

Sustainability Report 2018



Henkel

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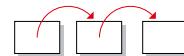
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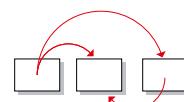
Read the Henkel Sustainability Report traditionally, like a book. Start at page 1 and navigate through until the end.



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Selective navigation

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Separate non-financial group report

The 2018 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2018 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 also not constitute mandatory elements of the separate non-financial group report.

Download

For the best possible performance of the link function, download the PDF file and open it in Adobe Acrobat.

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Dear Friends of the Company,

Sustainability is a top priority for Henkel. As one of our corporate values, our commitment to sustainability guides us in everything we do. This has helped us to establish a leading position in our industry.

In 2018, we made significant progress in many areas as we continue on our path of reducing resource consumption while also creating value – for our employees, shareholders and for the communities we operate in. Leading rating agencies have once again recognized our outstanding performance.

We have been able to successfully drive many projects, initiatives and activities forward, supported by excellent collaboration with our partners. I would like to highlight a few specific examples. We launched our new packaging targets to accelerate progress toward a

sustainable circular economy. Our partnership with Plastic Bank is helping reduce the volume of plastic that enters the oceans, while also promoting social progress and sending an important signal. We presented the Schwarzkopf Million Chances Award for the first time, honoring four non-profit projects for their outstanding commitment to supporting women and girls. And in 2018, we also became the first German company to negotiate a credit facility for up to 1.5 billion euros with terms and conditions that are specifically tied to our sustainability performance.

The commitment of our employees worldwide is a decisive factor in Henkel's successful development in the area of sustainability.

Around 50,000 of our employees have completed a training course to become a Sustainability Ambassador in the past few years. They use their knowledge in dialog with colleagues and customers, as well as in a range of projects across communities, schools and universities. I would like to express our special thanks for this.

I hope you discover interesting insights and impulses when reading our Sustainability Report. You can also regularly find new information about how we are working to implement our commitment to sustainability on our website and on social media.

A handwritten signature in black ink that reads "Kathrin Menges".

Kathrin Menges

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.

KPMG AG, Wirtschaftsprüfungsgesellschaft 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).

→ [GRI assurance statement KPMG Sustainability Report](#)

In addition, the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2018 was examined on behalf of the Supervisory Board by KPMG AG, Wirtschaftsprüfungsgesellschaft, 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).

→ [HGB assurance statement KPMG Sustainability Report](#)

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Henkel at a glance

More than

**142 years
success with brands
and technologies**

Around

**53,000
employees with
120 nationalities**

Leading brands



**€ 19.9 billion
sales in 2018**

**185
production sites
worldwide**

Three business units

**Adhesive Technologies
Beauty Care
Laundry & Home Care**

**about 2,000
social projects
supported**



**Headquartered in
Düsseldorf, Germany**



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Business model / Business activities

Henkel was founded in 1876. Therefore, the year under review marks the 142nd in our corporate history. At the end of 2018, around 53,000 employees were working for Henkel worldwide. 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 for 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 business units: Adhesive Technologies, Beauty Care, and Laundry & Home Care.

Adhesive Technologies leads the global market with high-impact solutions. The business unit offers a broad portfolio of adhesives, sealants and functional coatings through both its Industry and its Consumers, Craftsmen and Building businesses.

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

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

Our three business units are managed on the basis of globally responsible strategic business units. These are supported by the central functions of Henkel AG & Co. KGaA, our shared services, and our Global Supply Chain organization in order to ensure optimum utilization of corporate network synergies. Implementation of the strategies 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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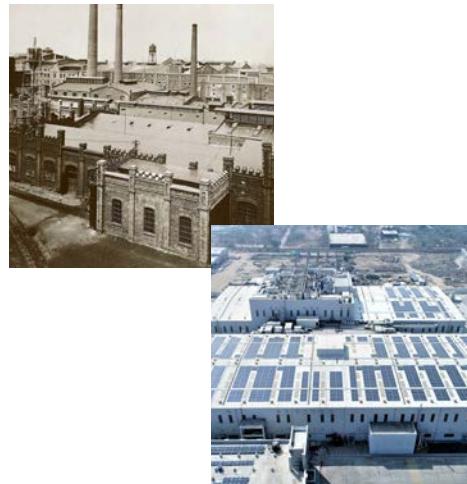
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Sustainability at Henkel

Our commitment to leadership in sustainability is anchored firmly in our corporate values. The balance between economic success, environmental protection and social responsibility has been an integral part of our corporate culture for decades. The focus on sustainability has evolved continuously at Henkel. → [All of our sustainability milestones](#)

**1899 – first production site
in Düsseldorf-Holthausen**
Henkel lays the foundations for its headquarters and uses its own electricity supply.



The new multi-technology manufacturing facility in Kurkumbh, India, is designed to make use of → **renewable energy sources** as much as possible.

Then

**1940 – first Henkel
kindergarten for children of employees**
The first Henkel daycare center for children of employees is opened in Düsseldorf-Holthausen.



Since 2011, Henkel has been encouraging children to focus on sustainability and science with its education initiative □ “**Forscherwelt**.”

**1959 – Henkel starts checking
Rhine river water quality**

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



Around 2,750 employees work in → **Research & Development** today, creating the sustainable innovations of tomorrow.

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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.



The → **Nature Box series** comprises five hair and skin care product lines that contain, among other ingredients, 100 percent cold-pressed oils from fruit seeds or stones and nuts.

Then**1907 – first self-acting laundry detergent**

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



The → **new generation of liquid laundry detergents** from our Persil, Spee, and Weißer Riese brands offers 40 percent more stain-removal power per unit of volume.

1969 – the world's first glue stick

Henkel invents the world's first glue stick and uses the swivel mechanism usually found in lipsticks for the packaging.



Today, the formula of → **Pritt glue sticks** contains 90 percent natural ingredients and is free of solvents and PVC.

Now

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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.

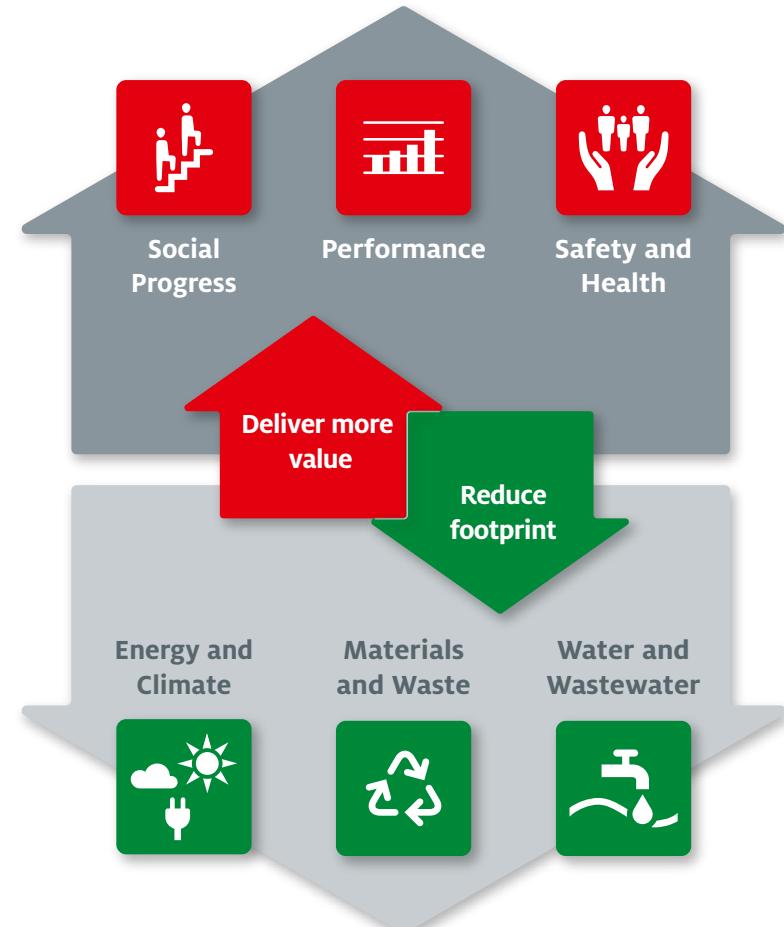
What strategy are we pursuing?

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 goals to be achieved by 2020 and beyond in each of our focal areas. These include energy and water consumption, the volume of waste, packaging and the circular economy, as well as working conditions within the supply chain.



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Our ambition

Our commitment to leadership in sustainability is anchored in our corporate values. 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. We aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success. Our sustainability strategy provides a clear framework for this aim and reflects the high expectations of our stakeholders.

We are facing immense challenges, which also present numerous opportunities. By the year 2050, the world's population is expected to grow to nine billion. The accompanying acceleration in global economic activity will lead to rising consumption and resource depletion. Humankind already has a global environmental footprint that is greater than the planet's resources can sustain. As a result, competition for resources will intensify in the coming decades. For this reason, we need innovations, products and technologies that enhance the quality of life while consuming less input materials.



"We have ambitious sustainability goals and actively support the implementation of the SDGs, the 17 goals for sustainable development. We align our activities with the main global and national priorities, and ensure that we achieve continued progress in terms of our business sustainability."

