

# Sustainability Report 2020



**Henkel**



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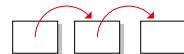
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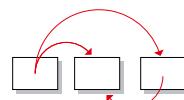
Read the Henkel Sustainability Report traditionally, like a book. Start at page 1 and navigate through until the end.




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## Selective navigation

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## Separate non-financial group report

The 2020 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2020 within the meaning of Sections 315b, 315c, and 289b to 289e of the German Commercial Code (HGB), which is made available to the public by publication on the website.

The links contained in the report refer to more detailed information and, as with the annex to the Sustainability Report, are not mandatory elements of the separate non-financial group report.

Similarly, references made in the report to information beyond the scope of the report should be seen as additional information and do not constitute mandatory elements of the separate non-financial group report.

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*Dear friends of the Company,*

2020 was a challenging year. The COVID-19 pandemic impacted our societies, our company and all of us individually. It highlighted the vulnerability of our current economic system, exacerbated socio-economic challenges and underlined the need to accelerate the sustainability agenda. However, it was also a unique opportunity to demonstrate solidarity, the strength of our team spirit and our ability to respond to challenges successfully. We took care of our employees, supported our communities, worked closely with our customers and continued to drive progress on sustainability. This makes us confident that we can manage the transformation needed to enable a growing population to live well, and within the resource limits of our planet.

2020 also marked the end of the second strategic cycle within the framework of our long-term sustainability strategy. We want to achieve more value for our customers and consumers, for the

communities we operate in, and for our company – at a reduced environmental footprint. In order to drive progress, we have defined targets for our own operations and along the value chain. With the continuous efforts of our teams, and by collaborating with our partners, we achieved many of these targets. We exceeded some of our ambitions, while we still have work to do on others. Last year, we also stepped up our ambition. We integrated sustainability into Henkel's new strategic framework for Purposeful Growth. We also defined new tangible milestones for three key topics that are highly relevant for consumers, customers, business partners and society as a whole: to become a climate-positive company, to champion the shift to a circular economy, and to increase our positive social impact on communities.

We will continue this journey in 2021. We can look back at 30 years of driving progress in sustainability – we signed the ICC Charter for Sustainable Development in 1991 and published our first report in 1992. We have a decade ahead of us where we, together, have to further accelerate sustainability efforts. We defined new targets for 2025 and will continue to evolve our strategic framework and our action programs to create sustainable value for people, the planet and the future viability of our business.

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

*Sylvie Nicol*

**Sylvie Nicol**

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

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In its sustainability reporting, Henkel applies the principles and standard disclosures specified in the GRI Standards of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2), and the Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). In addition, internally defined criteria for determining carbon savings through Henkel's own products are also considered, in conjunction with internal guidelines.

The separate, combined non-financial group report also includes information on meeting requirements under the German Commercial Code (HGB), which are shown in the relevant index in the Annex.

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

→ [Assurance statement PwC on obtaining limited assurance on non-financial reporting and sustainability information](#)

In addition, the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2020 was examined on behalf of the Supervisory Board by PricewaterhouseCoopers GmbH WPG, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information," published by the International Auditing and Assurance Standards Board (IAASB) for the purpose of obtaining limited assurance (Limited Assurance Engagement) with respect to the disclosures required by law in accordance with Sections 315b and 315c, in conjunction with 289b to 289e of the German Commercial Code (HGB).

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# Henkel at a glance

Leading brands



Three business units

Adhesive Technologies  
Beauty Care  
Laundry & Home Care

More than

144 years

of success with  
brands and  
technologies

€19.3 billion

sales in 2020

Around

2,700

social projects  
supported

Around

52,950

employees with  
125 nationalities

179

production sites  
worldwide



Headquartered in  
Düsseldorf, Germany

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## Business model / Business activities

Henkel was founded in 1876. Therefore, the year under review marks the 144th in our corporate history. At the end of 2020, Henkel's workforce worldwide numbered around 52,950. We occupy globally leading market positions in our consumer and industrial businesses.

Our purpose is to create sustainable value – for our customers and consumers, for our people and our shareholders, as well as for the wider society and communities in which we operate.

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.

Adhesive Technologies offers a broad and globally leading portfolio of high-impact solutions in adhesives, sealants and functional coatings.

The business unit is composed of four business areas: Automotive & Metals, Packaging & Consumer Goods, Electronics & Industrials, and Craftsmen, Construction & Professional.

The Beauty Care business unit is globally active in the Branded Consumer Goods business area with Hair Cosmetics, Body Care, Skin Care and Oral Care products, as well as in the professional Hair Salon business.

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

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

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## 30 years of sustainable development

The balance between economic success, ecological aspects and social responsibility has been a key consideration going right back to company founder Fritz Henkel and his successors. Even at an early stage, Henkel developed new production processes and products that were more environmentally compatible. In 1992, Henkel became one of the first companies in Germany to publish an environmental report. Having produced its 30th Sustainability Report in 2021, Henkel can now look back on 30 years of sustainable development. → [All of our sustainability milestones](#)

1940 – First Henkel kindergarten for children of employees

The first Henkel daycare center for children of employees opens in Düsseldorf-Holthausen.



1907 – First self-acting laundry detergent

Persil, the world's first self-acting laundry detergent, removes the need to scrub laundry by hand.



1903 – First water-soluble powder shampoo

The first water-soluble powder shampoo, the "shampoo with the black head" (allusion to Schwarzkopf), is a simple and inexpensive alternative to rough soaps and expensive oils.

1959 – Henkel starts checking Rhine river water quality

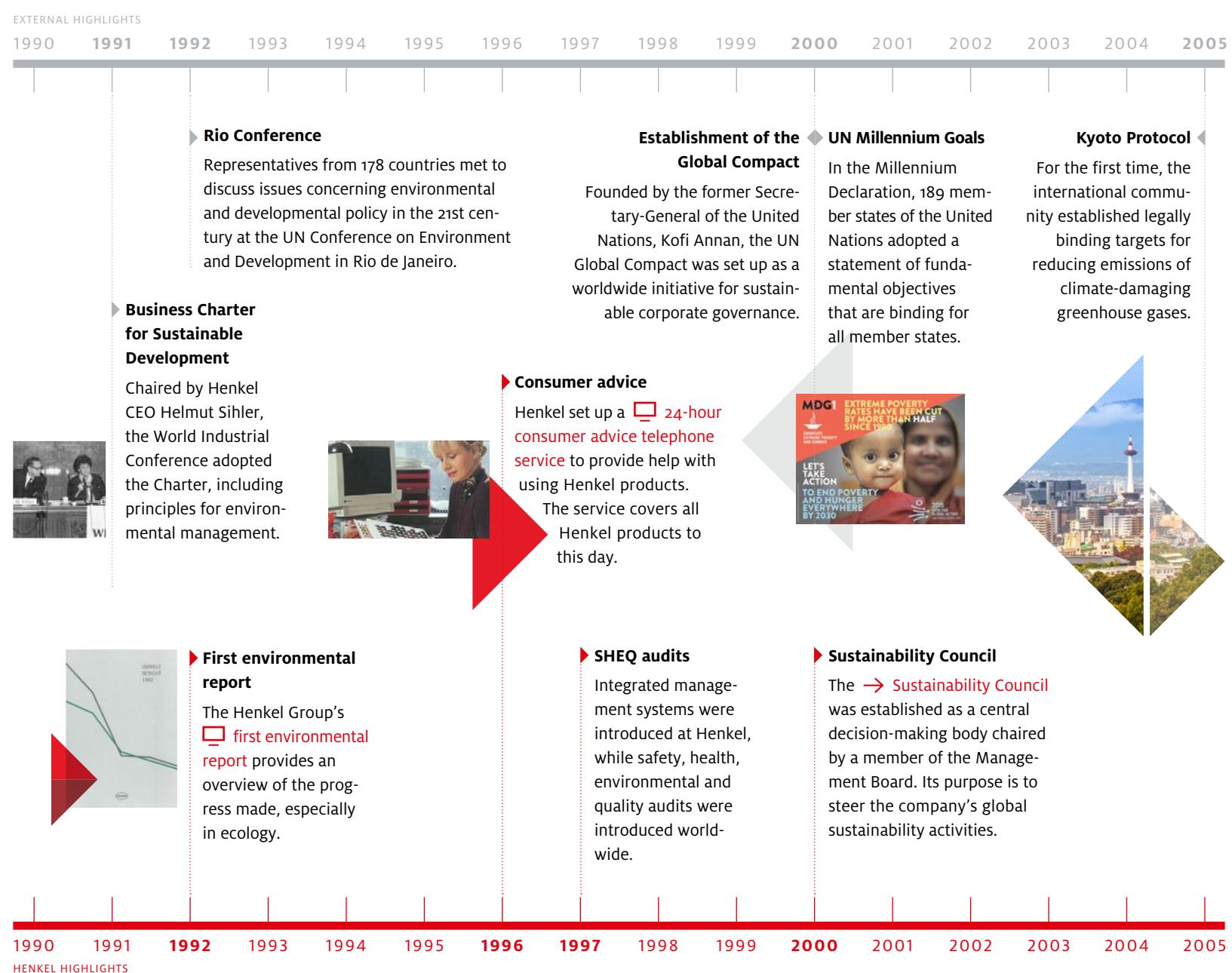
Henkel has been carrying out regular environmental quality checks for detergents and household cleaners since 1959.



1899 – First production site in Düsseldorf-Holthausen

Henkel lays the foundations for its headquarters and uses its own electricity supply.

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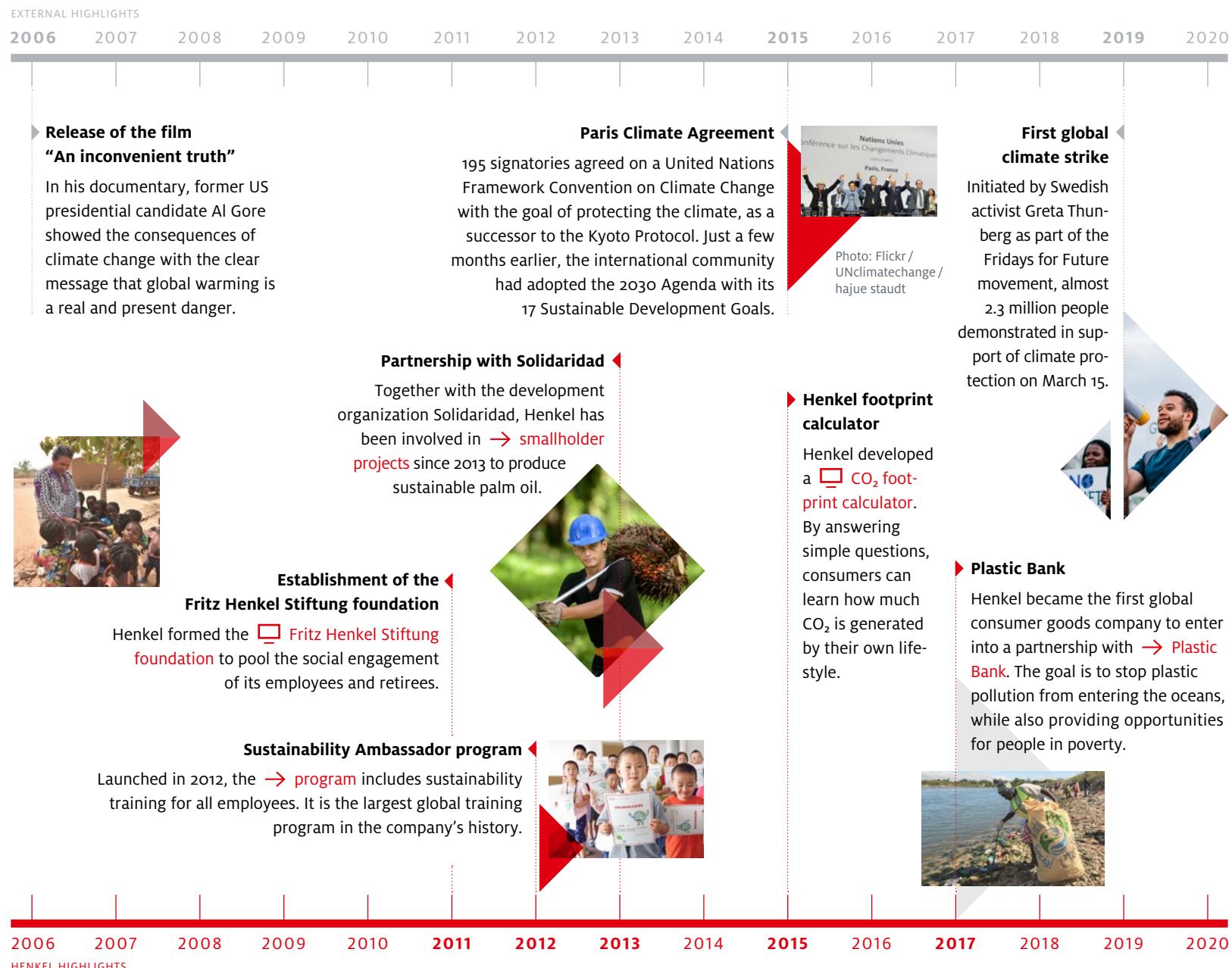
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## More value – less resources

### **What are our sustainability aspirations?**

We are committed to leadership in sustainability – this is one of our corporate values. As a sustainability leader, we aim to pioneer new solutions while developing our business responsibly and increasing our economic success.

### **What strategy are we pursuing?**

Our ambition is to achieve more with less. This means we create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced environmental footprint. We focus our activities along the value chain on six focal areas that reflect the relevant challenges and opportunities of sustainable development as they relate to our business.

### **What targets have we set ourselves?**

Our 20-year goal for 2030 is to triple the value we create for the environmental footprint made by our operations, products and services. We call this overarching goal to become three times more efficient Factor 3. To drive progress, we have defined specific mid-term goals for each of our focal areas to be achieved by 2020 and by 2025, as well as goals reaching further into the future.



Social Progress



Performance



Safety and Health

**Deliver more value**

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### **Reduce footprint**



Energy and Climate



Materials and Waste



Water and Wastewater

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# Sustainability strategy

- We anchor sustainability into our company
- We create more value and reduce our environmental footprint
- Recognizing our responsibility along the value chain
- Contributions from our brands and technologies
- Strengthening the central role of our employees
- How we further develop our strategy, goals and concepts
- Our contribution to the United Nations Sustainable Development Goals

# Sustainability strategy

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## We anchor sustainability into our company

Commitment to sustainability has been an integral part of our corporate culture for decades. It is part of our strategic framework for purposeful growth, through which we aim to be successful over the next decade. We are committed to leadership in sustainability – this is one of our corporate values. As a sustainability leader, we aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success.

We create more value – for our customers and consumers, our employees, our neighbors, our shareholders, for the communities we operate in, and for our company – while reducing our environmental footprint at the same time. This idea is central to our sustainability strategy and our ambitious goals.

Our sustainability strategy is reflected in the overarching framework of our company. In this framework, we place a clear focus on

**purposeful growth.** This means that we aim to create outstanding value for customers and consumers in order to exceed the growth of our markets, strengthen our leading role in sustainability, and give our employees the opportunity to develop professionally and personally at Henkel.

We want to anchor sustainability even more firmly in all activities at Henkel. This includes making sustainability a key pillar in the innovation strategies of the Beauty Care and Laundry & Home Care



*"The global pandemic has presented us with many new challenges in 2020. It has revealed what we can achieve together. We have further improved our sustainability performance and anchored sustainability even more firmly into our company's strategy."*

**Carsten Knobel**  
Chairman of the Management Board

consumer goods businesses. It also encompasses ensuring that the Adhesive Technologies business unit continues to leverage its potential through products and technologies that set industry standards.

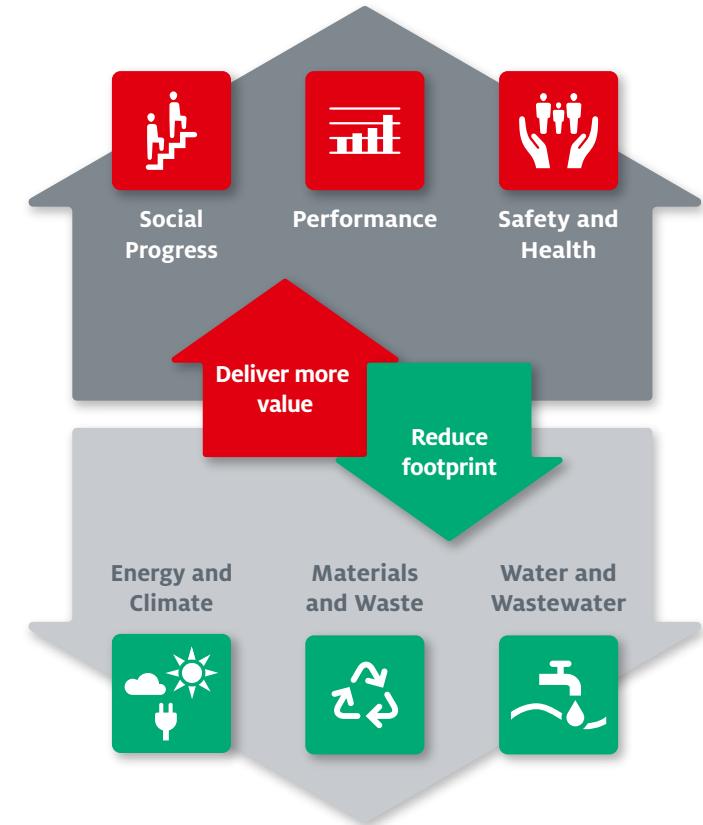
## Acting sustainably is becoming increasingly important

We are facing immense challenges, which also present numerous opportunities. By the year 2050, the world's population is expected to grow to more than nine billion. The accompanying acceleration in global economic activity will lead to rising consumption and demand for resources. Humankind already has a global environmental footprint that is greater than the planet's resources can sustain.

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As a result, competition for resources will intensify in the coming decades. Globally, there is also growing awareness of issues such as climate change, the circular economy, human rights, the use of water, and biodiversity. This results in urgency for companies, policymakers and consumers to act with a view to the future. The COVID-19 pandemic is a powerful example of the need for more resilient and sustainable business practices worldwide. There is also a need to significantly accelerate the change processes that are at the heart of the comprehensive transformation toward sustainable development. For this reason, we need innovations, products and technologies that enhance quality of life while consuming less input materials.

In line with our efforts to shape our business responsibly and in a way that delivers economic success, we developed our sustainability strategy in 2010 and defined our → **long-term goal for 2030**: to triple the value we create through our business operations in relation to the environmental footprint of our operations, products, and services. 2020 marks the end of the first decade on the road to our long-term goal. → **Interim targets at five-year periods** help us to highlight, accelerate and demonstrate progress. This also allows us to present our long-term vision and commitment while constantly developing our strategic framework, responding with agility to changes in stakeholder expectations, and driving forward progress.



We create more value – for our customers and consumers, our employees, our neighbors, our shareholders, for the communities we operate in, and for our company – while reducing our environmental footprint at the same time. We focus our activities along the value chain on six focal areas that reflect the relevant challenges and opportunities of sustainable development as they relate to our business.

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## Sustainability means future viability

Business partners and consumers are displaying increasing interest in sustainability-oriented products and solutions. They are also placing more and more value on understanding the impact of our processes and products along the value chain. Among investors, interest in sustainability is growing and the related topics are receiving increased coverage in the media. Likewise, dialog about sustainability topics on public platforms such as social media is increasing. In addition, at the political level, we have seen great progress toward a shared understanding of global priorities over the last few years, most notably the global climate agreement in Paris in 2015, as well as the → [17 Sustainable Development Goals \(SDGs\)](#).

We are convinced that our focus on sustainability and our unwavering commitment are important right now – and that they also underline the future viability of our company. This includes making an effective contribution to global sustainable development while also reinforcing Henkel's business success. This focus supports our growth, helps to increase our cost-efficiency and reduces risks. Our many years of work have created a strong foundation and we have built a track record of success. Henkel's leading role in sustainability is confirmed by numerous → [international ratings and rankings](#).

Using the energy of our employees and the great reach of our brands and technologies, we aim to further expand our contribution to sustainable development – along the entire value chain and in collaboration with our partners. Our interim targets so far, as well as our next interim targets for 2025, represent important milestones on the journey toward our long-term goal of becoming three times more efficient by 2030. We continuously align our goals and initiatives with global and national priorities to ensure we are working on the issues that are relevant to our business and to sustainable development. This involves dialog with our stakeholders. We engage in initiatives together with industry representatives and civil society organizations worldwide, while also participating in political and public discussions.

## Strong engagement in sustainable finance

In 2020, we took an important step by combining attractive financing instruments with progress in sustainability. We were the first company globally to issue a [Plastic Waste Reduction Bond](#). The bond consists of two tranches – 70 million USD and 25 million EUR and has a maturity of five years. The proceeds will be exclusively invested in projects participating in Henkel's activities to reduce plastic waste. This bond underscores our commitment to promoting a circular economy and reducing plastic waste, as well as our commitment to sustainable finance. The bond is also Henkel's first emission in the Green Bond segment and emphasizes our ongoing commitment to linking innovative financing instruments with sustainability aspects. In 2018, we became the first German company to conclude a syndicated [sustainability-linked loan](#), a credit line with terms that are tied to Henkel's performance in three independent sustainability ratings.

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Based on our strong track record and progress in implementing our sustainability strategy along the value chain, we aim to enhance sustainability as a clear feature differentiating us from the competition. To do so, we have defined three areas of particular importance to

consumers, customers, business partners and society, in which we aim to speed up our contribution to sustainable development: becoming climate-positive by 2040, fostering a circular economy, and contributing to social progress.

**In early 2020, we communicated new commitments for three key topics that are highly relevant for consumers, customers, business partners and society as a whole.**

**These milestones for 2025 will support our progress toward our long-term strategy and targets.**

**In this way, we are going to build on our strong progress from the past few years and will further accelerate our efforts.**



We are committed to becoming **climate-positive**

**Supported by the following targets:**

– 65 %

– 100 million tons

reduction in the CO<sub>2</sub> emissions of our production per ton of product by 2025

of CO<sub>2</sub> saved together with our consumers, customers and suppliers cumulatively over 2016–2025

We are committed to fostering a **circular economy**

**Supported by the following targets:** 100 %

– 50 %

Zero

recyclable or reusable plastic packaging by 2025\*

reduction of fossil-based virgin plastics by 2025

plastic waste into nature by 2025

We are committed to enhancing our positive **impact on communities**

**Supported by the following targets:**

50,000+

100 %

20 million

engaged employees

responsible sourcing by 2025

lives improved worldwide by 2025

Base year 2010

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

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## What we have achieved so far

To achieve our goal of tripling the value created relative to the environmental footprint of our operations, products and services by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. Regarding our specific targets related to “deliver more value” and “at a reduced footprint,” we were able to make more great progress by 2020. We surpassed our targets for reducing CO<sub>2</sub> emissions (reduction of 44 percent) and reducing the volume of waste generated (reduction of 44 percent). With regard to our water usage (reduction of 28 percent), we were unable to meet our 2020 target due to the impact of changes to our product portfolio and difficult conditions resulting from the COVID-19 pandemic. Overall, however, we were able to reduce our environmental footprint by 39 percent across three dimensions – CO<sub>2</sub> emissions, waste, and water – significantly exceeding the target of a 30-percent reduction for 2020. In addition, by improving our global accident rate by 50 percent per million hours worked, we were able to achieve our target for 2020.

These positive results confirm our ongoing global commitment to create more value with a reduced footprint. The total increase in efficiency for 2020 was 64 percent. This refers to sales relative to the environmental footprint of our production, where equal weight is given to the three dimensions of CO<sub>2</sub> emissions, waste and water.

These results reinforce our commitment to sustainability in the recent past – and we are going to strive to build on them in the future. In this way, we aim to keep improving our performance in the coming years, on the way to our long-term goal.

### Achieved 2020<sup>1</sup> Targets 2020<sup>1</sup>



More net sales  
per ton of product

**+ 1%** **+ 22%**



Safer per million  
hours worked

**+ 50%** **+ 40%**



Less CO<sub>2</sub> emissions  
per ton of product

**- 44%** **- 30%**



Less waste per ton  
of product

**- 44%** **- 30%**



Less water per ton  
of product

**- 28%** **- 30%**

Total efficiency

**+ 64%** **+ 75%**

<sup>1</sup> Compared to the base year of 2010.

<sup>2</sup> Amounts of waste from our production sites excluding construction and demolition work.

In addition to our focal area targets, we have defined a comprehensive set of targets and goals for further areas of our operations.

→ You can find an overview of our targets and goals for 2025 and beyond here.

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**Our goals for 2025 and beyond**

On the road to our long-term goal for 2030, we intend to further improve our performance over the coming years. In this spirit, we have defined our targets for 2025 and beyond, which build on previous milestones. The following overview shows a selection of our main goals for advancing sustainability. Details and additional targets can be found in the relevant chapters of this report.

**Social Progress**

We want to actively contribute to social progress, empowering people and safeguarding basic rights

**Improve 20 million lives globally by 2025**

**Engage 50,000+ employees in sustainability**

**Source 100 % responsibly by 2025**

**Performance**

We want to create more value for our partners along the value chain and increase our sales

Each new product contributes to sustainability

**Provide our customers and consumers with a comprehensive sustainability profile of our products by 2025**

**Increase net sales per ton of product by 10% by 2025**

**Health & Safety**

We want to create safer workplaces and contribute to improved health and hygiene

**Improve our health & safety performance by 60% per million hours worked by 2025**

**Zero accidents** is our long-term goal

**Reach 90 % of our employees** with global health campaigns each year

**Deliver more value ↑****↓ Reduce footprint****Energy & Climate**

We want to contribute to climate protection, rely on renewable energy, and reduce our energy use and our emissions

**Reduce our CO<sub>2</sub> emissions by 65 % per ton of product by 2025**

**Reduce our CO<sub>2</sub> emissions by 75 % and source 100 % electricity** from renewable energy sources by 2030

**Become climate-positive by 2040**

**Save 100 m tons of CO<sub>2</sub> together with our consumers, customers and suppliers from 2016 to 2025**

**Materials & Waste**

We want to use materials more efficiently, fully convert to sustainable sources and generate less waste

**Reduce waste generation by 50 % per ton of product by 2025**

**100 % of packaging** recyclable or reusable\*, and **50 % reduction** of fossil-based virgin plastics, incl. at least 30 % recycled plastics for consumer products, and **zero plastic waste into nature** by 2025

Palm oil: **100 % responsibly sourced** and externally assured, and **100 % traceable**

**Water & Wastewater**

We want to reduce our impact on water, and decrease water consumption and wastewater

**Reduce water consumption by 35 % per ton of product by 2025**

**Encourage the responsible use of our products** to reduce water consumption

Base year 2010

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

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## We create more value and reduce our environmental footprint

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

### We create more value

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

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

We also create value in other areas. In addition to payments in the form of salaries and taxes, our business operations and their related value-adding activities contribute to regional development. With production sites in 57 countries, we promote economic and social development as a local employer, purchaser and investor. Through

the transfer of knowledge and development of technologies, we foster the responsible economic activity of our employees, as well as our customers. The issue of the social added value of products is especially important in emerging markets. Products that are geared to the needs of lower income groups have more than just economic potential. They also make positive contributions to social well-being, for example to hygiene and health in the home.

For Henkel, product safety – as well as the safety and health of our customers, consumers and neighbors – has always been our top priority. The same applies to our employees. By making continuous efforts in the area of occupational safety, we aim for Henkel and its production sites to offer → **safe and healthy working conditions**.

In addition, we create value with our business activities and in collaboration with our partners. We act in the knowledge that, while the middle class is growing worldwide, large sections of the global population are still facing poverty, poor labor conditions and a lack of development opportunities. For example, we are engaged in helping women and girls to build a successful future for themselves through our → **Million Chances initiative**. We are also committed to improving the income opportunities of people who come into contact with our supply chains and our business, such as → **smallholder farmers** in the palm oil industry and our partnership with the social enterprise → **Plastic Bank**.

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Since the start of our partnership with the social enterprise Plastic Bank in 2017, we have further expanded the collaboration. We now support projects in Haiti, Indonesia and the Philippines, along with the construction of more than 400 Plastic Bank collection points in Egypt.

## We reduce the environmental footprint

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

By adopting the Paris Climate Agreement, the UN member states made a commitment to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit this increase to 1.5 degrees Celsius. Henkel is committed to helping to reach this target. We are starting by focusing on our own production, which we can influence directly. We also

want to reduce the footprint of the → raw materials and → packaging that we use. As a result, we expect our → suppliers and contract partners to set targets that are as ambitious as our own – and contribute to the reduction of CO<sub>2</sub> throughout their supply chain. In terms of our environmental footprint along the value chain, the product usage phase has the largest impact. For this reason, we also want to leverage the → potential of our brands and technologies to help our customers and consumers to save CO<sub>2</sub> when using our products.

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

In the focal area of water and wastewater, it is our goal to reduce water consumption during production and avoid generating wastewater. We also focus on developing products that enable our customers and consumers to make their own contribution to saving water. Our detergents, household cleaners, cosmetic and body care products that enter wastewater after use have been developed so that they have the least possible impact on the environment. Wastewater from industrial facilities is pre-treated with state-of-the-art technologies and disposed of professionally.

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## Recognizing our responsibility along the value chain

Our pursuit of sustainability is shaped by a long-term vision and an entrepreneurial spirit that covers all aspects of the value chain. As a global company, we understand sustainable business to mean acting responsibly, making a commitment to more transparency, and contributing to sustainable development together with our partners.



### 1. Raw materials



#### Suppliers from 123 countries

We develop innovative solutions and set standards for sustainability together with our suppliers and partners from 123 countries.

### 2. Production



Henkel operates 179 production sites in 57 countries. At all of these sites, we are working to reduce our environmental footprint while maintaining our high levels of quality and safety.

### 3. Logistics



#### Reduce transport emissions

We aim to reduce transport emissions by improving our logistics approach worldwide, such as through intermodal transport.

### 4. Industry and retail



#### Close cooperation

It is important to us to work hand-in-hand with our retail partners. We support our retail partners in their sustainability activities, for example, with eLearning programs and measurement instruments.

### 5. Consumers

**90 %**



Our products are used in millions of households every day. Up to 90 percent of the environmental footprint of our products is generated during their use. For this reason, we seek to encourage responsible product use through targeted communication.

### 6. Disposal / recycling



**100 %**

By 2025, 100 percent of Henkel's packaging will be recyclable or reusable.\*

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



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## Contributions from our brands and technologies

Our brands and technologies are used in households and industrial processes millions of times every day. For this reason, we are committed to providing products and solutions that make a positive contribution to meeting environmental and social challenges. This commitment is also systematically anchored into our innovation process.

Sustainability is a key pillar in the innovation strategies for our → **Beauty Care** and → **Laundry & Home Care** consumer goods businesses, which are developing their product portfolios with a particular focus on sustainable packaging solutions and are driving the roll-out of sustainable brands with an integrated approach. We also provide consumers with information about how to use our products as responsibly and efficiently as possible. When buying products, for example, consumers do not decide on the basis of performance and price alone. They also want brands that offer integrity in terms of ecological, economic and social considerations. New technologies and media create a high degree of transparency, making it easy for consumers to check whether promises are being kept. Through clearly defined and consistently implemented positioning, our brands are able to strengthen their competitive position and support customer loyalty.

It is also important that we demonstrate how our products can contribute to sustainability when dealing with our business customers.

This includes showing how resources can be used more efficiently, for example. The → **Adhesive Technologies** business unit will continue to leverage its potential through products and technologies that set industry standards. We develop solutions that help our industrial customers and business partners to increase their energy efficiency, improve workplace safety, and reduce waste and emissions.

### Using our leverage along the value chain to reduce CO<sub>2</sub> emissions

Together with our customers, consumers and suppliers, we aim to achieve reductions in CO<sub>2</sub> emissions. This includes emissions from the raw materials we use. We also want to help customers and consumers reduce CO<sub>2</sub> emissions that are generated when they use our products (called Scope 3 emissions). In addition, we want our products and technologies to help to avoid CO<sub>2</sub> emissions from being generated (called Scope 4 emissions).

Through our brands and technologies, we make products that are used and applied in ways that are directly linked to the use of energy, such as detergents, shower gels, or hotmelt adhesives. We want to enable the efficient use of energy with innovations that cut energy consumption and the related CO<sub>2</sub> footprint. On top of this, we use targeted communications activities to encourage responsible-minded behavior when our products are being used.

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The initiative “Be smarter. Save water.” from Beauty Care is one example. Launched in 2016, this initiative involves our Schauma, Fa and Theramed brands, and it aims to raise consumer awareness about the responsible use of water as an important resource. Using less hot water also results in less CO<sub>2</sub> emissions. The initiative includes information provided on the product packaging and a related [website](#). Through the website, consumers are able to calculate their personal daily water footprint and see the benefits of shorter shower times, for example. Studies show the positive results that can be achieved by raising consumer awareness: if consumers of our products reduced their shower time by an average of 15 percent, it would be possible to save more than 180,000 metric tons of CO<sub>2</sub> emissions each year.



Lower water temperatures when washing clothes also help to reduce energy use and CO<sub>2</sub> emissions. Through continuous research and development partnerships, as well as significant investment in new formulations, we enable our consumers to achieve excellent washing results when using increasingly concentrated dosages at lower temperatures – or even when washing laundry in cold water. We raise awareness of the need to save energy by placing the “be sustainable – wash cold” logo on our

laundry detergent packaging to draw consumers’ attention to this topic. The potential for savings is enormous: if no water had to be heated for any of the loads of laundry washed with our heavy-duty detergents, it would be possible to avoid more than seven million metric tons of CO<sub>2</sub> emissions each year.



In relation to the leverage points we have identified along our value chain, we have set a target of saving 100 million metric tons of CO<sub>2</sub> together with our customers, consumers and suppliers over the ten-year period from 2016 to 2025. Our previous five-year target up to 2020 was to help our customers and consumers save 50 million metric tons of CO<sub>2</sub>. We have developed a CO<sub>2</sub>-saving portfolio<sup>1</sup> for this purpose. The evaluation of the contributions in this portfolio is based on a company-wide, standardized process that sets out the criteria for the selection of the products and the calculation of CO<sub>2</sub> emissions. We have summarized some examples of our products and technologies in the following six groups. With regard to the products sold between 2016 and 2020, we enabled our customers and consumers to reduce CO<sub>2</sub> emissions by more than 55 million metric tons. In the future, we plan to evaluate additional applications and further expand the portfolio of products that contribute to CO<sub>2</sub> savings in the application phase.

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## Our CO<sub>2</sub>-saving portfolio



### Energy-saving building facades

Our thermal insulation composite systems for building facades help to cut energy consumption by reducing the loss of heat. In addition, our “cool roof” coatings, which reflect 87 percent more sunlight than conventional roof coatings, reduce the consumption of energy because fewer air conditioning units are needed. The products sold in 2020 enabled our customers to save around 5.9 million metric tons of CO<sub>2</sub> emissions.



### Lightweight vehicle designs

We support our industrial customers with solutions for lightweight automotive designs. This includes pretreatments for metal surfaces that make it possible to combine steel and aluminum, as well as liquid soundproofing and 3D reinforcement technologies. These solutions all contribute to weight reduction in the chassis and increase fuel efficiency. The solutions sold in 2020 saved around 3.1 million metric tons of CO<sub>2</sub> emissions for our customers.



### More efficient renewable energy

Our electro-conductive adhesives enable manufacturers of photovoltaic modules to increase the efficiency of solar panels. More solar cells can be installed in each module, and the loss of conductivity within the module can be reduced. This enables the modules to generate more renewable energy. The products that we sold in 2020 helped our customers to save around 1.3 million metric tons of CO<sub>2</sub> emissions.

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### Repair and renovation

Our industrial coating products enable our customers to protect machinery like pumps against wear and tear, and extend their lifetime. Machinery of this kind is often operated continuously, which can cause abrasion and corrosion – leading to production downtime. With our coatings, customers are able to increase operational efficiency by reducing energy consumption or making it possible to use the machine for longer. The products sold in 2020 enabled our customers to save around 370,000 metric tons of CO<sub>2</sub> emissions.



### Intelligent material replacement

Our adhesives open up the opportunity for our customers in the construction industry to use wooden panels instead of concrete. The technology is used in Cross-Laminated Timber (CLT) – a construction material made of three or more layers of wood. Using CLT can replace concrete, which uses more energy and emits more CO<sub>2</sub> when it is made. The alternative building material products sold in 2020 enabled our customers to save around 530,000 metric tons of CO<sub>2</sub> emissions.



### Consuming less hot water

We help consumers by providing products that can reduce energy consumption for warming up water, as well as the related CO<sub>2</sub> emissions. With our Laundry & Home Care products Colour Catcher laundry sheets and Somat dishwasher cleaner, customers can reduce the number of washing cycles. In addition, leave-in conditioners and dry shampoos from Beauty Care do not require warm water for rinsing. The products sold in 2020 enabled consumers to save around 200,000 metric tons of CO<sub>2</sub> emissions.

**From 2016 to 2020, we helped our customers and consumers save 55 million metric tons of CO<sub>2</sub>**

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## Strengthening the central role of our employees

When it comes to implementing our sustainability strategy, it is our people who make the difference – through their dedication, skills and knowledge. They make their contributions to sustainable development in their daily business lives and as members of society. They are the interface to our customers and consumers, and other stakeholders such as suppliers, investors, research institutions and NGOs. Working in areas such as purchasing, finance, research and development, production, marketing and sales, they are active along our value chain and collaborate with our partners. They make innovations possible, develop strategies and make our company unique.

Because of this, we want to foster our people's commitment to sustainability and expand our existing training courses to include a comprehensive engagement program. This builds on the → **Sustainability Ambassador program** that we initiated in 2012, which empowers and encourages employees to engage even more strongly with the topic of sustainability. Going forward, we will intensify our efforts to provide our people with even more extensive knowledge and skills in order to strengthen our company's position as a leader in sustainability.

### Employees create sustainable value and act as ambassadors

The ongoing commitment of our people is important to ensure that sustainability is embedded in all business activities. This enables us to shape our future together and create sustainable value.



Employees as Sustainability Ambassadors

Henkel employees in Shanghai, China, invite children from a local school to visit our company and learn about sustainability as part of a summer school program.

Since the introduction of the Sustainability Ambassador program, we have trained more than 50,000 Sustainability Ambassadors at our locations worldwide. We have expanded the training programs in recent years to deepen our understanding of sustainability within the company, and to train and encourage all of our employees to become Sustainability Ambassadors. We reach our employees through an eLearning program on our central global learning platform, as well as

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through team training sessions that we organize worldwide using standardized training materials. In addition to discussing the fundamental principles of sustainability – from concept to key global challenges – the training program also explains how Henkel is responding to these challenges and implementing sustainability. In 2020, we also developed an eLearning program specifically for packaging and plastics. It is available online to employees worldwide. The Sustainability Ambassador program remains an integral part of the onboarding process for new employees.



Our established internal Henkel Talks series focused on the climate during the last quarter of 2020. Looking at the issue in a variety of ways and with different emphases, the speakers delivered presentations about how our company and each individual employee can contribute to climate protection. This picture shows Ulla Hüppe, Head of Sustainability in the Adhesive Technologies business unit.

We also provided our employees with extensive information about climate protection in 2020. The communication campaign included dialog with experts and tips for how to save energy.

### **Motivating Sustainability Ambassadors to make a contribution**

We want to do more than just communicate information about sustainability to our employees. We also want to motivate them to become involved in sustainability. With their skills and knowledge, they can act as ambassadors to make an important contribution to sustainability at our sites, and by engaging with our customers and other partners within our business environment. Henkel's Sustainability Ambassadors are encouraged to visit schools to teach children about sustainable behavior in the home. This helps the next generation to understand how to use resources efficiently from an early age. At the same time, the children multiply the impact by imparting their knowledge and their enthusiasm to others around them. From the start of the project in 2012 until the end of 2020, we reached around 175,000 schoolchildren in 54 countries. School visits are an important element in our commitment to reaching schoolchildren through educational initiatives. Unfortunately, due to the COVID-19 pandemic, our Sustainability Ambassadors were severely limited in their ability to visit schools in 2020. As a result, we developed an eLearning course to continue informing children about this topic and engaging in dialog with them.

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In our Sustainability Ambassador program, we also aim to promote healthier lifestyles and greater awareness of water consumption, energy usage and waste generation across our sites. One element of this commitment is our “(Y)our move toward sustainability” initiative, which was introduced in 2014. It encourages employees to practice sustainability in their day-to-day work, for example by avoiding unnecessary printing, switching off lights or eating healthily.

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

In addition, we want to give our employees opportunities to engage in volunteer projects and make their own contribution to the communities in which we operate. To support our employees and retirees around the world in their voluntary and social engagement in charitable institutions, we launched the → **“Make an Impact on Tomorrow” (MIT Volunteering) initiative** in 1998. We support projects through product and in-kind donations, as well as by sharing expertise or investing time through paid leave. Our basic principle is: The larger the initiative, the more support Henkel will provide. Through the

great commitment of our active and retired employees, as well as through project reports, we ensure that our resources are used fully, responsibly, and transparently where they are most needed. Henkel is creating significant momentum through the MIT initiative, with volunteers reporting better teamwork, greater job motivation through appreciation of their personal commitment, and stronger identification with Henkel’s corporate culture. The committed employees and retirees also play a pivotal role as a link between Henkel and the local community, by acting as ambassadors for our company and our corporate culture.



**MIT Volunteering initiative fosters employee commitment**

The MIT Volunteering initiative promotes personal initiative and voluntary social engagement through projects such as the construction of a school in southern Mauritania.

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The COVID-19 pandemic has also emphasized the central role of our people – because the well-being of our employees is our top priority at all times. We do everything we can to ensure their health and safety, whether on site or working flexibly from home, while ensuring the continuity of our business. In this respect, we have created new communication formats for virtual dialog. In the [Henkel Heroes campaign](#), we also introduced colleagues who inspired us by making a positive contribution to our corporate culture during the pandemic.

In 2020, Henkel also made a commitment to the communities we operate in as part of our response to the COVID-19 pandemic. We launched an [→ comprehensive global solidarity program](#), for example, by producing disinfectants and donating them to hospitals and public institutions.



In the Henkel Heroes initiative, employees shared inspiring pictures and videos. By showing their commitment in the fight against the COVID-19 pandemic, they strengthened team spirit and boosted networking.

## How we further develop our strategy, goals and concepts

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

### We identify relevant topics

To determine and categorize relevant topics for our business activities and reporting, we engage in a continuous process of recording and evaluating the challenges and opportunities of sustainable development using various tools. We assess the importance of the topics for the company, environment and society, and also for our stakeholders. When selecting the topics, we go beyond the definition of materiality included within the CSR Directive Implementation Act ("CSR-RUG") in conjunction with Sections §§ 289b to 289e of the German Commercial Code (HGB).

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## We gain new perspectives by engaging in dialog

Dialog with our stakeholders helps us to obtain insights and perspectives from outside our business, and fosters a common understanding of priorities and challenges. For example, we engage in dialog with opinion leaders, sustainability-focused institutions, the scientific community, and international rating agencies and analysts. At regular intervals, sustainability analysts and specialist institutions evaluate how companies balance the relationship between economic, environmental and social aspects. We welcome

these → external assessments of our sustainability performance, as they lead to greater transparency in the market and show us how our performance is assessed. We also consider the assessment criteria of various financial and sustainability-oriented ratings and the guidelines of the Global Reporting Initiative (→ GRI). The results of these processes can be categorized in line with the six focal areas that we identified through a materiality analysis. In these focal areas, we want to drive sustainable development around the world and along the value chain with our business activities.

