected material prices additionally. Prices inflated sharply, not just for petrochemical raw materials but also for palm kernel and other natural oils, synthetic resins and packaging.

Direct material expenditures by business unit in 2021



 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

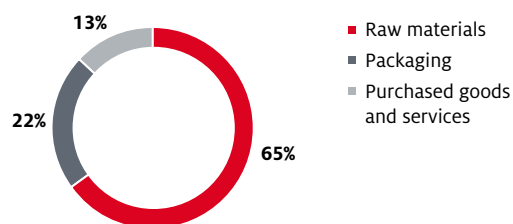
 Contacts

 Financial calendar

Direct material expenditures were up year on year at 9.0 billion euros (2020: 8.0 billion euros), driven essentially by price increases on the raw materials markets and higher volumes in the business units. Savings from our global procurement strategy and cost reduction measures combined with improvements in production and supply chain efficiency were only able to partially offset the higher material prices and negative currency effects.

The five most important categories of direct materials are washing-active substances (surfactants), raw materials for use in hotmelt adhesives, polyurethanes, fragrance and cosmetic raw materials, and inorganic raw materials. These account for 39 percent of all direct material expenditures. Our five largest suppliers represent 14 percent of purchasing volume in direct materials.

**Direct material expenditures
by type of material in 2021**



Within the category of **indirect materials and services**, we procure items and inputs that are not directly used in the production of our finished products – such as maintenance materials, or logistics, marketing and IT services. At 5.7 billion euros, expenditures on indirect materials and services in 2021 were slightly above the level of the previous year (2020: 5.6 billion euros).

In order to improve efficiency and secure material supplies, we continuously optimize our value chain while ensuring that we continuously improve our level of quality. In addition to negotiating new, competitive contract terms, our program to lower total procurement expenses is a major factor in the success of our global purchasing strategy. We enter into long-term business relationships with selected suppliers to foster the development of innovations, and to optimize manufacturing costs and logistics processes. At the same time, we ensure the risk of supply shortages is reduced. We also agree and implement individual targets with our strategic suppliers aimed at optimizing the supply of direct and indirect materials.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Risk management is an important component of our purchasing strategy, especially against the backdrop of uncertainties with regard to supply security on the procurement markets and movements in raw material prices. The emphasis here is on reducing price and supply risks while maintaining consistently high quality. If any supply shortages do occur, established interdisciplinary crisis management processes are triggered to ensure a high degree of supply reliability to our customers. Complementing the objectives and contracts discussed above, dual-source procurement is also a key element of our risk management strategy. As part of our active price management approach, we employ strategies to safeguard prices over the longer term. These are implemented both by means of contracts and, where appropriate and possible, through financial hedging instruments. In order to minimize the risk of supplier default, we perform detailed risk assessments of suppliers to determine their financial stability, and stipulate supplier default clauses. With the aid of an external, independent financial services provider, we continuously monitor important suppliers whose financial situation is regarded as critical. If a high risk of supplier default is identified, we systematically prepare back-up plans in order to ensure uninterrupted supply. In 2021, we identified more than 1,400 disruptions in the supply chains (previous year: 650) – including a large number of force majeure cases that required the fastest of responses based on the crisis management approach outlined above.

Sustainability plays a major role in our procurement strategy. Since 2011, we have been involved as co-founders of “Together for Sustainability – Chemical Supply Chains for a Better World (Tfs),” an initiative spawned by the chemical industry with the goal of harmonizing the ever more complex supplier management processes in the field of sustainability, and improving environmental and social standards within the supply chain. As part of this initiative, we regularly perform sustainability assessments and audits of our strategic suppliers.

We were able to once again increase the efficiency of our purchasing activities by further standardizing, automating and centralizing our procurement processes. In addition to making use of e-sourcing tools to support our purchasing operations, we have consolidated and are increasingly automating large parts of our purchasing administration activities within our Global Business Solutions organization – such as activities relating to supplier negotiation, order and invoice processing, price data maintenance and reporting activities. The stronger alignment of our purchasing organization to the business units, customers and procurement markets that we put in place in 2020 enabled us to again be more agile and innovation-focused in 2021. We are also constantly progressing the digitalization of our purchasing activities. Through our communication platforms, we continuously optimize the cooperation with our strategic suppliers and are increasing the transparency along the value chain by means of new digital applications. In addition, we are deploying a growing number of next-generation technologies such as robotics and artificial intelligence in order to further improve our processes. We have also continued consolidating our production, logistics and purchasing activities across all business units into a Global Supply Chain organization. This organization is managed from Amsterdam and a branch office in Singapore.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Production

In 2021, Henkel manufactured products at 174 sites in 56 countries. Our largest production facilities are located in Bowling Green, USA, and in Düsseldorf, Germany. We manufacture laundry detergents and household cleaners in Bowling Green. In Düsseldorf, we produce not only laundry detergents and household cleaners but also adhesives for consumers and craftsmen, and products for our industrial customers.

In the year under review, the COVID-19 pandemic again posed particular challenges for the production and logistics structures. Thanks to a very robust supply chain structure, our global production network did not suffer any major long-lasting adverse effects despite high levels of pressure.

Number of production sites

	2020	2021
Adhesive Technologies	133	131
Beauty Care	13	13
Laundry & Home Care	33	30
Total	179	174

(at December 31)

In 2021, we further aligned the global production network of our **Adhesive Technologies** business unit to the changing requirements of the markets. Our current 131 production sites around the globe (previous year: 133) use cutting-edge manufacturing technologies to secure cost and quality benefits in production and to meet the requirements of our customers. We invest in improving our manufacturing and warehouse footprint in line with market development – in both emerging and mature markets.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

We are currently in the process of building a new plant for electronics solutions in South Korea and a factory in Mexico for hotmelt adhesives for the Packaging & Consumer Goods business area. Both facilities are scheduled to start production in 2022. In North America, we are investing in a new type of acrylate technology for the Packaging & Consumer Goods business area and in the production of sealing compounds close to our customers for the Craftsmen, Construction & Professional business area. Our factories in China and India had their established multi-technology structures expanded to include additional technologies. We are also establishing manufacturing capacities in order to follow the structural changes in the automobile industry, offering innovative solutions to e-mobility problems.

The number of production sites in our **Beauty Care** business unit remained constant overall at 13. Based on our supply chain strategy, we are investing in capacities and new technologies – especially in emerging markets – to ensure long-term growth. We have expanded existing sites in particular in Latin America, Russia and the Middle East, as well as in North America. In doing so, we are raising production capacity in all three key technologies: hair colorants, liquid products and aerosols.

The business unit continues to focus on constantly improving its customer supply service in a very volatile and innovative market environment. By integrating our planning processes along the entire supply chain – from suppliers through production to the interface with our customers – we can improve our response to customer needs. Further focus was placed on adapting the supply chain in response to the requirements of new e-commerce sales channels and the demand for greater individualization of our products.

The production network of our **Laundry & Home Care** business unit encompassed 30 sites in 2021 (previous year: 33).

We further optimized our production network in Europe with the closure of the Laundry & Home Care plant in Lomazzo, Italy, and the sale of the factory in San Marino. We also closed our operations in Oakville in North America, which was made possible by consolidating and optimizing our activities in the remaining European and North American factories. We also continued merging warehousing and logistics sites in North and Central America.

Pooling the purchasing, production and logistics activities of **all business units** in one Global Supply Chain organization enables us to develop our global processes more quickly.

In all three business units, we have made substantial advancements in the fields of sustainability and digitalization as essential cornerstones in our effort to make our production and logistics network fit for the future.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Investment projects for new plants and factories are implemented according to the latest standards in terms of both building design and technical equipment. Our systems also encompass comprehensive operating data acquisition, enabling us to ensure their operational efficiency and environmental compatibility. In our Adhesive Technologies business unit, we obtained the International Sustainability and Carbon Certification (ISCC) for our production sites in Bopfingen, Germany, and Drogenbos, Belgium. In the Beauty Care business unit, we have continued to drive the implementation of our supply chain sustainability strategy. Associated measures include investments in photovoltaic systems at our sites in Wassertrüdingen, Germany, and Tuzla, Turkey, and also in sustainable wastewater treatment and recycling systems. For all business units, we have the environmental management systems at numerous sites externally certified. By the end of 2021, around 80 percent of our production volume was from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

The implementation of various Industry 4.0 initiatives has also increased process transparency and resulted in the further digitalization of our production. Our ability to rapidly analyze big data has enabled us to both speed up the decision-making process and make it more efficient. For example, we have implemented solutions at our Laundry & Home Care factory in Toluca, Mexico, that include the analysis of big data to optimize dynamic production processes. In 2021, this plant was acknowledged by the Global Economic Forum and McKinsey & Company as a global pioneer in the Industry 4.0 domain and was included on the prestigious list of Advanced 4th Industrial Revolution Lighthouses, alongside our factories in Düsseldorf, Germany, and Montornès del Vallès, Spain.

Given the strained supply chains and significantly higher raw material prices, our procurement and supply chain management activities in the year under review focused particularly on ensuring the supply of sufficient raw materials from our suppliers, as well as on production and delivery to our customers. To this end, we have established task forces and continuously monitor all processes and structures along the entire supply chain. This has enabled us to avoid long-lasting adverse effects in our production network.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

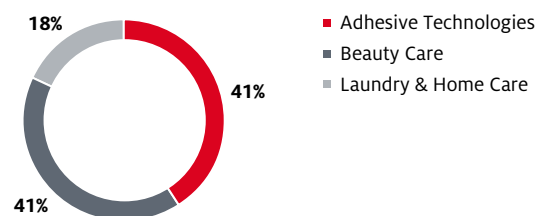
Research and development

Expenditures by the Henkel Group for research and development (R&D) in fiscal 2021 increased year on year from 501 million euros to 727 million euros. The ratio of R&D expenses to sales amounted to 3.6 percent. Adjusted R&D expenditures totaled 504 million euros, following 495 million euros the year before. The ratio of adjusted expenses to sales was 2.5 percent (previous year: 2.6 percent).

In 2021, R&D expenditures were mainly attributable to internal personnel expenses and the impairment of a technology in development. Our research and development costs were fully expensed; no product- or technology-related development costs were capitalized in accordance with International Financial Reporting Standards (IFRSs).

On an annual average, around 2,600 employees worked in research and development (previous year: around 2,600). This corresponds to approximately 5 percent of the total workforce. Our teams are composed of natural scientists – predominantly chemists – as well as material scientists, engineers and technicians.

R&D expenditures by business unit in 2021



The capabilities of our employees and our investments form the foundation on which the success of our R&D activities is built. We continue to focus on highly efficient innovations and steadily reducing our resource consumption while maintaining or improving performance. Our open innovation approach ensures the successful integration of external partners in our project delivery. We are also expanding our corporate venture capital activities. Beyond that, we are committed to increasing the use of digitalization in research and development.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Key R&D figures

	2017	2018	2019	2020	2021
R&D expenditures (in million euros)	476	484	499	501	727
R&D expenditures (in percent of sales)	2.4	2.4	2.5	2.6	3.6
Adjusted ¹ R&D expenditures (in million euros)	469	471	487	495	504
Adjusted ¹ R&D expenditures (in percent of sales)	2.3	2.4	2.4	2.6	2.5
Employees ² (annual average)	2,700	2,750	2,650	2,600	2,600

¹ Adjusted for one-time expenses and income, and for restructuring expenses.

² Figures rounded.

Strengthening research and development together

The research and development experts in the three business units align their project portfolios to the specific needs of their individual businesses. They work together on fundamental processes, basic innovations, evaluation of partners for innovation, and on sustainability. The Research and Development Committee is responsible for Group-wide coordination.

The business units continually exchange on innovations in common areas of knowledge. Activities in 2021 focused on sustainability and digitalization, as was also the case in the previous year. The digitalization focus was partly on digital methods for faster, more efficient and optimized product development, and partly on digital product and service innovations for consumers. Advancement in sustainability took the form of various market launches of particularly sustainable products and solutions.

Contributing to sustainability

Worldwide, growth and quality of life need to be decoupled from resource use and emissions. Our contribution here lies in the development of innovative products and processes that consume ever less resources while offering the same or better performance. It is therefore our ambition to ensure that each new product contributes to sustainable development.

We want to offer consistently better solutions, products and services that also have a positive impact on the environment and society and thus contribute to creating value. Our focus in this respect is on three goals: The first is to continuously improve, in collaboration with our suppliers, the sustainability profile of the raw materials we use. The second is to help our customers and consumers reduce their energy use and greenhouse gas emissions through our innovations. The third is to ensure that our packaging fulfills consumers' performance expectations yet uses the least possible quantity of materials and the most sustainable solutions, and that it can be recycled once the product has been used.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In our innovation process, we use various tools to systematically analyze, measure and evaluate new products. Life cycle analyses, profiles of potential raw materials and packaging materials, and our many years of experience in sustainable development help us to identify and evaluate improvement opportunities right from the start of the product development process.

Open innovation

Our innovations come from both internal and external sources. The concept of open innovation therefore holds great significance for us. Accordingly, we continue to intensify our efforts to involve external partners such as universities, research institutes, suppliers or startups in many of our development projects.

Corporate venture capital

Henkel is striving to gain access to strategically relevant new technologies, applications and business models by partnering with, and investing in, startups with digital or technological expertise.

In 2021, we further expanded our venture capital activities and strengthened our expertise base by investing in startup companies. Henkel supported its operational business by investing in Feelit, a startup based in Haifa, Israel. Feelit develops and markets very sensitive printed expansion sensors for predictive maintenance in factories in various industries.

Henkel also invested in ioTech, a startup based in Jerusalem, Israel, which has developed a very fast and accurate printing technology for a large number of materials. This technology will, for example, support the trend toward miniaturization in the electronics industry. Henkel strengthened its business focusing on solutions for the construction industry by investing in Daibau – a digital platform that connects craftsmen with renovation projects. The stake acquired in venture capital fund Richland Capital in Shanghai, China, gives us access to new material developments and new digital business models in China. We also participated in further financing rounds for startups Actnano, LoveLocal and Nourished, which already feature in our venture capital portfolio.

Research and development worldwide

In addition to its central research laboratories, Henkel maintains research and development sites in all regions around the world as hubs for innovative problem-solving. Worldwide research and development activities are managed globally by the business units. Research-intensive base technologies are developed at a central location with optimal access to external resources. These basic technologies are then applied in the regional research and development sites in the creation of customer- and market-specific innovations. At the same time, the research and development staff in the regional sites obtain information about specific problems for the next generation of innovations while working in close contact with customers and consumers. The new base technologies needed for the relevant solutions are, in turn, developed centrally.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

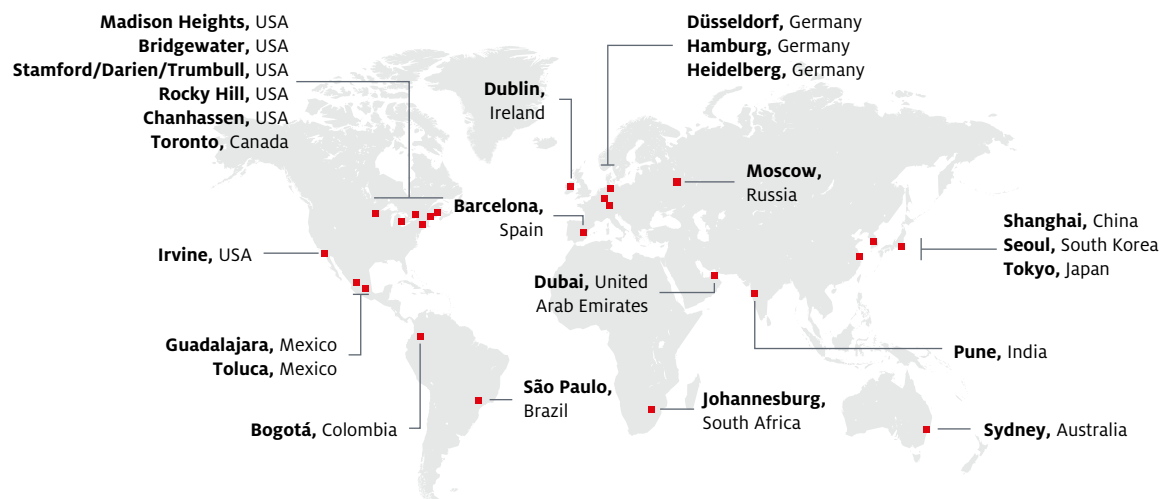
 Further information

 Credits

 Contacts

 Financial calendar

 Selected research and development sites



The **Adhesive Technologies** business unit supports its customers around the globe with customized solutions based on a comprehensive portfolio of products, applications and services. The success of Adhesive Technologies is founded in particular on its broad technology portfolio, the outstanding expertise of our global innovation team, an in-depth understanding of the market, and its proximity to its customers as the reward from years of working in close collaboration with them.

Again in 2021, the business unit focused its innovation activities and resources on technology development and expanding its partnerships with companies engaging with key innovation trends. These trends include, for example, energy management solutions, the miniaturization of electronics, and the circular economy.

Solutions provided by our Adhesive Technologies business unit are playing an important role in the booming e-mobility sector. This year, for example, our portfolio of products aligned to the efficient and safe use of batteries in electric cars was expanded to include an epoxy-based flame retardant coating that increases passenger protection in the event of a fire.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

In the field of consumer electronics, the industry is moving toward ever smaller and at the same time more powerful devices. With printed antennas made of conductive ink, we have not only contributed to improved use of the 5G network, but enable the development of more compact devices and increase the production efficiency of our customers.

In the field of circular economy, Adhesive Technologies offers a comprehensive portfolio of products that serve to improve the recyclability of materials and reduce production waste. This has also been accompanied by an increase in sustainable and bio-based raw materials in the production process. For the packaging industry, for instance, we are developing innovative adhesives that can be used to replace plastics with paper solutions and improve the recyclability of, for example, food or hygiene product packaging.

With the opening of Inspiration Center Düsseldorf, the Adhesive Technologies business unit is taking its innovation strength to a new level. The state-of-the-art building provides space and an inspiring working environment for more than 500 experts from the areas of research and development and application technology. Here, Adhesive Technologies has combined its entire portfolio with modern laboratories and a variety of digital technologies under one roof. The Inspiration Center Düsseldorf is also a place for collaboration, where the business unit's solutions can be experienced physically and digitally by our customers, and where Henkel's experts can work together with customers and partners on high-impact, next-generation solutions. The building includes an automated lab that prepares, tests and checks formulations 24 hours a day. In addition, the cloud-based data platform "Albert" is in constant use, accelerating the research process with the help of artificial intelligence and simplifying collaboration on multi-site projects.

Within the **Beauty Care** business unit, technologies and formulations are developed that form the basis for product innovations in our markets across all regions – innovations that track global trends and meet specific local customer needs.

Key innovations launched in 2021 include Gliss 7sec Repair Kur, a thorough revamp of the Taft hair styling brand in Europe, and improved hair care products under the Extra Care brand in China.

Expansion of our digital technologies in the hair area was another of our priorities. With the SalonLab Hair Analyzer, we have introduced a digital hair analyzer to hair salons in Europe that allows for customized hair diagnosis. Diagnosing hair damage enables much better treatment of each customer's personal care needs.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Our portfolio of sustainable products was also expanded. For example, we launched further silicone-free hair care products under our Gliss brand. Colorant products with a particularly high proportion of natural ingredients were developed under the Schwarzkopf brand.

We are also working on sustainable packaging for our products. This includes the continuous expansion of our portfolio of refillable solutions to avoid plastic packaging – for our Fa brand, for example. For products under our Taft brand we switched to using packaging containing a high proportion of recycled plastics.

In order to create a uniform industry-wide evaluation system for the sustainability of cosmetic products, the Beauty Care business unit is working in a consortium with other major cosmetics manufacturers, authorities and experts from the scientific community. The aim is to enable consumers to make a direct comparison of products in terms of their impact on the environment.

To align our products even more closely to regional customer needs, we have opened additional centers in several regions where products are tested and developed on and with consumers. These include, for example, the center in Dubai that was recently opened together with Laundry & Home Care. Newly opened in Guadalajara, Mexico, the LATAM Product Performance Center serves to test the effect of hair products directly on consumers.

Again in 2021, research and development activities in the global network of our **Laundry & Home Care** business unit focused on sustainable innovations in the fields of raw materials, formulations, packaging concepts and production methods.

For example, we introduced WC Frisch Brilliant Gel, a new WC gel in ball form. This sustainable innovation is particularly economical to use. The packaging is also environmentally compatible: The cardboard is made of at least 85 percent recycled fiber and the blister cover is made of at least 80 percent recycled plastic.

In addition, we rolled out our new Somat Excellence 4in1 dishwasher caps, adding an energy-saving and environmentally compatible variant to the Somat portfolio in our Home Care business area. Somat Excellence 4in1 Caps can also be used at low temperatures – in the Eco program, for example – thus helping to save energy when using the dishwasher. We also contribute to conserving resources when it comes to packaging: The XXL-sized boxes (48 caps) are made of 50 percent recycled material. The cardboard sheath is made of 90 percent recycled paper. The innovative separation system allows the cardboard sheath and plastic box to be easily parted for appropriate disposal in the respective recycling systems.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

In our Laundry Care business area, we launched our Persil Eco Power Bars in retail outlets of selected markets. These innovative universal and color detergents fulfill several aspects of sustainability: The protective film around the detergent tabs is water-soluble and biodegradable. The bars dissolve in cold water, which means the washing temperature can be greatly reduced. With this innovation, we are thus helping our consumers reduce their energy consumption and greenhouse gas emissions. We are also contributing to reducing plastic waste and creating a circular economy. The extremely compact packaging uses 97 percent less plastic per laundry load compared to the packaging material for the liquid detergent. The paper can also be recycled.

Patents and registered designs

We hold a good 11,300 patents to protect our technologies around the world. Approximately 5,200 patents are currently pending. And we have registered more than 3,000 design patents to protect our intellectual property.

Further information on our research and development activities can be found on our website at

www.henkel.com/brands-and-businesses

Marketing and distribution

We put our customers and consumers at the center of what we do. We offer them maximum benefit, quality and service, together with attractive innovations of our brands and technologies. In doing so, we create sustainable value.

Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings. The success of our business is founded on groundbreaking innovations, tailor-made products and strong brands. Working in close partnership with our customers, we combine our innovation and technology leadership to create high-impact and sustainable solutions that are indispensable components in innumerable industrial and consumer goods around the world.

We develop global and regional marketing strategies for our brands and technologies. The resulting measures are implemented locally. Our branding strategy is strictly aligned to our five technology-based brand clusters for industrial customers and our four global core brands for consumers.

Our customer base of more than 100,000 direct industry and retail customers is managed primarily by our own sales teams, while retail customers and distributors service the needs of private users, craftsmen and smaller industrial customers.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

With our team of more than 6,500 technical experts, we foster close, long-term relationships with our customers and partners from more than 800 manufacturing and processing sectors. In the process, we gain an in-depth understanding of an exceptionally wide range of applications across all markets. Since many of our solutions and technologies are integrated into technically highly complex processes and products, excellent technical customer service and thorough user training worldwide are of key importance.

To further expand our innovation leadership, we have built a new global innovation center – our Inspiration Center Düsseldorf – on the site of our corporate headquarters. Since mid-2021, customers and partners from all over the world have been able to experience the full bandwidth of our technologies here, as well as work together with more than 500 experts from research and development on pioneering solutions and applications. We also focus our corporate venture activities on new and scalable technologies to enhance our portfolio and strengthen the innovative power of our material science and digital business areas.

Against the backdrop of the ongoing COVID-19 pandemic and the associated travel and contact restrictions, we further expanded our virtual offerings and technologies for our customers in the year under review. Based on digital tools, our technical customer service conducts remote analyses worldwide to develop solutions for specific issues affecting our customers. We also expanded our range of online training courses and seminars and added new interactive formats. With virtual trade shows and technology days – such as the successful Henkel Sustainability Days for the food packaging sector – we go one step further and bring customers and partners along the value chain to a virtual conference table to drive innovations in different industries.

Not only in personal exchange but also in digital interaction, we aim to ensure outstanding customer experiences at all contact points around the globe. Our website www.henkel-adhesives.com is tailored to the needs of our customers in a wide range of industries, and is available in numerous languages. We are continuously upgrading the user-friendliness and range of products offered by our digital marketplace “Henkel Adhesives eShop,” which is now available to customers in more than 60 countries.

We strive to optimize our approach to consumers and craftsmen through the continued use of classic advertising campaigns coupled with measures to attract customers at the point of sale and with digital marketing formats. Leveraging our close customer relationships and our comprehensive technical expertise, we continue to offer tailored solutions and innovative branded products with sustainable added value for our customers.

In the **Beauty Care** business unit, we want to help our consumers look better, feel better and reach out to one another through the development of our products, services and brands. Our focus in this endeavor is on further developing those markets, categories and brands in which we have strong expertise and where we see clear growth opportunities. Our portfolio of brands with unique, distinct brand equities forms the basis for leading, consumer-relevant innovations offering clear product benefits.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Staying true to our commitment to sustainability, we are improving both our Consumer and Professional portfolios to ensure that our products and innovations not only add value for our consumers and customers but also contribute to the achievement of our sustainability targets.

We are steadily optimizing our business processes to secure the ability of our categories to compete over the long term and to reflect current developments, the latest findings and major trends. For example, we have further improved our innovation process in such a way that future product developments will be even more consumer- and customer-centric, while also leveraging synergies between our Professional and Consumer businesses. The continuous expansion of our digital consumer research tools and our Consumer Insight Centers has enabled us to identify global and regional trends early on and to respond quickly and individually to these with innovative products.

Corporate venture capital investments and our Fritz Beauty Lab incubator help us to identify and develop new business models, marketing strategies and digital skills. They further allow us to test products quickly in the marketplace, to optimize them and subsequently to rapidly scale them on the back of our global business and brand management. This year, after a development period of just six months, we were able to launch the first direct-to-consumer brand developed by our Fritz Beauty Lab incubator – M:ID. M:ID offers tailor-made scalp and hair care products for men, available online and through subscription schemes.

By making use of technologies of the future, such as the internet of things or augmented reality, we are also driving the further development of our brands and products in the digital environment. Examples include our new online shop Salonory for hair salon products in North America, the data-based and networked hair analysis tool SalonLab or Schwarzkopf Professional's House of Color app, which helps hair stylists find the ideal hair color for their customers and to respond even more effectively to their individual needs.

With the opening of our first Schwarzkopf experience store, the House of Schwarzkopf in Berlin, we are bringing the more than 120 years of comprehensive hair expertise of our iconic hair cosmetics brand Schwarzkopf as well as its values, products and history to life with the latest technology. In doing so, we seamlessly combine the digital consumer experience and that of the bricks-and-mortar environment.

Digital interaction with consumers enables us to significantly increase media efficiency as digitalization advances. With personalized one-on-one online interactions, we address the right target group with the right message, while also accelerating efficient re-targeting with customized content. We are capable of producing digital content agilely in our own content factories and of making it available to consumers in real time.

In terms of distribution channels, both brick-and-mortar retail and e-commerce are strategically relevant for Henkel. Given our leading market positions and global shopper expertise, we are a strong partner for both brick-and-mortar and online retailers, with the capability to deliver considerable added value in both areas. And we are consistently pursuing the expansion of our sales via third-party online platforms as well as in the

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

direct-to-consumer domain. One-on-one interaction with consumers also gives us valuable insights that help us to create promising innovations for the entire retail business.

In 2021, while adhering to strict hygiene regulations, we were able to welcome customers back to our Beauty Care Lighthouse in Düsseldorf. This customer center offers our trade partners from around the world an interactive experience of all our competences in the field of Beauty Care, with a stronger focus on digitalization and sustainability. We are also committed to close cooperation with our customers in our Professional business. In our globally established Schwarzkopf Academies, we offer hairdressers value-adding services in the form of customer-focused seminars and continuous professional upskilling programs, which are used by around 900,000 hairdressers around the world every year. Against the backdrop of the pandemic, we expanded our digital training programs in particular in the form of global livestream events.

In the **Laundry & Home Care** business unit, we develop global marketing strategies and product innovations for our strong laundry detergent and household cleaner brands. We then adapt these strategies and innovations to regional consumer needs and market conditions, and implement them at the local level. We thus ensure central, efficient management of our brands aimed at strengthening their core equities and responding to our consumers' desire for both functional benefits and emotional added value. We focus on an innovation process that enables us to systematically identify global consumer trends early on, especially through digital data analytics, and to translate them quickly into new products. In the field of consumer research, for example, we regularly analyze social media signals and e-commerce data as a means of early identification of consumer needs and thus as a basis for developing new products and services.

Digitalization is also an area of key importance in our other marketing processes, as reflected in the ongoing implementation of digital transformation measures in the business unit. One example is the growing use of modern technologies such as the internet of things, or the integration of digitally supported services – such as our Persil Service – in the brand ecosystem. Further points of digital contact with our consumers are provided by the virtual assistants of our Persil brand, which furnish users with extensive advice on stain removal in digital channels such as social media, websites or speech platforms, and by our new consumer platform – Ask Team Clean – in Germany and other countries, including the USA. Marketing and distribution also focuses on data-driven decision-making support to optimize customer focus and value creation.

With these new technologies, we plan to drive the further development of our brands in the digital world and thus enhance the consumer benefit derived. In addition, we use corporate venture capital investments and partnerships to help us identify and develop new business models and further drive our digitalization process.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

We are convinced that the best way to solve the challenges of the future is to work together with our customers, industrial partners and other key stakeholders – which is also reflected in the vision of the Laundry & Home Care business unit: Together Creating Clean Living. Strategic partnerships with key accounts, startups, industrial partners and influencers in the areas of innovation, shopper marketing, digitalization including smart home, e-commerce, sustainability, supply chain and new technologies drive long-term profitable growth to the benefit of everyone involved.

Surveys to examine digital shopping behaviors, for example, are one way of gaining a better understanding of the various shopping channels and their interaction, and of helping our retail partners to create seamless shopping experiences. This then serves as the basis for developing customized solutions for the specific requirements of our partners, for identifying shared value-adding potential, and for advising our partners on the development of strategies across all the various sales channels.

The Global Experience Centers – our customer centers – in Düsseldorf and Stamford, USA, help us to further deepen our relationships with customers both in brick-and-mortar retail and in the field of e-commerce. More than 400 customers have so far visited the centers, using all their senses to explore the latest trends, products and sustainability concepts in the field of Laundry & Home Care.

The importance of sustainability in our relationships with customers and consumers continues to grow in **all three business units**. Our customers expect their suppliers – and that includes Henkel – to ensure compliance with global environmental, safety, and social standards. Our standards and management systems, our many years of experience in sustainability reporting, and excellent appraisals by external rating agencies all help us to convince our audience of our credentials in this domain. Moreover, the credible implementation of our sustainability strategy strengthens both our brands and the reputation of our company in the marketplace. Sustainability is firmly anchored in our strategic framework and we aim to strengthen it as a true differentiator. With our experience in aligning our activities to sustainable development, we are able to position ourselves as a leader in the field and as a partner that is capable of providing its customers with solutions that are fit for the future. Here again, we cooperate closely with our customers in trade and industry.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Henkel AG & Co. KGaA (condensed version according to the German Commercial Code [HGB])¹

The annual financial statements of Henkel AG & Co. KGaA have been prepared in accordance with the rules and regulations of the German Commercial Code [HGB] and the German Stock Corporation Act [AktG]. Deviations from the International Financial Reporting Standards (IFRSs) applicable to the Group arise particularly with respect to the methods of recognition and measurement of intangible assets, financial instruments and provisions.

Operational activities

Henkel AG & Co. KGaA is operationally active in the three business units Adhesive Technologies, Beauty Care and Laundry & Home Care, as well as being the parent company of the Henkel Group. As such it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. As of year-end 2021, some 8,500 people were employed at Henkel AG & Co. KGaA.

The operating business of Henkel AG & Co. KGaA represents only a portion of the business activity of the entire Henkel Group, which is managed across the Group by the business units, particularly on the basis of the financial performance indicators: organic sales growth, adjusted return on sales (adjusted EBIT margin), and growth in adjusted earnings per preferred share at constant exchange rates. Only the Group approach can provide complete insight into these key financials (see the discussion of the management system and performance indicators applicable to the Henkel Group on page 83).

Unappropriated profit, the metric that determines a corporation's ability to pay dividends, is a financial performance indicator specifically of Henkel AG & Co. KGaA with its declared aim to ensure the reasonable participation of its shareholders in the net income of the Henkel Group.

¹ The full financial statements of Henkel AG & Co. KGaA with the auditor's unqualified opinion are filed with the commercial register and accessible on the internet at www.henkel.com/reports.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The profit generated by Henkel AG & Co. KGaA is dictated by its own operations, which are reflected in the sales figures, among other metrics. Profit levels are also influenced to a large degree by the operations of its subsidiaries. Income from subsidiaries is a substantial contributor to the financial result of Henkel AG & Co. KGaA.

Thus the financial situation of Henkel AG & Co. KGaA generally corresponds to that of the Group as a whole, which is discussed in the section “Review of overall business performance” on page 89.

Results of operations

Sales and operating profit

At 3,624 million euros, sales of Henkel AG & Co. KGaA in 2021 increased slightly compared to the previous year. Despite the difficult general business environment caused by the COVID-19 pandemic, the forecast of sales slightly up on the prior-year level proved to be accurate. Lower operating profit and a lower financial result reduced the unappropriated profit of Henkel AG & Co. KGaA. The forecast of flat to slightly higher unappropriated profit was not fulfilled. The lower operating profit was mainly due to higher impairment losses. The financial result declined mainly as a result of less income from the plan assets funding our pension obligations.

Condensed income statement in accordance with the German Commercial Code [HGB]

in million euros	2020	2021
Sales	3,576	3,624
Cost of goods and service sold	-2,622	-2,656
Gross profit	954	968
Selling and general administrative expenses	-970	-993
Research and development expenses	-349	-581
Other operating income/expenses	341	329
Operating profit	-24	-276
Financial result	1,153	944
Income before tax	1,129	668
Taxes on income	-36	-64
Income after tax/Net income	1,093	604
Profit brought forward	914	1,209
Unappropriated profit	2,007	1,812

The Adhesive Technologies business unit achieved sales of 1,069 million euros in 2021 (previous year: 995 million euros). This very good performance versus prior year was primarily attributable to the recovery in industrial production in 2021.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

The Beauty Care business unit achieved sales of 444 million euros in 2021 (previous year: 480 million euros). The decrease in sales in Germany was mainly due to declining demand in the Hair Cosmetics category.

The Laundry & Home Care business unit generated sales of 975 million euros in 2021, which – in a persistently difficult market environment – was on a par with the figure for 2020 (previous year: 973 million euros).

Sales in the Corporate segment increased from 1,128 million euros in 2020 to 1,137 million euros in 2021, mainly due to higher income from services to affiliated companies.

The operating result of Henkel AG & Co. KGaA decreased year on year by 252 million euros to -276 million euros, mainly as a result of higher impairment losses.

Expense items

Compared to 2020, the cost of manufacturing the products and services used to generate sales increased by 34 million euros to 2,656 million euros. This is mainly due to higher expenses from intra-group purchases of products and services. The increase was partially offset by lower restructuring expenses. Gross margin was unchanged year on year at 26.7 percent.

At 699 million euros, selling and distribution expenses were above the prior-year figure of 690 million euros. The proportion of sales was unchanged year on year at 19.3 percent.

Compared to 2020, general administrative expenses increased by 14 million euros to 294 million euros. Their ratio to sales increased by 0.3 percentage points to 8.1 percent. The increase is due, in particular, to higher transaction costs relating to the disposal of trademark and similar rights, and to a higher payroll cost.

Expenditures for research and development in the reporting period increased by 232 million euros to 581 million euros. The proportion of sales rose compared to 2020 by 6.2 percentage points to 16.0 percent. The increase was substantially due to the impairment losses of an acquired technology with uncertain future usage. In addition, the associated restructuring expenses increased year on year.

On average, approximately 1,200 employees worked in research and development at Henkel AG & Co. KGaA in 2021, supporting the development of innovative solutions for global application. The activities are managed globally by the business units. For an overview of the research and development activities, please refer to the information relating to the Henkel Group on pages 131 to 137.

Restructuring expenses of 69 million euros, included in the expense items mentioned above, came in lower versus 2020 (80 million euros).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Other operating income/expenses

In 2021, the balance of other operating income and expenses (other operating result), at 329 million euros, was lower compared to the prior-year period (341 million euros).

Year on year, other operating income increased in 2021 by 12 million euros to 432 million euros, mainly as a result of income from the release of provisions and from gains from the disposal of non-current assets. The increase was partially offset by lower earnings from costs recharged to affiliates.

At 103 million euros, other operating expenses in 2021 were up on the prior-year figure of 79 million euros. The increase was due, in particular, to the one-off cost of 34 million euros relating to the transfer of plan assets and pension obligations to an external pension fund.

Financial result

The financial result decreased from 1,153 million euros in 2020 to 944 million euros in 2021. The decrease is substantially attributable to weaker security price performance compared to the prior year and the resulting lower returns on financial investments held as plan assets. In the investment result, lower earnings from profit transfer agreements were partially offset by higher dividend income from affiliated companies.

Taxes on income

Taxes on income amounted to -64 million euros in 2021, compared to -36 million euros in 2020.

Net income and unappropriated profit

Net income amounted to 604 million euros and was therefore below the prior-year result of 1,093 million euros. The decrease was mainly attributable to the lower operating profit and lower financial result.

Unappropriated profit decreased year on year by 195 million euros to 1,812 million euros.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Condensed balance sheet in accordance with the German Commercial Code [HGB]

in million euros	Dec. 31, 2020	Dec. 31, 2021
Intangible assets and property, plant and equipment	1,393	2,470
Financial assets	12,632	13,008
Non-current assets	14,024	15,478
Inventories	15	16
Receivables and miscellaneous assets	2,014	2,023
Marketable securities	4	284
Liquid funds	883	1,463
Current assets	2,917	3,787
Prepaid expenses	28	25
Assets arising from the overfunding of pension obligations	333	166
Total assets	17,301	19,455
Equity	7,386	7,190
Special accounts with reserve element	70	68
Provisions	719	793
Liabilities/deferred income	9,125	11,404
Total equity and liabilities	17,301	19,455

Net assets and financial position

As of December 31, 2021, the total assets of Henkel AG & Co. KGaA increased compared to year-end 2020 by 2,154 million euros to 19,455 million euros.

Non-current assets increased to 15,478 million euros, a rise of 1,454 million euros compared to 2020. The rise was mainly due to the increase in intangible assets of 1,041 million euros. This resulted primarily from the acquisition of technologies from a German subsidiary by Henkel AG & Co. KGaA, with increased impairment losses, in particular, exerting a countervailing effect.

Fiscal 2021 also saw substantial capital expenditures on non-current assets relating to the further expansion of the central research center of the Adhesive Technologies business unit at the Düsseldorf site, as well as to numerous replacement and expansion investments.

Current assets increased in 2021 from 2,917 million euros to 3,787 million euros, due mainly to higher liquid funds and securities on the reporting date.

The assets arising from the overfunding of pension obligations were lower year on year at 166 million euros and essentially reflect the surplus of the plan assets of Henkel Trust e.V. over the relevant pension provisions. The decrease is due mainly to weaker performance compared to the prior year of the investments held as plan assets, and to the transfer of plan assets and pension obligations to an external pension fund.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[**Combined management report**](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Equity declined from 7,386 million euros to 7,190 million euros. The equity ratio decreased by 5.7 percentage points to 37.0 percent.

Provisions increased by 74 million euros to 793 million euros, due mainly to higher personnel provisions for performance-related components of remuneration and pension provisions.

For details of issued capital and treasury stock, please refer to the disclosures in the notes to the statutory financial statements of Henkel AG & Co. KGaA.

Year on year, liabilities and deferred income increased overall in 2021 by 2,279 million euros to 11,404 million euros, due primarily to the acquisition of technologies from a German subsidiary by Henkel AG & Co. KGaA and the associated rise in financial liabilities to affiliated companies. In addition, the financial liabilities arising from the cash pool management function performed by Henkel AG & Co. KGaA within the Henkel Group increased. The use of cash pools allows largely centralized management of the Group's liquidity, thus facilitating a high degree of financial flexibility.