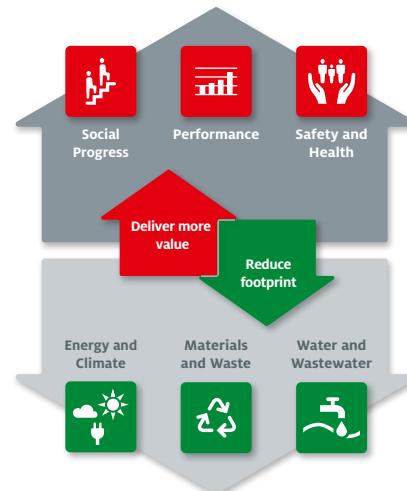
Hans Van Bylen

Chairman of the Management Board

Against this backdrop, → it is our long-term goal to triple the value we create through our business operations in relation to the environmental footprint of our products and services by 2030. We aim to use our decades of experience in sustainability to develop and implement the future-ready solutions that are needed by working together with our partners.

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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.

Increasing relevance

Sustainability continues to gather increasing importance for our stakeholders. Our business partners and consumers are placing more and more value on understanding the impact of our processes and products along the value chain. There is also increasing media attention on topics ranging from climate change, packaging and plastic to human rights, and these subjects are increasingly discussed on public platforms, especially social media.

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 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.

A leading role

We are convinced that our focus on sustainability is more important than ever before. It supports our growth, helps to increase our cost-efficiency, and reduces risks. This ambition permeates all our company's activities – along the entire value chain. We already have a strong foundation on which to build and can demonstrate a successful track record. Henkel's leading role in sustainability is confirmed by numerous international ratings and rankings. Using the energy of our around 53,000 employees and the great reach of our brands and technologies, we aim to further expand our contribution to sustainable development.

Globally and 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 globally active company with suppliers from 135 countries, with production sites on six continents and a global presence through our three business units, we understand sustainable business to mean acting responsibly and contributing to sustainable development together with our partners.

Our value chain

Together with our partners, we advance sustainability along the entire value chain:



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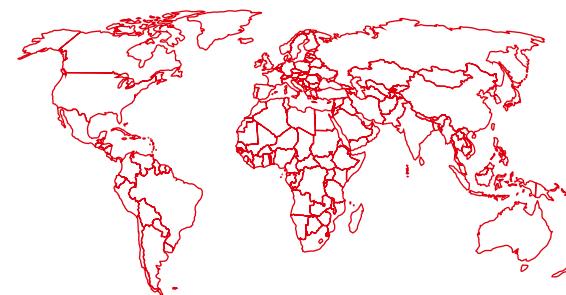
1. Raw materials



Suppliers from around 135 countries

We develop innovative solutions and set standards for sustainability together with our suppliers and partners from around 135 countries.

2. Production



Henkel operates 185 production sites in 56 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 using improved logistics policies 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 and measuring instruments.

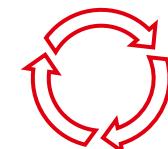
5. Consumers

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 the company's packaging will be recyclable, reusable or compostable.*

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Global goals for sustainable development

Henkel actively 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 for all stakeholders – for industrial and developing countries, emerging economies, for companies and NGOs, and for participants from all industries and sectors along the value chain.

By providing a level of mutual understanding on the international level, these goals help structure discussions on a national and industry level. They serve as guidelines for various organizations to identify priorities and 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.

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 almost all of the goals because we have a long history of working intensively on various dimensions of sustainability, as well as a broad product portfolio and a presence across diverse markets.

The following two pages demonstrate how we contribute to the achievement of the global development goals 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.



Additional information about the SDGs and our contributions and activities are available on our [website](#).

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Providing access to good education

We aim to promote access to high-quality education and increase the number of adolescents and adults with relevant competencies and skills. Schwarzkopf's → **Million Chances** initiative was launched in 2016 to support women and girls in building a successful future for themselves. Part of the Million Chances initiative is the project → **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 to establish livelihoods. Volunteer teams from our partner salons share their knowledge and experience.




Promoting sustainable palm oil

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.




Committed to protecting the climate

In view of the urgent need to reduce CO₂ emissions, it is our long-term vision to become a → **climate-positive** company 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 would like to leverage our brands and technologies to help customers and consumers save 50 million tons of CO₂ when using our products by 2020.



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Turning waste into opportunities

We want to reduce the flow of waste into the oceans and contribute to protecting our oceans. Henkel was the first large global consumer goods company to enter into a partnership with the social enterprise → [Plastic Bank](#). As part of this partnership, three new plastic collection centers have been built in Haiti. The local population can return collected plastic to the collection centers and exchange it for money, goods or services. In this way, we generate value from plastic and stop it from entering our waterways or oceans, while also reducing plastic waste in the oceans and generating new opportunities for people in poverty.



Promoting sustainable consumption

We support the goal of promoting sustainable and resource-saving 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 every day 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 CO₂ footprint.



Improving quality of life

With our social engagement, we aim to support people on a global scale and improve their quality of life. For example, → [volunteer efforts by our employees](#) have provided long-term support for a social project in Nepal. Supporting children is important because the country has a high child mortality rate due to poor nutrition and insufficient medical care. 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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Delivering more value and reducing 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. In this way, our activities along the value chain are concentrated on → **six focal areas** that reflect the key challenges of sustainability as they relate to our operations. Three describe how we want to create more value, and the other three describe how we want to reduce our environmental footprint. We rely on the commitment of our employees, our brands and technologies, and collaboration with our partners along the value chain to drive progress in these focal areas and achieve our goals for 2020 and beyond.

Delivering more value

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

Excellent quality and performance are the central value propositions for our brands and technologies, and create the foundation of our business success. Products that combine high performance with a reduced environmental footprint are key factors for successful, sustainable and profitable 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 56 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 around 53,000 employees, as well as our customers.

The issue of the social added value of products is especially important in emerging markets. Products that are focused on the needs of people with lower income levels have economic potential, while also making a positive social contribution by supporting health and hygiene in households, for example.

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 positive future for themselves through our → **Million Chances**

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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 craftspeople and → **smallholder farmers** in the palm oil industry. Since 2017, we have been partnering with → **Plastic Bank**, a social enterprise aiming to stop ocean plastic and provide opportunities for people in poverty.

Reducing the environmental footprint

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

The Paris Agreement on climate change represents a commitment by the community of nations to limit global warming to significantly less than two degrees Celsius. To achieve this, CO₂ emissions must be reduced by 80 to 90 percent by 2050. Henkel is committed to the two-degree target. In light of this, we have developed the long-term vision of becoming a climate-positive company. By pursuing this goal, we will make an active contribution to climate protection. As a first step, we want to reduce the CO₂ footprint of our production, use more energy from renewable sources, and also help our customers and consumers to save CO₂.

We are starting by focusing on our own production, which we can influence directly. We also want to continually improve our energy efficiency and draw 100 percent of the electricity we use from renewable sources. The raw materials we purchase also have a decisive impact on our carbon footprint along the value chain. For this reason, we expect our suppliers and contract partners to set ambitious targets

that are as ambitious as our own – and contribute to the reduction of CO₂ along the value chain. In terms of the environmental footprint along the value chain, the product usage phase has the largest impact on our CO₂ footprint. For this reason, we also want to leverage the potential of our brands and technologies to help our customers and consumers to save CO₂ 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 in our company. We also have ambitious goals related to the development and use of our product packaging, which we formulated in an expanded □ **packaging strategy** in 2018. With this, we plan to further drive the development towards a circular economy. This includes developing Henkel's packaging such that it is recyclable, reusable or compostable. In addition, we have set ourselves a target 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 use during production and avoid producing 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, cosmetics and body care products that enter the wastewater after use have been developed so that they have the least possible impact on the environment. Wastewater from industrial plants is pre-treated with state-of-the-art technologies and disposed of professionally.

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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. With our top brands, our focus is on the “brand purpose.” In addition, we use “green” products as “lighthouse products.” Our → **Nature Box** brand and our → **Pro Nature** product line are examples of this. Our commitment to sustainability is also systematically anchored into our innovation process. In our communications with customers and consumers, we also place a strong emphasis on demonstrating how resources can be used more efficiently. We develop solutions that help our industrial customers and business partners to increase their energy efficiency, improve workplace safety and reduce waste and emissions. We also provide consumers with information about how to use our products as responsibly and efficiently as possible.

Helping customers and consumers reduce CO₂ emissions

It is our goal to help our customers and consumers save 50 million metric tons of CO₂ by 2020. Our goal includes two approaches. With our engagement, we want to help reduce CO₂ emissions that are generated by customers when they use our products (called Scope 3 emissions). In addition, we want to help customers avoid CO₂ emissions by using our products and technologies (called Scope 4 emissions).

In terms of our brands and technologies, we make products whose applications are directly linked to the use of energy, such as detergents, shower gels, or hotmelt adhesives. As far as these products are concerned, we want to contribute toward reducing energy usage and the associated CO₂ footprint through innovations that enable the efficient use of energy. On top of this, we strive to encourage responsible-minded behavior while using our products through targeted communication.