## Our focal areas



### Social Progress

- Fair business practices
- Human rights
- Fair working conditions
- Employee development
- Diversity
- Supplier relationships
- Corporate volunteering



### Performance

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



### Health and safety

- Occupational safety and health
- Plant safety
- Product safety and information
- Alternative test methods
- Hygiene



### Energy and climate

- Operational energy efficiency
- Renewable energies
- Energy-efficient products
- Transport and logistics
- CO<sub>2</sub> reductions
- CO<sub>2</sub> footprint



### Materials and waste

- Resource consumption
- Renewable raw materials
- Sustainable palm (kernel) oil
- Packaging and waste
- Recycling / circular economy



### Water and wastewater

- Water consumption in production
- Wastewater and wastewater disposal
- Biodegradability
- Water footprint / water scarcity

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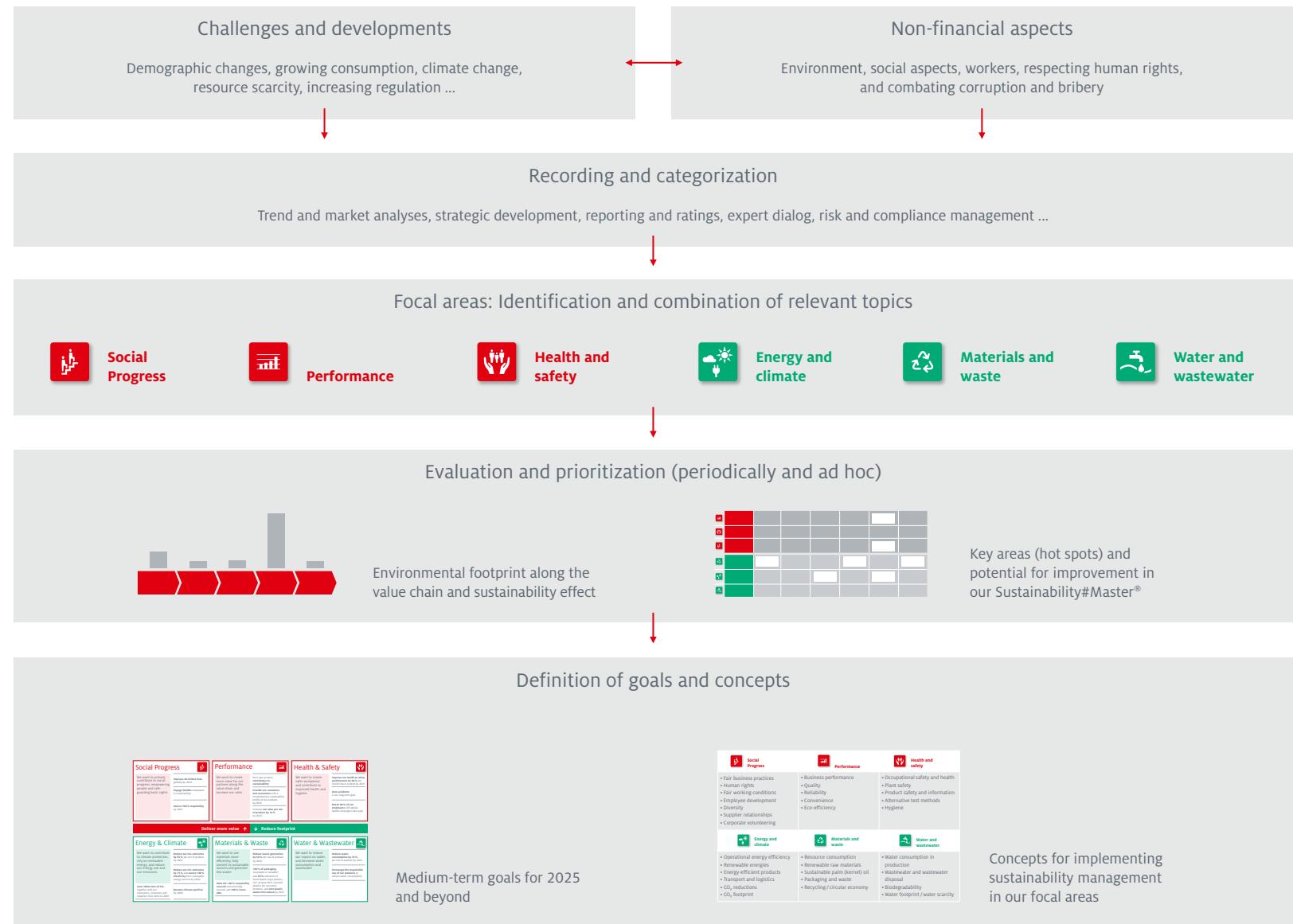
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**Our process for identifying key issues and developing goals**

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## We evaluate our influence

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

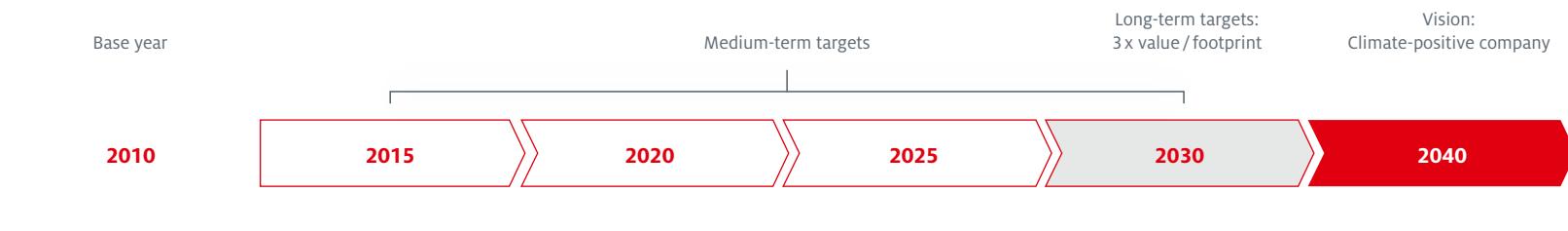
Viewed across our entire portfolio, improvements in input materials and in the use phase are the decisive factors when it comes to our water and CO<sub>2</sub> footprints. Our → **Henkel Sustainability#Master®** is a key analysis tool in optimizing the “value” and “footprint” dimensions.

We use it as part of our innovation process, for example. The core element is a matrix in which changes in both of these dimensions and along the value chain can be analyzed.

## We define goals and concepts

Based on this evaluation and prioritization, we have defined how we plan to contribute to our long-term goal of becoming three times more efficient by 2030 in each of our focal areas, with medium-term targets up to 2020 and 2025. Furthermore, we have established management systems, standards and guidelines, as well as related processes and organizational structures that provide a framework for measures to implement these concepts. We continuously review our goals and concepts, and develop them further when necessary.

## Clear intermediate targets drive concrete progress and long-term ambitions provide future orientation



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## Our contribution to the United Nations Sustainable Development Goals

Henkel supports the implementation of the **17 Sustainable Development Goals (SDGs)** that were adopted by the 193 United Nations Member States in September 2015. The SDGs represent an important step toward a shared understanding of the challenges that we need to tackle worldwide to enable sustainable development. They cover the entire scope of sustainability topics that are relevant to all stakeholders – from industrial and developing countries through to emerging economies, as well as companies, NGOs, and participants from all industries and sectors along the value chain.

By providing the basis for mutual understanding on the international level, these goals help to structure discussions on a national and industry level. They serve as guidelines for various organizations to identify priorities and enter into partnerships. As a company, we are convinced that the goals provide a shared focus that can empower collaborative action and will accelerate progress toward sustainability. Sustainable consumption, packaging and plastics, combating climate change, water, human rights, equal opportunities and education are important topics for our work.

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



The following two pages demonstrate how we contribute to achieving the SDGs through our commitment to sustainability. The topics presented here show the breadth of our contributions, which are drawn from our business activities as well as from our social engagement activities.

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4 QUALITY EDUCATION



5 GENDER EQUALITY



17 PARTNERSHIPS FOR THE GOALS



**Providing access to good education**

We aim to promote access to high-quality education and increase the number of young people and adults with relevant abilities and skills. Schwarzkopf's → [Million Chances initiative](#) was launched in 2016 to support women and girls in building a successful future for themselves. Henkel is also the main sponsor of the → [Teach First Deutschland](#) initiative. In this way, we support the commitment of university graduates who, as additional teachers, support schoolchildren in schools in socially disadvantaged communities.



1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS



**Promoting sustainable palm oil**

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



7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION



**Committed to protecting the climate**

In view of the urgent need to reduce CO<sub>2</sub> emissions, it is our long-term vision to become a → [climate-positive company](#) by 2040 and make progress in further relevant parts of our value chain. As a first step, we plan to achieve a 75-percent reduction in the carbon footprint of our production by 2030. We also want to obtain 100 percent of our electricity from renewable sources by 2030. In addition, we want to leverage our brands and technologies to help our customers, consumers and suppliers save 100 million metric tons of CO<sub>2</sub> in the period from 2016 to 2025.

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### Turning waste into opportunities

We want to reduce the flow of waste into the sea, while also contributing to protecting our oceans. In 2017, Henkel became the first major global consumer goods company to work with the social enterprise → **Plastic Bank**. In 2019, we extended this partnership for another five years. Since the start of the collaboration, Plastic Bank has opened several collection points for plastic waste in Haiti with the help of Henkel. The local population can return collected plastic to the collection centers and exchange it for money, goods or services. This creates value from waste before it can enter waterways or the sea.



### Promoting sustainable consumption

We support the goal of promoting sustainable and resource-efficient consumption. Our products and technologies are key to this because they are used in millions of households and industrial processes every day. We focus on developing products that lead to resource efficiency in everyday use. We also strive to encourage responsible use of our products through targeted communication. This is important because the environmental footprint of many of our products is determined during the use phase. The → **Henkel footprint calculator** helps individuals to calculate their CO<sub>2</sub> footprint.



### Improving quality of life

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

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# Management



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- Codes, standards and management systems
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## How we manage sustainability

The implementation of our sustainability strategy is based on globally uniform codes and standards, integrated management systems, and an organizational structure with clearly defined responsibilities. Within Henkel, efficient processes also contribute to environmental protection and occupational health and safety, while additionally reducing resource consumption and costs. We use a variety of methods and tools to assess and manage our corporate sustainability and to measure the progress that we make toward our objectives across the entire company and our value chain. By holistically assessing the influence of our business activities, products and services, we create a substantial foundation for business decisions and communication with our stakeholders. Overall, an important aspect for us is the interplay of company-wide management tools and action programs in regions and countries, addressing social challenges and priorities within a specific region or market.

Group-wide risk management also makes an indispensable contribution to our strategic focus on sustainability and enables us to identify potential risks and business opportunities at an early stage. As part of the non-financial reporting process, a risk analysis has been conducted in line with the concepts and processes for risk mitigation that are described in this report. During this analysis of

our own operations, our business relationships, our products and our services, no material risks were identified that meet, or will meet, the criteria of "having severe negative consequences" and "being very probable" according to the definition set out in paragraphs 2 and 3 of section 289c, as well as section 315c of the German Commercial Code (HGB).

## Codes, standards and management systems

### Our globally uniform codes and standards

Based on our corporate Purpose, Vision, Mission and Values, we have formulated globally binding rules of conduct that are specified in a series of codes and corporate standards. These apply to all employees worldwide, in all of the business areas and cultural spheres in which we operate.

The Code of Conduct, which we introduced in 2000, contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption.

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The codes and corporate standards address specific topics such as compliance with competition and antitrust laws; safety, health, environmental and social standards; → **human rights**; as well as public affairs. They also provide the basis for implementing the **United Nations Global Compact**, which Henkel joined as early as 2003.

You can find the following codes and standards on our [website](#):

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

### **Management systems govern our structures and processes**

Globally uniform standards for Safety, Health, and Environment (SHE), together with integrated management systems, provide the basis for our worldwide optimization programs. Our SHE Standards and our Social Standards apply to all sites. Our management systems ensure that these standards are implemented consistently across our global production network. Since our employees' behavior plays a key role in this respect, we conduct regular environmental and → **safety training sessions** on a variety of topics at all sites.

We carry out → **regular audits** at our production and administration sites, and at our subcontractors and logistics centers to verify compliance with our codes and standards. All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department's annual report to the Henkel Management Board. We have our management systems externally certified at the site level wherever this is expected and recognized by our partners in the respective markets. In 2020, 81 percent of our production volume came from facilities certified to the internationally recognized ISO 14001 standard for environmental management systems. 83 percent of our production volume is covered by the ISO 9001 standard for quality management and 52 percent by the ISO 50001 standard for energy management. In addition, 46 percent of our production volume in 2020 came from production sites that are certified to the new ISO 45001 standard for occupational health and safety management systems. This standard was introduced worldwide in March 2018 and will replace the previous occupational safety standard OHSAS 18001 over a transition period of three years. Around 79 percent of our production volume in 2020 came from sites certified to OHSAS 18001.

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## Our Compliance organization

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

### Focus on communication and training

Since we operate on a global scale, our employees find themselves working within a variety of legal systems and value systems. Many of our employees work in countries where, according to surveys by organizations such as Transparency International, there is a greater risk of encountering corrupt practices. The same expectations apply to all employees at all locations without exception: Henkel strictly opposes the infringement of laws and standards, and rejects all dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday working situations, we focus on regular training courses and communication measures. Our managers play a key role with regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. For this reason, all of our managers across the globe must participate in our mandatory Compliance eLearning program and attend relevant training courses. The program addresses many different compliance topics, such as data protection, competition law and anti-corruption. In 2020, a total of 23,940 participants took part in these training courses.

### Zero tolerance for violations of regulations

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

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standards. Where necessary, we initiate appropriate disciplinary measures. In 2020, eight employees received written warnings, and 24 contracts were terminated as a result of conduct violating compliance rules.

### **Data protection and compliance management systems**

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

### **Results of our audits**

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

In 2020, we conducted 62 audits around the world. In the course of the audits, a total of 808 corrective actions were agreed upon. In 2020, the main emphasis was on the following areas: audits in relatively small countries, audits of the granting of discounts in sales, IT security audits, HR audits in Europe, and our global supply chain organization. Compliance with our SHE Standards was audited at 16 sites, resulting in the initiation of 62 optimization measures. We examined compliance with our Social Standards in four assessments.

Due to the COVID-19 pandemic, a significant proportion of our 2020 audits was conducted using a "remote audit" approach. This requires powerful infrastructure, as well as the digitalization of processes and documents. Our overall assessment of our experience of this remote audit approach is positive, although the effectiveness and efficiency of the approach is limited in certain audit areas and when auditing across different time zones.

All audit results are included in the Corporate Audit department's annual report to the Henkel Management Board and the Audit Committee of the Supervisory Board. In addition to the regular audits, Corporate Audit also conducted an assessment of internal control systems. In 2020, Corporate Audit also trained 2,633 employees worldwide on compliance, risk management and internal controls, in the course of seminars and during audits.

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## Our organization for sustainability

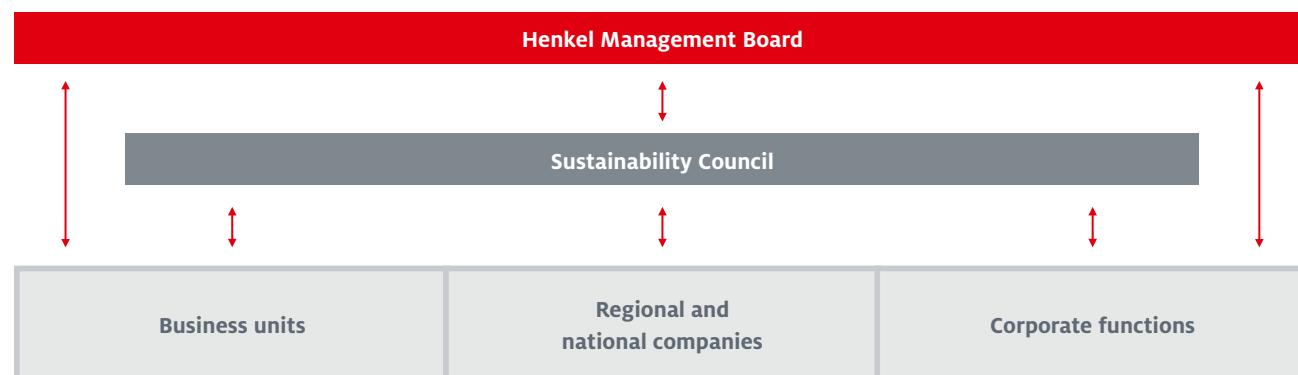
Sustainability management is integrated vertically, horizontally and cross-functionally into our organizational structure, with the aim of implementing sustainable business practices effectively. The Henkel Management Board bears overall responsibility for our sustainability strategy and for the compliance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

### Sustainability Council

Our Sustainability Council steers our sustainability activities as a central decision-making body, with members from all business units and functions in the company. It is chaired by Sylvie Nicol, Executive

Vice President Human Resources, and reflects all areas of the company. As a general rule, the Sustainability Council meets six times per year. In addition, the members take decisions on matters as required during the year. On behalf of senior management, the committee performs coordination, initiative and control functions in relation to sustainability issues. These include strategic topics as well as issues that are operationally relevant, such as climate change and its effects, human rights, sustainable products and technologies, packaging, product safety and management systems.

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The Sustainability Council sets up project groups to deal with sustainability topics, and monitors the results. It also handles cross-departmental projects and regularly monitors the extent to which sustainability goals are met. This includes the progress of our climate-related corporate targets and initiatives, for example.

#### **Corporate governance**

The controlling company of Henkel is Henkel AG & Co. KGaA, headquartered in Düsseldorf. Responsible corporate management and controlling, aimed at a long-term increase in shareholder value, has always been a part of our identity. Taking into account the special features of the legal form and Articles of Association, Henkel AG & Co. KGaA complies with the recommendations (target provisions) of the German Corporate Governance Code, apart from a few exceptions that are explained in [Henkel's 2020 Annual Report](#) (pages 38 and 39). The full wording of the [declaration of compliance](#) is available on our website.

The remuneration report in Henkel's 2020 Annual Report (pages 77 to 92) explains the main components of the compensation system for the Management Board, Supervisory Board, and the Shareholders' Committee of Henkel AG & Co. KGaA and indicates the level of the remunerations paid. More information about corporate governance can be found in our Annual Report, pages 31 to 92.

#### **Business units**

The business units (Adhesive Technologies, Beauty Care and Laundry & Home Care) are also responsible for adapting our sustainability strategy to their operating needs, as well as providing the resources needed for its implementation. They align their brands and technologies, and the sites involved, to sustainability in line with the specific challenges and priorities of their product portfolio. The research and

development departments of our three business units work on key technologies and supply the basis for tomorrow's sustainable products.

#### **Regional and national companies**

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

#### **Corporate functions**

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

#### **Management conferences and working groups**

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

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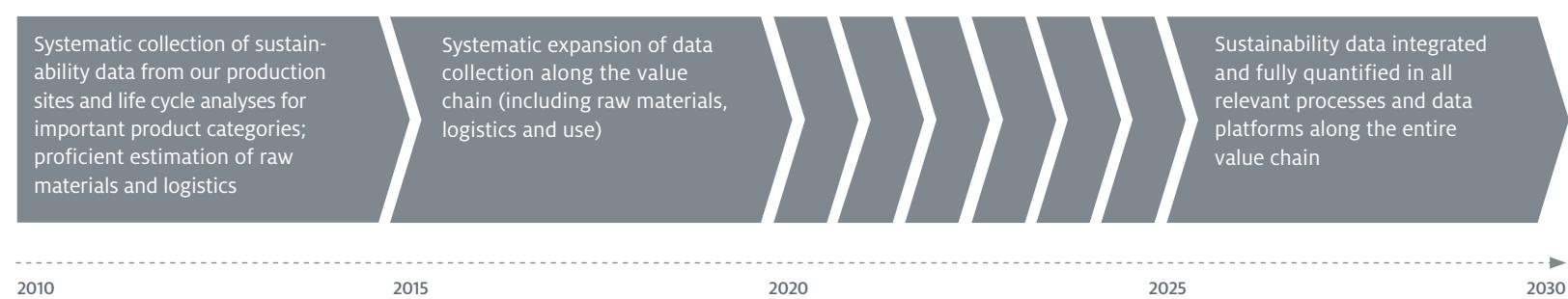
## Evaluation and management of corporate sustainability

We use a variety of methods and tools to evaluate our progress toward our overarching → **20-year goal for 2030** in a way that is integrated across our whole company and along the entire value chain, as well as to optimize the dimensions “value” and “footprint.” We are continuously developing these methods and tools, which include trend and market analyses, as well as the evaluation of ratings and life-cycle analyses. By holistically assessing the influence of our business activities, products and services, we create an important foundation for business decisions and communication with our stakeholders. We are working toward a sustainability accounting and reporting system that provides full transparency along the value chain, from raw materials to disposal. This will enable the holistic steering of our performance as well as comprehensive communication with our customers, consumers, investors and other stakeholders.

### Measuring and evaluating progress

We use representative life cycle appraisals in all product categories to assess our footprint along the entire value chain. We also assess data covering the raw ingredients and packaging materials we use, as well as relevant transport operations. We have assessed more than 95 percent of our annual sales through life cycle appraisals: more than 65 percent has been evaluated through representative life cycle analyses and more than 30 percent through simplified life cycle appraisals. In this way, we ensure validated greenhouse gas (GHG) reporting along the value chain. In addition, we have further developed our EasyLCA software tool for the fast calculation of CO<sub>2</sub> footprints for product formulations. EasyLCA is a quick way to make the footprint of formulations transparent for decision-making processes during the product development process.

### Analysis of our impact along the value chain: from measuring our own production through to comprehensive quantification



## The most important topics and opportunities for improvement along the value chain

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	Value	Raw materials	Production	Logistics	Retailing / industrial processing	Service / use	Disposal
	<b>Performance</b>				← Prerequisite →		
	<b>Health and Safety</b>	Occupational safety	Health (including occupational safety)	Safety standards	Safe use and transparency about the substances used and their safety		
	<b>Social Progress</b>	Social standards Support for smallholders	Diversity and inclusion Employee development	Social standards	Education and training of professional users	Corporate citizenship: Social initiatives and education	
	<b>Materials and Waste</b>	Amount and choice of raw materials (e.g., "conflict-free")	Waste footprint and disposal; "zero landfill"		Packaging waste and recycling		
	<b>Energy and Climate</b>	CO <sub>2</sub> footprint of the raw materials used	CO <sub>2</sub> footprint and energy usage	CO <sub>2</sub> footprint	CO <sub>2</sub> footprint of our customers and consumers		CO <sub>2</sub> footprint for waste disposal
	<b>Water and Wastewater</b>	Impact and potential not sufficiently clear yet	Water use* and wastewater load		Water use* and wastewater load	Impact and potential not sufficiently clear yet	Biodegradability of ingredients
	<b>Footprint</b>	 only relevant for specific product groups, brands or regions					* Hot water covered by carbon footprint.

The core of our sustainability strategy is to reduce our consumption of resources while also creating more value. Our Henkel Sustainability#Master® is also a key analysis tool for visualizing improvements and optimizing our contribution to the "value" and "footprint" dimensions. Using a matrix representation, we can evaluate changes

in both of these dimensions and along the value chain. This tool enables us to carry out systematic measurements and assessments on the corporate and product levels. The → Henkel Sustainability#-Master® is integrated into our innovation process so that every new product is systematically analyzed, measured and assessed.



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## Managing target achievement

We use the results of the Henkel Sustainability#Master® to develop innovations with improved sustainability performance. Only by considering the entire life cycle can we ensure that the actions taken will improve the overall sustainability profile of our products. In line with our ambition that each new product must make at least one contribution to sustainability in one focal area, we assess our products systematically throughout our innovation process. To make it easier to optimize our products while they are being developed, we integrate the environmental profiles of possible raw ingredients and packaging materials into the information systems of our product and packaging development teams. This allows the footprint of a new formulation to be calculated as early as the development phase.

In addition to the contribution that our products make to the achievement of our sustainability goals, we continuously review our management processes and optimize them where needed. This includes measures in the areas of environmental protection and occupational safety, technical developments and process optimization to reduce resource consumption and costs. These measures are supported and implemented by our three business units, as well as our regional and national companies and our corporate functions. Together, they will contribute to the achievement of our sustainability goals. Our Sustainability Council, which is made up of representatives from across the company, is responsible for steering progress toward achieving our overarching 20-year goal for 2030 and our specific targets.

## Reporting and communication

Henkel first published an Environmental Report in 1992. It reviewed our achievements and the progress made in the area of environmental protection in respect of our products and at our production sites. We subsequently began preparing an annual report on our company's major sustainability activities. In 2020, we collected data on 179 sites, representing almost 100 percent of our global production volume. In addition to the Sustainability Report, which is published annually at the same time as our Annual Report, we use various communication and dialog formats to provide our stakeholders with information, as well as to engage in open dialog. This dialog takes place directly, as well as through our online and print media.

## How we contribute to climate protection

Climate change is one of the current global challenges that we have integrated into our sustainability and risk management approaches, as well as across our value chain. It is relevant for us from two perspectives:

One is the potential impact of our business activities on the global greenhouse gas balance, and the other is the potential impact of climate change on our business activities. In the context of our sustainability strategy, we consider our direct and indirect CO<sub>2</sub> emissions and their potential impact on the climate. We are focusing initially on our own locations. Our target is to make a 65-percent reduction in the carbon

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## Link between business activity and climate impact



footprint of our production sites by 2025, and 75 percent by 2030. We intend to achieve this by continuously improving our energy efficiency and by using electricity exclusively from renewable sources. We want to → **become climate-positive** by 2040 by replacing the remaining fossil fuels at our sites with CO<sub>2</sub>-free alternatives. In line with our vision, the sites will become climate-positive when surplus CO<sub>2</sub>-free energy that Henkel does not need for its own purposes is supplied to third parties. In addition to our activities at our own sites, we want to leverage our influence on areas of our value chain that are particularly relevant to CO<sub>2</sub> emissions. We determine this data using the recognized methods of the Greenhouse Gas (GHG) Protocol. Analysis shows that the product use phase has the greatest impact on our CO<sub>2</sub> footprint. As a result, our aim is to help our customers and consumers save CO<sub>2</sub>. We also want to reduce the footprint

of the raw materials and packaging that we use by 30 percent by 2030. One component of this is our packaging strategy, as CO<sub>2</sub> emissions can be reduced by using recycled material, for example.

The target of reducing the CO<sub>2</sub> footprint of our sites by 75 percent by 2030 is in line with the Paris Climate Agreement, which aims to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. We are committed to helping to reach this target and, to do so, we have defined science-based emission reduction targets. In March 2020, the **Science Based Targets initiative (SBTi)** confirmed that these meet the requirements for achieving the targets set by the Paris Climate Agreement.

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When assessing the potential impact of climate change on our business activities, we consider the entire value chain – from the raw materials we purchase through to the marketing of our products. We can draw on the findings of our established and comprehensive process for assessing risk and opportunity, which already takes account of medium- to short-term climate risks like those related to the procurement of raw materials. In addition, we identify relevant longer-term impacts in two major risk categories: transition risks and opportunities associated with the transition to a low-emission economy and society; and physical risks, such as the increased probability of extreme weather events in the future. Governance, strategy and management of climate risks are equally important topics. We examine the potential medium-term impacts of climate change using a qualitative scenario analysis. For this purpose, we use data from transition scenarios developed by the International Energy Agency and climate scenarios produced by the Intergovernmental Panel on Climate Change. In line with the timeframe of our current sustainability strategy, we are initially placing our main focus on the period up to 2030.

## Respecting human rights

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

### Our commitment to respecting human rights

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

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



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

We follow ongoing human-rights-related developments very closely, including the National Action Plans for Business and Human Rights, as well as the UK's Modern Slavery Act. We continue to develop our approach in line with the resulting expectations. This includes a cross-functional workshop on human rights that was held within the company in 2019. We are also engaged in dialog with stakeholders outside the company and in industry initiatives. We continued these activities in 2020. One way we contributed externally was by participating in a → **webinar** as part of the German chemical and pharmaceutical industry's sustainability initiative Chemie<sup>3</sup>. This dealt with current developments concerning human rights in the supply chain and management approaches for companies. Internally, we promote awareness of our obligation to respect human rights by integrating relevant content into eLearning courses and training sessions attended by our employees.

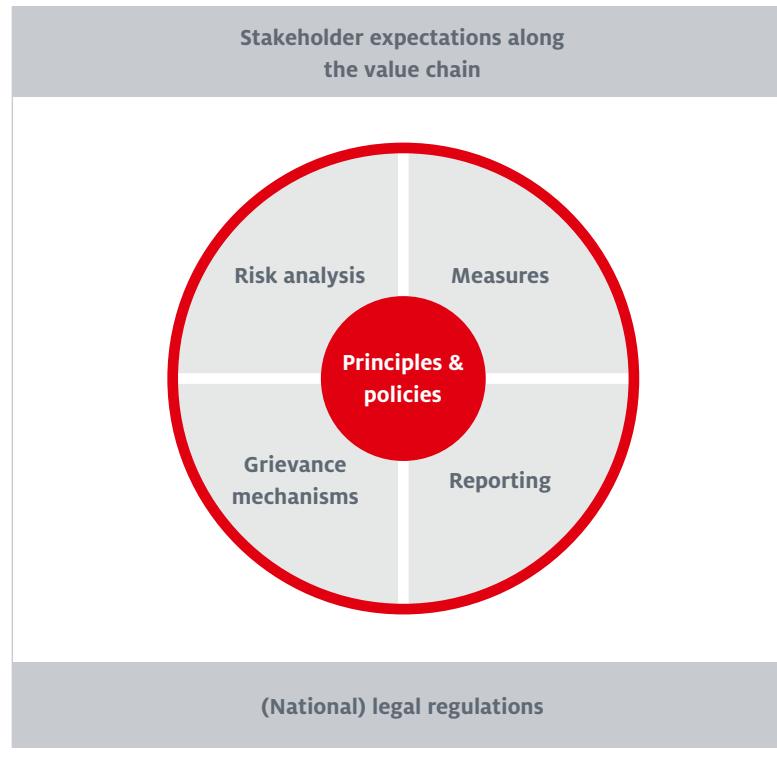
## Our approach to respecting human rights

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

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

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## Our approach to human rights due diligence



## Principles and policies

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

## Risk analysis

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

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

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

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

## Effective measures

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

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

In order to reduce the risk related to raw materials from regions that may be associated with military conflicts, we have reviewed our direct suppliers of metals repeatedly in recent years. In this context, we have also asked them to provide appropriate documentation to prove that they do not source or process metals from critical regions.

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

## **Reporting**

We carry out regular audits at our production and administration sites, and at our subcontractors and logistics centers, to verify compliance with our codes and standards. This also includes relevant human rights issues. All audit results, including the review of our SHE and Social Standards, are reported directly to Henkel's Management Board in the annual report compiled by the Internal Audit team. In line with the criteria of our risk analysis process, our comprehensive Group-wide audit program in 2020 did not reveal any indications of human rights violations related to Henkel's business operations. The identified risks related to raw materials are addressed as part of our supply chain management approach.

## **Grievance mechanisms**

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

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# Purchasing and suppliers

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- What we expect from our business partners
- Honoring our suppliers
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# Purchasing and suppliers

## Enabling purposeful growth through responsible sourcing

With our leading approach to responsible sourcing, we aim to enable purposeful growth by driving sustainability throughout our supply chain for the benefit of people and the planet. For this reason, we maintain intensive dialog and collaboration with our suppliers to promote sustainable practices and respect for human rights. We have defined a strategic framework that is built on our robust risk management and compliance approach. Henkel's goal of becoming climate-positive, our commitment to promoting a circular economy, and our dedication to supporting social progress are three focal areas at the heart of our responsible sourcing agenda. These are complemented by four strategic enablers – collaboration, transformation, innovation and empowerment – that will guide our progress toward 100-percent Responsible Sourcing.

## What we expect from our business partners

Our supplier base is one of our most important resources and is a huge lever for reducing our environmental footprint, reaching our ambitious commitment to become climate-positive by 2040 and further enhancing our positive social impact. To accommodate increasingly globalized value chains and complex procurement activities, we ensure a holistic supplier management process. Together with our business partners, we are further shaping our collaborative approach and driving this process forward. Environmental and social aspects are becoming increasingly important as they take their place alongside key commercial and operating indicators. Henkel currently has business partners from 123 countries. More than 76 percent of our purchasing volume comes from countries that belong to the Organization for Economic Cooperation and Development (OECD). However, we are increasingly opening up new purchasing markets in countries that are not OECD members. We place the same exacting demands on business partners worldwide. We expect their business conduct to be consistent with our sustainability requirements. In selecting and working with our business partners, we also consider their performance with regard to safety, health, environment, social standards and fair business

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practices. This is based on our corporate [Safety, Health and Environmental Protection Standards](#), which were first defined in 1997. These standards represent our early commitment to responsibility along the entire value chain. Our corporate purchasing standards apply worldwide, and we have supplemented these with a [Responsible Sourcing Policy](#). The Chief Procurement Officer (CPO) is responsible for all procurement activities and for ensuring responsible supply chain management. He reports directly to the Chief Financial Officer (CFO).

### Binding supplier code

Compliance with the cross-sector Code of Conduct of the [German Association of Materials Management, Purchasing, and Logistics \(BME\)](#) is mandatory for all of Henkel's suppliers worldwide. Henkel joined the BME in 2009, as its code is based on the ten principles of the [United Nations Global Compact](#) and can therefore be used internationally. Alongside our Responsible Sourcing Policy, the BME code also serves as the basis for contractual relationships with our strategic suppliers, who have either recognized the cross-sector BME code – and hence the principles of the Global Compact – or produced their own comparable code of conduct. The BME code is available in twelve languages.



Henkel is a signatory to the cross-sector Code of Conduct of the German Association of Materials Management, Purchasing, and Logistics (BME).

## Honoring our suppliers

As part of our supplier management activities, we collaborate intensively with our strategic suppliers to ensure the procurement of sustainable raw materials. We aim to initiate positive change throughout the value chain through joint projects for process optimization, resource efficiency, innovation, and environmental and social standards. Furthermore, Henkel has been honoring sustainable innovations by its suppliers for eight years.

The Adhesive Technologies business unit presented the sustainability award to Clariant in 2020. The specialty chemicals company received the award for its achievements related to developing innovative solutions with health and safety benefits. Clariant provided excellent support and made an outstanding contribution to our sustainability targets and ambitions in 2020. The strong partnership between Henkel and Clariant was characterized by open dialog and a laser-sharp focus on sustainable solutions.

The Beauty Care business unit presented its sustainability award to Evonik in 2020, in recognition of its efforts to develop the first biosurfactant to be used in Henkel body care products. The bioengineered, natural ingredient from Evonik delivers strong performance in terms of mildness, appearance and creating foam. The Laundry & Home Care business unit presented its sustainability award for 2020

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to Stepan for a new vegan softening agent. This material is made from renewable plant oils that are grown in Europe, which supports our efforts to reduce our environmental footprint. Evonik and Stepan received their awards during a joint supplier event involving both business units, which took place in a completely virtual format for the first time.

## Cooperation with strategic partners

For many years, Henkel has engaged in targeted dialog with its most important strategic partners on the subjects of sustainable innovations and responsible supply chains. The dialog centers on the definition and implementation of a common plan for Henkel's sustainability goals for 2025 and beyond. The focus is on creating transparency about the sustainability performance of our direct suppliers and the responsible sourcing programs they have been implementing in their upstream supply chain beyond the second level. To support Henkel's long-term goal of → **becoming climate-positive by 2040**, we also require our suppliers to provide transparency about the emission values of their product portfolios. In addition, we expect them to make a contribution to reducing CO<sub>2</sub> emissions along their supply chains in line with our science-based target for Scope 3 emissions.

## Our Responsible Sourcing Process

Our six-step Responsible Sourcing Process, which assesses the sustainability performance of our suppliers, is a central element of our strategic risk management and compliance approach. Through this six-step process, we support our strategic suppliers in making their contribution to the continuous improvement of sustainability in the value chain through targeted cooperation – for example, through knowledge transfer and continued education about process optimization, resource efficiency, and environmental and social standards. The Responsible Sourcing Process is an integral part of our purchasing activities and is applied both at the beginning of any cooperation and in the repeated cycle of review, analysis and continuous improvement with existing suppliers. Using this process for the audit and assessment of the sustainability performance of our suppliers, we cover about 91 percent of our purchasing volume in the areas of packaging, raw materials, and contract manufacturing.

### Step 1: Pre-check and risk assessment

Henkel uses an early warning system for sustainability risks in global purchasing markets. We begin by evaluating the potential risks in a region or country. In doing so, we concentrate on countries identified by international institutions as being associated with heightened levels of sustainability risks. The assessment includes the criteria "human rights," "corruption" and "legal environment" as well as risk value chains. Risk value chains are related to industries and sectors

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that we consider to potentially represent a sustainability risk for our company. This helps us to identify countries and purchasing markets that may require special precautions. One example of a risk market is the purchase of raw materials for solder pastes and similar products for the electronics industry. These materials contain metals – mainly silver, copper and tin – to make them electrically conductive. In some countries, the mining of cassiterite (the main source of tin) is associated with military conflicts and human rights violations. For this reason, we request every year that our direct suppliers of metals provide documentation as evidence that they do not purchase or process metals from critical regions.

### Step 2: Onboarding

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

### Step 3: Initial assessment or audit

At the start of a new business relationship, new suppliers are asked to either disclose existing sustainability performance results, or to undergo a sustainability self-assessment that provides transparency about their sustainability performance. Our assessment approach uses questionnaires drawn up by EcoVadis, an independent sustain-

ability assessment specialist. These questionnaires cover expectations in the areas of safety, health, environment, quality, human rights, employee standards and anti-corruption.

Selected suppliers undergo initial audits as an alternative to the self-assessment questionnaires. In this process, Henkel works with independent audit companies to check compliance with the defined standards in audits. Our audits consist of on-site inspections (e.g., at production sites) and include both factory inspections and discussions with employees at all levels of the hierarchy.

Henkel received the Sustainable Procurement Leadership Award from EcoVadis in the category for Best Internal Stakeholder Engagement again in 2020. This recognition was achieved as a result of our outstanding stakeholder engagement, which has driven progress toward our responsible sourcing agenda internally and among our suppliers. In line with our strategy, we are now further intensifying our internal and external stakeholder engagement as part of our strong focus on collaboration.

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### Step 4: Analysis of the performance assessment

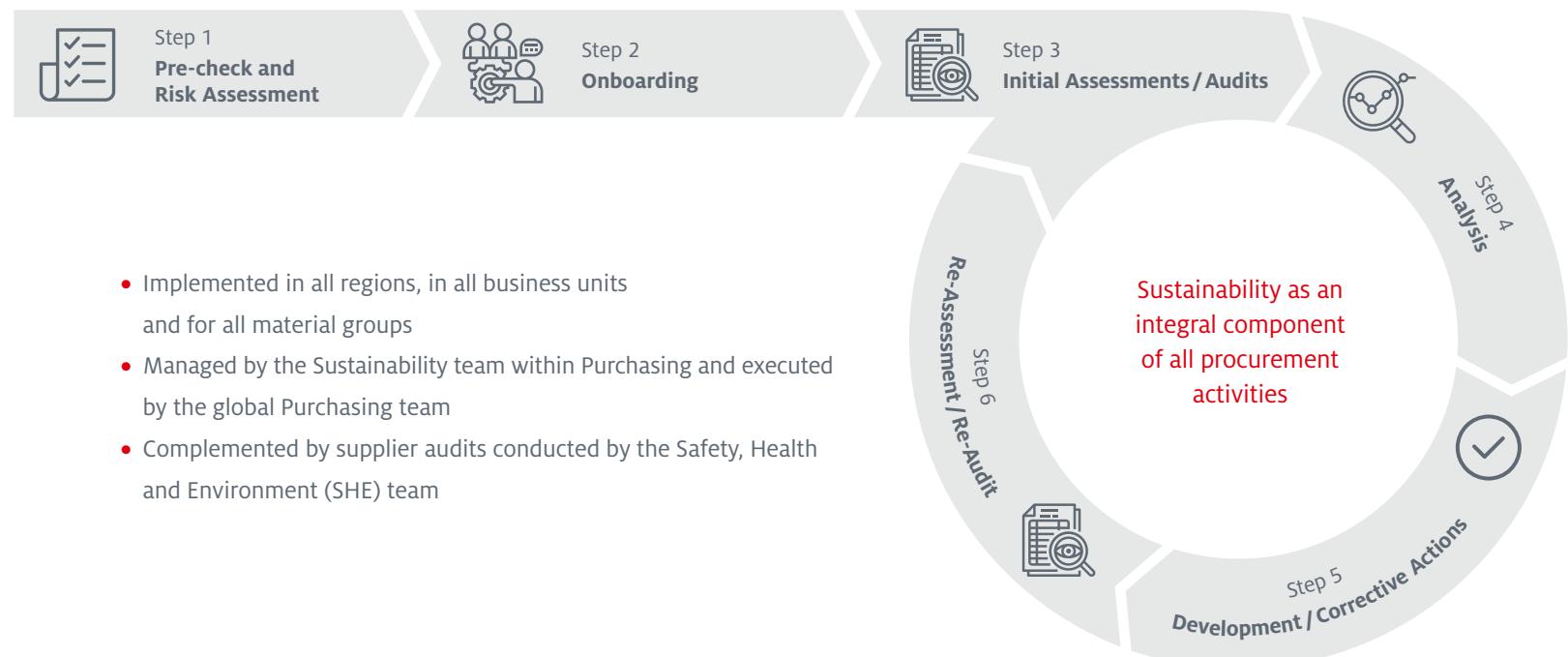
External sustainability experts, as well as the supplier owners in our Purchasing team, analyze the results of the audits or the results of the self-assessment questionnaire to identify sustainability deficits and improvement areas. At the same time, the suppliers are assigned to different sustainability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

### Step 5: Corrective actions and continuous improvement process

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

### Responsible Sourcing Process

Six-step supplier management process



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## Step 6: Re-assessment / Re-audit

We use recurring re-assessments or re-audits to monitor the performance progress of our suppliers and ensure a continuous improvement cycle consisting of evaluation, analysis and corrective measures. The resulting transparency about the development of our suppliers' sustainability performance is made accessible in real time via digital platforms.

## Development or termination of the supplier relationship

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability performance. We strive to initiate positive change throughout the value chain, through training programs and joint projects. During 2020, we did not receive any notifications of an infringement by any of our strategic business partners that would have given cause for terminating our relationship with that supplier.

## Supplier survey on paper-based packaging

We aim for 100 percent of the paper and cardboard that we use in our packaging to consist of recycled material or, if fresh fibers are necessary, to originate from sustainable forestry. In 2020, we conducted a comprehensive supplier survey again to confirm that all of the key suppliers who took part in this survey comply with our expectations. The participating suppliers account for 93 percent of our spend in this category. Since 2017, all suppliers of paper-based packaging must also confirm compliance with our procurement guidelines during the onboarding process. Confirmation of compliance with these guidelines is also a mandatory part of our tendering process.

The results show that our suppliers used 69 percent recycled material in 2020. Around 86 percent of suppliers use at least one certification scheme. The certificate used most often is FSC (Forest Stewardship Council), followed by PEFC (Programme for the Endorsement of Forest Certification) and SFI (Sustainable Forestry Initiative). Creating more transparency in the supply chain is another focus of our cooperation with suppliers. This includes the traceability of the materials we buy, especially if suppliers source virgin fibers from high-risk countries. In such instances, we work together on measures to minimize the associated risk. Our 2020 survey included an additional question about whether our suppliers report on their greenhouse gas emissions. By adding this question, we aim to gather information that we can use to drive forward our collaboration and support progress toward our climate targets.

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## Our approach to raw materials

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

### Renewable raw materials in our laundry detergents

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

rials. This is the result of Henkel's many years of experience with ingredients based on plant-based oils. 42 percent of the surfactants for our laundry detergents and household cleaners are based on renewable raw materials. The remaining share is accounted for by inorganic and mineral-oil-based ingredients.

### Beauty Care products using raw materials of natural origin

In our cosmetics business, nature-based raw materials are used in all product groups. We refer to the use of individual nature-based active ingredients or fragrances in our products if these are associated with specific properties – for example, the care properties of shea butter and yogurt or the soothing effect of aloe vera. We are also working to increase the proportion of ingredients based on renewable raw materials in our Beauty Care products, wherever this is possible and appropriate. If mineral-oil-based ingredients in a formulation are replaced by starch-based ones, for example, this increases the overall proportion of renewable raw materials and helps to conserve fossil resources. Regarding ingredients based on both renewable raw materials and mineral oil, only the renewable portion is taken into account in the assessment. As a rule, we calculate the percentage of renewable raw materials with reference to the dry weight of our products. We use renewable raw materials in our soaps, shampoos and shower gels – while the use of ingredients obtained from renewable raw materials is also on the rise in styling products. We are also committed to environmental and social considerations when purchasing renewable raw materials.

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## Natural bonding

Renewable raw materials such as starch, cellulose, dextrins and proteins are used in many consumer and craftsmen adhesives, as well as in industrial adhesives for a wide range of applications. For example, we utilize renewable raw materials in glue sticks, wallpaper pastes and packaging adhesives. Bottle labeling adhesives contain as much as around 45 percent renewable raw materials.

## Using sustainable palm oil and palm kernel oil

At Henkel, we recognize our responsibilities regarding the purchase and use of ingredients based on renewable raw materials. For this reason, we are committed to ensuring that the ingredients for our products are made from sustainable palm oil and palm kernel oil. With this in mind, we work both with the companies from which we source our raw materials and with other partners to exert influence on the palm oil supply chain, from smallholders to consumers.

We have made considerable progress in this respect with a wide range of measures in recent years. In fiscal year 2020, we were able to source 90 percent of our total demand for palm oil and palm kernel oil, together with the derivatives mainly used by Henkel, as certified raw materials in line with the  RSPO's Mass Balance model. In some markets, unfortunately, certified raw materials are still not available to us locally, due to insufficient demand in certain emerging markets. In these cases we join forces with our suppliers to look for solutions or, alternatively, we have to import raw materials, at a corresponding cost in terms of time and effort. Additionally, a number of derivatives of palm-kernel-oil-based raw materials that we use in



Palm oil as an important raw material

Palm oil is the most widely used vegetable oil and cannot easily be replaced by other vegetable oils. For the same yield, oil palm requires about three times less land than rapeseed and as much as six times less than soybeans. Replacing palm oil with other vegetable oils would not solve existing problems, but just shift them or make them worse.

Palm oil, palm kernel oil and their derivatives are two of the most important renewable raw materials we use to manufacture ingredients for our laundry detergents, household cleaners and cosmetic products. In the process, we use less than 0.2 percent of the palm oil and palm kernel oil produced worldwide, especially palm kernel oil as the basis for surfactants. These materials are at the end of a long and often highly complex supply chain. We are committed to driving progress toward achieving sustainable practices across the palm oil industry – along the entire value chain.

comparatively small quantities are still not available as RSPO-certified products. In these circumstances, too, we maintain an intensive dialog with our suppliers. The challenges mentioned above were compounded in 2020 by delays in RSPO certification for some suppliers as a consequence of the COVID-19 pandemic. We are confident that we will

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make further progress in the transition to certified raw materials in the years ahead, yet we must acknowledge that full transition of our value chains to  sustainable palm oil remains challenging. As a result, we offset the remaining portions via RSPO-Credits according to the Book & Claim model. This means that, through RSPO, we cover 100 percent of the palm oil, palm kernel oil and derivatives used in our products. By purchasing the RSPO-Credits according to the Book & Claim model, we intend to create an incentive for plantation operators to continue making investments in implementing ambitious sustainability standards and the certification, until we can physically switch the remaining quantities of raw materials and so close the supply chains.

In addition to our progress in certification, we were able to increase the traceability rate to 75 percent, all the way to the mill.<sup>1</sup> With the support of an external sustainability consultancy, we engaged with our suppliers to map our joint palm-based supply chain. Overall, we have helped to increase the availability of sustainable palm oil and palm kernel oil on the market. By means of seven different smallholder projects that we had established in 2017, we increased the supply of sustainable palm oil and palm kernel oil on the global market by a volume equal to our total expected demand for these materials.