On the reporting date, Henkel AG & Co. KGaA had nine bonds on its books with a total volume of 2,445 million euros. These include four British pound-denominated bonds with a total nominal volume of 1,150 million British pounds, one Swiss franc-denominated bond with a nominal volume of 330 million Swiss francs, two waste reduction bonds with a nominal volume of 70 million US dollars and 25 million euros respectively, and two sustainability-linked bonds with a nominal volume of 500 million euros and 250 million US dollars respectively. A 700 million euro bond was redeemed in 2021.

For an overview of the financing and capital management of Henkel AG & Co. KGaA, please refer to the information relating to the Henkel Group on pages 117 and 118.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Risks and opportunities

The business performance of Henkel AG & Co. KGaA is essentially subject to the same risks and opportunities as that of the Henkel Group. With respect to the risks affecting its subsidiaries, Henkel AG & Co. KGaA is generally exposed in proportion to its shareholding in each case.

Due to the different discount rates for pension obligations under the German Commercial Code [HGB] and IFRS, the conclusion drawn from the risk assessment for the separate financial statements of Henkel AG & Co. KGaA differs from that of the Group. We assess the potential financial impact of this risk for Henkel AG & Co. KGaA as “major.”

Additional information regarding risks and opportunities and the internal control and risk management system can be found on the following pages 149 to 152.

Forecast

The performance of Henkel AG & Co. KGaA in its function as an operating holding company is influenced primarily by the development and dividend distributions of the companies in which it has shareholdings.

We expect sales in 2022 to be on a par with, or slightly above, the figure for 2021.

The performance reported for the Group also impacts Henkel AG & Co. KGaA through dividend payments from subsidiaries. Assuming steady development of the financial result, we expect the unappropriated profit generated in 2022 by Henkel AG & Co. KGaA to be slightly higher year on year. This will enable our shareholders to participate to a reasonable extent in the Group's net income, with retained earnings also available for utilization if necessary.

The guidance figures do not include any expenses associated with the merger of the Laundry & Home Care and Beauty Care business units.

The forecast for the Henkel Group can be found on pages 170 to 173.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Risks and opportunities report

Risks and opportunities

In the pursuit of our business activities, Henkel is exposed to multiple risks inherent in the global market economy. We deploy an array of effective monitoring and control systems aligned to identifying risks at an early stage, evaluating the exposure, and introducing effective countermeasures. We have incorporated these instruments within a risk management system as described below.

Entrepreneurial activity also involves identifying and exploiting opportunities as means of securing and extending the corporation's competitiveness. The reporting aspect of our risk management system, however, does not encompass entrepreneurial opportunities. Early and regular identification, analysis and exploitation of opportunities are performed at the Group level and within the individual business units. This is a fundamental component of our strategy. We perform in-depth analysis of the markets and our competitors, and study the relevant cost variables and key success factors.

Risk management system and internal control system

The risk management system at Henkel is integrated into the comprehensive planning, controlling, and reporting systems used in the subsidiaries, in the business units, and at Group level. Our early warning system and Internal Audit function are also important components of our risk management system. Furthermore, within the corporate governance framework, our internal control and compliance management systems support our risk management capability. The risk reporting system encompasses the systematic identification, evaluation, documentation and communication of risks. We have defined the principles, processes and responsibilities relating to risk management in a corporate standard that is binding on the Henkel Group. With the continuous development of our corporate standards and systems, we take into account updated findings.

Within our risk strategy framework, the assumption of calculated risk is an intrinsic part of our business. However, risks that endanger the existence of the corporation must be avoided. When it is not possible to avoid these critical risks, they must be reduced or transferred, for example through insurance. Risks are controlled and monitored at the level of the subsidiaries, the business units, and the Group. Risk management is thus performed with a holistic, integrative approach to the systematic handling of risks. The Group-wide risk management process also includes relevant environmental and social risks.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Our risk management system is continuously developed and adjusted to changing requirements. In 2021, we introduced changes regarding the risk reporting process.

For the short-term risks discussed below, we perform risk aggregation by Monte Carlo simulation and compare the resulting value-at-risk (VaR) to our risk-bearing capacity. In our risk reporting software, we now quantify the risk score by measure (net) for all short-term risks and collect further information on the measures concerned.

To supplement our short-term risk reporting process, we have introduced the practice of documenting the strategic risk analysis for long-term risks with an analysis period of ten years. We understand long-term risks as possible future developments or events outside the forecasting period of one year which – separately or in combination – could potentially jeopardize the continued existence of the corporation as a going concern. Once a year, long-term risks are identified, subjected to qualitative assessment, and reviewed by selected in-house experts. The risks are then analyzed as a whole and assessed against our long-term risk-bearing capacity, keeping in mind the risk environment that is specific to Henkel.

We understand short-term risks as potential future developments or events that could lead to negative deviations from our guidance. Risks with a probability of occurrence of over 50 percent are taken into account in our guidance and short-term planning. As a rule, we estimate risks for the one-year forecast period. The annual short-term risk reporting process begins with identifying material risks using checklists based on defined risk categories. We evaluate the risks according to the probability of occurrence and potential loss after effective countermeasures (net). Included in the risk report are risks with a loss potential of at least 1 million euros or 10 percent of the net external sales of a country, where the probability of occurrence is considered greater than zero. This also includes tail event risks where the likelihood of occurrence is judged to be very low but which could potentially cause huge damage. The short-term risk reporting process is supported by software which ensures transparent communication throughout the entire Group. The first step entails determining gross risk to the extent that this is possible. We then calculate the net risk, taking countermeasures into account. Initially, risks are compiled on a decentralized, per-country basis, with the assistance of regional coordinators. The locally collated risks are then analyzed by experts in the business units and corporate functions. In particular areas such as Corporate Treasury, risks are determined with the support of sensitivity analyses including VaR computations. Risk analyses are then prepared for the respective executive committees of the business units and corporate functions, and finally assigned to an area-specific risk inventory. For the Henkel Group, we then aggregate the risks on the inventory using Monte Carlo simulation. For the purpose of determining resilience, we compare the VaR with our risk-bearing capacity.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The risk situation is subsequently reported to our Compliance & Risk Committee, the Management Board and the various oversight bodies. Material unforeseen changes are reported immediately to the CFO and the Compliance & Risk Committee. Corporate Accounting is responsible for coordinating the overall risk reporting process and analyzing the inventoried exposures.

Our Internal Audit function regularly reviews the quality and efficiency of our risk management system. During its audit of the annual financial statements for 2021, in compliance with Section 317 (4) German Commercial Code [HGB], the auditor examined whether the Management Board had put in place adequate measures as required under Section 91 (2) Stock Corporation Act [AktG], particularly with regard to establishing a monitoring system, and whether said monitoring system was suitable in all material respects for identifying at an early point of time and with reasonable assurance any developments that might jeopardize the continued existence of the corporation.

The following describes the main features of the internal control and risk management system in relation to our accounting processes, in accordance with Section 315 (4) HGB. Corresponding with the definition of our risk management system, the objective of our accounting processes lies in the identification, evaluation and management of all risks that jeopardize the regulatory preparation of our annual and consolidated financial statements. Accordingly, the internal control system's function is to implement relevant principles, procedures and controls so as to ensure the financial statement closing process is regulatory compliant. Within the organization of the internal control system, the Management Board assumes overriding responsibility at Group level. The duly coordinated subsystems of the internal control system lie within the responsibility of the Corporate Accounting, Controlling, Corporate Treasury, Compliance and Regional Finance functions. Within these functions, there are a number of integrated monitoring and control levels. These are assessed by regular and comprehensive effectiveness tests performed by our Internal Audit function. Of the multifaceted control processes incorporated into the accounting process, several are important to highlight.

The basis for all our accounting processes is provided by our corporate standard "Accounting," which contains detailed accounting and reporting instructions covering all material circumstances, including clear procedures for inventory valuation or how transfer prices applicable for intra-group transactions should be determined. This corporate standard is binding on the entire Group and is regularly updated and approved by the CFO. The local Presidents and Heads of Finance of all consolidated subsidiaries must confirm their compliance with this corporate standard on an annual basis.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[**Combined management report**](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Further globally binding procedural instructions affecting our accounting practice are contained in our corporate standards “Treasury” and “Investments.” Through appropriate organizational measures in conjunction with restrictive access to our information systems, we ensure segregation of duties in our accounting systems between transaction entry on the one hand, and checking and approval on the other. Documentation relating to the operational accounting and closing processes ensures that important tasks – such as the reconciliation of receivables and payables on the basis of account balance confirmations – are clearly assigned. Additionally, binding authorization regulations exist governing the approval of contracts, credit notes and the like, with strict adherence to the principle of dual control as a mandatory requirement. This is also stipulated in our Group-wide corporate standards.

The significant risks for Henkel and the corresponding controls with respect to the regulatory preparation of our annual and consolidated financial statements are collated in a central documentation pack. This documentation is reviewed and updated annually by the respective process owners. The established systems are also regularly reviewed to determine their improvement and optimization potential. We consider these systems to be appropriate and effective.

The accounting activities for subsidiaries included in the consolidated financial statements are performed either locally by the subsidiary or through a Shared Service Center, taking the aforementioned corporate standards into account. The individual subsidiaries’ financial statements are transferred to our central consolidation system and checked at corporate level for correctness. After all consolidation steps have been completed, the consolidated financial statements are prepared by Corporate Accounting in consultation with the specialist departments. Preparation of the combined management report is coordinated by Investor Relations in cooperation with each business unit and corporate function. The Management Board then compiles the consolidated financial statements and annual financial statements of Henkel AG & Co. KGaA, and the combined management report for Henkel AG & Co. KGaA and the Group, and subsequently presents these documents to the Supervisory Board for approval.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Major risk categories

Short- and long-term risks are grouped by influencing factors, based on strategic analysis methods such as PESTEL analysis or Porter's Five Forces model. A distinction is made between (geo-)political, (macro-)economic, social, technological, environmental, legal, and business-/industry-specific risks. As macroeconomic risks impact both our company- and business unit-specific risks and our financial risks, we divide these influencing factors into two different risk categories. Long-term risks are compiled separately from the short-term risks and subjected to qualitative assessment. Short-term risks affecting our one-year forecast period are recorded and quantitatively assessed as part of the short-term risk reporting process, based on the following valuation categories.

Classification of short-term risks in ascending order

Probability	
Low	1–9%
Moderate	10–24%
High	≥ 25%
Potential financial impact	
Minor	1–49 million euros
Moderate	50–99 million euros
Major	≥ 100 million euros

Short-term risks are presented from a net perspective, i.e. with their respective mitigation measures taken into account.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Overview of major risk categories and quantitative evaluation of short-term risks

Risk category	Probability	Potential financial impact
Geopolitical risks	Low	Major
Business-/industry-specific risks		
Procurement market risks	Moderate	Major
Production risks	Moderate	Major
Business environment and sector-specific risks	High	Major
Financial risks		
Credit risks	Low	Major
Liquidity risks	Low	Minor
Currency risks	Moderate	Major
Interest rate risks	Moderate	Minor
Risks from pension obligations	Low	Minor
Risks from pension obligations (impact on equity)	High	Major
Social risks		
Personnel risks	Moderate	Minor
Risks in connection with the company's reputation and its brands	Low	Major
Technological risks (IT and cyber risks)	Low	Major
Environmental risks (environmental, safety and health risks)	Moderate	Major
Legal and regulatory risks	Moderate	Major

In the following presentation of the risk categories, long-term risks are dealt with separately where they give rise to additional relevant assertions.

Geopolitical risks

Description of risk: (Geo-)political risks include all risks to which Henkel is exposed in the course of its global business operations in the respective sales and procurement markets and which arise from political influencing factors, such as trade restrictions, measures to nationalize or expropriate assets, bans on capital transfers, defaults on trade accounts receivable from state-owned institutions, war, terrorist attacks and other upheavals.

In the short-term forecast period, Henkel as a globally operating Group is exposed to the risk of major political incidents in certain countries or regions resulting in a loss of assets.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Long-term risks arise, in particular, when trade restrictions increase, in connection with future developments within the European Union (EU) or if regional conflicts grow – in Africa/Middle East or in Asia, for example.

These risks have a substantial impact on our sales and procurement markets and are therefore classified as business-/industry-specific risks.

Measures: We closely monitor the countries concerned, taking external ratings into account, and ensure risk-optimized funding and the repatriation of liquidity that is not needed at present. Planned investments are also analyzed with regard to potential political risks, and appropriate requirements specified for the return on investment. If a major political incident occurs, early and targeted risk analysis is performed and mitigation measures are put in place.

Business-/industry-specific risks (including macroeconomic risks)

Business-/industry-specific risks include all risks arising for Henkel from factors such as the arrival of new market participants or developments on the sales and procurement markets. In this respect, we distinguish between procurement market risks, production, business environment and sector-specific risks. Macroeconomic risks – such as global economic and industry-specific developments – influence these risks to a substantial extent and are therefore classified under this risk category unless they tend to have a greater impact on our financial risks.

Procurement market risks

Description of risk: We expect year-on-year price increases for direct materials in our procurement markets to be in the low double-digit percentage range in 2022. The geopolitical challenges, imbalances between demand and supply, logistics restrictions and the climatic uncertainties are expected to continue and also to result in fluctuations in the course of 2022. Continued strong demand coupled with low stocks, unstable supply chains and considerable logistics restrictions will likely lead in all regions to significant increases in material prices on average over the year. Uncertainty still surrounds the COVID-19 pandemic. We therefore see risks arising beyond the forecasted increase in the low double-digit percentage range in relation to important raw materials, packaging materials and purchased goods.

The segments in the industrial goods sector are affected to a greater extent by price risks inherent in the performance of the global raw materials markets than the individual segments in the consumer goods sector. Additional price and supply risks exist due to possible demand- or production-related shortages in the procurement markets, and may also have long-term impacts. The development of new business models may also produce shortages in the supply chain over the long term.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Measures: The measures taken include active supplier portfolio management through our globally engaged, cross-divisional sourcing capability, together with strategies aimed at securing price and volume both through contracts and, where appropriate and possible, through financial hedging instruments. Furthermore, we work in interdisciplinary teams within Research and Development, Supply Chain Management and Purchasing on devising alternative formulations and packaging forms so as to be able to respond flexibly to unforeseen fluctuations in raw material prices. We also avoid becoming dependent on individual suppliers to better secure the constant supply of the goods and services that we require. Finally, close collaboration with our strategic suppliers plays an exceptionally important role in our risk management. Further details regarding the assessment of supplier financial stability can be found in the section on “Procurement” on pages 125 to 127. The basis for our risk management approach is provided by a comprehensive procurement information system aimed at ensuring permanent transparency with respect to our purchasing volumes. Over the long term, we continually adapt our structures in response to developments on the procurement markets and the requirements of new business models, as well as in order to avoid shortages and bottlenecks along our supply chains.

Production risks

Description of risk: Henkel faces production risks in the event of low capacity utilization due to volume decreases and unplanned operational interruptions, especially at our single-source sites. Risks from unscheduled disruptions to operations could arise in the wake of cyber attacks on IT systems or extreme weather events. In light of the COVID-19 pandemic, risks may also continue to arise from disruptions to our supply chains, regional and national restrictions on production workflows and also reduced workforce availability. The development of new business models may also produce shortages and bottlenecks in the production chains over the long term.

Measures: We can offset the negative effects of possible production outages through flexible production control and, where economically viable, insurance policies. Such production risks are minimized by ensuring high employee qualification, clearly defined safety and hygiene standards, and regular plant and equipment maintenance. Capital expenditure decisions on property, plant and equipment are made in accordance with defined, differentiated responsibility procedures and approval processes. They incorporate all relevant specialist functions and are regulated in an internal corporate standard. Investments are analyzed in advance on the basis of detailed risk aspects. Further audits accompanying projects provide the foundation for project management and risk reduction. In terms of production, too, we continually adapt our structures in response to the requirements of new business models, as well as to avoid shortages.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Business environment and sector-specific risks

Description of risk: We remain exposed to macroeconomic risks emanating from the uncertainties of the current geopolitical and economic environment. Extensive risk continues to exist due to the COVID-19 pandemic and the associated impacts on the world economy. This could mean risks for our business, especially in connection with any long-term adverse effect on economic development. A slowdown in production at our industrial customers could lead to less demand for our solutions. In our consumer businesses, lower volumes due to reduced demand could pose risks for our sales, as could changes in purchasing behavior. We also see geopolitical risk arising, especially in connection with a further increase in the number of conflict zones. The impacts of the global trade conflicts are also jeopardizing the global economic climate. A decline in the macroeconomic environment poses a risk to the industrial sector in particular. A downturn in consumer spending is relevant for the consumer goods segments. A further significant risk is posed by an increasingly competitive environment, as this could result in stronger price and promotional pressures in the consumer goods sector. In addition, we intend to raise our retail prices in response to the sharp increase in materials prices, which could result in lower demand and/or further increase promotional pressure. As consolidation in the retail sector continues and private labels occupy a growing share of the market, crowding-out competition in the consumer goods sector could further intensify. Moreover, the risk of product substitution could, in principle, affect all business units. Technological change associated with digitalization may involve risks for the success of our products and processes. Acquisitions, and the integration of same, could also pose risks for our businesses.

The risks described above are also relevant when analyzing long-term trends. Long-term economic developments, in particular – such as recessions in China or within the EU – impact our future business performance. New business models, new competitors or changing demand behavior could also pose risks for our business.

Measures: Our focus is on continuously monitoring the market environment to enable flexible adjustment of our portfolio and our cost structures to dynamic trends. In addition, we concentrate on strengthening our brands (see separate risk description on page 161) and on consistently driving the development of further innovations. We consider innovative products and processes to be a significant success factor for our company, enabling us to differentiate ourselves from the competition. We also pursue specific marketing and sales initiatives, for example advertising and promotional activities. Another central aspect is the advancement of digitalization, for example through the targeted marketing of our products via a dedicated e-commerce platform for our industrial customers. In our consumer businesses, we are also striving to strengthen and expand our share of e-commerce and direct-to-consumer business (for further details, please refer to “Marketing and distribution” on pages 137 to 141). In addition, we have the capability to react quickly to potential sales declines through flexible production control. We respond to the emergence of new business models or new competitors, or changing demand behavior by taking strategic measures such as adapting our structures and portfolio as well as acquisitions and divestments. We mitigate the risks associated with acquisitions and integration by performing economic feasibility analyses and ensuring comprehensive project and integration management.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Financial risks (macroeconomic influence)

Credit risks

Description of risk: Credit risk is the risk of a debtor failing to meet interest and redemption payment obligations in full and on time. Henkel Group is exposed in particular to the risk of default by customers in the course of its operating activities and to the risk of non-performance by a contracting party in the context of financial investments. Furthermore, depending on economic developments – also due to the COVID-19 pandemic – defaults may increase, particularly on trade receivables.

Measures: In order to reduce the credit risk resulting from the operating activities of the Henkel Group, the default risks that our customers might represent are permanently monitored by our credit risk management, which operates on the basis of a globally valid Credit Policy. In addition to minimizing losses on receivables through the application of fixed credit limits, use of customer-specific creditworthiness analyses, risk classifications, and continuous monitoring of risks associated with the receivables concerned, we also implement hedging measures both globally and also selectively on a country- and customer-specific basis. Risk-mitigating instruments include credit insurance cover such as global excess-of-loss policies, letters of credit for the export business, plus for example sureties, guarantees and cover notes.

Default risks from financial investments are mitigated by selecting counterparties with good credit ratings and by capping investment amounts. Credit ratings and investment limits are continuously monitored so as to enable intervention in the event that fixed thresholds for ratings and credit default swaps (CDS) are exceeded. Our financial investments are broadly diversified across various counterparties and various financial assets. In addition, netting arrangements are in place to offset bilateral receivables and obligations, and collateral agreements are entered into with key banking partners.

Liquidity risks

Description of risk: Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time.

Measures: We mitigate this risk through our long-term management strategy of using financing instruments by issuing bonds with variously staggered terms up to eleven years, and in different currencies. Supported by our existing debt issuance program and our “Sustainable Finance Framework” for issuing sustainable financing instruments, this is also possible on a short-term and flexible basis. Our credit rating is regularly assessed by the rating agencies Standard & Poor’s and Moody’s. We intend to maintain our ratings within a “single A” target corridor. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to receive liquid funds or to manage liquidity in the short term. We also use our US dollar and euro commercial paper program for short-term liquidity management. In order to ensure the financial flexibility of Henkel at any time, the liquidity within the Group is largely centralized and managed through the use of cash pools. In addition, the Henkel Group has at its disposal confirmed credit lines.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Currency risks

Description of risk: Because of the global nature of our business, we are exposed to two types of currency risk. Transaction risks arise from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. Translation risks arise from changes caused by foreign exchange fluctuations to items on the statement of financial position and the income statement of a subsidiary, and the effect these changes have on the translation of individual company financial statements into Group currency.

Measures: Transaction risks arising from our operating business are partially avoided by the fact that we manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Corporate Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of currency hedging is to ensure protection from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk from significant operating receivables and liabilities recognized in the balance sheet and from financial receivables and liabilities is hedged as far as possible. In order to manage these risks, we primarily utilize forward exchange contracts and cross-currency interest rate swaps. The risks arising from the translation of the earnings results of subsidiaries in foreign currencies and from net investments in foreign entities are only hedged in exceptional cases.

Interest rate risks

Description of risk: Interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. The cash funding and cash investment activities of the Henkel Group mainly take place on international money and capital markets. The resulting financial liabilities and our cash deposits are exposed to the risk of changing interest rates.

Measures: The aim of our centralized interest rate management is to reduce the risk by choosing fixed or floating interest rate contracts and by using interest rate derivatives. Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the bonds, liabilities to banks and commercial paper put in place to secure Group liquidity, the securities and time deposits used for cash investments, and other interest-bearing financial instruments. Depending on forecasts with respect to interest rate developments, Henkel issues fixed- or floating-rate notes or enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Risks from pension obligations

Description of risk: Our pension obligations are exposed to various market risks. The risks relate primarily to changes in market interest rates, inflation, and life expectancy. The risks to which the plan assets are exposed are general market price risks.

Measures: We counteract these risks by managing the funding level and the structure of pension commitments. Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines are mainly targeted at funding levels, portfolio structure and actuarial assumptions. We also consider sustainability criteria when selecting external asset managers. The funds earmarked for covering pension obligations are invested in line with an asset-liability study based on the respective expected cash flows of the country-specific pension obligations. The objective of the financing strategy within the Group is to ensure that plan assets cover 90 to 100 percent of the present value of the funded pension obligations.

Social risks

Social risks are risks arising from population trends or changes in lifestyles that are reflected, for example, in competition for labor, changes in consumer behavior or increasing pressure on healthcare and pension systems. They also include reputational risks.

Personnel risks

Description of risk: The motivation and the qualification of our employees are key drivers of Henkel's business success. Therefore, it is strategically important to attract highly qualified professionals and executives and ensure they stay with the company. When it comes to selecting and recruiting talent, we are facing increased global competition for the best candidates – especially over the long term – and we are noticing the effects of demographic change in many of our markets. These developments expose us to the risk of losing valuable employees or of being unable to recruit relevant qualified professionals and executives.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Measures: We combat the risk of losing valuable employees through specifically devised personnel development programs and incentive systems. Supporting this is an established, thorough annual review process from which we derive individually tailored and future-viable qualification programs as well as performance-related remuneration systems. The Leadership Commitments form the focal point of our efforts to advance our leadership culture and to drive our cultural change. Further areas of our HR management focus include a global health management system and support for flexible work models to ensure better work-life flexibility.

We reduce the risk of not being able to recruit qualified professionals and executives by expanding our employer reputation initiatives and through targeted cooperation with colleges and universities in all regions where we conduct business. In addition, talent is targeted through social media with authentic posts relating to the day-to-day activities and experiences of our employees. Our attractiveness as an employer is reinforced by our focus on promoting talent and specialized development programs.

Further information relating to our employees can be found on pages 119 to 124.

Risks in connection with the company's reputation and its brands

Description of risk: As a globally active corporation, Henkel is exposed to potential damage to the reputation of its corporate brand – Henkel – or of our product brands, particularly in the consumer goods sector, in the event of negative reports in the media, including social media. These could lead to a negative impact on sales.

Measures: We minimize these risks through the measures described under legal and regulatory risks (see pages 164 to 167). On the one hand, this is to ensure that our production facilities and products are safe; on the other, our active communications work strengthens the reputation of the corporate brand and our product brands. These measures are supported by a global communication network and international and local crisis management systems with regular training sessions.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Technological risks (IT and cyber risks)

Technological risks arise, in particular, from increasing digitalization.

Description of risk: Information technology (IT) has strategic significance for Henkel. Our business processes rely to a great extent on internal and external IT services, applications, networks, and infrastructure systems. The failure or disruption of key IT services and the manipulation or loss of data – as a result of unauthorized access, for example, constitute material risks for Henkel. We analyze different potential in-house and external perpetrators and types of threat, such as intent, error or natural phenomena. The failure or disruption of important IT services can impair critical business processes. The loss of confidential data, for example formulations, customer information or price lists, could put us at a disadvantage with our competitors or give rise to legal consequences. Henkel's reputation could also be damaged by such loss.

Measures: The technical and organizational safeguards for assuring information and cyber security at Henkel are based on the international standards ISO 27001 and 27002. Major components include the classification of information and IT applications with respect to confidentiality, availability, integrity and data protection requirements, as well as commensurate measures for mitigating risk. In addition, Henkel has put technical and organizational measures in place to prevent, discover and defeat cyber attacks. Henkel maintains regular contact with other major corporations, associations and specialized service providers in order to enable the early detection of threats and implementation of effective countermeasures.

Our critical business processes operate through redundantly configured systems designed for high availability. Our data backup procedures reflect best engineering practice. We regularly review our restore and disaster recovery processes.

Access to buildings and areas containing IT systems, as well as user authorizations for our information systems, are limited to the minimum level necessary. For critical business processes, the required segregation of duties is enforced by technological means.

Our IT services are protected against unauthorized external access and are consistently kept up to date. We develop our systems using proven project management and program modification procedures.

We instruct and train our employees in the proper and secure use and operation of information systems as part of their regular duties. We require our IT service providers to maintain a comparable level of IT and cyber security.

The implementation of our security measures is continually reviewed by our Internal Audit function, other internal departments, and independent third parties.

 Contents

 The Company

 Shares and bonds

 Corporate governance

Combined management report

 Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Environmental risks (environmental, safety and health risks)

Description of risk: Henkel is a global manufacturing corporation and, through its operating activities, is therefore exposed to risks pertaining to the environment, safety and health, manifesting in the form of personal injury, physical damage to goods, and reputational damage. For example, soil contamination and the associated remediation expense, as well as leakage or other technical failures, could give rise to direct costs for the corporation. Furthermore, indirect costs such as fines, claims for compensation or reputational damage may also be incurred.

We assign the highest priority to the health and safety of our customers, consumers and employees. Despite global progress in vaccination and strict hygiene concepts, health risks and associated staff shortages may still occur due to the COVID-19 pandemic.

Long-term risks arise in particular from accelerated climate change, water scarcity and restrictions on disposable and, in particular, plastic packaging and product ingredients.

Accelerating climate change could have negative impacts on a wide range of countries, particularly through increases in the frequency and severity of extreme weather events. In addition to physical risks, this development may also give rise to socioeconomic, so-called “transition” risks, for example as a result of political measures such as regulations and taxes. A more detailed discussion of relevant potential climate-related risks can be found in the Sustainability Report on pages 61 to 63. The information is aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Population and economic growth, and also, potentially, climate change impacts, can exacerbate water scarcity in various regions. An acute, local water shortage or legal restrictions on the use of water can have a direct impact on the activities of our suppliers, our own operations, and our customers and consumers. Regulations to protect water bodies, as well as changes in customer and consumer expectations, could have an impact on our raw material and product portfolio. Restrictions on disposable and, in particular, plastic packaging, as well as increasing requirements for distributors and manufacturers of plastic packaging, for example in the context of “extended producer responsibility,” and also those governing the use of recycle and the recyclability of packaging, could have an impact on the marketability and profitability of the current product and packaging portfolio.

Measures: We implement specific measures to minimize these risks (see the measures described under legal and regulatory risks on pages 164 to 167), and organize auditing, advisory and training activities. We continually update these preventive measures in order to properly safeguard our facilities, assets and reputation. We ensure compliance with high technical standards, rules of conduct, and relevant statutory requirements as a further means of preserving our assets, and make sure that our corporate values – one of which is sustainability – are put into practice. We established a global crisis management system to implement and manage, for example, strict hygiene rules, tests and protection strategies at all our sites to counter the COVID-19 pandemic. We provide our employees around the globe with personal protective equipment, enable remote work modes and have optimized workplaces and communal areas in order to comply with strict social distancing rules. Wide-scale vaccination of our employees is a key contributor to protecting our business workflows. We achieve high uptake through extensive

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

communication, information and immunization services, as well as by facilitating access to vaccinations. Targeted measures to protect and promote health are implemented on the basis of employee surveys.

We reduce potential long-term risks with the help of our comprehensive sustainability strategy, medium- and long-term targets, and the associated strategies and actions. For example, Henkel has defined science-based emission reduction targets for both its own greenhouse gas emissions and the greenhouse gas emissions of purchased goods and services, which meet the requirements for achieving the goals of the Paris Climate Agreement. We are reducing the carbon footprint of our own sites in particular by continuously improving our energy efficiency and switching to electricity from renewable sources. In addition, we are increasingly replacing the fuels used at our sites with lower carbon or carbon-free alternatives. Key starting points for reducing the carbon footprint of the raw materials and packaging materials we use include switching to alternative materials with a lower footprint, such as recycled plastics, and engaging in dialog with our suppliers to reduce the footprint of the raw materials and packaging materials they supply in line with our objectives. Where relevant, weather and geohazard management procedures have been established. Clear specifications in our standards for safety, health and the environment, as well as comprehensive programs in the business units, improve the environmental compatibility of our products. With a comprehensive packaging strategy, we promote the circular economy in particular by improving the recyclability of our packaging, increasing the use of recycled plastics and developing new packaging concepts. By focusing on the central challenges of sustainable development in our research and product development, we are creating an important foundation for the future viability of our company.

Legal and regulatory risks

Description of risk: As a globally active corporation we are exposed, in the course of our ordinary business activities, to a range of risks relating to litigations and other actions, including government agency proceedings in which we are currently involved or may become involved in the future. These risks arise, in particular, in the fields of product liability, product deficiency, competition and cartel law, infringement of proprietary rights, data protection, patent law, tax law, environmental protection and legacy remediation. We also have a valuable portfolio of industrial property rights, patents and trademarks that can be the target of attacks and infringements. We cannot rule out the likelihood of negative rulings on current litigations and further litigations being initiated in the future. Even in the case of completed proceedings, it cannot be ruled out that we will still be confronted with claims by third parties on the basis of the same facts due to long or, in some cases, absent statutory limitation periods. Legal uncertainty in some regions could, moreover, also limit our ability to assert our rights.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

As a company with global operations, we are particularly exposed to various environmental, health or product-/safety-related regulations, laws and guidelines that affect our business activities and processes. Our business is subject to various national rules and regulations and – within the EU – increasingly to harmonized laws applicable throughout the EU. In addition, some of our activities are subject to rules and regulations derived from approvals, licenses, certificates or permits. Our manufacturing operations are bound by rules and regulations with respect to the registration, evaluation, usage, storage, transportation and handling of certain substances and also in relation to emissions, wastewater, effluent and other waste. The construction and operation of production facilities and other plant and infrastructure are governed by framework rules and regulations, including those relating to legacy remediation. Product-specific regulations of relevance to us relate in particular to ingredients and input materials, safety in manufacturing, the handling of products and their contents, and the packaging and marketing of these items. The control mechanisms include statutory material-related regulations, usage prohibitions or restrictions, procedural requirements (test and inspection, identification marking, provision of warning labels, etc.), and product liability law. Violation of such regulations may lead to legal proceedings or compromise our future business activities. Consequently, major losses may also result from litigations and proceedings that exceed the insurance amounts or are not covered by our insurance policies or provisions. Potential damage to our reputation is not covered by insurance, nor is there any guarantee that Henkel will acquire adequate insurance cover at economically reasonable terms and conditions in future.

Amendments to the aforementioned regulations and further changes to the regulatory environment in our relevant markets could influence our business activities or require adjustment of our operations and thus adversely affect our assets, financial position and results of operations. Such changes might involve import and export controls, customs or other trade regulations, or pricing and foreign exchange restrictions.

There is also a risk that our corporate values, ethical, compliance and sustainability requirements are not adequately mirrored by our contractual partners. Even if corresponding requirements exist for our partners in the supply chain, violations that may lead to claims by third parties or damage our reputation cannot be ruled out.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Equally, as a globally active company, we maintain business relations with customers in countries that are subject to export control legislation, embargoes, economic sanctions, exclusion policies or other forms of trade restriction. Changes to these regulations, new or extended sanctions, or corresponding initiatives by institutional investors or non-governmental organizations may result in restrictions being imposed on our business activities in these countries or, indirectly, in other countries, or may prevent us from acquiring or keeping customers and suppliers.

We see long-term risks, for example, in tax law developments and requirements arising from the increased focus on human rights. This is because national and international laws on human rights due diligence and the associated sanctions for potential violations could make international procurement and sales activities considerably more difficult and lead to significant cost increases due to the verification and documentation effort required, possible liability risks, and also contradictory requirements in different jurisdictions.

Measures: Our internal standards, guidelines, codes of conduct, and training measures are geared to ensuring compliance with the aforementioned statutory requirements and, for example, safeguarding our manufacturing facilities and products. These precepts have also been incorporated into our management systems and are regularly reviewed. This includes the early monitoring and evaluation of relevant statutory and regulatory requirements and changes.

Ensuring compliance with laws and regulations is an integral component of our operating models and business processes. This includes the early monitoring and evaluation of relevant statutory and regulatory requirements and changes. Henkel has further established a Group-wide compliance organization with locally and regionally responsible compliance officers led by a globally responsible General Counsel & Chief Compliance Officer which carries out appropriate risk analyses and risk-mitigating measures, such as training courses, or initiates internal audits (details can be found in the corporate governance statement on pages 44 to 70). In addition, our corporate legal department maintains constant contact with local counsel. Current proceedings and potential risks are recorded in a separate reporting system. For certain legal risks, we have concluded insurance policies with coverage that we consider to be appropriate and standard for the industry. However, the outcome of proceedings is inherently difficult to foresee, especially in cases in which the claimant is seeking substantial or unspecified damages. In view of this, we are unable to predict what obligations may arise from such litigations.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

With our comprehensive approach to responsible procurement, we already promote sustainable practices and respect for human rights in our supply chain. A central element of our strategic risk management and compliance approach is our six-step Responsible Sourcing Process, which is an integral part of our procurement activities and includes pre-checks and risk assessment, review, analysis and continuous improvement, both from the point at which we start collaborating with our suppliers and in a recurring cycle. Using this process to check and assess the sustainability performance of our suppliers, we currently cover more than 90 percent of our procurement volume in the areas of packaging, raw materials, and contract manufacturers.

Major opportunity categories

Entrepreneurial opportunities are identified and evaluated at Group level and in the individual business units, and duly incorporated into the strategy and planning processes. We understand the opportunities presented in the following as potential future developments or events that could lead to a positive deviation from our guidance. We also assess the probabilities of price-related procurement market and financial opportunities.

Procurement market opportunities

Description of opportunities: Countervailing the procurement market risks listed on pages 155 and 156, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

Impact: Low probability rating, possible major impact on our earnings guidance.

Macroeconomic and sector-specific opportunities

Description of opportunities: Additional business opportunities would arise if the uncertain geopolitical and macroeconomic situation in some regions, or the economic conditions in individual sectors were to develop substantially better than expected – in connection with the COVID-19 pandemic, for example.

Impact: The opportunities described could have a major impact on our sales and earnings guidance.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Financial opportunities

Description of opportunities: Countervailing the currency and interest rate risks indicated under financial risks, and the risks arising from pension obligations as described on pages 158 to 160, opportunities may also arise in which the influencing factors described in this section develop in a direction that is advantageous to Henkel.

Impact: We classify financial opportunities as follows:

- Currency opportunities with a moderate probability of a major impact on our earnings guidance
- Interest rate opportunities with a moderate probability of a minor impact on our earnings guidance
- Opportunities arising from our pension obligations with a low probability of a minor impact on our earnings guidance, and with a high probability of a major impact on our equity

Acquisition opportunities

Description of opportunities: Acquisitions are a key component of our strategy.

Impact: Large acquisitions could have a major impact on our earnings guidance.

Research and development opportunities

Description of opportunities: Opportunities arising from our extensively continuous innovation process are a key component of our strategy and are already accounted for in our guidance. There are additional opportunities in the event of product introductions that exceed our expectations of market acceptance, and in the development of exceptional innovations that have not yet been taken into account.

Impact: Innovations arising from future research and development could have a major impact on our sales and earnings guidance.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Risks and opportunities in summary

At the time this report was prepared, there were no identifiable risks related to future developments that – separately or in combination – could endanger the existence either of Henkel AG & Co. KGaA, or a material subsidiary included in the consolidation, or the Group, as a going concern.

In the short-term, uncertainty still surrounds the further course of the COVID-19 pandemic and its impacts on the global economy, despite – for example – vaccination progress worldwide. The situation on the procurement markets in 2021 developed adversely compared to the previous year, in particular due to a significant increase in demand for raw materials as a result of the economic recovery coupled with supply chain disruptions.

Compared to the quantitative assessment of the short-term risks in 2020, the probability of occurrence and/or the potential financial impact of the procurement, macroeconomic and sector-specific risk categories in particular have increased. Within the assessment categories, we have reduced exchange rate risks from a high (per our Annual Report 2020) to a moderate probability of occurrence, and the risks arising from pension obligations (impact on the result) from a moderate to a low probability of occurrence. The likelihood of legal and regulatory risks occurring has been raised from low to moderate. Apart from the aforementioned, the overall risk and opportunities situation has not altered to any significant degree. The system of risk categorization adopted by Henkel continues to indicate that the most significant exposure currently relates to the impact of procurement market, macroeconomic and sector-specific risks, to which we are responding with the countermeasures described above.

Likewise, none of the identified long-term risks within the ten-year risk horizon is classified as posing a threat to the continued existence of Henkel as a going concern. Even in the highly unlikely event of several of these risks occurring simultaneously, the Henkel Group's solid risk profile, geographical and portfolio diversification, and appropriate countermeasures mean that it is not exposed to any risks that could jeopardize its continued existence as a going concern.

The Management Board remains confident that the earning power of the Group forms a solid foundation for future business development and provides the necessary resources to leverage our opportunities.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Forecast

Macroeconomic development

The following assessment of future world economic development is based on information provided by IHS Markit.

Overview:

Gross domestic product growth of approximately 4 percent

Following the pronounced economic recovery in 2021, global economic growth is expected to continue in 2022, albeit at a slower pace. IHS Markit anticipates a notable increase in gross domestic product of approximately 4 percent, which is likely to be slightly below the growth momentum of the previous year.

The mature markets should grow by around 4 percent. Both the North American and Western European economies are expected to grow by around 4 percent, and Japan's economy by approximately 3.5 percent.

The emerging markets are forecasted to achieve a notable increase in economic growth of approximately 5 percent in 2022. In Asia (excluding Japan) and Africa/Middle East, economic output is expected to increase considerably by approximately 5 percent. Growth of approximately 4 percent is anticipated for the Eastern Europe region, and of approximately 2 percent for Latin America.

Inflation:

Continued inflationary pressure worldwide

Global inflation is expected to be at approximately 4 percent in 2022, slightly above the prior-year rate. For the mature markets, IHS Markit anticipates inflation of around 3 percent. Inflation of approximately 5 percent is forecasted for the emerging markets.

Direct materials:

Further significant increase in price levels

We expect price increases for direct materials (raw materials, packaging and purchased goods and services) to be in the low double-digit percentage range compared to the previous year's average. Continued strong demand combined with low stock levels, unstable supply chains and considerable logistics restrictions will likely lead to significant material price increases in all regions also in 2022 – with high levels of uncertainty persisting.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Currencies:****Continued high volatility**

We anticipate continued high volatility in the currency markets. On average for 2022, we expect mixed developments in the major emerging market currencies compared to 2021. We expect the US dollar to gain moderately versus the euro.