For these reasons, we have established various initiatives aiming to increase consumer awareness of the need to handle resources responsibly. “Be smarter. Save water.” is a Beauty Care initiative from our Schauma, Fa and Theramed brands. Its goal is to create consumer awareness about the responsible use of water as an important resource. Using less hot water also results in less CO₂ 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 our customers reduced their shower time by an average of 15 percent, it would be possible to save around 196,000 tons of CO₂ emissions.



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Doing laundry at lower temperatures also helps reduce energy use and CO₂ emissions. Through continuous research and development partnerships and 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 around 7,011,000 tons of CO₂ emissions each year.



The following nine examples show how our products and technologies help our customers and consumers reduce CO₂ emissions. The evaluation of the contributions is based on a company-wide, standardized process that sets out the criteria for the selection of the products and the calculation in CO₂ emissions. In the future, we plan to evaluate additional applications and further expand the portfolio of products that contribute to CO₂ savings in the application phase.



Ceresit – building insulation

Our external thermal insulation composite systems for building facades help to reduce energy consumption. In 2018, we contributed, for example, toward saving around 5,644,000 metric tons of CO₂ emissions.



Dry shampoo

Instead of washing hair, dry shampoos can be sprayed onto the hair and then combed out. This means no energy is needed to heat water. Dry shampoos under the Syoss, Schauma, Taft, Got2b, Gliss and Osis brands helped consumers save around 15,000 metric tons of CO₂ emissions in 2018.



Somat dishwasher cleaner

Dishwashers require regular cleaning to perform properly. Somat dishwasher cleaner is the first product of its kind that can be used when the machine is fully loaded, saving time, water and energy. The product helped to save around 9,000 metric tons of CO₂ emissions in our markets in 2018.

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Cool roof

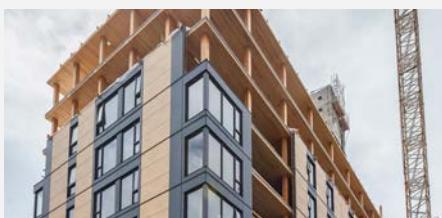
Cool roof coatings under our Fester brand are white in color and reflect 87 percent more sunlight than traditional red roof coatings. This decreases the need for air conditioning, helping to save around 116,000 metric tons of CO₂ emissions in Mexico in 2018.


Leave-in conditioner

Leave-in conditioners from Schwarzkopf Syoss can be applied after shampooing – and left in the hair all day. It does not need to be washed out, which means there is also no need to heat water. The product helped save around 40,000 metric tons of CO₂ emissions in 2018.


Colour Catcher

Colour Catcher laundry sheets prevent color run accidents and allow consumers to wash mixed color loads. The sheets are placed inside the washing machine drum, and helped to avoid around 169,000 metric tons of CO₂ emissions in 2018.


Loctite Purbond

Our adhesives enable our customers in the construction industry to use panels made from several layers of wood. These can replace more energy-intensive concrete materials in construction projects. Using this alternative construction material made it possible to save around 460,000 tons of CO₂ emissions in 2018. Photo: Seagate Structures


Bonderite Thin-Film Pretreatment Technology

This technology enables our industrial customers to combine steel and aluminum as a hybrid. The reduced weight of the material helped save around 2,354,000 metric tons of CO₂ emissions in 2018.


Loctite PC Series

Using the products from our range of specialty chemicals, it is possible to extend the lifetime of load-bearing connections by applying a coating. The interior of pumps, for example, can be treated to enable more efficient operation. This helped save around 325,000 metric tons of CO₂ emissions in 2018.



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Further development of 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 corruption and bribery. The challenges and developments are also reflected in the international sustainable development goals, the 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.

Determining 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 relevance definition of the CSR Directive Implementation Act ("CSR-RUG") in conjunction with Sections §§ 289b to 289e of the German Commercial Code (HGB).

Gaining insights and perspectives

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, science, 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).

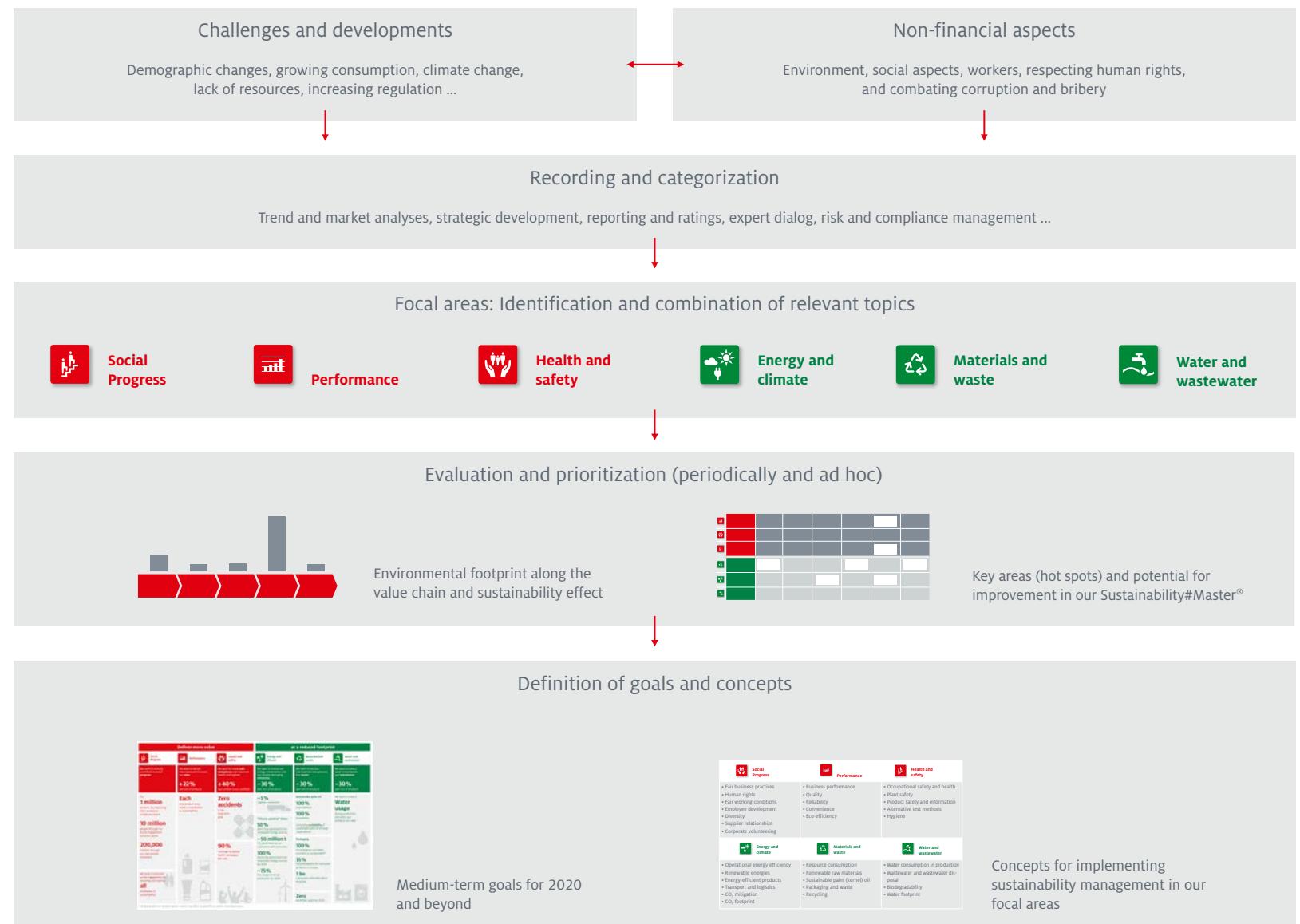
The results of these processes can be categorized in six → **focal areas** which we have identified in a materiality analysis. In these focal areas, we want to drive sustainable development globally along the value chain with our business activities.

Evaluating our influence

To evaluate and prioritize relevant topics, such as the further development of our → **packaging goals** in 2018, we work with various → **measurement and evaluation methods** to identify the measures 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 ingredients and packaging materials we use, as well as the transport operations.

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The process of identifying material issues and development of goals



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Viewed across our entire portfolio, improvements in input materials and in the use phase are the most crucial factors when it comes to our water and CO₂ footprints. Our → [Henkel Sustainability#Master®](#) is a key analysis tool in optimizing the “value” and “footprint” dimensions. The core element is a matrix in which changes in both of these dimensions and along the value chain can be analyzed.

Defining 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 during the period until 2020 and beyond. In addition, 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.