Based on our success so far, we have set ambitious goals for 2025. Building on existing certifications, we intend to develop our supply chains to ensure full NDPE compliance (No Deforestation, No Peat, No Exploitation). We aim to ensure that the palm oil and palm kernel oil used as ingredients in our products do not contribute to the

deforestation of primary or secondary rainforests with significant ecological value. These include peat lands and other high-carbon stock areas. In addition, we intend to continuously develop traceability and transparency. We also aim to further improve the livelihoods of smallholders while playing our part in climate protection and adaptation to climate change.

Building on our 2020 objectives, we have set more far-reaching goals for 2025 that we believe will address the key priorities for successfully transforming the palm oil industry. These goals are focused on the specific challenges where we can make our strongest contribution. The targets for 2025 are:

### **1. Cover 100 percent of our demand with oils whose responsible sourcing is certified or externally confirmed:**

We intend to continue driving forward the certification of our raw materials in line with the RSPO's Mass Balance model. We are also aiming at certification according to the RSPO's segregation model for the portion of palm oil and palm kernel oil that is directly sourced.

### **2. Establish full traceability and transparency of the palm oil and palm kernel oil used in our products:**

We have learned from our activities that the issue of transparency and traceability needs further development, especially for palm-kernel-oil-based derivatives. We also find that cross-industry initiatives are needed to verify targets for zero net deforestation. With this in mind, we continue to pursue the goal of full transparency and traceability by 2025, together with our partners.

<sup>1</sup> The survey was conducted in 2020 based on 2019 supplier data.

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### 3. Improve the livelihood of smallholders and protection of nature:

We are building on the success of our collaborative projects with smallholders and will continue strengthening our commitment to integrate raw materials from these smallholders into our supply chain. Greater consideration is also given to ecological aspects while supporting climate-friendly agriculture and a positive impact on biodiversity.

We support the physical transformation toward the use of certified products in the industry and the transformation of the market toward certified sustainable palm oil products. A multi-stakeholder approach is at the core of our initiative for sustainable management of palm oil and palm kernel oil. Through partnerships, projects and dialog, we are able to engage with key players, enabling us to expand our contribution to sustainable practices in the palm oil industry. Henkel is a committed founding member of the Forum for Sustainable Palm Oil (FONAP) in Germany and is a member of various working groups. The collaboration currently comprises 51 companies, NGOs, associations and political bodies. It is pursuing the goal of significantly increasing the proportion of sustainably produced palm oil, while also improving existing standards and certifications. We are also actively involved in the Roundtable on Sustainable Palm Oil (RSPO). Following the latest revision, the RSPO standard increasingly includes compliance with human rights along the entire supply chain, in addition to environmental aspects. Together with our

partners, we want to drive visible progress toward sustainable palm oil and palm kernel oil and make a positive contribution to both the environment and the people affected.

In May 2020, our Global Supply Chain organization was again successfully audited in line with the RSPO's [supply chain certification standard](#). In addition to the production sites in Western Europe and the US, we included three sites in Eastern Europe in the certification process for the first time. This standard supports the use of sustainable palm oil and palm kernel oil along the entire value chain. It is regarded as proof, for retailers and others, that the value chain is certified from the plantation through to the last production site.

In addition to our commitment to achieving a fully certified supply chain and developing our suppliers to full NDPE compliance, we are also working to increase the transparency and traceability of the palm oil and palm kernel oil used in our products. In this area, too, we are working together with a range of stakeholders and will increasingly involve the cross-sector initiative [Action for Sustainable Derivatives \(ASD\)](#). In dialog with all of the suppliers involved, we will continue to clearly address our expectations and develop our suppliers in specific fields. In 2020, we launched a pilot project with our partner Orbital Insight to further increase the traceability rate of selected mills back to plantations, using extensive analysis of geo-data. [Orbital Insight](#) uses the analysis of anonymized mobile phone data to detect permanent supply relationships.

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## Smallholder projects promote sustainable production

Smallholders produce 40 percent of the world's palm oil, yet their productivity and quality levels are much lower compared to large plantations. They often lack access to technical knowledge and to financial services that are crucial to improving their production. Some smallholders are also concerned that access to the palm oil market will be limited if their harvests do not meet the criteria set out by the RSPO. This is because many major buyers of palm oil have committed to buying only oil products that are certified as sustainable. Together with the development organization  **Solidaridad**, Henkel is addressing these challenges. It is currently engaged in seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria to find innovative, market-based solutions focused on increasing the yield for smallholders. The focus is on training in best practice approaches, including climate-friendly agriculture, along with exerting an influence on policy and involving stakeholders. To date, around 34,000 smallholders have been reached on some 305,000 hectares under cultivation.

Another project phase was completed with our support in  **West Kalimantan, Indonesia**, in 2020. The project was launched in 2016 and has already provided support for a large number of smallholders on their path to certification by the RSPO. The scope of the project has now been expanded through input from Henkel and BASF. By training more than 2,000 smallholders in how to increase yields and prevent environmental damage through the right farming practices, yields have increased on average by up to 20 percent annually.

In addition, a new project was launched in Nigeria together with Solidaridad in 2020, which will involve building four nurseries for seedlings. Improved varieties will be grown in these nurseries, leading to an increase in crop yields while avoiding deforestation through new planting. The nurseries will be accompanied by training courses that teach sustainable land use practices and topics related to forest conservation. Special schools for women and young people are also being set up to promote them in agribusiness and to train them in entrepreneurial skills.



Supporting smallholder farmers

Together with the development organization Solidaridad, Henkel is currently involved in seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria. The focus is on training and continuing education for smallholders, to improve livelihoods and strengthen nature conservation through the use of organic farming methods. Photo: Solidaridad

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Building on the very good collaboration with Solidaridad, we have developed specific plans for the next few years to expand the commitment further. We have set ourselves the goal of expanding the project in [Colombia](#) to neighboring countries. This project has been successful in supporting smallholders through the innovative Farming Solution platform. The platform was developed by Solidaridad to strengthen cooperation along the entire palm oil supply chain. It is also designed to help smallholders increase their productivity and reduce negative environmental impacts, with the aim of supporting them in meeting the certification requirements sooner.

In 2020, we reported in a [case study](#) on our approach to promoting sustainable palm oil and palm kernel oil products and our commitment together with Solidaridad. The case study was published on WWF's Palm Oil Buyers Scorecard website.

## Action for Sustainable Derivatives (ASD)

In November 2019, Henkel joined the cross-industry initiative [Action for Sustainable Derivatives \(ASD\)](#) as a founding member, together with other leading consumer goods manufacturers and companies in the oleochemicals industries. The primary objective of the initiative is to generate more transparency in the complex value chain for palm derivatives. The resulting shared aspiration is to assess identified risks and to promote the sustainable production and procurement of palm oil and palm kernel oil derivatives. The initiative aims to facilitate the sharing of best practices and solutions in order to comprehensively transform the complex palm oil derivatives sector. In addition, the harmonization of requirements,

tools and criteria will create fair conditions of competition for companies and their direct suppliers. It will also reduce the burden on upstream stakeholders in the supply chain. ASD's first progress report in 2020 shows the successes achieved just ten months after its formation. This includes the analysis of data on supply flows along the supply chains of 18 member companies, covering a total volume of 450,000 metric tons of materials based on palm oil. This has enabled up to 90 percent traceability of the collective quantities to the refinery and 81 percent to the mill. We have also had a compliance profile compiled for our main suppliers of raw materials based on palm oil in 2020, with the aid of the Sustainable Palm Index. This tool helps us to identify potential improvements and define action plans together with our suppliers.

## We are committed to preserving biodiversity

Conserving species diversity and biodiversity is important to Henkel, as intact ecosystems and soil biodiversity are essential as a basis for sustainable agriculture and raw material production. This also includes our commitment to the [Consumer Goods Forum](#) initiative against worldwide deforestation and for the protection of biodiversity. By promoting smallholder projects in the palm oil and palm kernel oil sector, we are giving consideration to ecological aspects while supporting climate-friendly agriculture. Another example of promoting biodiversity is the use of guar and guar derivatives as important plant-based raw materials used in many cosmetic products. The hair and body care brand Nature Box, which was introduced in July 2018, contains guar for hair and skin care purposes. Henkel's Nature Box brand supports guar farmers in the desert region of Bikaner in

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Rajasthan, India. They learn sustainable guar farming methods and receive valuable advice on planting their own vegetable gardens. All product formulas were developed so that they primarily consist of natural substances. → **Nature Box** also supports sustainable palm oil and palm kernel oil production together with Solidaridad.

## Together for a sustainable supply chain

In 2011, Henkel and five other companies in the chemical industry introduced the initiative **Together for Sustainability – Chemical Supply Chains for a Better World (TfS)**. It is based on the principles of the United Nations Global Compact and the Responsible Care Initiative of the International Council of Chemical Associations (ICCA). TfS aims to harmonize increasingly complex supply chain management processes with regard to sustainability and to optimize dialog among worldwide business partners. Above all, synergies are to be created so that resources can be used more efficiently and with a minimum of administrative effort, not only among the member companies but also with all of our shared suppliers. The core elements of the TfS initiative are audits and online assessments. The audits are carried out by a number of selected, independent audit companies. For the online assessments, TfS cooperates with EcoVadis, a service provider specialized in sustainability performance assessments. The TfS initiative has grown strongly in recent years and now consists of 29 members that represent a total spend of more than 225 billion euro. In 2020, the initiative's reach within the supply chains of the chemical industry was further expanded by seven new companies that joined TfS.

At the heart of the initiative is the core idea: "An audit for one is an audit for all!": Suppliers only have to undergo one assessment or one audit conducted by independent experts. Around 16,000 assessments and audits have been carried out since TfS was founded. Performance is assessed in the areas of management, environment, health and safety, labor and human rights, and issues of ethical corporate governance. The measures then introduced are reviewed via re-assessments or re-audits. Follow-up monitoring and subsequent supplier management are the responsibility of the individual member companies. An online platform is used to make the results available to all members of the initiative.

In September 2020, TfS launched its new strategic framework "TfS Grow&Deliver." This new strategy builds on the initiative's past achievements and will shift TfS away from collaboration that is focused on measurement and toward becoming a community that makes a tangible impact together. TfS members will continue their commitment to promoting higher standards, as well as improving the insights and data gathered from assessments and audits. This will enable TfS to train suppliers in topics and areas that offer the largest



**TfS President Bertrand Conquéret**  
Since May 2019, Bertrand Conquéret, Chief Procurement Officer (CPO) at Henkel, has been President of the TfS initiative. He played a key role in developing the new "Grow&Deliver" strategy.

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potential sustainability impact. TfS has also decided to expand its work in emerging markets such as China and India. Taking collaborative action is another building block for the new strategy. In this way, TfS aims to further extend its contribution to sustainability. On top of this, fostering the TfS community is another key factor that will enable TfS to achieve its aims.

TfS works closely with chemical associations worldwide. Synergies in the chemical industry are being used by both sides through collaboration with the Brussels-based European Chemical Industry Council (CEFIC). Another major partner for TfS is the China Petroleum and Chemical Industry Federation (CPCIF).



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## Supplier development

In 2020, Henkel put a special focus on supplier development and capability building related to responsible sourcing and sustainability topics. In 28 webinars, around 3,000 participants of our supplier base received training about Henkel's Responsible Sourcing Process, the TfS initiative, and the EcoVadis assessment process. In addition, more than 900 Henkel employees within our Purchasing team received training about our achievements related to responsible sourcing and our strategy for building on these achievements in the future. The training was provided in Chinese, English, German, Japanese, Portuguese and Spanish.

In addition, TfS hosted its supplier training for Chinese petrochemical companies again in 2020. This year's session took place at the China Petroleum and Chemical International Conference (CPCIC) in Nanjing with around 500 participants, including suppliers and representatives from TfS members and industry organizations. The training focused on how to build a sustainable supply chain, as well as the specific requirements for chemical companies.



To provide deeper insights into the challenges and requirements related to implementing sustainability within the chemical supply chain, TfS organized a supplier training to Chinese petrochemical companies.

## Responsible sourcing together with our partners

In addition to our work in the Together for Sustainability initiative, Henkel is also member of AIM-PROGRESS, a forum of companies from the consumer goods industry. The objective here is also to encourage member companies to share experiences in the area of sustainable sourcing and utilize synergies. The forum also focuses on holding regional supplier events to communicate and improve CSR performance within the value chain. In line with our strong belief in the power of multi-stakeholder and cross-industry initiatives, we are also a founding member of the → Action for Sustainable Derivatives (ASD). It brings together organizations from along the palm oil derivative supply chain to support efforts to increase transparency and promote compliance with NDPE (No Deforestation, No Peat, No Exploitation) principles, with the overall aim of positively transforming the palm oil industry.

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## How we are striving to make our production more sustainable

Henkel operates 179 production sites worldwide. We work continuously at all of these sites to reduce our environmental footprint while maintaining high quality and safety standards. We have specified concrete targets for our production sites to maximize our positive impact and help steer progress toward our long-term goal of becoming three times more efficient by 2030. We defined medium-term targets for 2020: we aimed to increase net sales by 22 percent per metric ton of product and to improve our worldwide occupational accident rate per million hours worked by 40 percent. At the same time, we aimed to reduce the direct and indirect CO<sub>2</sub> emissions at our production sites, cut the amount of waste we generated and decrease our water consumption, in each case by 30 percent per ton of product relative to the base year 2010.

We were able to make great progress toward our specific targets for “deliver more value” and “at a reduced footprint” by the end of 2020. We overachieved our targets with regard to improving our accident rate, cutting CO<sub>2</sub> emissions and reducing the volume of waste generated. Regarding our target to reduce water consumption, we were not able to reach our target ambition for 2020. Overall, our results confirm our global and long-standing commitment to contributing to improved efficiency. By 2020, the efficiency increase had risen to 64 percent.

**Achieved 2020<sup>1</sup> Targets 2020<sup>1</sup>**
**+ 1 % + 22 %**


More net sales per ton of product

**+ 50 % + 40 %**


Safer per million hours worked

**- 44 % - 30 %**

Less CO<sub>2</sub> emissions per ton of product

**- 44 %<sup>2</sup> - 30 %**


Less waste per ton of product

**- 28 % - 30 %**


Less water per ton of product

**+ 64 % + 75 %**

Total efficiency

<sup>1</sup> Compared to the base year of 2010.

<sup>2</sup> Amounts of waste from our production sites excluding construction and demolition work.

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Based on our achievements, we have set → **ambitious targets** for 2025 and beyond to further improve our performance and continue to reduce our footprint. These targets cover CO<sub>2</sub> emissions and waste, as well as water consumption. We are striving to achieve them by following a comprehensive approach at the corporate level that involves strong collaboration between our business units.

## Driving efficiency

In line with our aim to continuously improve our entire production network, we began introducing the Henkel Production System (HPS) in 2015. Through this group-wide optimization program, we want to systematically identify and eliminate all inefficiencies like waiting times, excess production or defects from our value chain. We have set

standards for the harmonization of production workflows that apply to all three business units. HPS is based on lean principles and on engaging all of our employees to ensure that they implement the new standards effectively, while saving resources.

In this context, our Adhesive Technologies business unit introduced a Best Operative Practice program in 2014. During sustainability workshops at the Henkel production sites that account for the majority of our operational footprint, participants identify the main contributing factors. They then analyze and discuss best operative practices, and develop proposals for improvements. The workshops for cross-functional teams use sustainability scorecards to prioritize projects and plan their implementation. Despite the challenging situation due to the COVID-19 pandemic, we conducted 16 workshops in 2020. We also held several project review sessions and conducted sustainability training using tools like Microsoft Teams, virtual boards and smart glasses. People from 26 sites took part in the workshops, which covered topics including reducing emissions related to the use of thermal energy, as well as minimizing raw material packaging. We also conducted specific training in line with the ISO 50001 standard for energy efficiency. Since the beginning of the Best Operative Practice program, a total of 74 workshops have taken place. These workshops have led to a wide range of improvement projects. For instance, we replaced the boiler for generating steam energy at our site in Itapevi, Brazil. This project included a new modular control system that uses Programmable Logic Control (PLC) technology. This saves up to 10 percent of the natural gas consumed per ton produced.



In a sustainability workshop conducted virtually due to the COVID-19 pandemic, participants analyzed and discussed best operative practices to improve the operational footprint.

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We are also striving to save energy by optimizing our spraydrying towers, which are used to make powder that forms the basis for many of our laundry detergents. This process accounts for a relevant share of energy consumed by our Laundry & Home Care business unit at our site in Düsseldorf, Germany. For this reason, collecting more data about energy consumption within this process opens up opportunities to increase efficiency and reduce the related carbon footprint. To drive data-driven decarbonization, sensoring granularity is gradually being augmented. For example, we installed additional sensors inside and outside of the spraydrying towers in Düsseldorf to gather more data, which we then make available within our global Digital Backbone system. Following the success of this pilot project, we are implementing this data-driven approach across all of our factories that produce washing powder with spraydrying towers. This will allow us to identify opportunities to further increase energy efficiency by analyzing data and benchmarking against other sites. Our measures to improve efficiency also include implementing heat recovery systems. The implementation of one of these systems at our site in Port Said, Egypt, has contributed to reducing energy consumption at the site by around 20 percent since 2018. The system recovers hot air that is emitted from the spray tower and uses it to heat up fresh air when it enters the tower burner. Currently, we are also implementing heat recovery systems at our production sites in Ferentino, Italy, and Mornag, Tunisia.



#### Gathering data with the help of sensors

As a pilot project, we installed additional sensors inside and outside the spraydrying tower for the production of washing powder at our site in Düsseldorf. This enables us to gather more data, which helps us to increase the efficiency of our processes and to make comparisons across our sites worldwide because the data is made available in our global Digital Backbone system.

The digital transformation is also enabling our Beauty Care business unit to increase efficiency in operations. For example, we have introduced the Connected Worker platform to improve data availability and visualization, and to eliminate paperwork in operations. We implemented this lighthouse project at our site in Maribor, Slovenia, in 2020. After just three months of real-time use, we reduced the length of time required to get a production line ready to manufacture a different product by 5 percent. Additionally, all paper forms have been eliminated and are now integrated into the digital platform. These measures are part of our Beauty Care business unit's further developed strategic sustainability supply chain framework, which covers a whole range of activities that use digital technologies to reduce the environmental footprint at every stage in the value chain.

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### Standards and management systems

Globally uniform standards for Safety, Health, and Environment (SHE) and integrated management systems provide the basis for our worldwide optimization programs. Our SHE Standards and our Social Standards apply to all sites. Our → **management systems** ensure that these standards are implemented consistently across our global production network.

#### External certification of our management systems in 2020

Code	Standard for	Percentage of production volume covered
ISO 14001	Environmental management systems	81 percent
ISO 9001	Quality management systems	83 percent
ISO 50001	Energy management systems	52 percent
ISO 45001	Occupational health and safety management systems	46 percent
OHSAS 18001	Occupational health and safety management systems	79 percent

In 2018, we had sites certified according to the new ISO 45001, which was published in March 2018 and will replace the OHSAS 18001 certification over a transition period of three years.

### New multi-technology production sites

When building new sites, we aim to integrate our ambitions related to efficiency and renewable energy as early as the design phase. For example, we have built a new □ **high-tech facility** in Songdo, South Korea, which has already started trial production. The new facility is designed as a smart factory that includes a comprehensive building management system. In addition, the production facilities are equipped with solar panels that meet high standards for sustainability. The solar panels incorporate our innovative Electrically Conductive

Adhesives (ECAs) that maximize power output and optimize reliability. Furthermore, a rainwater recycling system is installed at the site, as well as highly efficient equipment that minimizes energy consumption. The site also features specific areas that are designated as green spaces. The new site is applying to receive the LEED Gold certification ("Leadership in Energy and Environmental Design"), as well as a Korean Green building certification.



New production facility in South Korea

Our new high-tech production facility in Songdo, South Korea, has been built in line with a holistic sustainability concept. This includes the use of renewable energies and smart technologies for equipment and infrastructure.

In recent years, several of our multi-technology production sites have received recognition for their sustainable design. For instance, our site in Kurkumbh, India, was designed to have the smallest possible impact on the environment while meeting the highest standards for sustainability, and received the LEED Gold certification. To further improve the sustainability of this site, we have begun to increase the area of the roof that is covered by solar panels. This will add a further

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2,000 square meters of solar panels to the existing area of 7,000 square meters. Our new site for aerospace solutions in Montornès del Vallès, Spain, opened in 2019 as a multi-technology production facility with high sustainability standards. It was the first production building in Spain to be awarded the golden DGNB certification. The site started operating in 2020 and our local team has continued to seek further ways of improving sustainability. For example, we installed an absorption chiller to generate cooling water. The chiller runs on renewable thermal energy that is generated by a biomass boiler. We also improved our warehouse and implemented movable racks in our freeze storage area for finished products. As a result, we have optimized the use of space, and less cooling capacity is needed compared to standard racks with corridors between them. Our Gebkim site in Turkey was recognized with the prestigious "Şahabettin Bilgis Environmental Award" by the Chamber of Industry in the category Chemicals Industry in 2020.



#### Award for our production site in Gebkim, Turkey

In 2020, we received a prestigious prize for our production site in Gebkim. We were recognized as a pioneer in the areas of environment and sustainability, as well as for raising awareness in the chemicals industry.

## Becoming climate-positive by 2040

The UN's Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. To achieve this, carbon dioxide emissions must be reduced by 2050. Henkel is committed to the 1.5 degrees Celsius target and sees it as an essential prerequisite if more than nine billion people are to be able to live well within the resource limits of our planet in 2050. In light of the need to reduce emissions and decarbonize the economy, we pursue the vision to become a **climate-positive company** by 2040 by driving significant progress in our own operations and in other relevant areas of our value chain. By pursuing this goal, we will make an active and committed contribution toward climate protection.

We start by focusing on our **own production**, which we can influence directly. The carbon footprint of our production is around 535,000 metric tons of CO<sub>2</sub> and is attributable to the fuels we use ourselves (Scope 1) and the energy purchased (Scope 2), in particular electricity. On the way to becoming climate-positive by 2040, we aim to reduce the carbon footprint of our production by 65 percent by 2025 and by 75 percent by 2030 compared to the base year 2010. These targets support progress toward our long-term goal of becoming three times more efficient by 2030. To do so, we continually check and improve our energy efficiency, and set the target to reduce energy consumption at our production sites by 30 percent per ton of product by 2020

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compared to the base year 2010. By 2030, we also aim to achieve a 50-percent reduction compared to the base year. We already achieved our 30-percent target in 2019, and reached a reduction of carbon emissions of 44 percent by 2020. In addition to our efficiency targets, we are striving to source 100 percent of the electricity we purchase for production from renewable sources by 2030. Our interim target for this goal was to achieve 50 percent coverage by 2020.

### Renewable energy

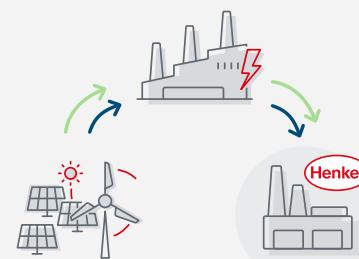
To implement the target of sourcing 100 percent renewable electricity, it is important to consider differences in legislation and infrastructure, as well as levels of regulation and variations in climate conditions in each of the countries we operate in. For this reason, we are following country-specific approaches that are flexible and leverage a portfolio of options. With this in mind, we are basing our conversion to renewable energy on a combination of three models: on-site production, direct purchase and virtual coverage.

On the way to becoming a climate-positive company, in 2020, we signed a large-scale  **Virtual Power Purchase Agreement (VPPA)** in the US, where it is not possible for us to cover our electricity requirements with on-site production or direct purchase. We are committed to purchase 50 percent of the energy generated at a new wind farm in Bee County, Texas. This capacity is equal to 100 percent of the electricity that we use in our operations in the US, and covers more than 30 production sites.

### Three models of conversion to renewable energy

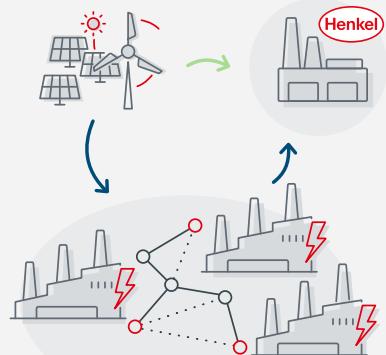
#### On-site production:

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



#### Direct purchase:

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



#### Virtual coverage:

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

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Alongside this achievement, we have been expanding our direct purchase of green power, and signed PPA agreements in countries including Austria, Hungary and Puerto Rico this year. This means the design and building of the respective energy generating facilities can start in the upcoming months. This includes energy delivery from the grid or from specific installations. By the end of 2020, we had fully converted 17 countries to 100 percent renewable electricity, and we managed to increase the proportion of our electricity purchase that comes from renewable sources to 56 percent during the second half of the year. We have concrete plans to accelerate our respective sourcing and continue to fully convert further countries to green power.



We are striving to source 100 percent of the electricity we purchase for production from renewable sources by 2030. In addition, we continue to expand the on-site generation of renewable energy. For example, we completed a project to install solar panels on the roof of our site in Gebkim, Turkey.

In addition, we continued to expand the on-site generation of renewable energy at several of our production sites around the world. For instance, we have begun installing a biomass boiler that uses wood pellets from forest scraps at our site in Norrkoping, Sweden. It will replace the old steam and thermal boiler, and is expected to be complete in 2021. The new boiler will bring the site close to achieving climate neutrality. Overall, we have 37 ongoing projects to install photovoltaic systems at our sites. Nine projects are in the final phase of construction or are already generating energy. For example, the roof of our site in Kurkumbh, India, is covered by 7,000 square meters of solar panels that generate up to 1,000,000 kilowatt hours of energy per year. In addition, we completed a project to install rooftop solar panels with the capacity to generate up to 30 percent of the total electricity consumption at our site in Gebkim, Turkey. This can save around 800 metric tons of CO<sub>2</sub> per year. Further solar projects are being implemented in China and North America. A large freestanding photovoltaic system is being installed at our site in Wassertrüdingen, Germany. It will produce around 1,650,000 kWh of electricity per year.

### Scenario for 2040

By 2040, we want to replace the last remaining fossil fuels used in our production with climate-neutral alternatives, such as biogas or gas obtained from converting CO<sub>2</sub>. We also aim to supply surplus carbon-neutral energy that Henkel does not need for its own purposes to third parties – thus becoming a **climate-positive company**. In doing so, we will avoid emissions from our own activities, and also enable third parties to avoid potential emissions by using clean energy.

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## Reducing production waste and promoting a circular economy

Henkel is committed to fostering a circular economy. This includes driving innovation in → **packaging solutions** for our consumers and industrial customers, as well as engaging and collaborating with partners from across the entire value chain. At the same time, we aim to reduce production waste and promote a circular economy in our operations. We drive progress by systematically identifying waste streams and creating closed-loop systems where possible. Our focus lies on increasing recycling within our sites and on collaborating with our packaging suppliers. Our initiatives are centered around four key areas: Reducing material consumption and waste generation, reusing materials, recycling materials, and recovering energy.

In line with our approach to reducing our company's environmental footprint, we set the goal of decreasing the overall volume of waste generated at our production sites by 30 percent per ton of product by 2020 relative to the base year 2010. In 2020, we achieved a reduction of 44 percent. Based on this achievement, we aim to further reduce the overall volume of waste at our production sites by 50 percent per ton of product by 2025 compared to the base year 2010.

We also focus on reducing the volume of production waste that is sent to landfill. For the production sites for our consumer business, we set the goal of sending zero waste to landfill by 2020. By the end of 2020, we achieved this target due to the adaption of our waste management processes in North America, where sending waste to landfill is still common industry practice. We will expand our zero production waste to landfill target to cover all production sites,

including for our industrial business, by 2030. Overall, 68 percent of our sites had already achieved this target by the end of 2020.

In this context, the Adhesive Technologies business unit developed a tool that supports our sites in optimizing waste management by differentiating between types of waste and creating an overview of the life cycle of the waste – from when it is generated through to disposal. This tool can be used by production sites and research centers, and was initiated in the Asia-Pacific region in 2017. It covers classification and compliance checks, as well as managing the waste streams and generating reports. The tool makes it possible to identify differences between sites that generate similar types of waste. We then review best practice examples and develop specific improvement measures. For instance, at our site in Ipoh, Malaysia, we achieved the target of sending zero production waste to landfill after conducting a project in 2020 that used this tool to map the relevant waste streams. Several activities contributed to achieving this success. For example, we entered into a collaboration with a local waste management services provider. In 2020, five sites in North America were added to the list of facilities that implemented alternatives for sending production waste to landfill.

Raw material packaging accounts for a significant share of the total amount of waste generated at our sites. For this reason, our Adhesive Technologies business unit launched a program to reduce this kind of waste. This initiative, which covers 12 sites in the Asia-Pacific region and 11 sites in Europe, is aiming to support the reuse of materials. In

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this way, we are striving to implement circular thinking and reduce packaging waste in cooperation with our suppliers. Several projects have been identified, resulting in a potential to avoid 700 metric tons of waste per year. The implementation has already started and will continue in 2021. Furthermore, this initiative will be extended to cover all other regions. Many of our other sites have also achieved improvements related to raw material packaging waste. For instance, we implemented a new pallet management approach at several sites in Latin America in 2020. Pallets are now maintained so that they can be reused. Additionally, at our adhesives site in Bogotá, Colombia, we implemented a reverse logistics program with our raw material suppliers. This program reuses the metal drums that are used for transporting chemicals, and avoids sending empty drums to be disposed of as hazardous waste.

In line with our approach to implementing closed-loop systems that reduce production waste and promote circular thinking, our Laundry & Home Care business unit is cooperating with our packaging suppliers. At various European sites, for example, we use preforms for the plastic bottles that contain our detergents and cleaning products. Preforms that are rejected during the production process are reprocessed by the packaging manufacturer, so that the material can be reused. Furthermore, at our site in West Hazleton, North America, where we produce Laundry & Home Care as well as Beauty Care products, we started a collaboration with Valicor. They collect and reuse the soap waste generated at the site.

We also engage in projects to implement closed-loop systems and achieve our target of sending zero production waste to landfill at our Beauty Care sites. For instance, at our site in Maribor, Slovenia, we are

planning to switch to a new supplier for plastic bottles. The supplier is located close to our site and delivers the bottles in returnable cardboard boxes. This will enable us to save around 40 metric tons of packaging waste per year.

## Conserving water

Water is one of the world's most precious resources. We need water in our production processes and as an ingredient for our products, and we recognize the importance of using this resource responsibly. In line with this, we set the goal of using 30 percent less water per ton of product by 2020. By the end of 2020, we were using 28 percent less water per ton of product. We were unable to further reduce our water consumption to achieve our target for 2020, mainly because of changes to our portfolio mix – especially in our consumer business, where water is an integral part of our products. For this reason, we are going to further strengthen our efforts to reduce water consumption and wastewater generation in our production processes. This will move us closer toward our goal of achieving a 35-percent reduction by 2025. To meet this goal, every production site will carefully review all possible ways of decreasing water consumption and generating less wastewater. Wastewater from industrial applications is pre-treated using state-of-the-art technology for the removal of harmful substances and is disposed of professionally.

The global availability of water is affected by regional and seasonal scarcities. In addition, there are variations in the availability and performance of wastewater treatment facilities, and the specific ecological characteristics of each receiving water body is also different.

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We have conducted water scarcity assessments on a global level, alongside detailed local studies. While we did not identify any significant risks, we have nevertheless strengthened our ambitions to include a stronger focus on saving water in regions where water is in short supply.

To save water, our Laundry & Home Care business unit uses online metering systems and our Digital Backbone to identify optimization potential and increased water consumption. For example, this enabled us to detect a water leakage on an underground water pipe and avoid losing up to 20 cubic meters of water per day at our site in Cork, Ireland. Additionally, we continuously review and optimize the amount of water needed to clean production lines when changing the product that is being manufactured on the line. In doing this, we take into account specific characteristics of the product that is being manufactured before and after the changeover. At our site in Montornès del Vallès, for example, our process control system automatically applies the cleaning cycle that uses the least water. Water treatment is an important process for us because we need a certain quality of water for our production. At our site in Toluca, Mexico, we invested in special water treatment units that allow us to get the right quality of water with the highest level of efficiency, which reduces wastewater by 5 percent. In line with our goal of reducing wastewater and promoting a circular economy, our site in Kruševac, Serbia, started a collaboration with a wastewater operator that uses aerobic fermentation processes for wastewater treatment. The mobile composting facility for non-hazardous biodegradable waste uses aerobic treatment processes without adding any chemicals, so that no pollutants are generated. The biodegradable waste is decomposed and transformed, and the compost can be used to improve soil. Based on this successful project, a similar concept has been developed for Maribor city, Slovenia.

In 2020, the Adhesive Technologies business unit launched a water balance and sub-metering program in the Asia-Pacific region. The program aims to reduce water consumption, while also identifying and tracking the main water uses, and eliminating leakage. The program was rolled out at 11 sites and delivered its first positive results within a short period of time. Just three months after water sub-meters were installed, four sites identified key projects for their main drivers of water consumption. The projects have the potential to save more than 5,000 cubic meters of water per year. In addition, a new water treatment facility is being built at our site in Jundiaí, Brazil. It will purify rainwater for reuse in applications such as irrigation or flushing toilets. This will reduce water consumption and the volume of wastewater generated.

We also started wastewater treatment projects at our Beauty Care sites in Bogotá, Colombia, and Maribor, Slovenia. Currently, a new wastewater treatment facility is being installed in Bogotá, which will increase the treatment capacity at our site from 30 up to 50 cubic meters of water per day, while also enabling us to recover 90 percent of the treated wastewater to be reused for other processes such as for our boiler and cooling system or for sanitary purposes. Several wastewater treatment approaches are being implemented at our site in Maribor, including using treated rainwater to clean our machines and containers, as well as using river water that has been softened to cool down water samples taken from our boiler. As a pilot project, some mixers and filling machines are being cleaned with steam instead of demineralized water to reduce water consumption. In addition, we implemented a new nanofiltration technology for wastewater treatment that makes it possible to recover up to 70 percent of the wastewater generated by the reverse osmosis unit in Sfax, Tunisia.

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## Using the potential of Industry 4.0

For Henkel, **Industry 4.0** offers significant potential to drive progress toward achieving higher productivity, increased efficiency and greater flexibility through intelligent production processes. Automated systems and networked data will make the workflow of our company faster, more stable and more sustainable. Henkel is leveraging Industry 4.0 to better plan, source, produce and deliver its products and solutions. A key element is the smart factory, where intelligent machines control and optimize production processes based on real-time information and wireless interconnectivity. The digitalization of our integrated global supply chain is already increasing service levels for customers, managing production locations more efficiently, optimizing production and logistics processes, and further improving our sustainability performance.

The production sites and processes for our Laundry & Home Care business unit worldwide are all connected, and all information is centrally collected in real time. As a result, digitalization is driving increased sustainability. In 2020, Henkel was recognized as an **"Advanced 4th Industrial Revolution Lighthouse"** by the World Economic Forum (WEF) for its state-of-the-art Laundry & Home Care production site in Düsseldorf, Germany. In a study that focused on how top companies are using Fourth Industrial Revolution technologies to improve operations, Henkel was recognized for its Digital Backbone, which uses the cloud to continuously link global operations from end-to-end. In addition, our Laundry & Home Care production site received external recognition as "Factory of the Year" from the management consultancy A.T. Kearney for its transformation from a historical production site into a modern, digital, sustainable and



Awarded by the World Economic Forum

The state-of-the-art laundry detergent production in Düsseldorf received an award from the World Economic Forum, as well as from the management consultancy A.T. Kearney as a representative of the global production network of our Laundry & Home Care business unit.

efficient facility. This transformation was made possible by measures such as the implementation of our Digital Backbone. As one element of our Digital Backbone, data from online metering systems at our laundry detergent production sites around the world is collected and processed. Using information from around 4,000 sensors, it records how much energy and water each site uses, and then displays this information visually. Applying big data analytics and artificial intelligence, the system can recognize patterns and identify potential for optimization. Since 2016, efficiency data from our production lines has also been fed into the system and analyzed. The real-time Overall Equipment Effectiveness (OEE) quantifies how well a piece of equipment performs relative to its designed capacity. Thanks to a highly standardized equipment setup, our employees can view the relevant information for all other production sites worldwide, benchmark against best practice and jointly implement measures to

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improve production flows. Since the launch of its energy monitoring program in 2011, our Laundry & Home Care business unit has been able to reduce energy consumption by 30 percent.

The platform is flexible, expandable and scalable. For this reason, more modules have been added that build on identical technology and management procedures for quality, safety, line efficiency and traceability. In 2020, we continued to leverage our global energy metering system by establishing standardized and digitalized energy review processes. The digital expert system allows high-level comparisons between production sites, and also enables an in-depth understanding of the energy consumption at a site, including a direct benchmarking against other sites. After implementing the pilot project in Montornès del Vallès, the global roll-out has started and will be completed in 2021.



**Connected worker**

We are connecting factory workers through mobile devices to keep a constant watch on production data and any deviations. Overall, this enables us to improve our operation processes.

Our Adhesive Technologies business unit uses a smart operations platform that enables the visualization, review and analysis of resource consumption. This makes it possible to identify optimization potential for our use of raw materials. The platform is running at sites across Asia-Pacific and the India, Middle East and Africa region, as well as at several sites in the US, which we connected to the system in 2020. Additionally, this platform has been developed to make even better use of data in order to further improve efficiency in raw material consumption, as well as water and energy use. The advanced use of data and automation also leads to a safer work environment. To ensure the highest quality in our finished goods, the Adhesive Technologies business unit is going to further develop its Statistical Quality Control tool to continue optimizing the use of resources globally. The COVID-19 pandemic challenged us to sharpen our focus on finding innovative solutions for staying connected, and we introduced Augmented Reality with smart glasses to facilitate audits and workshops remotely. This enabled us to create a safer work environment and to continue business even in these challenging times.

In line with our approach to implementing automated systems and networked data in order to make our processes more efficient and sustainable, our Beauty Care business unit focused on a global metering and digitalization project for energy and water consumption data in 2020. As a first step, we conducted a mapping exercise to identify critical areas for improvement. By the end of 2020, new digital meters had been implemented, and were connected to the local Energy Management System (EMS) and collecting real-time data. In a next step, they will be connected to one global EMS. In parallel, the selection process of a new Manufacturing Operations Management

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tool (MOM) is ongoing. Some tests have already been conducted at our site in Viersen-Dülken, Germany, as well as at our sites in Maribor, Slovenia, and Bogotá, Colombia. The MOM will combine real-time Overall Equipment Effectiveness (OEE) and energy consumption data to enable fast analysis of the information, and to make sure appropriate measures are taken. As the global EMS is an integral part of the overall MOM, the manufacturing data from all Beauty Care sites will be centralized once the integration is fully complete. This will improve visibility and analysis, and will reduce water and energy consumption. We will continue to connect all other sites to implement a global digital data system, which will help us to further decrease energy and water consumption.

## Our cooperation with subcontractors

Third-party manufacturing is an integral part of our production strategy. For example, we sometimes use toll and contract manufacturers when entering new markets or introducing new products and technologies. In these cases, the corresponding production volume is often small. The use of external partners also helps to optimize our production and logistics network, and to increase resource efficiency. Currently, we source around 10 percent of our additional annual production volume from toll and contract manufacturers. Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements. We monitor them using audits carried out by our own staff and, increasingly, by specialized third-party service providers.

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# Logistics and transport

- How we optimize transport and logistics processes
- Expanding intermodal transport
- Improving our warehouse network
- Optimizing transport
- Digital tools for improved logistics
- Future mobility

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## How we optimize transport and logistics processes

Our responsibility along the entire value chain includes optimizing our transport and logistics processes in terms of environmental compatibility and resource efficiency. We set ourselves the overall aim to reduce the emissions from transporting our products by around 5 percent per ton of product between 2015 and 2020. At the end of 2020, we had gone beyond this target by reducing transport-related emissions by more than 10 percent per ton of product compared to the base year 2015. Our new target for 2025 is to reduce our transport-related CO<sub>2</sub> emissions by 15 percent per ton of product compared to 2015. We also aim to use renewable electricity at 50 percent of our pallet spaces within Henkel-operated warehouses by 2025.

Our approach to reducing our logistics footprint starts in the product development stage. We optimize our products and the related packaging in terms of weight and volume, whenever it is possible to do so without compromising performance, convenience or stability. More concentrated products and → **lighter packaging** reduce transport weight, which decreases the amount of fuel required during transport and reduces the related emissions.

Alongside product and packaging optimization, we also reduce transport-related emissions by improving our logistics structures. Our approach takes the location of our production sites into account. For bulkier products, we reduce transport distances and environmental impact by operating regional production sites. For compact products, which place fewer demands on transport, we leverage efficiencies in production by manufacturing these products centrally whenever possible. For transportation and logistics for finished goods, we focus our efforts on three major drivers:

- Expanding intermodal transport
- Improving our warehouse network
- Optimizing transport

We leverage these drivers by collaborating with our suppliers and customers to implement joint logistics projects. In particular, we have extended our → **“Say yes! to the future” initiative** to cover logistics. This initiative is part of our Sustainability Ambassador program and is now fostering best-practice exchange between our business units and initiating logistics projects in close collaboration with our customers. We also make use of advanced digital solutions to improve our logistics. In addition, using alternative mobility solutions is part of our approach to optimizing our transport and logistics.

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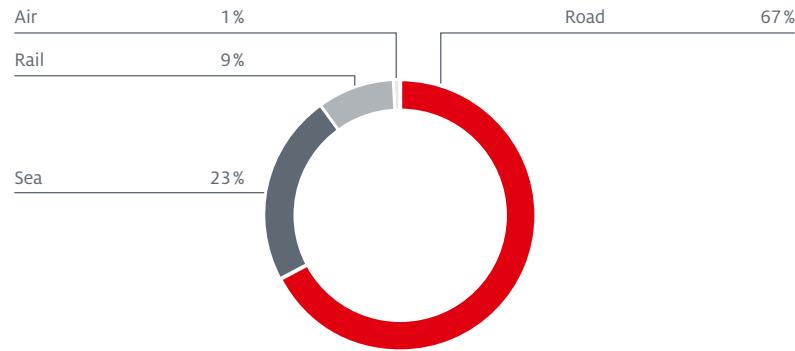
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### Product transports per transport mode in 2020



When choosing our transport partners, we consider efficiency, environmental compatibility and safety performance. Relevant criteria are included in our tendering and decision-making processes for the purchase of logistics services. These include the volume of potential emissions savings that would be achieved by each service provider, as well as their use of new technologies, alternative mobility solutions and energy-saving programs.

### Expanding intermodal transport

Intermodal transport involves using more than one mode of transportation. At Henkel, this means more of our transports are being switched from road to rail. This process begins with a truck carrying the goods to the nearest rail loading terminal. From there, the goods cover longer distances by train, before a second truck collects the goods at the destination terminal and delivers them to the customer.

This allows us to make use of the lower CO<sub>2</sub> footprint of rail transport compared to road transport, since a train emits about one-third of the CO<sub>2</sub> of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO<sub>2</sub> reduction in logistics at Henkel.



**From road to rail**

We constantly test the applicability of intermodal transport to new routes for our company's logistics, and we are committed to continuing our efforts to leverage intermodal solutions in 2021.

Through our dedicated tendering processes, we are adding further train routes in Europe to support our shift toward intermodal transport. In 2020, all three business units accelerated these efforts. For example, in February 2020, our Laundry & Home Care business unit successfully transferred road shipments to rail for our supply route from Körösladány, Hungary, to Düsseldorf, Germany. With more than 500 shipments per year, this new solution saves around 630 metric tons of CO<sub>2</sub> emissions per year. In June 2020, our Beauty Care business unit switched major supply routes from our production site in Maribor, Slovenia, to several warehouses in the EU from road to rail.

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This reduced the related CO<sub>2</sub> emissions by 680 metric tons per year. Other similar intermodal solutions were implemented to connect our production site in Vienna, Austria, with Düsseldorf, Germany, as well as to connect our production site in Racibórz, Poland, with our site in Lazzate, Italy.

Since 2019, our Beauty Care business unit has also been participating in a pooling concept from an external service provider that operates a train route in France. This route covers more than 800 kilometers between Château Thierry in the north of France and Nîmes in the south. The shift in transport mode from truck to train for this route allowed us to achieve additional reductions in CO<sub>2</sub> emissions. The service provider also manages order volumes for all suppliers to optimize the fill rates of truck deliveries, which leads to fewer deliveries and reduces the related emissions.

Another way to improve our environmental footprint is by shifting transport from airfreight to sea freight. In 2019, for example, our Adhesive Technologies business unit reduced the gross weight shipped by airfreight globally by more than 15 percent compared to 2018, which reduced CO<sub>2</sub> emissions by 5 percent compared to 2018. This was achieved through measures including increased accuracy of our demand forecasting and the creation of an Airfreight Dashboard that helps to identify and resolve potential issues.

This focus on limiting airfreight continued in 2020. Although demand for urgent shipments increased as a result of the COVID-19 pandemic, our global airfreight use remained stable when compared to the previous year. Due to a temporary decline in the availability of sea freight

services caused by the COVID-19 pandemic, an intermodal route from Germany to China was established. Sending one container per week via this route made it possible to avoid additional airfreight.

## **Improving our warehouse network**

We select the location of our warehouses and distribution centers to optimize the routes between our production sites and our customers. A “wall-to-wall production” approach, where the warehouse is directly connected to the production facility, minimizes transport from production to storage. Where this is not in place, we achieve synergies by consolidating transport between individual factories and warehouses. We also make use of the “mega warehouse” concept, where a small group of main distribution centers store products until the required quantities are due for on-time delivery to regional warehouses and retailers.