Development by sector

Consumption and retail:**Growth of approximately 4 percent**

IHS Markit forecasts that global private consumption will increase by approximately 4 percent in 2022. In the mature markets, growth of approximately 4 percent is expected. Private spending in the emerging markets is anticipated to rise by around 4 percent.

Industrial production index:**Growth of approximately 4.5 percent**

IHS Markit expects the industrial production index (IPX) to grow by approximately 4.5 percent. Industrial production is expected to increase by approximately 4 percent in the mature markets and by approximately 5 percent in the emerging markets.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Outlook for the Henkel Group in 2022

According to current estimates, industrial demand is expected to further revive in the 2022 fiscal year and consumer demand will continue to return to normal in consumer goods categories of importance to Henkel. In addition, Henkel and some key consumer industries are likely to continue to be adversely affected by scarcity in the raw material markets. At the same time, there is uncertainty about the course of COVID-19 infection rates as well as the progress of vaccination programs, and thus the development of pandemic-related restrictions. Our forecast is based on the assumption that the pandemic situation will improve over the course of the year and that there will be no far-reaching closures of businesses and production in industry and retail.

Taking these factors into account, we expect the Henkel Group to generate organic sales growth of between 2.0 and 4.0 percent in fiscal 2022.

For the Adhesive Technologies business unit, we anticipate organic sales growth in the range of 5.0 to 7.0 percent. From today's standpoint, we expect organic sales development of -5.0 to -3.0 percent for the Beauty Care business unit. The decrease is mainly due to measures already decided upon and in implementation to improve the portfolio. This includes the discontinuation of activities that will not be part of the future core business. For Laundry & Home Care, Henkel anticipates organic sales growth in the range of 2.0 to 4.0 percent.

We expect the acquisitions and divestments made in 2021 to have a slightly negative impact on the nominal sales growth of the Henkel Group. The forecast does not take into account the effects of additional divestments and discontinuations of business activities, brands and categories within the scope of our active portfolio management, beyond the discontinuation of activities in the Beauty Care business unit which are already in implementation. The translation of sales in foreign currencies is expected to have a positive effect in the low single-digit percentage range.

Henkel's earnings development in 2022 is likely to be particularly affected by the further substantial increase in prices for direct materials and logistics on average compared to 2021. Against the background of persistently strained supply chains, limited capacities in the raw materials and logistics markets, and high uncertainty and volatility, we expect an average increase for these prices in the low double-digit percent range compared to the 2021 annual average. From today's standpoint, we assume that we will be able to almost completely compensate for these headwinds in the Adhesive Technologies business unit, but will only be able to partially compensate for them in the Beauty Care and Laundry & Home Care business units through anticipated price increases in combination with our strict cost control.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Based on these expected developments, we anticipate that the Henkel Group will achieve an adjusted return on sales (EBIT margin) in the range of 11.5 to 13.5 percent. Our expectations with respect to adjusted return on sales in our individual business units are between 15.0 and 17.0 percent for Adhesive Technologies, between 7.5 and 10.0 percent for Beauty Care, and between 10.5 and 13.0 percent for Laundry & Home Care.

For adjusted earnings per preferred share (EPS) at constant exchange rates, we expect a development in the range of -15 to +5 percent.

Furthermore, we have the following expectations for 2022:

- Restructuring expenses of 200 to 250 million euros. This does not include expenses related to the merger of the Laundry & Home Care and Beauty Care business units.
- Cash outflows from investments in property, plant and equipment and intangible assets of between 700 and 800 million euros.

Dividend

In accordance with our dividend policy and depending on the company's asset and profit positions as well as its financial requirements, we expect a dividend payout by Henkel AG & Co. KGaA for fiscal 2022 in the range of 30 to 40 percent of net income after non-controlling interests, and adjusted for exceptional items.

Capital expenditures

In fiscal 2022, we plan cash outflows for investments in property, plant and equipment and intangible assets in a range between 700 and 800 million euros. We plan to invest considerable amounts in strengthening our innovation capabilities and in expanding and streamlining our production and logistics. We also intend to strengthen our activities in the field of sustainability and drive the digitalization of Henkel through targeted IT investments.

Consolidated financial statements

176	Consolidated statement of financial position	201	Notes to the consolidated financial statements – Notes to the consolidated statement of financial position
178	Consolidated statement of income	202	Goodwill and other intangible assets
179	Consolidated statement of comprehensive income	207	Property, plant and equipment
180	Consolidated statement of changes in equity	211	Other financial assets
181	Consolidated statement of cash flows	212	Other assets
183	Notes to the consolidated financial statements – Group segment report by business unit	213	Deferred taxes
185	Notes to the consolidated financial statements – Key financials by region	213	Inventories
186	Notes to the consolidated financial statements – Accounting principles and methods applied in preparation of the consolidated financial statements	215	Trade accounts receivable
		216	Cash and cash equivalents
		216	Assets and liabilities held for sale
		218	Issued capital
		219	Capital reserve
		219	Treasury shares
		220	Retained earnings
		220	Other components of equity
		220	Non-controlling interests
		221	Provisions for pensions and similar obligations
		234	Other provisions
		235	Borrowings
		237	Other financial liabilities
		238	Other liabilities
		238	Trade accounts payable
		239	Income tax liabilities
		239	Financial instruments report

268	Notes to the consolidated financial statements – Notes to the consolidated statement of income	294	Exercise of exemption options
268	Sales and principles of income recognition	295	Remuneration of the corporate bodies
269	Cost of sales	297	Declaration of compliance with the Corporate Governance Code
269	Marketing, selling and distribution expenses	297	Subsidiaries and other investments
270	Research and development expenses	298	Auditor's fees and services
270	Administrative expenses	299	Notes to the consolidated financial statements – Subsequent events
271	Other operating income	300	Recommendation for the approval of the annual financial statements and the appropriation of the profit of Henkel AG & Co. KGaA
271	Other operating expenses	301	Corporate bodies of Henkel AG & Co. KGaA
272	Financial result		
273	Taxes on income		
278	Non-controlling interests		
279	Notes to the consolidated financial statements – Other disclosures		
279	Reconciliation of adjusted net income		
280	Payroll cost and employee structure		
281	Share-based payment plans		
284	Group segment report		
288	Earnings per share		
289	Consolidated statement of cash flows		
292	Contingent liabilities		
293	Other unrecognized financial commitments		
293	Related party disclosures		

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of financial position

Assets

in million euros	Note	Dec. 31, 2020 ^{1,2}	%	Dec. 31, 2021	%
Goodwill	1	12,379	40.9	13,153	40.3
Other intangible assets	1	3,616	12.0	3,490	10.7
Property, plant and equipment	2	3,688	12.2	3,909	12.0
Other financial assets	3	99	0.3	161	0.5
Other assets	4	236	0.8	352	1.1
Deferred tax assets	5	887	2.9	1,194	3.7
Non-current assets		20,906	69.1	22,259	68.1
Inventories	6	2,188	7.2	2,629	8.0
Trade accounts receivable	7	3,106	10.3	3,456	10.6
Other financial assets	3	1,372	4.5	1,209	3.7
Income tax refund claims		209	0.7	340	1.0
Other assets	4	503	1.7	601	1.8
Cash and cash equivalents	8	1,727	5.7	2,116	6.5
Assets held for sale	9	228	0.8	58	0.2
Current assets		9,332	30.9	10,410	31.9
Total assets		30,238	100.0	32,669	100.0

¹ Prior-year figures amended (please refer to the notes on page 195).

² Since fiscal 2021, all income tax refund claims and receivables relating to incidental income tax expenses are presented as current assets. Prior-year figures have been amended accordingly.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of financial position

Equity and liabilities

in million euros	Note	Dec. 31, 2020 ^{1,2}	%	Dec. 31, 2021	%
Issued capital	10	438	1.4	438	1.3
Capital reserve	11	652	2.2	652	2.0
Treasury shares	12	-91	-0.3	-91	-0.3
Retained earnings	13	19,150	63.3	20,360	62.3
Other components of equity	14	-2,373	-7.8	-1,644	-5.0
Equity attributable to shareholders of Henkel AG & Co. KGaA		17,776	58.8	19,715	60.3
Non-controlling interests	15	95	0.3	79	0.2
Equity		17,870	59.1	19,794	60.6
Provisions for pensions and similar obligations	16	551	1.8	510	1.6
Other provisions	17	314	1.0	321	1.0
Borrowings	18	1,666	5.5	1,543	4.7
Other financial liabilities	19	804	2.7	501	1.5
Other liabilities	20	24	0.1	14	0.0
Deferred tax liabilities	5	628	2.1	717	2.2
Non-current liabilities		3,988	13.2	3,607	11.0
Other provisions	17	1,931	6.4	2,064	6.3
Borrowings	18	1,418	4.7	1,295	4.0
Trade accounts payable	21	3,953	13.1	4,385	13.4
Other financial liabilities	19	264	0.9	416	1.3
Other liabilities	20	352	1.2	412	1.3
Income tax liabilities		462	1.5	697	2.1
Current liabilities		8,380	27.7	9,268	28.4
Total equity and liabilities		30,238	100.0	32,669	100.0

¹ Prior-year figures amended (please refer to the notes on page 195).

² Since fiscal 2021, besides all income tax liabilities, all provisions and liabilities relating to incidental income tax expenses are presented as current provisions or current liabilities. Prior-year figures have been amended accordingly.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of income

in million euros	Note	2020 ¹	%	2021	%	+/-
Sales	24	19,250	100.0	20,066	100.0	4.2%
Cost of sales	25	-10,378	-53.9	-11,092	-55.3	6.9%
Gross profit		8,871	46.1	8,975	44.7	1.2%
Marketing, selling and distribution expenses	26	-5,377	-27.9	-5,186	-25.8	-3.6%
Research and development expenses	27	-501	-2.6	-727	-3.6	45.0%
Administrative expenses	28	-950	-4.9	-955	-4.8	0.5%
Other operating income	29	115	0.6	210	1.0	82.1%
Other operating expenses	30	-139	-0.7	-103	-0.5	-25.8%
Operating profit (EBIT)		2,019	10.5	2,213	11.0	9.6%
Interest income		29	0.2	28	0.1	-3.5%
Interest expense		-70	-0.4	-46	-0.2	-33.9%
Other financial result		-53	-0.3	-46	-0.2	-12.3%
Investment result		0	0.0	0	0.0	>100%
Financial result	31	-94	-0.5	-64	-0.3	-31.5%
Income before tax		1,925	10.0	2,149	10.7	11.6%
Taxes on income	32	-501	-2.6	-519	-2.6	3.6%
Tax rate		26.0		24.2		
Net income		1,424	7.4	1,629	8.1	14.5%
Attributable to non-controlling interests	33	16	0.1	-5	-0.0	<-100%
Attributable to shareholders of Henkel AG & Co. KGaA		1,408	7.3	1,634	8.1	16.1%
Earnings per ordinary share – basic and diluted		3.23		3.76		16.4%
Earnings per preferred share – basic and diluted		3.25		3.78		16.3%

¹ Effective from fiscal 2021, interest income and expense from currency forwards are presented in interest income and expense and no longer in other financial result. Prior-year figures have been amended accordingly (see also Note 31 on pages 272 and 273).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of comprehensive income

See Notes 16 and 23 for further explanatory information

in million euros	2020	2021
Net income	1,424	1,629
Results subject to possible future reclassification:		
Exchange differences on translation of foreign operations	-1,290	761
Gains/losses from derivative financial instruments (Hedge reserve)	50	-59
Gains/losses from debt instruments	-3	0
Income taxes on these items	-9	11
Results not subject to future reclassification:		
Remeasurement of net liability from defined benefit pension plans	76	170
Gains/losses from equity instruments	2	15
Income taxes on these items	1	-7
Other comprehensive income (net of taxes)	-1,173	892
Total comprehensive income for the period	251	2,521
Attributable to non-controlling interests	4	-6
Attributable to shareholders of Henkel AG & Co. KGaA	247	2,527

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of changes in equity

See Notes 10 to 15 for further explanatory information

	Issued capital		Capital reserve	Treasury shares	Retained earnings	Other components of equity			Shareholders of Henkel AG & Co. KGaA	Non-controlling interests	Total
	Ordinary shares	Preferred shares				Currency translation	Hedge reserve	Reserve for equity and debt instruments			
in million euros											
At January 1, 2020	260	178	652	-91	18,659	-928	-204	-3	18,523	88	18,611
Net income	-	-	-	-	1,408	-	-	-	1,408	16	1,424
Other comprehensive income (net of taxes)	-	-	-	-	77	-1,278	40	0	-1,161	-12	-1,173
Total comprehensive income for the period	-	-	-	-	1,485	-1,278	40	0	247	4	251
Dividends	-	-	-	-	-798	-	-	-	-798	-13	-811
Share-based payments	-	-	-	-	14	-	-	-	14	-	14
Acquisition of a subsidiary with non-controlling interests ¹	-	-	-	-	-	-	-	-	-	16	16
Other changes in equity ¹	-	-	-	-	-210	-	-	-	-210	-	-210
Equity transactions with shareholders	-	-	-	-	-994	-	-	-	-994	3	-991
At Dec. 31, 2020/Jan. 1, 2021¹	260	178	652	-91	19,150	-2,206	-164	-3	17,776	95	17,870
Net income	-	-	-	-	1,634	-	-	-	1,634	-5	1,629
Other comprehensive income (net of taxes)	-	-	-	-	163	762	-48	16	893	-1	892
Total comprehensive income for the period	-	-	-	-	1,797	762	-48	16	2,527	-6	2,521
Dividends	-	-	-	-	-798	-	-	-	-798	-11	-809
Share-based payments	-	-	-	-	3	-	-	-	3	-	3
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	206	-	-	-	206	-	206
Equity transactions with shareholders	-	-	-	-	-589	-	-	-	-589	-11	-600
At December 31, 2021	260	178	652	-91	20,360	-1,445	-212	13	19,715	79	19,794

¹ Prior-year figures amended (please refer to the notes on page 195).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Consolidated statement of cash flows

See Note 39 for further explanatory information

in million euros	2020 ¹	2021
Operating profit (EBIT)	2,019	2,213
Income taxes paid	-618	-651
Amortization/depreciation/impairment/write-ups of intangible assets, property, plant and equipment, and assets held for sale	1,096	978
Gains/losses on disposal of intangible assets and property, plant and equipment, and from divestments	-15	-46
Change in inventories	-141	-391
Change in trade accounts receivable	102	-351
Change in other assets	-90	-100
Change in trade accounts payable	295	328
Change in other liabilities, provisions and equity	431	159
Cash flow from operating activities	3,080	2,141
Purchase of intangible assets and property, plant and equipment including payments on account	-715	-647
Acquisition of subsidiaries and other business units	-452	-164
Acquisition of associated companies and other investments	-18	-23
Proceeds on disposal of subsidiaries, other business units and investments	53	257
Proceeds on disposal of intangible assets and property, plant and equipment	20	23
Cash inflow from financial receivables to third parties	-	1
Change in other current financial assets	-149	74
Cash flow from investing activities	-1,261	-479
Dividends paid to shareholders of Henkel AG & Co. KGaA	-798	-798
Dividends paid to non-controlling shareholders	-13	-11
Interest received	33	29
Interest paid ²	-94	-60
<i>Dividends and interest paid and received</i>	<i>-872</i>	<i>-839</i>
Issuance of bonds	518	720
Repayment of bonds	-534	-700
Other changes in borrowings	-544	-460
Redemption of lease liabilities	-139	-138

TABLE CONTINUED ON NEXT PAGE

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

in million euros	2020 ¹	2021
Allocations to pension funds	-67	-39
Other changes in pension obligations	155	130
Other financing transactions	7	33
Cash flow from financing activities	-1,475	-1,294
Net change in cash and cash equivalents	344	368
Effect of exchange rates on cash and cash equivalents	-77	21
Change in cash and cash equivalents	267	389
Cash and cash equivalents at January 1	1,460	1,727
Cash and cash equivalents at December 31	1,727	2,116

Additional voluntary information: Reconciliation to free cash flow

in million euros	2020 ¹	2021
Cash flow from operating activities	3,080	2,141
Purchase of intangible assets and property, plant and equipment including payments on account	-715	-647
Redemption of lease obligations	-139	-138
Proceeds on disposal of intangible assets and property, plant and equipment	20	23
Net interest paid	-61	-30
Other changes in pension obligations	155	130
Free cash flow	2,340	1,478

¹ Effective from fiscal 2021, corresponding to the amendment in the statement of income, cash flows from currency forwards attributable to interest result are presented under net interest paid and no longer under other changes in borrowings. Prior-year figures have been amended accordingly (see also Note 39 on pages 289 and 290).

² Including interest paid in connection with lease liabilities.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Group segment report by business unit

	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros						
Sales 2021	9,641	3,678	6,605	19,924	142	20,066
Proportion of Henkel Group sales	48%	18%	33%	99%	1%	100%
Sales 2020	8,684	3,752	6,704	19,140	110	19,250
Change versus previous year	11.0%	-2.0%	-1.5%	4.1%	29.7%	4.2%
Adjusted for foreign exchange	13.5%	0.6%	3.9%	7.6%	-	7.7%
Organic	13.4%	1.4%	3.9%	7.7%	-	7.8%
Operating profit (EBIT) 2021	1,524	77	797	2,398	-185	2,213
Operating profit (EBIT) 2020	1,248	246	688	2,181	-162	2,019
Change versus previous year	22.2%	-68.8%	15.9%	9.9%	-	9.6%
Return on sales (EBIT margin) 2021	15.8%	2.1%	12.1%	12.0%	-	11.0%
Return on sales (EBIT margin) 2020	14.4%	6.6%	10.3%	11.4%	-	10.5%
Adjusted operating profit (adjusted EBIT) 2021	1,561	351	904	2,815	-128	2,686
Adjusted operating profit (adjusted EBIT) 2020	1,320	377	1,004	2,701	-122	2,579
Change versus previous year	18.2%	-6.9%	-10.0%	4.2%	-	4.2%
Adjusted return on sales (adjusted EBIT margin) 2021	16.2%	9.5%	13.7%	14.1%	-	13.4%
Adjusted return on sales (adjusted EBIT margin) 2020	15.2%	10.0%	15.0%	14.1%	-	13.4%
Capital employed 2021¹	8,879	4,218	6,984	20,080	96	20,175
Capital employed 2020 ¹	9,304	4,405	7,473	21,182	142	21,325
Change versus previous year	-4.6%	-4.3%	-6.6%	-5.2%	-	-5.4%
Return on capital employed (ROCE) 2021	17.2%	1.8%	11.4%	11.9%	-	11.0%
Return on capital employed (ROCE) 2020	13.4%	6.2%	9.3%	10.4%	-	9.6%

TABLE CONTINUED ON NEXT PAGE

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

	Adhesive Technologies	Beauty Care	Laundry & Home Care	Operating business units total	Corporate	Henkel Group
in million euros						
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2021²	338	323	296	958	21	978
Of which impairment 2021	10	212	46	269	-	269
Of which write-ups 2021	-0	-	-2	-2	-1	-3
Amortization/depreciation/impairment/write-ups of intangible assets and property, plant and equipment and assets held for sale 2020 ²	346	206	502	1,053	43	1,096
Of which impairment 2020	16	90	251	357	22	378
Of which write-ups 2020	-	-	-	-	-	-
Additions to non-current assets 2021	311	129	494	934	19	953
Additions to non-current assets 2020	561	473	356	1,390	12	1,402
Operating assets 2021³	11,969	6,002	10,432	28,403	538	28,941
Operating liabilities 2021	3,547	1,978	3,181	8,706	442	9,148
Net operating assets 2021³	8,422	4,025	7,251	19,697	96	19,793
Operating assets 2020 ³	11,693	5,803	10,627	28,123	576	28,699
Operating liabilities 2020	3,118	1,840	3,048	8,005	434	8,439
Net operating assets 2020 ³	8,575	3,963	7,579	20,117	142	20,260

¹ Including goodwill at cost prior to any accumulated impairment.

² Including depreciation, impairment and write-ups of right-of-use assets.

³ Including goodwill at net carrying amounts.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Key financials by region

Key financials by region

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

¹ By location of company.

In 2021, the subsidiaries domiciled in Germany, including Henkel AG & Co. KGaA, generated sales of 2,370 million euros (previous year: 2,281 million euros). Sales realized by the subsidiaries domiciled in the USA amounted to 4,671 million euros in 2021 (previous year: 4,819 million euros). Subsidiaries domiciled in China achieved sales of 1,611 million euros in 2021 (previous year: 1,368 million euros). In fiscal 2020 and 2021, no individual customer accounted for more than 10 percent of total sales.

Of the total non-current assets disclosed for the Henkel Group at December 31, 2021 (excluding financial instruments, deferred tax assets and the overfunding of pension obligations) amounting to 20,905 million euros (previous year: 19,944 million euros), 2,750 million euros (previous year: 2,751 million euros) was attributable to the subsidiaries domiciled in Germany, including Henkel AG & Co. KGaA. The non-current assets (excluding financial instruments, deferred tax assets and the overfunding of pension obligations) recognized in respect of the subsidiaries domiciled in the USA amounted to 11,344 million euros at December 31, 2021 (previous year: 10,450 million euros).

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Accounting principles and methods applied in preparation of the consolidated financial statements

General information

Henkel AG & Co. KGaA (Düsseldorf Regional Court, HRB 4724) is the parent company of the Henkel Group. Its registered office is Henkelstrasse 67, 40589 Düsseldorf, Germany. The Group operates in the three business units Adhesive Technologies, Beauty Care and Laundry & Home Care. Details of the business units' activities are discussed in the notes to the consolidated financial statements, Note 37, on pages 284 to 287 and the management report on pages 72 to 74.

The consolidated financial statements of Henkel AG & Co. KGaA as of December 31, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted per Regulation number 1606/2002 of the European Parliament and the Council on the application of international accounting standards in the European Union, and in compliance with Section 315e German Commercial Code [HGB]. The financial statements are based on the going concern principle. The consolidated financial statements are published in the Federal Gazette.

The individual financial statements of the companies included in the consolidation are drawn up on the same accounting date, December 31, 2021, as those of Henkel AG & Co. KGaA.

Members of the PwC organization or other independent firms of auditors instructed accordingly have audited the financial statements of the material companies included in the consolidation. The Management Board of Henkel Management AG – which is the Personally Liable Partner of Henkel AG & Co. KGaA – compiled the consolidated financial statements on January 30, 2022 and approved them for forwarding to the Supervisory Board and for publication.

The functional currency of Henkel AG & Co. KGaA and the reporting currency of the Group is the euro. Unless otherwise indicated, all amounts are shown in million euros. All individual figures have been rounded. Addition may result in deviations from the totals indicated. In order to improve the clarity and informative value of the consolidated financial statements, certain items are combined in the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, and then shown separately in the notes.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Scope of consolidation

In addition to Henkel AG & Co. KGaA as the ultimate parent company, the consolidated financial statements at December 31, 2021 include 23 German and 183 non-German companies in which Henkel AG & Co. KGaA has a dominating influence over financial and operating policies, based on the concept of control. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Companies in which the stake held represents less than half of the voting rights are fully consolidated if Henkel AG & Co. KGaA controls them, as defined in IFRS 10 Consolidated Financial Statements, through contractual agreements or the right to appoint corporate bodies.

Henkel AG & Co. KGaA prepares the consolidated financial statements for the largest and the smallest groups of companies to which Henkel AG & Co. KGaA and its subsidiaries belong.

The following table shows the changes to the scope of consolidation in fiscal 2021:

Scope of consolidation

At January 1, 2021	216
Additions	3
Mergers	-5
Disposals	-7
At December 31, 2021	207

Further details can be found in the section “Acquisitions and divestments” below.

Subsidiaries which are of secondary importance to the Group and to the presentation of a true and fair view of our net assets, financial position and results of operations due to their inactivity or low level of activity are generally not included in the consolidated financial statements. For simplification purposes, investments in these subsidiaries are recognized at cost less any impairment. The total assets of these companies represent less than 1 percent of the Group’s total assets; their total sales and income (net of taxes) are also less than 1 percent of the Group totals.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Acquisitions and divestments

Acquisitions

Effective July 23, 2021, Henkel acquired all shares in Swania International S.A., based in Luxembourg, Luxembourg. The acquisition of the company and its subsidiaries encompasses, in particular, the business with the fast-growing organic detergent and cleaning brands Maison Verte and You in the French market. The purchase price, including external liabilities redeemed on the transaction date, was 166 million euros and was paid in cash. The acquisition is not expected to have any material effect on the net assets, financial position and results of operations.

The provisional goodwill acquired through the acquisition represents the growth potential of the acquired businesses, as well as both offensive and defensive synergies resulting from the acquisition.

Because some of the information that is crucial for valuation is not yet available, the allocation in accordance with IFRS 3 Business Combinations of the purchase price to the acquired assets and liabilities of Swania International S.A. acquired effective July 23, 2021, is provisional. Also and above all, determination of the fair value of the other intangible assets, provisions and deferred taxes and the resulting goodwill from the acquisition has not yet been finalized. The process of determining fair values requires discretionary judgments when making corresponding assumptions and estimates. These preliminary estimates are based on currently available information and will be updated during the measurement period, which may not exceed twelve months from the acquisition date, based on valuations performed by independent third parties, additional available information and further analysis.

The provisional fair values of the acquired assets and liabilities were determined by the contracts and available opening balances on the relevant acquisition date. The recognition and measurement principles adopted by the Henkel Group were applied.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Acquisitions 2021

in million euros	Fair value
Goodwill	119
Other intangible assets	43
Property, plant and equipment	0
Other non-current assets	–
Non-current assets	162
Inventories	6
Trade accounts receivable	8
Liquid funds	2
Other current assets	2
Current assets	17
Total assets	179
Net assets	166
Non-current liabilities	5
Other current provisions/liabilities	2
Trade accounts payable	7
Current liabilities	9
Total equity and liabilities	179

Reconciliation of the purchase price to provisional goodwill

in million euros	2021
Acquisitions 2021	
Purchase price	166
Fair value of the acquired assets and liabilities (provisional)	47
Provisional goodwill	119

If the aforementioned acquisition had been completed – and thus its business activities included – effective January 1, 2021, sales of the Henkel Group for the reporting period January 1 to December 31, 2021 would have been higher by 36 million euros and income after tax would have been higher by 2 million euros after deduction of acquisition-related incidental costs.

The actual contributions of the company were 16 million euros to sales and 6 million euros to income (net of taxes). Acquisition-related costs amounted to 1 million euros.

Divestments

Active portfolio management is a key element in the further development of the Henkel Group. Both the acquisition and sale of trademark rights and businesses are integral to our strategy.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Hence, in the Adhesive Technologies business unit, we sold our global insulated metal substrates business effective May 1, 2021, and our global closure sealants business effective May 7, 2021.

In the Beauty Care business unit, Henkel Group sold the consumer business operations involving the two brands Scorpio and Mont St. Michel, effective March 31, 2021. The brands are marketed mainly in Europe. In addition, the sale of the business with the two consumer brands Right Guard and Dry Idea was completed effective June 1, 2021. The brands are mainly distributed in North America and the UK.

As part of our active portfolio management in the Laundry & Home Care business unit, we sold a few small non-core European consumer goods brands and businesses in the first six months of 2021. In addition, secondary brands from the acquisition of Swania International S.A. were sold, effective December 13, 2021, as were some small French consumer goods brands.

These disposals do not have any material effect on the net assets, financial position and results of operations.

Consolidation methods

The financial statements of Henkel AG & Co. KGaA and of the subsidiaries included in the consolidated financial statements were prepared on the basis of uniformly valid principles of recognition and measurement, applying the standardized year-end date adopted by the Group. Such entities are included in the consolidated financial statements as of the date on which the Group obtained control.

All receivables and liabilities, sales, income and expenses, as well as intra-group profits on transfers of non-current assets or inventories, are eliminated on consolidation.

The purchase method is used for capital consolidation. In business combinations, therefore, all hidden reserves and hidden charges in the entity acquired are revalued at the time of acquisition, and all identifiable intangible assets are separately recognized if they are clearly separable or if their recognition arises from a contractual or other legal right. Any difference arising between the acquisition cost and the (share of) net assets after purchase price allocation is recognized as goodwill. The goodwill attributable to subsidiaries is measured in the functional currency of the subsidiary.

Entities acquired are included in the consolidation for the first time as subsidiaries by offsetting the carrying amount of the respective parent company's investment in them against their assets and liabilities. Contingent consideration is recognized at fair value as of the date of first-time consolidation. Subsequent changes in value do not result in an adjustment to the valuation at the time of acquisition. Incidental costs relating to the acquisition of participating interests in entities are not included in the purchase price. Instead, they are recognized through profit or loss in the period in which they occur.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

In the recognition of acquisitions of less than 100 percent of the shares in a company, non-controlling interests are measured at the fair value of the proportion of net assets that they represent. The Henkel Group uses the present access method to recognize put options granted on non-controlling interests, unless the acquisition of the outstanding non-controlling interests has already been realized from an economic viewpoint. This method requires the recognition of a financial liability, remeasured through equity, for the commitment associated with the put option granted. The non-controlling interests continue to be recognized in the statement of financial position and the statement of comprehensive income.

Changes in the shareholdings of subsidiary companies resulting in a decrease or an increase in the participating interests of the Group without loss of control are recognized directly in equity as transactions with shareholders.

As soon as the control of a subsidiary is lost, all the assets and liabilities and the non-controlling interests, and also the accumulated currency translation gains or losses, are derecognized. In the event that Henkel continues to own non-controlling interests in the non-consolidated entity, these are measured at fair value. The result of deconsolidation is recognized under other operating income or expenses.

Associated companies

An associate is a company over which the Group can exercise significant influence on the financial and operating policies without having control. Significant influence is generally presumed when the Group holds 20 percent or more of the voting rights. Where a Group company conducts transactions with an associated company, the resulting profits or losses are eliminated in accordance with the share of the Group in that company.

Shares in associated companies are always recognized using the equity method. For simplification purposes, investments in associated companies that are less relevant for the Group and for the presentation of a fair view of its net assets, financial position and results of operations, are recognized at cost less any impairment.

As at December 31, 2021, the Henkel Group did not hold any stakes in associated companies that were accounted for using the equity method.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Currency translation

The annual financial statements, including the hidden reserves and hidden charges of Group companies recognized by the purchase method, goodwill arising on consolidation, and the statement of cash flows, are translated into euros using the functional currency method outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates. The functional currency is the currency in which a foreign company predominantly generates funds and makes payments. The functional currency of the Group companies is generally the local currency of the company concerned. The assets and liabilities are translated at closing rates, while income and expenses are translated at the average rates for the year as an approximation of the actual rates at the date of the transaction. Equity items are recognized at historical exchange rates. The differences arising from using average rather than closing rates are taken to equity and shown as other components of equity, or as non-controlling interests, and remain neutral in respect of net income until the shares in the Group company are divested.

In the subsidiaries' annual financial statements, transactions in foreign currencies are converted at the rates prevailing at the time of the transaction. Financial assets and liabilities in foreign currencies are measured at closing rates through profit or loss. For the main currencies in the Group, the following exchange rates have been used based on 1 euro:

Currencies

	ISO code	Average exchange rate		Exchange rate on December 31	
		2020	2021	2020	2021
Chinese yuan	CNY	7.87	7.63	8.02	7.19
Mexican peso	MXN	24.52	23.99	24.42	23.14
Polish zloty	PLN	4.44	4.57	4.56	4.60
Russian ruble	RUB	82.66	87.16	91.47	85.30
Turkish lira	TRY	8.05	10.50	9.11	15.23
US dollar	USD	1.14	1.18	1.23	1.13

The accounting requirements of IAS 29 Financial Reporting in Hyperinflationary Economies were not applied due to immaterial effect on the Group's net assets, financial position and results of operations.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Recognition and measurement methods

Summary of selected measurement methods

Financial statement items	Measurement method
Assets	
Goodwill	Lower of initially recognized value of acquisitions as per IFRS 3 and comparative figure following impairment testing at the level of the cash-generating units ("impairment only" method)
Other intangible assets	
With indefinite useful lives	Lower of cost and recoverable amount ("impairment only" method)
With definite useful lives	Amortized cost less any impairment losses
Property, plant and equipment	Depreciated cost less any impairment losses
Financial assets (categories per IFRS 9)	
Amortized cost	Amortized cost using the effective interest method
Fair value through profit or loss	Fair value with gains or losses recognized in the income statement
Fair value through other comprehensive income	Fair value with gains or losses recognized in other comprehensive income ¹
Other assets	(Amortized) cost
Inventories	Lower of cost and net realizable value
Assets held for sale	Lower of carrying amount and fair value less costs to sell
¹ Apart from impairment equivalent to the expected credit losses, and from effects arising from measurement in a foreign currency.	
Equity and liabilities	
Provisions for pensions and similar obligations	Present value of future obligations (projected unit credit method)
Other provisions	Settlement amount
Financial liabilities (categories per IFRS 9)	
Amortized cost	Amortized cost using the effective interest method
Fair value through profit or loss	Fair value with gains or losses recognized in the income statement
Other liabilities	Settlement amount

The methods of recognition and measurement, which are basically unchanged from the previous year, are described in detail in the notes relating to the individual items of the statement of financial position on these pages. Also provided as part of the report on our financial instruments (Note 23 on pages 239 to 267) are the disclosures relevant for the Henkel Group with regard to IFRS 7 Financial Instruments: Disclosures showing the breakdown of our financial instruments by category, our methods for fair value measurement, and the derivative financial instruments that we use. Changes to International Financial Reporting Standards (IFRSs) that were applied for the first time in the year under review are discussed in the section entitled "New international accounting regulations according to International Financial Reporting Standards (IFRSs)" on pages 196 to 198. Changes in the methods of recognition and measurement arising from revised and new standards are applied retrospectively, provided that the effect is material and there are no alternative regulations. The consolidated statement of income from the previous year and the opening balance for this comparative period are amended as if the new methods of recognition and measurement had always been applied.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Accounting estimates, assumptions and discretionary judgments

Preparation of the consolidated financial statements is based on a number of accounting estimates and assumptions. These have an impact on the reported amounts of assets, liabilities and contingent liabilities at the reporting date and the disclosure of income and expenses for the reporting period. The actual amounts may differ from these estimates.

The accounting estimates and their underlying assumptions are based on past experience and are continually reviewed. Changes in accounting estimates are recognized in the period in which the change takes place where such change exclusively affects that period. A change is recognized in the period in which it occurs and in later periods where such change affects both the reporting period and subsequent periods. The judgments of the Management Board regarding the application of those IFRSs which have a significant impact on the consolidated financial statements are presented, in particular, in the explanatory notes on goodwill and other intangible assets (Note 1 on pages 202 to 206), right-of-use assets recognized in property, plant and equipment (Note 2 on pages 207 to 211), provisions for pensions and similar obligations (Note 16 on pages 221 to 233), other provisions (Note 17 on pages 234 and 235), financial instruments (Note 23 on pages 239 to 267), sales (Note 24 on pages 268 and 269), taxes on income (Note 22 on page 239 and Note 32 on pages 273 to 278), and share-based payment plans (Note 36 on pages 281 to 284).

In light of the restrictions that continue to exist worldwide in response to the COVID-19 pandemic and the resulting economic impacts, estimates required when preparing these consolidated financial statements are subject to greater than normal uncertainty in some areas. This is especially true of estimates of any possible impairment of non-financial assets, such as goodwill and other intangible assets.

Material discretionary judgments are made in respect of the demarcation of the cash-generating units as explained in Note 1 on pages 202 to 206, the segment reporting as explained in Note 37 on pages 284 to 287 and the determination of the useful lives of trademarks and other rights as explained on page 201. Put options granted on non-controlling interests require estimation as to whether the Henkel Group is already the beneficiary of these shares or not, and hence, whether the present access method must be applied.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Amendment of prior-year figures

In fiscal 2021, the allocation of the purchase price was finalized for the shares in Henkel Beauty & IB Holding GmbH, the subsidiaries of which operate the businesses involving the HelloBody, Banana Beauty and Mermaid+Me brands acquired in fiscal 2020, and in respect of the business with sealants for consumers under the licensed GE brand, also acquired in 2020. The prior-year figures were subsequently amended accordingly. The adjustment included a reduction of 16 million euros in intangible assets and of 1 million euros for inventories. The prior-year figures for other non-current assets were increased by 5 million euros. In return, equity including the shares attributable to non-controlling shareholders was reduced by 8 million euros and deferred tax liabilities by 8 million euros. Income tax liabilities reflect an increase of 5 million euros versus the previous year.

Amendments to the consolidated statement of financial position

in million euros	Dec. 31, 2020 reported	Amendments	Dec. 31, 2020 amended
Goodwill	12,359	20	12,379
Other intangible assets	3,652	-36	3,616
Other assets	240	5	245
Non-current assets	20,925	-11	20,914
Inventories	2,189	-1	2,188
Current assets	9,325	-1	9,324
Total assets	30,250	-12	30,238
Retained earnings	19,152	-2	19,150
Non-controlling interests	101	-6	95
Equity	17,879	-8	17,870
Deferred tax liabilities	636	-8	628
Non-current liabilities	4,015	-8	4,006
Income tax liabilities	454	5	459
Current liabilities	8,357	5	8,362
Total equity and liabilities	30,250	-12	30,238

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

New international accounting regulations according to International Financial Reporting Standards (IFRSs)

Accounting methods applied for the first time in the year under review

	Mandatory for fiscal years beginning on or after
IFRS 4 (Amendment) Deferral of IFRS 9	January 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendment) Interest Rate Benchmark Reform – Phase 2	January 1, 2021
IFRS 16 (Amendment) Covid-19-Related Rent Concessions after 30 June 2021	January 1, 2021

IFRS 4 (Amendment)

Following amendment of IFRS 4 Insurance Contracts, insurance companies are temporarily allowed to continue using IAS 39 Financial Instruments: Recognition and Measurement for financial instruments accounting instead of IFRS 9 Financial Instruments: Recognition and Measurement, until IFRS 17 Insurance Contracts becomes applicable. As no instances requiring the application of IFRS 4 or IFRS 17 exist within the Henkel Group, IFRS 9 is already applied in full when accounting for all financial instruments.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendment)

As part of Phase 2 of the International Accounting Standards Board's (IASB) IBOR reform project, further practical expedients have been defined with regard to interest-bearing original financial instruments and to hedge accounting. Unlike Phase 1 of the project, which essentially included simplification rules for demonstrating the highly probable occurrence of a future transaction in the context of cash flow hedges, these amendments to existing standards IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Leases as part of Phase 2 relate to the effects of actually replacing interest rate benchmarks. For example, as a practical expedient when accounting for financial instruments measured at amortized cost, the replacement of the interest rate benchmark can be represented through amendment to the effective interest rate. In addition, for hedge accounting purposes, for example, designated hedged items and hedging transactions may be adjusted to reflect the changed interest rate benchmark. Since there were no occurrences requiring application of the simplification rules within the Henkel Group in fiscal 2021, the amendments do not have any impact on the consolidated financial statements.

IFRS 16 (Amendment)

With the amendment to IFRS 16, the standard-setter has extended the temporary simplification rules already published in the previous year for the recognition of lease concessions – such as waiving or deferring payment – received directly as a result of the COVID-19 pandemic. This allows any required treatment of lease concessions obtained after June 30, 2021 as a lease modification to also be waived. Instead, the changes in cash flows can, as a rule, be treated as variable lease payments. However, a time limit continues to apply to the exemption from application of the general rules on modifications, which is only valid in respect of lease concessions for lease

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

payments due on or before June 30, 2022. The Henkel Group did not receive any such lease concessions in fiscal 2021 nor in the previous year.

Accounting regulations not yet applied

The following accounting regulations have already been adopted into EU law (endorsed) but were not yet applicable in fiscal 2021 or were not voluntarily applied by the Henkel Group in advance of their effective date:

Accounting regulations not yet applied

	Mandatory for fiscal years beginning on or after
Improvements to IFRSs 2018–2020	January 1, 2022
IFRS 3 (Amendment) Reference to the Conceptual Framework	January 1, 2022
IAS 16 (Amendment) Proceeds before Intended Use	January 1, 2022
IAS 37 (Amendment) Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 17 Insurance Contracts (including Amendments)	January 1, 2023

The accounting standards and amendments to existing standards that have not yet been applied are not generally expected to have any significant impact on the consolidated financial statements.