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
- CO₂ mitigation
- CO₂ footprint



Materials and waste

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



Water and wastewater

- Water consumption in production
- Wastewater and wastewater disposal
- Biodegradability
- Water footprint

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Our goals for 2020 and beyond

On the road to our → long-term goal for 2030, we intend to further improve our performance over the coming years (compared to the base year 2010). We have therefore defined our medium-term targets for 2020 and beyond:

Deliver more value			at a reduced footprint		
Social Progress	Performance	Health and safety	Energy and climate	Materials and waste	Water and wastewater
We want to actively contribute to social progress .	We want to create more value and increase our sales . +22% (per metric ton of product)	We want to create safe workplaces and improved health and hygiene. +40% (per million hours worked)	We want to reduce our energy usage and our climate-damaging emissions . -30% (per metric ton of product)	We want to use less raw materials and generate less waste. -30% (per metric ton of product)	We want to reduce water consumption and wastewater. -30% (per metric ton of product)
For 1 million workers, by improving their workplace conditions.	Each new product must make a contribution to sustainability.	Zero accidents is our long-term goal. 	-5% logistics emissions  "Climate-positive" vision	Sustainable palm oil 100% Mass Balance 100% traceability Increasing availability of sustainable palm oil through cooperations.	water consumption during production and when our products are used. 
Reach 10 million people through our social engagement activities.	 	90% coverage by global health campaigns per year 	50% electricity generated from renewable energy sources -50 million t CO ₂ generated by our customers and consumers	Packaging 100% of packaging recyclable, reusable or compostable*	 
We want to promote social engagement by inspiring and training all employees in sustainability. 	 	 	100% electricity generated from renewable energy sources by 2030 -75% CO ₂ footprint of our production by 2030 	35% recycled plastics for consumer products in Europe 1 billion consumers informed about recycling	 
				Zero landfilled waste by 2030	

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

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Tangible progress

To reach our goal of becoming three times more efficient by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. We reached our targets for 2011 to 2015, improving the relationship between the value we create and our environmental footprint by 38 percent compared to the base year 2010. By 2018, the efficiency increase had risen to 43 percent. When it comes to our specific targets for 2020 related to “deliver more value” and “with a reduced footprint”: By the end of 2018, we had already come close to achieving our target for 2020 because we have reduced waste by 29 percent per ton of product compared to the base year 2010.

Due to the acquisitions made in the second half of the previous year and the challenging market conditions facing our consumer business, our growth in net sales per metric ton of product was below expectations in 2018. The acquisitions led to a change in our portfolio mix, which had an impact on our overall efficiency performance. Our results regarding occupational safety and environmental footprint were also affected by our acquisitions. In 2019, we will work even harder to improve environmental and safety standards at our new sites to ensure we increase efficiency by 75 percent by 2020. On the road to achieving our 20-year long-term goal, we want to improve our performance in these areas even further in the coming years.

Achieved 2018¹ **Targets 2020¹**


More net sales per ton of product

+6 % **+22 %**



Safer per million hours worked

+17 % **+40 %**



Less CO₂ emissions per ton of product

-25 %² **-30 %**



Less waste per ton of product

-29 %³ **-30 %**



Less water per ton of product

-24 % **-30 %**

Total efficiency

+43 % **+75 %**

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 these targets and goals [here](#).

¹ Compared to the base year 2010.

² In 2018, change of the calculations (Scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.

³ Waste footprint of our production sites, excluding construction and demolition waste.

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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 also as members of society. This dedication unites the employees in our three business units, the regional and national societies, and our corporate functions.

Our employees are actively committed to ensuring that our brands and technologies make significant contributions to environmental and social challenges. They are the interface to our customers and consumers. Working in areas such as sales, production and marketing, 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 further develop and boost our people's engagement in sustainability. Henkel initiated the Sustainability Ambassador program to encourage our employees to engage even more strongly with the topic of sustainability.

Employees as Sustainability Ambassadors

Since introduction of the Sustainability Ambassador program, Henkel has trained more than 50,000 Sustainability Ambassadors globally. We have expanded our training programs in recent years to anchor our understanding of sustainability even more firmly within the company, and to 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 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.



During the European Sustainability Week 2018, we informed our employees about opportunities to volunteer as part of the Sustainability Ambassador Program.

Motivate 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 a contribution to sustainability at our sites, as well as by engaging 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

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and their enthusiasm to others around them. By the end of 2018, we had reached over 150,000 schoolchildren in 53 countries.



In September 2018, Henkel employees visited three local schools in South Africa and provided information about sustainability to around 730 children.

We also aim to promote healthier lifestyles and greater awareness of water and energy consumption, and of 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, by switching off lights, or by eating healthy.

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 businesses all 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.

Above and beyond our existing programs, we also want to give our employees opportunities to engage in volunteer projects and make their own contribution to the communities in which we operate. We aim to reach 10 million people through our employees' social engagement activities by 2020. These include our → [Building Trips](#), where our employees help build multi-family houses for people in need. Henkel supports this kind of engagement with in-kind donations, such as construction materials. Henkel is also the main supporter of the → [Teach First](#) program. In this way, we support the engagement of university graduates and future leaders, who, as supplementary teachers, help schools and students in socially disadvantaged communities and social focus areas.

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Sustainability management

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. An important aspect for us is the interplay of company-wide steering instruments and regional action programs, which are aligned with social challenges and priorities within a specific region or market. We are convinced that our continued focus on sustainability will help to grow the long-term value of our company and to realize our strategic priorities. Sustainability is increasingly becoming an important driver of economic growth and competitive advantages in the market.

Within Henkel, efficient processes contribute to environmental protection and occupational health and safety, while also reducing resource consumption and costs. By sharing our decades of experience in sustainability, we can position Henkel as a leading sustainability partner for retailers, consumers and our industrial customers. Corporate social responsibility strengthens the motivation of our employees and their identification with the company – and thereby creates the basis for a strong global team.

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

Globally uniform codes and standards

Based on our corporate purpose, vision, mission and values, we have formulated globally binding rules of conduct which are specified in a series of codes and corporate standards. These apply to all employees worldwide, in all business areas and cultural spheres in which we operate. The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption. The codes and corporate standards address specific topics such as compliance with competition and antitrust laws; safety, health, environmental

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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 Protection Standards (SHE)
- Social Standards
- Public Affairs Standard

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. 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 sites and, increasingly, 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.

At the end of 2018, around 83 percent of our production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems. 85 percent of our production volume is covered by the ISO 9001 quality management standard and 44 percent is covered by the ISO 50001 energy management standard. In addition, 40 percent of our production volume in 2018 came from plants 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 82 percent of our production volume came from plants certified to OHSAS 18001. The proportion of our production volume covered by certificates was lower in 2018 due to newly-acquired production sites that are not certified.

Compliance

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 &

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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 team 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 on 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 or anonymous reporting. These channels are available for both 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 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. Even in these locations, the same expectations apply to all employees 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. The program addresses many different compliance topics. In 2018, the focus was on data protection and IT security.

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 standards. Where necessary, we initiate appropriate disciplinary measures. In 2018, 13 employees received written warnings, and 33 contracts were terminated as a result of conduct violating compliance rules.

Compliance Management System audited externally

Henkel's compliance culture involves continuous monitoring and improvement of the compliance process. In this context, our global  **Compliance Management System** once again passed an external audit in December 2017, based on the IDW PS 980 assurance standard and in due consideration of ISO 19600, with respect to the appropriateness, implementation and effectiveness of the compliance processes in the areas of competition law and anti-corruption.



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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 2018, we conducted 72 audits around the world. In the course of the audits, a total of 1,298 corrective actions were agreed upon. In 2018, the main emphasis was on the following areas: receivables accounting in sales; granting of discounts; IT systems operated by the business units; our global supply chain organization; follow-up audits, and current acquisitions. Compliance with the SHE Standards was audited at 58 sites, resulting in the initiation of 333 optimization measures. We examined the maintenance of our Social Standards in 13 assessments.

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 six assessments of internal control systems, and also trained 1,223 employees worldwide on aspects of compliance, risk management, and internal monitoring in seminars and during our audits in 2018.

Human rights and social standards

Our commitment to 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 the social values and standards of the countries we operate in 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.

Our key policy [documents](#) include: Code of Conduct, Code of Corporate Sustainability, Social Standards, Safety, Health and Environment (SHE) Standards, and Responsible Sourcing Policy.

Embedded in our business

Our codes, standards and processes provide a framework for decision-making and engagement within our sphere of influence worldwide, alongside local legal requirements. They also reflect our commitment to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental



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Principles and Rights at Work, and the UN Global Compact – which we joined in 2003 – as well as the expectations set out in the UN Guiding Principles on Business and Human Rights. We further promote human rights awareness across our organization by embedding relevant topics into → [eLearning and face-to-face training](#).

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 available. These processes include our → [company-wide Corporate Audit](#) approach as well as → [supply chain auditing](#). Violations of our codes and standards can be reported directly to one of the relevant contacts listed on our website, or through two anonymous channels: our [✉️ email contact form](#) and our [☎️ compliance hotline](#). These channels are available for both employees and third parties.

Alongside this due diligence process, Henkel makes a distinction between individual non-compliance issues resulting from isolated incidents, and relevant human rights risks for our business activities. We have currently identified two relevant human rights risks in our supply chain: raw materials derived from palm oil and palm kernel oil, and raw materials sourced from regions associated with military conflict. You can find more information about the nature of these risks and the measures that Henkel is engaging in to mitigate them on our website, along with more details about our approach to [-human rights](#). This includes a detailed overview of how Henkel integrates specific human rights-related expectations into its codes and practices.

Organization for sustainability

The Henkel Management Board bears overall responsibility for our sustainability strategy and for our Compliance organization. The latter ensures compliance with legal regulations and internal guidelines. Our Sustainability Council steers our sustainability activities as a central decision-making body. It is chaired by a Management Board member and reflects all areas of the company.