As part of Henkel’s approach to improving our logistics efficiency and sustainability, our Adhesive Technologies business unit is continuing to consolidate its warehouses to minimize resource use and transportation needs. These consolidations are based on a detailed analysis of customer requirements, network scenarios and business constraints. In 2020, we continued a project that we initiated in 2018 to integrate several warehouses in Belgium into one modern warehouse in France. There is now just one more warehouse that is still awaiting this integration, and the project will enable a total CO<sub>2</sub> emissions saving of 39 percent when it is complete. By the end of 2019, the project had already reduced CO<sub>2</sub> emissions by 30 percent. In

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addition, our Adhesive Technologies business unit also began consolidating five warehouses in Germany and Belgium. In 2020, four of these warehouses were consolidated into one new warehouse near Düsseldorf. The location of the warehouse was chosen based on the location of our customers, and it supports our efforts to ensure trucks are fully loaded when they travel from the factory to the warehouse. Downstream, the consolidation means customers that were initially supplied by several warehouses are now supplied by just one, which decreases transport emissions. The warehouse, which is the largest warehouse for our Adhesive Technologies business unit, was awarded the Sustainable Building for Logistics Gold certification from the DGNB (German Sustainable Building Council). It is equipped with state-of-the-art technology to reduce energy consumption and features advanced processes for sorting waste in collaboration with waste recyclers. It began operating in the second half of 2019, and an average of 500 metric tons of products are dispatched from this warehouse each day.

In 2019, our Beauty Care business unit relocated its warehouse activities from our site in Willebroek in Belgium to a new warehouse in the Netherlands. This shift was agreed following an evaluation of the business unit's delivery operations in 2017, which indicated that the focal point of deliveries in the Benelux region was located in the region of Heteren in the Netherlands. The subsequent warehouse relocation made it possible to reduce the delivery distance to this logistics center by 125 kilometers, which reduces CO<sub>2</sub> emissions.

In 2020, our new Laundry & Home Care warehouse opened in Toluca, Mexico. It consolidates seven warehouses into one location, which has eliminated the need for more than 1,000 internal shipments per day. Another milestone in the optimization of our warehouse network was achieved with the [opening of our state-of-the-art, fully automated Laundry & Home Care warehouse](#) in Montornès del Vallès (near Barcelona), Spain, in November 2020. The warehouse, which is equipped with 80 solar panels on its roof, will optimize our internal process by consolidating eight warehouses. This new warehouse is estimated to reduce CO<sub>2</sub> emissions by 60 percent.



New fully automated warehouse

The new, fully automated Laundry & Home Care warehouse in Montornès del Vallès, Spain, has an area of 24,000 m<sup>2</sup> and will manage more than 1 million pallets per year. Efficiency and renewable energies were integrated from the design stage, reducing the carbon footprint and improving the sustainability of this warehouse.

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While we want to further improve our warehouse network, we also strive to reduce carbon emissions from operations inside our warehouses. We installed energy-saving LED lighting in several warehouses in 2020. For example, we fully equipped our Laundry & Home Care warehouse in Vienna, Austria, with LED lighting and smart sensoring. The new lighting saves around 22,000 kilowatt hours of energy per month. Similar installations were made in warehouses in the US and Australia.

## Optimizing transport

We continuously increase the capacity utilization of our cargo containers by expanding our pooling activities. This includes the targeted consolidation of transport and storage of similar product categories within Henkel, as well as combining transport with other manufacturers who share the same logistics service provider. In addition, closely collaborating with our customers further helps to optimize our processes. The resulting synergies in storage, consignment and transportation ensure that more fully loaded trucks travel to our customers' central warehouses. We also hire pallets instead of buying them, which results in more efficient pallet collection and improves the handling of damaged pallets. Where possible, we utilize reusable cardboard pallets instead of wooden pallets. Due to their lighter weight, they are easier to handle and reduce fuel consumption. In 2020, we increased our focus on optimizing the use of pallets. We implemented various solutions to reduce the overall use of pallets and to increase their re-utilization.

For example, several intercontinental shipments from our production site in Kruševac, Serbia, are now loaded directly onto the container floor, which eliminates the use of pallets. This significantly increases container utilization and also saves resources because fewer pallets are required for transportation. We also further rolled out the concept of pallet-pooling by introducing this approach at our site in Noginsk, Russia, in 2020. With the help of an external partner that manages the pallet-pooling process (collection, inspection, repair and delivery), Henkel replaced single-use pallets with reusable pallets. In the next three years, we estimate that this approach at our site in Noginsk will reduce wood consumption by 72 percent and will also cut CO<sub>2</sub> emissions by 56 percent.

As part of our ambition to optimize transport and reduce transport-related CO<sub>2</sub> emissions, Henkel France joined the FRET 21 initiative in 2017. FRET 21 is a voluntary commitment that aims to promote the integration of environmental impacts into shipper's sustainable development strategies, and to support the reduction of the related greenhouse gas emissions. The initiative is led by the French Agency for the Environment and Energy Management (ADEME) and the Association des Utilisateurs de Transport et de Fret (French Shipper's Council). Its key focus areas include the choice of transport mode, loading rate, distance travelled and prioritization of sustainable purchasing. Currently, more than 20 companies are engaging in this initiative. Henkel France is the only non-food consumer goods company to have committed to FRET 21.

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As part of our participation in the FRET 21 initiative, Henkel France established a three-year program to reduce customer-related transport emissions by 10 percent by 2020. By September 2020, CO<sub>2</sub> emissions had been reduced by 7.5 percent. Logo: Association des Utilisateurs de Transport et de Fret.

Within the framework of this initiative, Henkel France set up a three-year program aiming to reduce CO<sub>2</sub> emissions from downstream transport to customers in France by 10 percent until the end of 2020. By the end of September 2020, the program had saved 660 metric tons of CO<sub>2</sub>, which equals a reduction of 7.5 percent of our logistic activities in France. In 2020, Henkel renewed its commitment to FRET 21 and further extended the scope to include upstream transportation.

As this program spans the supply chains of all three of our business units, it is managed by a “Green Logistic” group at Henkel France. This group worked with an external consulting firm to identify key actions to implement the program successfully. These include pooling, development of transport solutions and deployment of alternative transport modes.

The Cost to Serve approach is a further concept that fosters the optimization of transport processes. This approach involves identifying measures to maximize profitability by assessing the cost of serving a customer within the existing supply chain. It was integrated into the operations of our Beauty Care business unit in Western and Eastern Europe in 2019. In 2020, we increased our focus on the Cost to Serve approach and expanded the scope to cover our professional Hair Salon business. In the course of applying this concept, order management and delivery profiles were optimized so that delivery frequencies could be lowered and truck fill rates could be increased. This contributed to the overall profitability of Henkel Beauty Care’s logistics processes and also allowed us to transport more goods with fewer deliveries, which leads to reductions in transport-related CO<sub>2</sub> emissions.

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## Digital tools for improved logistics

In 2015, we introduced the Transport Management System, a Group-wide IT solution for more efficient handling of our transport planning and execution across all business units and countries. Based on real-time data about transportation, this system enables higher truck capacity utilization and optimized routes that decrease transport distances, reduce fuel consumption and cut the related CO<sub>2</sub> emissions. The implementation of this IT solution has already been completed in China, Europe and North America.

To demonstrate our progress, it is especially important to systematically track the emissions from our logistics operations. For this reason, we implemented "EcoTransIT World" in 2016, which calculates the carbon emissions of finished goods transportation by all transport modes on the basis of the DIN EN 16258 standard. EcoTransIT World is accredited by Smart Freight Centre, a global non-profit organization dedicated to sustainable freight. All calculations of greenhouse gas emissions from our freight and logistics operations conform with the Global Logistics Emissions Council Framework for Logistics Emissions Methodologies (GLEC Framework).

The benefits of this scientifically developed calculation tool include the use of real distances based on GPS data and country-specific emissions factors as input. The process of monitoring emissions is further optimized by Henkel's own reporting model that enables detailed analysis at country level, and also at site and customer level.

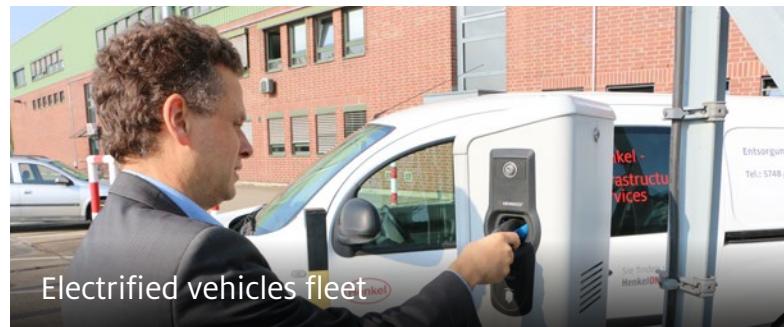
The combined application of the external calculation tool EcoTransIT World and Henkel's own reporting model enables us to foster transparency and data comparability across the entire industry, and helps us to track progress toward our emissions reduction target. By the end of 2020, Henkel had achieved a reduction in transport-related emissions of more than 10 percent compared to 2015.

## Future mobility

The utilization of alternative mobility solutions is also part of our approach to optimizing our transport and logistics. We are testing the operational capability of vehicles powered by alternative propulsion systems at our sites, while taking regional aspects and driving profiles into consideration.

At our headquarters in Düsseldorf, we have incorporated around 30 electric vehicles into the internal fleet since 2012 to replace conventional vehicles with internal combustion engines. In 2021, we will also convert the first in-house vans to purely electric vehicles. We have built a corresponding infrastructure with over 35 charging stations in and around the industrial park, some in cooperation with the utility company Stadtwerke Düsseldorf. We also made 14 on-site charging stations available for our employees to recharge their private electric vehicles.

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We are expanding our fleet of electrified vehicles and the related charging infrastructure at our Düsseldorf site. These efforts are complemented by new projects to promote alternative models of propulsion like hydrogen propulsion, and are important steps toward supporting environmentally compatible mobility.

In April 2020, Henkel also established a new vehicle policy in Germany for electric and hybrid cars. This gives our employees the opportunity to drive an electric or hybrid vehicle as a company car. In addition, Henkel provides a complete service package including a power charging station for home use and the reimbursement of electricity costs for charging at home. With the extended electric and hybrid car policy, we aim to make low-emission company cars more attractive.

We started to equip the internal vehicle fleet at our site in Maribor, Slovenia, with its first electric vehicles in 2020. Several electrical forklifts and an electric van were introduced, and the project is scheduled to continue in 2021. In 2020, we also made a strong push toward more efficient equipment at our production site in Kruševac, Serbia, by purchasing new forklift trucks that run on Lithium Ion (LION) batteries. The technology offers many advantages over

traditional lead-acid battery technology, including improved safety and better performance, as well as zero maintenance requirements.

While using electric vehicles is one approach, we also strive to integrate further alternatives into our business operations. In March 2019, the first hydrogen-powered car was added to Henkel's internal fleet at our site in Düsseldorf. This project is a future-oriented investment because the network of hydrogen charging stations in Germany is expected to further expand within the next few years. At the same location, we contributed to this development in January 2019 by providing a suitable place for the company Air Liquide to install its second hydrogen charging station in Düsseldorf.

To promote hydrogen mobility, Henkel is actively engaged in various initiatives and research projects, such as "Modellregion Wasserstoffmobilität NRW Düssel.Rhein.Wupper.". We do not expect hydrogen mobility solutions that are suitable for our logistics operations to be available before 2023. For this reason, we are exploring several alternatives for sustainable logistics that are ready to contribute today. The deployment of conventional combustion engines that run on Compressed Natural Gas (CNG), which is mainly composed of methane, is one of the technologies that we are implementing into our business operations as part of our journey toward more sustainable mobility. CNG produces the least amount of CO<sub>2</sub> of all types of fossil fuel combustion. In 2019, our Laundry & Home Care business unit implemented a pilot project that deployed a truck powered by CNG combustion for round-trip deliveries between Serbia and Austria. The CNG powered truck saves up to 15 percent of CO<sub>2</sub> emissions on this route compared to a conventional diesel truck. After the successful pilot project, two more CNG trucks were introduced in 2020. In this

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way, the percentage of our Laundry & Home Care shipments that are transported by CNG trucks on the route from Austria to Serbia increased to 40 percent. Trucks powered by liquefied natural gas (LNG) are another alternative mobility solution for Henkel. Since September 2020, two LNG-powered trucks have been traveling on our supply routes from Düsseldorf to Bönen, Germany, and Barcelona, Spain. The technology saves 20 percent of CO<sub>2</sub> compared to conventional diesel trucks.



### New trucks powered by liquefied natural gas

"Powered by our vision for a clean future." This is the claim on two LNG trucks that transport our finished goods. The subtitle, which states "Today gas, tomorrow H<sub>2</sub>", makes our position clear: We aim to go beyond natural gas and strive for hydrogen-powered heavy-duty vehicles.

Alongside transport to locations outside of our company's premises, we also make use of alternative transport modes for internal deliveries at our sites. In the context of future mobility, we also seek to reduce transport-related emissions by generating a holistic, modern and sustainable concept to foster our staff's mobility. For our activities in this area, Henkel was awarded the "Düsseldorfer Mobilitätspreis" (Mobility award of the city of Düsseldorf) in November 2019. The support of our employees for projects related to staff mobility can, for example, be seen in our Germany-wide → [bike-leasing program](#). The program was launched in May 2019, and more than 1,200 bikes had been handed out to our employees by the end of 2020.

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## How we develop sustainable products

If we are to decouple increased quality of life from resource use, product innovations will play an essential role. For this reason, our products provide key leverage points for implementing our sustainability strategy. They should offer customers and consumers more value and better performance with a smaller environmental footprint. A high degree of innovativeness is very important in achieving this.

In 2020, Henkel employed an average of around 2,600 people in research and development, and invested 495 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, criteria for assessing sustainability have been systematically anchored into the Henkel innovation process since 2008. The focus is on innovations that help our customers and consumers to use less energy and reduce their own CO<sub>2</sub> footprint.

### Evaluating sustainability in the Henkel innovation process

The Henkel focal areas have been systematically anchored into our innovation process since 2008. At a certain point in the process, our researchers must demonstrate the specific advantages of their project in regard to product performance, added value for customers and



Comprehensive testing before market launch

Henkel is committed to ensuring that its products are safe for people and the environment. Before products are launched, we assure a high level of safety during production, use and disposal by conducting comprehensive assessments and tests of all raw materials and finished products using recognized scientific methods.

consumers, and social criteria ("more value"). They also have to show how it contributes to using less resources ("reduced environmental footprint"). One of the tools they use to assess the different contributions is the Henkel Sustainability#Master®.

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Concept      Development      Validation      Verification market launch

**Gate Go 1**

Identification of relevant  
focal areas

**Gate Go 2**

First evaluation of contribution  
to the focal areas

**Gate Go 3**

Comprehensive evaluation of the  
sustainability contribution



Social Progress



Performance



Safety and  
Health

Deliver more value



Reduce footprint



Energy and  
Climate



Materials  
and Waste



Water and  
Wastewater

## Henkel Sustainability#Master® – sustainability assessment of products and processes

The Henkel Sustainability#Master® combines various tools for measuring sustainability. This evaluation system centers around a matrix based on the individual steps of the value chain and on our six focal areas. The goal is to increase the value of the product and simultaneously reduce its environmental footprint. Hot spots can be identified for every product category on the basis of scientific measurement methods. These are the fields with the greatest relevance

for sustainability – this applies to both the “value” and the “footprint” dimension. The specified hot spots can also be used to compare the sustainability profile of two products or processes. This allows sustainability profiles to be prepared for each product category. Henkel’s researchers use these findings for innovation and continuous product improvements.

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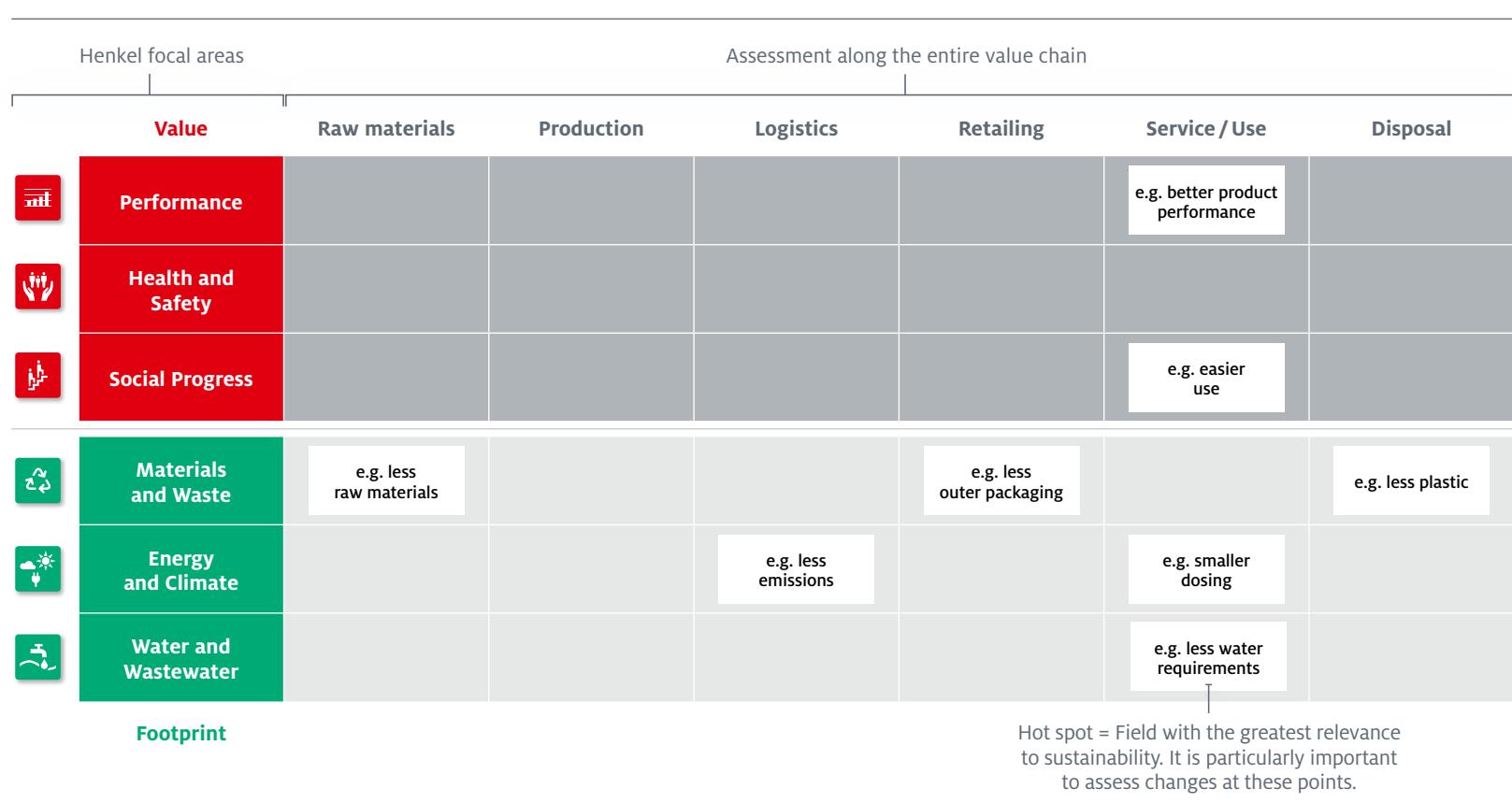
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## Improvement based on life cycle analyses

Sustainable development requires a systematic approach. Our experts analyze the complete life cycle of our products with the help of life cycle analyses and the knowledge they have acquired during many years of work on sustainability. As early as the product development phase, we can assess what environmental impacts occur, to what extent, and in which phase of a product's life. Building on these results, we can then apply improvement measures where they are

most needed and can be most efficiently implemented. In preparing life cycle analyses, we use our own primary data as well as data from our partners along the supply chain.

If such data is not available, we draw on secondary data from existing databases of life cycle analyses, average values, and emission factors. To further develop metrics and indicators, we collaborate with external partners on topics such as product carbon footprints and water foot-

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prints. We also participate in international initiatives such as the Sustainability Consortium and the Consumer Goods Forum's Measurement Group.

### Product carbon footprint

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

In 2013, the Laundry & Home Care business unit supported  A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, in the pilot phase of the European Commission's Product Environmental Footprint initiative. This initiative aimed to develop meaningful environmental information for liquid detergents that could be easily understood by consumers and could lead to more environmentally conscious laundry habits. The general aim of the European Commission's pilot project was to reduce a product's environmental footprint at every stage in its life cycle, including the use phase. Another project was voluntarily carried out in 2016 under the direction of the European cosmetics association, Cosmetics Europe,

to which the Beauty Care business unit made a significant contribution. This involved the assessment of the shampoo product category using a life cycle analysis. Another focus was on communicating the results: a video explains that the use phase of a shampoo accounts for a significant part of its entire environmental footprint. It also shows ways in which this impact can be reduced.

### How we handle water as an important resource

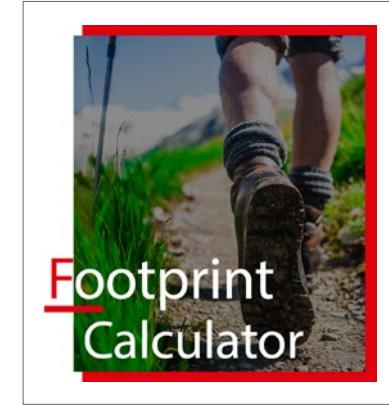
The Earth's water resources are unequally distributed and are threatened by increasing pollution and overuse. For this reason, reducing water usage during the production and use of our products is an important aim for us. In order to identify suitable approaches for achieving improvements in this area, we participate in efforts to develop methods for water footprinting. In 2010, for example, we worked together with the Swiss Federal Institute of Technology (ETH) in Zurich, to study the consequences of the water demand for laundry detergent production at our sites in the Middle East and North Africa. At the heart of this was a consideration of the different amounts of water required for the production of powder and liquid laundry detergents, taking into account regional factors such as water availability, scarcity and quality. We have fed the experience we have gained from such pilot projects into the discussion about the development of an international ISO standard (ISO 14046) for water footprints.

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## Advocating sustainable consumption together with partners

An important objective of our strategy is to promote sustainable consumption that conserves resources. Our products are the key here. They are used in millions of households and industrial processes every day. This is why we concentrate on developing products that enable resources such as energy and water to be used efficiently during everyday life. Our aim is to save 100 million metric tons of CO<sub>2</sub> emissions by 2025 through our products and by helping our customers and consumers with our expertise. Through targeted communication, we also strive to encourage responsible-minded behavior while using our products. This is especially important because the environmental footprint of many of our products is determined to a large extent during the use phase.

The importance of the use phase is also shown in the [Henkel footprint calculator](#), which was revised in 2020. It shows that not only companies, but also each individual can make a contribution to greater sustainability through their behavior. The calculator enables users to calculate their personal carbon footprint in just a few minutes. By answering simple questions, they can quickly estimate how much CO<sub>2</sub> they generate through their own lifestyle in the areas of housing, food, mobility or vacations and leisure activities. By using this calculator, consumers can assess the climate compatibility of their everyday behavior, while also supporting the Wuppertal Institute's current research on sustainable lifestyles. Each participant can contribute to the empirical database by allowing their anonymized results to be used for a better understanding of consumer behavior.



Every individual can contribute to more environmental compatibility through their behavior. The Henkel footprint calculator summarizes this vividly. By answering simple questions, consumers can quickly estimate how much CO<sub>2</sub> they generate through their own lifestyle in the areas of housing, food, mobility and leisure activities.

Henkel also published energy-saving tips as part of a climate campaign in its [Spotlight magazine](#) on the company website in May 2020. There are many simple ways to reduce energy usage and improve energy efficiency in everyday life. Tips included reducing the temperature when washing dishes or laundry, avoiding the standby function on electronic equipment, and filling freezers and refrigerators in the best possible way.

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Most of the energy used for washing dishes and doing laundry is involved in heating up the water. Even lowering the water temperature from 40 to 30 degrees Celsius can save up to 40 percent of the energy consumed per wash load. Many detergents now also work well in cold water.

Alongside providing appropriate products, our collaboration with our → **retail partners** also plays a crucial role. Retailers are important partners for Henkel on the path to more sustainable consumption and provide us with excellent platforms for informing consumers about more sustainable products and encouraging them to use these products in an environmentally responsible way. We also work with our retail partners to promote responsible use and disposal of our packaging at the end of our value chain. In Germany, for example, Henkel is a member of the → **Recyclate Forum**, which was established in 2018.

The educational partnership “Understanding through Experiencing” between Henkel and the retailer dm-drogerie markt took place again in 2020. Over a period of several months, 32 Henkel trainees and dm apprentices deal intensively with sustainability and develop their own projects in mixed teams. The partnership enables the participants to see the bigger picture. Young people from different professional backgrounds can share ideas in joint projects to develop awareness of the many-sided aspects of sustainability.



Educational partnership with retailer dm

Bernhard Banowski from the Research & Development department at Henkel Beauty Care talks to Henkel trainees and dm apprentices about the importance of nature-based active ingredients and fragrances in cosmetic products.

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## Product safety

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

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

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

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

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

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## How we ensure product safety

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

### Product safety assessments



## Identifying hazards – assessing risks

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

## Evaluation of the substances used

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

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## **Assessment of the products**

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

## **Controversially discussed ingredients**

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

## **Product recall process**

Although our products undergo numerous tests and assessments to ensure a high level of safety, unforeseen deviations from our high quality standards may occur in very rare cases. In preparation for any

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

## **Innovations and alternative test methods**

We strive not to use animal testing for our cosmetic products, detergents and cleaning agents, or our adhesives for customers and consumers. Nonetheless, animal testing still plays a role, as in some countries animal testing is still mandatory for the market approval of products such as cosmetics, detergents and cleaning agents, or adhesives. We manufacture very few ingredients ourselves; instead, we source most of them from suppliers who also cannot rule out the possibility that an ingredient may have been tested on animals in the past before it came onto the market. Many ingredients that we use in our products are among the chemical substances that must be guaranteed by the manufacturer in accordance with chemical-related legislation, such as the  REACH Regulation in Europe. Animal testing is sometimes still required by law to ensure safety and compatibility for humans and the environment, as recognized alternative methods are not yet available to cover all aspects.

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We have been working intensively to develop [alternative test methods](#) ourselves for more than 40 years. Together with the relevant industry associations, our aim is to convince the authorities to abandon animal testing. We also believe that being present in these markets and supporting the anti-animal testing agenda will ultimately help to increase acceptance of alternatives. Henkel is one of the companies which, together with the European Commission and a number of industry associations, established the [European Partnership on Alternative Approaches to Animal Testing \(EPAA\)](#) in 2005. Since then, the partnership has advanced numerous projects, successfully promoted alternatives to animal testing and made them available for safety assessment under the REACH Regulation.

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



**Skin model Phenion®**

Under its brand [Phenion®](#), Henkel provides biotechnologically constructed skin models to interested contract research organizations and research institutes. With the Phenion® skin models, the company offers alternative in-vitro test systems which can be used not only for basic research in dermatology and cosmetic sciences, but also for the safety assessment of raw materials and finished products.

In November 2020, Henkel completed the acquisition of the epiCS® skin model technology developed by SkinInVitro GmbH. The closing of this acquisition was preceded by an extended and successful technology transfer phase, which guarantees the continued production of epiCS® with the same high level of quality. The [epiCS® skin model](#) will now be manufactured in the Henkel laboratories in Düsseldorf, Germany, under the Phenion® brand. The epiCS® technology includes reconstructed human epidermal equivalents that have received official approval from the OECD for assessing the skin-corrosive potential and, since April 2019, also for assessing the skin-irritating potential of chemicals.

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As an alternative test method, these models can contribute significantly to reducing and avoiding animal testing. With its decision, Henkel is demonstrating its commitment to corporate social responsibility by enabling unrestricted long-term access to innovative alternative methods, which makes an important contribution to the global use of alternative methods. Our scientists are currently working to ensure that the skin models, which are the size of a one-cent coin, can also be used to research other chemical safety issues. You can find more information on the website of the European Commission's [Scientific Committee on Consumer Products](#).

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

## Taking action to eliminate microplastics

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

As a first step, we have stopped using microbeads in our consumer products. These materials were previously contained in individual products as exfoliating or abrasive particles. We launched this initiative in 2014 for our new Beauty Care products in Europe and implemented it worldwide in 2016. All of our Beauty Care and Laundry & Home Care products are free from microbeads. As a second step, we have been dealing more closely with solid synthetic plastics. These plastics are used as opacifiers in consumer products to give them a creamy white appearance.

We had set ourselves the goal of using only natural or biodegradable opacifiers in our consumer products worldwide by 2020. For our cosmetic products, the switch to opacifiers that have a natural origin or are biodegradable will be completed by the end of the first quarter of 2021.

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In our other consumer products, we continue to pursue the technical challenge of using only natural or biodegradable opacifiers and eliminating solid synthetic plastics as soon as a suitable alternative is available for this purpose.

There are also certain types of perfume encapsulation that are discussed as microplastics. These encapsulated perfume oils are used in fabric softeners and certain detergents to create long-lasting fragrances with less perfume. As a result, they make an important contribution to sustainability because the quantities of perfume that would otherwise be required are significantly reduced. We are already working together with our technology partners to replace all synthetic perfume encapsulations with biodegradable materials by 2022 at the latest.

We have already achieved success in using soluble, biodegradable materials for encapsulation in other areas; for example, in the shells of our pre-dosed liquid detergent capsules and dishwasher detergent tabs, which consist of soluble polyvinyl alcohol foil. To prevent improper disposal of our plastic product packaging from contributing to ocean pollution, we are striving for a circular economy for plastics that is similar to existing systems for paper and waste paper. We will continue to increase the recyclability of our packaging, while also increasing the percentage of recycled material in our packaging.

## Our contribution in emerging markets

In the fiscal year 2020, Henkel generated worldwide sales of 19,250 million euros, 40 percent of which was generated in the emerging markets of Eastern Europe, Africa / Middle East, Latin America and Asia (excluding Japan). 53 percent of our people are employed in emerging markets, and these regions account for around 38 percent of our global purchasing volume. This makes us an important local employer and business partner.

The issue of the social added value of products is especially important in emerging markets. Products that are geared to the needs of lower income groups have more than just economic potential. They also make positive contributions to social well-being, for example to hygiene and health in the home. In order to meet needs that differ greatly around the world, we pursue different strategies depending on the market situation:

- **Globally standardized products:** If the needs and expectations of our customers and consumers are uniform, we offer globally standardized products. Examples of this are the internationally standardized requirements for instant adhesives or our industrial adhesives.

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- **Locally adapted product offerings:** If consumer needs, income levels or infrastructure differ in our markets, we adapt packaging or distribution channels to local conditions in order to make our products accessible to the broadest possible group of people. Consumers of the lowest income level, for example, buy small units as soon as they have enough money available to do so. We take this into account when planning pack sizes. In Latin America, for example, we put our Pril dishwashing liquid on the market in a pack size of 30 milliliters, which is available in retail at a price equivalent to 10 eurocents. The same applies to our Mas laundry detergent in Mexico. In the South American market, we offer deodorant creams and shampoos in small retail units of between 10 and 20 milliliters.

- **Locally adapted products:** Different regional conditions may also require the adaptation of our product formulations. In North Africa and Latin America, for example, water is a scarce and valuable resource. For this reason, Henkel has brought a fabric softener for washing clothes by hand onto the market in Egypt, Tunisia and Mexico with a special formulation that rinses the suds away more quickly. Another example is our construction technology and DIY products in Eastern Europe. Since local building materials are often very different from those available in Western Europe, we offer locally adapted products.

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# Packaging

- Our approach to sustainable packaging
- Partnerships along the value chain
- New packaging concepts
- Packaging examples
- Investments for a circular economy

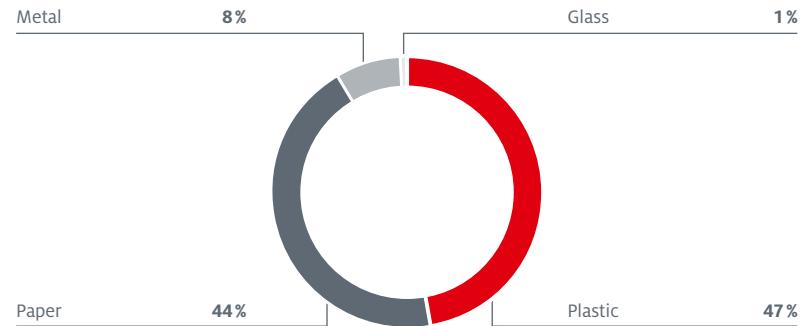
# Packaging

## Our approach to sustainable packaging

The **packaging** for our consumer products fulfills many different functions. It ensures the hygiene and safety of the products, protects goods during transport, provides space for necessary consumer information, and plays an important role in the purchasing decision through attractive design.

At the same time, packaging waste – especially plastic waste and pollution – has captured the attention of the public, governments, and businesses around the world. A systemic shift that tackles the root causes is required: a transition toward a **circular economy**. Resource consumption can be reduced if materials are kept within the cycles of the economy for as long as possible. Our mission is to include materials from sustainable sources into smart designs to close the loop. Our goal is to design packaging with the most sustainable materials available, while using the least possible amount of packaging material – all without compromising the high level of performance expected by consumers. To achieve this goal, our packaging engineers work closely with partners along the entire value chain so they can make use of leading design techniques, modern production technologies and sustainable materials in the development process.

## Henkel packaging: 2020 footprint<sup>1</sup>



<sup>1</sup>Around 754,000 metric tons (estimated; based on spending on packaging materials).

## Overview of our packaging targets for 2025

- 100 percent of Henkel's packaging will be recyclable or reusable.\*
- We aim to reduce the amount of virgin plastics from fossil sources in our consumer products by 50 percent. We will achieve this by increasing the proportion of recycled plastic to more than 30 percent, by reducing the plastic volume, and by increasingly using bio-based plastics.
- We want to help prevent waste from entering the environment. In order to achieve this, we are supporting waste collection and recycling initiatives.

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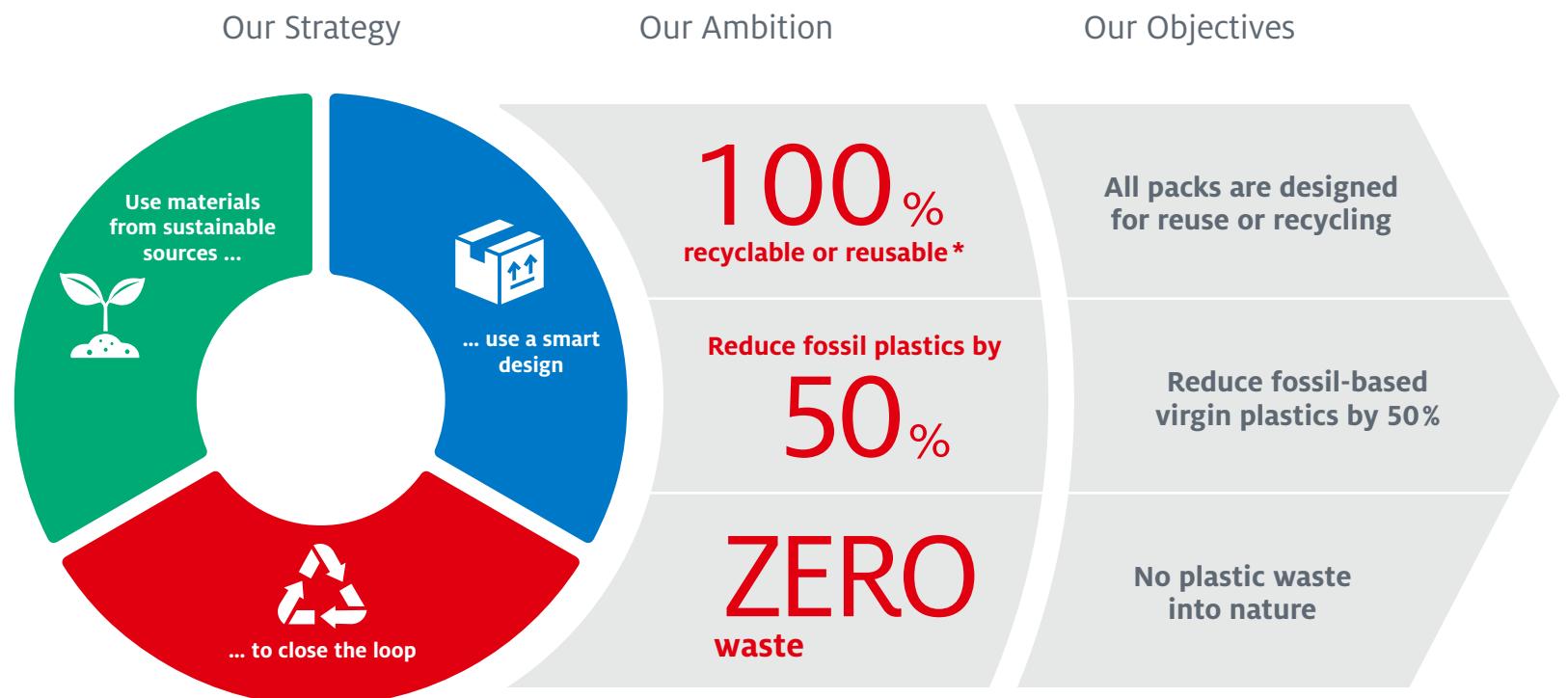
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- We invest in innovative solutions and technologies to promote closed-loop recycling, and we aim to enable contact<sup>1</sup> with more than 2 billion consumers per year by providing targeted information about recycling.

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

## Our packaging targets for 2025



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

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## Three areas that promote a circular economy

### 1. Materials from sustainable sources

Henkel constantly works on increasing the share of recycled content in its packaging. While many of our brands already offer products with packaging made from recycled material, we have set the ambitious target to increase the proportion of recycled plastic globally to more than 30 percent in all plastic packaging for our consumer goods products by 2025. At the end of 2020, this share was around 15 percent.<sup>1</sup>

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

The most widely used packaging materials made from renewable raw materials are paper and cardboard. It is our goal to obtain 100 percent of the paper and cardboard that we use in our packaging from recycled material or, where virgin fiber is required, from sustainable forestry sources. Our suppliers used → **69 percent recycled material** in 2020. Around 86 percent of suppliers use at least one certification system. The certificate used most often is FSC (Forest Stewardship Council), followed by PEFC (Programme for the Endorsement of Forest Certification) and SFI (Sustainable Forestry Initiative). Creating more

transparency in the supply chain is another focus of our cooperation with our suppliers. This involves the traceability of the materials we buy, especially in the case of suppliers who source virgin fibers from high-risk countries. In these circumstances, we work together on measures to minimize risk.

Polyvinyl chloride (PVC) is often criticized as a packaging material. Henkel began reducing the use of PVC in its packaging back in the 1990s and, where possible, eliminating it altogether. Today, we only use PVC in a few exceptional cases for which we have not yet found a workable alternative. Overall, materials containing PVC currently make up less than 0.1 percent of our total global expenditure on packaging. We continue to work toward our goal of fully removing PVC from our packaging materials.

### 2. Smart packaging design

Reducing packaging material by offering smart solutions is the best way to minimize waste and the related negative environmental effects. For many years, we have been striving to reduce the quantity of packaging material in the entire product life cycle without impacting the quality, performance, or safety of our products. We will continue to do so in the future. Our goal is to reduce the amount of plastic used in our consumer packaging. As well as this, smart designs play a vital role right from the start when it comes to replacing virgin material with recycled or renewable alternatives where feasible and technically possible. For example, stability requirements can limit the use of alternative materials in some packaging. However, smart design goes

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beyond this and enables the use of more sustainable materials in smaller amounts. To transform a linear economy into a circular economy, our packaging experts rethink packaging concepts and assess further ways of developing reusable and refillable solutions that place a stronger focus on durability. They also continue to optimize transport packaging and related logistics.

### 3. Closing the loop

To enable a **circular economy**, we are striving to make sure our product packaging can be recycled after the product has been consumed. Our aim is that 100 percent of Henkel's packaging will be recyclable or reusable by 2025. At the end of 2020, we had achieved this for around 89 percent of our packaging.<sup>1</sup> Our understanding of recyclable or reusable is based on the Design for Recyclability Guidelines published by the Ellen MacArthur Foundation. By systematically applying design-for-recycling principles of this type, we want to overcome recycling hurdles specific to each category, such as flexible packaging, sleeves or black packaging. At the same time, it is important that appropriate systems for recycling packaging materials are in place. That is why we partner with organizations from along the packaging value chain to drive progress in the infrastructure for recycling. In particular, we work with our retail partners to help consumers understand how to use and dispose of our products

correctly. Among other things, special recycling symbols on our products help us to do this. We aim to enable contact with more than 2 billion consumers<sup>2</sup> per year by providing targeted information about recycling. Another option to close the loop is to reuse packaging. We are testing → **refill solutions** in relevant markets to explore and understand consumer acceptance, as well as the related requirements and costs. We also want to maximize the re-usability of secondary and tertiary packaging that is typically used for shelf displays or logistical purposes.

### Turning waste into valuable resources

In addition to the ambition and activities of our consumer goods packaging, we support our customers in the packaging industry. Our Packaging and Consumer Goods Adhesives business works together with major manufacturers and brand owners to develop innovative and sustainable solutions for food packaging and consumer goods. As a leader in adhesives and coatings, Henkel is committed to actively supporting a circular economy by making it possible to keep high-quality materials in the loop – turning waste into valuable resources. This is why we focus on innovative solutions that are compatible with recycling or that enable the debonding of incompatible materials. We also innovate to develop new packaging and consumer goods designs that enable recycling. Our solutions help to promote material reuse and increase the quality of recycled material.

<sup>1</sup> The reported figure for recyclability reflects the properties of the packaging rather than the recyclability in actual markets, with their specific waste collection and recycling systems.

<sup>2</sup> Measuring systems are still being developed.

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- Recyclability: Today, mechanical recycling is the dominant recycling technology for plastic packaging. In this process, plastic is melted and turned into pellets for further use. A range of adhesives and coatings for flexible packaging are designed specifically for this type of recycling and support the recycling of mono-material packaging like Polypropylene (PP) and Polyethylene (PE) with optimized recyclate quality. We also offer a growing number of adhesives and coatings that have been tested for compatibility with paper recycling.
- Debonding incompatible materials: Debonding enables different materials to be returned to the loop separately. In such cases, it is of the utmost importance that the adhesive can be removed from surfaces without leaving any residue. We offer labeling adhesives for PET containers that allow clean debonding, which enables material separation in the recycling process and creates a higher quality of recyclate output.
- New designs that enable recycling: To enable the recycling of packaging that includes our adhesives and coatings, we focus on minimizing complexity regarding materials used for production and simplifying the packaging structures where possible. Together with our partners along the value chain, we work on new designs for the packaging industry that enable recycling in existing recycling processes.

## Partnerships along the value chain

### We engage in cross-industry initiatives

Progress toward sustainability in packaging will only be possible if organizations from all stages of the packaging value chain work together. Henkel's experts are engaged in several cross-industry initiatives to drive innovation in packaging development and to find effective solutions that can be developed on a large scale. Henkel has also teamed up with different organizations that are working on improving recycling infrastructure to enable a circular economy. Appropriate systems for recycling packaging materials are not in place in many areas, especially in developing countries. We believe that partnerships along the value chain are the only way we can make sure our product packaging can be recycled or reused after the product has been consumed.

Henkel is also committed to cross-industry initiatives for sustainable packaging. Henkel is a founding member of a new initiative focusing on plastic waste, the  [Alliance to End Plastic Waste \(AEPW\)](#). Since 2019, more than 80 international companies from along the value chain for plastics and consumer goods have joined forces to tackle the global challenge of a circular economy together. The aim of the



More than 80 member companies, project partners and supporters are cooperating to eliminate and prevent plastic waste in the environment.



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alliance is to promote solutions that put a stop to plastic waste in the environment, especially in the ocean. Another example is our membership of the [New Plastics Economy \(NPEC\)](#), an initiative led by the Ellen MacArthur Foundation that brings key stakeholders together to rethink and reshape the future of plastic and build momentum toward a circular economy. In October 2018, the New Plastics Economy introduced its Global Commitment, which has been signed by more than 400 organizations – including Henkel. The collective goal is to stop plastic waste and pollution at the source.

In February 2020, Henkel joined the [European Plastics Pact](#). Initiated by France and the Netherlands, it aims to accelerate the transition to a circular plastics economy. The Pact brings together leading companies, non-governmental organizations and governments, who commit to achieving common goals by 2025, going beyond current legislation. In August 2020, Henkel North America also joined the U.S. Plastics Pact. The initiative aims to drive forward significant systemic change by unifying different cross-sector approaches, defining a national strategy, and creating scalable solutions. The objective is to pave the way for a circular economy for plastics in the US by 2025. As the first North American pact of its kind, the [U.S. Plastics Pact](#) is a collaboration led by The Recycling Partnership, World Wildlife Fund (WWF) and the Ellen MacArthur Foundation.

Henkel is also a founding member of [CEFLEX](#), a consortium of more than 130 European companies and organizations aiming to make flexible packaging – which usually consists of multiple layers of film or foil that are often difficult to separate – easier to recycle.

## We cooperate with our retail partners

It is also important to work hand-in-hand with our retail partners to promote a functioning circular economy. In Germany, Henkel is a member of the Recyclate Forum, which was established in 2018 by dm-drogerie markt, Henkel, Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble, Share and Vöslauer Mineralwasser. 47 members have now joined the initiative, including retailers, manufacturers, disposal contractors, packaging manufacturers and representatives from politics.

The initiative has two objectives: first, to significantly increase the reuse of packaging materials in order to offer consumers more sustainable packaging alternatives and reduce the immense amount of packaging waste. And second, to raise awareness about a closed-loop system – from product development at the manufacturers, through to use by customers, disposal of household waste, and recycling of packaging.

The Recyclate Forum continued its work in four expert groups in 2020. This included simplifying reference data management, advancing the technologies and improving recyclability, developing recyclate standards, and improving communication with customers. Together with the University of Vienna, Henkel took over management of the Recyclate Standards expert group, which has since grown into an independent industry consortium. The CosPaTox consortium (Cosmetic, Packaging & Toxicology) deals with product safety in the use of PCR recycled materials. It is developing new industry standards for the safe use of recycled plastic in packaging for cosmetics, laundry

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The Recyclate Forum aims to promote consumer awareness about a circular system.

detergents and household cleaners. Around 25 companies from along the entire value chain have now joined this initiative, which will start work at the beginning of 2021.