Improvements to IFRSs 2018–2020

Four standards were amended in the 2018–2020 cycle of annual improvements to IFRSs.

The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards permit a subsidiary to measure not only assets and liabilities but also cumulative translation differences using the amounts reported by its parent if it does not apply the IFRSs to its individual financial statements until after the parent's transition.

These amounts must, however, be amended for consolidation adjustments and any other adjustments performed by the parent under IFRS 3 in connection with the acquisition of the subsidiary.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The amendments to IFRS 9 clarify which fees are to be included in the 10-percent test to ascertain whether a change in cash flows from a financial liability represents a substantial modification requiring derecognition of the liability. The fees to be included are, accordingly, only fees and costs that are payable by the debtor to the creditor or vice versa or that are paid on behalf of both parties.

As part of the annual improvements, one of the Illustrative Examples in IFRS 16 was amended that had formerly caused a deal of confusion with regard to classifying payments by the lessor to the lessee in connection with tenant fixtures. Following the removal of references to payments made by the lessor from the example, according to the general regulations of the standard such payments only constitute lease incentives if the tenant fixtures in question represent assets belonging to the lessee.

Amendments were also made to IAS 41 Agriculture relating to the inclusion of taxation in the initial and subsequent measurement of agricultural products.

IFRS 3 (Amendment)

Following the revision of the IFRS conceptual framework published in 2018, corresponding references to the conceptual framework in IFRS 3 were amended, with clarification requiring that contingent assets acquired through a business combination should not be recognized. The amendments are mostly of an editorial nature.

IAS 16 (Amendment)

The IASB has amended IAS 16 Property, Plant & Equipment to clarify that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management may not be deducted from the cost of said asset. Instead they must be recognized in profit.

IAS 37 (Amendment)

The planned amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs comprise the costs of contract fulfillment when determining whether a contract is onerous. Accordingly, these costs include all costs of contract fulfillment that are directly attributable to that contract, such as labor or materials, or proportionate overhead costs such as the depreciation charge for specific items of property, plant and equipment.

IFRS 17 (including Amendments)

IFRS 17 represents a comprehensive new approach for insurance companies when accounting for insurance contracts. The standard will replace the formerly applicable IFRS 4.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Accounting regulations not yet adopted into EU law

In fiscal 2021, the IASB issued the following standards and amendments to existing standards of relevance to Henkel, which still have to be adopted into EU law before they become applicable:

Accounting regulations not yet adopted into EU law

	Mandatory for fiscal years beginning on or after
IAS 1 (Amendment I) Classification of Liabilities as Current or Non-current and Deferral of Effective Date	January 1, 2023
IAS 1 (Amendment II) Disclosure of Accounting policies	January 1, 2023
IAS 8 (Amendment) Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendment) Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17 (Amendment) Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023

The accounting standards and amendments to existing standards not yet adopted into EU law are not generally expected to have any significant impact on the consolidated financial statements.

IAS 1 (Amendment I)

In its amendments to IAS 1 Presentation of Financial Statements, the IASB clarifies that the classification of liabilities as current or non-current is determined by the rights and obligations in place at the reporting date. Any expectations of management or events after the reporting date that could affect the classification are to be ignored. Due to the COVID-19 pandemic, the IASB has deferred the effective date of this amendment from January 1, 2022 to January 1, 2023.

IAS 1 (Amendment II)

Compared to the previous version of IAS 1, companies are no longer required to disclose all significant accounting policies, but only their material accounting policies. Supplementary guidance and examples are provided for the identification of material accounting policies, i.e. the policies that users of financial statements need in order to understand other material information in the financial statements. It is also clarified that the interpretation of materiality must not only be quantitative. Methods can also be material.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**IAS 8 (Amendment)**

With the amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the IASB includes a positive definition of accounting estimate in the standard. Accordingly, monetary amounts in the financial statements that are subject to measurement uncertainties are considered to be accounting estimates. An accounting policy may require items in the financial statements to be determined using valuation techniques and inputs that give rise to measurement uncertainty. It is clarified that new information or new developments that lead to an adjustment of an accounting estimate do not constitute a correction of an error. The same applies to changes in input parameters or valuation techniques underlying an accounting estimate where these do not result from the correction of errors from prior periods. This means that changes in an accounting estimate only affect the result for the current period or future periods.

IAS 12 (Amendment)

The amendment to IAS 12 Income Taxes clarifies that the exception to the recognition of deferred tax assets and liabilities does not apply to transactions that give rise to both deductible and taxable temporary differences of the same amount on initial recognition of assets and liabilities. Thus, for example, deferred tax assets and liabilities must be recognized upon initial recognition of assets and liabilities from leases.

IFRS 17 (Amendment)

The minor amendment to IFRS 17 relates to the presentation of comparison information when applying IFRS 17 and IFRS 9 for the first time.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Notes to the consolidated statement of financial position

The measurement and recognition policies for financial statement items are described in the relevant note.

Non-current assets

All non-current assets with definite useful lives are depreciated or amortized exclusively using the straight-line method on the basis of their estimated useful lives. The useful life estimates are reviewed annually. If facts or circumstances indicate the need for impairment, the recoverable amount is determined. It is measured at the higher of fair value less costs of disposal and value in use. Impairment losses are recognized if the recoverable amounts of the assets are lower than their carrying amounts. Impairment and scheduled amortization and depreciation are allocated to the functions in the statement of income.

The same standardized useful lives were applied in the fiscal year as in the previous year, as follows:

Useful life

in years	
Intangible assets with definite useful lives	3 to 20
Residential buildings	50
Office buildings	40
Research and factory buildings, workshops, stores and staff buildings	25 to 33
Plant facilities	10 to 25
Machinery	7 to 10
Office equipment	10
Vehicles	5 to 10
Factory and research equipment	2 to 5

The intangible assets with indefinite useful lives essentially comprise trademarks and other rights with no obvious time limitation on the generation of cash inflows. Given the consistency and strength of the brands, indefinite useful lives are assumed, and these intangible assets are not subject to scheduled amortization. Instead, they are subjected to impairment testing once a year and as indicated, as is also the case with goodwill. Impairment of trademarks and other rights is recognized in selling expenses, whereas goodwill impairment is included under other operating expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

1 Goodwill and other intangible assets

Cost

	Trademarks and other rights		Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
	Assets with indefinite useful lives	Assets with definite useful lives				
in million euros						
At Jan. 1, 2020	3,296	1,964	567	287	12,984	19,098
Acquisitions ¹	64	28	–	–	395	486
Divestments	–	–	–	–	-29	-29
Additions	–	7	7	52	–	66
Disposals	–	-62	-6	–	–	-68
Reclassifications to assets held for sale	-372	-21	–	–	-65	-458
Reclassifications	–	4	38	-41	–	–
Translation differences	-190	-94	-8	–	-893	-1,185
At Dec. 31, 2020/Jan. 1, 2021¹	2,798	1,827	597	298	12,390	17,910
Acquisitions	42	–	–	–	119	162
Divestments	-14	–	–	–	-6	-20
Additions	–	4	5	54	–	64
Disposals	-0	-59	-2	–	–	-61
Reclassifications to assets held for sale	-14	-2	-1	–	-11	-29
Reclassifications	–	6	91	-97	–	–
Translation differences	159	48	8	5	672	892
At Dec. 31, 2021	2,971	1,823	699	260	13,165	18,919

¹ Prior-year figures amended (please refer to the notes on page 195).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Accumulated amortization/impairment

	Trademarks and other rights		Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
	Assets with indefinite useful lives	Assets with definite useful lives				
in million euros						
At Jan. 1, 2020	11	1,494	331	–	12	1,848
Divestments	–	–	–	–	–	–
Write-ups	–	–	–	–	–	–
Scheduled amortization	–	100	55	–	–	155
Impairment	268	1	19	–	31	318
Disposals	–	-60	-6	–	–	-66
Reclassifications to assets held for sale	-217	-7	–	–	-31	-255
Reclassifications	–	–	–	–	–	–
Translation differences	–	-79	-6	–	–	-84
At Dec. 31, 2020/Jan. 1, 2021	62	1,449	393	–	12	1,915
Divestments	–	–	–	–	–	–
Write-ups	–	–	–	–	–	–
Scheduled amortization	–	89	62	–	–	150
Impairment	21	0	1	204	0	226
Disposals	-0	-59	-2	–	–	-61
Reclassifications to assets held for sale	-10	-2	-1	–	-0	-13
Reclassifications	–	–	–	–	–	–
Translation differences	9	41	8	–	–	58
At Dec. 31, 2021	82	1,517	460	204	12	2,275

Net carrying amounts

	Trademarks and other rights		Internally generated intangible assets with definite useful lives	Intangible assets in development	Goodwill	Total
	Assets with indefinite useful lives	Assets with definite useful lives				
in million euros						
At December 31, 2021	2,889	306	239	56	13,153	16,643
At December 31, 2020 ¹	2,736	378	204	298	12,379	15,995

¹ Prior-year figures amended (please refer to the notes on page 195).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Goodwill represents the future economic benefit of assets that are acquired through business combinations and are not individually identifiable and separately recognized, together with expected synergies. Goodwill upon first-time consolidation constitutes a positive difference between the cost of acquiring the entity and the amount of acquired identified assets and assumed liabilities existing at the time of acquisition and measured as specified in IFRS 3. Trademarks and other rights acquired for valuable consideration are stated at purchase cost, while internally generated software is stated at development cost.

Additions to intangible assets under development mostly reflect investments in consolidating and digitalizing our IT system architecture. The change in goodwill resulting from acquisitions made in the fiscal year is presented in the section “Acquisitions and divestments” on pages 188 to 190.

Goodwill as well as trademarks and other rights with indefinite useful lives are subjected to an impairment test at least once a year and also when indicators of impairment are present at the level of the cash-generating units (“impairment only” approach). Testing is based primarily on fair value less costs of disposal. A discounted cash flow method is used to determine fair value (before deduction of costs of disposal), which is allocated to level 3 of the fair value hierarchy (see Note 23 on pages 239 to 267). The estimated future cash flows are derived from the budget approved by the relevant corporate bodies, with the budgeted figures forming the basis for the impairment test. The assumptions upon which the essential budgeting and planning parameters are based reflect experience gained in the past, aligned to current information provided by external sources.

Goodwill recoverability is assessed at the level of the global cash-generating units. The following table shows the relevant cash-generating units together with the associated goodwill at the carrying amounts applicable as of the reporting date. The description of the cash-generating units can be found in Note 37 on pages 284 to 287 and in the combined management report on pages 98 to 109.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Goodwill carrying amounts

	December 31, 2020 ¹			December 31, 2021		
	Goodwill	Terminal growth rate	Weighted average cost of capital (after tax)	Goodwill	Terminal growth rate	Weighted average cost of capital (after tax)
Cash-generating units in million euros						
Automotive & Metals	887	1.50%	6.50%	931	1.50%	6.75%
Electronics & Industrials	1,708	1.40%	6.50%	1,801	1.40%	6.75%
Craftsmen, Construction & Professional	877	1.00%	6.50%	889	1.00%	6.75%
Packaging & Consumer Goods	1,909	1.50%	6.50%	1,983	1.50%	6.75%
Total Adhesive Technologies	5,381			5,604		
Consumer	1,445	1.00%	5.00%	1,519	1.00%	5.00%
Professional	1,168	1.00%	5.00%	1,257	1.00%	5.00%
Total Beauty Care	2,613			2,777		
Laundry Care	3,314	1.00%	5.00%	3,575	1.00%	5.00%
Home Care	1,071	1.00%	5.00%	1,197	1.00%	5.00%
Total Laundry & Home Care	4,385			4,772		

¹ Prior-year figures amended (please refer to the notes on page 195).

Budgets are prepared on the basis of a planning horizon of four years. Despite the continuing global COVID-19 pandemic and the associated uncertainties, we do not expect the Adhesive Technologies and Laundry & Home Care business units to fall below the pre-crisis level of sales again achieved in fiscal 2021. The expected average annual growth in sales in the cash-generating units of Adhesive Technologies during the four-year detailed planning period is between 3 and 5 percent (previous year: 2 to 6 percent). We expect an average annual growth in sales in the cash-generating units in the Laundry & Home Care business unit during the four-year detailed planning period of between 3 and 4 percent (previous year: 3 percent), accompanied by a slight increase in market share. In fiscal 2021, the Beauty Care business unit, which has been severely affected by the COVID-19 pandemic, was still slightly below the sales level prior to the start of the pandemic. Average sales growth of the cash-generating units in the Beauty Care business unit ranges from -2 to 5 percent annually over the four-year planning horizon (previous year: 4 to 7 percent), whereby the decline in fiscal 2022 is mainly due to planned measures to improve the portfolio, including the discontinuation of activities that do not belong to the future core business. We expect positive growth rates for the remainder of the planning horizon.

For the period after the four-year detailed planning horizon, a growth rate in cash flows of between 1 and 2 percent (previous year: 1 to 2 percent) is assumed for the purpose of goodwill impairment testing. This assumption includes, in particular, the passing-on of expected inflation rises to our customers. Taking into account specific tax effects, the cash flows of the various cash-generating units are discounted at different rates reflecting the weighted average cost of capital (WACC) in each business unit, namely: 6.75 percent (previous year: 6.5 percent) after tax for Adhesive Technologies and 5.0 percent (previous year: 5.0 percent) after tax for both Beauty Care and Laundry & Home Care.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Impairment of trademarks and other rights with indefinite useful lives is assessed at the level of either global cash-generating units (Adhesive Technologies) or regional cash-generating units (Beauty Care and Laundry & Home Care).

Most of the trademarks and other rights with indefinite useful lives are attributable to two cash-generating units. The carrying amount of the trademarks and other rights allocated to the regional cash-generating unit Laundry Care North America in the Laundry & Home Care business unit was 1.2 billion euros as of December 31, 2021 (previous year: 1.1 billion euros). For impairment testing purposes, a cost of capital of 5.0 percent after tax (previous year: 5.0 percent) and a terminal growth rate of 1.0 percent (previous year: 1.0 percent) were applied. The average annual increase in sales in the cash-generating unit during the four-year detailed planning period is 3 percent (previous year: 3 percent). As of December 31, 2021, the carrying amount of the trademarks and other rights allocated to the cash-generating unit Professional Business North America in the Beauty Care business unit was 338 million euros (previous year: 307 million euros). For impairment testing purposes, a cost of capital of 5.0 percent after tax (previous year: 5.0 percent) and a terminal growth rate of 1.0 percent (previous year: 1.0 percent) were applied. The average annual increase in sales during the four-year detailed planning period is 5 percent (previous year: 8 percent).

Given our continued active portfolio management, we anticipate achieving at least stable gross margins in all our business units from fiscal 2023 onward. In 2022, we expect gross margins to decline slightly, given the significant increase in prices of direct materials and logistics that Henkel will only be able to partially offset.

Of the impairment of 226 million euros in total that was recognized for other intangible assets in fiscal 2021, 201 million euros is attributable to the complete write-off of a technology included under intangible assets in development, which was acquired by the Beauty Care business unit but of which the future usage is uncertain. In fiscal 2021, goodwill impairment was recognized in an amount of 0 million euros (previous year: 31 million euros).

The trademarks and other rights with indefinite useful lives with a net carrying amount of 2,889 million euros (previous year: 2,736 million euros) are established in their markets and will continue to be intensively promoted. Moreover, there are no other statutory, regulatory or competition-related factors that limit our usage of our brand names.

The company also intends to continue using the trademarks and other rights disclosed as having definite useful lives. In fiscal 2021, these assets required recognition of impairment in an amount of 0 million euros (previous year: 1 million euros).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

2 Property, plant and equipment

Cost

in million euros	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
At Jan. 1, 2020	2,921	4,004	1,216	451	8,591
Acquisitions	3	1	-	-	4
Divestments	-	-	-	-	-
Additions to existing operations	50	156	70	374	649
Additions of right-of-use assets	139	17	26	-	182
Disposals	-51	-116	-71	-2	-241
Reclassifications to assets held for sale	-18	-34	-9	-	-61
Reclassifications	68	190	45	-304	-
Translation differences	-168	-231	-61	-21	-481
At Dec. 31, 2020/Jan. 1, 2021	2,944	3,986	1,216	499	8,644
Acquisitions	0	0	0	-	0
Divestments	-	-	-	-	-
Additions to existing operations	69	125	73	309	576
Additions of right-of-use assets	111	10	30	-	151
Disposals	-60	-92	-89	-0	-242
Reclassifications to assets held for sale	-2	-19	-5	-1	-27
Reclassifications	146	213	56	-414	-
Translation differences	96	96	29	-3	219
At Dec. 31, 2021	3,304	4,318	1,310	389	9,320

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Accumulated depreciation/impairment

	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
in million euros					
At Jan. 1, 2020	1,290	2,609	917	-	4,816
Divestments	-	-	-	-	-
Write-ups	-	-	-	-	-
Scheduled depreciation	167	260	136	-	563
Impairment	9	44	2	-	56
Disposals	-46	-105	-69	-	-221
Reclassifications to assets held for sale	-10	-28	-9	-	-47
Reclassifications	-	-	-	-	-
Translation differences	-49	-123	-38	-	-209
At Dec. 31, 2020/Jan. 1, 2021	1,360	2,658	938	-	4,956
Divestments	-	-	-	-	-
Write-ups	-	-3	-	-	-3
Scheduled depreciation	169	266	128	-	563
Impairment	5	22	2	3	32
Disposals	-54	-88	-86	-	-227
Reclassifications to assets held for sale	-1	-17	-4	-	-22
Reclassifications	-	-	-	-	-
Translation differences	35	57	22	-	114
At Dec. 31, 2021	1,514	2,895	999	3	5,411

Net carrying amounts

	Land, land rights and buildings	Plant and machinery	Factory and office equipment	Assets in the course of construction	Total
in million euros					
At Dec. 31, 2021	1,790	1,423	311	386	3,909
Of which: right-of-use assets	480	21	43	-	544
At Dec. 31, 2020	1,584	1,328	278	499	3,688
Of which: right-of-use assets	437	23	40	-	500

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Property, plant and equipment includes land, land rights and buildings, plant and machinery, factory and office equipment, rights of use to corresponding leased assets, and assets in the course of construction. Special considerations relating to the recognition of right-of-use assets and separate disclosures regarding leases are discussed in the following section "Additional disclosures regarding leases."

Additions are stated at purchase or manufacturing cost. The latter includes direct costs and appropriate proportions of necessary overheads. Borrowing costs for qualified assets per IAS 23 Borrowing Costs are currently not capitalized due to their lack of materiality. Cost figures are shown net of investment grants and allowances. As of December 31, 2021, investment grants of 35 million euros (previous year: 21 million euros) were deducted from purchase and manufacturing costs. Some of the grants are contingent upon certain terms and conditions being met, such as location guarantees. Henkel is sufficiently confident that these terms and conditions can be satisfied. Acquisition-related incidental costs incurred in order to make the asset ready for the intended use are capitalized. An overview of the primary investment projects undertaken during the fiscal year can be found on pages 110 to 112 in the combined management report.

At December 31, 2021, property, plant and equipment with a carrying amount of 0 million euros had been pledged as security for existing liabilities (previous year: 0 million euros).

The periods over which the assets are depreciated are based on their estimated useful lives as set out on page 201. The depreciation and impairment are included in the cost of sales, selling and administrative expenses and research and development expenses in a ratio equivalent to the use of the asset. Write-ups are recognized in other operating income.

Additional disclosures regarding leases

In the course of its business operations, Henkel enters into various lease agreements as a lessee. The underlying assets primarily include office buildings and fixtures, production facilities and warehouses – all of which are recognized under land, land rights and buildings – as well as plant and machinery, and the vehicles and IT inventory classified as factory and office equipment.

Right-of-use assets are recognized initially at the value of the lease liability plus any lease payments made at or prior to provision of the leased asset, less any lease incentives received. Furthermore, additions include all initial direct costs incurred by the lessee together with the estimated cost of dismantling or returning the leased asset to the condition, and similar, required by the lease agreement at the end of the lease term. In the case of short-term leases and leases involving assets of low value, the Henkel Group exercises the option not to recognize a right-of-use asset or a lease liability.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

In fiscal 2021, the Henkel Group recognized additions to right-of-use assets in property, plant and equipment of 151 million euros in total (previous year: 182 million euros), attributable mainly to land, land rights and buildings. Acquisitions did not account for any additions in the fiscal year (previous year: 3 million euros). The additions were offset by scheduled depreciation of 134 million euros (previous year: 136 million euros). As of December 31, 2021, right-of-use assets amounted to 544 million euros (previous year: 500 million euros).

The depreciation recognized separately for the various categories of assets in the consolidated statement of income for the fiscal year is listed in the following table, together with further disclosures of lease-related expenses and income affecting Henkel as a lessee:

Effects on the consolidated statement of income of leases with Henkel as lessee

in million euros	2020	2021
Depreciation in the year under review	136	134
Of which: right-of-use land, land rights and buildings	95	95
Of which: right-of-use plant and machinery	12	12
Of which: right-of-use factory and office equipment	29	27
Interest expenses on lease liabilities	16	14
Expenses relating to short-term leases	20	16
Expenses relating to leases of low-value assets	4	6
Expenses relating to variable lease payments not considered in the valuation of the lease liability	-	2
Income from subleases	-	1

Henkel paid 171 million euros in total for leases in fiscal 2021 (previous year: 180 million euros).

The Henkel Group uses the incremental borrowing rate to discount lease payments when measuring its lease liabilities. This rate is based on country-specific interest rates that are observable in the market and which are adjusted with regard to duration and credit risk. If no interest rates are observable for the relevant durations, they are derived from linear interpolation.

An analysis of the maturities of the lease liabilities of the Henkel Group is included with the disclosures on financial instruments in Note 23 on pages 239 to 267. In addition to the future payments from leases discussed in the section, no payment commitments (previous year: 6 million euros) existed as of the reporting date with regard to leases of material relevance to Henkel that have already been agreed but have not yet commenced and have therefore not yet been capitalized.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Some of Henkel's leases for land, land rights and buildings include optional lease periods. Contractually agreed payments in these optional lease periods are in the mid-triple-digit million euros range, as was also the case in the previous year. They are not included in the measurement of the lease liability because there is insufficient certainty that the option on the lease periods will be exercised.

3 Other financial assets

Analysis

in million euros	December 31, 2020			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Receivables from non-consolidated subsidiaries and associates	–	0	0	–	0	0
Financial receivables from third parties	15	208	223	16	208	224
Derivative financial instruments	7	99	106	30	99	129
Investments in non-consolidated subsidiaries	6	–	6	4	–	4
Investments in associates	0	–	0	0	–	0
Other investments	57	–	57	97	–	97
Receivable from Henkel Trust e.V.	–	497	497	–	407	407
Securities and time deposits	0	422	422	0	276	276
Of which: readily monetizable	0	408	408	0	263	263
Financial collateral provided	–	74	74	–	147	147
Sundry financial assets	14	72	86	14	73	86
Total	99	1,372	1,471	161	1,209	1,370

With the exception of investments, derivatives, securities and time deposits, other financial assets are measured at amortized cost.

Of the receivables from non-consolidated subsidiaries and associated companies, 0 million euros (previous year: 0 million euros) is attributable to non-consolidated subsidiaries.

Of the current financial receivables from third parties, 200 million euros (previous year: 200 million euros) relates to receivables from third parties in connection with EU emission rights swaps contracted by Henkel for the purpose of liquidity management.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The receivable from Henkel Trust e.V. relates to pension payments made by Henkel AG & Co. KGaA to retirees, for which reimbursement can be claimed from Henkel Trust e.V.

The securities and time deposits essentially comprise time deposits and shares in investment funds and are generally readily monetizable under our financial management arrangements with the exception of those securities and time deposits that are mandatory to cover our pension liabilities and can therefore not be monetized at short notice.

Sundry non-current financial assets include, among others, receivables from insurance companies.

Examples of sundry current financial assets include:

- Receivables from sureties and guarantee deposits amounting to 22 million euros (previous year: 21 million euros)
- Receivables from suppliers amounting to 23 million euros (previous year: 18 million euros)
- Receivables from employees amounting to 7 million euros (previous year: 6 million euros)

4 Other assets

Analysis

in million euros	December 31, 2020 ¹			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Tax receivables ²	0	315	316	0	428	429
Payments on account	–	71	71	–	90	90
Overfunding of pension obligations	114	–	114	227	–	227
Reimbursement rights related to employee benefits	105	13	118	112	13	125
Deferred charges	13	78	91	10	47	56
Sundry other assets	4	26	30	4	24	28
Total	236	503	739	352	601	954

¹ Prior-year figures amended (please refer to the notes on page 195).

² Since fiscal 2021, all receivables relating to incidental income tax expenses are presented as current assets. Prior-year figures have been amended accordingly.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

5 Deferred taxes

Deferred taxes are recognized for temporary differences between the valuation of an asset or a liability in the financial statements and its tax base, for tax losses carried forward, and for unused tax credits. This also applies to temporary differences in valuation arising through acquisitions, with the exception of deferred tax liabilities relating to goodwill.

Deferred tax liabilities on taxable temporary differences related to shares in subsidiaries are recognized to the extent that a reversal of this difference is expected in the foreseeable future, or cannot be controlled.

Changes in the deferred taxes in the statement of financial position result in deferred tax expenses or income unless the underlying item is directly recognized in other comprehensive income. For items recognized directly in other comprehensive income, the associated deferred taxes are also recognized in other comprehensive income.

The valuation, recognition and breakdown of deferred taxes in respect of the various items in the statement of financial position are disclosed under Note 32 Taxes on Income on pages 273 to 278.

6 Inventories

In accordance with IAS 2 Inventories, reported under inventories are those assets that are intended to be sold in the ordinary course of business (finished products and merchandise), those in the process of production for such sale (work in progress) and those to be utilized or consumed in the course of manufacture or the provision of services (raw materials and supplies). Payments on account made for the purpose of purchasing inventories are likewise disclosed under the inventories heading.

When accounting for cash flow hedges under IFRS 9, the measurement effects from hedging instruments for acquiring non-financial assets are initially recognized in equity in the hedge reserve, and included as part of the cost upon acquisition of the assets. The IFRS 9 basis adjustment shown under inventories relates to the results of currency hedges for the procurement of inventories in a foreign currency and of hedging certain raw materials purchases against market price risks. Further information can be found in the financial instruments report in Note 23 on pages 239 to 267.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Inventories are measured at the lower of cost and net realizable value. Inventories are measured using either the “first in, first out” (FIFO) or the average cost method. Manufacturing cost includes not only the direct costs but also appropriate portions of necessary overheads (for example goods inward department, raw material storage, filling, costs incurred through to the finished goods warehouse), production-related administrative expenses, the costs of the pensions of people who are employed in the production process, and production-related amortization/depreciation. The overhead add-ons are calculated on the basis of average capacity utilization. Not included, however, are interest expenses incurred during the manufacturing period.

The net realizable value is determined as an estimated selling price less costs yet to be incurred through to completion, and less necessary selling and distribution costs. Write-downs to the net realizable value are made if, at the measurement date, the carrying amounts of the inventories are above their realizable market values. The resultant valuation allowance as of December 31, 2021 amounted to 200 million euros (previous year: 167 million euros). The carrying amount of inventories recognized at net realizable value amounted to 601 million euros (previous year: 447 million euros). No inventories were pledged as security for liabilities in fiscal 2021 nor in the previous year.

Analysis of inventories

in million euros	Dec. 31, 2020 ¹	Dec. 31, 2021
Raw materials and supplies	544	740
Work in progress	114	142
Finished products and merchandise	1,503	1,734
Payments on account for merchandise	27	16
IFRS 9 basis adjustment	1	-3
Total	2,188	2,629

¹ Prior-year figures amended (please refer to the notes on page 195).

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

7 Trade accounts receivable

Trade accounts receivable amounted to 3,456 million euros (previous year: 3,106 million euros). They are all due within one year. Valuation allowances are recognized in respect of customer default risks. The cost of accruing these valuation allowances, and income from the reversal of same, are recognized in selling and distribution costs. As the markets continue to recover from the COVID-19 pandemic, we generally expect the risk of payment defaults by our customers to be lower as of December 31, 2021 than was the case at the end of the previous year. For an explanation of the valuation allowances and our risk management, please consult pages 255 to 267.

Trade accounts receivable

in million euros	Dec. 31, 2020	Dec. 31, 2021
Trade accounts receivable, gross	3,229	3,560
Less: cumulative valuation allowances on trade accounts receivable	123	104
Trade accounts receivable, net	3,106	3,456

Development of valuation allowances on trade accounts receivable

in million euros	2020	2021
Valuation allowances at January 1	91	123
Additions/Releases	47	-18
Derecognition of receivables	-9	-6
Currency translation effects	-8	3
Other changes	1	1
Valuation allowances at December 31	123	104

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

8 Cash and cash equivalents

Recognized under cash and cash equivalents are cash on hand, checks, credit at banks, and other financial assets with an initial term of not more than three months. In accordance with IAS 7 Statement of Cash Flows, also recognized under cash equivalents are shares in money market funds which, due to their first-class credit rating and investment in extremely short-term money market securities, undergo only minor value fluctuations and can be readily converted within one day into known amounts of cash. Utilized bank overdrafts are recognized in the statement of financial position as liabilities to banks.

The volume of cash and cash equivalents increased compared to the previous year from 1,727 million euros to 2,116 million euros. Of this figure, 1,718 million euros (previous year: 1,504 million euros) relates to cash and 397 million euros (previous year: 223 million euros) to cash equivalents. The change is shown in the consolidated statement of cash flows.

9 Assets and liabilities held for sale

Assets and liabilities held for sale are assets and liabilities that can be sold in their current condition and for which sale is highly probable. Disposal must be expected within one year from the time of reclassification as held for sale. Such assets may be individual assets, groups of assets (disposal groups) or business operations (discontinued operations). Immediately before the reclassification of any assets and liabilities to the held-for-sale category, the relevant measurement rules for the balance sheet item are applied for the last time. For non-financial assets, this also implies performing an impairment test in accordance with IAS 36 Impairment of Assets. Any impairment recognized in this context is reported in the consolidated statement of income in accordance with the rules formulated for the balance sheet item. After reclassification, scheduled depreciation is no longer recognized for the assets. Instead, they are recognized at the lower of carrying amount and fair value less costs to sell (level 3). The fair value less costs to sell is generally determined by current price negotiations with potential buyers. The expense from any write-downs to fair value less costs to sell is recognized under other operating expenses.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Active portfolio management is a key element in the further development of the Henkel Group. In this connection, assets were sold in the fiscal year, resulting in a reduction in assets held for sale of 170 million euros year on year to 58 million euros. The assets that were disposed of essentially comprise other intangible assets and proportionate goodwill relating to divestments in the fiscal year which are explained in more detail on page 189. In fiscal 2021, assets were again reclassified to assets held for sale as part of further planned disposals of businesses. Some of the businesses had already been sold by December 31, 2021.

In the case of three businesses reclassified in fiscal 2020 to assets and liabilities held for sale, it was not possible to complete the sale by the reporting date. The corporation still plans to dispose of these businesses. At the end of fiscal 2021, these assets were stated in the amount of 34 million euros (previous year: 44 million euros).

The write-down of assets already classified as held for sale to a fair value less costs to sell falling below the carrying amount resulted in an expense of 10 million euros in fiscal 2021 (previous year: 4 million euros).

No liabilities were held for sale as of December 31, 2021, nor at the prior year-end.

Assets and liabilities held for sale

in million euros	Dec. 31, 2020	Dec. 31, 2021
Goodwill	34	26
Other intangible assets	165	18
Property, plant and equipment	23	14
Inventories and trade accounts receivable	6	0
Net assets	228	58

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

10 Issued capital

Issued capital

in million euros	Dec. 31, 2020	Dec. 31, 2021
Ordinary bearer shares	260	260
Preferred bearer shares	178	178
Capital stock	438	438

Comprising: 259,795,875 ordinary shares, 178,162,875 non-voting preferred shares.

All shares are fully paid in. The ordinary and preferred shares are bearer shares of no par value, each of which represents a nominal proportion of the capital stock amounting to 1 euro. The liquidation proceeds are the same for all shares. The number of ordinary shares issued remained unchanged year on year. The number of preferred shares in circulation was also unchanged year on year, at 174,482,323 as at December 31, 2021.

Authorized capital was created by resolution of the Annual General Meeting on June 17, 2020 (Art. 6 (5) of the Articles of Association). Under the resolution, the Personally Liable Partner is authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to increase the capital of the corporation at any time through to June 16, 2025, by up to a nominal amount of 43,795,875 euros in total from the issuance of up to 43,795,875 new non-voting preferred bearer shares for cash consideration (Authorized Capital 2020). The new shares have exactly the same rights as the preferred shares already in circulation in respect of eligibility for distribution of profits or corporation assets. Shareholders must be granted pre-emptive subscription rights. Pursuant to Section 186 (5) sentence 1 AktG, the new shares can be acquired by one or more banks or companies to be nominated by the Personally Liable Partner on condition that they offer them for purchase to the shareholders.

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

In addition, pursuant to the resolution adopted by the Annual General Meeting on April 8, 2019, the Personally Liable Partner is authorized to purchase ordinary and/or preferred shares of the corporation at any time until April 7, 2024 up to a maximum proportion of 10 percent of the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. Equity derivatives (put and/or call options and/or forward contracts or a combination of same) can also be used for such purchase. The volume of any and all shares purchased using such derivatives must not exceed 5 percent of

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

the capital stock existing at the time the resolution is adopted by the Annual General Meeting or at the time the authorization is exercised, whichever is lower. The term of the derivatives must not exceed 18 months in each case. The choice of derivative must ensure that the purchase of treasury shares acquired through exercising the derivative is not possible after April 7, 2024.

This authorization to purchase treasury shares can be exercised for any legal purpose. To the exclusion of the pre-emptive rights of existing shareholders, treasury shares may, in particular, be transferred to third parties for the purpose of acquiring entities or participating interests in entities. Treasury shares may also be sold to third parties against payment in cash, provided that the selling price is not significantly below the quoted market price at the time of share disposal. Treasury shares may also be offered for purchase or transferred to members of the corporation's staff or managers and employees of affiliated companies, particularly in connection with share-based payment plans, including the Long Term Incentive Plan 2020⁺. The shares may likewise be used to satisfy warrants or conversion rights granted by the corporation. The Personally Liable Partner is also authorized, with the approval of the Shareholders' Committee and of the Supervisory Board, to cancel treasury shares without the need for further resolution by the Annual General Meeting.

Insofar as shares are issued or used to the exclusion of pre-emptive rights, the proportion of capital stock represented by such shares shall not exceed 10 percent.

11 Capital reserve

The capital reserve comprises the amounts received in previous years in excess of the nominal value of preferred shares and convertible warrant bonds issued by Henkel AG & Co. KGaA.

12 Treasury shares

Treasury shares held by the corporation at December 31, 2021 were unchanged at 3,680,552 preferred shares (previous year: 3,680,552). This represents 0.84 percent of the capital stock and a proportional nominal value of 3.7 million euros.

Details of the share-based payment plans settled in equity instruments can be found in Note 36 on pages 281 to 284.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

13 Retained earnings

Recognized in retained earnings are the following:

- Amounts allocated in the financial statements of Henkel AG & Co. KGaA in previous years
- Amounts allocated from consolidated net income less those amounts attributable to non-controlling interests
- Gains or losses from the sale of treasury shares
- Actuarial gains and losses recognized in equity
- Changes in reserves due to the accounting for share-based payment plans
- The acquisition or disposal of ownership interests in subsidiaries with no change in control
- Valuation effects following application of the present access method
- Impacts of first-time application of IFRSs

14 Other components of equity

Reported under this heading are differences recognized in equity arising from the currency translation of annual financial statements of foreign subsidiaries, and also the effects arising from the valuation in comprehensive income of financial assets in the “fair value through other comprehensive income” category and of derivative financial instruments recognized as cash flow hedges and hedges of a net investment in a foreign operation. At December 31, 2021, the difference attributable to shareholders of Henkel AG & Co. KGaA arising from currency translation decreased by 762 million euros from -2,206 million to -1,445 million euros.

15 Non-controlling interests

Recognized under non-controlling interests are equity shares held by third parties measured on the basis of the proportion of net assets they represent.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

16 Provisions for pensions and similar obligations

Description of the pension plans

Employees in companies included in the consolidated financial statements have entitlements under company pension plans which are either defined contribution or defined benefit plans. These take different forms depending on the legal, financial and tax regimes of each country. The level of benefits provided is based, as a rule, on the length of service and on the income of the person entitled. Details of pension benefits for members of the Management Board are provided in the explanatory notes to the remuneration policy and in the separately published remuneration report.

In defined benefit plans, the liability for pensions and other post-employment benefits is calculated at the present value of the future obligations (projected unit credit method). This actuarial method of calculation takes future trends in wages, salaries and retirement benefits into account.

The majority of the beneficiaries of these pension plans are located in Germany and the USA. The pension obligations are primarily financed via various external trust assets and pension funds that are legally independent of Henkel.

Active employees of Henkel in Germany participate in a defined contribution system, "Altersversorgung 2004 (AV 2004)," which was newly formed in 2004. AV 2004 is an employer-financed pension plan that reflects the personal income development of employees during their career at Henkel and thus provides a performance-related pension. Henkel guarantees a return on the company's contributions. The benefit essentially consists of an annuity payable upon attainment of the statutory retirement age plus a lump-sum payment if the annuity threshold is exceeded in the employee's service period. In addition to retirement and disability pensions, the plan benefits include surviving spouse and surviving child benefits.

Employees at Henkel in Germany who started working for the corporation after April 1, 2011, participate in the pension plan "Altersversorgung 2011 (AV 2011)." AV 2011 is an employer-financed, fund-linked retirement plan funded by contributions based on the income development of the employee. Henkel assures its employees that a lump-sum amount is available upon retirement which is at least equivalent to the level of principal contributions made by Henkel. Henkel pays the pension contribution into an investment fund established for the purpose of the company pension plan. Upon attaining statutory retirement age, the employee can choose between an annuity through transfer of the superannuation lump-sum to a pension fund, or a one-time payment.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

To provide protection under civil law of the pension entitlements of future and current pensioners of Henkel AG & Co. KGaA in Germany against insolvency, we have transferred the proceeds of the bond issued in 2005 and certain other assets to Henkel Trust e.V. The trustee invests the cash with which it has been entrusted in the capital market in accordance with investment policies laid down in the trust agreement. In fiscal 2021, we transferred the entitlements of a large proportion of the pensioners of Henkel AG & Co. KGaA and their surviving dependents in Germany to an external pension fund. Plan assets were correspondingly transferred from Henkel Trust e.V. to the external pension fund. This did not have any effect on the recognition of pension obligations in Germany under IFRSs. The only changes were in the primary funding of pension obligations and the way in which benefits are provided. The non-insurance pension fund is subject to the German Insurance Supervision Act and thus falls under the control of the German Federal Financial Supervisory Authority (BaFin).

In addition, we also subsidize medical benefits for active and retired employees resident mainly in the USA. Under these programs, retirees are reimbursed a certain percentage of their refundable medical expenses. We recognize provisions during the employees' service period and pay out the promised benefits when they are claimed. The subsidies paid to active employees for medical services are recognized as a current expense and are therefore not included in the provisions for pensions and similar obligations.

The defined contribution plans are structured in such a way that the corporation pays contributions to institutions on the basis of statutory or contractual terms or on a voluntary basis and has no further obligations regarding the payment of benefits to employees. The contributions for defined contribution plans, excluding multi-employer plans, for the reporting period amounted to 123 million euros (previous year: 114 million euros).