Business units

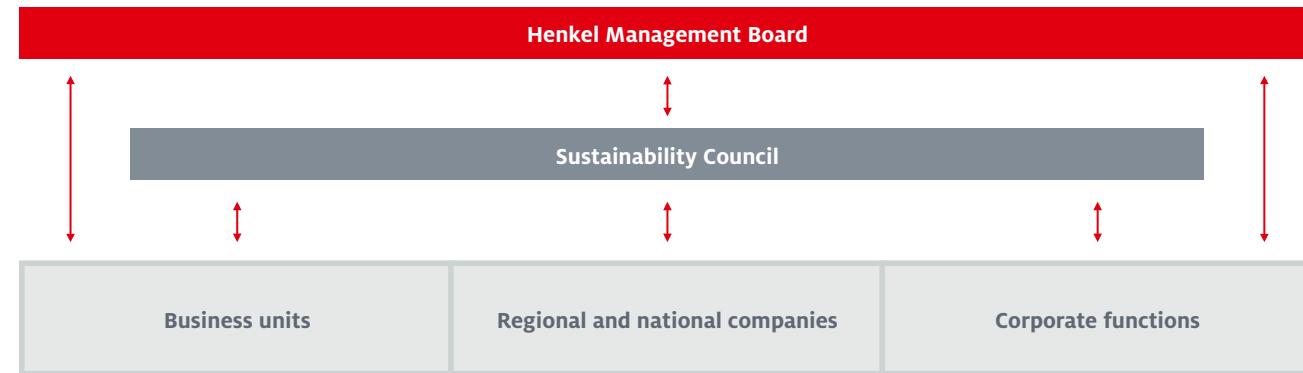
The research and development departments of our three business units work on key technologies and supply the basis for tomorrow's sustainable products. The business units are also responsible for adapting our sustainability strategy to their operating needs, as well as providing the resources needed 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.

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.

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Our organization for sustainability



Corporate functions

Through their representatives, the corporate functions bring both their expertise and their needs to the Sustainability Council. At the same time, they support the implementation of our sustainability strategy in their respective functions. For example, they develop appropriate supplier management tools or systems for measuring greenhouse gas emissions. Overarching sustainability issues are coordinated by the Corporate Communications department, which serves as the company-wide interface for sustainability.

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 aspects specific to its legal form and articles of association, Henkel AG & Co. KGaA complies with all the recommendations ("shall" clauses) of the German Corporate Governance Code. The remuneration of the Management Board also complies with its guidelines. The full wording of the [declaration of compliance](#) is available on our website.

The remuneration report in [Henkel's 2018 Annual Report](#) (pages 42 to 61) 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 26 to 61.

Evaluation and management of corporate sustainability

We use a variety of methods and tools to evaluate our progress toward our → **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 and the evaluation of ratings and life-cycle analyses. By holistically assessing the influence of our business activities, products and services, we create a solid foundation for business decisions and communication with our stakeholders.

Measuring and evaluating progress

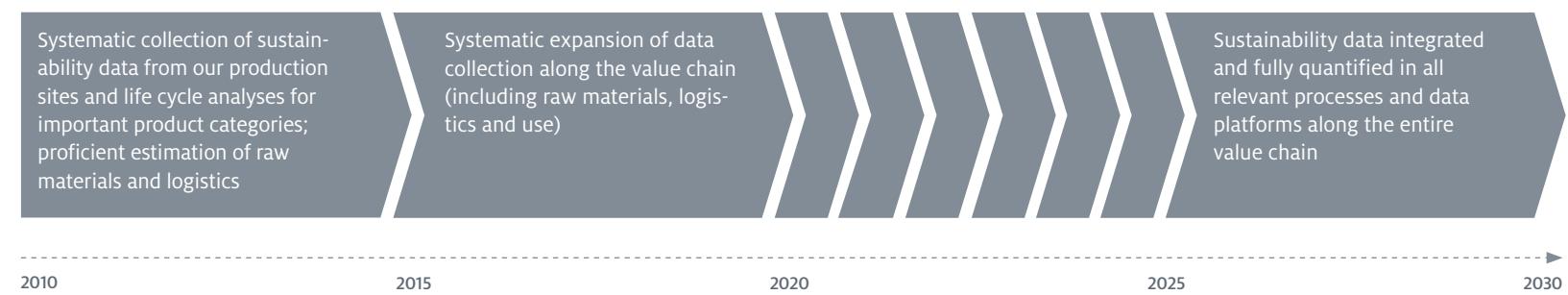
We use representative life cycle appraisals in all product categories to assess our footprint along the entire value chain. We also assess data covering the raw ingredients and packaging materials we use, as well

as relevant transport operations. We have assessed more than 90 percent through life cycle appraisals of our products: around 70 percent of our sales through representative life cycle analyses and more than 25 percent through simplified life cycle appraisals.

In this way, we ensure validated greenhouse gas reporting (GHG) along the value chain. In addition, we have further developed our EasyLCA software tool for the fast calculation of carbon 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



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Our → Henkel Sustainability#Master® is 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. With this tool, we are able 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.

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, 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

Important topics and opportunities for improvements along the value chain – an overview

	Value	Raw materials	Production	Logistics	Retailing / industrial processing	Application	Disposal
	Performance	← Prerequisite →					
	Health and Safety	Occupational safety	Health (including occupational safety)	Safety standards	Responsible use of chemicals and transparency on the substances used in our products and their safety		
	Social Progress	Social standards Support for smallholders	Diversity and inclusion Employee development	Social standards	Education and training of professional users	Corporate citizenship: Social initiatives and education	
	Materials and Waste	Amount and choice of raw materials (e.g. “conflict-free”)	Waste footprint and disposal; “zero landfill”		Packaging waste and recycling		
	Energy and Climate	CO ₂ footprint of the raw materials used	Energy use and CO ₂ footprint	CO ₂ footprint	CO ₂ footprint of our customers and consumers		
	Water and Wastewater	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
	Footprint	only relevant for specific product groups, brands or regions					

* Hot water covered by carbon footprint.

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environmental profiles of possible raw ingredients and packaging materials into the information systems of our product and packaging development departments. This allows the footprint of a new formulation to be computed 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 our upper management level, is responsible for steering progress toward achieving our overarching 20-year goal for 2030 as well as 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 2018, we collected data on 185 sites, representing around 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.

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What we expect from our business partners

Our supplier base, which is underpinned by millions of workers worldwide, is one of our most important resources and significantly influences our environmental footprint. To accommodate increasingly globalized value chains and complex procurement activities, we require a holistic supplier management process. Together with our partners, we are working to drive this process forward. Environmental and social aspects are becoming increasingly important as they take their place alongside key commercial and operating indicators. Our target for 2020 was to work with our partners to improve the working conditions for one million people employed in our supply chains. We achieved this target in 2018, well ahead of schedule.

Henkel currently has business partners from around 135 countries. More than 77 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 conduct to be consistent with our sustainability requirements. In selecting and working with our business partners, we also consider their performance with regard to safety, health, environment, social standards and fair business practices. This is based on our corporate **Safety, Health and Environmental Protection Standards**, which were first defined in 1997. These standards represent our early commitment to responsibility along the entire



"The sustainable management of our supply chain makes a decisive contribution to ensuring the quality of our products, avoiding risks for our businesses and strengthening our company's reputation as a sustainability leader."

Carsten Knobel

Member of the Management Board and Executive Vice President for Finance / Purchasing / Integrated Business Solutions

value chain. Our corporate purchasing standards apply worldwide, and we supplemented these with a Sustainable Sourcing Policy in 2015. This was updated in 2018 and is now known as our **Responsible Sourcing Policy**, which we have systematically integrated into the purchasing process. 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.

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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. The BME code also serves as the basis for contractual relationships with our strategic suppliers. This means that they 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 has already been translated into 12 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, and environmental and social standards. Furthermore, Henkel has been honoring sustainable innovations by its suppliers for six years.

In 2018, the Adhesive Technologies business unit awarded the Sustainability Award to Covestro for its ongoing contribution to Henkel's product and project pipeline. The two companies cooperate intensively to develop alternative technologies for health and safety and bio-based polyurethane raw materials, among other things. Covestro develops and produces sustainable raw materials that enable Henkel to expand its businesses. This includes applications that improve the migration properties of flexible packaging or that replace formaldehyde-based products in the timber construction market.



Sustainability Award for Covestro (from left to right): Michael Frank (Henkel); Ulf Wentzien, Jens Kaatze, Harald Wolf, Michael Friede, Karsten Danielmeier, Michael Hellemann Soerensen, Peter Kruppa, Vladimir Ristic (all Covestro) and Bertrand Conquéret (Henkel).



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For the first time, the Beauty Care and Laundry & Home Care business units recognized a mutual partner for its contribution to increasing sustainability in the supply chain in 2018. The → [Plastic Bank](#) is a social enterprise that aims to stop plastic pollution in the oceans and provide opportunities for people in poverty at the same time. 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 product packaging. Since the beginning of the partnership, three plastic collection centers have been established in Haiti, a country that lacks sufficient waste management infrastructure. The local communities can exchange plastic waste for money, goods or social services.