In addition, Henkel has been working with TerraCycle in a number of countries since 2016. TerraCycle provides recycling solutions for materials that are difficult to recycle. For example, in partnership with TerraCycle, consumers in the UK were able to dispose of cosmetics packaging for the Right Guard brand in special collection containers. The packaging was then used to produce new mobile fitness equipment, which found a new home in the town of Hemel Hempstead in 2019. As a result, valuable raw materials are saved from incineration or landfill. At the same time, they can be made into new products.

The Beauty Care business unit took another step forward in 2020 by launching a → Schwarzkopf recycling program in the US and Australia. This will enable consumers to recycle all Schwarzkopf hair care, coloring and styling products through the TerraCycle platform, free of charge. Consumers in the US can collect points for doing so, which can be redeemed for charitable gifts or converted to cash and donated to a nonprofit, charitable or educational organization of their choice.

### We inform consumers

In 2019, Henkel developed and tested new logos for product packaging to promote sustainable purchasing habits and communicate how to recycle properly. The logos indicate the percentage of recycled material or the recyclability of the packaging, and some also help to ensure that the product is recycled properly. Henkel also states the proportion of Social Plastic® in its product packaging.

Since April 2018, Henkel has been a partner of the How2Recycle program in the United States to strengthen consumer awareness about how packaging cycles can be closed. As part of the program, we create more transparency about different recycling options using an explanatory logo on the product packaging. Brands from all three business units are already using the logo. The program is a project within the scope of the Sustainable Packaging Coalition, a member-based association of industrial companies, research institutes and public authorities that aims to increase the general understanding of sustainability related to packaging and smarter packaging solutions.

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Using the slogan → “Be smarter. Recycle.”, the Beauty Care business unit provides information about the correct handling of waste and the recyclability of various types of packaging. In this way, we want to raise consumer awareness about the concept of a circular economy. The “Be smarter.” initiative covers 31 countries, also reaching consumers in countries where recycling systems for packaging are much less developed than in Germany, for example.



Logos on our product packaging aim to educate consumers and encourage responsible behavior.



With the “Be smarter. Recycle.” initiative, the Beauty Care business unit encourages consumers to handle waste in a way that supports a circular economy.

## Partnership with Plastic Bank

Plastic Bank is a social enterprise that aims to stop plastic pollution from entering the oceans, while also providing opportunities for people in poverty. Henkel started working with Plastic Bank in 2017, and was the first major global consumer goods company to partner with the organization and successfully incorporate the plastic collected into some of its product packaging. Since the beginning of the partnership, five new plastic collection centers have been established in Haiti, a country that lacks adequate waste management infrastructure. Local communities can return collected plastic waste and exchange it for money, goods, or social benefits. This creates value from plastic instead of letting it enter waterways or oceans as waste. The plastic that is collected in Haiti is then sorted and can subsequently be introduced into the recycling value chain as Social Plastic®. This is material that has been verified by Plastic Bank to indicate that the collectors received an above-market price for the plastic waste. The recycled Social Plastic® can be used in products or packaging, which closes the material cycle. 560 metric tons of Social Plastic® were processed for Henkel in 2020, and a total of more than 760 metric tons have been processed for Henkel since the partnership began in 2017.

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In 2019, Henkel extended this partnership with Plastic Bank for another five years. Following the success of the partnership launched in 2017, Henkel intends to support ongoing projects in Haiti, the Philippines and Indonesia. The company will also make a significant contribution to establishing an infrastructure of more than 400 plastic collection points in Egypt. By working together, the aim is to increase the availability of Social Plastic® as a resource for the production of packaging. The development of collection infrastructure in Egypt will create additional capacities of up to 5,000 metric tons per year. This is equivalent to one billion bottles over a period of five years. In addition, Henkel helped the social enterprise to set up a supply chain that ensures that the collected plastic waste can be processed and recycled, so that it can ultimately be reintegrated into the value chain. The COVID-19 pandemic delayed development of the collection infrastructure in Egypt, with the result that collection activities did not begin until the fall of 2020.



Since 2017, Henkel has been supporting the social enterprise Plastic Bank in removing plastic waste from the environment and reintegrating it into the value chain.

The first Henkel product packaging with Social Plastic® was launched in October 2018. Since the end of 2019, PET bottle bodies of Pro Nature cleaners from the brands Biff, Pril and Sidolin, as well as bottles of the fabric softeners Vernel Naturals and Fresh Control, have been made of 100 percent recycled plastic, up to 50 percent of which has been Social Plastic® since mid-2020.

In June 2020, the Beauty Care brand Fa launched the Beach Love limited edition, with product bottles made from 98 percent recycled plastic collected from beaches and the countryside. The QR code on the back of the bottle can be used to get more information about Plastic Bank's work. In addition, the relaunch of our Nature Box brand is also supporting further steps in Henkel's collaboration with Plastic Bank. Nature Box is the first beauty brand to introduce Social Plastic® as a packaging material for its complete bottle portfolio, and all Nature Box bottle bodies are made of 98 percent Social Plastic®. In 2020, Henkel Beauty Care also launched a limited edition of Schauma Meerestraum. The bottle bodies for these two liquid shampoos are made from 96 percent recycled plastic, half of which is Social Plastic®.

## New packaging concepts

### Our EasyD4R® software tool for evaluating the recyclability of packaging

Recyclable packaging is a prerequisite for a functioning circular economy. In order to quickly and reliably determine the recyclability of new packaging, Henkel has developed the software tool EasyD4R®. The tool is based on public and recognized sets of criteria, such as

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those from Plastics Recyclers Europe. It is used by Henkel throughout the company. The goal is to quickly and accurately assess the recyclability of packaging as early as the first stages of product development. The tool's effectiveness was confirmed in an independent test conducted by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT). The scientists analyzed the evaluation software and its results, and compared them with national as well as international standards.



Assessing the recyclability of packaging using EasyD4R®

Using Henkel's EasyD4R® tool, packaging developers can quickly and reliably determine the recyclability of new packaging.

Henkel also presented the tool to the members of the Recyclate Forum, which was initiated by German drugstore chain dm-drogerie markt. Its 32 members include retailers, manufacturers, disposal contractors and packaging manufacturers who represent the entire value chain of the circular economy. Feedback from Forum participants was very positive.

Henkel developed its software tool EasyD4R® further in 2020. Alongside quickly and reliably checking the recyclability of plastic packaging, it is now also possible to check packaging made of paper, cardboard, glass, aluminum, or tinplate. This involved integrating design guidelines created by the University of Applied Sciences, Vienna Campus, along with the German minimum standard for packaging. An independent test conducted by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT) confirmed that the enhanced tool reliably assesses recyclability. The assessment tool, which other companies and organizations can also use free of charge, makes an important contribution to developing sustainable packaging solutions and promoting a circular economy. Henkel has received highly positive external feedback in this respect. EasyD4R® has been downloaded more than 3,400 times so far. These successes have also been recognized externally, with Henkel winning this year's Best Practice sustainability award from Packaging Europe with its software tool.

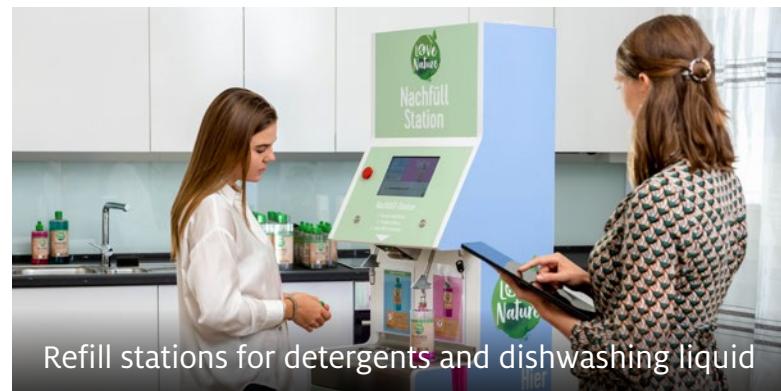
### Refill stations are gaining importance

While recycling remains an important factor for sustainability as a whole, refill stations and systems for reusing packaging are also becoming increasingly important. In addition to new product forms and the use of recycled plastics in our packaging, we are also using refill stations. The concept is simple: customers buy a container once and fill it with detergent or dishwashing liquid. As part of a pilot project, we set up refill stations in selected test markets in the Czech Republic in November 2019. Customers can refill liquid detergents,

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fabric softeners, dishwashing liquids or shampoos and shower gels in these stores. The “gas station” system was designed so that the customer selects an empty bottle of the required product when they enter the store, and they then scan its code at the station. A label is also printed to inform the customer of the product’s expiry date. When the product is used up, the customer takes the empty bottle back to refill it.

The detergents and dishwashing liquid of the new Laundry & Home Care brand → **Love Nature** can also be refilled. In selected stores of several drugstore and supermarket chains, “Mein Spülmittel” and “Mein Waschmittel” can be filled and easily refilled again and again. This makes Love Nature the first detergent and cleaning brand to offer this service across all retailers in Germany. In addition, the bottle bodies are made of 100 percent recycled plastic and can be fully recycled.



Refill stations for detergents and dishwashing liquid

The new Love Nature brand offers refill stations for special bottles that can be refilled. There are two types of detergent and two dishwashing liquids to choose from.

In November 2020, the Beauty Care Professional brand Authentic Beauty Concept launched the first vegan refill bar on the European market. First the stylist provides a personal, professional consultation about the client’s hair routine and wishes, and then recommends the right Authentic Beauty Concept product. As a second step, the stylist uses the refill bar to fill a bottle made from 92 percent recycled plastic with the required product. Once the client has used it all up at home, the empty bottle can be brought back to the salon to be refilled. This new process prolongs the life of single-use bottles, cutting plastic consumption and encouraging a circular economy.



#### Authentic Beauty Concept Refill Bar

The Authentic Beauty Concept Refill Bar has been available in selected salons across Europe since October 2020. The goal is to gain experience during this first phase of use, so that refill solutions can be implemented in even more salons in the coming years.

#### New packaging concepts in the eCommerce sector

In July 2020, N.A.E., the certified natural cosmetics brand from Henkel Beauty Care, launched a new pilot project in cooperation with Amazon. The completely plastic-free N.A.E. “solid item box” is currently available in France, Germany and Italy, and can be ordered exclusively on Amazon. Each box consists of a solid shower care product and face wash, a solid shampoo and a reusable soap sachet.

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The three solid items are packed in the box without any additional packaging. Using “naked” solid items means that no additional material is used to wrap each item inside the box. The outer box also saves packaging material. The boxes are made of 100 percent FSC-certified paper and they are ready for shipping, eliminating the need for secondary packaging from Amazon.



#### N.A.E. “solid item box”

Henkel’s natural cosmetics brand, N.A.E., launched an eCommerce pilot project in cooperation with Amazon. Through reduced packaging materials and optimized supply chain processes, the brand underscores its commitment to sustainability.

Another pilot project is the limited edition Persil Eco Power Bars. These compact detergent bars require fewer resources for production and transport. They also reduce packaging waste compared to other detergents. In addition, the packaging is made of recycled and recyclable cardboard. Persil Eco Power Bars are an example of how we use new packaging concepts in the eCommerce sector and take consumer feedback into consideration.



#### Persil Eco Power Bars

The packaging of Persil Eco Power Bars contains 95 percent less plastic than the standard Persil liquid detergent bottle. The limited edition is part of a pilot project to test new online sales channels.

#### Henkel invests in chemical recycling

In 2019, Henkel and the packaging manufacturer Alpla jointly produced bottle bodies based on chemically recycled plastic for the first time. Plastic waste that is not recycled by mechanical recycling can be returned to the cycle through chemical recycling. In certain cases, chemical recycling can be used alongside mechanical recycling. By using chemical recycling, material made from fossil resources can be replaced by recycled material made from plastic waste. The pilot project using Perwoll bottles is part of [BASF's ChemCycling project](#). ChemCycling uses thermochemical processes to convert plastic waste into pyrolysis oil. This secondary raw material can then be used in the chemical industry. A possible application is the production of plastic, for example for packaging. The packaging made from these chemically recycled materials has the same quality as packaging based on virgin plastic. This reduces waste and also decreases the amount of fossil raw materials that are used, which is important because these materials often cannot be recycled mechanically for a variety of reasons such as heavy contamination or lack of sortability.

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## Henkel continues to switch to recyclable black plastic packaging

For many years, black plastic packaging posed a challenge to the recycling value chain due to the colorant that was previously used to make it black. This is because recycling facilities use near infrared technology (NIR) to identify the packaging to be recycled. Optical sensors use the reflection of light to detect the material and sort it accordingly. However, due to the colorant, black plastic packaging cannot be correctly detected and sorted by these optical sensors. Together with its supplier Ampacet, a global masterbatch producer, Henkel worked on an innovative solution for black plastic packaging that is fully recyclable. The new packaging material uses an alternative black colorant that is carbon-free, so that bottles can be returned to the value chain after use. The Cyclos-HTP Institute, which specializes in classifying, assessing and certifying the recyclability of packaging and products, has confirmed that Henkel's bottles, in black color and carbon-free, are fully detectable and sortable.



### Recyclable black packaging

The new packaging material for Perwoll "Renew & Repair" uses an alternative, carbon-free colorant. This makes the bottles recyclable. They also contain 25 percent recycled PE.

After introducing its first recyclable black plastic packaging in 2019, Henkel took another step forward in 2020. Since the relaunch of Henkel's hair care brand Syoss in September, the brand's iconic black packaging has been fully recyclable due to the innovative carbon-free colorant. Additionally, all shampoo bottles are made of 98 percent recycled material (excluding the cap).

Henkel also improved the black bottle of the "Renew & Repair" variant of Perwoll in 2020. An alternative, carbon-free colorant is also used for this packaging material, so the recyclable bottles can be reintegrated into the value chain. This makes the black bottles recyclable. They also contain 25 percent recycled PE.

## Digital watermarks promote high-quality recycling of packaging

One of the most pressing challenges facing the circular economy for packaging is better sorting of consumer waste through accurate identification of packaging. This would enable more efficient recycling – and higher quality. Digital watermarks can help in this respect. These are inconspicuous, postage stamp-size codes that are applied to the surface of consumer product packaging. They can contain a wide range of markings, such as information about the manufacturer, processed plastics and the composition of multilayer items. The aim is to capture and decode the digital watermark using a high-resolution camera attached to the waste sorting system. Depending on the marking that is picked up, the system can then sort the packaging waste into the appropriate categories of material. This would lead to

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better and more accurately sorted flows of waste, as well as higher quality recycled material, which would benefit the entire value chain. Apart from serving as a “digital recycling passport,” digital watermarks have applications in other areas, such as customer loyalty, supply chain visibility, and retail.

Since September 2020, Henkel has been one of more than 85 companies and organizations in the new [HolyGrail 2.0](#) initiative, which is a pioneering initiative for digital watermarks for better recycling of packaging. The initiative covers the entire value chain and was set up by the European brand association AIM. Its purpose is to examine whether innovative digital technology can contribute to better sorting and higher-quality recycling for packaging in the EU, and in this way to promote the circular economy. Following the first HolyGrail project, which was led by the Ellen MacArthur Foundation, the next phase, HolyGrail 2.0, is now being implemented on a much larger scale and scope. This includes commissioning an industrial test facility to determine how effective watermarking technology is in delivering

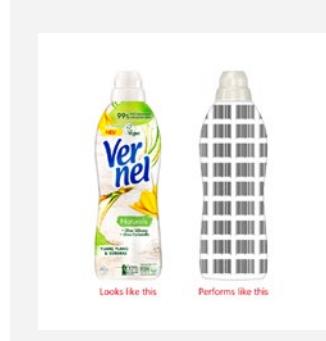
more accurate sorting of packaging waste and higher quality recycling. It also involves conducting a large-scale assessment of the business viability of this technology. Henkel is using digital watermarking technology as a pilot project in a new product line for its fabric softener brand Vernel.

## Packaging examples

Our goal is to include materials from sustainable sources into smart designs for our product packaging, in order to close the loop. Packaging developers from our three business units are working on this.

### Moisture absorbers made from recycled plastic

In 2020, Henkel launched its range of moisture absorbers under the well-known UniBond AERO 360° brand. UniBond AERO 360° is the first moisture absorber on the market made from recycled plastic. 60 percent of the unit, including the hood and overflow protection



#### Vernel

Henkel is part of the new HolyGrail 2.0 initiative, making it a pioneer in digital watermarks for better recycling of packaging. Digital watermarks are inconspicuous, postage stamp-size codes that are applied to the surface of consumer product packaging.



#### UniBond AERO 360°

The Adhesive Technologies business unit launched the UniBond AERO 360° in 2020. It is the first moisture absorber made from recycled plastic.

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### New Loctite coating solution

The innovative heat-seal coating, Loctite LIOFOL HS 2809-22 RE, opens up new and sustainable design possibilities by enabling polyethylene (PE) to be replaced with paper for primary and secondary packaging applications, ranging from hygiene products and teabags through to packaging for industrial hardware bags and chocolate.



### Recyclable toothpaste tubes

Henkel is switching its entire tube portfolio for dental care products to fully recyclable tubes from its packaging partner Albéa by the beginning of 2021. In addition, the unique tube manufacturing technology uses single-layer blown film, which also reduces the carbon footprint of the products.

**Bottle made of 100% recycled plastic, thereof 50%**

**SOCIAL PLASTIC**  
plasticbank.com  
**fights ocean plastic**

### Bottles for Pro Nature products made from 100 percent recycled plastic

All PET bottle bodies for Pro Nature cleaning products under the Biff, Pril and Sidolin brands are made from 100 percent recycled plastic, of which 50 percent is Social Plastic®.

system, is made of post-consumer plastic. In addition to using recycled materials in production, the new packaging is made of 100 percent recycled cardboard. As well as that, both the unit itself and the main packaging materials are designed for recyclability. Refill fragrances are also available to allow reuse.

### Recycled aluminum tubes for hair colorants

While plastic packaging is often the focus at present, we continue to drive innovation and sustainability across all materials and packaging types. In 2020, Henkel introduced aluminum tubes for hair

colorants that are made from 100 percent recycled material. The fully recyclable aluminum tubes can be largely recycled through existing waste disposal systems. Henkel will also gradually switch the caps of its tubes to recycled plastic. This is particularly important in view of the sorting process for aluminum-based consumer packaging: plastic components that are still attached to the aluminum packaging are generally not recycled and are not returned to the cycle as valuable high-quality recycling material. Aluminum can be recycled as often as required, without any loss of quality and without losing its mechanical properties. As a result, it is ideally suited for a functioning

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circular economy due to its durability. Around 75 percent of the aluminum ever produced worldwide can still be found today in a wide range of applications. Aluminum has high recycling rates worldwide, but the availability of recycled material is limited due to high demand in several industries. The material is also used to make beverage cans, for example.



### Recycled aluminum tubes

Hair colorant brand Diadem is a pioneer in switching to aluminum tubes made from 100 percent recycled material in the Beauty Care portfolio. The entire product range has been converted to 100 percent recycled aluminum. More brands will follow.

## Awards for Henkel packaging

Henkel packaging solutions received a number of awards in 2020. The innovative and sustainable packaging of Persil 4in1 Discs was recognized with the World Packaging Organisation's [Green Packaging Award](#), together with Greiner Packaging. Up to 50 percent of this packaging is now made of recycled material. Further development focused on improving the sustainability of existing cardboard or plastic packaging for pre-dosed detergent products. In this case, the new K3®-F cardboard or plastic combination scores particu-

larly highly, by combining high-quality packaging with a positive contribution to the environment. This weight-reduced combination helps save up to 40 percent plastic compared to the previous packaging. By using 50 percent recycled plastic, the amount of virgin material needed is cut by half.

In November 2020, Henkel Italy was recognized by Federchimica, the national association of the chemical industry, in the category "Development and Use of Sustainable Packaging" at the Responsible Care awards ceremony. Henkel Italy switched the previously white packaging for its dishwashing brand Nelsen to fully transparent packaging. This optimizes recyclability and supports the circular economy. The new bottle means that more than 600 metric tons of PET can be recycled in Italy each year.

Henkel and Plastic Bank also received the [Dow Packaging Award](#) in 2020. The award is recognition of our packaging solutions using Social Plastic® and our collaboration with Plastic Bank, which promotes a circular economy and campaigns against waste in the environment.

In February 2020, the Social Plastic® Lighthouse editions of Fa Meeresliebe shower gel and Nature Box Meeresglück shampoo received the Global Leadership Award from the Packaging Consortium in New York City, USA.

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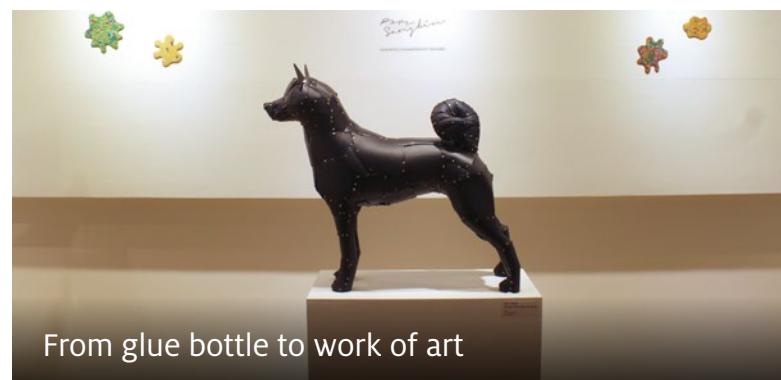
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The Henkel assessment tool EasyD4R® makes an important contribution to developing sustainable packaging solutions and promoting a circular economy. This was also recognized externally in 2020, with Henkel winning the Best Practice sustainability award from [Packaging Europe](#).

### Creating awareness of recycling

Henkel South Korea collaborated with a local artist in South Korea who created a three-dimensional Jindo dog from empty black Loctite bottles. The Jindo is the national animal of Korea, representing strength and loyalty. The work met with a positive response, while also providing the public with an opportunity to find out about the use of plastic waste and plastic recycling.



From glue bottle to work of art

Henkel collaborated with a local artist in South Korea who created a Jindo dog, Korea's national animal, from empty black Loctite bottles.

Other locations also continued to raise awareness about waste in the environment. In 2019, Henkel launched the global employee initiative "Trashfighter": all around the world, more than 1,300 Henkel employees have taken part in collection campaigns and removed waste from riverbanks, parks and cities. These collection campaigns will be held again in the future.

### Investments for a circular economy

The circular economy is becoming increasingly significant for investors and the financial markets. In January 2019, Henkel invested in the [Circularity European Growth Fund I LP](#), an impact fund managed by Circularity Capital. This investment of 5 million pounds sterling enables Henkel to drive its venturing activities forward while also supporting the development of a circular economy. Circularity Capital invests in companies at different stages of development that are operating in the circular economy and that have a proven business model and strong value creation potential. In this form, the fund is intended to create value for all three Henkel businesses – for the Beauty Care and Laundry & Home Care business units on the consumer side, and for the Adhesive Technologies business unit in the advanced materials section. The fund provides access to an efficient network and a significant European pipeline of small and medium-sized enterprises that are enabling a circular economy. In 2019, Henkel also invested in the US cleaning agent start-up [Truman's](#), based




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in Louisville, Kentucky. The company supplies its products, a range of spray cleaners for hard surfaces, in reusable bottles and concentrated refill cartridges to reduce the amount of plastic used. This investment enables Henkel to expand its expertise in innovative and sustainable household products, while gaining valuable insights into the promising “direct-to-consumer” business model. In October 2019, Henkel invested in recycling start-up [Saperatec](#). The recycling specialist has developed a new type of patented technology that can be used, for example, to separate and recycle aluminum-containing flexible composite packaging. The two companies have been working together on a technical level for some time to develop and refine customized recyclable adhesive solutions. By investing in Saperatec, the Adhesive Technologies business unit is underlining its leading role in sustainability. Going forward, Henkel intends to offer its industrial customers comprehensive, efficient recycling solutions for flexible packaging, especially in the food industry.

In July 2020, Henkel took a further step by combining attractive financing instruments with progress in sustainability. Henkel was the first company globally to issue a [Plastic Waste Reduction Bond](#). The bond is a private placement with the Japanese insurance companies Dai-ichi Life and Dai-ichi Frontier Life as anchor investors. The proceeds will be invested in projects participating in Henkel’s activities to reduce plastic waste. The bond consists of two tranches of 70 million USD and 25 million EUR and has a maturity of five years.

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- Collaborating with partners
- Enabling our customers to cut their footprint
- Henkel Sustainability#Master® – Bergquist® TGF 3010 APS silicone-free liquid thermal gap filler
- Accelerating the transition to a circular economy
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## How Adhesive Technologies contributes to sustainability

As a global leader for adhesives, sealants and functional coatings, our → **products** have a measurable impact on solving global environmental and social challenges – like climate change, resource scarcity and the need to protect human wellbeing. We serve customers around the globe in □ **markets** including electronics, as well as food packaging, the aerospace and automotive and many more. By engaging in close collaboration, we help our customers to reach or even exceed their sustainability targets by reducing CO<sub>2</sub> emissions, promoting a circular economy, and enhancing health and safety across every stage in the value chain.

Innovation is in our DNA. We develop pioneering solutions that enable our customers to go beyond regulatory requirements, and we breathe life into game-changing approaches like → **chemical recycling** or the use of bio-based materials. Our experts have a deep understanding of the challenges that are most relevant for our customers – and we use this knowledge to make sure we are always working on new solutions with the highest potential positive impact. On top of this, we systematically review our existing portfolio to assess how each of our solutions supports our customers in becoming more sustainable.



*"As a global leader in material science for adhesives, sealants and functional coatings, we innovate with partners from across industries to develop high-impact solutions that address the world's current and future environmental and social challenges."*

**Jan-Dirk Auris**  
Executive Vice President  
Adhesive Technologies

## Collaborating with partners

Of course, no single company can solve the world's challenges by working alone. That is why we engage in strong partnerships with organizations that share our passion for sustainability. By partnering with players from along the value chain and across industries, we strive to maximize our contribution to sustainability and become an even more valuable partner for our customers.

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This approach begins with the strong focus that we place on our own suppliers. For example, we regularly meet our strategic suppliers to review their contribution to our sustainability targets – as well as their impact on the key challenges facing the industries we operate in. We also present a square **sustainability award** to one of our suppliers each year. In 2020, we presented it to Clariant, a specialty chemicals company headquartered in Switzerland. Clariant made an outstanding contribution to sustainability in 2020, particularly related to developing solutions with health and safety benefits. The strong partnership between Henkel and Clariant was characterized by open dialog with a focus on sustainable innovations.



Henkel Adhesive Technologies recognizes the performance of its strategic partners with its annual Supplier Awards in three categories: Operational Excellence, Sustainability and Innovation. Clariant received the Sustainability award in 2020 in recognition of its outstanding contribution to our sustainability targets and ambitions.

## Enabling our customers to cut their footprint

Alongside this focus on our own suppliers, we strive to be an outstanding supplier for our customers around the world. In recent years, many of our customers have defined ambitious targets to cut the carbon footprint of their products, use more renewable energy and prioritize sustainable suppliers. These targets are part of the global response to our planet's rising temperature and the increasing pressure on its resources. New platforms like the rightarrow **Science Based Target initiative** are encouraging companies to make public commitments to cutting emissions, while far-reaching legislation like the Green Deal for the European Union are setting a clear path for transformation. At Henkel Adhesive Technologies, our solutions and expertise are helping our customers to tap into opportunities generated by this transformation and to minimize the environmental impact of their business activities.

## Henkel Sustainability#Master® – Bergquist® TGF 3010 APS silicone-free liquid thermal gap filler

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Value	Raw materials	Production	Logistics	Industrial Application	Service / use	Disposal
 <b>Performance</b>				Faster & more efficient production		
				Silicone-free		
 <b>Health and Safety</b>						
 <b>Social Progress</b>						
 <b>Materials and Waste</b>		Less packaging cleaning steps		Higher application efficiency reduces product waste	Extends battery pack life span	Low pull-off force enables repairing & recycling
 <b>Energy and Climate</b>			Less transport		Supports mass adoption of electric vehicles	
 <b>Water and Wastewater</b>						
<b>Footprint</b>						

 Significant improvement



As early as the design process, our innovative technologies enable our customers to explore ways of making their processes and products more sustainable. For companies in the automotive industry, our solutions are opening up opportunities to make progress toward the mass adoption of electric vehicles – with the aim of reducing fossil fuel consumption and the related CO<sub>2</sub> emissions. Our Bergquist brand of thermal gap fillers, for example, makes it possible to design larger battery packs by carrying away heat that is generated when the battery is used. Larger batteries enable electric vehicles to drive for

longer, which makes them a more viable alternative to cars that run on fossil fuel. And because our gap fillers come in liquid form, they can be applied quickly, which accelerates production cycles and empowers carmakers to meet increased demand for electric vehicles by producing more batteries each day. Our solutions also make it easier to recycle battery packs because they require less force to be removed at the end of the battery's life.

→ [Explanation of the Henkel Sustainability#Master®](#)

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In addition, our solutions help to save resources during the logistics phase of the value chain. Our hotmelt adhesives are used to secure goods to pallets and keep the goods safe as they travel from the manufacturer to the retailer. By switching to our hotmelts instead of industry standard approaches, our customers are able to reduce their use of plastic wrapping foil and shrink film by up to 90 percent, while also eliminating layers of anti-slip materials that are often difficult to recycle. Our hotmelts for securing boxes to pallets are even available in an auto-feedable format that increases safety and can improve efficiency by enabling automation.



Our hotmelt adhesives for bonding goods to pallets enable our customers to reduce their use of plastic by replacing foils, films and anti-slip materials.

Products and technologies from our adhesives business unit also contribute to sustainability when our customers' products have left the factory and are performing their intended function. Our solutions for data servers are a strong example of this. Trends like next-generation mobile internet connectivity or rising demand for video streaming are creating challenges for the servers that store and process the world's data. These servers generate more heat when they operate faster for longer, and this heat has a negative impact on performance. Our solutions are able to significantly lower the operating temperature within a data server, which cuts energy consumption and extends the lifetime of the servers – while also enabling digital technologies that are contributing to sustainability in every area of our lives.

## Accelerating the transition to a circular economy

Our pioneering solutions help customers across industries to promote the transition to a → **circular economy** – where energy and materials stay within the economic cycle for longer and nothing is wasted. This concept is gaining a lot of attention from the media and the public, particularly related to plastic pollution. However, circularity goes far beyond consumer plastic: It is about completely transforming the way we think about resources, and turning waste and emissions into a valuable raw material. We use our game-changing technologies to accelerate this mindset shift and bring the circular economy to life.

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As always, this begins with the raw materials we use and designs we create for our own products. In 2020, our team of innovators joined forces with the global packaging manufacturer Berry Global to develop the first ever moisture absorber that includes recycled plastic. Our → **UniBond AERO 360°** is made from 60 percent post-consumer recycled plastic, which saves 257 tons of virgin plastic and 269 tons of CO<sub>2</sub> per year. On top of this, the packaging is made of 100 percent recycled cardboard. The device and the packaging are both specifically designed to be compatible with recycling processes.

We also use our leading expertise to anticipate regulatory changes before they happen – and support our customers in developing circular innovations that will meet or exceed those regulations. Single-use plastic straws, for example, are the focus of increasingly strict legislation. Our Aquence ST range of adhesives is enabling the switch to paper straws as a more sustainable alternative. Industry standard paper straws are made of three layers of paper with a thin layer of our adhesive between each layer. Our adhesives make it possible for paper straws to withstand immersion in liquid for a longer period of time, and tests have confirmed that the paper straw packaging is biodegradable, which contributes to circularity by eliminating waste.

Our focus to promoting a circular mindset was a key factor in the development of our  **EPIX technology**. This platform extends the functionality of paper by increasing its impact resistance, thermal insulation and other properties. This makes it possible to use paper instead of plastic for a wide range of products. During 2020, we collaborated with leading online retailers to launch a new padded mailer that keeps material in the economic cycle because it is compatible with conventional paper recycling systems. The mailer has received certification from initiatives including How2Recycle in the US and On-Pack Recycling Label (OPRL) in the UK. It also offers improved impact protection, so products arrive safely.



Recyclable padded mailer with our EPIX technology

Our EPIX technology platform opens up possibilities to extend the properties of paper. In 2020, it enabled the creation of a new padded mailer that is compatible with several recycling systems.

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While we use our leading expertise to develop high-impact innovations, we also share that expertise with partners from across industries and around the globe. In 2020, we hosted the Henkel Packaging Adhesives Sustainability Forum, a virtual conference where we provided insights into how to make progress toward sustainability for packaging. Almost 2,000 participants from more than 700 companies attended the two-day event, including representatives from every stage in the value chain – from raw material suppliers through to packaging producers and converters, brand owners and recyclers. The conference also provided a platform to showcase collaborative activities that are setting new standards for this industry.



### Packaging Adhesives Sustainability Forum

Almost 2,000 representatives from every stage in the packaging value chain attended the Henkel Packaging Adhesives Sustainability Forum in 2020. This virtual conference aimed to share expertise and promote progress toward more sustainable packaging.

## Enhancing human health and safety

At all times, we are absolutely dedicated to ensuring safety for everybody in our value chain, from our suppliers through to our own → production teams, our customers and the consumers who use the final product. In this spirit, we → test and assess our raw materials and finished products throughout the entire product lifecycle to make sure they meet the highest standards. Of course, our customers share our commitment to health and safety – and their focus is being sharpened by regulatory changes that aim to protect consumers. A new chemical strategy for sustainability, for example, is expected to be included within the Green Deal in the European Union.

Adapting our product formulas is just one of the ways that we seek to enhance safety and help our customers to exceed regulatory requirements. Our Loctite 2400 threadlocker is not required to display any hazard symbols, risk statements or safety-related warnings on the packaging because it does not contain any substances of concern. The threadlocker makes a further contribution to safety by securing screws, nuts and bolts on machinery, which also extends the lifetime of the machinery by eliminating damage and failures.



### Loctite 2400

The packaging for the Loctite 2400 threadlocker is not required to display any hazard symbols or safety-related warnings because the product does not contain any substances of concern.

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### Polycryl FR coating

Innovators at Henkel focus on safety at every stage in a product's life cycle. Our Polycryl FR coating for protecting building façades against moisture and damp, for example, delivers strong performance in preventing the spread of flames and the development of smoke.

Our focus on enhancing safety continues to make an important impact even after our solutions have been applied. Our Polycryl FR coating for protecting building façades against moisture and damp, for example, has been awarded a Class A rating in line with the ASTM International standard E84. This confirms that it achieves the best possible performance in terms of preventing the spread of flames and the development of smoke. The product also contributes to sustainability because it is low in Volatile Organic Compounds (VOC). By offering safety and environmental benefits that go beyond its core intended purpose, Polycryl FR is a strong example of how our innovators consider every aspect of safety and environmental compatibility throughout the entire product life cycle.

## Driving social progress

Alongside our activities that address environmental challenges, we also promote social progress around the world by working together with communities and partners. In 2020, our employees stepped up these activities to support the global response to the COVID-19 pandemic.

Our collaboration to develop an innovative smart health patch is just one example. We joined forces with six medical and technology companies to create the device, which is used to monitor the patient's breathing, heart rate and temperature. Our teams created the electrodes and conductive inks for the smart health patch, which is now being used to treat people with COVID-19 in Belgium. The patch uses a sensor to automatically collect information about the patient's vital signs. This data is then sent to a cloud via a wireless internet connection, and doctors and nurses can access it on a user-friendly platform. This makes it possible for healthcare professionals to monitor their patients remotely, which saves valuable time and reduces the risk of infection by minimizing close contact.

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We also used our expert knowledge of 3D printing to support the response to the COVID-19 pandemic. Early in 2020, the companies that make nasopharyngeal swabs for collecting samples for testing were unable to meet the surge in demand. We joined forces with Origin, a pioneer for 3D printing technology, to develop and produce 3D-printed nasal swabs that are suitable for large-scale manufacturing. The swabs combine reliable sample collection with comfort for the patient, and contain a digital thread that makes them 100-percent traceable. They are fully approved by the US Food & Drug Administration (FDA) under an emergency use authorization, and are now being used at healthcare facilities, government institutes and testing centers in the US and other countries.



3D printing for COVID-19 testing

Henkel joined forces with Origin to develop 3D-printed nasopharyngeal swabs for collecting samples to test for COVID-19. The swabs are fully approved by the US Food & Drug Administration (FDA) and are now being used in the US and other countries.

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# Beauty Care

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# Beauty Care

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## How Beauty Care contributes to sustainability

In our Beauty Care business unit, we are convinced that we can only create sustainable value together – with our employees, consumers, customers and business partners. We always focus on our consumers and their needs when developing **new products**. Many consumers became even more aware of the need for sustainable consumption in 2020. The business unit reflects this trend in its “Better for you” strategy. In 2019, we set the goal of making our entire Beauty Care product portfolio even more sustainable. One current example is the relaunch of **Syoss** brand shampoos with up to 90 percent raw materials of natural origin. The bottle bodies for these products are made of 98 percent recycled plastic. Even though the packaging is black, it is recyclable because it uses a carbon-free colorant. We also added the first plant-based hair colorant with ingredients of natural origin, **100 % Vegetal**, to our coloration portfolio under the Schwarzkopf brand in 2020.

In the Beauty Care business unit, we aim to ensure that every **→ innovation** stands out for its performance and attractiveness, as well as for its environmental compatibility and social responsibility. This includes aspects such as promoting a circular economy, contributing to climate protection and improving the biodegradability of our products. In addition, we cooperate with non-profit organizations to promote social progress. One of our initiatives is **→ Million Chances**,



*“With our True Beauty philosophy, we’re committed to providing strong and sustainable brands, products and services that improve people’s quality of life, make a positive social contribution, and reduce our environmental footprint.”*

**Jens-Martin Schwärzler**  
Executive Vice President  
Beauty Care

which supports girls and women around the world in building a successful professional and personal future.

We want to offer our customers safe and sustainable products that deliver outstanding performance, while also motivating consumers to contribute to the responsible use of resources through their behavior. Sustainability aspects are taken into account even at an early stage in the development of product innovations at Henkel. Over the past five years, the Beauty Care business unit has calculated the environmental footprint of more than 170,000 product formulas.

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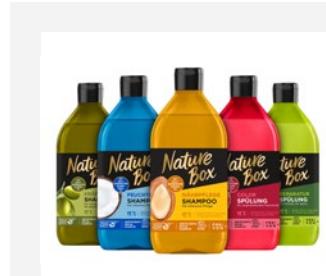
Since 2017, we have created a compact sustainability report for every product formula. These reports clearly summarize relevant categories such as the CO<sub>2</sub> footprint, the proportion of nature-based ingredients, and biodegradability. We have already succeeded in making all of the surfactants contained in our shower gels, shampoos and hand soaps easily biodegradable. We will work closely with our suppliers to review the degradability of the ingredients in our beauty products and, where necessary, supplement the data or replace individual substances.

Our beauty products contain many ingredients from natural sources. For this reason, we integrated data about natural ingredients into the Sustainability Report in 2018, in line with the ISO 16128 standard covering cosmetics products. A substance database in the Beauty Care business unit also offers individual sustainability data about all relevant raw materials. This provides a straightforward way of comparing raw materials with specific characteristics in terms of their contribution to sustainability. At all times, the standardized methodology, the comparability of the reports and the raw material properties provide our developers with easy access to information about how our formulas contribute to sustainability, as well as full transparency about potential optimizations that could reduce the overall footprint.

## Sustainability along the value chain

Sustainability is of central importance to us with regard to the selection of ingredients during product development. However, we also pursue a holistic approach that covers the entire value chain: from the purchase of raw materials and packaging materials, through to production and logistics, as well as the application and disposal of the product by the consumer. We pay particular attention to the responsible procurement of raw materials. We recognize our responsibilities regarding the purchase and use of ingredients based on renewable raw materials and we support local smallholders through a number of initiatives. In cooperation with the development organization Solidaridad, we support → **palm oil smallholders** in South America, Africa and Asia, while also supporting farmers in India through Solvay's → **Sustainable Guar initiative**. Guar is a nourishing ingredient that is used, for example, in hair care products from our natural cosmetics brand Nature Box. We also work closely with → **Plastic Bank**, a social enterprise that aims to stop plastic pollution from entering the oceans, while also providing opportunities for people in poverty.

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#### Nature Box

Nature Box is the first consumer goods brand worldwide to introduce Social Plastic® from the social enterprise Plastic Bank as a packaging material for its entire bottle portfolio. All bottle bodies are made of 98 percent plastic collected from the beach and countryside.

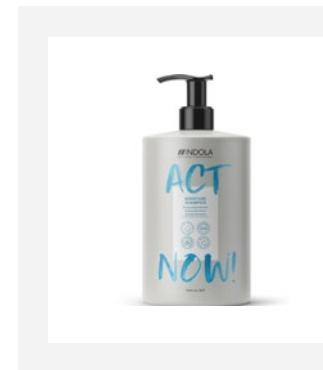
In 2019, we launched **N.A.E.** (Naturale Antica Erboristeria), a natural cosmetics brand certified by ECOCERT in compliance with the COSMOS standard for organic cosmetics. **Nature Box** has also carried the ECOCERT cosmetics label since September 2020, proving that it meets COSMOS-NATURAL standards. This **certification** confirms that all Nature Box products are made with at least 98 percent ingredients of natural origin (including water – calculation in accordance with ISO standard). We have also had two of our production sites certified in line with the COSMOS standard.

## Product and packaging examples

### New care and styling series ACT NOW!

ACT NOW! is the latest care and styling series from our Beauty Care Professional hairdressing brand Indola. With its compact product range consisting of twelve products, it is committed to more sustainability in everyday salon life. The formulas are vegan, free from silicones, parabens and artificial colors, and contain nature-based ingredients such as chia seed extract, almond oil and shea butter.

The bottle and jar bodies in the ACT NOW! product series are made of up to 97 percent recycled plastic and are recyclable. The use of recycled material saves 9.7 metric tons of new plastic from fossil sources each year. In addition, ACT NOW! supports the work of → **Plastic Bank**, which aims to stop plastic pollution from entering the oceans.



#### ACT NOW!

In addition to product-related sustainability aspects, ACT NOW! also aims to raise awareness of more sustainable ways of working in hairdressing salons. In the Sustainable Salon Series, episodes of which can be seen on the Indola IGTV channel, hairdressers share tips for how to make salon life more sustainable.

### Solid shower care from the N.A.E. brand

The N.A.E. brand of solid shower care products gently cleanses and supports the skin's natural moisture balance without drying it out. The formulas are vegan and contain 99 percent natural-origin ingredients (including water – calculation in accordance with ISO standard). Due to its concentrated formula, the solid shower care product is as economical as three liquid shower gels (200 ml each), with lower weight and volume. This results in lower CO<sub>2</sub> emissions during transport. The packaging is also made from FSC-certified paper and is fully recyclable. All N.A.E. face, body and hair care products are certified by ECOCERT in compliance with the COSMOS standard for organic cosmetics.

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### N.A.E. Freschezza

The organic certified solid shower care product Freschezza combines extracts of rosemary and thyme leaves, supports the natural moisture balance of the skin and helps to protect the natural skin barrier. Due to its concentrated formula, the solid shower care product is as economical as three liquid shower gels.

## Working together with consumers

Our goal is to increase quality of life for as many people as possible, within the limits of available resources. By providing hair, skin and tooth care, our products also make a social and emotional contribution to quality of life. In parallel, life cycle analyses have shown that more than 90 percent of the water and energy consumption of our rinse-off products occurs during use. This is why Beauty Care uses its brands to inform customers and consumers about the sustainable use of products and to give them suggestions for how to use resources responsibly. In 2016, Beauty Care launched the  “Be smarter.” initiative. Information on the product packaging, as well as an informative website and additional measures at the point of sale, explain how consumers can contribute to conserving resources. The first phase of the initiative focused on water as a resource, as well as

on the energy-intensive process of generating hot water, within the context of our “Be smarter. Save water.” campaign. In a typical household, more than 70 percent of all hot water is used for showering. This means a change in behavior while showering can have a significant impact.

In the second phase, we expanded the initiative to include recycling, focusing primarily on the responsible handling of  [packaging](#) and how to dispose of it in a manner that conserves resources. To draw attention to these urgent issues, we launched the “Be smarter. Recycle.” campaign. Consumers are informed and made more aware about the correct approach to waste, as well as the recyclability of different types of packaging. In this way, we want to raise consumer awareness of the concept of a circular economy. The “Be smarter.” initiative now includes 25 brands and more than 100 countries. It also targets consumers in countries where the collection and recycling systems for packaging are much less developed than in Germany, for example.



With the “Be smarter.” initiative, the Beauty Care business unit encourages consumers to save water and handle waste in a way that supports a circular economy.

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## Partnerships for sustainable packaging solutions

For many years, our Beauty Care business unit has been focused on innovations that contribute to sustainable development. Together with our partners, we develop solutions along the value chain. Promoting a → **circular economy** is an important issue, for example. To this end, we work closely with various packaging suppliers. In 2014, Henkel launched the world's first aerosol cans containing 25 percent recycled aluminum for deodorant sprays under the Fa brand, as a result of a joint development project with packaging supplier Ball Corporation. Since mid-2020, we have been using 100 percent recycled material in our □ **aluminum tubes** for hair colorants for various retail and professional brands such as Diadem. This enables Henkel to promote the circular economy while substantially reducing the ecological footprint of our packaging. Additionally, in 2020 we started to switch our entire tube portfolio for □ **dental care products** to fully recyclable tubes from the packaging supplier Albéa. This switch will be completed at the beginning of 2021. Due to their multi-layered construction, conventional toothpaste tubes pose a challenge for high-quality recycling of materials. The introduction of Albéa's Greenleaf technology will enable us to switch more than 700 metric tons of packaging material that can be recycled and reprocessed by existing waste recycling systems. An alternative, carbon-free colorant developed together with our supplier Ampacet has been used in the new → **black packaging material** for our Syoss brand shampoos since September 2020. This makes the bottles detectable, sortable and recyclable in recycling facilities. Additionally, all shampoo bottle bodies are made of 98 percent recycled material.