Multi-employer plans

Henkel provides defined pension benefits that are financed by more than one employer. Within the Henkel Group, benefits from multi-employer plans are provided for employees in the USA. The multi-employer plan in the USA is treated as a defined contribution plan because, due to the limited share of the contribution volume in the plan, the information available for each of the financing companies is insufficient for defined benefit accounting. Withdrawal from the multi-employer plan at the present time would incur a one-time expense of around 19 million euros (previous year: around 18 million euros). Payments into the multi-employer plan in fiscal 2021 amounted to 1 million euros (previous year: 1 million euros). We expect contributions of around 1 million euros in fiscal 2022. Henkel's share in the overall plan is less than 1 percent.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Assumptions

Group-wide, the obligations from our pension plans are valued by an independent external actuary at the end of the fiscal year. The calculations at the end of the fiscal year are based on the actuarial assumptions below. These are given as the weighted average. The mortality rates used are based on published statistics and experience relating to each country. In Germany, the assumptions in both the fiscal year and the previous year were based on the “Heubeck 2018G” mortality table. In the USA, the assumptions in each case were based on the modified “Pri-2012” mortality table. The valuation of pension obligations in Germany was based essentially on the assumption of a 1.8 percent increase in retirement benefits (previous year: 1.7 percent).

The discount rate is based on yields in the market for high-ranking corporate bonds on the respective due date. The currency and term of the underlying bonds are matched to the currency and expected maturities of the post-employment pension obligations.

Actuarial assumptions

	Germany		USA		Other countries ¹	
	2020	2021	2020	2021	2020	2021
in percent						
Discount rate	1.00	1.30	2.30	2.80	1.40	1.90
Income trend	3.00	3.00	3.00 ²	3.50²	2.90	2.60
Retirement benefits trend	1.70	1.80	–	–	2.30	2.60
Expected increases in costs for medical benefits	–	–	5.70	6.10	3.50	3.70
in years						
Life expectancy at age 65 as of the valuation date for a person currently						
65 years old	22.1	22.2	21.0	22.0	22.8	22.6
40 years old	25.2	25.3	23.0	23.0	24.9	24.8

¹ Weighted average.

² Income trend based on the average age of the plan participants in the USA. The actual income trend assumption is based on an age-related scale.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development of defined benefit obligations 2020

in million euros	Germany	USA	Other countries	Total
At January 1, 2020	3,218	1,145	1,301	5,664
Changes in the scope of consolidation	-	-	1	1
Translation differences	-	-101	-45	-146
Actuarial gains (-)/losses (+)	134	108	71	313
Of which: from changes in demographic assumptions	-	-5	-32	-37
Of which: from changes in financial assumptions	133	115	120	368
Of which: from experience adjustments	1	-2	-17	-18
Current service cost	39	12	26	77
Employee contributions	21	-	1	22
Gains (-)/losses (+) arising from the termination, curtailment and amendment of plans	-8	-	-8	-16
Interest expense	41	34	22	97
Retirement benefits paid out of plan assets	-127	-65	-34	-226
Employer payments for pension obligations	-4	-25	-9	-38
Other changes	2	-	-26	-24
At December 31, 2020	3,316	1,108	1,300	5,724
Of which: obligations not covered by plan assets	108	107	123	338
Of which: obligations covered by plan assets	3,208	883	1,177	5,268
Of which: obligations covered by reimbursement rights	-	118	-	118

Development of pension assets 2020

in million euros	Germany	USA	Other countries	Total
At January 1, 2020	3,020	938	1,172	5,130
Changes in the scope of consolidation	-	-	-	-
Translation differences	-	-85	-35	-120
Employer contributions	50	-	17	67
Employee contributions	21	-	1	22
Retirement benefits paid out of plan assets	-127	-65	-34	-226
Planned income on pension assets	39	28	19	86
Remeasurements in equity	167	119	82	368
Other changes	-	-	-26	-26
At December 31, 2020	3,170	935	1,196	5,301

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development of asset ceiling 2020

in million euros	Germany	USA	Other countries	Total
At January 1, 2020	-	-	18	18
Interest cost for asset ceiling	-	-	-	-
Remeasurements in equity	-	-	-4	-4
At December 31, 2020	-	-	14	14

Development of net obligation 2020

in million euros	Germany	USA	Other countries	Total
Net obligation at January 1, 2020	197	207	148	552
Recognized through profit or loss				
Current service cost	39	12	26	77
Gains (-)/losses (+) arising from the termination, curtailment and amendment of plans	-8	-	-8	-16
Interest expense	2	6	3	11
Recognized in other comprehensive income				
Actuarial gains (-)/losses (+)	134	108	71	313
Remeasurements in equity	-167	-119	-82	-368
Change in the effect of the asset ceiling	-	-	-4	-4
Other items recognized in equity				
Employer payments	-54	-25	-26	-105
Changes in the scope of consolidation	-	-	1	1
Translation differences	-	-16	-10	-26
Other changes	2	-	-	2
Net obligation at December 31, 2020	145	173	119	437
Overfunding of pension obligations	-	58	56	114
Recognized provision at December 31, 2020	145	231	175	551

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development of defined benefit obligations 2021

in million euros	Germany	USA	Other countries	Total
At January 1, 2021	3,316	1,108	1,300	5,724
Changes in the scope of consolidation	-	-	-	0
Translation differences	0	86	44	131
Actuarial gains (-)/losses (+)	-71	-51	-52	-174
Of which: from changes in demographic assumptions	-	3	-19	-16
Of which: from changes in financial assumptions	-57	-48	-27	-132
Of which: from experience adjustments	-14	-6	-6	-26
Current service cost	41	11	22	74
Employee contributions	22	-	1	23
Gains (-)/losses (+) arising from the termination, curtailment and amendment of plans	-	-	-8	-8
Interest expense	33	25	18	76
Retirement benefits paid out of plan assets	-128	-94	-164	-386
Of which: payments for plan settlements	-	-	-127	-127
Employer payments for pension obligations	-3	-27	-9	-39
Other changes	3	-	-0	3
At December 31, 2021	3,213	1,058	1,154	5,424
Of which: obligations not covered by plan assets	103	103	116	322
Of which: obligations covered by plan assets	3,110	829	1,036	4,976
Of which: obligations covered by reimbursement rights	-	125	-	125

Development of pension assets 2021

in million euros	Germany	USA	Other countries	Total
At January 1, 2021	3,170	935	1,196	5,301
Changes in the scope of consolidation	-	-	-	-
Translation differences	0	74	45	120
Employer contributions	25	-	14	39
Employee contributions	22	-	1	23
Retirement benefits paid out of plan assets	-128	-94	-164	-386
Of which: payments for plan settlements	-	-	-127	-127
Planned income on pension assets	31	21	16	69
Remeasurements in equity	18	-32	11	-4
Other changes	-	-	-0	-0
At December 31, 2021	3,139	904	1,118	5,161

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development of asset ceiling 2021

in million euros	Germany	USA	Other countries	Total
At January 1, 2021	-	-	14	14
Interest cost for asset ceiling	-	-	-	-
Remeasurements in equity	-	-	7	7
At December 31, 2021	-	-	20	20

Development of net obligation 2021

in million euros	Germany	USA	Other countries	Total
Net obligation at January 1, 2021	145	173	119	437
Recognized through profit or loss				
Current service cost	41	11	22	74
Gains (-)/losses (+) arising from the termination, curtailment and amendment of plans	-	-	-8	-8
Interest expense	1	4	2	7
Recognized in other comprehensive income				
Actuarial gains (-)/losses (+)	-71	-51	-52	-174
Remeasurements in equity	-18	32	-11	4
Change in the effect of the asset ceiling	-	-	7	7
Other items recognized in equity				
Employer payments	-28	-27	-22	-78
Changes in the scope of consolidation	0	-	-	0
Translation differences	0	12	-0	12
Other changes	3	-	-0	3
Net obligation at December 31, 2021	74	154	57	283
Overfunding of pension obligations	43	75	108	227
Recognized provision at December 31, 2021	117	229	165	510

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Analysis of reimbursement rights

in million euros	2020	2021
At January 1	121	118
Changes in the scope of consolidation	-	-
Translation differences	-11	9
Employer contributions	1	-
Employee contributions	-	-
Retirement benefits paid	-9	-12
Interest income	4	3
Remeasurements in equity	12	7
At December 31	118	125

Changes in the present value of pension benefits and the plan assets reflect the pension benefits paid from plan assets in fiscal 2021, including payments of 127 million euros for plan settlements resulting from the transfer of pension obligations in the Netherlands to an external insurance company. The pension obligations were settled through the same amount of plan assets. No gains or losses ensued.

The total present value of pension obligations (defined benefit obligation – DBO) is comprised of:

- 1,903 million euros (previous year: 2,011 million euros) for active employees,
- 983 million euros (previous year: 1,007 million euros) for former employees with vested benefits, and
- 2,537 million euros (previous year: 2,706 million euros) for retirees.

The average weighted duration of pension obligations is 14 years (previous year: 14 years) for Germany, 8 years (previous year: 9 years) for the USA and 18 years (previous year: 17 years) for other countries.

In determining net liability, we take into account amounts that are not recognized due to asset ceiling restrictions. If the fair value of the plan asset item exceeds the obligations arising from the pension benefits, an asset is recognized only if the reporting entity can also derive economic benefit from these assets, for example in the form of return flows or a future reduction in contributions (“Asset Ceiling” per IAS 19.58 ff). In the reporting period, we recorded an amount of 20 million euros as an asset ceiling (previous year: 14 million euros).

Within our consolidated statement of income, current service costs are allocated on the basis of cost of sales to the respective function. Only the balance of interest expense for the defined benefit obligation and interest income for the fund assets is reported in net interest result. All gains/losses from the termination, curtailment and amendment of plans are recognized in other operating income/expenses. The employer contributions in respect of state pension provisions are included as “Social security contributions and staff welfare costs” under Note 35 on page 280. In 2021, additions to plan assets totaled 39 million euros (previous year: 67 million euros). Payments into pension funds in fiscal 2022 are expected to total 51 million euros.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The reimbursement rights covering a portion of the pension obligations in the USA are assets that are not protected against insolvency and therefore are not classified as plan assets under IAS 19 Employee Benefits.

The reimbursement rights indicated are available to the Group in order to cover the expenditures required to fulfill the respective pension obligations. Reimbursement rights and the associated pension obligations must, according to IAS 19, be shown unnetted in the statement of financial position.

Analysis of plan assets

	Dec. 31, 2020			Dec. 31, 2021		
	Quotation on active markets	No quotation on active markets	Total	Quotation on active markets	No quotation on active markets	Total
in million euros						
Shares	1,154	-	1,154	1,150	-	1,150
Europe	377	-	377	397	-	397
USA	215	-	215	241	-	241
Others	562	-	562	513	-	513
Bonds and hedging instruments	3,727	123	3,850	3,440	120	3,560
Government bonds	1,909	-	1,909	1,754	-	1,754
Corporate bonds	1,818	-	1,818	1,686	-	1,686
Derivatives	-	123	123	-	120	120
Alternative investments	-	418	418	-	470	470
Cash	-	213	213	-	238	238
Liabilities¹	-	-497	-497	-	-407	-407
Other assets	-	163	163	-	150	150
Total	4,881	420	5,301	4,590	571	5,161

¹ Liability to Henkel AG & Co. KGaA from the assumption of pension payments for Henkel Trust e.V.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The objective of the investment strategy for the global plan assets is the long-term security of pension payments. This is ensured by comprehensive risk management that takes into account the asset and liability portfolios of the defined benefit pension plans. Henkel pursues a liability-driven investment (LDI) approach in order to achieve the investment objective. This approach takes into account the structure of the pension obligations and manages the cover ratio of the pension plans. To improve this ratio, Henkel invests plan assets in a diversified portfolio for which the expected long-term yield is above the interest costs of the pension obligations.

In order to cover the risks arising from trends in wages, salaries and life expectancies, and to close the potential deficit between plan assets and pension obligations over the long term, additional investments are made in a return-enhancing portfolio as an add-on instrument that contains assets such as equities, private equity funds and real estate. The target portfolio structure of the plan assets is essentially determined in asset-liability studies. These studies are conducted regularly with the help of external advisors who assist Henkel in the investment of plan assets. They examine the actual portfolio structure, taking into account current capital market conditions, investment principles and the obligation structure, and can suggest adjustments be made to the portfolio.

The expected long-term yield for individual plan assets is derived from the target portfolio structure and the expected long-term yields for the individual asset classes.

Risks associated with pension obligations

Our internal pension risk management monitors the risks of all pension plans Group-wide in compliance with local legal regulations. As part of the monitoring process, guidelines on the control and management of risks are adopted and continuously developed; these guidelines mainly govern funding levels, portfolio structure and actuarial assumptions. The objective of the financing strategy within the Group is to ensure that plan assets cover 90 to 100 percent of the present value of the funded pension obligations. The contributions and investment strategies are intended to ensure nearly complete coverage of the plans for the duration of the pension obligations.

Henkel's pension obligations are exposed to various market risks. These risks are counteracted by the required funding level and the structure of pension benefits. The risks relate primarily to changes in market interest rates, inflation, and life expectancy, as well as general market fluctuations. Pension obligations based on contractual provisions in Germany generally entail lifelong benefits payable when the employee reaches retirement age or in the case of incapacity or death.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

In order to reduce the risks arising from the payment of lifelong benefits as well as inflation, pension benefits have been gradually converted since 2004 to what are known as modular benefits with a pension option, with the fund available being initially divided into an annuity and lump-sum portion. Newly hired employees since 2011 receive a commitment based primarily on the lump-sum benefit. Generally, lump-sum benefits may also be paid out as an annuity through a pension fund. All benefits in Germany are financed through a provident fund (Vorsorgefonds) established for the purpose of the occupational pension plan. Benefits for new employees since 2011, as well as a portion of the entitlements vested since 2004, are linked to the performance of this provident fund, resulting in a reduction in overall risk to the Group. The described adjustments within the pension structure reduce the financial risk arising from pension commitments in Germany. By linking the benefit to the capital investment, the net risk is also largely eliminated. An increase in the long-term inflation assumption would mainly affect the expected increase in pensions and the expected trend in pension-eligible salaries.

The pension obligations in the USA are based primarily on three retirement plans that are all closed to new employees. New employees receive pension benefits based on a defined contribution plan. The pension benefits generally have a lump-sum option which is usually exercised. When a pension becomes payable, the amount granted is determined on the basis of current market interest rates. As a result, the impact of a change to the interest rate used in the calculation is low compared to pension commitments entailing lifelong benefits. Additionally, in the USA, pensions paid once are not adjusted by amount, thus there are no direct risks during the pension payment period arising from pending annuity adjustments. Inflation risks therefore result mainly from the salary adjustments awarded.

The effects of changes to assumptions with respect to medical benefits for employees and retirees in the USA are shown in the sensitivity analysis.

The analysis of our Group-wide pension obligations revealed no extraordinary risks.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Cash flows and sensitivities

In the next five years, the following payments from pension plans are expected:

Future payments for pension benefits

in million euros	Germany	USA	Other countries	Total
2022	145	100	40	285
2023	149	93	38	280
2024	152	93	41	286
2025	159	93	44	296
2026	156	87	44	287

The future level of the funded status and thus of the pension obligations depends on the development of the discount rate, among other factors. Companies based in Germany and the USA account for 79 percent of our pension obligations. The medical costs incurred after retirement by former employees of our subsidiaries in the USA are also recognized in the pension obligations for defined benefit plans. A rate of increase of 6.1 percent (previous year: 5.7 percent) was assumed for the medical costs. We expect this rate of increase to fall gradually to 4.0 percent by 2047 (previous year: 4.5 percent by 2037). The effects of a change in material actuarial assumptions for the present value of pension obligations are as follows:

Sensitivities – Present value of pension obligations at December 31, 2020

in million euros	Germany	USA	Other countries	Total
Present value of obligations	3,316	1,108	1,300	5,724
In the event of				
Rise in discount rate by 0.5pp	3,123	1,061	1,187	5,371
Reduction of discount rate by 0.5pp	3,535	1,156	1,412	6,103
Rise in future income increases by 0.5pp	3,317	1,111	1,319	5,747
Reduction of future income increases by 0.5pp	3,316	1,103	1,278	5,697
Rise in retirement benefits increases by 0.5pp	3,458	1,107	1,355	5,920
Reduction of retirement benefits increases by 0.5pp	3,187	1,107	1,236	5,530
Rise in medical costs by 0.5pp	3,316	1,109	1,298	5,723
Reduction of medical costs by 0.5pp	3,316	1,106	1,298	5,720

pp = percentage points

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Sensitivities – Present value of pension obligations at December 31, 2021

	Germany	USA	Other countries	Total
in million euros				
Present value of obligations	3,213	1,058	1,154	5,424
In the event of				
Rise in discount rate by 0.5pp	3,039	1,019	1,060	5,118
Reduction of discount rate by 0.5pp	3,424	1,101	1,261	5,786
Rise in future income increases by 0.5pp	3,213	1,062	1,173	5,448
Reduction of future income increases by 0.5pp	3,213	1,053	1,135	5,401
Rise in retirement benefits increases by 0.5pp	3,342	1,058	1,201	5,601
Reduction of retirement benefits increases by 0.5pp	3,095	1,058	1,106	5,259
Rise in medical costs by 0.5pp	3,213	1,059	1,154	5,426
Reduction of medical costs by 0.5pp	3,213	1,056	1,154	5,423

pp = percentage points

The extension of life expectancy in Germany by one year would increase the present value of pension obligations by 4 percent (previous year: 4 percent). In the USA, an extension of life expectancy by one year would increase the present value of pension obligations by 2 percent (previous year: 2 percent).

It should be noted with respect to the sensitivities presented that, due to mathematical effects, the percentage change is not and does not need to be linear. Thus the percentage increases and decreases do not vary with the same absolute amount. Each sensitivity is independently calculated with no scenario analysis.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

17 Other provisions

Development in 2021

in million euros	At December 31, 2020 ¹	Acquisitions	Utilized	Released	Added	Other changes	At December 31, 2021
Restructuring provisions	228	-	-113	-4	122	-1	233
Of which: non-current	87	-	-15	-4	19	5	92
Of which: current	141	-	-98	0	103	-6	141
Sales provisions	1,215	2	-860	-110	1,012	15	1,274
Of which: non-current	6	-	-0	0	1	-0	6
Of which: current	1,209	2	-860	-110	1,011	16	1,269
Personnel provisions	438	0	-297	-34	433	8	548
Of which: non-current	69	-	-6	-0	16	-3	75
Of which: current	370	0	-292	-34	417	12	473
Sundry provisions	363	0	-86	-48	96	4	330
Of which: non-current	153	-	-4	-3	5	-2	148
Of which: current	211	0	-82	-45	92	7	182
Total	2,245	2	-1,356	-196	1,664	27	2,386
Of which: non-current	314	-	-25	-7	40	-1	321
Of which: current	1,931	2	-1,331	-189	1,623	28	2,064

¹ Since fiscal 2021, all provisions relating to incidental income tax expenses are presented as current provisions. Prior-year figures have been amended accordingly.

Provisions are recognized for obligations toward third parties where the outflow of resources is probable and the expected obligation can be reliably estimated. Provisions are measured to the best estimate of the expenditures required in order to meet the current obligation as of the reporting date. Price increases expected to take place prior to the time of performance are included in the calculation. Provisions in which the interest effect is material are discounted to the reporting date at a pre-tax interest rate. For obligations in Germany, we have applied interest rates of between 0.1 and 1.3 percent (previous year: 0.0 and 1.4 percent).

Other changes in provisions include changes in the scope of consolidation, movements in exchange rates, compounding effects, and adjustments to reflect changes in maturity as time passes.

Provisions are recognized in respect of restructuring measures, on condition that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. Additions to the restructuring provisions relate to the optimization of our production and logistics structures, and of our sales and distribution structures.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Sales provisions cover expected refunds to customers and risks arising from pending transactions. Commitments to customers result in cash outflows in the following period.

Personnel provisions essentially cover expenditures likely to be incurred by the Group for variable, performance-related remuneration components.

Sundry provisions include, for example, provisions for warranties in production and engineering. Also included are provisions to cover the risk arising from legal disputes and proceedings, representing not just the cash outflows for the probable amount but also the anticipated cost of legal – for example civil-law – proceedings. The pending judicial and arbitral court proceedings or public authority proceedings relate in particular to issues of product liability, product deficiency, competition law, infringement of proprietary rights, patent law, tax law, environmental protection and legacy remediation.

The course and outcomes of legal disputes are inherently uncertain and unpredictable. Based on the knowledge currently available, no material future impact on the net assets, financial position and results of operations of the corporation is expected.

18 Borrowings

Analysis

in million euros	December 31, 2020			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	1,666	704	2,370	1,543	957	2,500
Commercial paper ¹	–	690	690	–	276	276
Liabilities to banks ²	0	24	24	0	61	62
Total	1,666	1,418	3,084	1,543	1,295	2,838

¹ From the euro and US dollar commercial paper program (total volume: 2 billion US dollars and 2 billion euros).

² Obligations with floating rates of interest or interest rates pegged for less than one year.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Bonds

Issuer	Type	Nominal value	Carrying amounts excluding accrued interest		Market values excluding accrued interest ¹		Market values including accrued interest ¹		Interest rate p.a.		Maturity
			Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	2020	2021	
in million euros											
Henkel AG & Co. KGaA	Bond	700 million euros	700	–	701	–	701	–	0.0%	0.0%	9/13/2021
Henkel AG & Co. KGaA	Bond	300 million GB pounds ²	333	357	337	357	338	358	0.875%	0.875%	9/13/2022
Henkel AG & Co. KGaA	Bond	400 million GB pounds ²	445	476	451	477	452	478	1.0%	1.0%	9/30/2022
Henkel AG & Co. KGaA	Bond	100 million GB pounds ²	111	119	113	119	113	119	1.0%	1.0%	9/30/2022
Henkel AG & Co. KGaA	Bond	330 million Swiss francs ²	305	319	310	322	311	323	0.2725%	0.2725%	4/28/2023
Henkel AG & Co. KGaA	Bond	70 million US dollars ²	57	62	57	60	57	61	1.042%	1.042%	7/7/2025
Henkel AG & Co. KGaA	Bond	25 million euros	25	25	25	25	25	25	0.12%	0.12%	7/10/2025
Henkel AG & Co. KGaA	Bond	350 million GB pounds ²	389	416	407	418	408	419	1.25%	1.25%	9/30/2026
Henkel AG & Co. KGaA	Bond	250 million US dollars ²	–	220	–	220	–	220	–	1.75%	11/17/2026
Henkel AG & Co. KGaA	Bond	500 million euros	–	500	–	494	–	494	–	0.50%	11/17/2032
Total			2,366	2,495	2,403	2,492	2,407	2,498			

¹ Market value of the bonds derived from the stock market price at December 31.

² Cross-currency interest rate swaps and currency forwards are in place to convert the interest and principal payments on the bonds denominated in British pounds, Swiss francs and US dollars into euro payments.

In November 2021, Henkel issued two sustainability-linked bonds with nominal values of 250 million US dollars and 500 million euros respectively. They are recognized as non-current borrowings. When issuing the bonds, Henkel committed to meet certain sustainability performance targets by 2025 and 2030 respectively. These targets relate to the sustainability of our packaging and to the reduction of greenhouse gas emissions. Failure by Henkel to meet these targets would result in a prospective increase in the coupon rate on the bonds. In the case of the US dollar bond, the coupon rate would be raised by 0.25 and 0.5 percentage points respectively, depending on whether one or both targets are missed. The surcharges for the euro-denominated bond would be 0.375 and 0.75 percentage points respectively.

In addition, back in September three bonds with a nominal value of 800 million British pounds in total were reclassified from non-current to current borrowings. Further changes in non-current borrowings resulted from the planned redemption of a bond with a nominal value of 700 million euros in September 2021 and from the reduction in outstanding commercial paper liabilities from 690 million euros at the end of 2020 to 276 million euros as at December 31, 2021.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

19 Other financial liabilities

Analysis

in million euros	December 31, 2020			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Lease liabilities	443	117	560	483	121	604
Liabilities to non-consolidated subsidiaries and associates	–	5	5	–	2	2
Liabilities to customers	–	58	58	–	67	67
Derivative financial instruments	44	75	119	1	108	109
Sundry financial liabilities	317	10	326	17	118	135
Total	804	264	1,068	501	416	917

Lease liabilities increased year on year by 44 million euros to 604 million euros. For further details of lease liability measurement, please refer to Note 2 on pages 209 to 211.

Of the liabilities to non-consolidated subsidiaries and associates, 2 million euros (previous year: 5 million euros) is attributable to non-consolidated subsidiaries.

Sundry financial liabilities essentially comprise the liabilities relating to the put options granted to the non-controlling interests in our subsidiaries eSalon.com LLC and Henkel Beauty & IB Holding GmbH amounting to 117 million euros (previous year: 313 million euros). The change versus prior year was due to the remeasurement of the liabilities based on current expectations with regard to the payment obligation and accruing interest.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

20 Other liabilities

Analysis

in million euros	December 31, 2020 ¹			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Other tax liabilities ²	0	189	189	0	241	241
Liabilities to employees	4	37	41	4	24	28
Liabilities relating to employee deductions	11	46	57	–	46	46
Liabilities in respect of social security	–	17	17	0	19	19
Sundry other liabilities	9	63	73	9	82	91
Total	24	352	377	14	412	425

¹ Prior-year figures amended (please refer to the notes on page 195).

² Since fiscal 2021, all liabilities relating to incidental income tax expenses are presented as current liabilities. Prior-year figures have been amended accordingly.

The sundry other liabilities primarily comprise various income deferrals for other accounting periods amounting to 43 million euros (previous year: 21 million euros) and payments on account received (i.e. contract liabilities as defined in IFRS 15 Revenue from Contracts with Customers) in the amount of 10 million euros (previous year: 6 million euros).

21 Trade accounts payable

Trade accounts payable increased from 3,953 million euros to 4,385 million euros. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year. As part of its strategic supplier management, Henkel offers selected suppliers around the world the option to join its supplier financing programs. These programs enable the supplier to pre-finance receivables from Henkel in advance of their due date, thereby benefiting from favorable financing terms. Supplier financing therefore results in a change in the legal creditor structure, but the liabilities continue to bear the characteristics of trade accounts payable for Henkel. As of December 31, 2021, 0.8 billion euros of trade accounts payable were attributable to supplier financing programs (previous year: 0.7 billion euros).

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

22 Income tax liabilities

Income tax liabilities include tax obligations and uncertain tax positions. The tax treatment of certain items and transactions is, in part, dependent on future recognition by the tax authorities or tax judiciary. Insofar as it is deemed likely that the tax authorities will not accept a tax position, this is taken into consideration when determining the income tax liabilities and other tax items, with the most probable or expected amount then being applied (per IAS 12 and IFRIC 23). The same assumptions are applied to both current and deferred taxes when accounting for uncertain tax positions.

Uncertain tax positions can arise when new tax regulations are applied or interpretations of existing tax regulations are amended. In relation to deferred income tax assets, this results in a tax risk in the low triple-digit million range as of December 31, 2021. In relation to current income taxes, this results in a tax risk in the high double-digit million range as of December 31, 2021. Since neither occurrence is deemed to be highly probable, neither valuation allowances nor risk provisions were recognized.

23 Financial instruments report

How Henkel recognizes and measures financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Within the Henkel Group, financial instruments are reported in the statement of financial position under trade accounts receivable, trade accounts payable, borrowings, other financial assets, other financial liabilities, and cash and cash equivalents.

Financial instruments are recognized once Henkel becomes a party to the contractual provisions of the financial instrument and thereby acquires rights or enters into comparable obligations relating to same. The recognition of financial assets takes place at the settlement date, with the exception of derivative financial instruments, which are recognized at the trade date. All financial instruments are initially reported at their fair value. Only those trade accounts receivable without any material financing component are recognized at transaction price as defined in IFRS 15. Transaction costs are only capitalized if the financial instruments are not subsequently measured at fair value through profit or loss.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

IFRS 9 specifies three categories for measuring financial assets:

- Measured at amortized cost
- Measured at fair value through profit or loss
- Measured at fair value through other comprehensive income

Classification of financial assets to one of the measurement categories is initially based on the structure of the contractual cash flows. Financial assets in respect of which cash flows occur at specified times and represent solely interest and principal payments are classified depending on the business model under which they are held.

Financial instruments held so as to collect contractual cash flows are recognized at amortized cost using the effective interest method. With the exception of derivative financial instruments, other investments and certain cash deposits recognized as securities and time deposits, or as cash equivalents, all financial assets fulfill these criteria and are measured at amortized cost.

If the business model essentially requires the assets to be held – albeit with their sale remaining possible where necessary to cover liquidity needs, for example – said assets are recognized at fair value through other comprehensive income.

Financial instruments in respect of which cash flows are comprised entirely of interest and principal payments but which are not held within one of the two aforementioned business models, are recognized at fair value through profit or loss.

In addition, a risk provision must be accrued in the amount of expected credit losses for financial assets that are measured at amortized cost or at fair value through other comprehensive income. For more details, please refer to the notes on trade accounts receivable on page 215 and on credit risk on pages 256 to 261.

Financial assets in respect of which the cash flows are not comprised entirely of interest and principal payments are always recognized at fair value through profit or loss. At Henkel this is the case with derivative financial assets and shares in open-end investment funds held to manage liquidity. As a rule, Henkel exercises its right to choose to recognize equity instruments at fair value through other comprehensive income. This approach is commensurate with the fact that, generally, the corporation does not plan to sell the assets to benefit from short-term changes in their fair value. If these equity instruments are, nevertheless, sold or derecognized for some other reason, the valuation effects accumulated up to then in other comprehensive income are reclassified to retained earnings rather than the consolidated statement of income.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Financial liabilities must be allocated to one of the following measurement categories:

- Measured at amortized cost
- Measured at fair value through profit or loss

As a rule, Henkel recognizes financial liabilities at amortized cost using the effective interest method. This does not apply to derivative financial liabilities, which are measured at fair value through profit or loss.

Hedge accounting is applied in individual cases – where possible and economically sensible – in order to avoid profit and loss variations arising from fair value changes in derivative financial instruments. Fair value and cash flow hedges or hedges of a net investment in a foreign operation are designated within the Group depending on the type of underlying and the risk being hedged. Details relating to the hedging contracts transacted within the Group and how the fair values of the derivatives are determined are provided on pages 249 to 255.

Henkel currently does not exercise the fair value option for financial assets, nor for financial liabilities. In the case of already contracted future purchases of non-financial assets containing embedded derivatives, Henkel exercises the option on a case-by-case basis to recognize the entire contract at fair value through profit or loss.

The following table summarizes the allocation of items on the statement of financial position to the financial instrument classes and compares the carrying amounts of the financial assets and liabilities with their respective fair values:

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2021
Financial assets	Financial instruments class (valuation hierarchy of fair values)	Carrying amount	Fair value	Carrying amount	Fair value
Trade accounts receivable	Amortized cost	3,106		3,456	
Other financial assets		1,471		1,370	
Receivables from non-consolidated subsidiaries and associated companies	Amortized cost	0		0	
Financial receivables from third parties	Amortized cost	223		224	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	67	67	68	68
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	39	39	61	61
Investments in non-consolidated subsidiaries and associated companies	Not assigned to any valuation category under IFRS 9	6		4	
Other investments	Fair value through other comprehensive income (level 3)	57	57	97	97
Receivables from Henkel Trust e.V.	Amortized cost	497		407	
Securities and time deposits	Amortized cost	5		8	
Securities and time deposits	Fair value through other comprehensive income (level 1)	2	2	246	246
Securities and time deposits	Fair value through profit or loss (level 1)	14	14	13	13
Securities and time deposits	Fair value through profit or loss (level 2)	401	401	9	9
Financial collateral provided	Amortized cost	74		147	
Sundry financial assets	Amortized cost	86		86	
Cash and cash equivalents	Amortized cost	1,566		1,766	
Cash and cash equivalents	Fair value through profit or loss (level 2)	161	161	350	350
Total		6,303		6,942	

TABLE CONTINUED ON NEXT PAGE

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Comparison of carrying amounts and fair values of financial instruments

in million euros		Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2021
Financial liabilities	Financial instruments class (valuation hierarchy of fair values)	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings		3,084		2,838	
Bonds	Amortized cost (level 1)	2,370	2,407	2,500	2,498
Other borrowings	Amortized cost	714		338	
Trade accounts payable	Amortized cost	3,953		4,385	
Other financial liabilities		1,068		917	
Lease liabilities	Not assigned to any valuation category under IFRS 9	560		604	
Liabilities to non-consolidated subsidiaries and associated companies	Amortized cost	5		2	
Liabilities to customers	Amortized cost	58		67	
Derivative financial instruments not included in a designated hedging relationship	Fair value through profit or loss (level 2)	64	64	82	82
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 2)	55	55	27	27
Derivative financial instruments included in a designated hedging relationship	Derivatives included in a designated hedging relationship (level 3)	–	–	–	–
Sundry financial liabilities	Amortized cost (level 3)	313	322	117	120
Sundry financial liabilities	Amortized cost	13		17	
Sundry financial liabilities	Fair value through profit or loss (level 3)	-11	-11	-12	-12
Sundry financial liabilities	Not assigned to any valuation category under IFRS 9	12		13	
Total		8,106		8,140	

IFRS 13 Fair Value Measurement defines fair value as the price that would be payable in a principal market – or in the most favorable market, in the absence of the former – if an asset were to be sold or a liability transferred. Valuation parameters as close to market reality as possible must be used as input factors to determine fair value. The fair value hierarchy prioritizes the input factors used in the valuation methods in three descending levels, depending on market proximity:

- Level 1: Fair values which are determined on the basis of quoted, unadjusted prices in active markets.
- Level 2: Fair values which are determined on the basis of parameters for which either directly or indirectly derived market prices are available.
- Level 3: Fair values which are determined on the basis of parameters for which the input factors are not derived from observable market data.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The fair value of securities and time deposits classified as level 1 is based on the quoted market prices on the reporting date. Observable market data are used to measure the fair value of level 2 securities, time deposits and cash equivalents. If bid and ask prices are available, the mid price is used to determine the fair value. When using the discounted cash flow method to determine fair values, the contractually specified cash flows are discounted using currency-specific yield curves. When measuring derivative financial instruments, the credit risk is determined by netting all financial assets, liabilities, collateral received and collateral provided for each counterparty to determine the net credit exposure. An explanation of the method used to determine the fair values of derivative financial instruments can be found on pages 249 to 255.

For financial instruments measured at fair value in the statement of financial position and of which the fair value is allocated to level 3, the change in values in the reporting period is presented below:

Development of level 3 assets and liabilities 2020

	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Contracts with embedded derivatives
in million euros				
Carrying amount at January 1, 2020	-0	36	8	-
Purchases	-	20	-	12
Gains/losses (realized) recognized in operating profit or loss	-	-	-8	-0
Of which: attributable to assets and liabilities held at the end of the reporting period	-	-	-8	-0
Gains/losses recognized in other changes in equity	0	3	-	-
Foreign exchange effects/Other changes	-	-2	-	-
Carrying amount at December 31, 2020	-	57	-	11

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Development of level 3 assets and liabilities 2021

	Derivative financial instruments included in a designated hedging relationship	Other investments	Contingent purchase price commitments	Contracts with embedded derivatives
in million euros				
Carrying amount at January 1, 2021	-	57	-	11
Purchases	-	23	-	-
Gains/losses (realized) recognized in operating profit or loss	-	-	-	-1
Of which: attributable to assets and liabilities held at the end of the reporting period	-	-	-	-1
Gains/losses recognized in other changes in equity	-	14	-	-
Foreign exchange effects/Other changes	-	3	-	1
Carrying amount at December 31, 2021	-	97	-	12

The derivative financial instruments categorized as level 3 are commodity forwards recognized in hedge accounting. In the absence of forward quotes in the market, the fair value is determined on the basis of bids obtained from several banks for new contracts involving similar products.

Changes in the fair values determined using this procedure are included in full in the overall result of the hedge reserve. Reclassification of the corresponding amounts to the cost of hedged inventories is performed when the derivatives are realized. This occurs when the hedged inventories are recognized. We did not hedge with such derivatives in fiscal 2021.

Other investments include shares in companies and investment funds that are currently not intended for sale. The carrying amounts of the investments in companies totaled 27 million euros (previous year: 23 million euros). Shares in investment funds totaled 70 million euros (previous year: 34 million euros). The fair value of other investments is based either on information derived from recent financing transactions, on a cost-based method, or on valuation using the discounted cash flow method taking into account the free cash flow of the investment. Appropriate risk-adjusted costs of capital are applied when using the discounted cash flow method.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The individual other investments are of minor importance for the presentation of the net assets and results of operations of the Henkel Group. If any conceivably realistic changes were to occur in the valuation parameters, the change in the fair values revealed by sensitivity analysis would not exceed a range in the mid-single-digit euro millions. The changes would be included in full in other comprehensive income. No valuation results recognized in equity were reclassified to retained earnings in the year under review, nor in the previous year.

The fair value of the performance-related purchase price component pertaining to the acquisition of the outstanding non-controlling shares in our subsidiary in the United Arab Emirates was determined in fiscal 2020 on the basis of the expected trend in earnings before interest, taxes, depreciation and amortization, impairment losses and write-ups (EBITDA) that was relevant to payment of the contingent purchase price component. In addition to the EBITDA figure, the exchange rate of the UAE dirham was a further material valuation parameter.

At December 31, 2020, the fair value of the liability was already 0 million euros. The income from reducing the liability was recognized through profit in the income statement. The payment obligation expired at the end of fiscal 2020.

The Virtual Power Purchase Agreement signed in fiscal 2020 as part of our sustainability strategy is recognized at overall fair value through profit or loss due to the embedded derivative it contains. The fair value allocated to level 3 is derived from the present value of the expected cash flows from the contract. In this case, the material valuation parameters are the anticipated electricity prices and the US dollar interest rate used for discounting.

If the anticipated electricity prices had been 10 percent higher or lower on the valuation date, the fair value of the agreement would have been 0 million euros higher or lower. An increase of 100 basis points in the US dollar interest rate would lead to a reduction in the fair value of 1 million euros, whereas a corresponding decrease would lead to an increase in the fair value of 1 million euros.

At the time of initial recognition, the fair value of the contract was higher than the transaction price. The corresponding difference of 13 million euros was deferred. Once operations commence at the wind farm on which the Virtual Power Purchase Agreement is based, the difference will be recognized pro rata temporis in the statement of income over the term of the agreement. Since the wind farm has not yet started operating, no income was recognized in the year under review, nor in the previous year. The deferred difference is recognized in the statement of financial position, together with the positive or negative fair value of the agreement, under other financial assets or other financial liabilities. Changes in the fair value and deferred amount are recognized in other operating income or other operating expenses in the statement of income.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The liabilities recognized in sundry financial liabilities for the puttable instruments issued to the minority shareholders of eSalon.com LLC and Henkel Beauty & IB Holding GmbH are measured at amortized cost. The fair values indicated in the notes, which are allocable to level 3, correspond to the present value of the expected obligation in each case. The liabilities are calculated using multiple methods based on the sales of the company and an adjustment for the net working capital, and discounted at the current market interest rate for comparable debt instruments. In addition to the sales of the company, the average annual growth rate in sales that forms the basis for determining the multiplier is a further material valuation parameter. In the case of the liability to the minority shareholders of eSalon.com LLC, the exchange rate of the US dollar is also a material valuation parameter.

No reclassifications between the valuation categories or IFRS 7 classes, nor within the fair value hierarchy, were performed during the reporting period or in the comparable prior period.

Net gains and losses from financial instruments by category

The net gains and losses from financial instruments can be allocated to the following categories:

Net results by measurement category 2020

	Interest	Valuation allowances	Payments received for written-off and derecognized financial instruments	Fees	Other effects recognized through profit or loss	Valuation effects recognized through other comprehensive income	Reclassifications of valuation effects recognized through other comprehensive income	Total net results
<i>in million euros</i>								
Financial assets measured at amortized cost	12	-61	1	-	6	-	-	-43
Financial assets measured at fair value through other comprehensive income (debt instruments)	0	-	-	-	-	1	-	1
Financial assets measured at fair value through other comprehensive income (equity instruments)	-	-	-	-	-	2	-	2
Financial assets and liabilities measured at fair value through profit or loss ¹	-11	-	-	-	-52	63	-24	-23
Financial liabilities measured at amortized cost	-44	-	-	-3	-13	-	-	-61
Total net results 2020	-44	-61	1	-3	-59	66	-24	-124

¹ Including designated hedging instruments.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Net results by measurement category 2021

	Interest	Valuation allowances	Payments received for written-off and derecognized financial instruments	Fees	Other effects recognized through profit or loss	Valuation effects recognized through other comprehensive income	Reclassifications of valuation effects recognized through other comprehensive income	Total net results
in million euros								
Financial assets measured at amortized cost	12	11	1	-	0	-	-	24
Financial assets measured at fair value through other comprehensive income (debt instruments)	0	-	-	-	-	-1	-	-1
Financial assets measured at fair value through other comprehensive income (equity instruments)	-	-	-	-	-	29	-	29
Financial assets and liabilities measured at fair value through profit or loss ¹	12	-	-	-	20	-100	47	-21
Financial liabilities measured at amortized cost	-43	-	-	-5	-11	-	-	-58
Total net results 2021	-19	11	1	-5	9	-72	47	-28

¹ Including designated hedging instruments.