Training of and cooperation with partners

In 2018, as in the years before, Henkel entered into a targeted dialog with its most important strategic partners on the subject of sustainable supply chains. The dialog centered on the definition and implementation of a common plan for the sustainability goals through 2020. The primary focus here is to create transparency about the sustainability programs of our direct suppliers. A key objective of these joint efforts is to analyze the upstream supply chain beyond the second level. To support Henkel's Factor 3 objective, we also expect our suppliers to provide transparency about the emissions values of their product portfolios and to make a contribution to reducing CO₂ emissions along their supply chains.

Responsible Sourcing Process

Our six-stage Responsible Sourcing Process is a core element of our supplier assessment approach. This focuses on two main challenges: First, ensuring that all of our suppliers comply with our defined sustainability standards. Second, we aim to purposefully work with our strategic suppliers to continuously improve sustainability standards in our value chain – 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. We perform this process both at the beginning of our relationship with a supplier and as a regular check of our existing suppliers. Using this process for the assessment of sustainability performance, we currently cover about 87 percent of the volume we source from our suppliers 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 estimating 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 risk. The assessment includes the criteria "human rights," "corruption" and "legal environment." Risk value chains are also assessed. These are industries and sectors that we consider to potentially represent a sustainability risk for our company. This helps us to identify countries and purchasing markets that may require special precautions.

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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 recognize our supplier code (BME code). 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 re-assessment

We use supplier self-assessments based on questionnaires. These are then examined as assessments by the independent expert EcoVadis. These cover our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anti-corruption. We also regularly request repeat self-assessments, referred to as re-assessments. We are working on digital tools that will enable us to make this enhanced transparency about our suppliers' sustainability performance accessible in real time. In 2018, 61 percent of our re-assessed suppliers had improved their sustainability performance.

Step 4: Analysis

Based on the results gathered, we rank our suppliers in different categories. Depending on the assumed risk level, this can then either result in a re-assessment or an on-site audit. All suppliers with significant development potential with regard to sustainability are requested to create and implement a corrective action plan for their own company.

Step 5: Audit

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 discussions with local employees. A standardized process following an audit ensures that suppliers implement the corrective actions that have been specified. Repeated serious non-compliance leads to termination of the supplier relationship. In this area, we also actively participate in cross-sectoral initiatives with the aim of improving the transparency and efficiency of supplier audits and helping to establish cross-company standards. In 2018, we conducted a total of about 1,200 assessments and audits.

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Responsible Sourcing Process



Step 6: 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. Overall, we did not receive any notification throughout 2018 of an infringement by any of our strategic business partners that would have given cause for terminating our relationship with that supplier.

Early warning system for risk markets

One example of a risk market is the purchase of raw materials for soldering pastes and similar products for the electronics industry. These 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.

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“Together for Sustainability” – Together for a sustainable supply chain

In 2011, Henkel and five other companies in the chemical industry established the initiative **Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains (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). The TfS initiative aims to harmonize increasingly complex supply chain management processes with regard to sustainability and to optimize dialog among worldwide business partners. Above all, synergies are to be created so that resources can be used more efficiently and with a minimum of administrative effort, not only among the member companies but also with all of our shared suppliers.

At the heart of the initiative is the core idea: “An audit for one is an audit for all.” Suppliers only have to undergo one assessment or one audit. These are conducted by independent experts. Since the formation of TfS, the sustainability performance of more than 12,000 suppliers has been assessed and audited as part of the initiative. 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 audits. Follow-up monitoring and subsequent supplier management are the responsibility of the individual member companies. An online platform is then used to make the results available to all members of the initiative for their information and approval. The TfS initiative grew once again in 2018 and the number of members

has now more than tripled from the original six to 22. Global expansion of the assessment and audit program, driven in part by supplier training sessions, was again a main focus of activities in 2018. In addition, TfS set itself the goal of improving transparency and performance based on new measurement criteria.

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 analysis. Together with EcoVadis, various supplier and customer events were held in 2018 with the aim of sharing experience and best practice examples.

In October 2018, TfS and EcoVadis announced the extension of their partnership to further promote sustainable practices in the industry's value chains. Synergies in the chemical industry have already been achieved through collaboration with the Brussels-based European Chemical Industry Council (CEFIC). The China Petroleum and Chemical Industry Federation (CPCIF) is an important partner of the initiative. The shared goal is to promote and improve the sustainability of supply chains in China. In 2018, a supplier training session was held in Shanghai, China, to explain the advantages and synergies of TfS in more detail.

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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 seeks to develop and promote shared assessment methods to determine CSR performance along the value chain.

The Consumer Goods Forum's Sustainable Supply Chain Initiative was initiated at the end of 2017. Henkel CEO Hans Van Bylen is a member of this initiative's Board of Directors, and representatives from our company actively shape its direction through involvement in the steering committee and working groups. The goal of the initiative is to support companies in their supply chain due diligence activities by publishing a list of sound and reliable sustainability schemes that have been audited. In this way, the Consumer Goods Forum Initiative supports continuous improvement processes in the supply chains of its members worldwide and increases efficiency by avoiding duplicate audits.

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Henkel operates 185 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 impact and help steer progress toward our long-term goal of becoming three times more efficient by 2030. We achieved our interim targets for 2015 and are now focusing on our next interim targets for 2020. We plan, for example, to increase net sales by 22 percent per metric ton of product and improve our worldwide occupational accident rate by 40 percent per one million hours worked. At the same time, we aim to reduce the direct and indirect CO₂ emissions at our production sites, cut the amount of waste we generate and decrease our water consumption, in each case by 30 percent per ton of product relative to the base year 2010.

Due to the acquisitions made in the second half of 2017, and the challenging market conditions facing our consumer business, our growth in net sales per metric ton of product was below expectations in 2018. The acquisitions led to a change in our portfolio mix, which had an impact on our overall efficiency performance. Our results regarding occupational safety and environmental footprint were also affected by our acquisitions. In 2019, we will work even harder to improve environmental and safety standards at our newly acquired sites to ensure we increase efficiency by 75 percent by 2020.

Achieved 2018¹ **Targets 2020¹**

+6 % **+22 %**

+17 % **+40 %**

-25 %² **-30 %**

-29 %³ **-30 %**

-24 % **-30 %**

+43 % **+75 %**



More net sales
per ton of product



Safer per million hours
worked



Less CO₂ emissions per
ton of product



Less waste per
ton of product



Less water per
ton of product

Total efficiency

¹Compared to the base year of 2010.

²In 2018, change of the calculations (Scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.

³Amounts of waste from our production sites excluding construction and demolition work.

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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, such as waiting times, excess production or defects from our value chain. This will enable us to contribute to our target of becoming 75 percent more efficient by 2020. 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, for example, has introduced a Best Operative Practice program. During sustainability workshops at the Henkel production sites that account for the majority of our operational footprint, examples of best practice for driving progress toward our environmental and safety targets were identified and shared with colleagues at other sites. In 2018, we conducted workshops for cross-functional teams at 13 Adhesive Technologies sites worldwide.

An example of the implementation of efficiency programs at our Laundry & Home Care sites is the optimization of spray towers in laundry detergent production. Detergent powder is produced in spray towers by injecting moist detergent paste into the tower through nozzles, before converting the paste into dry powder with the help of a warm air flow. We have implemented several efficiency measures to operate the spray towers with as little energy as possible. These



Henkel organizes sustainability workshops focused on topics including electricity, gas and heating, water and waste for production employees worldwide, including this workshop in Chonburi, Thailand.

include a global tool for comparing energy usage, which helps detect the optimization potential for the respective systems. We also operate a heat recovery system and have improved the process step that involves injecting the detergent paste into the spray tower. Thanks to these measures it is possible to save 2,300 metric tons of CO₂ annually. There is also a heat recovery system in place in the spray tower at our laundry detergent production site in Toluca, Mexico. This process improvement makes it possible to achieve a CO₂ reduction and is part of a comprehensive on-site sustainability project aiming to reduce our carbon footprint that also includes optimization efforts related to our use of raw materials, as well as our formulas, packaging and logistics.

In 2018, as in previous years, we were widely recognized for our efforts to make our production processes more efficient. Our Engels

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plant in the Saratov region in Russia, for example, was recognized by the regional Ministry for Industry and Energy as one of the best plants in the region because of the energy efficiency improvements that have been implemented there. Our plant in Vienna won the Klimaaktiv prize in 2017 and was presented with the EMAS certification during a special ceremony. EMAS stands for Eco-Management and Audit Scheme and is a voluntary European Union scheme. The recognition was presented to companies and organizations who demonstrated outstanding commitment to eco-management performance.

Our Beauty Care sites also implemented energy efficiency measures. Our Tesistan plant in Mexico, for example, reduced energy consumption, cut the volume of wastewater generated and increased occupational safety through an optimized steam recovery system. It also implemented measures to reduce energy and gas consumption including automating the process for loading pallets, optimizing the allocation of packaging materials and changing the shift system.

To increase awareness of resource efficiency, as well as the need to conserve energy and water while avoiding waste, the global SHE team (which stands for safety, health, and environment) conducted the "Think sustainable, act responsible" campaign. The campaign mainly targeted employees at office and research sites.