As part of a major relaunch of the Schwarzkopf brand Gliss Kur, Henkel increased the proportion of recycled material across the entire product range. The new PE bottles for shampoo and conditioner are made of 30 percent recycled content, while the PET bottles for shampoo and Express Repair Conditioner consist of 97 percent recycled material. All bottle bodies are fully recyclable. In addition, the reduced use of metal foil simplifies the entire recycling process. The new black caps are made of carbon-free material, which means that they are recyclable as well.



### New packaging solutions

With the □ **relaunch of the Syoss, Nature Box and Gliss Kur brands**, Henkel is driving further progress in promoting sustainable packaging solutions. This could save a total of more than 70 million bottles made of virgin plastic each year.

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We also work closely with our trading partners to promote the responsible use and disposal of our packaging at the end of the value chain. For example, Henkel is a member of the Recyclate Forum in Germany. It was launched by dm-drogerie markt in 2018, together with Henkel, Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble, Share and Vöslauer Mineralwasser. One of the aims of the initiative is to significantly increase the recycling of reusable materials for packaging in order to offer customers more sustainable packaging alternatives and reduce the amount of packaging waste. Another aim is to promote public awareness about a circular economy – from product design by manufacturers, through to use by consumers, disposal of household waste, and recycling of packaging. Within the scope of the Recyclate Forum, Henkel together with the University of Vienna took over management of the specialized group for recycled material standards, which is now growing into an independent industry consortium. The CosPaTox consortium (acronym for Cosmetic, Packaging & Toxicology) deals with product safety in the use of Post-Consumer Recycled (PCR) materials. It is developing new industry standards for the safe use of recycled plastic in cosmetics, detergents and cleaning agents. Some 25 companies along the entire value chain have now joined this initiative, which will start work at the beginning of 2021.

Since 2016, Henkel has been working in various countries with ☐ TerraCycle, a company that offers recycling solutions for materials that are difficult to recycle. In partnership with TerraCycle, consumers in Austria and the UK, for example, are able to dispose of Fa or Right Guard cosmetics packaging in special collection containers. In the second step, the empty packaging was then used to produce new items such as mobile fitness equipment and children's slides. As a result, valuable raw materials are saved from incineration or landfill. At the same time, they can be made into new products. The Beauty Care business unit went one step further in 2020 by launching a Schwarzkopf recycling program in the ☐ US and ☐ Australia. This enables consumers to recycle all Schwarzkopf hair care, coloring and styling products through the TerraCycle platform, free of charge. Consumers in the US can collect points for doing so, which can be redeemed for charitable gifts or converted to cash and donated to a nonprofit, charitable or educational organization of their choice.

In addition, Henkel is working with partners to trial further ways of reducing packaging materials. In 2020, for example, our certified natural cosmetics brand N.A.E. (Naturale Antica Erboristeria) launched a pilot project in cooperation with Amazon: a ☐ "solid item box" consisting of a solid shower care product and face wash, a solid shampoo and a reusable soap sachet – with no additional material used to wrap each item inside the box. The boxes are made of 100 percent FSC-certified paper and serve as shipping packaging, eliminating the need for additional secondary packaging from Amazon.

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#### N.A.E. "solid item box"

The N.A.E. "solid item box" has been available in Germany, Italy and France since 2020 and can be ordered exclusively on Amazon.

We have been trialing → **refill stations** for hand soap, shampoos and shower gels in selected drugstores in the Czech Republic since 2019. In addition, we have been providing hair care refill stations for the Authentic Beauty Concept brand in selected hair salons across Europe since October 2020. The aim is to gain experience in the trial salons in order to roll out more refilling solutions in the coming years.

## Brand engagement

Beauty Care has the vision of improving people's lives worldwide and contributing to social progress above and beyond its products. This is why Schwarzkopf launched the Million Chances initiative in 2016. Its goal is to support girls and women worldwide in building a successful future for themselves. To do so, we had set ourselves the milestone of reaching a total of 140,000 girls and women with our projects and activities under the umbrella of the Million Chances initiative by the end of 2020. We have reached almost 130,000 women since the initiative was launched, by cooperating with international charities and

through the voluntary commitment of our employees. Due to the COVID-19 pandemic and the associated restrictions, it was unfortunately not possible for us to achieve the set target by the end of 2020.

The Million Chances initiative provides support for young adults entering the job market, for example. As part of the "Employment prospects in the technological sector for young adults" project launched in China in cooperation with Plan International in 2020, more than 600 people will receive comprehensive vocational training over the next two years. This project follows on from the successfully completed engagement in the Shaanxi region, where Schwarzkopf and Plan International implemented initiatives to improve employment prospects for young adults from 2018 to 2020.



#### Opening up opportunities for young adults

Through a project conducted in cooperation with Plan International, participants gain access to vocational qualifications and the opportunity to determine the course of their own lives. Photo: © Plan International

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The project participants, who come from poor backgrounds and are between the ages of 16 and 29, are offered a vocational qualification in high-demand areas such as programming, digital production design, photography and film editing. With the appropriate education, job application training and subsequent employment opportunities, they gain economic independence, and conventional gender roles are also broken down.

### **Third Schwarzkopf Million Chances Award presented**

In November 2020, we presented the Schwarzkopf Million Chances Award for the third time. It honored non-profit projects for their outstanding commitment to supporting girls and women. Initiatives and projects from Germany, Austria and Switzerland that engaged in providing health care, education, economic emancipation or rights, and integration activities for girls and women were eligible to apply. The award was presented in the following categories:

- Projects in the “Build Up” category support girls of elementary school age. In 2020, this prize went to the non-profit organization CLIMB GmbH.
- “Move Up” initiatives support young women in gaining the best possible entry into employment. The award for this went to AMICA e.V. in 2020.
- Projects in the “Start Up” category support women in making a new start into their professional or private lives. In 2020, KARO e.V. was the winner in this category.

As in previous years, the winner of the fourth award was decided through a public voting process, with the award going to the GründerMütter initiative. Each winning project received a cash prize of 10,000 euros, made possible by the Fritz Henkel Stiftung foundation.



**Outstanding engagement for girls and women**

Winners of the third Million Chances Award in the Public Voting category: Helga Miegel (left), mental trainer & coach, and Dr. Stephanie Gundel, founder & organizer of the GründerMütter initiative.

### **Working together to reduce plastic waste in the oceans**

Our strategic partnership with the social enterprise → **Plastic Bank**, which we initiated in 2017, aims to reduce the amount of plastic waste that enters the oceans while also creating new opportunities for people living in poverty. The local population in Haiti receives money, goods or services in exchange for the collected plastic.

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In addition to opening several collection points, Henkel has assisted Plastic Bank over the past three years in setting up a supply chain to recycle the collected plastic waste and reintegrate it into the value chain as Social Plastic®. In 2018, the Beauty Care and Laundry & Home Care business units launched their first ever products with packaging made of 100 percent recycled plastic, including some Social Plastic®. We have received several awards for this initiative, including one in 2020 from the PAC Packaging Consortium in the Packaging Innovation category. In the same year we received the  **Diamond Award**, the highest honor bestowed by the American company Dow Chemical. In 2020, we integrated Social Plastic® into other packaging of special editions, such as Fa Beach Love, and as a packaging material for the entire bottle portfolio of our Nature Box natural cosmetics brand. The bottle bodies are made of 98 percent plastic collected from the beach and countryside. Henkel is currently working to replace the remaining 2 percent virgin plastic, which are based on the bottle's color, with the recycled material as well. For that, we are already testing a color carrier consisting of Social Plastic®. Nature Box's commitment to sustainability earned the brand's shower care portfolio the "Explorer of the Year" award from Swiss branded goods association Promarca in December 2020, which recognized the "most noteworthy innovation of the year."

## **Changing lives through hairdressing**

Another long-term project that is designed to help young people around the world secure a better future is  **"Shaping Futures,"** which supplements the Schwarzkopf Million Chances initiative. For ten years now, Schwarzkopf Professional and non-profit organizations have offered young people the opportunity to obtain training in basic hairdressing techniques to establish livelihoods.

Having started in Cambodia in 2010, Shaping Futures has since expanded to countries such as Croatia, India, the Philippines, Slovenia and South Africa. Since the initiative was launched, the voluntary commitment of almost 400 hairdressers has enabled more than 2,500 young adults to be trained in over 30 countries. After completing the training, more than 50 percent of them moved on to practical training, apprenticeships or job placements in the hairdressing profession.



### **Shaping Futures**

The long-term project Shaping Futures offers young people the opportunity to obtain training in basic hairdressing techniques. The picture shows Bui Van Son, who was trained in 2012 together with other young people from an SOS Children's Village in Vietnam as part of the Shaping Futures initiative. He now owns his own hair salon and is himself a trainer for the program.

## Henkel Sustainability#Master® – argan shampoo from the Nature Box brand

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	Value	Raw materials	Production	Logistics	Retailing	Service / use	Disposal
	 <b>Performance</b>	Cold-pressed natural oil				Improved performance	
	 <b>Health and Safety</b>						
	 <b>Social Progress</b>	Sustainable cultivation of guar and palm oil			Collaboration with Solidaridad	Consumer education on sustainability	Partnership with Plastic Bank
	 <b>Materials and Waste</b>	98% nature-based ingredients			Certification to COSMOS NATURAL standard		Recyclable packaging made from 98% recycled material
	 <b>Energy and Climate</b>	98% Social Plastic®					
	 <b>Water and Wastewater</b>						
	<b>Footprint</b>						
							Significant improvement

The Henkel Sustainability#Master® shows the sustainability profile of the argan shampoo from our Nature Box brand. The formula with cold-pressed argan oil nurtures the hair and prevents it from drying out. All important ingredients remain intact during the cold-pressing process, which is a particularly gentle extraction process. The product bears the ECOCERT cosmetics label based on the COSMOS NATURAL standard. This certification confirms that 98 percent of the ingredients are of natural origin (including water). In addition, the formula is vegan, free from silicones, synthetic colorants, sulfates and parabens.

The body of the shampoo bottle is made of 98 percent Social Plastic®. Nature Box combines high standards of production and quality with a long-term sense of responsibility. For this reason, the natural cosmetics brand collaborates with the international development organization Solidaridad and the specialty chemicals company Solvay. It supports smallholders in the sustainable farming of guar and palm kernel oil, both primary materials used to make ingredients found in this product range.

→ [Explanation of the Henkel Sustainability#Master®](#)



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## How Laundry & Home Care contributes to sustainability

In Laundry & Home Care, we have a clear mission: “Together Creating Clean Living.” We believe that our team, our customers, and our suppliers have to innovate together to provide better solutions, products and services – and to create value for consumers and society. We focus on resource-efficient technologies, innovative  products, and optimized → packaging and ingredients to maximize cleaning performance. We are also committed to ensuring that our products have a positive impact on the environment and society. This includes supporting the circular economy, contributing to a climate-positive business, delivering more transparency and accepting social responsibility. → **Integrating sustainability into our brand and business strategies** is crucial to achieving this. This is the only way we can ensure that every new product meets the highest cleaning standards and also contributes to sustainability.

Fostering resource-efficient consumption is an important objective in this respect. Our products are the key to this because they are used daily in millions of households and often require water and energy. As much as 80 percent of the environmental footprint of our products is generated during their use. This is why we concentrate on developing products that enable the efficient use of resources. By using → **targeted information for consumers**, we also work to promote responsible behavior while using our products. Through



*“Through our mission, ‘Together Creating Clean Living,’ we integrate sustainability into our brand and business strategies even more strongly, so that we can make positive contributions to the environment and our society with all of our products.”*

**Bruno Piacenza**  
Executive Vice President  
Laundry & Home Care

specific communication that is appropriate for the target group, we point out the advantages of our products while encouraging resource-efficient use. One example is the Persil laundry calculator, an internet-based platform that provides consumers with information about how to conserve resources when doing laundry. It is also important to → **work hand-in-hand with our retail partners** to advocate sustainable consumption together.

The innovation rate for the Laundry & Home Care business unit was around 45 percent in 2020. In other words, the business unit generated around 45 percent of its sales with products that have been on the

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market for less than three years. This includes products from the Pro Nature brand, which are notable for their particularly high proportion of ingredients based on renewable raw materials. Henkel has been using ingredients based on renewable raw materials for decades. In 2020, around 42 percent of the organic ingredients in our laundry detergents and household cleaners were derived from renewable raw materials. The remaining portion is divided into inorganic and petroleum-based components.

## Product and packaging examples

### Innovations in the detergent segment

Our liquid laundry detergents show that outstanding washing performance can go hand-in-hand with sustainability. They are the result of several years of research and development, as well as significant investment in new product formulations, new bottles and new production processes. The liquid laundry detergents that were introduced in 2018 from our Persil, Spee and Weißer Riese brands offer up to 40 percent more stain removal power per drop of detergent, for example. Our product development process placed particular focus on stain removal at low temperatures. This enables consumers to achieve excellent results when washing their laundry at low temperatures, and even when using cold water.

In addition to improved washing power, our liquid detergents make an important contribution to the reduction of our footprint along the entire value chain. We save plastic in the production of the bottles, in comparison with the previous generation of bottles. Thanks to the

more concentrated formula and a water-efficient production process, we use less water per year. In addition, we save of CO<sub>2</sub> during the transport of our new generation of liquid laundry detergents, reducing truck trips. After use, the more compact bottles generate less plastic waste. The empty bottles are fully recyclable and can be introduced into the recycling process via disposal systems.

Persil Discs were introduced in 2019, and feature a 4-chamber system that provides optimal washing performance for stain removal, brightness, fiber care and fresh fragrance in a single product. The gels in the four chambers remain protected until the foil dissolves on contact with water, which then releases the full power of the gels during the washing process – even at washing temperatures as low as 20 degrees Celsius. When the washing machine is loaded correctly, Persil Discs prevent excessive quantities of detergent from being used. The water-soluble packaging film is biodegradable.



### Persil 4in1 Discs

We received the World Packaging Organisation's Green Packaging Award 2020, together with packaging manufacturer Greiner Packaging, for the packaging of the new Persil 4in1 Discs with 50 percent recycled PP.

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All universal and color variants of Persil have been available with the new Deep Clean Technology since 2019. There is also a new version of our Persil gel that combats unpleasant odors: Deep Clean Technology provides thorough laundry cleaning because the innovative formula with a special enzyme mix removes particularly deep-seated dirt and stubborn stains.

An innovative odor-neutralizing technology was introduced in 2020. The improved Persil Discs now prevent odors during the wash and also while the clothes are being worn. We received the World Packaging Organisation's  **Green Packaging Award 2020**, together with packaging manufacturer Greiner Packaging, for the packaging of Persil 4in1 Discs with 50 percent recycled Polypropylene (PP).

Persil Green Power is another innovation. 85 percent of the formulation consists of nature-based ingredients. The packaging contains 50 percent recycled material and the bottle is fully recyclable. The sealing and dosage cap were also redesigned to use less plastic. The product is certified by the independent German eco-label The Blue Angel.



#### **Persil Green Power**

The new Persil Green Power detergent complies with the rigorous guidelines of the eco-label The Blue Angel, while also delivering impressive washing power. For deep-acting wash results, a dosage of only 50 ml is sufficient to remove dirt naturally and effectively.

The limited edition Persil Eco Power Bars are an innovative product featuring a particularly compact shape. As a result, Persil Eco Power Bars require less resources for production and transport, and they also reduce packaging waste compared to other detergents. In addition, the packaging is made of recycled and recyclable cardboard. Persil Eco Power Bars are an example of how we use new sales channels in the eCommerce sector and take consumer feedback into consideration.

#### **Our new Love Nature product range**

Love Nature is the first brand of the recently established company, Love Nature GmbH. It is a wholly-owned Henkel subsidiary and belongs to the Laundry & Home Care business unit. Love Nature offers high-performance plant-based products for laundry, dish-washing and cleaning, with attractive fragrances and pleasant colors. The products have been extensively tested and certified for their environmental and skin compatibility. They bear the EU Ecolabel, in most cases are certified with the ECARF seal as skin-friendly and allergy-friendly, and contain only hypoallergenic fragrances. All Love Nature products are made without ingredients of animal origin. Through the Leaping Bunny certification, we also guarantee more stringent animal welfare standards than those required by law. The bottle bodies are made of 100 percent recycled plastic and can be fully recycled.

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The new Love Nature detergents, Universal Cactus Leaves and Color Cherry Blossom, are plant-based. They release their cleaning power at washing temperatures as low as 20 degrees Celsius, which helps to save resources. The two hand dishwashing products, Verbena and Cherry Blossom, use a sugar-based cleaning agent that works powerfully on grease to ensure sparkling clean dishes. Sugar-based detergents help to bind dirt and grease. Fragrance-free Love Nature all-in-1 dishwasher tabs use the salt of citric acid and the power of washing soda. The cleaning agent, rinse aid and water softener are already included. The folding box is made of recycled cardboard and can be disposed of as waste paper. The all-purpose cleaner and the bath cleaner are plant-based, like all other Love Nature products. The Love Nature bath cleaner can be applied either directly with a sponge or with a spray attachment that is sold separately and can be reused. "Mein Spülmittel" and "Mein Waschmittel" are also available for refilling at Love Nature refill stations.



#### Love Nature

The new Love Nature range offers high-performance plant-based products for laundry, dishwashing and cleaning that have won awards for their environmental compatibility.

#### Expansion of the Pro Nature product range

Pro Nature added two cleaning products to its range in 2020, Somat All-in-1 dishwasher tabs and Biff WC Total cleaning gel. Pro Nature products help consumers to clean responsibly and sustainably. Like the existing products in the Pro Nature range, the new Somat and Biff products have been certified by the independent Blue Angel eco-label. Pro Nature's Somat All-in-1 dishwasher tabs are made from 94 percent natural ingredients and contain no fragrances at all. The packaging can be recycled and is made of recycled FSC-certified cardboard. The tabs are individually wrapped in a water-soluble biodegradable foil.

90 percent of the ingredients in Pro Nature's Biff WC Total cleaning gel are of natural origin. Biff WC Total cleaning gels stick to the toilet throughout the cleaning process and combat dirt effectively, from the rim to deep below the water surface. All PET bottle bodies for Pro Nature cleaning products under the Biff, Pril and Sidolin brands are made from 100 percent recycled plastic, including up to 50 percent Social Plastic®, depending on the product.



#### Somat All-in-1 dishwasher tabs and Biff WC Total cleaning gel

Two more products joined the Pro Nature range in 2020: Somat all-in-1 dishwasher tabs and Biff WC Total cleaning gel help consumers to clean responsibly.

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## Vernel Naturals fabric softener

Henkel has launched its first fabric softeners based on a vegan formula and 99 percent nature-based ingredients, without silicones or colorants. The ingredients for the perfume are obtained from sustainable sources. The bottle bodies are 100 percent recyclable and made from 100 percent recycled plastic, 25 percent of which is Social Plastic®. In Germany, Henkel uses watermark technology in two Vernel products. This will help to improve sorting, bringing the circular economy a step nearer.



### Vernel Naturals fabric softeners

The bottle bodies for the first vegan fabric softener, Vernel Naturals, are made from 100 percent recycled plastic. For the first time, Henkel is using a new digital watermark technology in the form of an invisible code on this packaging.

## Pril hand disinfectant gel

Washing hands and regular disinfection are among the main pillars in the fight to contain COVID-19. To meet the increasing consumer demand for disinfectants, Henkel has added a product specifically designed for hand hygiene to its range. Pril disinfectant gel removes 99.9 percent of bacteria and specific viruses, without the need to add soap or water. It is ideal for everyday use at home or in the workplace. The pump-action dispenser enables doses to be measured out easily, while the skin-friendly formula of the disinfectant gel does not dry out the hands.



### Pril disinfectant gel

Pril disinfectant gel removes 99.9 percent of bacteria and specific viruses, without the need to add soap or water.

## Product logos support consumers

Henkel aims to promote sustainable behavior among consumers. We want to motivate consumers to adopt the most sustainable washing habits possible. For this reason, we have developed a logo with the slogan "be sustainable – wash cold." In addition, Henkel has developed new product logos that show the proportion of recycled content and how recyclable the packaging is. The PET bottles for many of the spray bottles and fabric softeners from our Vernel brand are made from 100 percent recycled material. They are surrounded by a sleeve, which is a type of film covering. The advantage of this thin film sleeve is that it covers the bottle, which can take on a yellow to grayish appearance due to its high volume of recycled content. The film is also customizable, so that the bottle itself does not need to be colored and can be recycled very easily. When the contents of the bottle are used up, the film must be separated from the bottle so that the bottle can be recycled. To make this process easier for consumers, Henkel has developed a product logo with a "zipper," and the film cover is perforated. This important aid to recycling-friendly disposal can already be found on many products from our Vernel and Silan brands, as well as our spray bottles and toilet cleaners from the brands Biff, Sidolin and Bref.

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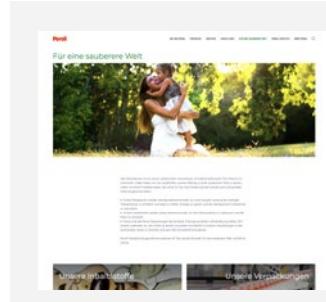
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Since 2020, the [Persil website](#) has been offering consumers even more information and transparency. This is where they can find out about the packaging for Persil products. The brand also helps consumers to reduce their personal footprint and shows how they can save energy or dose the product correctly, for example.



The new Persil website has even more information for consumers about the sustainability aspects of our products.

## Retail partnerships for more sustainable packaging solutions

The key goals for Henkel's packaging developers are to reduce the amount of packaging material and to increase reuse, as well as to increase the → [use of recycled materials](#). We also work closely with our retail partners to promote the responsible use and disposal of our packaging at the end of the value chain.

For example, Henkel is a member of the Recyclate Forum in Germany. This initiative was established by dm-drogerie markt in 2018, together with Henkel, Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble, Share and Vöslauer Mineralwasser. It has two objectives: First, to significantly increase the reuse of packaging materials in order to offer consumers more sustainable packaging alternatives and reduce the amount of packaging waste. And second, to raise awareness about a circular economy – from product development at the manufacturers, through to use by customers, disposal of household waste, and recycling of packaging.

Together with its retail customers, Henkel is also testing other alternatives for promoting a circular economy. This includes refill stations for liquid laundry detergent and dishwashing detergent in drugstores.

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## Perwoll bottles with 25 percent recycled material

Henkel has made progress this year in PET recycling, and also in packaging made of PE (polyethylene). Since 2020, [Perwoll bottles in Western Europe](#) have been fully recyclable, and they also contain 25 percent recycled PE as standard. This is recycled plastic from end-consumer households.



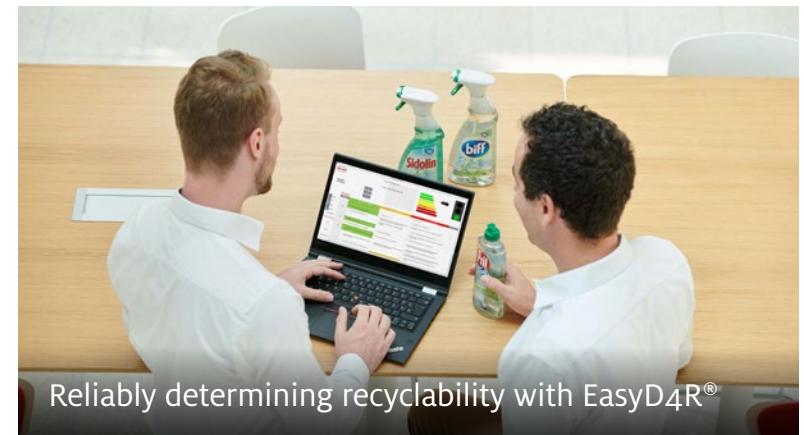
### Packaging with 25 percent recycled material

Perwoll bottles in Western Europe are fully recyclable and contain recycled PE from end-consumer households.

This means that Henkel uses recycled plastic in its largest category in the Laundry & Home Care unit that utilizes packaging made of PE plastic. Henkel is working on using recycled material in other categories as well. This was implemented by Henkel together with the packaging manufacturer Alpla.

## Assessment of the recyclability of packaging

In 2020, 89 percent of our Laundry & Home Care consumer packaging was recyclable. Recyclable packaging is a prerequisite for a functioning circular economy. In order to quickly and reliably determine the recyclability of new packaging, Henkel uses its specially developed [software tool EasyD4R®](#). This is based on public and recognized criteria catalogs and is used by Henkel throughout the company. The goal is to quickly and accurately assess the recyclability of packaging as early as the first stages of product development. The functional efficiency of the tool has been confirmed by an independent test conducted by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT). The scientists analyzed the evaluation software and its results, and compared them with national as well as



### Reliably determining recyclability with EasyD4R®

Since 2020, it has been possible to use the evaluation tool EasyD4R® to analyze packaging made of paper, glass or aluminum, in addition to plastic packaging.

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international standards. The latest version of the evaluation tool, released in 2020, enables packaging developers to also analyze packaging made of paper or cardboard, as well as glass, aluminum, or tinplate. This involved integrating design guidelines created by the University of Applied Sciences, FH Campus Vienna, along with the German minimum standard for packaging.

## Brand engagement

### Working together to reduce plastic waste in the oceans

Henkel was the first global consumer goods company to enter into a partnership with the social enterprise → **Plastic Bank** in 2017. Our joint goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. As part of the partnership, a total of five plastic collection centers have been built in Haiti. Locals drop off collected plastic waste and exchange it for money or social benefits. A part of this plastic waste then becomes Social Plastic®, and is fed into the recycling value chain and made available for use in product packaging from Henkel.



#### Partnership with Plastic Bank

The collected plastic is exchanged in collection centers for money, goods or services, and reintegrated into the value chain as Social Plastic®.

Henkel's first product packaging with Social Plastic® was launched in October 2018. Since the summer of 2019, all PET bottle bodies of Pro Nature cleaners from the brands Biff, Pril and Sidolin, as well as bottles of the fabric softener Vernel, have been made of 100 percent recycled plastic. Since mid-2020, they have also included up to 50 percent Social Plastic®. A total of around 560 tons of collected Social Plastic® was processed for Henkel in 2020, ensuring that this plastic reenters the value chain and does not end up in the ocean.

### Somat and Pril support UNICEF in the fight against malnutrition

In many regions throughout the world, children do not receive the nutrition they need for healthy development. Only one in six children in low-income and lower-middle-income countries receive nutrition that meets minimum requirements. UNICEF works to provide children, families and communities with access to healthy and nutritious meals through its global nutrition programs.

Somat and Pril have been contributing to UNICEF's global nutrition programs as part of the #enjoytogether initiative since 2019. As many as 14 million contributions to healthy meals were made in 2019. Consumers were able to continue supporting the initiative directly in 2020 by purchasing participating products from the two brands. In Germany, packs of Somat and Pril with different labels were available – with a contribution made to a healthy meal for each participating product purchased.

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During the COVID-19 pandemic, Laundry & Home Care employees helped to support families in need in Lebanon and Jordan by distributing boxes of Persil products, so that people could stay at home.

### Country-wide brand initiatives during the COVID-19 pandemic

In 2020, Laundry & Home Care continued to make a → social contribution by distributing free laundry detergents and household cleaners or food in poorer regions. A total of 3.5 million consumer units were donated.

The business unit also entered into partnerships with local NGOs. Together with the Blida organization and the Pril brand, food packages were sent to families in need in Algeria that have faced a particularly heavy impact due to the COVID-19 pandemic. A total of more than 100,000 people were reached through this activity. In Algeria, Henkel also helped to improve hygiene with its cleaning brand Bref. A total of 50,000 liters of Bref were distributed to hospitals, 10,000 protective masks were issued, and more than 250 gel dispensers for hand disinfectant were installed.



In Algeria, Henkel also supported hygiene protection measures in the battle against the pandemic with its Bref cleaning brand.

Laundry & Home Care also partnered with two NGOs in Lebanon and Jordan, Banin and Hashemite, to help people in need. As part of the "From our heart to the heart of your home" initiative, Henkel employees packed and delivered Persil product packages, supporting over 13,000 households.

### Perwoll raising awareness in fashion consumption

The frequent consumption of fast fashion is increasingly having a negative impact on the environment. For example, clothing is often worn only seven times before it is discarded – bearing in mind that there are up to 24 new fashion collections every year. Through the #RethinkFashion initiative, Perwoll has been promoting awareness of this issue since 2019. Using targeted communication, the brand encourages consumers to adopt a more responsible attitude to buying fashion items, through cherishing, appreciating and caring for clothing.

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Perwoll's care products help clothing to last longer and in this way support the slow fashion movement.



Under the slogan #RethinkFashion, Henkel's Perwoll brand focuses on the durability of clothing. Consumers are given tips on how to upgrade their existing wardrobes.

## Charter and other A.I.S.E. initiatives

In 2005, Henkel was the first company to successfully meet the criteria of the [A.I.S.E. Charter for Sustainable Washing and Cleaning](#). As a long-standing member, Henkel has since supported many different initiatives from A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, with which the European laundry and home care industry plays a leading role in the field of sustainability. Since 2010, it has become possible to show that a product is manufactured by a company that operates sustainably and that also has a progressive sustainability profile itself.

Two new seals have been available since 2020: A logo with a blue background continues to appear on products manufactured by a company that is a "member of the initiative" of A.I.S.E., while the "Industry Sustainability Seal" with a green background identifies products that meet special criteria. Since 2020, packaging requirements have also applied to the "Detergents" category in order for a product to receive the new "Industry Sustainability Seal." These requirements expand on existing criteria such as the environmental safety of the ingredients, resource efficiency in terms of quantities used and volume of packaging materials, washing performance at low temperatures, and consumer information. For example, Plastic packaging must now be recyclable, reusable or compostable. Cardboard packaging must be recyclable and contain at least 70 percent recycled material or be 100 percent sustainably sourced.



In 2020, a new safety pictogram was introduced on the packaging of our liquid laundry detergent capsules. This pictogram was developed in 2019 to expand the voluntary initiative "A.I.S.E. Product Stewardship Programme for Liquid Laundry Detergent Capsules." It features a photo of a toddler to more effectively indicate that liquid detergent capsules must always be kept out of the reach of children. The pictogram also refers to the following website, which is available in all EU languages: [www.keepcapsfromkids.eu](#). This website explains how liquid detergent capsules can be safely stored and used. Henkel continues to support the online educational initiative "Keep Caps from Kids," which provides information about why it is so important to keep liquid detergent capsules away from children.



## Henkel Sustainability#Master® – Persil Discs compared to liquid detergents

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Value	Raw materials	Production	Logistics	Retailing	Service / use	Disposal
 <b>Performance</b>		4-chamber system			100% Persil performance	
 <b>Health and Safety</b>					Symbols for safe use	
 <b>Social Progress</b>						
 <b>Materials and Waste</b>	100% recycled cardboard and 50% rPP	40% less plastic			Winner of the Green Packaging Award	100% recyclable, 100% bio-degradable
 <b>Energy and Climate</b>		Certified production	Optimized transport logistics		Full power at washing temperatures as low as 20°C	
 <b>Water and Wastewater</b>		Pre-measured detergent				Water-soluble foil
<b>Footprint</b>						
 Significant improvement						



The pre-measured Persil 4in1 Discs with an innovative 4-chamber system ensure optimal washing performance. The gels in the four chambers remain protected until dissolved on contact with water. The full power of the gels is then released to target dirt during the washing process – even at washing temperatures as low as 20 degrees Celsius.

The water-soluble foil is 100 percent biodegradable. The cardboard packaging is made of 92 percent recycled material and the plastic part is made of 50 percent recycled material. The lower plastic content of the packaging also helps to reduce CO<sub>2</sub> emissions.

→ [Explanation of the Henkel Sustainability#Master®](#)

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- Developing employees to unleash their potential
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- How we promote the health of our employees
- Occupational safety is our top priority

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## How we strengthen our global team

Henkel aims to create sustainable value with its business activities. This purpose unites all of our employees and goes hand-in-hand with our **corporate values**, which guide our decision-making and our actions. In order to continue to be successful, we want to acquire, develop and retain the best talents for Henkel. We offer an inspiring and challenging working environment with flexible, digital work and a value-oriented leadership style. Our performance culture is based on continuous open feedback and on appreciation for outstanding performance – both through attractive compensation and through individual and long-term development opportunities. We strengthen our global team by valuing diversity and cultural backgrounds, interacting openly and constructively with each other, and looking after the health and safety of our people. This results in a motivated and engaged team, whose individual skills and experience make a significant contribution to our company's international success.

Sustainability is one of our five corporate values. It means that we strive to create a balance between people, planet and profit. When it comes to implementing our **sustainability strategy**, it is our people who make the difference – through their dedication, skills and knowledge. Because of this, we want to further develop and boost our people's knowledge of sustainability and their commitment to it. With this in mind, we are currently developing a holistic approach that includes various learning paths and opportunities for employees to



*"Leadership and the involvement of all employees are crucial to anchoring and driving sustainability in all of our business activities. 2020 has shown that we are on the right track and I am proud of what we have achieved together."*

**Sylvie Nicol**

Executive Vice President Human Resources and Infrastructure Services

become more involved in sustainability. This builds on the **Sustainability Ambassador program** that we initiated in 2012, which is an integral part of the onboarding process for new employees. The aim of the program is to communicate our motivation, strategy and commitment to sustainability to our people. We want to motivate them, in their role as ambassadors, to pass on their knowledge of sustainability and to inspire others to share their enthusiasm for it – in their working environment as well as in their private lives. It is our aim to train all of our employees and encourage them to become Sustainability Ambassadors. We have now reached almost all of our employees with our combined efforts and target-group-specific training approach.

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Employees who like to study on their own and have access to a PC are able to complete the online training program at the time that suits them best. Alternatively, we provide numerous group training sessions for employees who prefer to study in groups, as well as for employees without access to a PC. We provide the necessary training material in more than 30 different languages to overcome potential language barriers and facilitate access to training. All of the training courses end with a questionnaire, after which the participants receive a certificate. However, qualifying as a Sustainability Ambassador is only the first step: We encourage all ambassadors to use their skills and knowledge to make their own contributions and actively engage in sustainability.

## Developing employees to unleash their potential

It is our aspiration to create an appreciative working environment where all employees can develop and excel at Henkel in the long-term, and where they can give their best. To do so, we foster their skills and knowledge, and help them to reach their full potential. Regular and open feedback about performance and potential serves as a foundation for their development. As a result, individual development measures can be defined that address both the company's needs and each employee's potential. To meet our employees' needs even more specifically, we have further expanded the range of → **digital learning material** we offer. We are also strengthening the development of digital skills, so we can successfully leverage the opportunities presented by digitalization.



### Our training programs

Henkel offers 21 vocational training and four dual-study programs in Germany. Despite the COVID-19 pandemic, a total of 138 new apprentices and students started a vocational or professional qualification at Henkel in Germany in 2020. A total of 519 people are participating in our vocational training programs at nine German locations.

### Individual development planning through regular feedback

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

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

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

The first step in assessing potential is to ask employees to submit a self-assessment to their superiors. Supervisors then evaluate their employees and discuss this evaluation with several supervisors in a department to ensure a balanced and nuanced assessment. The evaluation is made on the basis of uniform principles and clearly defined criteria such as expected leadership behavior. Supervisors then discuss the assessment results with their employees in personal feedback meetings and, together, they agree on individual development measures. These discussions foster the professional and personal development of our employees, which allows for a targeted and long-term career planning of our workforce. In 2020, more than 1,300 managers were promoted.

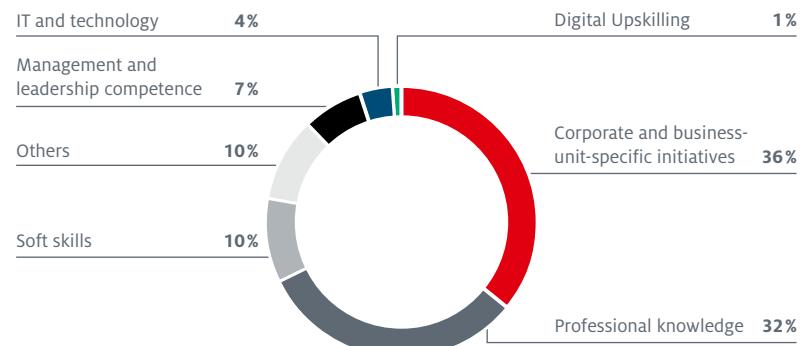
### We encourage life-long learning

We believe that life-long learning is a central factor in further development, especially given that knowledge now becomes outdated much more quickly than it did a few years ago. Learning as part of everyday work, as well as through handling a varied range of tasks, is particularly important for us. Henkel encourages this by offering

opportunities to take advantage of new roles both locally and in other countries. We learn from supervisors, team members, and other colleagues on a daily basis. For some years now, Henkel has been using virtual services to train its employees worldwide, in addition to conventional attendance-based formats. In 2019, we launched a global learning platform that includes virtual sharing formats along with eLearning, podcasts and videos. As all services on the Henkel Learning Hub are cloud-based, they can be accessed at any time – not only in the office environment, but also on the road or at home.

In 2020, we further expanded our training formats, developed new learning programs, digitalized processes and converted more face-to-face training courses to online delivery. In our community-based training sessions, employees can come together virtually, share ideas, work together on topics and give each other feedback. Through these and other digital formats, our employees were able to learn

### Training categories in 2020



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together even during the time when attendance-based training was not possible in 2020 due to the COVID-19 pandemic.

- We structure the **learning content** in a way that allows us to react more quickly and individually to new requirements for knowledge within the organization. The Henkel Learning Hub hosts all formal training courses in one place. These include basic knowledge – such as management, process, and software training – as well as content specific to our business units. Leadership skills represent a key element of the learning content. The main aim is to train new competencies and skills that will provide our managers with the best possible preparation for future challenges. In 2020, for instance, we included learning content about remote leadership in our program. Based on our Leadership Commitments, which we introduced in 2019, we want to foster a global, → **value-oriented leadership standard** that takes account of different regional and cultural considerations. For example, we communicate content via a consistent training program that specifically and gradually prepares the leaders of tomorrow for their leadership responsibilities.

In addition, digital transformation represents a key element of the learning content. In 2019, we introduced an initiative called Digital Upskilling to support our employees in expanding their digital knowledge. It is based on two pillars and an in-depth analysis of the status quo. Anonymous online surveys are used to assess employees' digital skills. This includes both a playful quiz about digital general knowledge (Digital BaseFit) and an analysis of experts' professional and specialist skills (Digital ExpertFit). Digital

BaseFit provides employees with basic digital knowledge. Based on the quiz result, individual training is suggested to fill gaps in knowledge. Since the initiative was launched, about 10,000 employees have passed through this module. Digital ExpertFit is a learning path that targets specific job roles, combining knowledge transfer with practical application. This gives employees the skills that will become important in certain occupations going forward. The program is constantly updated and extended to ensure that new knowledge and the latest technologies are integrated. At present, there are specific training paths for six job profiles, with more planned. A total of about 5,000 people have passed through these training paths so far. As a result, the Digital Upskilling initiative is making an important contribution to Henkel's digital transformation. Based on the results of the Digital Upskilling initiative, we will further shape and evolve our training offers for digital skills. This helps us enable our employees to be efficient and take advantage of the opportunities associated with the age of digitalization.

- **Digital learning formats** play an important role for us in making training opportunities available flexibly worldwide. Where possible, general in-person training courses are complemented by digital and virtual services. Since 2017, all employees with PC access have been able to choose from more than 15,000 online courses in seven languages as part of a partnership between Henkel and LinkedIn Learning. LinkedIn Learning is a leading online training platform that is also available through the Henkel Learning Hub. It supports the expansion and deepening of personal, creative and software skills, and contributes to the achievement of professional

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and personal goals. Since 2018, the training platform has also been accessible on all mobile devices. This accommodates employees who are on the road a lot, and has also proven useful when more people are working from home. At the beginning of 2021, we will also introduce our own training app, through which all learning content will be available.

IT security has become more important than ever, not least due to increased mobile working of many employees in view of the COVID-19 pandemic, as the risk of cyber attacks is now particularly high. Raising employee awareness is one of the most important measures that companies can take to protect themselves against cyber attacks. To this end, Henkel launched a cyber awareness campaign in 2019 under the motto #SharedResponsibility. The campaign is based on three strategic pillars: inform, educate and engage. As part of this campaign, a multi-day cyber-awareness fair was held for the second time at our Düsseldorf location at the start of 2020, and was broadcast to a number of countries. Local information was also provided at other locations. This made it possible for more than 5,000 employees worldwide to participate in the trade fair.

### Digital working has gained importance

Mobile working has become everyday routine during the COVID-19 pandemic. It has accelerated the digitalization of the world of work and demonstrated the importance of digital collaboration for business continuity. Digital solutions help us to learn from each other and also enable us to work together efficiently and engage in quick and personal interaction in a virtual environment. The company-wide use of a digital collaboration, communication and video-



Cyber-awareness fair

During the cyber-awareness fair, experts from inside and outside the company presented on topics ranging from social engineering through to security when surfing on public Wi-Fi networks, as well as working on mobile devices and preventing email fraud.

conferencing platform is an example. This enabled us to respond optimally to the changing work requirements of 2020 and to maintain the collaboration of our employees, despite being located in separate places. We also use digital communication channels to promote knowledge transfer throughout the company. One example of this is our social network Yammer, which is used to exchange views in subject-specific groups and to inspire each other. By enabling employees from a wide range of departments to contact each other, we can reinforce interdisciplinary thinking and better exploit our existing knowledge potential. In searching for the best talent, we use digital channels to showcase what makes Henkel an attractive employer. In 2020, we increased our presence at virtual industry trade fairs and on social media. Using these media, our employees provide insights into their daily work and development at Henkel under #MyStory@Henkel and #JobOfTheMonth. Through the #AskMeAnything format,

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we give people the opportunity to ask career-related questions directly to top managers and experts at Henkel. We also greatly expanded the digitalization of our processes in 2020. Our [new recruitment platform](#) simplifies, improves and accelerates processes for everyone involved, whether it's the simple, multimedia application process or increased transparency for the departments involved in the hiring process.

### We enable flexible working

At Henkel, we measure performance by results and not by presence. This is why we have been promoting flexible working models for many years. Based on a culture of trust, part-time work, flexible working hours, new workplace concepts and mobile working are a natural part of our work – and not just since the COVID-19 pandemic. Being able to work wherever and whenever necessary, regardless of time or place, improves the work-life balance. The trust we place in our people strengthens their motivation. Our managers are instructed to put opportunities for flexible working into practice and to support them actively. By signing our global Work-Life Flexibility Charter in 2012, the Management Board has been emphasizing the importance of this topic at Henkel for many years.



Flexible office environments

We believe it is important for our employees to have a say in their working time schedules and workplace designs in line with their professional and personal needs. For example, we created flexible office environments to provide employees with the option to choose their workstation based on their activities. Photo: © Tétris Design & Build

To make our work processes more effective and creative, we have established activity-based office design concepts at various locations in Europe, North America and Asia. Similar to start-up companies, each floor has a specially designed mix of different spaces for individual and team work, as well as for scheduled or informal meetings. Employees simply select the work environment that is best suited to their current activity. Like all other work-space modules, the modern desk, or “flexible workstation,” is also used flexibly and as needed.

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## Compensation and benefits

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

### A remuneration system that rewards individual performance

Our remuneration system has as its foundation an appropriate and competitive level of basic pay, which all employees receive, respectively, in accordance with market conditions and the collective agreements in place. This is aligned with the requirements of the position, local market conditions, individual performance, and the development potential of the employee. In addition to the basic pay, we strive to reward the individual performance of our employees with attractive incentives:

- **For our non-managerial employees**, we use locally adapted compensation components to reward their performance and their contribution to the company's success. Depending on the nature of the job and region, there are various bonus systems for employees

for example in sales, research, and production. These systems cover almost all of our non-managerial employees worldwide.

- **For our managers**, we use short-term variable remuneration components to reward individual contributions to the company's success. The Short Term Incentive (STI), which is paid out annually, takes into account both our short-term financial targets and each person's individual performance. Some of our employees who are not subject to collective agreements, as well as managers with direct responsibility for sales, are compensated through separate bonus arrangements that focus on sales-related targets instead of through the STI.

- **For our top management**, there is a Long Term Incentive (LTI) in addition to the annual STI. Over a term of four years, we define forward-looking targets that increase our shareholder value and reward the achievement of long-term goals.

- **For Management Board members**, we also use an annual bonus as well as a bonus related to the company's long-term success as variable compensation elements. For details, please refer to the description of the compensation system and the remuneration report in the □ **2020 Annual Report**, pages 53 to 92. The performance parameters of the annual variable remuneration (STI) are both the financial targets achieved in the relevant fiscal year, the bonus, and the individual performance and targets of the Management Board members, including individually agreed sustainability targets.

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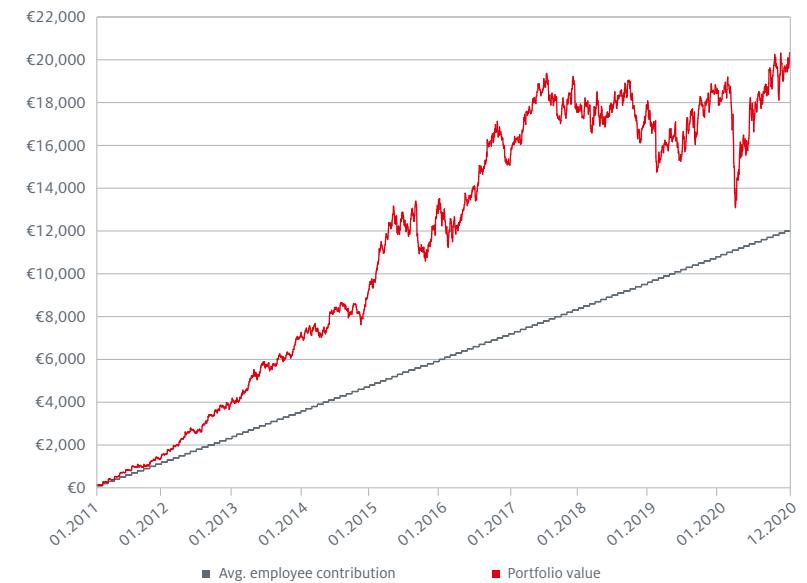
We always assess the performance of our employees in the context of our vision and corporate values. We are committed to leadership in sustainability – this is one of our five corporate values. Accordingly, contributions to Henkel's sustainability strategy and to its targets form part of the comprehensive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

### Our employee share plan

We believe it is important for our employees to share in the success of our business. This improves motivation, as well as the strength of identification with the organization. Since 2001, Henkel has offered an employee share plan. The intention of this is to align the interests of the company and those of our employees even more closely, while giving employees an attractive opportunity to provide individually for their future investment and their retirement. For each euro invested in 2020 by an employee (limited to 4 percent of salary up to a maximum of €4,992 per year), Henkel added 33 eurocents. Around 12,400 employees in 58 countries purchased Henkel preferred shares under this program in 2020. At year-end, around 17,500 employees held a total of around 2.7 million shares in the program's securities

accounts, representing 1.5 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.