Reconciliation of net results to financial result

in million euros	2020	2021
Total net results	-124	-28
Less/plus results included in operating profit or in other comprehensive income	10	12
Foreign exchange effects	21	-40
Interest expense of pension obligations less interest income from plan assets and reimbursement rights	-8	-5
Other financial result (not related to financial instruments)	8	-5
Financial result	-94	-64

No gains or losses were realized in the fiscal year from the derecognition of financial assets measured at amortized cost.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Derivative financial instruments and hedge accounting**

Derivative financial instruments are measured at their fair value at the reporting date. Recognition of the gains and losses arising from fair value changes of derivative financial instruments is dependent upon whether hedge accounting rules are applicable. The Group ensures that its hedge accounting is consistent with the Group risk management objectives and strategy, and that a qualitative and forward-looking approach is adopted when assessing the effectiveness of its hedging transactions.

Hedge accounting is not applied for derivative financial instruments as long as their valuation is offset by direct compensatory changes in the fair values of the hedged items or the requirements for hedge accounting are not fulfilled. We recognize directly in the statement of income the fair value changes in these derivatives which, in economic terms, represent effective hedges within the framework of the Group strategy.

In hedge accounting, derivative financial instruments are classified as instruments for hedging the fair value (“fair value hedge”), as instruments for hedging future cash flows (“cash flow hedge”) or as instruments for hedging a net investment in a foreign operation (“hedge of a net investment in a foreign operation”). When closing the transaction, Henkel documents the relationship between the hedging instrument and the hedged items, together with the risk management objectives and strategies of the hedging transactions. All derivatives classified as hedging instruments are tied to specific committed and planned transactions. Henkel uses acknowledged methods – such as the dollar offset method or the hypothetical derivative method – to determine the effective portion of the hedges and any ineffective portions.

The following table provides an overview of the derivative financial instruments utilized and recognized within the Group, and their fair values:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Derivative financial instruments

in million euros	Nominal value		Positive fair value ²		Negative fair value ²	
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Currency risk						
Currency forwards ¹	7,279	7,668	99	72	-75	-106
Of which: for hedging loans within the Group	3,159	2,451	21	42	-39	-29
Of which: designated as cash flow hedges	1,996	2,062	32	4	-11	-24
Cross-currency interest rate swaps ³	1,642	1,750	7	54	-44	-3
Of which: designated as cash flow hedges	1,642	1,750	7	54	-44	-3
Interest rate risk						
Interest rate swaps ⁴	-	265	-	3	-	-
Of which: designated as cash flow hedges	-	265	-	3	-	-
Commodity price risk						
Commodity forwards	-	-	-	-	-	-
Of which: designated as cash flow hedges	-	-	-	-	-	-
Total derivative financial instruments	8,921	9,683	106	129	-119	-109

¹ Maturity less than 1 year.

² Fair values including accrued interest and excluding valuation allowance for counterparty credit risk of 0 million euros (previous year: 0 million euros).

³ Nominal value in the current and previous year: 1,150 million British pounds, 330 million Swiss francs and 70 million US dollars.

⁴ Nominal value current year: 300 million US dollars (previous year: 0 million US dollars).

We determine the fair value of currency forwards and cross-currency interest rate swaps on the basis of the reference rates issued by the European Central Bank for the reporting date, taking into account forward premiums/forward discounts for the remaining term of the respective contract versus the contracted foreign exchange rate. Interest rate hedges are measured on the basis of discounted cash flows expected in the future, taking into account market interest rates applicable for the remaining term of the contracts. These are indicated for the two most important currencies in the following table. It shows the interest rates quoted on the interbank market in each case on December 31.

Interest rates in percent p.a.

Terms, each to December 31	Euro		US dollar	
	2020	2021	2020	2021
1 month	-0.55	-0.58	0.14	0.10
3 months	-0.55	-0.57	0.24	0.21
6 months	-0.53	-0.55	0.26	0.34
1 year	-0.53	-0.48	0.19	0.54
2 years	-0.52	-0.30	0.20	0.94
5 years	-0.46	0.02	0.43	1.37
10 years	-0.26	0.30	0.92	1.58

 ≡ Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

In measuring derivative financial instruments, counterparty credit risk is taken into account with an adjustment to the unsecured fair values concerned, determined on the basis of credit risk premiums. The adjustment relating to fiscal 2021 amounts to 0 million euros (previous year: 0 million euros). Changes in credit risk are recognized through profit or loss in the financial result.

Depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in current or non-current financial assets (positive fair value) or in current or non-current financial liabilities (negative fair value).

Most of the currency forwards served to hedge risks arising from trade accounts receivable and payable, and those pertaining to Group financing.

Fair value hedges

A fair value hedge hedges fluctuations in the fair value of recognized assets and liabilities or unrecognized firm commitments which arise from a specific risk. The changes in the fair values of the hedging instruments and of the hedged items resulting from the hedged risk are simultaneously recognized in profit or loss.

The Henkel Group did not designate any fair value hedges in fiscal 2021 nor in the previous year.

Cash flow hedges

A cash flow hedge hedges fluctuations in future cash flows from recognized assets and liabilities, unrecognized firm commitments, and highly probable forecast transactions, which arise from a specific risk. The Henkel Group uses them to hedge currency, interest rate, and commodity price risks. The effective portion of the change in fair value of the cash flow hedge is initially recognized in the cash flow hedge reserve in equity. The ineffective portion of the change in value is recognized directly through profit or loss in the financial result or operating profit, depending on the hedged item. Henkel exercises its right to choose to also initially recognize changes in value of non-designated components of hedging instruments – such as the forward component and foreign currency basis spreads of currency forwards and the foreign currency basis spreads of cross-currency interest rate swaps – in the hedging cost reserve in equity. Amounts recognized in the reserves are released through profit or loss in the same period in which the hedged item impacts profit or loss. If a cash flow hedge results in the recognition of a non-financial asset, the amounts recognized in equity are included as part of the acquisition cost when the asset is recognized (“basis adjustment”).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Cash flow hedge reserve (net of deferred taxes)

	At Jan. 1	Hedge results	Reclassifications to the statement of income	Reclassifications to inventories (basis adjustment)	At Dec. 31
in million euros					
2021	-192	47	-104	3	-247
2020	-224	70	-39	1	-192

Hedging cost reserve (net of deferred taxes)

	At Jan. 1	Hedge results	Reclassifications to the statement of income	Reclassifications to inventories (basis adjustment)	At Dec. 31
in million euros					
2021	-7	-7	12	2	-1
2020	-15	-8	16	0	-7

The reserves stated in equity essentially relate to currency hedges for past acquisitions and planned inventory purchases, and for our foreign currency bonds. At December 31, 2021, the cash flow hedge reserve of -205 million euros (previous year: -237 million euros) was attributable to results from hedges that were no longer subject to hedge accounting.

Currency risk

As part of its risk management, the Henkel Group hedges fluctuations in cash flows of planned sales and inventory purchases in foreign currencies against currency risk. Currency forwards or recognized receivables and payables are used as hedging instruments. They are all due within one year. In the case of currency forwards, no ineffective portions arise since the Group only designates the spot component as the hedging instrument. Changes in the non-designated components of the derivatives over term duration are recognized in the hedging cost reserve. The hedge ratio is determined individually, depending on the relevant strategy for each currency. The hedging rates for major currencies are shown in the following table:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Hedging rates for sales and inventory purchases

in million euros	2021	
	Nominal	Weighted hedging rate
US dollar	700	1.16
Canadian dollar	53	1.47
British pound	39	0.85
Chinese yuan	40	7.90
Polish zloty	31	4.63

An addition of -72 million euros (previous year: 56 million euros) to the reserves (net of deferred taxes) related to currency hedges of planned inventory purchases and currency hedges of planned sales against fluctuating spot rates. Of the changes in hedge values recognized in equity in the reporting period, 4 million euros (previous year: 35 million euros) was reclassified to cost of hedged inventories without affecting profit or loss or – within the framework of hedging planned sales – to the operating result through profit or loss. The positive and negative fair values of the derivatives contracted as a currency hedge of planned inventory purchases and as a currency hedge of planned sales amounted to 4 million euros (previous year: 32 million euros) and -24 million euros (previous year: -11 million euros) respectively. The cash flows from these currency derivatives, like the cash flows from the hedged inventory purchases and the hedged sales, are expected to occur and affect operating profit in the next fiscal year when the inventories are used and the sales revenue is realized.

In addition to the currency derivatives, foreign currency trade accounts payable are designated as hedging instruments for planned sales. The carrying amount of the liabilities designated as hedging instruments amounted to 629 million euros (previous year: 472 million euros). The cash flows from these liabilities and the cash flows from the hedged sales are expected to occur, and affect operating profit, in the next fiscal year. The hedge transactions did not produce any ineffective portions.

In addition, cross-currency interest rate swaps or rolling currency forwards are used to hedge currency risks arising in connection with interest and principal payments in foreign currencies relating to Group funding. Fixed payments in foreign currencies are converted into fixed-rate payments in euros through cross-currency interest rate swaps. The hedging rates for the bonds issued in foreign currencies are shown in the table below:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Bond hedging rates

Bond maturity	2021	
	Nominal	Weighted hedging rate in euros
9/13/2022	300 million GB pounds	0.84
9/30/2022	400 million GB pounds	0.88
9/30/2022	100 million GB pounds	0.85
4/28/2023	330 million Swiss francs	1.05
7/7/2025	70 million US dollars	1.12
9/30/2026	350 million GB pounds	0.88
11/17/2026	250 million US dollars	1.14

The hedging instruments have been structured and designated such that the occurrence of ineffectiveness has been eliminated. Changes in the non-designated foreign currency basis spreads over their duration are recognized in the hedging cost reserve. The cash flows from the cross-currency interest rate swap that are attributable to the interest payments were recognized proportionately for the reporting period through profit or loss as an interest expense. The term of the cross-currency interest rate swaps is matched to the term of the respective bond.

Interest rate risk

In fiscal 2021, interest rate swaps with a nominal volume of 300 million US dollars hedged part of the risk of interest rate changes in connection with our commercial paper program. The swaps were designated as hedging instruments in cash flow hedges. Because of the revolving nature of our commercial paper borrowings, the interest payments in US dollars are variable and were converted into fixed-interest payments through the interest rate swap.

Commodity price risk

Payments for planned commodity purchases are selectively hedged against fluctuations due to changes in the purchase prices of raw materials. Commodity forwards are used to hedge this risk. They are all due within one year. The Group only designates the commodity price component of the planned raw material purchases. Other price components, such as transportation costs, are not designated. Accordingly, there are no ineffective portions.

Henkel did not hedge the risk associated with commodity prices during fiscal 2021.

Hedges of a net investment in a foreign operation

The accounting treatment of hedges of a net investment in a foreign operation against translation risk is similar to that applied to cash flow hedges. The gain or loss arising from the effective portion of the hedging instrument is recognized in the reserve for hedges of a net investment in a foreign operation; the ineffective portion is recognized directly through profit or loss. Henkel exercises its right to choose to also recognize changes in value of the foreign currency basis spreads of currency forwards that are not designated as hedging instruments in equity. The gains or losses recognized directly in equity in connection with the hedges of a net investment in

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

a foreign operation remain there until disposal or partial disposal of the net investment. The changes in non-designated foreign currency basis spreads that are recognized in equity are reclassified pro rata temporis over the term of the hedge to the statement of income.

The reserve for hedges of a net investment in a foreign operation relates essentially to translation risks arising from net investments in Swiss francs, US dollars, Chinese yuans, Russian rubles, Thai bahts and British pounds, for which the associated hedges expired in previous years.

Reserve for hedges of a net investment in a foreign operation (net of deferred taxes)

	At Jan. 1	Addition (recognized in equity)	Disposal (recognized through profit or loss)	At Dec. 31
in million euros				
2021	36	–	–	36
2020	35	1	0	36

Reserve for cost of hedges of a net investment in a foreign operation (net of deferred taxes)

	At Jan. 1	Addition (recognized in equity)	Disposal (recognized through profit or loss)	At Dec. 31
in million euros				
2021	-0	0	–	–
2020	–	-0	0	-0

Risks arising from financial instruments, and risk management

As a globally active corporation, Henkel is exposed in the course of its ordinary business operations to credit risks, liquidity risks and market risks (currency translation, interest rate and other price risks). The purpose of financial risk management is to restrict the exposure arising from operating activities through the use of selective derivative and non-derivative hedges. Henkel uses derivative financial instruments exclusively for the purposes of risk management. Without these instruments, Henkel would be exposed to higher financial risks. Changes in exchange rates, interest rates or commodity prices can lead to significant fluctuations in the fair values of the derivatives used. These variations in fair value should not be regarded in isolation from the hedged items, as derivative and underlying constitute a unit in terms of countervailing fluctuations.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Management of currency, interest rate and liquidity risks is based on the treasury guidelines introduced by the Management Board, which are binding on the entire corporation. These guidelines define the targets, principles and competences of the Corporate Treasury unit. They also describe the fields of responsibility and establish the distribution of these responsibilities between Corporate Treasury and Henkel's subsidiaries. The Management Board is regularly and comprehensively informed of all major risks and of all relevant hedging transactions and arrangements. A description of the objectives and fundamental principles adopted in capital management can be found in the combined management report on pages 117 and 118. There were no major risk clusters in the reporting period. Appropriate details are provided in the description of the individual risks.

Credit risk

In the course of its business activities with third parties, the Henkel Group is exposed to global credit risk arising from both its operating business and its financial investments. This risk derives from the possibility of the contractual party not fulfilling its obligations.

The maximum credit risk arising from financial assets not subject to the impairment rules of IFRS 9 – irrespective of any collateral provided – is reflected by the carrying amounts of the financial assets recognized in the statement of financial position and presented as follows:

Maximum risk position

in million euros	Dec. 31, 2020	Dec. 31, 2021
Financial assets measured at fair value through profit or loss	642	439
Derivative financial instruments included in a designated hedging relationship	39	61
Equity instruments measured at fair value through other comprehensive income	57	97
Total carrying amounts	738	597

Given that collateral has been provided, the actual credit risk is significantly lower and is discussed in detail in the following. Other financial assets include 407 million euros (previous year: 497 million euros) representing a receivable from Henkel Trust e.V., which constitutes the largest of all the financial assets. Given the investment structure and rules of Henkel Trust e.V., the credit risk is very minor. Further details of risk concentrations are discussed in the following.

Under IFRS 9, valuation allowances for expected credit losses (“expected loss model”) must be recognized for all financial assets measured at amortized cost and for all debt instruments measured at fair value through other comprehensive income.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

IFRS 9 provides a three-level method for this purpose. Risk provisions are accrued on the basis either of the 12 months expected losses (level 1), or of the lifetime expected losses if the credit risk has increased significantly since initial recognition (level 2), or if the asset is credit-impaired (level 3). The simplified approach is adopted, however, for most of the financial assets, including trade accounts receivable with no material financing component. As such, the expected credit losses are always determined for the full lifetime of the financial instruments.

To calculate the expected credit losses, counterparties are grouped by similar credit default risks. Individual valuation allowances are made on a case-by-case basis in response to specific circumstances and risk indicators. Both empirical data such as historical default rates and forward-looking information such as individual and macroeconomic circumstances are considered when determining the amounts of the valuation allowances. If a counterparty's credit rating is deemed to be impaired – following noticeable changes in payment behavior or application for bankruptcy, for example – all outstanding amounts relating to that counterparty are subjected to a valuation allowance. The default is determined on the basis of individual assessment. Valuation allowances and increases thereto are always recognized through profit or loss. If the expected credit losses decrease, a corresponding amount of the risk provision is reversed through profit or loss.

A financial asset is derecognized if it is reasonably judged to be unlikely that the corresponding cash flows will be recoverable in part or in whole, for example after completion of insolvency proceedings or after consideration of other local law circumstances. If an outstanding receivable is judged to be unrecoverable, the valuation allowance already in place is utilized and the remaining net amount outstanding is stated as an expense and derecognized.

Trade accounts receivable and other financial assets in Henkel's operating business

In its operating business, Henkel is confronted by progressive concentration and consolidation on the customer side, as reflected in the receivables from individual customers. As at December 31, 2021, the USA and China represented the highest risk concentration at country level. Of the total trade accounts receivable, customers based in the USA accounted for 17 percent as at the reporting date. Customers based in China accounted for 12 percent of all trade accounts receivable. The risk concentration was much lower at individual customer level. Receivables from customers with a high credit risk rating accounted for about 6 percent of all trade accounts receivable as at the reporting date. These risks are monitored regularly at the global and regional level and steps are taken to mitigate exposure.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Our credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. We also monitor our key customer relationships at the regional and global level. In addition, safeguarding measures are implemented on a selective basis for particular countries and customers inside and outside the eurozone.

Collateral received and other safeguards include country-specific and customer-specific protection afforded by credit insurance, letters of credit in the export business and, for example, sureties, guarantees and cover notes. The credit risk associated with trade accounts receivable is, moreover, reduced globally through excess-of-loss credit insurance. The insurance covers trade accounts receivable starting at a specific amount and includes an aggregate first loss deductible as well as a small percentage deductible.

Valuation allowances on trade accounts receivable by risk category as of December 31, 2020

	Equivalent to S&P rating	Probability of default¹	Gross before deduction of collateral and value-added tax in million euros	Net for deter- mining the valuation allowance in million euros	Valuation allowance in million euros
<i>Risk categories</i>					
Low risk	A- to AA	0.1%	1,632	694	8
Moderate risk	BB- to BBB+	0.3% to 0.8%	867	391	7
High risk	C to B+	3.6% to 23.3%	342	212	22
Individual assessment	n/a	individual	18	13	9
Default	D	100%	72	69	68
SMEs and microbusinesses	n/a	5.2%	139	116	7
Total			3,070	1,495	123

¹ Average probability of default before analysis on a case-by-case basis and adjustments due to the COVID-19 pandemic.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Valuation allowances on trade accounts receivable by risk category as of December 31, 2021

	Equivalent to S&P rating	Probability of default	Gross before deduction of collateral and value-added tax in million euros	Net for determining the valuation allowance in million euros	Valuation allowance in million euros
<i>Risk categories</i>					
Low risk	A- to AA	0.1%	1,566	636	3
Moderate risk	BB- to BBB+	0.3% to 0.8%	1,370	696	6
High risk	C to B+	3.4% to 23.2%	203	93	14
Individual assessment	n/a	individual	25	17	9
Default	D	100%	73	69	68
SMEs and microbusinesses	n/a	3.0%	135	109	3
Total			3,372	1,621	104

Of the gross amount before deduction of collateral and value-added tax of 3,372 million euros (previous year: 3,070 million euros), items worth 1,751 million euros (previous year: 1,575 million euros) were deducted for which no valuation allowances were required. Of this figure, 1,508 million euros (previous year: 1,341 million euros) relates to collateral received, and 243 million euros (previous year: 233 million euros) to refundable sales tax. Accordingly, the net base for determining valuation allowances was 1,621 million euros (previous year: 1,495 million euros).

The carrying amount of trade accounts receivable, the term of which was renegotiated because they would have otherwise been more than 30 days overdue, was 4 million euros (previous year: 4 million euros). Receivables of 68 million euros (previous year: 68 million euros) were written off in full, but not yet derecognized as they are still subject to ongoing collection proceedings.

Apart from financial receivables from third parties amounting to 224 million euros (previous year: 223 million euros), no valuation allowances exist in respect of other financial assets in our operating business because the credit risk is considered to be very low. A valuation allowance of 17 million euros (previous year: 8 million euros) exists for financial receivables from third parties.

Financial investments

Credit risks also arise from financial investments such as cash at banks, securities and the positive fair value of derivatives. Such exposure is limited by our Corporate Treasury specialists through the selection of counterparties with strong credit ratings, and limitations on the amounts allocated to individual investments. In financial investments and derivatives trading with German and international banks, we only enter into transactions with counterparties of high financial standing. We invest primarily in securities from issuers with an investment grade rating. Our cash deposits can be liquidated at short notice. Our financial investments are broadly diversified across various counterparties and various financial assets. Credit ratings and investment limits are continuously monitored and steps taken if fixed thresholds for ratings and credit default swaps (CDS) are exceeded. To mini-

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

minimize the credit risk, we agree netting arrangements to offset bilateral receivables and obligations with counterparties. We additionally enter into collateral agreements with relevant banks, on the basis of which reciprocal sureties are established twice a month to secure the fair values of contracted derivatives and other claims and obligations. The netting arrangements only provide for a contingent right to offset transactions conducted with a contractual party. Accordingly, associated amounts can be offset only under certain circumstances, such as the insolvency of one of the contractual parties. Thus, the netting arrangements do not meet the offsetting criteria under IAS 32 Financial Instruments: Presentation. The following table provides an overview of financial assets and financial liabilities from derivatives that are subject to netting, collateral or similar arrangements:

Financial assets and financial liabilities from derivatives subject to netting, collateral, or similar arrangements

	Gross amount recognized in the statement of financial position ¹		Amount eligible for offsetting		Financial collateral received/provided		Net amount	
	2020	2021	2020	2021	2020	2021	2020	2021
At December 31 in million euros								
Financial assets	106	129	76	67	17	27	13	35
Financial liabilities	119	109	76	67	74	117	-31	-75

¹ Fair values excluding valuation allowance of 0 million euros relating to counterparty credit risk (previous year: 0 million euros).

In addition to netting and collateral arrangements, investment limits are set, based on the ratings of the counterparties, in order to minimize credit risk. These limits are monitored and adjusted regularly. When determining the limits, we also apply certain other indicators, such as the pricing of credit default swaps by the banks. A valuation allowance of 0 million euros exists to cover the remaining credit risk relating to the positive fair values of derivatives (previous year: 0 million euros).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

In the case of financial assets held by Henkel in connection with EU emission rights swap contracts, the underlying emission rights are provided as collateral to the Henkel Group. They may be utilized even if the debtor is not in default of payment, since Henkel is only committed to returning the same number and specification of emission rights. The fair value of the non-financial assets held as collateral as of December 31, 2021 was 205 million euros (previous year: 232 million euros). Because the financial assets are fully backed, the credit risk was classified as absolutely minor, and no valuation allowance was recognized.

Liquidity risk

Liquidity risk is defined as the risk of an entity failing to meet its financial obligations at any given time. We mitigate this risk through our long-term management strategy of using financing instruments in the shape of bonds issued in different currencies with variously staggered terms up to six years. Supported by our existing debt issuance program comprising a total volume of 10 billion euros, this is also possible on a short-term and flexible basis. We predominantly invest cash in financial assets traded in a liquid market in order to ensure that they can be sold at any time to receive liquid funds or to manage liquidity in the short term. We also use our US dollar and euro commercial paper program for short-term liquidity management. In order to ensure the financial flexibility of Henkel at any time, the liquidity within the Group is largely centralized and managed through the use of cash pools. In addition, the Henkel Group has at its disposal a confirmed credit line of 1.5 billion euros with a term until 2025. The individual subsidiaries additionally have at their disposal committed bilateral loans of 0.1 billion euros with a revolving term of up to one year. Our credit rating is regularly assessed by the rating agencies Standard & Poor's and Moody's. We intend to maintain our ratings within a "single A" target corridor.

Our liquidity risk can therefore be regarded as very low.

The maturity structure of the original and derivative financial liabilities within the scope of IFRS 7 based on undiscounted cash flows, and thus the risk concentration in relation to liquidity risk, is shown in the following table:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Cash flows from financial liabilities 2020

in million euros	Dec. 31, 2020 Carrying amounts	Remaining term			Dec. 31, 2020 Total cash flow
		Up to 1 year	Between 1 and 5 years	More than 5 years	
Bonds	2,370	713	1,318	393	2,424
Commercial paper ¹	690	690	-	-	690
Liabilities to banks	24	24	0	-	24
Lease liabilities	560	132	294	204	629
Trade accounts payable	3,953	3,953	-	-	3,953
Sundry financial instruments ²	389	73	320	-	393
Original financial instruments	7,987	5,584	1,933	597	8,114
Expected inflow from interest rate and cross-currency interest rate swaps	44	12	1,267	-	1,279
Expected outflow for interest rate and cross-currency interest rate swaps	-	2	1,309	-	1,311
Other derivative financial instruments	75	75	-	-	75
Derivative financial instruments	119	65	42	-	107
Total	8,106	5,649	1,975	597	8,221

¹ From the euro and US dollar commercial paper program (total volume: 2 billion euros and 2 billion US dollars).

² Sundry financial instruments include amounts due to customers, and finance bills.

Cash flows from financial liabilities 2021

in million euros	Dec. 31, 2021 Carrying amounts	Remaining term			Dec. 31, 2021 Total cash flow
		Up to 1 year	Between 1 and 5 years	More than 5 years	
Bonds	2,500	971	1,104	515	2,591
Commercial paper ¹	276	276	-	-	276
Liabilities to banks	62	61	0	-	62
Lease liabilities	604	134	303	228	665
Trade accounts payable	4,385	4,385	-	-	4,385
Sundry financial instruments ²	103	203	17	-	220
Original financial instruments	7,930	6,032	1,425	743	8,199
Expected inflow from interest rate and cross-currency interest rate swaps	3	361	64	-	425
Expected outflow for interest rate and cross-currency interest rate swaps	-	359	62	-	421
Other derivative financial instruments	106	106	-	-	106
Derivative financial instruments	109	108	1	-	110
Total	8,039	6,140	1,426	743	8,309

¹ From the euro and US dollar commercial paper program (total volume: 2 billion euros and 2 billion US dollars).

² Sundry financial instruments include amounts due to customers, and finance bills.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Market risk

Market risk exists where the fair value or future cash flows of a financial instrument may fluctuate due to changing market prices. Market risks primarily take the form of currency risk, interest rate risk and commodity price risk.

The Corporate Treasury unit manages currency exposure and interest rates centrally for the Group and is therefore responsible for all transactions involving financial derivatives and other financial instruments. Trading, Treasury Controlling and Settlement (front, middle and back offices) are separated both physically and in terms of organization. The parties to the contracts are German and international banks which Henkel monitors regularly, in accordance with Corporate Treasury guidelines, for creditworthiness and the quality of their quotations. Financial derivatives are used to manage currency exposure, interest rate and other price risks in connection with operating activities and the resultant financing requirements, again in accordance with the Corporate Treasury guidelines. Financial derivatives are entered into solely for hedging purposes.

The currency and interest rate risk management of the Group is supported by an integrated treasury system which is used to identify, measure and analyze the Group's currency exposure and interest rate risks. In this context, "integrated" means that the entire process from the conclusion of financial transactions to their entry in the accounts is covered. Much of the currency trading takes place on internet-based, multibank trading platforms. The foreign currency transactions concluded are automatically transferred into the treasury system. The currency exposure and interest rate risks reported by all subsidiaries under standardized reporting procedures are likewise integrated into the treasury system by data transfer. As a result, it is possible to retrieve and measure at any time all currency and interest rate risks across the Group and all derivatives entered into to hedge the exposure to these risks. The treasury system supports the use of various risk concepts.

Market risk is monitored on the basis of sensitivity analyses and value-at-risk computations. Sensitivity analyses enable estimation of potential losses, future gains, fair values or cash flows of instruments susceptible to market risks arising from one or several selected hypothetical changes in foreign exchange rates, interest rates, commodity prices or other relevant market rates or prices over a specific period. We use sensitivity analyses in the Henkel Group because they enable reasonable risk assessments to be made on the basis of direct assumptions (e.g. an increase in interest rates). Value-at-risk analyses reveal the maximum potential future loss of a certain portfolio over a given period based on a specified probability level.

Currency risk

The global nature of our business activities results in a large number of cash flows in different currencies.

This transaction risk arises from possible exchange rate fluctuations causing changes in the value of future foreign currency cash flows. The hedging of the resultant exchange rate risks forms a major part of our central risk management activity. Transaction risks arising from our operating business are partially avoided by the fact that we manufacture our products in those countries in which they are sold. Residual transaction risks on the operating side are proactively managed by Corporate Treasury. This includes the ongoing assessment of the specific currency risk and the development of appropriate hedging strategies. The objective of currency hedging is to fix prices

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

based on hedging rates so that we are protected from future adverse fluctuations in exchange rates. Because we limit our potential losses, any negative impact on profits is restricted. The transaction risk arising from major financial payables and receivables is extensively hedged. In order to manage these risks, we primarily utilize currency forwards and cross-currency interest rate swaps. The derivatives are designated as cash flow hedges and recognized accordingly in the financial statements or measured at fair value through profit or loss. The currency risk that exists within the Group in the form of transaction risk initially affects equity in the case of cash flow hedges, while all changes in the value of the other derivatives are recognized directly in the statement of income.

The following table shows the risk exposure for Henkel's major currencies. The risk arises mainly from imports and exports by Henkel AG & Co. KGaA and its foreign subsidiaries. Due to the international nature of its activities, the Henkel Group has a portfolio of more than 50 different currencies.

Currency risk exposure¹

	December 31, 2020			December 31, 2021		
	Total currency risk exposure before currency hedging	Of which: from planned transactions	Net currency risk exposure after currency hedging	Total currency risk exposure before currency hedging	Of which: from planned transactions	Net currency risk exposure after currency hedging
in million euros						
US dollar	362	649	26	304	762	71
Russian ruble	135	87	52	153	103	77
Chinese yuan	141	103	53	116	80	40
Canadian dollar	91	88	44	113	106	56
Mexican peso	90	70	43	103	77	55
Others	927	743	635	997	795	573
Total	1,745	1,740	853	1,786	1,922	871

¹ Transaction risk.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

The value-at-risk pertaining to the transaction risk of the Henkel Group as of December 31, 2021 amounted to 59 million euros after hedging (previous year: 42 million euros). The value-at-risk shows the maximum expected risk of loss in a year as a result of currency fluctuations. Our value-at-risk analysis within the internal risk reporting system assumes a time horizon of one year and a one-sided confidence interval of 95 percent, as it comprehensively reflects the risk associated with one fiscal year. We adopt the variance-covariance approach as our basis for calculation. Volatilities and correlations are determined using historical data. The value-at-risk analysis is based on the operating book positions, the derivative financial instruments and the planned positions in foreign currency, with a forecasting horizon of up to twelve months.

Interest rate risk

Interest rate risk encompasses those potentially negative influences on profits, equity or cash flow in current or future reporting periods arising from changes in interest rates. In the case of fixed-interest financial instruments, changing capital market interest rates result in a fair value risk, as the attributable fair values fluctuate depending on those capital market interest rates. In the case of floating-interest financial instruments, a cash flow risk exists because the interest payments may be subject to future fluctuations.

The financing and cash investment activities of the Henkel Group mainly take place on international money and capital markets. The resultant financial liabilities and cash deposits are exposed to the risk of changing interest rates. The aim of our centralized interest rate management is to reduce this risk by choosing fixed or floating interest rate contracts and by using interest rate derivatives. Only those derivative financial instruments that can be modeled, monitored and assessed in the risk management system may be used to hedge the interest rate risk.

Henkel's interest management strategy is essentially aligned to optimizing the net interest result for the Group. The decisions made in interest management relate to the bonds, liabilities to banks and commercial paper put in place to secure Group liquidity, the securities and time deposits used for cash investments, and other interest-bearing financial instruments. The financial instruments exposed to interest rate risk are primarily denominated in euros and US dollars.

Depending on forecasts with respect to interest rate developments, Henkel enters into derivative financial instruments, primarily interest rate swaps, in order to optimize the interest rate lock-down structure. In the event of an expected rise in interest rate levels, Henkel protects its positions by transacting additional interest rate derivatives as effective hedging instruments. In addition to interest obligations arising from the fixed-rate US dollar bond, Henkel enters into cross-currency interest rate swaps to convert the bonds denominated in British pounds and Swiss francs into fixed-rate euro obligations. Financial instruments with interest rates pegged for less than twelve months are included in the calculation on a time-weighted basis. All other financial instruments bear floating interest rates. Our exposure to interest rate risk at the reporting dates was as follows:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Interest rate risk exposure

in million euros	Carrying amounts			
	December 31, 2020		December 31, 2021	
	Interest rate risk exposure before interest hedge	Interest rate risk exposure after interest hedge	Interest rate risk exposure before interest hedge	Interest rate risk exposure after interest hedge
Fixed-interest financial instruments				
Euro	-2,169	-2,169	-1,592	-1,592
US dollar	-75	-75	-644	-909
Total	-2,244	-2,244	-2,236	-2,501
Floating-interest financial instruments				
Euro	2,064	2,064	2,050	2,050
US dollar	-1,809	-1,809	-1,262	-997
Chinese yuan	264	264	258	258
Polish zloty	210	210	15	15
Others	827	827	1,084	1,084
Total	1,556	1,556	2,145	2,410

The calculation of the interest rate risk is based on sensitivity analyses that assume a parallel shift of 100 basis points in the interest curves of all currencies. When analyzing fair value risk, we calculate the hypothetical fair value loss or gain of the relevant fixed-interest financial instruments as of the reporting date.

The risk of interest rate fluctuations with respect to the earnings of the Henkel Group per the basis point value (BPV) analysis as described above is shown in the following table.

Interest rate risk

in million euros	2020	2021
Based on an interest rate change of 100 basis points	17	25
Of which:		
Cash flow through profit and loss	16	24
Fair value recognized in equity through other comprehensive income	1	1

When issuing sustainability-linked bonds, Henkel also committed to meet certain sustainability performance targets. Failure by Henkel to meet these targets would result in a prospective increase in the coupon rate on the bonds (see Note 18 on pages 235 and 236).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[**Consolidated financial statements**](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

Commodity price risk

Uncertainty with respect to commodity price development impacts the Group. Purchase prices for raw materials can affect the net assets, financial position and results of operations of Henkel. The risk management strategy put in place by the Group management for safeguarding against procurement market risk is described in more detail in the risk and opportunities report on pages 155 and 156. As a small part of the risk management strategy, cash-settled commodity forwards are entered into on the basis of forecasted purchasing requirements in order to hedge future uncertainties with respect to commodity prices. Cash-settled commodity forwards are only used by Henkel where there is a direct relationship between the hedging derivative and the physical underlying. Henkel uses hedge accounting for these hedging transactions, thus limiting the temporary exposure to price risks related to holding commodity forwards. Developments in fair values and the resultant risks are continuously monitored.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Notes to the consolidated statement of income

24 Sales and principles of income recognition

Comprised exclusively of revenues from contracts with customers, sales came in at 20,066 million euros and were thus higher than in the previous year (19,250 million euros).

Sales encompass the transfer of goods and services less direct sales deductions such as customer-related rebates, credits and other benefits paid or granted. Sales are recognized once control of the goods has been transferred, or the service provided. The timing of transfer of control of the goods to a customer is determined by the underlying contract and the terms and conditions of supply stipulated therein, or by international trade rules.

Sales represent the consideration that Henkel will likely receive in exchange for transferring the goods or providing the service. Sales may only be recognized when no substantial adjustments to the cumulative recognized revenue is expected.

Pursuant to IFRS 15, Henkel does not recognize sales for products that it expects to be returned. In addition, empirical experience has shown that customers are justified in expecting invoice amounts to be reduced in certain instances. The amounts of these expected refunds are also not recognized as sales. Henkel draws on past return and refund statistics to quantify the expected returns and refunds; these are separated by business unit and legal entity, and are subject to ongoing calculation and adjustment. Mathematical estimates and assumptions were made with regard to the underlying analysis period for determining, among other factors, the return and refund rates and the amount of sales to be adjusted by such rates, and also with regard to observable volatilities.

Henkel agrees payment terms that are standard in our industry; contracts with customers do not contain any material financing components.

Warranty obligations do not constitute a separate performance obligation and are recognized as provisions in accordance with IAS 37.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Services are generally provided in conjunction with the sale of goods, and recorded once the service has been performed. The amount of sales revenue relating to the provision of services is less relevant than that attributable to the transfer of goods.

For information on opening and closing balances of, and valuation allowances on receivables from contracts with customers in fiscal 2021, please refer to our discussion of trade accounts receivable in Note 7 on page 215.

A disaggregation of sales by business unit and region can be found in the Group segment report by business unit on pages 183 and 184 and in the discussion of regional development on page 185.

Henkel exercises its right to choose to refrain from disclosing transaction prices relating to any remaining performance obligations, since the underlying contracts have an expected original term of no more than one year.

Interest income is recognized on a time-proportion basis that takes into account the effective yield on the asset and the interest rate in force. Dividend income from investments is recognized when the shareholders' right to receive payment is legally established.

25 Cost of sales

Cost of sales totaled 11,092 million euros (previous year: 10,378 million euros) and comprises the cost of products and services sold and the purchase cost of merchandise sold. It consists of the directly attributable cost of materials and primary production cost, as well as indirect production overheads including the production-related amortization/depreciation and impairment of intangible assets and property, plant and equipment.

26 Marketing, selling and distribution expenses

Marketing, selling and distribution expenses decreased from 5,377 million euros to 5,186 million euros.

In addition to marketing organization and distribution expenses, this item comprises, in particular, advertising, sales promotion and market research expenses. Also included here are the expenses of technical advisory services for customers, valuation allowances on trade accounts receivable and amortization charges and impairment losses on trademarks and other rights.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[**Consolidated financial statements**](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

27 Research and development expenses

Research and development expenses increased year on year to 727 million euros (previous year: 501 million euros). They include a one-time expense of 201 million euros for the impairment of a technology in Beauty Care with uncertain future usage. Accordingly, expenditures directly attributable to research and development activities amounted to 504 million euros (previous year: 495 million euros).

The capitalization of research expenses is not permitted. Development expenditures are recognized as an asset if all the criteria for recognition are met, the research phase can be clearly distinguished from the development phase, and the expenditures can be attributed to distinct project phases. Currently, the criteria set out in IAS 38 Intangible Assets for recognizing development expenditures are not all met with respect to product and technology developments. This is due to a high level of interdependence within these developments and the difficulty of assessing which products will eventually be marketable.

28 Administrative expenses

Administrative expenses amounted to 955 million euros (previous year: 950 million euros).

Administrative expenses include personnel and material costs relating to the Group management, Human Resources, Purchasing, Accounting and IT functions, as well as the costs of managing and administering the business units.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

29 Other operating income

Other operating income

in million euros	2020	2021
Gains on disposal of non-current assets and business units	22	65
Release of provisions	20	31
Insurance claim payouts	13	17
Sundry operating income	60	97
Total	115	210

Sundry operating income relates to a number of individual items arising from ordinary operating activities, such as grants and subsidies, tax refunds for indirect taxes, and similar income.

30 Other operating expenses

Other operating expenses

in million euros	2020	2021
Losses on disposal of non-current assets and business units	-7	-19
Impairment of assets held for sale	-4	-10
Goodwill impairment	-31	-0
Sundry operating expenses	-98	-74
Total	-139	-103

Sundry operating expenses include a number of individual items arising from ordinary operating activities, such as fees, provisions for litigation and third-party claims, other taxes, and similar expenses.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

31 Financial result

Financial result

in million euros	2020 ¹	2021
Interest result	-41	-18
Other financial result	-53	-46
Investment result	0	0
Total	-94	-64

¹ Prior-year figures amended.

Interest result

in million euros	2020 ¹	2021
Interest and similar income from third parties	12	12
Interest results from currency forwards hedging financial assets	17	16
Interest income	29	28
Interest to third parties	-55	-27
Interest results from currency forwards hedging financial liabilities	-15	-19
Interest expense	-70	-46
Total	-41	-18

¹ Prior-year figures amended.