EMAS Neuverträge/ New contracts



Thomas Fuhrmann, Henkel Quality Manager for Austria, and Elisabeth Köstinger, Austrian Federal Minister of Sustainability and Tourism, during the presentation of the EMAS award in Vienna. Photo: BMNT/Paul Gruber

New multi-technology production site in Turkey

When building new plants, we aim to integrate our ambitions related to efficiency and renewable energy as early as the design phase. For example, we were able to achieve several large-scale projects supporting environmental compatibility and enabling the optimal use of renewable energy sources at our Gebkim site in Turkey, which commenced operations at the end of 2018. The site takes advantage of LED lighting that is supplemented with natural light, as well as a heat-reflecting roof and efficient cooling systems that enable highly efficient operation of the production systems. It also features outdoor solar lighting. Heat pumps that combine geothermal heat and cooling are used to generate hot water for the administration building and offices. In addition to optimizing energy usage, we implemented efficiency measures related to water consumption and waste volume, including optimized wastewater treatment systems and a system for recovering up to 90 percent of condensation, as well as a process for recycling wooden pallets. The production building in Anatolia received a LEED ("Leadership in Energy and Environmental Design")

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certification, and the administration building was awarded the “platinum” certificate – the highest possible LEED certification.



The hot water at our new plant in Gebkim, Turkey, is generated using solar energy.

In addition to the new plant in Turkey, we also integrated similarly high standards for sustainability into our new production site for aerospace applications in Montornès del Vallès, Spain. Here, too, we are combining efficient energy and water consumption with the use of renewable energy. One example is the woodchip boiler for generating heat for processes and buildings. It utilizes the energy contained in old pallets instead of scrapping them. This plant will start operations in 2019.

Becoming climate-positive

The 2015 Paris Agreement on Climate Change, and the worldwide commitment to limit global warming to well below two degrees Celsius, stresses the clear need to reduce CO₂ emissions. In light of this, Henkel has developed the long-term vision of becoming a **climate-positive company**. By pursuing this goal, we will make an active contribution to climate protection.

We are starting by focusing on our own production, which we can influence directly. The carbon footprint of our production is around 690,000 metric tons of CO₂ and is attributable in approximately equal measure to the fuels we use ourselves (Scope 1) and the energy purchased (Scope 2), in particular electricity. To support our progress toward our long-term goal of becoming three times more efficient by 2030, our initial efforts focus on reducing the specific carbon footprint of our production by 75 percent by 2030. To do so, we want to continually improve our energy efficiency and reduce energy consumption at our production sites by 30 percent per ton of product by 2020 compared to the base year 2010. By 2030, we also aim to achieve a 50-percent reduction compared to the base year.

Renewable energy

In addition to our efficiency targets, we are striving to source 100 percent of the electricity we use in production from renewable sources by 2030. Our interim target for this goal is to achieve 50 percent coverage by 2020. To implement this goal, 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

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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 the following three models:

1. On-site production: Through this approach, we generate green power at our sites through wind turbines, solar cells or other technologies, wherever the analysis of environmental and economic criteria supports this approach. The infrastructure is either funded by Henkel itself or paid for by collaborations with external partners through long-term Power Purchase Agreements (PPAs).

2. Direct purchase: This approach involves Henkel purchasing green power either straight from the grid of a local energy utility company, or within the framework of a long-term PPA.

3. 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. This involves entering into long-term PPAs that feed green power from specific plants into the supply grid – in an amount that is equal to the amount consumed. In any situations where this is not possible for Henkel, we purchase the appropriate green power certificates.

In 2018, various Henkel sites worldwide achieved projects related to the use of renewable energy. This includes projects at existing production sites, such as installing solar panels on the roof of our plant in Sfax, Tunisia. This is expected to save around 53.2 metric tons of CO₂ annually. Our Zotos site in Geneva, USA, has established a wind farm through which up to 3.3 megawatts of energy are supplied to the plant. Back in 2012, this project was recognized by the American Wind Energy Association as the largest wind farm project from a production company in the USA. In 2018, we also installed solar panels on the roof of our multi-technology manufacturing facility called “Ganesha” in Kurkumbh, India, which started operations in the same year. Our plant in Chennai, India, is powered by 100 percent renewable energy and has reached an agreement with a local wind farm operator that will supply renewable energy to the site. From the beginning of the design phase, the use of renewable energy was already built into our new production plants in Montornès del Vallès, Spain, and Anatolia, Turkey.



The new multi-technology manufacturing facility in Kurkumbh, India, is designed to make use of renewable energy sources as much as possible.

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Scenario for 2030 and beyond

From 2030 onward, 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 CO₂. We also aim to supply surplus carbon-neutral energy that Henkel does not need for its own purposes to third parties. In doing so, we will avoid emissions from our own activities, and also enable third parties to avoid potential emissions by using clean energy.

Zero waste to landfill

Our optimization goals also focus on reducing production waste to landfill. We want the production sites for our consumer business to send zero waste to landfill by 2020. We will expand this target to cover all production sites, including our industrial business, by 2030. By the end of 2018, 60 percent of our sites had already achieved this ambition.

We drive progress by systematically identifying waste streams and creating closed-loop systems where possible. Our focus lies on increased recycling within our plants, and on collaboration 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.

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 introduced in the Asia-Pacific region. It covers classification and compliance checks, as well as managing the waste streams and generating reports. The tool makes it possible to identify major differences between sites and define the specific improvement measures that are necessary. For example, sludge from the wastewater treatment plant was identified as a major waste category at several sites in China and South East Asia. As a result, a project was launched to introduce a system for drying sludge. This helped reduce the volume of hazardous waste, while also freeing up space for storing waste and generating cost savings.

Our Beauty Care site in Bogotá, Colombia, introduced a supplier cooperation project with the aim of cutting waste. It focused on a return logistics solution that is supported by related training. Together with our suppliers of raw materials and packaging, we developed a system in which used cardboard boxes are processed internally, loaded onto pallets and returned to the supplier so they can be reused for Henkel deliveries. This waste management measure has made it possible to reuse cardboard boxes four to six times which reduced packaging waste by about 307 metric tons in 2018.

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The Beauty Care site in Maribor, Slovenia, joined the RafCycle recycling program back in 2017. In 2018, we recycled 113 metric tons of waste from this site. The RafCycle recycling program is based on a cooperation between UPM Raflatac and Henkel, which aims to recycle waste created by self-adhesive labels that would otherwise have to be sent to landfill. UPM collects the label release liners from Henkel sites and recycles them. The material is used in the UPM paper mill in Germany to produce printing paper for books and magazines, for example. Additional Beauty Care sites are now also participating in this program.

Our Laundry & Home Care business unit also participates in this recycling program and is part of the cooperation with UPM Raflatac. Our laundry plant in Düsseldorf-Holthausen, Germany, started cooperating with Raflatac in early 2018 and recycled 253 metric tons of waste last year. Throughout the year, we also implemented the program at eight additional sites that have the potential to recycle 1,400 metric tons of waste per year.

Conserving water

It is our goal to use 30 percent less water per ton of product by 2020. By the end of 2018, we were using 24 percent less water per ton of product. To meet our 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. 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 expanded our 2020 targets 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 introduced a highly efficient reverse-osmosis system for filtering water in 2018. This technology produces demineralized water, which is an important ingredient for our liquid products. By implementing this technology across all of our Laundry & Home Care plants globally, we aim to save up to 0.1 cubic meters of water per ton of product annually.

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In 2018, we also implemented water-conservation measures at various Beauty Care sites. For example, we optimized the cleaning process in our hair-dye production facilities at our site in Bogotá, Colombia. Previously, the many production activities involving different color pigments required a large number of different cleaning processes. By grouping the processes together based on the respective colors involved, we were able to reduce the number of washing processes required. This allowed us to save between 60 and 120 liters of water for each batch produced, which resulted in a total reduction in water consumption of 265,000 liters in 2018. Since 2012, we have also taken steps to optimize the cleaning processes for the mixing and filling machines at our site in Wassertrüdingen, Germany, by using steam instead of water for the cleaning. When a production line has to be switched, this new process is able to reduce water consumption by 80 percent.

In our North American adhesives plant in Prescott, Wisconsin, we installed a new cooling system that enables a closed system for process cooling. In 2018, this allowed us to achieve water savings of approximately 24 percent compared the previous year, which corresponds to a volume of approximately 34 million liters of water. Our plant in Chennai, India, has started treating wastewater from its cafeteria and sanitary systems on-site, which makes it possible to reuse the water for the sanitary systems and for watering green spaces.

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,
status: 12/31/2018

Code	Standard for	Percentage of production volume covered
ISO 14001	Environmental management systems	83 percent
ISO 9001	Quality management systems	85 percent
ISO 50001	Energy management systems	44 percent
ISO 45001	Occupational health and safety management systems	40 percent
OHSAS 18001	Occupational health and safety management systems	82 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.

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Industry 4.0

Industry 4.0 is characterized by digitalization, increased automation and data exchange. For Henkel, this 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 the 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, in which 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.