### The development of an employee share account with a monthly investment of 100 euros since January 2011



### Our contribution to social security and additional benefits at Henkel

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

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

We want to encourage our employees to think more about their

→ **health** and act early by giving them access to optimal prevention.

In cooperation with the Allianz Insurance Group, we have been offering all of our employees in Germany the opportunity to have selected preventive health check-ups as private patients since 2017, with a free choice of doctor and without any contribution to the costs.

In 2019, we expanded the existing range of social benefits by adding the supplementary corporate long-term care insurance Henkel Care-Flex. It was developed together with the Industrial Union for Mining, Chemicals and Energy. In this way, Henkel is able to offer all of its approximately 9,000 employees and trainees in Germany a basic insurance for outpatient, inpatient and semi-inpatient care. The insurance is available without a medical examination and waiting period. In addition to the basic insurance, employees can add the supplementary long-term care insurance and can also add family members, such as partners, children, parents or parents-in-law.

"My Henkel Bike" is another part of our extensive range of additional benefits. All employees who have a permanent employment contract at our sites in Germany have been able to lease up to two bicycles on attractive conditions as part of a deferred compensation plan. In this program, Henkel is working together with the provider mein-dienstrad.de. The offer also includes fully comprehensive

insurance and a full service package with maintenance and repair, for which Henkel bears the costs. Besides the new company bicycles, Henkel also promotes car-sharing in partnership with Share Now, and provides tickets for local public transport.



### **My Henkel Bike**

To promote environmentally compatible mobility and contribute to employee health, Henkel added "My Henkel Bike" to its range of social services in June 2019. This offer has proved to be very popular. More than 1,200 bikes had been delivered by the end of 2020.

In 2020, we developed the Total Rewards app. This brings together all employer benefits such as salary and social security contributions for our employees in Germany, as well as their monthly employer-sponsored benefits. Employees can use the app to determine their individual support requirements, for example in the event of occupational disability, old age or long-term care. The app can also display their cost of living and basic financial risks, such as insurance for pets. The app has been functionally tested and certified by the Institut für Vorsorge und Finanzplanung (Institute for Pension and Financial Planning). Consequently, it provides transparency about an individual's status with regard to insurance and any need for action.

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## How we live diversity and inclusion

At Henkel, diversity and inclusion is a business imperative and form an integral part of our corporate culture. We are convinced that a diversified workforce, as well as an open and appreciative corporate culture, are important success factors in a globalized world. Different perspectives, cultures and ways of thinking enable us to meet the demands and needs of our markets and customers with regard to knowledge, skills and cultural background. Through a number of programs and training courses, we strengthen the understanding and appreciation of diversity while promoting an inclusive corporate culture. Our → **flexible working models** also contribute to our employees being able to maximize the use of their abilities in various life stages.

Our commitment to diversity has been recognized several times in recent years. For example, the BCG Gender Diversity Index 2019 (published in March 2020) put Henkel in second place within the DAX 30 category. In the fall of 2020, we were recognized as one of Europe's leading companies in relation to diversity by Statista and the Financial Times. Henkel took third place in the packaging industry category.

As part of the ERT initiative (European Round Table for Industry), we signed a pledge to promote diversity and inclusion together with 53 business leaders in 2018. In 2019, Henkel joined the Business for Inclusive Growth (B4IG) initiative. This global business coalition for inclusive growth is supported by the OECD and aims to pool and strengthen the commitment of private companies to reduce inequality related to opportunity, gender and region.

## What we mean by diversity and inclusion

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

As in previous years, campaigns related to diversity and inclusion topics were held at our sites in various regions throughout the year. In Poland, for example, a diversity conference was held at our Warsaw site for the sixth time at the beginning of the year. The event took place under the motto "Fixing tomorrow with diversity," with internal and external speakers and panelists. A total of more than 150 people took part. In the summer, a Women's Leadership Talk was held for our employees in the Asia-Pacific region, giving participants the opportunity to take part either through attendance at the Shanghai location

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or through live broadcast. At our Düsseldorf site, we took German Diversity Day as an opportunity to further raise the diversity awareness of all employees. Alongside the opportunity to address the issue in a fun way through an online game, the day was celebrated with a panel discussion that was broadcast throughout Germany.



Sylvie Nicol, Member of the Management Board for Human Resources and Infrastructure Services (second from left), joined participants at the German Diversity Day. She discussed how diversity drives the corporate strategic agenda for Purposeful Growth, and what role the corporate culture and values play in this.

## Dialog through diversity networks

In 2020, Henkel established a global diversity network that works closely with our Corporate Diversity and Inclusion team. This network consists of selected managers, known as Diversity Change Leaders, who set their own priorities in their business units, functions and regions, and who initiate specific changes to develop diversity within their areas of responsibility.

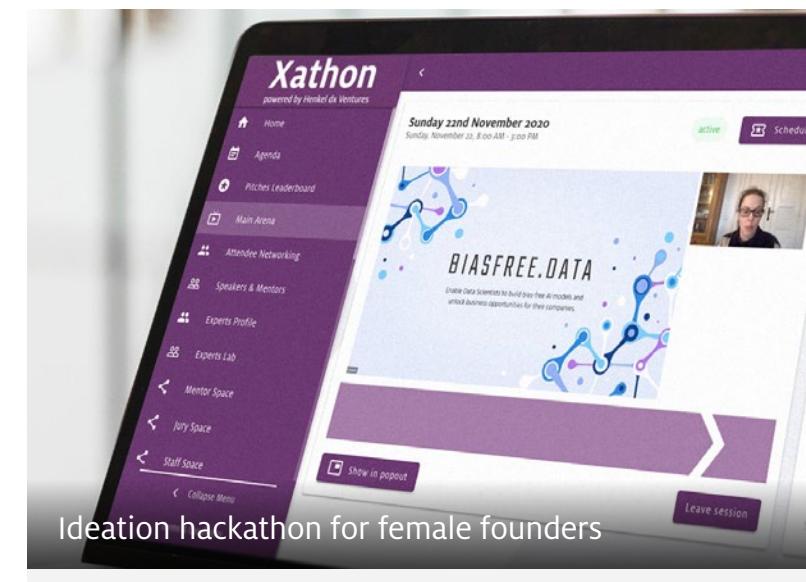
We encourage our employees to form networks. At present, there are almost 30 diversity-related employee networks worldwide on a range of issues such as gender, origin or sexual orientation. They are an important and welcome part of our corporate culture. Within the networks, the employees gain co-determination freedom in their areas of interest. For example, the Henkel Black Alliance, an employee group dedicated to strengthening the African-American community within Henkel, compiled a collection of video material in 2020. These videos aim to throw light on ethnic diversity and discrimination, unconscious bias, and the Black Lives Matter movement. Our networks are cross-functional across all business units. They provide a platform for exchanging opinions and sharing experience, offering advice and mentoring, and making new contacts.

## Our diversity dimensions

At Henkel, we pursue a holistic approach to diversity and inclusion, which includes individual personal characteristics as well as experience, knowledge, and skills. We promote diversity in all relevant dimensions in order to develop the full potential of our employees.

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- **Gender:** Our goal is to continually increase the share of female representation at all levels of the organization. For this, it is critical that we create the required framework conditions that permit our employees to balance the planning of their career and their personal life. In 2020, the proportion of women in management positions was around 37 percent. We have various support programs for women in our business units and functions worldwide. In the Beauty Care business unit, for example, a global, internal network called RISE was created to promote gender balance in management positions. Women can take part in a structured year-long virtual mentoring program as part of the network, providing them with the opportunity to share ideas and receive advice from more experienced managers. Regular webinars with internal and external experts are also part of RISE. The aim of the Women into Science and Engineering program, run by the Adhesive Technologies business unit, is to connect women at various management levels with managers in the technology and engineering sector worldwide to enable the sharing of skills and knowledge. Even outside our own company, we are addressing the underrepresentation of women in technical professions and driving forward gender diversity in the startup and technology sector. Our digital unit and platform for open innovation and collaboration, Henkel dx Ventures, hosted the  **Xathon** for the second time in 2020, an ideation hackathon for more than 70 female founders. The event aims to empower female tech talents to develop and shape their entrepreneurial mindset and ideas.



At the Xathon, the participants worked on challenges to develop business ideas in different fields, such as Artificial Intelligence, FemTech and sustainable innovation.

- **Cultures:** An international workforce composed of people with different cultural backgrounds is important in a global company like Henkel, as it enables us to develop an understanding of our markets. In order to meet the challenges of mixed teams, we provide intercultural training courses and workshops. These aim to increase awareness of different value systems and their influence on our daily behavior. Henkel also encourages international transfers within employees' career paths. The experience gathered opens up new ways of thinking and perspectives. With employees from a total of 125 countries, cultural diversity is a part of everyday working life at Henkel. Employees from 73 different nations work at the company headquarters in Düsseldorf alone.

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- **Mindset:** Mindset diversity means embracing and valuing different ways of thinking, perspectives and opinions. We are convinced that this leads to a key competitive edge, since it allows better decisions and successful innovations, which result in better business performance. For this reason, we encourage our people to share their thoughts and opinions openly, and are striving to create a work environment where everybody feels safe to speak up and be comfortable voicing their opinions. As part of the newcomer's Pulse Check, we measure how different opinions are valued in the organization. This enables us to continuously monitor our progress, identify potential improvements and come up with new initiatives.

- **Life stages:** Our employees are defined by their education, career paths, and social relationships in different life stages. The resulting activities and obligations pose the challenge of combining personal and working life in an effective and suitable way. We support our employees by offering them → **flexible working models**. These models include mobile working, part-time and flexible working hours, job sharing and tandems, or sabbaticals. We also actively help families to achieve a work-life balance, for example, through offering our → **social services** when employees take on responsibility for relatives in need of care, or seek support with childcare. At the Düsseldorf site, there are 240 childcare places in three company daycare centers. Henkel also offers care places for 75 children at the company daycare center in Bratislava, Slovakia.

In Germany, Henkel is a partner in the Family as a Factor in Success initiative. Through this program, the Federal Ministry of Family Affairs, together with the central associations of German business and the German Trade Union Federation (DGB), are committed to more family-friendliness in the German economy.

- **People with disabilities:** At Henkel, we foster a culture of inclusion that focuses on the skills and individual talents of people with disabilities. Through targeted programs, including in our emerging markets, we strive to offer everybody the same opportunities while always focusing on a person's individual strengths rather than their limitations.

For example, our Global Business Solutions Center (previously Shared Service Center) in Manila, Philippines, established an integration program for employees with disabilities in 2016. The program takes a holistic approach to identifying, recruiting, hiring and integrating people with disabilities and finding the right employment opportunities for them.

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### Semi-retirement at Henkel

With three models for semi-retirement, we want to actively shape the demographic change at Henkel. These models target shift workers, specialists, and employees within our factories, laboratories and administrative teams. This enables our employees at all sites in Germany to leave work up to six years early, depending on the semi-retirement model. This provides particularly important support for employees in demanding shift work. At the same time, we encourage the targeted training of qualified young people by having their experienced colleagues in semi-retirement coach them in direct preparation for a specific role. This ensures that we keep many years of knowledge within Henkel and the company's future viability is strengthened.

- **Generations:** We encourage → **life-long learning** across all generations through appropriate training measures. Specifically, we use mentoring and employee networks in different business units and countries to promote knowledge transfer and an exchange of perspectives between experienced and less experienced employees. We also offer our employees a wide range of programs for → **maintaining health**.
- **LGBTQ+:** Henkel strives to create a working environment that is open to all people regardless of their sexual orientation or identity. We have LGBTQ+ networks in several countries and raise awareness of the issue through a range of events and activities. LGBTQ+ stands for Lesbian, Gay, Bisexual, Transgender, Queer and other sexual

orientations. During the Pride Month in June 2020, we expressed our solidarity with the LGBTQ+ community by placing the rainbow flag behind our corporate logo on global social media channels. Our Beauty Care brand got2b also launched a limited Pride Edition of two products. 10,000 euros of the proceeds from these special editions were donated to Trans\*beratung Düsseldorf. This organization provides professional psychosocial and socio-legal counseling on all issues related to transsexuality and gender identity.



Donation to Trans\*beratung Düsseldorf

From left to right: Nicola Surholt (Head of PR Henkel Beauty Care), Riccardo Simonetti (Content Creator), Lena Klatte (Trans\*beratung Düsseldorf) and Peter von der Forst (CEO of Trans\*beratung) at the hand-over of the check to Trans\*beratung Düsseldorf.

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## Open communication and trust-based collaboration

Our employees are our greatest asset – this is deeply rooted in our strategy and values. In an increasingly challenging world, companies need a solid foundation as well as the flexibility to react to a changing environment quickly. A successful management culture must be founded on an environment of trust that is open to ideas and innovations, and that enables decisions to be made. By introducing the new Leadership Commitments at the beginning of 2019, we have already started to change the way we work together on a daily basis. Our goal is to establish a corporate culture in which employees show entrepreneurial spirit and initiative, think proactively, put team spirit into practice and take responsibility – no matter whether they lead a team or not. We set up a new Leadership Commitments communication platform in 2020. With a clear focus on collaboration and a new range of facilities for workshops, learning and reflection, we actively support cultural change at Henkel on a long-term basis and make this accessible to all employees. The aim is to make the Leadership Commitments our cultural norm.

Our Leadership Commitments provide an opportunity to challenge and enhance our corporate culture. To obtain a clear picture of the status quo and identify strengths and potential improvements, we also conducted a comprehensive employee survey, the Organizational Health Index (OHI). Around 10,000 employees worldwide were invited to take part in this anonymous survey with the aim of providing open and honest feedback. Based on the results, which indicate a good overall score for Henkel's corporate health, we have defined clear fields of action and next steps for 2021.



### Leadership Commitments

Our goal is to anchor the Leadership Commitments deep into our working environment and to successfully bring them to life through our actions.

## Our leadership culture

We are committed to communicating openly with our employees and their representatives, and to pursuing constructive dialog. Our goal is to inform them about important issues early and to involve them in the process. As a result, we are in a position to successfully face challenges and changes in society, the economy and politics in a way that enables us to remain competitive and sustainable in the future.

In employee dialog, our managers have a special importance because they embed our values and corporate culture in the workforce. An appreciative leadership style that takes into consideration the skills

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and views of all employees is important to us. We want to create a culture in which everyone can be heard and where these opinions are valued and respected. We particularly value personal feedback for our employees in the context of our active feedback culture. This includes → **individual assessment and development meetings** as well as feedback as part of daily work. These are complemented by regular team meetings, staff gatherings, and our → **digital communication channels**.

### The important role of our employee representatives

Our various employee representative bodies play a key role. An in-depth exchange of views and consultations with our management takes place at the operational level, for example with the local works councils, as well as across companies with the trade union. We provide our employee representatives with information regularly and on a timely basis, and give them as much detail as possible about topics such as the corporate strategy, for example. In countries where no employee representation is planned or established, social dialog with the respective management serves as a voluntary and informal instrument for close exchange. This enables us to improve communication with our employees, include their perspectives early on, and jointly shape future-oriented issues. It also helps Henkel to avoid conflicts of interest and strengthens employee identification with the company.

Employee representation plays a particularly important role in Europe. In 1995, Henkel was one of the first German companies to voluntarily set up a European Works Council (EWC) to continue the successful cooperation between management and employee representatives at the European level. Through the EWC, Henkel informs the representatives of its European companies about matters such as the economic situation, transnational initiatives of the company such as restructuring or reorganization programs, safety, health and the environment, and training and development programs.

In Germany, Henkel also involves employee representatives in many decision-making processes beyond those for which worker participation is a statutory requirement. The results of this decades-long, open and constructive cooperation between employers and employee representatives include, for example, an → **improved work-life balance**, working hours, → **accident prevention** and health protection in the workplace, → **company pension plans and retirement schemes**, and preventive healthcare. In the close cooperation between Henkel and the Works Council, we are committed to providing support for the people behind Henkel's success in order to overcome new challenges together.

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## Dealing with structural changes

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

## How we respond to exceptional challenges

During the global spread of the COVID-19 pandemic, the trusting cooperation between our company's management, our HR organization, our crisis teams and the corporate co-determination bodies proved to be a key pillar of support in the rapid and targeted design of preventive measures at our sites. At all times, it was possible for us to implement the necessary protective measures jointly at short notice. In the common effort to safeguard Henkel's jobs and profitability, additional options for making working conditions more flexible and adapting them to the COVID-19 situation were also implemented rapidly and amicably.

## How we promote the health of our employees

We promote the health and vitality of our employees to help create an agile, high-performance organization. To do so, we rely on globally uniform health and safety standards, and provide health and preventive care programs to guard against workplace risks and general health risks that could lead to illness. The broad range of health services offered at our sites has two aims: promoting our employees' physical health (via seminars for giving up smoking, → [health check-ups](#), AIDS prevention, etc.), and maintaining their mental vitality (through stress management and similar measures). We successfully pick up on important social trends, such as the demographic change, with our program for maintaining working capacity. In addition to a number of regional and local programs, we have been carrying out a major joint health campaign with all sites worldwide every year since 2016. For each global health campaign, Henkel has set itself the objective of reaching more than 90 percent of its employees worldwide in the year of implementation.

## Our approach to global health management

Measures to maintain and promote employee health have a long tradition at Henkel and play a very important role. What started with a "sickbay" for employees 110 years ago, has developed into a professional approach to global health management. In 2018, the corporate health management system operated by Henkel in Düsseldorf was audited for the first time in a comprehensive, all-day audit and received the highest ratings in all areas of the audit.

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### First "sickbays"

Since as far back as 1910, nurses have been tending to the health of workers in "sickbays" that were initially set up as medical care facilities. In July 1940, the company's Corporate Health Services was officially introduced with a staff of three company doctors.

In order to ensure holistic healthcare at all sites, we work continuously to establish uniform principles. These now include the availability of first responders, the offer of flu shots and participation in the global health campaign, as well as conducting emergency medical drills and occupational health screenings. An important step in 2014 was the introduction of global key figures for health protection, which we updated and expanded in 2019. These key figures are reported annually by all Henkel sites worldwide. In addition, the sites report occupational diseases as soon as they have been officially confirmed by the authorities.

The Health Procedure, introduced in 2015, describes the minimum global standards for protecting and promoting health. In the implementation of internal guidelines, programs and legal requirements, regional managers for health, workplace safety and security provide support for each site as the first point of contact, as well as during

regular visits and training. In several regions, locally employed doctors also act as health managers, helping our employees by using their specialist knowledge and familiarity with the local conditions and the local language. In designing these programs, our sites determine different priorities based on local requirements.



As recognition for its comprehensive healthcare philosophy, Henkel joined the business network "Companies for Health" back in March 2002. In this context, Henkel signed the "Luxembourg Declaration on Workplace Health Promotion in the European Union."

As part of the company's efforts to continuously improve the company health management, an annual exchange takes place enabling the physicians from all Henkel sites in Germany to share their experience. Several annual exchanges with the global occupational safety officers and the regional health and safety managers also take place. Global health management in Düsseldorf maintains weekly contact with colleagues from the regions. Important findings are made available to all sites worldwide. An annual survey of all Henkel sites on health programs and local requirements provides us with an overview of our global health management. This is the foundation for global and regional coordination activities, as well as for site planning.

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## We support the mental health of our employees

In a world with constantly rising demands that is becoming increasingly complex and dynamic, and not least in view of the social constraints imposed by the COVID-19 pandemic, operational measures to maintain mental vitality are becoming more and more important. For this purpose, Henkel supports its employees by offering consulting on the subjects of time, stress, and conflict management, as well as coaching as a preventive, development and coping service. In addition, there are tailored care packages for the early medical treatment of health disorders. We also believe it is important to make our managers aware that they need to act as role models for their staff and teams. In a globally available eLearning program for executives, we teach managers how they can contribute to creating stronger motivation and a better atmosphere in the workplace combined with higher performance, while, at the same time, reducing instances of illness.

At all German sites, we offer social services that play an important role in supporting our employees professionally in all circumstances. In addition to giving psychological advice in particular cases, as well as occupational integration management, this also includes providing support in → finding a work-life balance, for example by assisting in the search for childcare or help for relatives with care needs. At the

end of 2018, we expanded our offer at the Düsseldorf location to include a potential training course. Around 200 employees have already taken part. This is a preventive health training program with individual and group units that was implemented for the areas of family and work together with the statutory health insurance company Barmer and BAG-Selbsthilfe. Since 2020, the offer has been available as a virtual service for all locations in Germany, Austria and Switzerland. The objectives are to strengthen the individual's own personality, to make existing resources visible and to learn helpful coping strategies for dealing with daily challenges at work and in everyday life. The Henkel Helpline was set up in 2020 for Germany, Austria and Switzerland to handle general questions about the COVID-19 pandemic. This is where our experts from social services and the Workers' Welfare Association [AWO] answer questions about well-being, social welfare law and authorities, family and career, while also providing specific options for coping.

At other sites, external service providers support employees' needs according to local requirements. Our initiatives to create → flexible working hours also aim to improve work-life balance and reduce stress factors.

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### Demography and Work 4.0: Our program to maintain health and working capacity

Against the background of demographic change, the question arises as to what Henkel and its employees can do to achieve employability over the long term. In addition, new challenges arise from the changes in the world of work due to digitalization, Working Environment 4.0 and a shift toward more cognitively demanding activities.

This is why we launched a demographic program at our headquarters in Düsseldorf in 2013. This holistic concept includes a combination of preventive occupational healthcare with a general medical check-up, workability index, and employee surveys. In 2019, this program was supplemented by the TOP Check 4 Health process, in which supervisors and employees systematically analyze work processes, the work organization and environment, teamwork and leadership. They then derive measures if improvement is needed. This also includes specific suggestions and offers for improving and maintaining the health and performance capabilities of participating employees. TOP Check 4 Health is designed as a long-term program, with the aim of achieving a continuous improvement process and sustainable integration of measures into occupational safety procedures. All business units had gone through the analysis process for the first time by the end of 2020.

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

### Experiencing health digitally

In order to provide our employees with access to our health and preventive services even during the restrictions imposed by the COVID-19 pandemic, we launched our Health Hub in May 2020. This is a virtual platform that brings together our services relating to physical and mental health and safety. It also adds new digital formats and provides even better support for our employees when dealing with health-related issues. For example, the Health Hub can be used to arrange an individual digital online consultation aimed at setting up the workstation at home ergonomically. In addition to Workouts on Demand, our employees will also find a link to an online fitness platform for free participation in live sporting events.

### The COVID-19 pandemic: Our approach to global crisis management and prevention

The health and safety of our employees, customers and business partners are top priorities at Henkel. In light of the spread of the coronavirus, the Henkel Crisis Management Committee (CSC) was convened as early as February 2020, with global responsibility for

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## Our fifth global health campaign

### “Protect Your Life 2020”

Even in 2019, our annual global health campaign was focused on the prevention of infectious diseases. In “Protect Your Life,” our company doctors provided comprehensive information about hygiene such as regular hand washing and sneezing etiquette, and about preventive measures, especially vaccinations. Due to the global spread of COVID-19, we continued the campaign in 2020, focusing on integrating preventive measures into our employees’ daily lives and on the annual flu vaccination. The measures included a new podcast format in which the company medical service provided information about “corona myths,” medicines and vaccines. An eLearning course on social distancing, safety and hygiene measures was also developed. This and other information about the services provided by our Corporate Health Organization was made available on a globally accessible platform and actively communicated on all channels. With this approach, “Protect Your Life 2020” was able to reach more than 90 percent of our employees.



After our first three global health campaigns “Save a Life,” “Active Life” and “4 for Life,” the focus of the 2019 and 2020 “Protect Your Life” health campaign was on preventing infectious diseases. With a gift for employees, the company’s medical service team in Düsseldorf drew attention to the start of the health campaign in 2020.

## Occupational safety is our top priority

2020 was dominated by the COVID-19 pandemic. Henkel introduced stringent preventive measures at an early stage to do our part in containing the coronavirus and safeguarding the health of our employees. For example, employees whose duties allow them to work from home have been encouraged to do so until further notice. To improve work-life flexibility, they were offered the opportunity to make their working hours even more flexible, where feasible. In the case of employees whose business-critical duties required their

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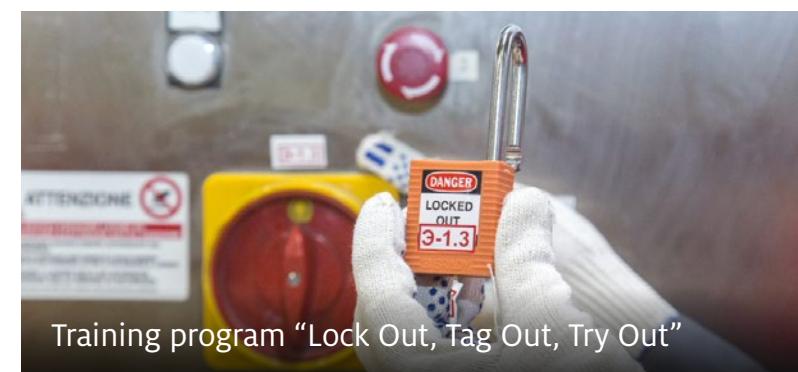
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presence at our sites, we took rigorous protective measures to ensure a safe working environment. These included modified workflows, social distancing regulations, personal protective equipment and the provision of hand disinfectants.

However, occupational safety within the company and along the value chain was a top priority for us even before the COVID-19 pandemic. We remain focused on our long-term objective of zero accidents and want to improve our occupational safety by 60 percent by the end of 2025 compared to 2010. To this end, we are investing in training to raise awareness, as well as in measures to enhance technical safety. By the end of 2020, we wanted to reduce our worldwide occupational accident rate by 40 percent compared to the base year 2010. We significantly exceeded this milestone by the end of the year, as we reduced the accident rate by 50 percent per million hours worked. We regularly review whether our [Safety, Health and Environment \(SHE\) standards](#) are being strictly adhered to. We are also committed to improving occupational safety at our subcontractors and that of other companies' employees working at our sites.

Improved awareness of safety is a basic prerequisite for our employees to recognize and eliminate accident risks in the tasks they perform. Regular training courses are held at all sites to make employees aware of this and to teach them to behave safely. In addition, we are increasingly leveraging synergies across our business units for this purpose and are extending the programs already established in some units across the entire company. Since 2017, we have also been planning company-wide global safety campaigns that target increased awareness about the most important safety issues.



Training program “Lock Out, Tag Out, Try Out”

The “Lock Out, Tag Out, Try Out” training program (also known as “LOTOTO”) continued worldwide in 2020, with training conducted in the local language and featuring practical exercises. It describes a procedure for switching off machines and systems before repair, cleaning, maintenance or servicing, as well as switching them to completely energy-free (“lock out”), clearly marking them (“tag out”) and checking that they are energy-free (“try out”). This lets maintenance and modification work be carried out without risk. The Beauty Care business unit rolled out the training program at newly acquired sites in 2020 and continued training at its other facilities. Laundry & Home Care conducted training workshops at 30 production sites throughout the year. In the Adhesive Technologies business unit, more than 9,000 employees worldwide were trained in this safety procedure to eliminate the risk of injury from hazardous sources of electrical power.

## How we protect employees and strive for more occupational safety

The Adhesive Technologies business unit has been concentrating on rolling out its Culture Based Safety (CBS) program globally since 2015. The core element is open dialog about safe and unsafe behavior in everyday work in order to avoid incidents. The focus here is on mutual encouragement to develop a safety culture, as well as on constructive feedback about unsafe behavior.

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After the successful launch of the CBS program, we placed particular focus on improving the quality of the dialog in 2020, asking the on-site management teams at our locations to assess their results. Despite the constraints imposed by the COVID-19 pandemic, some 83,000 conversations of this kind were held worldwide, with highly positive results. Conversations rated “good quality” by local site management rose to 70 percent. Further improvement in the number and quality of observations will remain a priority in 2021. Additionally, the Adhesive Technologies business unit has developed a safety-related eLearning package for new employees in 2020.

The Laundry & Home Care business unit continued to implement the “Safety 4 LIFE” campaign across all sites in 2020. It raises awareness about safety among employees and aims to prevent accidents from occurring. Besides training that shares information about the fundamental safety rules related to exemplary behavior, passing information to the responsible person, intervening in dangerous situations and identifying safety risks, the 2020 campaign also included an emotional poster campaign to raise employees’ awareness of accidents.

Following several forklift technology pilots that were started in 2018 to increase occupational safety when forklift trucks are being used, the Laundry & Home Care business unit developed a Forklift Safety Standard and launched a three-year holistic Forklift & Pedestrian program in 2020. The program includes reviewing both the traffic patterns and the safety installations in each site. It was started in Logistics and will be kicked off for all Laundry & Home Care Logistics sites in 2021, including intensive training sessions for the local teams on how to implement the program over the coming years.

A number of training sessions were also held at the sites for our Beauty Care business unit, covering topics related to health and occupational safety. In 2020, the Behavioral Based Safety Walkarounds program (BBSWA) was launched, with the goal of training all production employees as safety ambassadors. With a focus on behavior-based safety, this training is a real opportunity for employees to learn about problem-solving techniques and play a part in finding solutions. In addition, our sites in Maribor, Slovenia, Bogotá, Colombia, and Noginsk, Russia, were certified to ISO 45001 for the first time in 2020. The introduction of this standard for occupational health and safety management systems at our sites is an important step toward achieving our objective of zero accidents.

## 2020 status

In 2020, we recorded 0.6 occupational accidents per million hours worked. This is an improvement of 50 percent over the base year 2010.

Despite our ongoing commitment to occupational safety, an accident involving a machine occurred at our Nigerian site in Ibadan in July 2020, resulting in the death of an employee. Since then, Henkel has been in constant contact with the family of the deceased.

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# Social engagement

## How we bring social engagement to life

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Corporate citizenship has been an integral part of our corporate culture ever since the company was established by Fritz Henkel in 1876. Our long-term commitment to social involvement that goes beyond direct business interests was especially evident in the establishment of the  **Fritz Henkel Stiftung foundation** in 2011. Our engagement is based on four pillars: corporate volunteering, social partnerships, brand engagement and emergency aid. Our goal was to reach ten million people through our social engagement activities by 2020. We achieved this target in 2019, ahead of schedule. For 2025, we have set ourselves the  **goal** to contribute to improving the lives of 20 million people worldwide.

We are particularly committed to education and career opportunities for young people. With help from our employees, we want to improve educational opportunities through activities such as our  **Forscherwelt (Researcher's World) initiative**, our  **Sustainability Ambassador program** in elementary schools and our long-term cooperation with  **Teach First Deutschland**. The projects are selected according to our corporate standard for donations, memberships and sponsorships.

In 2020, combating the COVID-19 pandemic was an especially important task where we wanted to make a contribution. To do so,

Henkel extended its emergency aid activities by launching a  **global solidarity program** in March. In addition to financial donations, it provided hygiene products and disinfectants.

## Our four pillars



### Corporate volunteering

Through our Make an Impact on Tomorrow initiative, we support our employees and retirees in their volunteer work.



### Social partnerships

As part of our corporate engagement, we enter into social partnerships in the communities where Henkel operates, in an effort to support social initiatives and public institutions.



### Brand engagement

In line with our sustainability strategy, our company's brands also engage in partnerships with social initiatives and public institutions worldwide.



### Emergency aid

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

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## Supporting corporate volunteering

Since the foundation of the initiative “MIT Volunteering” (Make an Impact on Tomorrow) in 1998, we have supported the  voluntary activities of Henkel employees and pensioners in over 16,000 projects and more than 100 countries around the world. At the same time, more and more employees and pensioners are joining forces to implement larger social projects.

### Better equipment for the St. Martinus Day Care Center

In 2020, the MIT initiative once again supported the friends' association of the St. Martinus Day Care Center in Grevenbroich near Düsseldorf, Germany. Henkel employee Lisa de Vegt has been a volunteer in the association since 2018. The donation was used for purposes including purchasing new children's vehicles and implementing projects such as a new research week.



Little researchers in Germany

From left to right: Ole Driesen, Lasse de Vegt and Jenke Sell conduct research on “Swimming – Floating – Sinking.” The St. Martinus Day Care Center has been a member of the non-profit foundation “Haus der kleinen Forscher” (Little Scientists’ House) since 2011. The foundation is funded by the German Federal Ministry of Education and Research.

### Helping children with development disorders

Henkel employee Tomás Gonzalez supports the HOGA Center for Rehabilitation and Equestrian Therapy in Guadalupe, Nuevo León, Mexico. The center provides interdisciplinary individual sessions to children and adolescents with a neuromotor disability and with general development disorders.

At present, an average of 130 families per month benefit from the services provided by the HOGA Center. Support from the MIT initiative in 2020 enabled progress to be made in renovation work for a new multi-purpose hall. This is where children have the opportunity to develop their skills and abilities through drawing, painting, handicrafts and dancing. As one of the winners of the MIT photo competition, the project received additional funding. This will be used to purchase furniture and materials.



Horse therapy in Mexico

Henkel employee Tomás Gonzalez (right) helps Jose Saul (center) to feed a therapy horse at the HOGA Center in Guadalupe, Nuevo León, Mexico.

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## Working with social initiatives for more equality

Through our involvement in social partnerships, we support social initiatives and public institutions at Henkel sites around the world. The main objective is to promote education and equal opportunities in cooperation with the Fritz Henkel Stiftung foundation.

### Building blocks for a good quality of life

Since 2017, Henkel and the Fritz Henkel Stiftung foundation have been supporting Fondo Unido in Mexico and Guatemala, and United Way U.S.A. These are two local organizations under the umbrella of  **United Way Worldwide**, which is committed to promoting the common good in communities around the world. The focus is on education, financial stability and health, which are the building blocks for good quality of life. Henkel employees like David Alvarez and Edys Contreras regularly get involved in United Way programs for local communities.



Henkel employees Edys Contreras and David Alvarez are involved in a United Way program for local communities. The photo shows them doing repair work in a school in Guatemala.

### Making a smooth transition into the workplace

Since 2012, Henkel and the Fritz Henkel Stiftung foundation have been the main supporters of the non-profit educational initiative Teach First Deutschland, which encourages young adults to achieve a better school-leaving certificate. At Teach First Deutschland, university graduates support schools in disadvantaged communities. As additional teachers, they help students to find their own path and reach their full potential.



At Teach First Deutschland, university graduates work on a voluntary basis as additional teaching staff in disadvantaged communities.

For the first time, in an Accelerator program under the leadership of  **Business for Inclusive Growth (B4IG)**, Henkel worked together with Teach First Germany and Joblinge to develop a quality standard. It will now be transferred into a digital solution to help disadvantaged young people obtain a school-leaving certificate and find a suitable apprenticeship or professional training program.

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Beyond Germany, Henkel also supported the □ Teach for All organization in Argentina, Brazil, China, Colombia, India, Latvia, Ukraine, the USA and Vietnam in 2020.

## Our brands' engagement

In addition to Henkel's social engagement on a corporate level, our brands are also involved in partnerships with social initiatives and public institutions around the world.

### Schwarzkopf Million Chances initiative

Since 2016, the Schwarzkopf Million Chances initiative has been supporting girls and women in becoming more self-confident and building a successful future for themselves. The initiative supports aid projects worldwide, often in cooperation with independent organizations such as Plan International Deutschland e.V. in Colombia, Egypt and China. In 2020, around 4,600 women and girls were reached by 14 projects. The third → Schwarzkopf Million Chances Award was presented in 2020, sponsored by the Fritz Henkel Stiftung foundation. It honored four non-profit projects for their outstanding commitment to supporting girls and women.

The umbrella of our Million Chances initiative also covers our long-term initiative → Shaping Futures. Since 2010, Schwarzkopf Professional and SOS Children's Village have been offering young people the opportunity to obtain training in basic hairdressing techniques and establish livelihoods. More than 2,500 young people in 30 countries have already been trained thanks to the volunteer work of hairdressers and employees.



Winners of the Million Chances Award

In 2020, the GründerMütter network won the Million Chances Award. The initiative supports mothers with founding their own businesses and helps women to successfully combine career and family.  
Photo: Tanja Deuß, Knusperfarben

### “Power Kiste” by Laundry & Home Care

In 2020, Henkel's Laundry & Home Care business unit supported the “Power Kiste” (Power Box) project run by the REWE Group and Tafel Deutschland. “Power Kiste” provides children with a healthy, varied breakfast at school. This raises the awareness of a healthy diet among children and adolescents, who learn how to prepare a communal breakfast independently.



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## Fast and unbureaucratic emergency aid

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

### Contribution to combating the COVID-19 pandemic

In 2020, Henkel launched a [comprehensive global solidarity program](#) to support employees, customers and affected communities in the fight against the [COVID-19 pandemic](#). As part of the program, Henkel donated two million euros to different funds and organizations.

The Fritz Henkel Stiftung foundation donated one million euros from this amount directly to the COVID-19 Solidarity Response Fund launched by the World Health Organization (WHO) and the United Nations (UN) Foundation. This donation helped to provide protective equipment for frontline health workers, equip diagnostic laboratories, improve data collection and analysis, establish and maintain intensive care units as well as to accelerate research and development of potential vaccines and therapeutics. The remaining one million euros from our overall donation of two million euros was distributed by the Fritz Henkel Stiftung foundation to different organizations and partners worldwide, and also supported Henkel employees with their personal commitments and voluntary engagement in fighting the crisis.

In addition, Henkel also donated five million units of personal and household hygiene products globally. Henkel produced 111,000 liters of disinfectant worldwide and donated it to hospitals and public institutions in Algeria, Colombia, Germany, and Mexico.



Manufacturing disinfectants

In April 2020, Henkel converted a production facility in Düsseldorf to manufacture disinfectants. As a result, around 50,000 liters of disinfectant were donated to hospitals and public institutions in Germany alone.

### Support in fighting the bushfires in Australia

Major bushfires occurred in Australia in the beginning of 2020, which burned about 20 percent of the country's forested area. The fires killed 33 people and approximately one billion animals. A large number of people also lost their homes or had to be temporarily evacuated. Henkel provided unbureaucratic emergency aid by supporting the work of the Red Cross.

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# Stakeholder dialog

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- Our people engage with a wide range of stakeholder groups
- Dialog with politicians and government authorities
- Participation in industry associations and international initiatives
- Supporting education for sustainable development

# Stakeholder dialog

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## How we integrate stakeholder expectations into our actions

Understanding the social demands that stakeholders of all kinds place on our company is a key component of our → **sustainability management**. That is why we promote dialog with all stakeholders, including our customers, consumers, suppliers, employees, shareholders, local communities, government agencies, associations and Non-Governmental Organizations (NGOs), as well as politicians and academia.

To better understand the expectations and perspectives of our stakeholders and to engage in dialog that is more targeted and solution-oriented, we make use of specific surveys and continuously monitor the opinions of our stakeholders at several levels: in direct dialog, in multi-stakeholder initiatives, and through dialog platforms about sustainability-related topics. Proactive, bilateral cooperation with NGOs and opinion leaders gives us insights into global challenges such as those related to developing → **sustainable packaging solutions**. This enables us to respond to issues quickly and drive progress.

In a comprehensive survey in 2014, we asked our stakeholders what topics have priority for them. It confirmed that our target groups place great importance on our efforts to integrate sustainability into



*"By engaging in dialog with our shareholders as part of our Investor Relations activities, we can address issues at an early stage and make our company fit for the future – through activities such as sustainable financing and sourcing."*

**Marco Swoboda**  
Executive Vice President Finance (CFO) /  
Purchasing / Global Business Solutions

all of our activities and product life cycles, and that they also have a strong focus on the environmental impacts that occur during the individual phases of our products' life cycles. We started another survey of this type in 2020, with the aim of responding to the current expectations of the various stakeholder groups as part of the development of our → **sustainability strategy**. Stakeholder dialog is a key element of our approaches to → **innovation and risk management**, and helps us to continuously develop our sustainability strategy and reporting.

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## Our people engage with a wide range of stakeholder groups

All of our employees worldwide are encouraged to be → engaged in their working environment and to base their decisions on the principles of sustainable development. For many of our employees, this includes regular dialog with stakeholders, where experts at our various company sites and in our different business units engage in discussion with relevant stakeholder groups on specific local and regional challenges. This allows us to develop customized concepts and solutions that can be implemented and assessed effectively. In 2020, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public. Due to the COVID-19 pandemic, considerably more events were held in virtual formats than in previous years to protect the participants.

→ Sustainable packaging and the circular economy were key topics of discussion at many stakeholder dialog events in 2020. To underscore our commitment in this area, Henkel is a founding member of an initiative focusing on plastic waste, the → Alliance to End Plastic Waste (AEPW). Close to 50 international companies along the value chain for plastics and consumer goods have joined forces to tackle the global challenge of a circular economy together. The aim of the alliance is to promote solutions that put a stop to plastic waste entering the environment, especially in the oceans. Henkel is also involved in the Recyclate Forum initiated by German drugstore chain dm-drogerie markt. In addition, Henkel is a mem-



### EU Plastics Pact

Dr. Thorsten Leopold, Head of International Packaging Technology for Home Care products, and Anna-Lena Fockenbrock, Manager Public Affairs & Governmental Relations, present the certificate recognizing Henkel as a founding member of the EU Plastics Pact. The signatories call for all plastic packaging and single-use plastic (SUP) products to be reusable and recyclable by 2025, and for the need for new plastic to be reduced by at least 20 percent, among other demands.

ber of the → New Plastics Economy (NPEC), an initiative led by the → Ellen MacArthur Foundation that brings key stakeholders together to rethink and reshape the future use of plastics and build momentum toward a circular economy. Henkel signed a Plastics Pact in this respect, in both the US and Europe. These two regional agreements, to which we were one of the first signatories, bring governments and businesses together to collaborate in moving toward a circular economy in which plastic is reused again and again.

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These topics were also the subject of various events in 2020. For example, Prof. Dr. Thomas Müller-Kirschbaum, Head of International Research and Development Laundry & Home Care, spoke at the SEPAWA Congress, a major meeting point for the European detergent and cleaning agent, cosmetics and perfumery industries. He discussed scenarios for a sustainable circular economy using plastics, but without fossil raw materials. Müller-Kirschbaum also participated in panel discussions, such as the World Ocean Summit Insight Hour organized by The Economist magazine, which focused on the avoidance of plastic waste.

These discussions were held online, as was the Henkel Packaging Adhesives Sustainability Forum 2020, which was organized in this form for the first time. The packaging industry conference offered conference rooms, 16 exhibition stands and a networking lounge in virtual form, where the more than 1,000 participants could discuss a wide range of topics related to sustainable packaging solutions.



Visitors to the virtual stand at the Henkel Packaging Adhesives Sustainability Forum were able to find out how our products contribute to more sustainable packaging solutions and a circular economy.



Educational recycling campaign in Mexico

In Mexico, Henkel sponsored an educational campaign for schoolchildren, teachers and parents that promoted better handling of plastic waste and recycling. Henkel employees have been actively participating in the related recycling campaign since March 2020.

Another focus was the discussion of → **human rights** and supply chains. In a webinar organized by Chemie<sup>3</sup>, Dr. Dorli Harms, Manager Global Sustainability, and Christine Schneider, Senior Manager Global Sustainability in the Laundry & Home Care business unit, together with representatives from the business consultancy EY and the Forum for Sustainable Palm Oil (FONAP), highlighted the latest developments concerning human rights in the supply chain and management approaches for companies in the chemical and pharmaceutical industries.

During a visit by representatives from the development organization **Solidaridad** to our site in Düsseldorf in February 2020, we discussed cooperation to support → **smallholders** and local initiatives to promote → **sustainable palm oil**. In addition to the milestones that have already been jointly implemented, the development of Henkel's palm oil strategy and future cooperation with Solidaridad were also discussed.

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### Cooperation with Solidaridad

Participants at the meeting between Solidaridad and Henkel in February 2020 discussed cooperation relating to sustainable palm oil. This collaboration will continue to focus on improving livelihoods for smallholders. Greater consideration will also be given to ecological aspects, such as climate-friendly agriculture.

Smallholders produce around 40 percent of the world's palm oil and palm kernel oil. In countries where palm oil is produced, increasing the yield without increasing the area being cultivated is one of the most important issues. Henkel currently supports seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria. In Nigeria alone, over 5,000 farmers and farm workers received training in modern cultivation techniques since 2016, which increased their yields by over 300 percent. In total, our partnership with Solidaridad has supported projects that have reached more than 34,000 smallholders, who cultivate more than 305,000 hectares of land. There are now further ambitions for increased transparency and traceability, along with increased cooperation with other stakeholders.

The EcoVadis B2B Sustainability Forum also addressed the supply chain. More than 1,000 people took part, including some Henkel employees. In one of the presentations, Bertrand Conquéret, Chief Procurement Officer (CPO) at Henkel, spoke about the role of purchasing in sustainability strategies and how this function can best contribute to change.

Henkel was also represented at the World Economic Forum (WEF) 2020 in Davos by Carsten Knobel, CEO, and Sylvie Nicol, Executive Vice President Human Resources and Chair of the Sustainability Council. The global economic conference was held with the theme "Stakeholders for a Cohesive and Sustainable World." During the conference, Henkel was also admitted to the WEF's **Global Light-house Network**. This honors the outstanding application of technologies from the fourth industrial revolution.