Other financial result

in million euros	2020 ¹	2021
Interest result from net obligation (pensions)	-11	-7
Interest income from reimbursement rights (IAS 19)	4	3
Expenses from currency losses	-105	-144
Income from currency gains	70	124
Other financial expenses	-29	-42
Other financial income	19	21
Total	-53	-46

¹ Prior-year figures amended.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

To enhance the transparency of presentation of the results of operations, changes to the fair value of the forward component of currency forwards used to hedge the currency risks associated with financial assets and liabilities are disclosed – effective January 1, 2021 – under interest result rather than in other financial result as was previously the case. The forward component of a currency forward reflects the interest rate differential between two currencies at the time the transaction is entered into and thus has interest character. With these effects being stated as interest income or interest expense, the net interest figure provides a more accurate picture of the Group's financing costs. The results from the development of the fair value of the other components of the currency forwards, in particular the spot component, continue to be shown as currency gains or losses in other financial result.

The amendments were applied retrospectively in accordance with IAS 8 and resulted in amendment of the prior-year figures.

Please see Note 23 on pages 247 and 248 for information on the net results of the financial instruments by measurement category per IFRS 7, and the reconciliation of same to the financial result.

32 Taxes on income

Income tax expense/income breaks down as follows:

Income before tax and analysis of taxes

in million euros	2020	2021
Income before tax	1,925	2,149
Current taxes	686	759
Deferred taxes	-185	-239
Taxes on income	501	519
Tax rate	26.0%	24.2%

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Main components of tax expense and income

in million euros	2020	2021
Current tax expense in the reporting year	659	761
Current tax adjustments for prior years	27	-2
Current taxes	686	759
Deferred tax income from temporary differences	-171	-281
Deferred tax income from unused tax losses and other carry-forwards	-20	-127
Deferred tax expense/income from tax credits	4	-6
Deferred tax expense/income from changes in tax rates	-3	5
Increase in valuation allowances on deferred tax assets	5	170
Deferred taxes	-185	-239

Deferred tax expense by items on the statement of financial position

in million euros	2020	2021
Intangible assets	-19	-259
Property, plant and equipment	-41	17
Financial assets	-18	13
Inventories	1	4
Other receivables and other assets	-8	51
Special tax items	1	-1
Provisions	-90	65
Liabilities	-1	-10
Tax credits	-	1
Unused tax losses and other carry-forwards	-10	-120
Total	-185	-239

We have summarized the individual company reports prepared on the basis of the tax rates applicable in each country and taking into account consolidation procedures, in the reconciliation statement below. This shows how the expected tax charge, based on the tax rate applicable to Henkel AG & Co. KGaA of 31.2 percent, is reconciled to the effective tax charge disclosed.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Tax reconciliation statement

in million euros	2020	2021
Income before tax	1,925	2,149
Tax rate (including trade tax) of Henkel AG & Co. KGaA	31.2%	31.2%
Expected tax charge	601	671
Tax reductions due to differing tax rates abroad	-134	-165
Tax reductions for prior years	-8	-17
Tax increases/reductions due to changes in tax rates	-3	5
Tax increases/reductions due to the recognition of deferred tax assets relating to unused tax losses and other carry-forwards and temporary differences	5	170
Tax reductions due to tax-free income and other items	-95	-302
Tax reductions arising from additions and deductions for local taxes	-6	-11
Tax increases due to withholding taxes	61	41
Tax increases due to non-deductible expenses	80	127
Tax charge disclosed	501	519
Tax rate	26.0%	24.2%

Deferred taxes are calculated on the basis of tax rates that apply in the individual countries at the year-end date or which have already been legally decided. In Germany, there is a uniform corporate income tax rate of 15 percent plus a solidarity surcharge of 5.5 percent. After taking into account trade tax, this yields an overall tax rate of 31.2 percent. Deferred tax assets and liabilities are netted where they involve the same tax authority and the same tax creditor.

The deferred tax assets and liabilities stated on the reporting date relate to the following items of the consolidated statement of financial position, unused tax losses and tax credits:

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Allocation of deferred taxes

in million euros	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020 ¹	Dec. 31, 2021
Intangible assets	289	514	805	820
Property, plant and equipment	35	35	123	149
Financial assets	-	1	48	62
Inventories	24	23	1	3
Other receivables and other assets	83	39	90	102
Special tax items	-	-	25	24
Provisions	781	753	89	110
Liabilities	171	187	33	21
Tax credits	2	2	-	-
Unused tax losses and other carry-forwards	88	214	-	-
Amounts netted	-586	-574	-586	-574
Financial statement figures	887	1,194	628	717

¹ Prior-year figures amended (please refer to the notes on page 195).

The deferred tax assets of 753 million euros (previous year: 781 million euros) relating to provisions in the financial statement result primarily from recognition and measurement differences with respect to pension obligations. Of the deferred tax assets on unused tax losses and other carry-forwards, 164 million euros (previous year: 26 million euros) is attributable to other carry-forwards, while 50 million euros (previous year: 62 million euros) is attributable to unused tax losses. The deferred tax liabilities of 820 million euros (previous year: 805 million euros) relating to intangible assets are mainly attributable to business combinations. Deferred tax liabilities of 62 million euros (previous year: 36 million euros) relating to the retained earnings of foreign subsidiaries have been recognized due to the fact that these earnings will be distributed in 2022.

An excess of deferred tax assets is only recognized insofar as it is likely that the company concerned will achieve sufficiently positive taxable profits in the future against which the deductible temporary differences can be offset and tax loss carry-forwards can be used. Deferred taxes have not been recognized with respect to unused tax losses of 586 million euros (previous year: 558 million euros), as it is not probable that sufficient taxable profit will be available against which they may be utilized. Of these unused tax losses, 473 million euros (previous year: 470 million euros) is solely attributable to unused US state tax losses (tax rate around 6.1 percent [previous year: 6.1 percent]). Of the unused tax losses for which no deferred tax assets have been recognized, 529 million euros (previous year: 515 million euros) expires after more than three years, while 56 million euros is non-expiring (previous year: 41 million euros).

We have summarized the expiry dates of unused tax losses and tax credits in the following table:

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Expiry dates of unused tax losses and tax credits

in million euros	Unused tax losses		Tax credits	
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Expire within				
1 year	6	4	-	-
2 years	-	-	-	-
3 years	-	-	-	-
more than 3 years	698	695	17	24
May be carried forward without restriction	213	145	-	-
Total	917	844	17	24

The list includes unused tax losses of 9 million euros arising from losses on the disposal of assets (previous year: 9 million euros) which may be carried forward without restriction. In some countries, different tax rates apply to losses on the disposal of assets than to operating profits, and in some cases losses on the disposal of assets may only be offset against gains on the disposal of assets. Of the unused tax losses, 553 million euros (previous year: 545 million euros) is attributable to our US subsidiaries. Of this amount, 540 million euros (previous year: 527 million euros) relates exclusively to US state taxes. The tax credits of 24 million euros (previous year: 17 million euros) that can be carried forward are attributable to US subsidiaries. In addition to the unused tax losses listed in the table above, interest of 46 million euros (previous year: 37 million euros) has been carried forward, of which 30 million euros (previous year: 37 million euros) is solely attributable to state taxes of our US subsidiaries. No deferred tax assets were recognized in respect of interest carry-forwards of 46 million euros (previous year: 37 million euros). Of the interest carry-forwards, 30 million euros (previous year: 37 million euros) expires after more than three years, while 16 million euros (previous year: 0 million euros) is non-expiring. In addition, other expenses amounting to 548 million euros (previous year: 106 million euros) are available which may be carried forward in full with no expiration.

In China, deferred tax assets on other expense carry-forwards, temporary differences and unused tax losses were recognized in a total amount of 58 million euros (previous year: 54 million euros) for a company that suffered a loss in both the year just ended and the previous year. There are no countervailing deferred tax liabilities. In addition, a total of 717 million euros (previous year: 284 million euros) was recognized as an excess of deferred tax assets on temporary differences, other expense carry-forwards and unused tax losses for a company in Germany that suffered a loss in the previous year. Moreover, a total of 129 million euros (previous year: 0 million euros) was recognized as an excess of deferred tax assets on unused tax losses and temporary differences for a company in the Netherlands that suffered a tax loss in the previous year. Measures were taken to ensure the availability of sufficient taxable income in future. As such, our current position is that the deferred tax assets can be realized.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Deferred tax income of 4 million euros (previous year: expense of 8 million euros) was recognized in other comprehensive income. Within this figure, an expense of 7 million euros (previous year: income of 1 million euros) resulted from actuarial gains and losses on pension obligations. Deferred taxes from hedging currency and interest rate risks were recognized as income of 11 million euros (previous year: expense of 9 million euros) in other comprehensive income.

33 Non-controlling interests

The amount shown here represents the proportion of net income and losses attributable to other shareholders of consolidated subsidiaries.

Their share of the net loss in fiscal 2021 was 5 million euros (previous year: income of 16 million euros).

The non-controlling interests included in the Henkel Group at the end of fiscal 2021 had no material impact on our net assets, financial position and results of operations. The Group has no joint operations or unconsolidated structured entities.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Other disclosures

34 Reconciliation of adjusted net income

in million euros	2020	2021	+/-
Operating profit (EBIT) (as reported)	2,019	2,213	9.6%
One-time income	-5	-13	-
One-time expenses	328	259	-
Restructuring expenses	237	227	-
Adjusted operating profit (adjusted EBIT)	2,579	2,686	4.2%
Adjusted return on sales	13.4	13.4	Opp
Financial result	-94	-64	-31.5%
Taxes on income (adjusted)	-625	-654	4.6%
Adjusted tax rate	25.2	25.0	-0.2pp
Adjusted net income	1,860	1,968	5.8%
Attributable to non-controlling interests	17	-5	<-100%
Attributable to shareholders of Henkel AG & Co. KGaA	1,843	1,973	7.1%
Adjusted earnings per ordinary share	4.24	4.54	7.1%
Adjusted earnings per preferred share	4.26	4.56	7.0%
At constant exchange rates			9.2%

One-time income of 13 million euros in fiscal 2021 is attributable to the disposal of the global closure sealants business by our Adhesive Technologies business unit.

Of the one-time expenses, 201 million euros relate to the impairment of a technology in Beauty Care with uncertain future usage. A further 33 million euros is attributable to impairment of business activities held for sale and to divestment-related losses. The one-time expenses also include 15 million euros related to the accrual of provisions for legal disputes and 9 million euros related to the optimization of our IT system architecture for managing business processes (previous year: 11 million euros). An amount of 2 million euros relates to incidental acquisition costs (previous year: 2 million euros).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Restructuring expenses substantially comprise payments related to the termination of employment relationships, and impairment losses on non-current assets and inventories. Of the restructuring expenses in fiscal 2021, 93 million euros is attributable to cost of sales (previous year: 119 million euros) and 86 million euros to marketing, selling and distribution expenses (previous year: 74 million euros). A further 22 million euros is attributable to research and development expenses (previous year: 7 million euros), while 27 million euros is attributable to administrative expenses (previous year: 37 million euros).

Taxes on income amounting to 654 million euros (previous year: 625 million euros) reflect the tax effects of the adjustments to operating profit (EBIT).

35 Payroll cost and employee structure

Payroll cost¹

in million euros	2020	2021
Wages and salaries	2,687	2,801
Social security contributions and staff welfare costs	454	469
Pension costs	166	180
Total	3,307	3,450

¹ Excluding personnel-related restructuring expenses of 109 million euros (previous year: 102 million euros).

Number of employees per function¹

	2020	2021
Production and engineering	28,700	27,800
Marketing, selling and distribution	13,200	13,750
Research and development	2,600	2,650
Administration	8,100	8,250
Total	52,600	52,450

¹ Basis: annual average number of full-time employees, excluding apprentices and trainees, work experience students and interns; figures rounded.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

36 Share-based payment plans

Global Long Term Incentive Plan (LTI Plan) 2020⁺

The Global Long Term Incentive (LTI) Plan 2020⁺ was introduced effective January 1, 2017 to replace the previous Global LTI Plan 2013. The two plans existed alongside each other until the final tranche of the Global LTI Plan 2013 was paid out in 2020. However, as from January 1, 2017, first-time-eligible employees were only being admitted to the Global LTI Plan 2020⁺.

The Global LTI Plan 2020⁺ provides for share-based remuneration settled with preferred shares of Henkel AG & Co. KGaA. These treasury shares are granted on condition that members of the plan are employed for four years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify for participation, and that they are not under notice during that period. This minimum period of employment pertains to the calendar year in which the treasury shares are granted and the three subsequent calendar years. A performance-related investment amount is pledged to eligible employees at the start of each four-year cycle. Target achievement is determined, and the investment amount for the cycle specified, at the end of the first calendar year. At the start of the second calendar year, this investment amount – after deduction of taxes and social security contributions, where applicable – is used to purchase treasury shares on the stock exchange, which are then transferred to the employees. The number of shares transferred to each employee on the basis of the investment amount is determined by the actual market price (stock exchange price) of the shares at the time of purchase. The shares are subject to a lock-up period that ends upon completion of the relevant four-year cycle. During this time, the employees participate in all share price developments. Once the lock-up period has expired, the employees may dispose of the shares as they wish. Employees who do not become eligible to participate in the Global LTI Plan 2020⁺ until after the start of the respective cycle participate on a pro-rata basis in the cycles already in progress. The dividends attributable to the shares during the lock-up period are reinvested in preferred shares.

The investment amount specified in the first year of the cycle based on target achievement is recognized as a proportionate payroll cost spread over the four-year performance measurement period. As the Global LTI Plan 2020⁺ provides for settlement using treasury shares, the allocations are recognized in equity. If treasury shares are granted at the end of the performance measurement period, equity is reduced accordingly with no effect on profit or loss. Additional employer contributions and other payments that do not constitute part of the investment amount and are not settled with treasury shares are recognized under other provisions.

For the current 2021–2024 cycle, the gross investment would be 77 million euros, based on a currently assumed target achievement of 157 percent as at December 31, 2021. The final investment amount will be determined in 2022 on the basis of the conclusive target achievement, and will be invested net of taxes and other social insurance contributions in shares for the employees.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

For the 2020–2023 cycle, a gross investment amount of 32 million euros was determined, based on target achievement. In fiscal 2021, after deduction of taxes and social insurance contributions, 229,532 treasury shares with a total value of 22 million euros were purchased and will be made freely available to qualifying employees on January 1, 2024. The shares were purchased at an average price of 97.75 euros. Recognition of the payment of the gross investment amount resulted in a reduction in equity.

Development of the number of shares for the Global LTI Plan 2020*

	2020	2021
Outstanding entitlements at the end of the previous year	271,426	380,954
Entitlements freely available on January 1	-	-212,746
Entitlements granted in the year	134,684	202,606
Entitlements forfeited in the year	-22,574	-21,810
Dividend payments converted into shares in the year	6,332	5,089
Entitlements that became vested in the year	-8,914	-7,163
Outstanding entitlements on December 31	380,954	346,930

In fiscal 2021, an equity-increasing payroll cost of 30 million euros (previous year: equity-increasing cost of 28 million euros) was recognized in connection with the Global LTI Plan 2020*.

Global Long Term Incentive (LTI) Plan 2013

The Global Long Term Incentive Plan (LTI Plan) 2013 – which was replaced by the Global Long Term Incentive Plan (LTI Plan) 2020* effective January 1, 2017 – provided for share-based remuneration with cash settlement. Under the plan, Cash Performance Units (CPUs) were granted to qualifying employees on condition that members of the plan were employed for four years by Henkel AG & Co. KGaA or one of its subsidiaries in a position senior enough to qualify for participation and that they were not under notice during that period. This minimum period of employment pertained to the calendar year in which the CPUs were granted and the three subsequent calendar years.

The value of a CPU in each case was the average price of the Henkel preferred share as quoted 20 stock exchange trading days after the Annual General Meeting following the performance measurement period. The total value of the cash remuneration payable to senior management personnel, which was capped, was recalculated on each reporting date and on the settlement date, based on the fair value of the CPUs, and recognized through an appropriate increase in provisions as a payroll cost spread over the period of service of the beneficiaries. All changes to the measurement of this provision were reported under payroll cost.

In fiscal 2020, the cash remuneration from the last cycle of the plan – the 2016 to 2019 cycle – was paid to qualifying employees based on a share price of 83.21 euros, which was the average price of Henkel preferred shares as quoted 20 stock exchange trading days after our Annual General Meeting 2020.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Share deferral of the Short Term Incentive (STI) as part of Management Board remuneration**

Members of the Management Board are required to invest 35 percent of their annual variable remuneration (Short Term Incentive, STI) in Henkel preferred shares on a long-term basis in accordance with the Share Ownership Guideline (share deferral). As this compensation component represents remuneration in equity instruments from the perspective of the Management Board members, the share deferral is recognized as share-based payment settled in equity instruments in accordance with IFRS 2 Share-Based Payment.

The final value of the annual variable remuneration promised or granted in accordance with the remuneration conditions depends on the achievement of targets in the fiscal year (performance measurement period). Over the one-year performance measurement period, the payroll cost corresponding to the share deferral is recognized proportionately as an addition to equity. After the end of the performance measurement period, the net amount of the share deferral is transferred to the members of the Management Board for the purchase of Henkel preferred shares, and taxes and social security contributions are deducted. Equity is correspondingly reduced with no effect on profit or loss. The number of shares granted under the STI depends on the actual market price (stock exchange price) of the shares at the time of purchase. The shares are subject to a lock-up period that expires at the close of business on December 31 of the fourth year following the remuneration year.

Under the STI, the members of the Management Board were promised share-based payment settled in equity instruments of 6 million euros for fiscal 2021 (previous year: 3 million euros). This amount was calculated on the basis of anticipated target achievement at the time of granting. In fiscal 2021, a payroll cost of 6 million euros (previous year: 3 million euros) was recognized for the share deferral.

Employee share plan

Since 2001, Henkel has been offering its employees a share plan whereby employees can voluntarily invest up to 4 percent of their salary up to a maximum amount of 4,992 euros each year in Henkel preferred shares. As was also the case last year, in 2021 Henkel rewarded each euro invested by employees with a bonus of 33 eurocents, which was also invested in Henkel preferred shares. Employees can dispose freely of these bonus shares after a lock-up period of three years on condition that they remain employed by Henkel AG & Co. KGaA or one of its subsidiaries without being under notice during that period. The employee share plan constitutes a share-based remuneration program as defined in IFRS 2 that is serviced through equity instruments.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Under the plan, the Henkel Group paid its employees a bonus of 8 million euros in Henkel preferred shares in fiscal 2021 (previous year: 8 million euros). Because of the revolving nature of the plan, this bonus was recognized directly as a payroll cost for reasons of simplification. The sale of bonus shares forfeited by employees lowered the payroll cost by 1 million euros in 2021 (previous year: 0 million euros). The following table summarizes the outstanding entitlements of employees from bonus shares in fiscal 2021 and the previous year.

Development of the number of shares for the employee share plan

	2020	2021
Outstanding entitlements on January 1	209,188	229,015
Entitlements granted in the year	87,964	93,225
Entitlements forfeited in the year	-3,420	-6,159
Dividend payments converted into shares in the year	662	314
Entitlements that became vested/freely available in the year	-65,378	-6,078
Outstanding entitlements on December 31	229,015	310,316

37 Group segment report

The Group segment report examines the activities of the Henkel Group by operating segments; selected regional information is also provided. The segment report corresponds to the way in which the Group managed its operating business internally in fiscal 2021, and the Group's internal reporting structure.

In keeping with the requirements of IFRS 8 Operating Segments, the three business units – Adhesive Technologies, Beauty Care and Laundry & Home Care – were identified as operating segments in fiscal 2021. The operating segments also constitute the reportable segments.

Reportable segments

Adhesive Technologies

The operating segment Adhesive Technologies offers a broad and globally leading portfolio of high-performance solutions in adhesives, sealants and functional coatings. The business unit is composed of four business areas: Automotive & Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Our Automotive & Metals business provides our customers in the automotive and metal processing industries with tailor-made, high-impact and advanced system solutions along the value chain, together with an extensive technology portfolio and specialized technical services.

Our Packaging & Consumer Goods business supplies to small and medium-sized branded goods manufacturers and to major international companies operating in the consumer goods, packaging and furniture industries. We lead the way in developing innovative solutions to address global consumer trends, such as the growing demand for more sustainable products, and actively drive circular economy models.

Our Electronics & Industrials business ranks among the world's leaders, offering major customers a specialized portfolio of innovative high-technology adhesives, materials for the manufacture of microchips and electronic assemblies, and for industrial fabrication. With our technical knowledge and extensive research expertise, we help our customers develop innovative designs for products that are known the world over. Our solutions are also deployed in the expansion of digital infrastructures.

In our Craftsmen, Construction & Professional business, we distribute a comprehensive range of brand-name products for private consumers, DIYers, craftspeople and retailers, as well as serving maintenance and installation experts in more than 800 different branches of industry. We supply adhesives and sealants for home use, adhesive, sealant and insulating systems and building materials for use in construction, and a comprehensive portfolio of high-impact solutions for assembling and servicing machinery.

Beauty Care

The operating segment Beauty Care is globally active in the Consumer business with Hair Cosmetics, Body Care, Skin Care and Oral Care, as well as in the Professional business aligned to its hair salon activities. Both business areas offer focused brand portfolios featuring consumer-relevant innovations that create added value for our customers and consumers.

Laundry & Home Care

The operating segment Laundry & Home Care covers the global activities of Henkel in laundry and home care branded consumer goods. The Laundry Care business area includes not only heavy-duty and specialty detergents but also fabric softeners, laundry performance enhancers and other fabric care products. Our Home Care business area encompasses hand and automatic dishwashing products, cleaners for bathroom and WC applications, and household, glass and specialty cleaners. We also offer air fresheners and insect control products for household applications in selected regions.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Principles of Group segment reporting**

In determining the assets and liabilities, we apply essentially the same principles of recognition and measurement as in the consolidated financial statements. We have valued net operating assets in foreign currencies at average exchange rates.

The Group measures the performance of its segments on the basis of a segment income variable referred to internally and in our reporting procedures as “adjusted EBIT,” which is calculated by adjusting operating profit (EBIT) for one-time expenses and income, and also for restructuring expenses (see Note 34 on pages 279 and 280).

The reportable segments account for 13 million euros (previous year: 5 million euros) of the one-time income and for 239 million euros (previous year: 313 million euros) of the one-time expenses. Of the restructuring expenses, 191 million euros (previous year: 212 million euros) is attributable to the reportable segments. Of these expenses, 46 million euros (previous year: 69 million euros) is attributable to Adhesive Technologies, 64 million euros (previous year: 43 million euros) to Beauty Care and 81 million euros (previous year: 100 million euros) to Laundry & Home Care.

For reconciliation with the figures for the Henkel Group, Group management overheads are reported under Corporate together with income and expenses that cannot be allocated to the individual business units.

For reconciliation with the pre-tax earnings of the Henkel Group, please refer to the consolidated statement of income and the financial result reported therein.

Proceeds transferred between the segments only exist to a negligible extent and are therefore not separately disclosed.

Net operating assets, provisions and liabilities are assigned to the segments in accordance with their usage or origin. Where usage or origin is attributable to several segments, allocation is effected on the basis of appropriate ratios and keys.

For regional and geographic analysis purposes, we allocate sales to countries on the basis of the country-of-origin principle. Non-current assets are allocated in accordance with the domicile of the international company to which they pertain.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Reconciliation between net operating assets/capital employed and financial statement figures

	Net operating assets		Financial statement figures	Net operating assets		Financial statement figures
	Annual average ¹	December 31, 2020	December 31, 2020 ⁴	Annual average ¹	December 31, 2021	December 31, 2021
in million euros	2020			2021		
Goodwill at carrying amounts	12,535	12,374	12,379	12,722	13,162	13,153
Other intangible assets and property, plant and equipment (including assets held for sale)	7,931	7,555	7,532	7,587	7,470	7,458
Deferred taxes	-	-	887	-	-	1,194
Inventories	2,255	2,189	2,188	2,496	2,629	2,629
Trade accounts receivable from third parties	3,423	3,106	3,106	3,593	3,456	3,456
Intra-group trade accounts receivable	1,868	1,792	-	1,878	1,900	-
Other assets and tax refund claims ²	686	664	2,419	666	702	2,664
Cash and cash equivalents	-	-	1,727	-	-	2,116
Operating assets/Total assets	28,699	27,680	30,238	28,941	29,320	32,669
Operating liabilities	8,439	8,688	-	9,148	9,287	-
Of which:						
Trade accounts payable to third parties	3,864	3,953	3,953	4,226	4,385	4,385
Intra-group trade accounts payable	1,861	1,792	-	1,878	1,900	-
Other provisions and other liabilities ² (financial and non-financial)	2,715	2,943	3,690	3,044	3,003	3,728
Net operating assets	20,260	18,992	-	19,793	20,032	-
- Goodwill at carrying amounts	12,535	-	-	12,722	-	-
+ Goodwill at cost ³	13,600	-	-	13,104	-	-
Capital employed	21,325	-	-	20,175	-	-

¹ The annual average is calculated on the basis of the 12 monthly figures.

² We take only amounts relating to operating activities into account in calculating net operating assets.

³ Before deduction of accumulated impairment.

⁴ Prior-year figures amended (please refer to the notes on page 195).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

38 Earnings per share

Earnings per share

in million euros	2020		2021	
	Reported	Adjusted	Reported	Adjusted
Net income attributable to shareholders of Henkel AG & Co. KGaA	1,408	1,843	1,634	1,973
Dividends, ordinary shares	475	475	475	475
Dividends, preferred shares	323	323	323	323
Total dividends	798	798	798	798
Retained earnings, ordinary shares	365	625	500	703
Retained earnings, preferred shares	245	420	336	472
Retained earnings	609	1,045	836	1,175
Number of ordinary shares	259,795,875	259,795,875	259,795,875	259,795,875
Dividend per ordinary share	in euros 1.83	1.83	1.83 ³	1.83
Of which: preliminary dividend per ordinary share ¹	in euros 0.02	0.02	0.02	0.02
Retained earnings per ordinary share	in euros 1.40	2.41	1.93	2.71
Earnings per ordinary share	in euros 3.23	4.24	3.76	4.54
Number of outstanding preferred shares ²	174,482,323	174,482,323	174,482,323	174,482,323
Dividend per preferred share	in euros 1.85	1.85	1.85 ³	1.85
Of which: preferred dividend per preferred share ¹	in euros 0.04	0.04	0.04	0.04
Retained earnings per preferred share	in euros 1.40	2.41	1.93	2.71
Earnings per preferred share	in euros 3.25	4.26	3.78	4.56
Number of ordinary shares	259,795,875	259,795,875	259,795,875	259,795,875
Dividend per ordinary share	in euros 1.83	1.83	1.83 ³	1.83
Of which: preliminary dividend per ordinary share ¹	in euros 0.02	0.02	0.02	0.02
Retained earnings per ordinary share (after dilution)	in euros 1.40	2.41	1.93	2.71
Diluted earnings per ordinary share	in euros 3.23	4.24	3.76	4.54
Number of potentially outstanding preferred shares ²	174,482,323	174,482,323	174,482,323	174,482,323
Dividend per preferred share	in euros 1.85	1.85	1.85 ³	1.85
Of which: preferred dividend per preferred share ¹	in euros 0.04	0.04	0.04	0.04
Retained earnings per preferred share (after dilution)	in euros 1.40	2.41	1.93	2.71
Diluted earnings per preferred share	in euros 3.25	4.26	3.78	4.56

¹ See combined management report, Corporate governance, Composition of issued capital/Shareholders' rights on pages 39 and 40.

² Weighted annual average of preferred shares.

³ Proposal to shareholders for the Annual General Meeting on April 4, 2022.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

39 Consolidated statement of cash flows

The consolidated statement of cash flows shows the movements in cash and cash equivalents, i.e. liquid or financial funds, distinguishing between changes in cash and cash equivalents from operating activities, investing activities and financing activities in accordance with the requirements of IAS 7. Changes in financial funds due to exchange rate movements are presented separately and are not included in cash flow from operating activities, cash flow from investing activities or cash flow from financing activities.

The composition of cash and cash equivalents is discussed in Note 8 on page 216. In some countries, there are administrative hurdles to the transfer of money to the parent company.

Cash flow from operating activities is calculated using the indirect method by adjusting the operating profit for non-cash items and adding cash inflows and outflows not reflected in the operating profit. The necessary adjustments to operating profit include in particular depreciation and amortization, impairment losses and write-ups of intangible assets, property, plant and equipment and assets held for sale, as well as changes in provisions, other assets and liabilities, and net working capital. In addition, payments for income taxes are included in cash flows from operating activities.

In fiscal 2021, non-cash impairment on intangible assets, property, plant and equipment and assets held for sale reported under “Depreciation and amortization, impairment losses and write-ups of intangible assets, property, plant and equipment and assets held for sale” for which operating profit has been adjusted amounted to 269 million euros (previous year: 378 million euros).

Cash flows from investing activities are calculated directly and occur essentially as a result of outflows for the purchase and inflows from the disposal of intangible assets and property, plant and equipment, subsidiaries and other business units, and other investments. This item also includes cash inflows and outflows from financial receivables from third parties and other current financial assets.

Of the outflows for the acquisition of subsidiaries and other business units in the year under review, the entire amount was attributable to the acquisitions described in the section “Acquisitions and divestments” on pages 188 and 189. The cash inflows from proceeds on disposal of subsidiaries, other business units and investments resulted from the divestment of businesses.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The cash flow from financing activities, which is also determined directly, mainly comprises dividends paid, interest paid and received, and the change in financial funds from borrowing and repaying financial liabilities and the changes in pension obligations resulting from financing.

The other changes in borrowing are essentially due to payments made and received in connection with our revolving short-term commercial paper financing program, which affected cash flow from financing activities to the tune of -438 million euros in fiscal 2021 (previous year: -705 million euros). Other changes in pension obligations include payment receipts of 200 million euros in fiscal 2021 constituting the refund of pension payments to retirees for which a right of reimbursement exists with respect to Henkel Trust e.V. The prior-year reimbursement recognized in cash flow from financing activities amounted to 217 million euros.

Further explanation of the development of the individual cash flows can be found in the discussion of the financial position of the Henkel Group in the management report on page 116.

Free cash flow indicates how much cash is actually available for acquisitions and dividends, reducing debt and/or allocations to pension funds.

Due to the change in the presentation of the results from the change in the fair value of the forward component of certain currency forwards within the financial result (see Note 31 on pages 272 and 273), the cash inflows and outflows resulting from the forward components of such derivatives are correspondingly shown in interest received or paid and no longer in other changes in borrowings. The cash flows are thus included in net interest and have an impact on free cash flow.

The changes were applied retrospectively in accordance with IAS 8 and resulted in amendment of the prior-year figures.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Reconciliation of assets and liabilities reflected in cash flow from financing activities 2020

	Derivative assets and liabilities	Receivable from Henkel Trust e.V. and reimburse- ment rights	Provisions for pensions and similar obligations	Borrowings	Lease liabilities	Other assets and liabilities ¹	Total
in million euros							
At January 1, 2020	14	742	-635	-3,958	-551	-16	-4,404
Changes in cash flows							
(Cash flow from financing activities)	-77	-131	43	778	155	-	768
Of which:							
Net interest paid ^{2,4}	14	-	-	37	16	-	67
Issuance and repayment of bonds, repayment of non-current bank liabilities and other changes in borrowings ^{3,4}	-91	-	-	741	-	-	650
Redemption of lease liabilities	-	-	-	-	139	-	139
Allocations to pension funds and other changes in pension obligations	-	-131	43	-	-	-	-88
Interest income/expense ⁴	-13	4	-11	-28	-16	-	-64
Additions of lease liabilities	-	-	-	-	-181	-	-181
Acquisition or disposal of subsidiaries	-	-	-	-	-3	-	-3
Foreign exchange effects	-	-11	26	51	39	-	105
Changes in fair value ⁴	42	11	55	73	-3	-	178
Sundry	-	-	-29	-	-	-	-29
At December 31, 2020	-34	615	-551	-3,084	-560	-16	-3,630

¹ These include commitments and entitlements relating to incidental tax expenses.

² Differs from the cash flow statement due to interest received presented in the cash flow from financing activities that result from cash and cash equivalents and other cash investments and due to fees and other financial charges relating to the procurement of money and loans.

³ Differs from the cash flow statement due to currency differences and the currency results of intra-group financing and capital transactions, and changes in financial liabilities to third parties.

⁴ Effective from fiscal 2021, interest income and expense from currency forwards are presented in the statement of income in interest income and expense and no longer in other financial result. Correspondingly, in the statement of cash flows cash flows from currency forwards attributable to interest result are presented under net interest paid and no longer under other changes in borrowings. Prior-year figures have been amended accordingly (see also Note 31 on pages 272 and 273 and Note 39 on pages 289 and 290).

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Reconciliation of assets and liabilities reflected in cash flow from financing activities 2021

	Derivative assets and liabilities	Receivable from Henkel Trust e.V. and reimburse- ment rights	Provisions for pensions and similar obligations	Borrowings	Lease liabilities	Other assets and liabilities ¹	Total
in million euros							
At January 1, 2021	-34	615	-551	-3,084	-560	-16	-3,630
Changes in cash flows							
(Cash flow from financing activities)	57	-103	12	404	152	-4	517
Of which:							
Net interest paid ²	-12	-	-	29	14	-4	27
Issuance and repayment of bonds, repayment of non-current bank liabilities and other changes in borrowings ³	69	-	-	375	-	-	444
Redemption of lease liabilities	-	-	-	-	138	-	138
Allocations to pension funds and other changes in pension obligations	-	-103	12	-	-	-	-91
Interest income/expense	12	3	-7	-29	-14	-6	-41
Additions of lease liabilities	-	-	-	-	-153	-	-153
Acquisition or disposal of subsidiaries	-	-	-	-	-	-	-
Foreign exchange effects	4	9	-12	-21	-32	-	-52
Changes in fair value	2	7	164	-108	3	-	67
Sundry	-	-	-116	-	-	-	-116
At December 31, 2021	40	531	-510	-2,838	-604	-26	-3,407

¹ These include commitments and entitlements relating to incidental tax expenses.

² Differs from the cash flow statement due to interest received presented in the cash flow from financing activities that result from cash and cash equivalents and other cash investments and due to fees and other financial charges relating to the procurement of money and loans.

³ Differs from the cash flow statement due to currency differences and the currency results of intra-group financing and capital transactions, and changes in financial liabilities to third parties.

40 Contingent liabilities

Compared to provisions, contingent liabilities are prone to much greater uncertainty as they represent either a potential obligation or a current obligation where payment is unlikely or the amount of the obligation cannot be estimated with sufficient reliability.

Estimating the financial impact from the contingent liabilities for those risks arising from legal disputes and proceedings that do not meet the criteria for recognition as provisions is not expedient due to the uncertainty surrounding the likelihood of resolution and amount of resource outflow involved.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Within the Henkel Group, contingent liabilities also exist with respect to guarantee and warranty agreements and to guarantees assumed with respect to public authorities. At December 31, 2021, these contingent liabilities amounted to 14 million euros (previous year: 13 million euros). Contingent liabilities to financial authorities also existed for incidental income tax expenses in an amount of 8 million euros (previous year: 0 million euros).

41 Other unrecognized financial commitments

As of the end of 2021, commitments arising from orders for property, plant and equipment amounted to 118 million euros (previous year: 110 million euros).

As of the reporting date, payment commitments under the terms of agreements for capital increases and share purchases contracted prior to December 31, 2021 amounted to 15 million euros (previous year: 19 million euros).

42 Related party disclosures

Related parties as defined by IAS 24 Related Party Disclosures are legal entities or natural persons who may be able to exert influence on Henkel AG & Co. KGaA and its subsidiaries, or be subject to control or significant influence by Henkel AG & Co. KGaA or its subsidiaries. These mainly include all members of the Henkel family share-pooling agreement together, the non-consolidated subsidiaries, the associates, and the members of the corporate bodies of Henkel AG & Co. KGaA. Related parties as defined in IAS 24 also include Henkel Trust e.V. and Metzler Trust e.V.

Henkel AG & Co. KGaA, Düsseldorf, has been notified that the members of the Henkel family share-pooling agreement together held the majority of voting rights in Henkel AG & Co. KGaA (ISIN DE0006048408) as of the reporting date. The voting rights are held by

- 141 members of the families of the descendants of Fritz Henkel, the company's founder,
- 18 foundations set up by members of those families,
- three trusts set up by members of those families,
- two private limited companies (GmbH) set up by members of those families, and 12 limited partnerships with a limited company as general partner (GmbH & Co. KG),

under a share-pooling agreement as defined in Section 34 (2) German Securities Trading Act [WpHG].

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

No party to the share-pooling agreement is obliged to notify that it has reached or exceeded 3 percent or more of the total voting rights in Henkel AG & Co. KGaA, whether with or without the addition of voting rights expressly granted under the terms of usufruct agreements.

Dr. Simone Bagel-Trah, Germany, is the authorized representative of the parties to the Henkel family share-pooling agreement.

Together, the members of the Henkel family share-pooling agreement represent the ultimate controlling party of the Henkel Group as defined in IAS 24. No business transactions took place between Henkel and this party in fiscal 2021 nor in the previous year.

Accounts receivable from and payable to non-consolidated subsidiaries and associated companies are indicated in Note 3 on pages 211 and 212, and in Note 19 on page 237.

Further detailed information on the remuneration paid to the members of the corporate bodies can be found in the remuneration report compiled by the Management Board and the Supervisory Board in accordance with Section 162 AktG. As was also the case last year, no further material business transactions took place between the corporation and members of the Management Board, Supervisory Board and Shareholders' Committee.

Henkel Trust e.V. and Metzler Trust e.V., as parties to relevant contractual trust arrangements (CTA), hold the assets required to cover the corporation's pension obligations in Germany. The claim on Henkel Trust e.V. for reimbursement of pension payments made is shown under other financial assets (Note 3 on page 211). The receivable does not bear interest.

43 Exercise of exemption options

The following German companies included in the consolidated financial statements of Henkel AG & Co. KGaA exercised exemption options in fiscal 2021:

- Schwarzkopf Henkel Production Europe GmbH & Co. KG, Düsseldorf (Section 264b German Commercial Code [HGB])
- Henkel Loctite-KID GmbH, Hagen (Section 264 (3) HGB)
- Henkel IP Management and IC Services GmbH, Monheim (Section 264 (3) HGB)
- Sonderhoff Holding GmbH, Cologne (Section 264 (3) HGB)

The Dutch company Henkel Nederland B.V., Nieuwegein, exercised the exemption option afforded in Article 2:403 of the Civil Code of the Netherlands.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

44 Remuneration of the corporate bodies

The total remuneration of the members of the Supervisory Board and of the Shareholders' Committee of Henkel AG & Co. KGaA amounted to 1,545,356 euros plus value-added tax (previous year: 1,562,000 euros) and 2,350,000 euros (previous year: 2,350,000 euros) respectively. The total remuneration (Section 285 No. 9a and Section 314 (1) No. 6a HGB) of the Management Board and members of the Management Board of Henkel Management AG amounted to 27,717,410 euros (previous year: 15,880,397 euros).

Management Board remuneration essentially consists of a fixed basic remuneration and other non-performance-related emoluments, an annual variable remuneration (Short Term Incentive, STI), and a variable cash remuneration based on the long-term performance of the company (Long Term Incentive, LTI). Management Board members are also granted pension commitments under a defined contribution plan or can opt for lump-sum pension payments. The non-performance-related emoluments include fringe benefits and benefits in kind that are commensurate with market conditions and directly related to Management Board activity.

The performance-related Short Term Incentive provides for remuneration in line with achievement within a one-year performance measurement period, of targets set for the performance of both the corporation and the individual Management Board members. The performance of the corporation is measured in terms of organic sales growth (OSG) and adjusted earnings per preferred share (EPS) at constant exchange rates, which are equally weighted in the determination of target achievement. The multiplier for individual performance reflects the absolute and relative performance of the business unit for which each officer is responsible compared to market/competition performance, their individual contribution to implementing strategic priorities and achieving sustainability targets, and the attainment of specific individual targets. The Share Ownership Guideline specifies that Management Board members are obligated to invest part of the Short Term Incentive in Henkel preferred shares and to hold them for a reasonably lengthy period. Details of this share deferral are discussed in Note 36 on page 283.

Under the Long Term Incentive plan, Management Board members are awarded cash remuneration based on average target achievement with regard to adjusted return on capital employed (ROCE) over the three-year performance measurement period (remuneration year and the two following fiscal years). A separate target is set for each of the three years in the performance measurement period.

The performance-related components of remuneration also consider the functional factors of the individual Management Board members, which reflect the complexity and significance of the business units for which they are responsible. A cap has been defined for the individual variable components of remuneration and the total compensation payable including other emoluments and pension contributions.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Provisions for pension obligations to former members of the Management Board and the previous executive management of Henkel KGaA, as well as the previous management of its legal predecessor and surviving dependents, have been recognized in the amount of 114,506,524 euros (previous year: 119,491,147 euros). The total remuneration (Section 285 No. 9b HGB and Section 314 (1) No. 6b HGB) of this group of persons, including the tranches of the Long Term Incentive or discretionary allowance paid to departing Management Board members in the reporting year and a compensation payment made in connection with premature departure from the Management Board, together amounted to 12,955,798 euros in the reporting year (previous year: 7,300,068 euros).

Members of the Supervisory Board and the Shareholders' Committee receive a fixed fee in cash. Supervisory Board members also receive attendance fees. Those members of the Supervisory Board elected as employee representatives are paid a salary that is commensurate with the market, as well as the fixed fee and attendance fees.

The following expenditure was recognized in fiscal 2021 under IFRSs for remuneration paid to members of the Management Board, Supervisory Board and Shareholders' Committee in office in the year under review:

Remuneration of the corporate bodies

in euros	2020	2021
Management Board remuneration		
Short-term remuneration ¹	14,498,717	24,676,690
Of which: share-based remuneration (share deferral)	3,186,631	5,997,889
Other long-term remuneration (Long Term Incentive)	3,763,701	5,862,490
Service cost of pension obligations	3,031,332	2,721,523
Remuneration paid in connection with termination of employment	–	3,185,000
Total	21,293,750	36,445,703
Supervisory Board remuneration		
Fixed fee and attendance fee ²	1,562,000	1,545,356
Shareholders' Committee remuneration		
Fixed fee ²	2,350,000	2,350,000
Total expenses relating to the corporate bodies	25,205,750	40,341,059

¹ Fixed remuneration, other emoluments, Short Term Incentive, lump-sum pension payout, one-time special payments.

² Including committee activity.

The defined benefit obligation (DBO) outstanding as at December 31, 2021 from pension schemes for Management Board members in office amounted to 26,061,729 euros (previous year: 21,852,150 euros). For the Short Term Incentive and the Long Term Incentive for the Management Board, provision had been accrued or obligations recorded in equity in the amount of 30,626,475 euros as of the reporting date (previous year: 18,126,362 euros).

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

[Further information](#)

[Credits](#)

[Contacts](#)

[Financial calendar](#)

The Share Ownership Guideline specifies that Management Board members are obligated to invest a total of 2,998,944 euros in Henkel preferred shares from the 2021 Short Term Incentive payout. The shares are purchased at the market price prevailing on the stock exchange on the first trading day of the month following the 2022 Annual General Meeting. Based on the Xetra closing price of December 30, 2021 of 71.14 euros per Henkel preferred share, this amount equates to 42,152 Henkel preferred shares in total.

Further discussion of the remuneration paid to the individual members who served on the Management Board, Supervisory Board and Shareholders' Committee in the year under review can be found in the audited remuneration report, which is published separately.

45 Declaration of compliance with the Corporate Governance Code (GCGC)

In February 2021, the Management Board of Henkel Management AG, and the Supervisory Board and Shareholders' Committee of Henkel AG & Co. KGaA approved a joint declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act [AktG]. The declaration has been made permanently available to shareholders on the company website: www.henkel.com/ir

46 Subsidiaries and other investments

Details relating to the investments held by Henkel AG & Co. KGaA and the Henkel Group, which are part of these financial statements, are provided in a separate schedule appended to these notes to the consolidated financial statements but not included in this version of the Annual Report. Said schedule is included in the accounting record submitted for publication in the electronic Federal Gazette and can be viewed there. The schedule is also published on our website: www.henkel.com/reports

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

47 Auditor's fees and services

The following table lists the total fees charged to the Group for services provided by the auditor Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft and other companies of the worldwide PwC network for fiscal 2021 and the previous year:

Type of fee

in million euros	2020	Of which: Germany	2021	Of which: Germany
Audit services	9.1	3.0	9.7	3.3
Other attestation services	0.1	0.1	0.2	0.2
Tax advisory services	0.9	0.2	0.5	0.1
Other services	0.6	0.5	0.3	0.3
Total	10.7	3.8	10.7	3.9

The financial statement auditing services relate primarily to the statutory audits of the annual and consolidated financial statements of Henkel AG & Co. KGaA, together with various audits of annual financial statements of its subsidiaries. Reviews of interim financial statements were also included in the audit mandate.

Other attestation services included the provision of a comfort letter, and the performance of legally and contractually stipulated audits such as those specified in Section 20 Securities Trading Act [WpHG] (European Market Infrastructure Regulation). These fees also covered the review of the non-financial report and sustainability disclosures.

Tax advice was provided primarily in connection with income and value-added tax issues and tax issues surrounding transfer prices.

Other services related mainly to advice given in connection with projects.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Subsequent events

On January 28, 2022, Henkel announced a number of strategic measures aimed at further strengthening the corporation's ability to compete and boosting revenue and earnings under its long-term agenda for purposeful growth.

Henkel plans to merge its Laundry & Home Care and Beauty Care businesses into one business unit – Henkel Consumer Brands – to sustainably strengthen the growth and margin profiles of its consumer goods businesses. The portfolio will be consistently focused on strategic core businesses and brands with attractive growth and margin potential – above and beyond the active portfolio management measures completed by the end of 2021. The integration is expected to produce significant synergies for use, for example, in targeted investment in strategic priorities such as innovation, sustainability and digitalization, and to strengthen the business unit's margin profile.

Wolfgang König – currently Executive Vice President responsible for the Beauty Care business unit – is to lead the future Henkel Consumer Brands business unit. Bruno Piacenza – currently Executive Vice President responsible for the Laundry & Home Care business unit – will work closely with Wolfgang König to ensure an efficient transition process, and will remain with the corporation until his retirement toward the end of 2022.

The Management Board has, moreover, decided to launch a share buyback program to repurchase shares with a volume of up to 1 billion euros in total on the stock exchange between now and March 31, 2023.

Düsseldorf, January 30, 2022

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board
Carsten Knobel,
Jan-Dirk Auris, Wolfgang König, Sylvie Nicol,
Bruno Piacenza, Marco Swoboda

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

Consolidated financial statements

 Further information

 Credits

 Contacts

 Financial calendar

Recommendation for the approval of the annual financial statements and the appropriation of the profit of Henkel AG & Co. KGaA

It is proposed that the annual financial statements of Henkel AG & Co. KGaA be approved as presented and that the unappropriated profit of 1,812,292,493.32 euros for fiscal 2021 be applied as follows:

a) Payment of a dividend for fiscal 2021 of 1.83 euros per eligible ordinary share (259,795,875 shares)	= 475,426,451.25 euros
b) Payment of a dividend for fiscal 2021 of 1.85 euros per eligible preferred share (174,482,323 shares)	= 322,792,297.55 euros
c) Carried forward as retained earnings	= 1,014,073,744.52 euros
	<u>1,812,292,493.32 euros</u>

The proposal for appropriation of the profit allows for the 3,680,552 preferred shares held directly or indirectly as treasury stock by the corporation at the time of preparation of the annual financial statements by the Management Board. According to Section 71b Stock Corporation Act [AktG], treasury shares do not qualify for dividends. If the number of shares qualifying for dividends for fiscal 2021 changes between now and the Annual General Meeting, a correspondingly adapted proposal for the appropriation of profit will be submitted to the Annual General Meeting providing for an unchanged payout of 1.83 euros per eligible ordinary share and 1.85 euros per eligible preferred share, with corresponding adjustment of the payout totals and of retained earnings carried forward.

Düsseldorf, January 30, 2022

Henkel Management AG,
Personally Liable Partner
of Henkel AG & Co. KGaA

Management Board

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Corporate bodies of Henkel AG & Co. KGaA

Boards/memberships as defined by Section 125 (1) sentence 5 German Stock Corporation Act [AktG] as at January 2022

Honorary Chair of the Henkel Group: Dipl.-Ing. Albrecht Woeste

Supervisory Board of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah

Chair,
Private Investor, Düsseldorf

Born: January 10, 1969
Member since: April 14, 2008
Elected until: 2024

Memberships:

Henkel AG & Co. KGaA
(Shareholders' Committee, Chair)²
Henkel Management AG (Chair)¹
Bayer AG¹
Heraeus Holding GmbH¹

Birgit Helten-Kindlein*

Vice Chair,
Chairwoman of the General Works Council of
Henkel AG & Co. KGaA and Chairwoman of the
Works Council of Henkel AG & Co. KGaA,
Düsseldorf site

Born: February 16, 1964
Member since: April 14, 2008
Elected until: 2023

Michael Baumscheiper*

Member of the General Works Council of
Henkel AG & Co. KGaA and Chairman of the
Works Council of Henkel AG & Co. KGaA,
Hamburg site

Born: September 3, 1966
Member since: December 11, 2020
Elected until: 2023

Jutta Bernicke*

Member of the Works Council of
Henkel AG & Co. KGaA, Düsseldorf site

Born: January 26, 1962
Member since: April 14, 2008
Elected until: 2023

Lutz Bunnenberg

Private Investor, Munich
Born: November 16, 1973
Member since: June 17, 2020
Elected until: 2024

Benedikt-Richard Freiherr von Herman

Private Investor, Wain
Born: October 4, 1972
Member since: April 11, 2016
Elected until: 2024

Timotheus Höttges

(until September 30, 2021)
Chair of the Executive Board
Deutsche Telekom AG, Bonn
Born: September 18, 1962
Member from April 11, 2016
until September 30, 2021

Memberships:

Daimler AG¹
FC Bayern München AG¹
Telekom Group:
Telekom Deutschland GmbH (Chair)¹
T-Mobile US, Inc. (Chair), USA²

Prof. Dr. sc. nat. Michael Kaschke

Former Chair of the Executive Board,
Carl Zeiss AG, Oberkochen
Born: June 18, 1957
Member since: April 14, 2008
Elected until: 2024

Memberships:

Deutsche Telekom AG¹
OttoBock SE & Co. KGaA (Vice Chair)¹
Robert Bosch GmbH¹

* Employee representatives.

¹ Membership of statutory supervisory and administrative boards in Germany.

² Membership of comparable oversight bodies.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Barbara Kux

Private Investor, Zurich
 Born: February 26, 1954
 Member since: July 3, 2013
 Elected until: 2024
Membership:
 Firmenich S.A. (Vice Chair), Switzerland²

Simone Menne

Private Investor, Kiel
 Born: October 7, 1960
 Member since: June 17, 2020
 Elected until: 2024
Memberships:
 Deutsche Post AG¹
 Johnson Control International plc., Ireland¹
 Russel Reynolds Associates Inc., USA²

Andrea Pichottka*

Managing Director, IG BCE Bonusagentur GmbH,
 Hannover
 Managing Director, IG BCE
 Bonusassekuranz GmbH, Hannover
 Born: November 21, 1959
 Member since: October 26, 2004
 Elected until: 2023

Philipp Scholz

Adjunct Professor at Humboldt University Berlin,
 Berlin
 Born: February 18, 1967
 Member since: April 9, 2018
 Elected until: 2024

Dr. rer. nat. Martina Seiler*

Chemist, Duisburg
 Member of the Senior Staff Representative Committee of
 Henkel AG & Co. KGaA
 Born: April 14, 1971
 Member since: January 1, 2012
 Elected until: 2023

Dirk Thiede*

Member of the Works Council of
 Henkel AG & Co. KGaA, Düsseldorf site
 Born: December 3, 1969
 Member since: April 9, 2018
 Elected until: 2023

Edgar Topsch*

Member of the General Works Council of
 Henkel AG & Co. KGaA and
 Vice Chairman of the Works Council of
 Henkel AG & Co. KGaA, Düsseldorf site
 Born: September 16, 1960
 Member since: August 1, 2010
 Elected until: 2023

Michael Vassiliadis*

Chairman of IG BCE, Hannover
 Born: March 13, 1964
 Member since: April 9, 2018
 Elected until: 2023
Memberships:
 BASF SE¹
 RAG AG (Vice Chair)¹
 STEAG GmbH¹
 Vivawest GmbH¹

Committees of the Supervisory Board

Nominations Committee**Functions**

The Nominations Committee prepares the resolutions of the Supervisory Board on election proposals to be presented to the Annual General Meeting for the election of members of the Supervisory Board (representatives of the shareholders).

Members

Dr. Simone Bagel-Trah, Chair
 Benedikt-Richard Freiherr von Herman, Vice Chair
 Barbara Kux

Audit Committee**Functions**

The Audit Committee prepares the proceedings and resolutions of the Supervisory Board relating to the approval of the annual financial statements and the consolidated financial statements, and relating to ratification of the proposal to be put before the Annual General Meeting regarding appointment of the auditor. It also deals with accounting, risk management and compliance issues.

Members

Prof. Dr. Michael Kaschke, Chair
 Simone Menne, Vice Chair
 Dr. Simone Bagel-Trah
 Birgit Helten-Kindlein
 Edgar Topsch
 Michael Vassiliadis

* Employee representatives.

¹ Membership of statutory supervisory and administrative boards in Germany.

² Membership of comparable oversight bodies.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Shareholders' Committee of Henkel AG & Co. KGaA

Dr. rer. nat. Simone Bagel-Trah

Chair,
Private Investor, Düsseldorf
Born: January 10, 1969
Member since: April 18, 2005
Elected until: 2024

Memberships:
Henkel AG & Co. KGaA (Chair)¹
Henkel Management AG (Chair)¹
Bayer AG¹
Heraeus Holding GmbH¹

Dr. rer. pol. h.c. Christoph Henkel

Vice Chair,
Private Investor, London
Born: February 11, 1958
Member since: May 27, 1991
Elected until: 2024

Membership:
Canyon Equity LLC, USA²

Dr. rer. pol. HSG Paul Achleitner

Chair of the Supervisory Board,
Deutsche Bank AG, Munich
Born: September 28, 1956
Member since: April 30, 2001
Elected until: 2024

Memberships:
Bayer AG¹
Deutsche Bank AG (Chair)¹

Alexander Birken

Chair of the Management Board,
Otto Group (GmbH & Co. KG), Hamburg
Born: November 13, 1964
Member since: June 17, 2020
Elected until: 2024

Memberships:
C&A AG, Switzerland²
Otto Group:
Hermes Germany GmbH¹
Crate & Barrel Holdings, Inc. (Chair), USA²
EDI Sourcing, LLC, USA²
Euromarket Design, Inc., USA²

Johann-Christoph Frey

Private Investor, Klosters
Born: November 26, 1955
Member since: April 9, 2018
Elected until: 2024

Memberships:
Henkel Management AG¹
Antai Venture Builder S.L., Spain²

Dr. rer. oec. Christoph Kneip

Tax Consultant, Düsseldorf
Born: February 8, 1962
Member since: June 17, 2020
Elected until: 2024

Memberships:
Arenberg Schleiden GmbH²
Arenberg Recklinghausen GmbH²
Rheinische Bodenverwaltung AG¹

Prof. Dr. rer. pol. Ulrich Lehner

(until April 16, 2021)
Former Chair of the Management Board
of Henkel KGaA, Düsseldorf
Born: May 1, 1946
Member from April 14, 2008
until April 16, 2021

Memberships:
Deutsche Telekom AG (Chair)¹
Porsche Automobil Holding SE¹

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer

Chair of the Supervisory Board of Bayerische
Motoren Werke Aktiengesellschaft, Munich
Born: May 29, 1956
Member since: April 11, 2011
Elected until: 2024

Memberships:
Henkel Management AG¹
Bayerische Motoren Werke Aktiengesellschaft
(Chair)¹
Siemens AG¹

James Rowan

(since April 16, 2021)
Chief Executive Officer Ember Consumer &
President Ember Healthcare, Ember Tech-
nologies, Inc., California
Born: October 14, 1965
Member since: April 16, 2021
Elected until: 2024

Memberships:
NanoFilm Technologies International Ltd.,
Singapore²
PCH International Ltd., Ireland²
Sydogen Pre Ltd. (Chair), Singapore²

Konstantin von Unger

Partner, Cowen Germany AG, Munich
Born: September 5, 1966
Member since: April 14, 2003
Elected until: 2024

Jean-François van Boxmeer

Chair of the Board of Directors of
Vodafone Group plc., London
Born: September 12, 1961
Member since: April 15, 2013
Elected until: 2024

Memberships:
Heineken Holding N.V., Netherlands²
Mondelez International Inc., USA²
Vodafone Group plc. (Chair), Great Britain²

Committees of the
Shareholders' Committee**Finance Committee****Functions**

The Finance Committee deals principally with financial matters, accounting issues including the statutory year-end audit, taxation and accounting policy, internal auditing, and risk management in the corporation.

Members

Dr. Christoph Henkel, Chair
Konstantin von Unger, Vice Chair
Dr. Paul Achleitner
Dr. Christoph Kneip
Prof. Dr. Ulrich Lehner (until April 16, 2021)
James Rowan (since April 16, 2021)

Personnel Committee**Functions**

The Personnel Committee deals principally with personnel matters relating to members of the Management Board, issues pertaining to human resources strategy, and with remuneration.

Members

Dr. Simone Bagel-Trah, Chair
Johann-Christoph Frey, Vice Chair
Alexander Birken
Dr. Dr. Norbert Reithofer
Jean-François van Boxmeer

¹ Membership of statutory supervisory and administrative boards in Germany.

² Membership of comparable oversight bodies.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Management Board of Henkel Management AG*

Carsten Knobel

Chairman of the Management Board

Born: January 11, 1969

Member since: July 1, 2012

*Membership:*Deutsche Lufthansa AG¹
Jan-Dirk Auris

Adhesive Technologies

Born: February 1, 1968

Member since: January 1, 2011

Wolfgang König

(since June 1, 2021)

Beauty Care

Born: May 2, 1972

Member since: June 1, 2021

Sylvie Nicol

Human Resources/Infrastructure Services

Born: February 28, 1973

Member since: April 9, 2019

*Membership:*Henkel Central Eastern Europe GmbH, Austria²
Bruno Piacenza

Laundry & Home Care

Born: December 22, 1965

Member since: January 1, 2011

Jens-Martin Schwärzler

(until April 30, 2021)

Beauty Care

Born: August 23, 1963

Member since: November 1, 2017

Marco Swoboda

Finance

Born: September 23, 1971

Member since: January 1, 2020

*Memberships:*Henkel Central Eastern Europe GmbH (Chair), Austria²

Henkel Global Supply Chain B.V. (Chair),

Netherlands²

Henkel South Africa (Pty.) Ltd. (Chair),

South Africa²

Supervisory Board of Henkel Management AG*

Dr. rer. nat. Simone Bagel-Trah

Chair,

Private Investor, Düsseldorf

Born: January 10, 1969

Member since: February 15, 2008

Elected until: 2024

*Memberships:*Henkel AG & Co. KGaA (Chair)¹

Henkel AG & Co. KGaA

(Shareholders' Committee, Chair)²Bayer AG¹Heraeus Holding GmbH¹
Johann-Christoph Frey

Vice Chair,

Private Investor, Klosters

Born: November 26, 1955

Member since: June 22, 2020

Elected until: 2024

Memberships:

Henkel AG & Co. KGaA

(Shareholders' Committee)²Antai Venture Builder S.L., Spain²
Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer

Chair of the Supervisory Board of Bayerische

Motoren Werke Aktiengesellschaft, Munich

Born: May 29, 1956

Member since: June 22, 2020

Elected until: 2024

Memberships:

Henkel AG & Co. KGaA

(Shareholders' Committee)²

Bayerische Motoren Werke Aktiengesellschaft

(Chair)¹Siemens AG¹

* Personally Liable Partner of Henkel AG & Co. KGaA.

¹ Membership of statutory supervisory and administrative boards in Germany.² Membership of comparable oversight bodies.

Further information

306	Independent Auditor's Report
317	Responsibility statement
318	Quarterly breakdown of sales
319	Multi-year summary
321	Glossary
325	Credits
326	Contacts
326	Financial calendar

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Independent Auditor's Report

To Henkel AG & Co. KGaA, Düsseldorf

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

AUDIT OPINIONS

We have audited the consolidated financial statements of Henkel AG & Co. KGaA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Henkel AG & Co. KGaA, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2021. In compliance with German regulations, a substantive audit of the corporate governance statement per Section 289f HGB and Section 315d HGB was not performed.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar*BASIS FOR THE AUDIT OPINIONS*

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Recoverability of goodwill and brands and other rights with indefinite useful lives**
2. **Recognition and measurement of pension provisions**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

1. Recoverability of goodwill and brands and other rights with indefinite useful lives

1. In the consolidated financial statements of Henkel AG & Co. KGaA, goodwill amounting to € 13.2 billion in total (40.3 % of consolidated total assets) is recognized, and trademarks and other rights with indefinite useful lives amounting to € 2.9 billion in total (8.8 % of consolidated total assets) are reported under the line item “Other intangible assets” of the balance sheet.

Goodwill and brands and other rights with indefinite useful lives are tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment tests are performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill and brands and other rights with indefinite useful lives are allocated. The carrying amount of the relevant (group of) cash-generating units, including the respective allocated goodwill and brands and other rights with indefinite useful lives, are compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined on the basis of fair value less costs of disposal. The valuation to determine the fair value less costs of disposal carried out for the purposes of the impairment tests is based on the present values of the future cash flows derived from the financial planning for the financial year 2022 prepared by the executive directors and acknowledged by the supervisory board which is extrapolated for subsequent years based on assumptions. Expectations relating to future market developments and country-specific assumptions about the development of macroeconomic factors are taken into account. Present values are calculated using discounted cash flow models. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment test determined that no write-downs were necessary. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows of the cash-generating units, and on the respective discount rates, rates of growth and other assumptions employed. The valuation is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit we assessed, among other things, the methodology used for the purpose of the impairment tests and evaluated the calculation of the weighted average cost of capital. In addition, we assessed whether the future cash inflows underlying the valuation together with the weighted average cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things by comparing this data with the Group's extrapolated financial planning, by reconciling it against general and sector-specific market expectations, and on the basis of the executive directors' explanations regarding key planning value drivers. In this context, we also assessed the appropriate consideration of the costs of Group functions in the respective cash-generating unit. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the fair values less costs of disposal calculated in this way, we also focused our assessment on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to assess any impairment risk (lower recoverable

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

amount versus carrying amount) relating to any potential change in a material assumption underlying the valuation. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill and brands and other rights with indefinite useful lives are contained in the notes to the consolidated financial statements in the section entitled "Notes to the consolidated balance sheet", note "(1) Goodwill and other intangible assets."

2. Recognition and measurement of pension provisions

1. Pension provisions amounting to € 0.5 billion are reported in the consolidated financial statements of Henkel AG & Co. KGaA under the balance sheet item "Provisions for pensions and similar obligations." The pension provisions comprise pension obligations amounting to € 5.4 billion, plan assets of € 5.1 billion and a reported surplus of plan assets over benefit obligations of € 0.2 billion. The obligations from defined benefit pension plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy and staff turnover. The average life expectancy is calculated for Germany as at December 31, 2021 based on the mortality tables published by Heubeck-Richttafeln GmbH (Heubeck-Richttafeln RT 2018 G). Country-specific mortality tables are used to calculate obligations outside of Germany. The discount rates must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value which, in turn, involves estimation uncertainties.

From our point of view, these matters were particularly important for our audit, since the recognition and measurement of these items of considerable value are based to a substantial extent on estimations and assumptions made by the management of the corporation.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

2. As part of our audit, we firstly assessed whether the criteria for recognition as defined benefit or defined contribution pension commitments were met and evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the audit of the fair value of the plan assets, we obtained bank and fund confirmations and assessed the methods on which the respective valuation was based and the valuation parameters applied.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The Company's disclosures relating to the pension provisions are contained in the notes to the consolidated financial statements in the section entitled "Notes to the consolidated balance sheet" in note "(16) Provisions for pensions and similar obligations".

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the corporate governance statement per Section 289f HGB and Section 315d HGB, which forms a part of the group management report that is not subject to substantive audit.

The other information also comprises:

- the separate non-financial report pursuant to Section 289b (3) HGB and Section 315b (3) HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

- is materially inconsistent with the consolidated financial statements, with the substantively audited disclosures in the group management report or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITY OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

 Contents

[The Company](#)

[Shares and bonds](#)

[Corporate governance](#)

[Combined management report](#)

[Consolidated financial statements](#)

Further information

[Credits](#)

[Contacts](#)

[Financial calendar](#)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

REASONABLE ASSURANCE CONCLUSION

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Henkel_KA+KLB_ESEF-2022-01-30.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

BASIS FOR THE REASONABLE ASSURANCE CONCLUSION

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

Engagement on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE ENGAGEMENT ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

 Contents

 The Company

 Shares and bonds

 Corporate governance

 Combined management report

 Consolidated financial statements

Further information

 Credits

 Contacts

 Financial calendar

- Evaluate whether the ESEF documents enable XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents using Inline XBRL technology (iXBRL) per Articles 4 and 6 of Delegated Regulation (EU) 2019/815 as amended on the reporting date enables an appropriate and completely machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on April 16, 2021. We were engaged by the Supervisory Board on May 5, 2021. We have been the group auditor of the Henkel AG & Co. KGaA, Düsseldorf, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to any other matter – Use of the auditor's report

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the “Assurance Report in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes” and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Michael Reuther.

Düsseldorf, January 30, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
German Public Auditor

Michael Reuther
German Public Auditor

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group, which is combined with the management report of Henkel AG & Co. KGaA, includes a fair review of the development, performance and results of the business and the position of the Group, together with a cogent description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, January 30, 2022

Henkel Management AG

Management Board

Carsten Knobel,

Jan-Dirk Auris, Wolfgang König, Sylvie Nicol,

Bruno Piacenza, Marco Swoboda

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Quarterly breakdown of sales

in million euros	1st quarter		2nd quarter		Half Year		3rd quarter		4th quarter		Full year	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Adhesive Technologies	2,209	2,358	1,944	2,394	4,153	4,752	2,280	2,442	2,251	2,446	8,684	9,641
Change versus previous year	-4.3%	6.7%	-19.7%	23.1%	-12.2%	14.4%	-4.8%	7.1%	-3.6%	8.7%	-8.2%	11.0%
Adjusted for foreign exchange	-4.1%	13.5%	-17.8%	28.8%	-11.1%	20.6%	0.7%	7.5%	3.7%	6.5%	-4.5%	13.5%
Organic	-4.1%	13.0%	-17.4%	28.5%	-10.9%	20.2%	1.3%	7.0%	3.7%	7.1%	-4.2%	13.4%
Beauty Care	935	925	883	914	1,818	1,839	999	934	934	905	3,752	3,678
Change versus previous year	-2.6%	-1.1%	-11.9%	3.5%	-7.4%	1.1%	3.0%	-6.5%	-1.1%	-3.2%	-3.2%	-2.0%
Adjusted for foreign exchange	-1.7%	4.3%	-10.4%	8.4%	-6.2%	6.3%	6.3%	-5.4%	4.7%	-4.2%	-0.4%	0.6%
Organic	-3.9%	2.3%	-12.8%	8.2%	-8.5%	5.2%	4.3%	-3.0%	1.4%	-1.4%	-2.8%	1.4%
Laundry & Home Care	1,755	1,656	1,705	1,619	3,460	3,275	1,693	1,680	1,551	1,650	6,704	6,605
Change versus previous year	5.3%	-5.6%	2.3%	-5.1%	3.8%	-5.3%	0.7%	-0.8%	-5.4%	6.3%	0.7%	-1.5%
Adjusted for foreign exchange	5.5%	4.0%	4.3%	3.4%	4.9%	3.7%	7.7%	2.1%	4.9%	6.2%	5.6%	3.9%
Organic	5.5%	4.1%	4.4%	3.6%	4.9%	3.9%	7.7%	2.0%	4.9%	5.9%	5.6%	3.9%
Corporate	29	30	26	31	55	61	26	35	29	47	110	142
Henkel Group	4,927	4,968	4,558	4,958	9,485	9,926	4,999	5,092	4,765	5,047	19,250	20,066
Change versus previous year	-0.8%	0.8%	-11.0%	8.8%	-6.0%	4.7%	-1.5%	1.9%	-3.7%	5.9%	-4.3%	4.2%
Adjusted for foreign exchange	-0.5%	8.3%	-9.1%	15.3%	-4.9%	11.7%	4.0%	3.2%	4.3%	4.7%	-0.4%	7.7%
Organic	-0.9%	7.7%	-9.4%	15.2%	-5.2%	11.3%	3.9%	3.5%	3.7%	5.4%	-0.7%	7.8%

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Multi-year summary

in million euros	2015	2016	2017	2018	2019	2020 ¹	2021
Results of operations							
Sales	18,089	18,714	20,029	19,899	20,114	19,250	20,066
Adhesive Technologies	8,992	8,961	9,387	9,403	9,461	8,684	9,641
Beauty Care	3,833	3,838	3,868	3,950	3,877	3,752	3,678
Laundry & Home Care	5,137	5,795	6,651	6,419	6,656	6,704	6,605
Corporate	128	121	123	128	121	110	142
Gross margin	48.2	47.9	46.7	46.0	45.9	46.1	44.7
Research and development expenses	478	463	476	484	499	501	727
Operating profit (EBIT)	2,645	2,775	3,055	3,116	2,899	2,019	2,213
Adhesive Technologies	1,462	1,561	1,657	1,669	1,631	1,248	1,524
Beauty Care	561	526	535	589	418	246	77
Laundry & Home Care	786	803	989	970	973	688	797
Corporate	-164	-115	-126	-112	-123	-162	-185
Income before tax	2,645	2,742	2,988	3,051	2,811	1,925	2,149
Tax rate	24.4%	23.7%	15.0%	23.6%	25.2%	26.0%	24.2%
Net income	1,968	2,093	2,541	2,330	2,103	1,424	1,629
Attributable to shareholders of Henkel AG & Co. KGaA	1,921	2,053	2,519	2,314	2,085	1,408	1,634
Earnings per preferred share (EPS)	4.44	4.74	5.81	5.34	4.81	3.25	3.78
Net return on sales ²	10.9%	11.2%	12.7%	11.7%	10.5%	7.4%	8.1%
Net assets							
Total assets	22,323	27,951	28,339	29,562	31,409	30,238	32,669
Non-current assets	15,406	19,738	19,864	20,879	22,279	20,906	22,259
Current assets	6,917	8,213	8,475	8,683	9,130	9,332	10,410
Equity	13,811	15,185	15,647	16,999	18,611	17,870	19,794
Liabilities	8,512	12,766	12,692	12,563	12,798	12,368	12,875
Equity ratio	61.9%	54.3%	55.2%	57.5%	59.3%	59.1%	60.6%
Return on equity ³	16.9%	15.2%	16.7%	14.9%	12.4%	7.6%	9.1%
Leverage	0.9	0.9	0.9	0.8	0.8	0.6	0.4

TABLE CONTINUED ON NEXT PAGE

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

in million euros	2015	2016	2017	2018	2019	2020 ¹	2021
Financial position							
Cash flow from operating activities	2,384	2,850	2,468	2,698	3,241	3,080	2,141
Capital expenditures	979	4,430	2,511	1,104	1,262	1,220	802
Investment ratio as % of sales	5.4	23.7	12.5	5.5	6.3	6.3	4.0
Shares							
Dividend per ordinary share in euros	1.45	1.60	1.77	1.83	1.83	1.83	1.83 ⁴
Dividend per preferred share in euros	1.47	1.62	1.79	1.85	1.85	1.85	1.85 ⁴
Total dividends ⁵	639	704	779	805	805	805	798 ⁴
Payout ratio ⁵	30.2%	30.3%	30.7%	30.9%	34.2%	43.7%	40.5% ⁴
Share price, ordinary shares, at year-end in euros	88.62	98.98	100.00	85.75	84.00	78.85	68.70
Share price, preferred shares, at year-end in euros	103.20	113.25	110.35	95.40	92.20	92.30	71.14
Market capitalization at year-end in bn euros	41.4	45.9	45.6	39.3	38.2	36.9	30.5
Employees							
Total ⁶ (at December 31)	49,450	51,350	53,700	53,000	52,450	52,950	52,450
Germany	8,350	8,250	8,300	8,500	8,550	8,700	8,700
Abroad	41,100	43,100	45,400	44,500	43,900	44,250	43,750

¹ Prior-year figures amended (please refer to the notes on page 195).

² Net income divided by sales.

³ Net income divided by equity at the start of the year.

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

⁵ Since fiscal 2021 calculated based on the number of shares that qualify for a dividend.

⁶ Basis: permanent employees excluding trainees.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Glossary

Adjusted EBIT

Earnings Before Interest and Taxes (EBIT) adjusted for exceptional items in the form of one-time expenses and income, and for restructuring expenses.

Capital employed

Capital invested in company assets and operations.

Compliance

Acting in conformity with applicable regulations; adherence to laws, rules, regulations and in-house or corporate codes of conduct.

Compound annual growth rate

Year-over-year rate of growth, e.g. of an investment.

Corporate governance

System of management and control, primarily within listed companies. Describes the powers and authority of corporate management, the extent to which these need to be monitored and the extent to which structures should be put in place through which certain interest/stakeholder groups may exert influence on the corporate management.

Corporate Governance Code

The German Corporate Governance Code (GCGC) is intended to render the rules governing corporate management and control for a stock corporation in Germany transparent for national and international investors, engendering trust and confidence in the corporate management of German companies.

Credit default swap

Instrument used by Henkel to evaluate the credit risks of banks.

Credit facility

Aggregate of all loan services available on call from one or several banks as cover for an immediate credit requirement.

Declaration of compliance

Declaration made by the management/executive board and supervisory board of a company according to Section 161 German Stock Corporation Act [AktG], confirming implementation of the recommendations of the Governmental Commission for the German Corporate Governance Code.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Defined contribution plans/Defined contribution pension system**

Post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

Derivative

Financial instrument, the value of which changes in response to changes in an underlying asset or an index, which will be settled at a future date and which initially requires only a small or no investment.

Earnings per share (EPS)

Metric indicating the income of a joint stock corporation divided between the weighted average number of its shares outstanding. The calculation is performed in accordance with International Accounting Standard (IAS) 33.

EBIT

Abbreviation for Earnings Before Interest and Taxes. Standard profit metric that enables the earning power of the operating business activities of a company to be assessed independently of its financial structure, facilitating comparability between entities where these are financed by varying levels of debt capital.

EBITDA

Abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortization; impairment losses and reversals/ value write-ups are also eliminated from the earnings calculation.

Economic Value Added (EVA®)

The EVA concept reflects the net wealth generated by a company over a certain period. A company achieves positive EVA when the operating result exceeds the weighted average cost of capital. The WACC corresponds to the yield on capital employed expected by the capital market. EVA is a registered trademark of Stern Stewart & Co.

Equity ratio

Financial metric indicating the ratio of equity to total capital. It expresses the share of total assets financed out of equity (owners' capital) rather than debt capital (provided by lenders). Serves to assess the financial stability and independence of a company.

Free cash flow

Cash flow actually available for acquisitions, dividend payments, the reduction of borrowings, and contributions to pension funds.

Gross margin

Indicates the percentage by which a company's sales exceed cost of sales, i.e. the ratio of gross profit to sales.

Gross profit

Difference between sales and cost of sales.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Hedge accounting

Method of accounting for hedging transactions whereby the compensatory effect of changes in the fair value of the hedging instrument (derivative) and of the hedged item is recognized in either the statement of income or the statement of comprehensive income.

KGaA

Abbreviation for “Kommanditgesellschaft auf Aktien.” A KGaA is a company with a legal identity (legal entity) in which at least one partner has unlimited liability with respect to the company’s creditors (personally liable partner, aka general partner), while the liability for such debts of the other partners participating in the share-based capital stock is limited to their share capital (limited shareholders).

Long Term Incentive (LTI)

Bonus aligned to long-term financial performance.

Net financial position

The net financial position is defined as cash and cash equivalents plus readily monetizable securities and time deposits and financial collateral provided, less borrowings, plus positive and minus negative fair values of derivative financial instruments.

Net financial position extended

In the extended definition, provisions for pensions and similar obligations, lease liabilities and the sundry financial liabilities are added to the net financial position and the receivable from Henkel Trust e.V. is deducted.

Net working capital

Inventories plus payments on account, receivables from suppliers and trade accounts receivable, less trade accounts payable, liabilities to customers, and current sales provisions.

Non-controlling interests

Proportion of equity attributable to third parties (non-controlling shareholders, aka minority shareholders) in subsidiaries included within the scope of consolidation, valued on a proportional net asset basis. A pro-rata portion of the net income of a corporation is attributable to shareholders owning non-controlling interests.

Organic sales growth (OSG)

Growth in revenues after adjusting for effects arising from acquisitions, divestments and foreign exchange differences – i.e. “top line” growth generated from within.

Payout ratio

Indicates what percentage of annual net income (adjusted for exceptional items) is paid out in dividends to shareholders, including non-controlling interests.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar**Return-enhancing portfolio**

Contains investments in equities and alternative investments, and serves to improve the overall return of the pension plan assets over the long term in order to raise the coverage ratio of pension funds. In addition, a broader investment horizon increases the level of investment diversification.

Return on capital employed (ROCE)

Profitability metric reflecting the ratio of earnings before interest and taxes (EBIT) to capital employed.

Return on sales (EBIT)

Operating business metric derived from the ratio of EBIT to revenues.

Swap

Term given to the exchange of capital amounts in differing currencies (currency swap) or of different interest obligations (interest swap) between two entities.

Value-at-risk (VaR)

Method, based on fair value, used to calculate the maximum likely or potential future loss arising from a portfolio.

Weighted average cost of capital (WACC)

Average return on capital, expressed as a percentage and calculated on the basis of a weighted average of the cost of debt and equity. WACC represents the minimum return expected of a company by its lenders for financing its assets.

 Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Credits

Published by

Henkel AG & Co. KGaA
40191 Düsseldorf, Germany
Phone: +49 (0) 211-797-0

© 2022 Henkel AG & Co. KGaA

Edited by

Corporate Communications, Investor Relations,
Corporate Accounting and Subsidiary Controlling

Coordination

Martina Flögel, Lars Korinth, Rabea Laakmann

Design and typesetting in SmartNotes

MPM Corporate Communication Solutions,
Mainz

Photographs

Nils Hendrik Müller; Henkel

English translation

RWS Holdings PLC

Pre-print proofing

Paul Knighton, Cambridge; Thomas Krause, Krefeld

Date of publication of this report

Wednesday, February 23, 2022

PR No.: 02 22 0

Except as otherwise noted, all marks used in this publication are trademarks and/or registered trademarks of the Henkel Group in Germany and elsewhere.

This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as expect, intend, plan, anticipate, believe, estimate, and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.

☰ Contents

The Company

Shares and bonds

Corporate governance

Combined management report

Consolidated financial statements

Further information

Credits

Contacts

Financial calendar

Contacts

Corporate Communications

Phone: +49 (0) 211 797-3533

Email: corporate.communications@henkel.com

Investor Relations

Phone: +49 (0) 211 797-3937

Email: info@ir.henkel.com

Up-to-date facts and figures on Henkel also available on the internet:

www.henkel.com

Our financial publications:

www.henkel.com/financial-reports

Our sustainability publications:

www.henkel.com/sustainability/reports

Henkel app available for iOS and Android:



Henkel in social media:



www.linkedin.com/company/henkel

www.twitter.com/henkel

www.facebook.com/henkel

www.instagram.com/henkel

www.youtube.com/henkel

Financial calendar

Annual General Meeting

Henkel AG & Co. KGaA 2022:

Monday, April 4, 2022

Publication of

Statement for the First Quarter 2022:

Thursday, May 5, 2022

Publication of

Report for the First Half Year 2022:

Monday, August 15, 2022

Publication of

Statement for the Third Quarter 2022:

Tuesday, November 8, 2022

Publication of

Report for Fiscal 2022:

Tuesday, March 7, 2023

Annual General Meeting

Henkel AG & Co. KGaA 2023:

Monday, April 24, 2023