Dr. Rajat Agarwal, President of Henkel China, spoke at the China Chemical Industry and Chemical Park Forum in Zhangzhou, China. He shared insights into how Henkel is working to further develop sustainable and value-adding production processes. He also gave recommendations for how the Chinese chemical industry can achieve sustainable growth in the future. Richard Yu, Head of Public Affairs & Governmental Relations at Henkel in China, also emphasized the potential for greater cooperation between different players within this industry. The event brought together almost 1,600 people from various organizations and roles.

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### China Chemical Industry and Chemical Park Forum

At a panel discussion during the China Chemical Industry and Chemical Park Forum, Dr. Rajat Agarwal, President of Henkel China, spoke about the sustainable development of the company's own production footprint and that of the entire chemical industry in China.

Henkel UK's cooperation with The Guardian, a global media company, is another project that was successfully conducted for the fourth year running in 2020. The "Sustainability Unwrapped" series focused on plastics and packaging. The series was supplemented by "The Sustainable Shelf" campaign in 2020. This reported on a range of topics such as sustainable consumption and the Henkel solidarity program to support the fight against the COVID-19 pandemic.

Sustainable development to combat climate change was the main topic discussed by representatives from Henkel Chile during the seminar "Balance of COP25 Chile-Madrid: What is expected for 2020?," which was organized by ComunicarSe. During the seminar, Roberto Pavez, Head of Product Development for Consumers and Craftsmen at Henkel South & Latin America, highlighted our company's commitment to tackling climate change through a long-term, high-impact strategy. In his presentation, he dealt with the economic effects of the climate crisis.

At the Open Eyes Economy Summit in Poland, Wiktoria Brauksiepe, Head of Finance Poland, spoke about future challenges and developments in non-financial reporting. Henkel published its first environmental report as early as 1992. The topic is now gaining importance throughout the business world, as stakeholders are increasingly demanding more transparency. This also applies to investors. The importance of sustainability for corporate financing was also affirmed at the Private Equity Conference of the NRW.BANK in Germany. Ulla Hüppé, Head of Sustainability in the Adhesive Technologies business unit, spoke about the changing demands of investors, and addressed the financial opportunities and risks of sustainability.



Open Eyes Economy Summit

Wiktoria Brauksiepe, Head of Finance Poland, participated in the Open Eyes Economy Summit by video call. The topics she covered included Henkel's non-financial reporting approach and the company's sustainability targets.

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CEO Carsten Knobel attended a live streaming event organized by the German newspaper, Handelsblatt. He spoke about some of the innovative sustainable finance projects that Henkel has been involved with since 2018. This includes the [Green Loan](#), which is a loan linked to sustainability ratings. Another example is a [plastic waste reduction bond](#), the proceeds of which will be exclusively used to finance projects that reduce or avoid plastic waste. The virtual event brought together high-ranking representatives from various organizations to discuss current challenges such as the COVID-19 pandemic and climate change. Viewers were able to get involved in the panel discussion by putting questions to the participants and taking part in voting activities.

Henkel was again a partner of the [German Sustainability Award](#) in 2020 and took the opportunity to engage in panel discussions with stakeholders on German Sustainability Day. The largest conference on sustainability in Germany was held this year as a hybrid event, with a limited number of stakeholders physically present in Düsseldorf and about 2,500 online participants. Uwe Bergmann, Head of Sustainability Management, joined representatives from various industries to discuss whether sustainable investments could be a key driver for sustainable development. In a second round of discussions on the topic of "Sustainability as a collective venture – Who if not everyone?", he and his fellow panelists debated how sustainable development can be achieved as a collective effort by politics, science and business. The German Sustainability Award is an initiative of the Stiftung Deutscher Nachhaltigkeitspreis e. V. in coopera-

tion with the German Federal Government, the German Council for Sustainable Development, economic associations, local government associations, civil society organizations and research institutions.



**German Sustainability Day**  
Uwe Bergmann (right), Head of Sustainability Management, discussed the necessity for representatives from politics and business to cooperate for sustainable development and spoke about key success factors during the German Sustainability Day. The panel discussion took place in a hybrid form. Moderator Günther Bachmann (left), former Secretary General of the German Council for Sustainable Development, was live on site, while other participants connected virtually.

We also launched our own [German-language Henkel podcast](#) about relevant sustainability topics in 2020. In "Fritz for Future," external experts and Henkel employees discuss topics such as sustainable fashion and climate commitment. Guests include start-up founders and representatives from business, science and NGOs. In this new format, we speak openly about matters of public debate and give listeners the opportunity to critically examine these issues together with us.

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#### Our Fritz for Future podcast

Change always comes up against prejudice. Entrepreneurs and progressive thinkers respond to this prejudice with innovations for tomorrow's world. In the spirit of Fritz Henkel, our Fritz for Future podcast informs, inspires and creates awareness about the really important issues of our time.

early stage. This in turn is a basic requirement for good corporate governance (compliance) and is essential for our corporate planning.

In this context, the concept of the European Green Deal is highly relevant to Henkel. An example of this is the presentation of the action plan for the circular economy by the European Commission in March 2020. Above all, this initiative specifically calls for the use of more recycled material in plastic packaging. For Henkel, this also leads to new requirements for the design of our consumer goods packaging, with the aim of further improving → **recyclability** and helping to obtain more high-quality recycled material.

## Dialog with politicians and government authorities

Policymakers and government authorities often seek out the expertise of companies in their **political decision-making processes**. When requests are made from the political or regulatory environment, we are happy to provide our experience-based knowledge and to describe how political considerations impact Henkel, our employees, and our business partners. Our Public Affairs Standard – Representation of Interests in Public Affairs, is applicable worldwide, and lays down clear rules of conduct and regulations in this respect.

As a company, we provide open information about our areas of interest and the scope of our political work, for example, through our entry in the European Union's (EU) transparency register. In addition, we see proactive communication and overall stakeholder dialog as an important tool, enabling our company to respond to upcoming changes in the regulatory or political environment at an

Together with the **Center for European Policy (CEP)**, Henkel conducted a study on the development of a circular economy for plastics in the EU. In summary, the CEP study highlighted a range of fields of action. Prominent examples include the development of an EU-wide recycling-oriented plastics industry for non-food packaging, the creation of the necessary framework conditions in the EU Member States for the collection of plastic waste, and the establishment of an EU internal market for plastic recycled material. Potential obstacles and different viewpoints require competent dialog in order to put the European Commission's political ambition into practice in a targeted manner.

These instructive findings formed the basis of a webinar entitled "Toolbox for success: How to boost the EU's circular plastics economy," which was organized by Henkel in November 2020 and was targeted at EU-level decision-makers. In this interactive event, the dialog

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between representatives of political and academic interests and industry was conducted on the basis of goals and scientific expertise.

Prof. Dr. Thomas Müller-Kirschbaum, Head of International Research and Development Laundry & Home Care, emphasized that smart technologies with intelligent regulation, complemented by financing to promote circularity, could accelerate the necessary changes. Anna Cavazzini, Chair of the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO), and Maja Desgrées du Loû, officer at the Waste Management & Secondary Materials Unit in the European Commission, explained the current discussion and the objectives of the European Parliament and the European Commission. They said that the current focus lies on "making the definition of 'recyclability' as operational and harmonized as possible." Innovation in the area of packaging and recycling processes is absolutely necessary for this, they added. In this type of discussion with experts from industry, science and politics, it is essential to exchange ideas and set a common course for the future of Europe.

In the coming months, the results of the CEP study will continue to provide us with an informative basis for highlighting essential transformations in dialog with various interest groups, so that the political ambition of a circular economy can become a reality.

We are also planning further events with politicians and government authorities for the year ahead, so that our company can contribute to target-oriented dialog in an international context.

## **Participation in industry associations and international initiatives**

Henkel works in close collaboration with its stakeholders on challenging issues such as the promotion of sustainable palm oil. These stakeholders include NGOs such as the  **WWF (World Wide Fund for Nature)** and retail chains such as Carrefour. Henkel has been a member of the cross-sector initiative  **"Roundtable on Sustainable Palm Oil" (RSPO)**, the world's largest organization for the certification of palm oil, since 2008. In cooperation with the RSPO and the international development organization Solidaridad, it aims to promote progress in the sustainable production of  **palm oil and palm kernel oil**, and to further develop ongoing partnerships to promote a sustainable palm oil industry. Henkel is also committed to supporting a sustainable palm oil economy in Germany. The  **Forum for Sustainable Palm Oil (FONAP)** is a collaboration comprising 51 companies, NGOs, associations, the Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for Economic Cooperation and Development (BMZ). It was established in 2013 and is based on an initiative from Henkel, Unilever, the retail group Rewe and the WWF. FONAP's commitment for regular members is based on three pillars: the switch to certified sustainable palm oil and palm kernel oil and fractions and derivatives; supplier dialog focusing on traceability and achieving additional criteria; and detailed reporting on the achievement of goals. FONAP e. V. aims to ensure that 100 percent of palm oil used in Germany is certified as sustainable. Other goals include improving recognized certification systems and increasing the use of certified palm oil, both within Germany and

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internationally. Henkel has also pledged to step up its efforts in this area, with the aim of covering all of its own requirements going forward through Mass Balance-certified palm products.

Henkel participates in a wide variety of initiatives on national and international levels in order to play an active role in shaping sustainable development and driving progress together with other stakeholders. This includes engagement in working groups and industrial associations, such as the [World Business Council for Sustainable Development \(WBCSD\)](#), the International Association for Soaps, Detergents and Maintenance Products ([A.I.S.E.](#)), the European cosmetics association [Cosmetics Europe](#), and the [Consumer Goods Forum \(CGF\)](#). The Plastic Waste Coalition of Action was formed from the latter in 2020. In this coalition, Henkel is working with 35 other companies on the basis of Golden Design Rules to develop a more circular approach to the design and processing of plastic packaging in the consumer goods industry. Our experience and our role as a sustainability leader make it possible for us to help shape the discussion regarding solution concepts for sustainable consumption along the value chain. Henkel is also a member of the [German Chemical Industry Association \(VCI\)](#), to whose board our CEO Carsten Knobel was recently elected. The Group is also involved in the Chemie<sup>3</sup> initiative, which comprises the VCI, the Industrial Union for Mining, Chemicals and Energy (IG BCE) and the German Federation of Chemical Employers' Associations (BAVC). The initiative seeks to promote sustainability in the chemical industry.

In addition, Henkel is continuously in dialog with various organizations, for example the [European Centre for Ecotoxicology and Toxicology of Chemicals \(ECETOC\)](#), to improve and standardize measurement methods for the collection of sustainability data. This also ensures that Henkel's approach is aligned with best practice, while providing a platform for sharing experiences in order to increase overall transparency and precision with regard to life cycle assessment. On an international level, Henkel is one of the signatories to the Responsible Care Global Charter initiative, which was presented in 2015 at the ICCM-4 International Conference on Chemicals Management of the United Nations Environment Programme (UNEP). It addresses international issues relating to the chemical industry and defines ethical obligations in six areas, including "Protection of people and the environment" and "Contribution to sustainability."

Following on from its commitment to date, Henkel joined further initiatives in 2020. As a signatory to the [Business for Nature](#) initiative, Henkel supports the call for cooperation with governments to drive environmental protection forward. As part of the [Science Based Targets](#) initiative, which brings together more than 150 other companies, Henkel is also calling for governments around the world to link financial aid programs for combating the economic slump caused by the COVID-19 pandemic to climate targets and the latest findings of climate science.

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Henkel is also a founding member of the [Renewable Carbon Initiative](#). This aims to promote acceleration of the transition from fossil-based to renewable carbon for all organic chemicals and materials. In addition, Henkel joined the [Amazon Climate Pledge](#). This international, cross-industry climate protection commitment was co-founded by the Amazon company and the non-governmental organization Global Optimism. Its members commit to measuring and reducing emissions, and to achieving climate neutrality by 2040 at the latest.



In 2020, Henkel joined several initiatives for more climate protection, including the Amazon Climate Pledge and the Renewable Carbon Initiative.

## Supporting education for sustainable development

At Henkel, we believe it is important to address issues of sustainable development beyond our own sphere of influence. In 2017, Dr. Christoph Henkel, and the Konrad-Henkel-Stiftung and Fritz Henkel Stiftung foundations, endowed the [Chair for Sustainability Management for Business Management](#) at the Heinrich Heine University in Düsseldorf to mark the 25th anniversary of the Economics department. The aim of this endeavor is to contribute to meeting global challenges related to sustainability management by promoting teaching and cutting-edge international research in this field, with a particular focus on sustainable behavior. Since the winter semester of 2018, Prof. Dr. Rüdiger Hahn has been the chair of the newly endowed Henkel professorship. His research and teaching activities focus on central issues of sustainability management where they interface with traditional business management disciplines. Thanks to the endowed professorship, Henkel has further strengthened its partnership with the Heinrich Heine University. The sponsors have endowed around 2 million euros, which will be provided over a period of ten years.

# External assessments

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

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## Sustainability indices 2020

### ECPI Index



**Milan:** Henkel is listed in the ECPI Euro Ethical Equity and ECPI EMU Ethical Equity Indices. According to the screening procedure adopted by ECPI, the 150 market-capitalized companies included in the ECPI Indices constitute the most highly recommended investments in the European market (Euro) and the European Monetary Union (EMU), respectively. ECPI S.r.l. is part of Gruppo Medio S.p.A., and launched the two ethics indices in 1999.

### Global Challenges Index



**Hamburg:** Henkel was again one of only 50 companies worldwide to be listed in the Global Challenges Index, which is provided by the Börse Hannover and the German rating agency ISS-oekom. Henkel has been included in the Global Challenges Index since 2007.

### Ethibel Sustainability Indices and Investment Registers



**Paris:** Henkel was again included in the Ethibel Sustainability Indices Excellence Europe and Excellence Global, and was listed in the Ethibel Pioneer and Excellence Investment Registers. Inclusion by the Forum Ethibel qualifies Henkel as a leader in the field of corporate social responsibility in its sector.

### MSCI World ESG Index and MSCI Europe ESG Index\*



**New York:** Henkel is again included in the Sustainability Indices MSCI ACWI ESG Leaders and MSCI ACWI SRI. These include companies with a strong risk and opportunity management approach for environmental, social and governance (ESG) performance.

### Euronext Vigeo Eiris Indices



**Paris:** Henkel was again listed in the Euronext Vigeo Eiris sustainability indices Europe 120 and Eurozone 120. They are issued by the transatlantic stock exchange NYSE Euronext and the rating agency Vigeo Eiris, and include the 120 highest ranking companies in the respective index.

### FTSE4Good Ethical Index



**London:** For the 20th consecutive year, Henkel is included in the FTSE4Good ethical index, which was introduced by the Financial Times and the London Stock Exchange in 2001.

### STOXX ESG Leaders Indices



**Zurich:** STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices. It assesses companies in terms of their environmental, social and governance performance. The underlying data is provided by the Dutch rating agency Sustainalytics.

\* The inclusion of Henkel AG & Co. KGaA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Henkel AG & Co. KGaA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

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## Sustainability ratings 2020

### EcoVadis



**Paris:** As a member of the “Together for Sustainability” initiative, Henkel’s sustainability management was again assessed by the international rating agency EcoVadis. Henkel received the “Platinum Recognition Level,” which is the highest assessment category for this corporate social responsibility rating.

### ISS ESG



**Munich:** Henkel retained its Prime Status from ISS ESG (formerly Oekom Research). With the rating B+, Henkel was the best performer in the consumer goods sector.

### Sustainalytics



**Amsterdam:** The sustainability rating published by Sustainalytics recognizes Henkel as a global leader in its “Household & Personal Products” sector comparison. The comparative analysis is based on the ESG approach, and it assesses environmental, social and governance performance.

### Zürcher Kantonalbank



**Zurich:** Henkel was evaluated with the grade “AA” in the sustainability rating conducted by Zürcher Kantonalbank (ZKB). As such, Henkel’s place was confirmed in the sustainable investment universe of the ZKB, which forms the basis for various investment products offered by the Swiss cantonal banks.

## Other assessments and rankings

### Carbon Disclosure Project



**London:** Henkel has been participating in the Carbon Disclosure Project (CDP) since 2004 to foster transparency in our markets and for our investors. The CDP assesses qualitative and quantitative disclosure on the topics of climate change, water and forests.

### Global 100 Most Sustainable Corporations in the World



**Toronto:** Henkel was listed in the “2021 Global 100 Most Sustainable Corporations in the World” (Global 100 Index) of Corporate Knights, a media and investment advisory company. Companies named in the Global 100 index are the top overall sustainability performers in their respective industrial sectors. Within the personal product sector, Henkel was ranked among the top three.

### Syndicated plastic waste reduction bond

#### recognized as “SRI Deal of the Year”

After concluding the first German “Sustainability-linked Loan” in 2018, a loan which is linked to several sustainability rankings, Henkel once again acted as an innovator on the financial market in 2020. The company was the first to issue a plastic waste reduction bond, which consists of two tranches of 70 million USD and 25 million EUR and has a maturity of five years. The two anchor investors, Dai-ichi Life and Dai-ichi Frontier Life, are financing projects and expenditures related to Henkel’s activities to reduce plastic waste via this new instrument. The deal, which was structured by HSBC, received the “Socially Responsible Investment (SRI) Deal of the Year” award from mtn-i, a global news, data and analytics platform. Henkel and HSBC received the prize as part of the 11th Asia-Pacific Awards, where Dai-ichi Life became “SRI Investor of the Year” for its investment in Henkel. The bond’s proceeds will exclusively contribute to financing key projects and activities in line with Henkel’s packaging targets for 2025.

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External assessments of our sustainability performance also include awards from our customers, as well as awards from local and national environmental, business or governmental organizations. A selection for the year 2020 is presented below.

**CSR Award for Henkel's solidarity program**

Henkel France received the @LSAconsommation 2020 CSR Award for the local implementation of Henkel's global solidarity program. The program supported employees, customers and affected communities in the fight against the COVID-19 pandemic. Henkel's teams in France have implemented various actions (product donations, financial support, specific contributions) to contribute to the response to the COVID-19 pandemic. They specifically supported the poorest members of the population, as well as those on the front lines of the pandemic, including caregivers.

**Henkel and Plastic Bank recognized as a Diamond Winner in Dow Packaging Innovation Awards**

Henkel has been awarded the highest honor in the Dow Packaging Innovation Awards for its Social Plastic® ecosystem in collaboration with Plastic Bank. The packaging solutions with Social Plastic® have been recognized as a Diamond Winner in one of the most important awards for breakthrough packaging innovations with a strong focus on sustainability and the circular economy. In line with its commitment to fostering a circular economy, Henkel incorporates Social Plastic® into various product packaging. In October 2018, the first Henkel packaging that contains Social Plastic® was made available. Since then, Henkel has launched a range of cosmetic products, laundry detergents and household cleaners with packaging made with Social Plastic®.

**Sustainability Award 2020 from Packaging Europe**

Henkel's software tool EasyD4R® received a Sustainability Award from Packaging Europe within the "Best Practice" category. The software evaluates the recyclability of packaging based on publicly recognized criteria catalogs. EasyD4R® displays clear results using a traffic light rating system. It illustrates what percentage of a design is recyclable and highlights potential for improvement. By doing so, it supports the development of sustainable packaging solutions. To further foster the creation of a sustainable future, Henkel made the tool publicly available in 2019 and added several new analyzable materials in 2020.

**Henkel receives 'Best Stakeholder Engagement, Global' award**

EcoVadis, the world's leading provider of sustainability ratings, named Henkel as one of the winners of its fourth annual Sustainable Procurement Leadership Awards and Sustainability Leadership Awards. Henkel won the award for "Best Stakeholder Engagement on a Global Level". According to EcoVadis, the highlights in Henkel's program included excellent internal communication, clear quantitative targets and goals created together with business leaders. Henkel was also praised for its employee onboarding and training activities that are amplified by its Ambassador Program, as well as for leveraging its membership in the industry initiative Together for Sustainability (TfS).

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# Indicators

The indicators we record throughout the company provide transparency while helping us to identify potential improvements, manage activities and monitor achievements. We show the progress of each of our indicators over a five-year period. In this Sustainability Report, we focus on the publication of our globally relevant core indicators.

The figures in the tables within this chapter have been rounded up or down. As a result, the rounded figures in some of the rows in the tables may not add up to the totals as indicated.

## Environmental indicators for our production operations

The production-related data for 2020 were determined at all 179 Henkel sites in 57 countries. This means the data represent 100 percent of our production volume. The data were validated centrally for year-end reporting and verified at the sites within the framework of our internal audit program. Any differences discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – due to the start-up of new sites or closure of existing sites, for example – the number of sites contributing data changes accordingly. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

## Employee indicators

Occupational accidents are registered using a globally uniform reporting system. 99 percent of Henkel employees were covered in 2020. In line with this, the published employee indicators also cover 99 percent of our employees.

## Adjustment of reported indicators

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

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

**Errors:** Individual or cumulative errors greater than 1 percent of the value of the indicator (for example, total energy consumption) are corrected, including the subordinate indicators (for example, electricity consumption). Where necessary for clarity, typically in the case of changes greater than 2 percent of the value of the indicator, changes are highlighted and explained.

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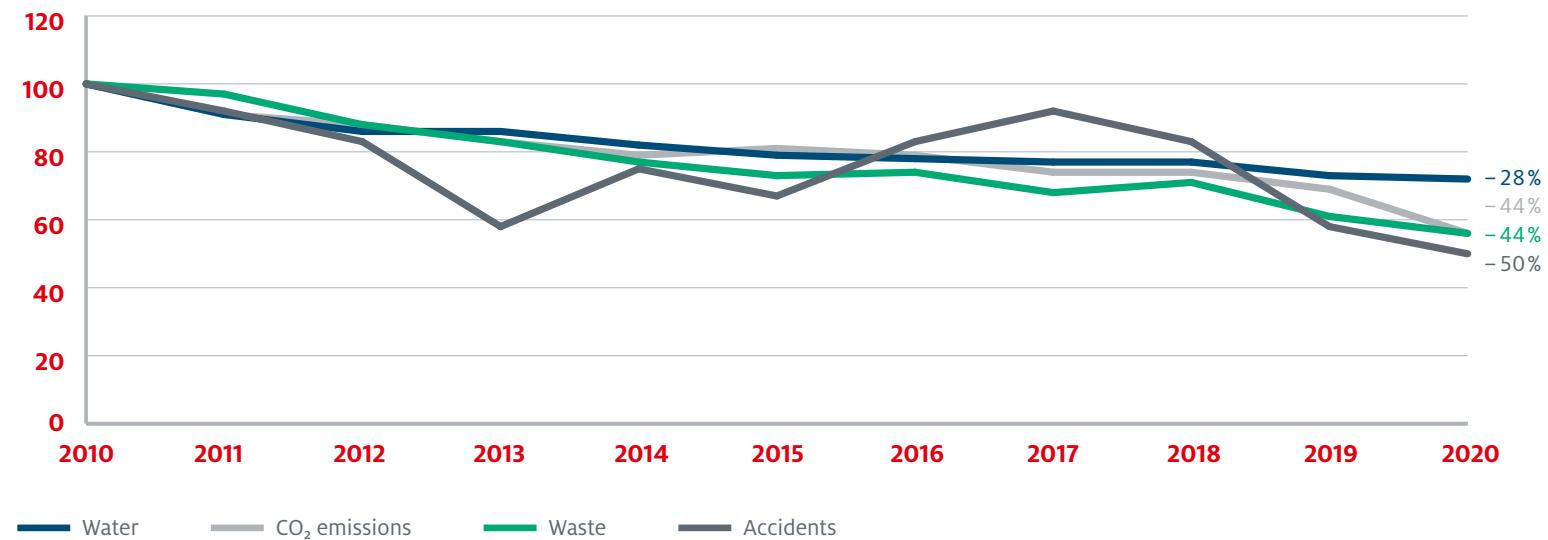
## Long-term development:

### Sustainability performance from 2010 to 2020

We have been working to increase the efficiency and safety of our production processes for decades. Our sustainability performance over the past eleven years illustrates this very clearly. In all three business units, our optimization efforts focus on improving value

creation and occupational health and safety in our production operations while reducing our environmental footprint. Building on the → progress achieved, we aim to reduce our energy and water use, our waste footprint and the accident rate still further.

→ Environmental indicators per metric ton of output, → occupational accidents per million hours worked; base year 2010



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## Economic indicators

	2019	2020
Sales in million euros	20,114	<b>19,250</b>
Adjusted <sup>1</sup> operating profit (EBIT) in million euros	3,220	<b>2,579</b>
Adjusted <sup>1</sup> return on sales (EBIT) in percent	16.0	<b>13.4</b>
Adjusted <sup>1</sup> earnings per preferred share (EPS) in euros	5.43	<b>4.26</b>
Dividend per ordinary share in euros	1.83	<b>1.83<sup>2</sup></b>
Dividend per preferred share in euros	1.85	<b>1.85<sup>2</sup></b>

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

<sup>2</sup> Proposal to shareholders for the Annual General Meeting on April 16, 2021.

## Value added statement 2020

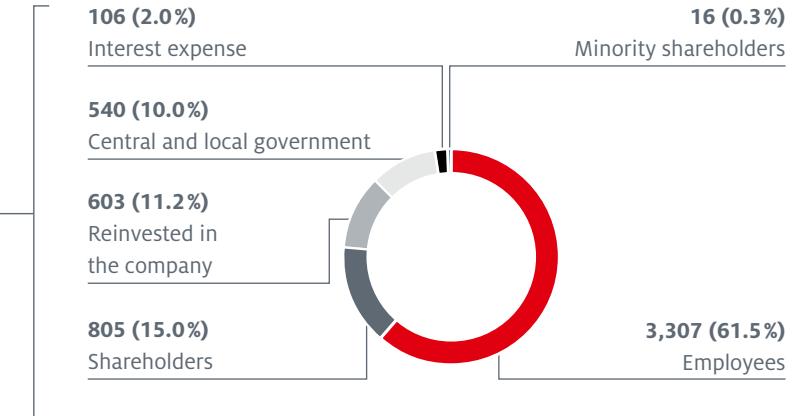
The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 61.5 percent – went to our employees in the form of salary and pension benefits. Central and local government received

10.0 percent in the form of taxes; lenders received 2.0 percent as interest payments. We paid 15.0 percent of the value added as dividends to shareholders. The value added remaining in the company is available for investments in future growth.

In million euros

Sales	19,250	99.0%	
Other income	197	1.0%	
<b>Total sales / other income</b>	<b>19,447</b>	<b>100.0%</b>	
Cost of materials	8,844	45.5%	
Amortization / depreciation	1,096	5.6%	
Other expenses	4,131	21.2%	
<b>Value added</b>	<b>5,376</b>	<b>27.6%</b>	

of which:



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## Environmental indicators



### Our operational CO<sub>2</sub> footprint

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

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

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

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

<sup>1</sup> For explanations see disclosures regarding GRI 305 in the Annex in the GRI index.

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## Index

The index in the tables shows the development of the specific indicators relative to the volume of production (per metric ton of output).

The base year for the index is 2016 (= 100 percent).

### Production volumes

In thousand metric tons	2016	2017	2018	2019	2020
Production volumes	8,419	9,390	9,057	9,532	<b>9,486</b>
<b>Index: Change from 2016 to 2020</b>	<b>+13%</b>				

The increase includes the pro rata annual production of our acquisitions.

### Energy consumption

In thousand megawatt hours	2016	2017	2018	2019	2020
Bought-in energy	738	837	840	824	<b>827</b>
Renewable of bought-in energy	4%	6%	10%	11%	<b>44%</b>
Coal	126	105	86	79	<b>72</b>
Fuel oil	121	115	102	113	<b>109</b>
Gas	1,392	1,484	1,471	1,454	<b>1,402</b>
Total	2,377	2,541	2,500	2,470	<b>2,410</b>
<b>Index: Change from 2016 to 2020</b>	<b>-10%</b>				

Bought-in energy is electricity, steam, and district heating that is generated outside our sites.

### Carbon dioxide emissions

In thousand metric tons	2016	2017	2018	2019	2020
Henkel's own carbon dioxide emissions <sup>1</sup>	355	365	353	351	<b>336</b>
Carbon dioxide emissions from bought-in energy <sup>2</sup>	314	344	329	315	<b>200</b>
Total	669	709	682	665	<b>535</b>
<b>Index: Change from 2016 to 2020</b>	<b>-29%</b>				

Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities.

<sup>1</sup> Emissions from the generation of energy for sale to third parties are not included in these figures.

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

### Emissions of volatile organic compounds

In metric tons	2016	2017	2018	2019	2020
Emissions of volatile organic compounds	390	432	597	427	<b>411</b>
<b>Index: Change from 2016 to 2020</b>	<b>-6%</b>				

### Water consumption and volume of wastewater

In thousand cubic meters	2016	2017	2018	2019	2020
Water consumption	7,822*	8,654*	8,359*	8,324*	<b>8,231</b>
Volume of wastewater	3,169*	3,423*	3,544*	3,485*	<b>3,577</b>
<b>Index: Change from 2016 to 2020</b>	<b>-7%</b>				
Water consumption	<b>-7%</b>				
Volume of wastewater	<b>0%</b>				

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

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### COD emissions to wastewater

In metric tons	2016	2017	2018	2019	2020
COD emissions to wastewater	7,037	8,726	8,024	8,333	8,612
<b>Index: Change from 2016 to 2020</b>					+9%

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

### Emissions of heavy metals to wastewater

In kilograms	2016	2017	2018	2019	2020
Zinc	481	593	445	621	473
Lead, chromium, copper, nickel	268	228	277	241	257
Total	748	821	721	862	730
<b>Index: Change from 2016 to 2020</b>					-14%

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

### Waste for recycling and disposal

In thousand metric tons	2016	2017	2018	2019	2020
Waste for recycling <sup>1</sup>	68	72	71	67	64
Hazardous waste for disposal	13	13	13	11	10
Waste for disposal	39	38	40	32	29
Total	120	123	124	111	103
<b>Index: Change from 2016 to 2020</b>					-24%

Construction and demolition waste

70<sup>2</sup>

28

42

23\*

18

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

<sup>1</sup> Includes material and thermal recovery.

<sup>2</sup> The increase in 2016 resulted from wide-ranging infrastructure projects.

### Dust emissions

In metric tons	2016	2017	2018	2019	2020
Dust emissions	279	398	316	287*	290
<b>Index: Change from 2016 to 2020</b>					-8%

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

### Sulfur dioxide emissions

In metric tons	2016	2017	2018	2019	2020
Sulfur dioxide emissions	105	94	80	72	119
<b>Index: Change from 2016 to 2020</b>					+1%

### Nitrogen oxide emissions

In metric tons	2016	2017	2018	2019	2020
Nitrogen oxide emissions	418	493	409	433	590
<b>Index: Change from 2016 to 2020</b>					+25%

### Use of chlorinated hydrocarbons

In metric tons	2016	2017	2018	2019	2020
Use of chlorinated hydrocarbons	1,249	1,387	1,320	1,415	1,155
<b>Index: Change from 2016 to 2020</b>					-18%

Most of the chlorinated hydrocarbons take the form of dichloromethane, which is used in the UK and in the USA as an ingredient in paint strippers.



## Employee indicators

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### Employees (as of December 31)

	2016	2017	2018	2019	2020
Henkel worldwide <sup>1</sup>	51,350	53,700	53,000	52,450	<b>52,950</b>
Structure of workforce					
– Non-managerial employees	76.9%	77.7%	77.4%	77.5%	<b>76.5%</b>
– Managers	21.7%	20.9%	21.3%	21.2%	<b>22.1%</b>
– Top managers <sup>2</sup>	1.4%	1.4%	1.3%	1.3%	<b>1.4%</b>
Employee fluctuation worldwide <sup>3</sup>	6.3%	6.8%	7.1%	6.6%	<b>4.6%</b>

<sup>1</sup> Permanent staff excluding trainees. Figures have been rounded.

<sup>2</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

<sup>3</sup> Based on employee resignations.

### Age and seniority (as of December 31)

	2016	2017	2018	2019	2020
Average seniority in years	10.3	10.2	10.5	10.6	<b>10.7</b>
Average age of employees in years	40.3	40.5	40.9	41.1	<b>41.2</b>
Age structure					
16 – 29	17.3%	16.9%	16.1%	15.3%	<b>15.1%</b>
30 – 39	33.0%	33.0%	32.7%	33.0%	<b>32.8%</b>
40 – 49	27.9%	27.3%	27.2%	27.1%	<b>27.3%</b>
50 – 65	21.8%	22.8%	24.0%	24.6%	<b>24.8%</b>

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

### Nationalities (as of December 31)

	2016	2017	2018	2019	2020
Henkel	123	120	120	120	<b>125</b>
Managers	90	89	90	88	<b>93</b>
At headquarters in Düsseldorf	64	66	71	72	<b>73</b>

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

### Percentage of women (as of December 31)

in percent	2016	2017	2018	2019	2020
Henkel	33.1	34.3	34.4	35.5	<b>36.1</b>
Managers	34.3	34.5	34.7	35.7	<b>36.9</b>
Top managers <sup>1</sup>	22.5	23.2	22.9	24.3	<b>25.2</b>

<sup>1</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

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

### Part-time employees (as of December 31)

in percent	2016	2017	2018	2019	2020
Part-time contracts, global	3	3	3	3	<b>3</b>
Western Europe (including Germany)	9	9	9	10	<b>9</b>
Germany	11	12	12	12	<b>12</b>

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

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### Personnel development

	2016	2017	2018	2019	2020
Internal promotion (managers)	1,181	1,325	1,262	1,501	1,356
International job rotations	428	380	319	282	242
Trainees (Germany) <sup>1</sup>	488	502	501	534	519
Average number of training days <sup>2</sup>	1.6	1.8	1.7	1.8	1.5

<sup>1</sup> Initial vocational training includes trainees and Bachelor students.

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

### Employees with collective agreements (as at 31 December)

in percent	2016	2017	2018	2019	2020
Percentage worldwide	49	45	47	47	49
Percentage in the European Union (EU)	73	64	68	68	69

### Employee share program (as of December 31)

in percent	2016	2017	2018	2019	2020
Participation rate	30.7	31.4	31.5	30.2	29.6

Around 12,400 employees in 58 countries purchased Henkel preferred shares under this program in 2020. At year-end, some 17,500 employees held a total of around 2.7 million preferred shares, representing approximately 1.5 percent of total preferred shares outstanding.

## Social indicators

### Social engagement

	2016	2017	2018	2019	2020
Total number of projects supported	2,051	2,124	2,032	2,044	2,655
Number of people supported	1,223,598	1,268,791	1,285,851	1,324,806	7,362,052
Time off from work for employee-initiated projects (days)	335	204	327	301	71
Donations in thousand euros (financial and product donations, not counting time off)	7,814	8,037	8,304	8,096	29,992
Number of schoolchildren reached by our Sustainability Ambassadors	29,456	43,306	17,373 <sup>1</sup>	17,336 <sup>1</sup>	841

<sup>1</sup> This figure has been adjusted based on subsequent reports.

The total amount of donations was significantly higher versus the prior year. This is attributable to our contribution to the fight against the global COVID-19 pandemic (detailed description on page 185). The number of projects supported was above the prior-year level. Due to the special circumstances, employee projects required fewer days off from work in 2020 than in the prior year. Generally speaking, employees may request up to five days off from work per year for volunteer activities.

In 2020, the number of children reached by our Sustainability Ambassadors was also significantly lower than in the prior year due to limited opportunities to visit schools.



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### Percentage of projects supported per United Nations Sustainable Development Goal

in percent	2020
SDG 1: No poverty	21.6
SDG 2: Zero hunger	1.8
SDG 3: Good health and well-being	37.9
SDG 4: Quality education	28.1
SDG 5: Gender equality	5.9
SDG 6: Clean water and sanitation	0.3
SDG 7: Affordable and clean energy	0.1
SDG 8: Decent work and economic growth	0.3
SDG 9: Industry, innovation and infrastructure	0.1
SDG 10: Reduced inequalities	0.5
SDG 11: Sustainable cities and communities	0.2
SDG 12: Responsible consumption and production	0.3
SDG 13: Climate action	0.1
SDG 14: Life below water	0.0
SDG 15: Life on land	0.4
SDG 16: Peace, justice and strong institutions	1.6
SDG 17: Partnerships for the goals	0.7

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



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#### Occupational accidents per million hours worked

At least one day lost

(excluding commuting accidents)

	2016	2017	2018	2019	2020
Henkel employees	1.0	1.1	1.0	0.7	<b>0.6</b>

Temporary employees of external companies who work at Henkel sites and are directly contracted

	0.9	1.0	1.0	0.6	<b>0.7</b>
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#### Serious occupational accidents (Henkel employees)

More than 50 days lost

	2016	2017	2018	2019	2020
Accidents during typical production activities	13	11	11	9	<b>5</b>

Accidents while walking or moving around (e.g., stumbling)

	8	6	9	5	<b>6</b>
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# Explanatory information on the non-financial statement of Henkel AG & Co. KGaA according to Section 289b German Commercial Code

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

## Business activities

Henkel AG & Co. KGaA is operationally active in the three business units Adhesive Technologies, Beauty Care, and Laundry & Home Care, as well as being the parent company of the Henkel Group.

As such, it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control, and monitoring of Group-wide activities, including risk management and the allocation of resources. As of year-end 2020, the number of people employed at Henkel AG & Co. KGaA was around 8,400 employees.

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

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

## Key figures for Henkel AG & Co. KGaA

	<b>2020</b>
Production volume (in thousand metric tons)	743
Carbon dioxide emissions (in thousand metric tons)	92 <sup>1</sup>
Energy consumption (in thousand megawatt hours)	432
Waste (in thousand metric tons)	25
Water consumption (in thousand cubic meters)	1,520
Occupational accidents affecting Henkel employees (per million hours worked)	0.7
Headcount	8,416

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

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## Operational incidents and environmental violations

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

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

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

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

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



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Year	Operational incidents	Environmental violations
2019	<p>Air contamination occurred due to an overpressure incident at our Laundry &amp; Home Care production site in St. Louis, USA, in May 2020. A raw material caused overpressure in the facility's air duct system while a truck was being unloaded. All the processes were shut down and repair work was started promptly. No personal injuries occurred.</p> <p><b>Measures initiated:</b> After the factory's air ducts had been decontaminated and before operations were resumed, all the containers at the sulfonation facility were inspected for possible damage. In addition, Henkel took preventive measures at all sites worldwide with similar production processes, with the aim of preventing similar incidents in the future.</p> <p>A fire occurred in March 2020 at our adhesives plant in Bopfingen, Germany, during production of a hotmelt adhesive, causing extensive property damage. The building was evacuated once the fire alarm had been set off and the facility had been shut down as an emergency measure. The fire service was able to bring the fire under control after a short period of time. Further damage was prevented by the safety equipment installed. The resulting extinguishing water was properly disposed of in coordination with the responsible authorities.</p> <p><b>Measures initiated:</b> An investigation team and a crisis management team were formed to establish the cause of the fire, while coordinating the smooth resumption of production at a different site. The damaged building is currently being rebuilt for another use.</p>	
		There were no environmental violations in 2019.

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Year	Operational incidents	Environmental violations
2018	There were no operational incidents in 2018.	There were no environmental violations in 2018.
2017	In January 2017, there was a product spillage on the site of our adhesives plant in Düsseldorf, Germany. During the production of an adhesive, an aqueous solvent was unintentionally added, triggering the curing process of the adhesive. The resulting adhesive foam activated the pressure relief system, overflowed out of the containment chamber and spilled onto a street within the site. The hardened foam was mechanically removed from the street surface. The incident did not cause any significant interruption to operations and there were no personal injuries or damage to the environment.  <b>Measures initiated:</b> The design of the pressure relief system was examined and the alarm function was tested. A measuring device was installed that continuously monitors the solvent to make sure it is free of water.	There were no environmental violations in 2017.
2016	In December 2016, a fire in a production facility at our adhesives plant in Taizhou, China, resulted in property damage. The local fire service was quickly able to bring the fire under control. There was no damage to people or the environment. The fire caused a temporary interruption to operations.  <b>Measures initiated:</b> The inspections on the extent of the damage to the plant showed that the structures would have to be completely rebuilt in order to properly resume operations. As a result, the plant was closed on December 3, 2017. The affected employees were informed of this on November 3, 2017. All measures were conducted in accordance with the legal provisions in effect in China.	There were no environmental violations in 2016.

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## Global Reporting Index (GRI)

Henkel's Sustainability Report is orientated toward the principles and standard disclosures of the GRI Standards of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO<sub>2</sub> emissions of Henkel products, in combination with internal guidelines. Our → [GRI index](#) provides links to the required information in our Annual Report and Sustainability Report.

## UN Global Compact Index

Henkel has been a signatory to the UN Global Compact since 2003. The UN Global Compact supports companies to do business responsibly by aligning their strategies and operations with 10 Principles on human rights, labor, environment and anti-corruption. Each year, we create and communicate an → [overview](#) that provides links to information that can be found in our Sustainability Report – indicating our contributions to progress on each of the Global Compact's principles.

## NFR index

The 2020 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2020 within the meaning of Sections 315b, 315c, and 289b to 289e of the German Commercial Code (HGB). The reporting going beyond GRI to meet HGB requirements is presented in this → [index](#) with information on the non-financial report.

## United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) create a common understanding of how governments, civil society and businesses of all sizes and from all industries can join forces to drive progress toward ending poverty, ensuring prosperity, and protecting the planet. At Henkel, we are actively supporting the □ [achievement of the SDGs](#), and continuously review the targets and initiatives within our own sustainability approach to ensure they reflect the priorities set out by the 17 goals.

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## Scope of report

In 1992, we published our first Environment Report, which we have consistently developed and refined into today's Sustainability Report. In 2020, it has been published for the 30th time. Together with our Annual Report, it makes up an integrated corporate reporting concept.

This Sustainability Report covers the key ecological and social developments in fiscal 2020. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

The contents of this report reflect the Henkel-relevant and material challenges of sustainable development. The selected topics include the results of our continuous dialog with a large circle of stakeholders. Especially close consideration was given to the dialog with international sustainability experts, the criteria of various finance- and sustainability-oriented rating agencies, and the [guidelines of the Global Reporting Initiative \(GRI\)](#).

The production-related environmental indicators were determined using data from production sites in 57 countries. They account for 100 percent of the company's worldwide production volume. Henkel openly reports on serious occupational incidents, should any have occurred in the reporting period, as well as the measures taken in response. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 99 percent of Henkel employees. The published employee indicators cover 99 percent of our employees.

## Reporting initiatives

Henkel participates in international reporting initiatives as part of its aim to gather new stimuli for the future and share its own experiences with others.

Henkel evaluated the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) in a pilot project as early as 1999. Since that time, Henkel has engaged in a continuous constructive and critical dialog with the GRI to improve the quality of reporting and increase the practicability of the guidelines. Henkel channels the experience and knowledge gained in its dialog with its stakeholders into internal workshops and feedback processes.

The results of this work are made available to the public. In doing so, Henkel seeks to contribute to efforts aimed at raising the level of voluntary reporting about environmental protection and social responsibility.

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# Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information<sup>1</sup>

To Henkel AG & Co. KGaA, Düsseldorf

We have performed a limited assurance engagement on

- the chapters on sustainability reporting denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the annex to the sustainability report (hereinafter the “Sustainability Disclosures”) and
  - the chapters of the non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB [Handelsgesetzbuch: German Commercial Code] denoted with “✓” in the subsections “General Standard Disclosures”, “Topic-specific Standards” and “Information on the non-financial report (NFR)” of the section “Indices” in the annex to the sustainability report (hereinafter the “Disclosures on Non-financial Reporting”)
- of the “Sustainability Report 2020”, which is also the combined separate non-financial report pursuant to §§ 289b Abs. 3 and 315b Abs. 3 HGB, of Henkel AG & Co. KGaA, Düsseldorf, (hereinafter the “Company”) for the period from 1 January 2020 to 31 December 2020 (hereinafter the “Sustainability Report”). Our engagement in this context relates solely to the disclosures denoted with the symbol “✓”.

## Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Sustainability Disclosures in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the “GRI-Criteria”) and the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB as well as for the selection of the Sustainability Disclosures and Disclosures on Non-financial Reporting to be evaluated.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting and non-financial reporting as well as making assumptions and estimates related to individual sustainability disclosures and non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Sustainability Report that is free from material misstatement whether due to fraud or error.

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the “Sustainability Report 2020” and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

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## Independence and Quality Control of the Audit Firm

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

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

## Practitioner's Responsibility

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

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Sustainability Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that

- the Sustainability Disclosures denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the annex to the Company’s Sustainability Report for the period from 1 January 2020 to 31 December 2020 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria,  
or
- the Disclosures on Non-financial Reporting denoted with “✓” in the subsections “General Standard Disclosures”, “Topic-specific Standards” and “Information on the non-financial report (NFR)” of the section “Indices” in the annex to the Company’s Sustainability Report for the period from 1 January 2020 to 31 December 2020 have not been prepared, in all material aspects, in accordance with the requirements of §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and

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therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Sustainability Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Sustainability Report
- Identification of the likely risks of material misstatement of the Sustainability Report
- Analytical evaluation of selected disclosures in the Sustainability Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the combined management report
- Evaluation of the presentation of the disclosures

### Assurance Conclusion

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

- the Sustainability Disclosures denoted with “✓” in the subsections “General Standard Disclosures” and “Topic-specific Standards” of the section “Indices” in the annex to the Company’s Sustainability Report for the period from 1 January 2020 to 31 December 2020

have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria,  
or

- the Disclosures on Non-financial Reporting denoted with “✓” in the subsections “General Standard Disclosures”, “Topic-specific Standards” and “Information on the non-financial report (NFR)” of the section “Indices” in the annex to the Company’s Sustainability Report for the period from 1 January 2020 to 31 December 2020 have not been prepared, in all material aspects, in accordance with the requirements of §§ 315c in conjunction with 289c to 289e HGB.

### Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 9 February 2021  
 PricewaterhouseCoopers GmbH  
 Wirtschaftsprüfungsgesellschaft

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## Further publications

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

 [www.henkel.com/publications](http://www.henkel.com/publications)

### Our financial publications on the internet:

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