Our largest adhesives plant worldwide, known as the Dragon Plant and located in Shanghai, China, uses a smart factory approach that enables the visualization, review and analysis of resource consumption. This makes it possible to identify optimization potential for our use of raw materials, which enabled us to increase the volume of hot-melt adhesives produced to 130 tons per day in 2018. The results are

also included in the data-controlled “plan-do-check-act” cycle. We also use the “quality pulse” tool within our Adhesive Technologies business unit to aggregate and analyze qualitative and quantitative data. We then use this information to cut energy consumption and reduce waste.

The production sites and processes for our Laundry & Home Care business unit worldwide are all connected. All information is centrally collected in real time. The digital platform Wonderware acts as the digital backbone of this Industry 4.0 activity. Data from online metering systems at our laundry detergent production sites around the world is collected and processed in this platform. Using information from more than 3,500 sensors at each site, it records how much energy and water each plant uses and displays this information visually. Thanks to its analytical capabilities, the system can recognize patterns and identify potential for optimization. Since 2016, efficiency data from the production lines has also been fed into the system and analyzed. Employees can view the relevant information for all other production sites worldwide, benchmark against best practices and jointly implement any measures necessary to 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 24 percent.

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In 2018, Henkel was the first company to install Netatmo's smart home technology in its production plants. Originally developed for private homes, Henkel uses Netatmo's smart weather stations worldwide in its 31 sites for producing laundry detergent and household cleaning products. The weather information is linked to Henkel's production and usage data to design more efficient processes that save energy. In the laundry detergent production in Düsseldorf, for example, Henkel increased the burner efficiency in its spray tower by 5 percent using Netatmo technology and also optimized the tower's gas burner processes and the temperature control throughout the entire drying process.



Henkel was the first company to install Netatmo's smart home technology in its production plants.

Additional progress related to Industry 4.0 can also be achieved by digitalizing the supply of materials. In addition to our Laundry & Home Care business unit, Beauty Care has installed autonomous transport systems. In our plant in Wassertrüdingen, for instance, autonomous vehicles drive in combination with manually operated forklifts. The autonomous transport systems are equipped with sensors that permanently monitor their environment and react to obstacles. They make a significant contribution to more reliable distribution activities and deliver more efficient processes.

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 still 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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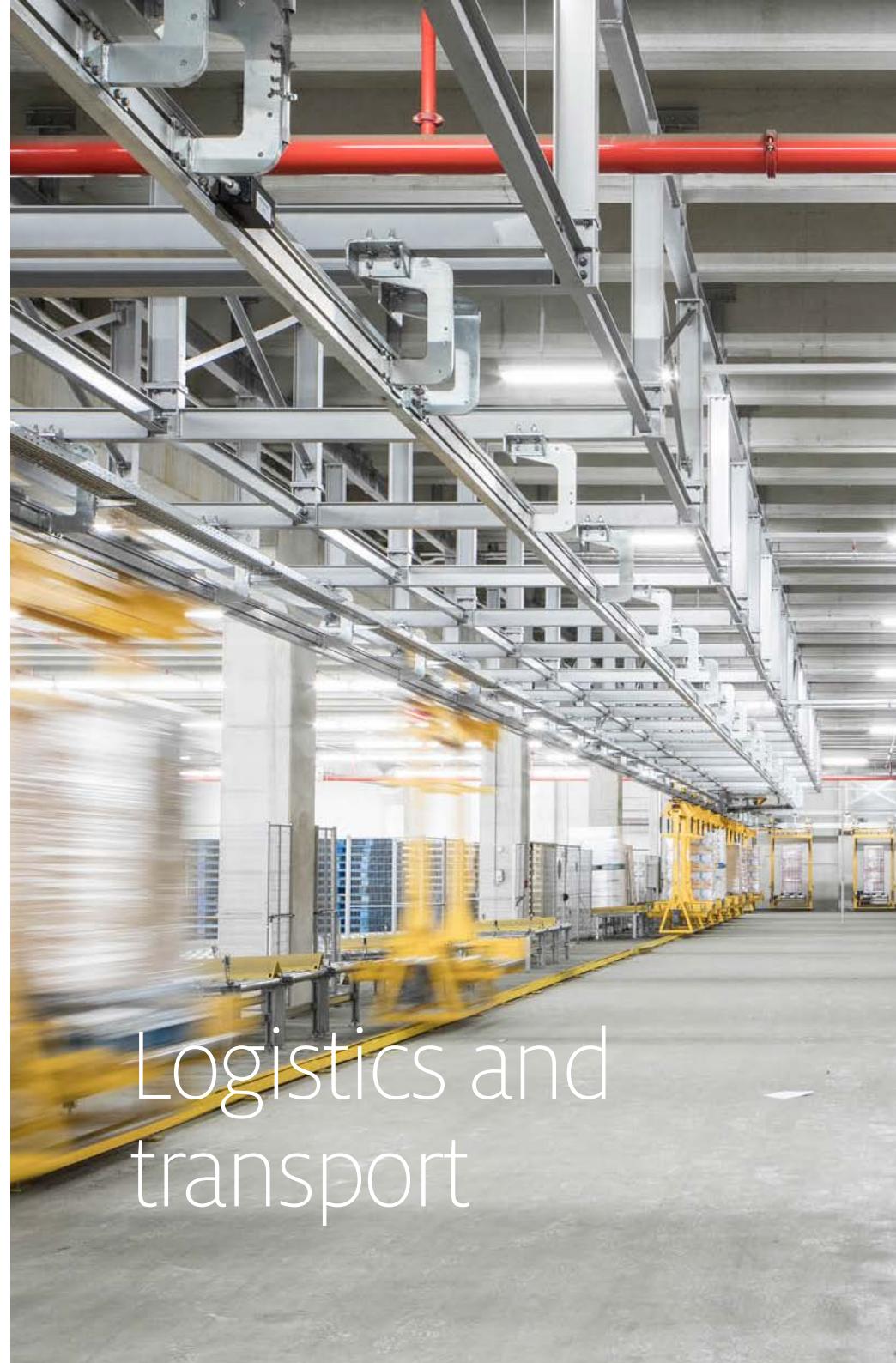
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Our responsibility along the entire value chain includes optimizing our transport and logistics processes in terms of environmental compatibility and resource efficiency. Overall, we want to reduce the emissions from transporting our products by around 5 percent per ton of product between 2015 and 2020. By the end of 2018, Henkel had achieved a 2-percent emissions reduction compared to 2015.

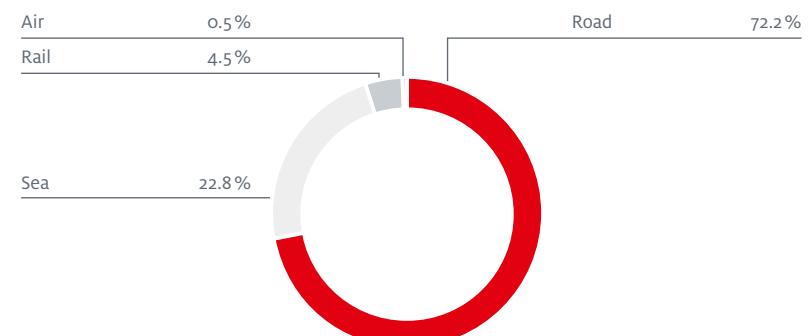
Reducing our logistics footprint starts in the product development stage. We work on product and → **packaging optimization** in terms of weight and volume, provided this is possible without compromising their performance, convenience and stability. More concentrated products and lighter packaging reduce transport weight, which decreases the related carbon emissions.

Alongside product and packaging optimization, improving our logistics structures helps us to reduce transport emissions. We also take the location of our production sites into account: For bulkier products, we reduce transport mileage and environmental impact by operating regional production sites. Compact products place fewer demands on transport. For this reason, we leverage efficiencies in production by manufacturing these products centrally whenever possible. For the transportation of 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 established → “Say yes! to the future” program to the logistics area to foster best-practice exchange between our business units and to initiate logistics projects in close collaboration with our customers.

Product transports per transport mode in 2018



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When choosing our transport partners, we take efficiency as well as environmental and safety performance into account. Relevant criteria are included in our tendering processes for the purchase of logistics services. These include energy-saving targets and measures for modernizing vehicle fleets.

Expanding intermodal transport

Intermodal transport involves using more than one mode of transportation. At Henkel, this means that more and more transports are being switched from road to rail: A truck carries 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 CO₂ footprint of rail transport compared to road transport, since a train emits about one-third of the CO₂ of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO₂ reduction in logistics at Henkel.



We have a commitment to continue leveraging intermodal solutions in 2019, and we continuously test the applicability of intermodal transport to new routes across Henkel.

In 2018, we continued to leverage intermodal solutions and added another 15 train routes in Europe using dedicated intermodal tenders. By the end of the year, we had switched around 68 million tonne-km (the transport of one tonne of goods over a distance of one kilometer) to intermodal transport. This reduces CO₂ emissions by around 3,700 metric tons per year. Major drivers are the Laundry & Home Care and Beauty Care business units, which switched 30 million and 38 million tonne-km respectively from truck to train.

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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. So-called wall-to-wall production, where the warehouse is directly connected to the production facility, minimize transport from production to storage. Where this is not the case, we achieve synergies by consolidating transports between individual plants 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.

In 2018, our Laundry & Home Care business unit integrated the warehouse logistics from the Benelux countries into its fully automated high-bay warehouse at our headquarters in Düsseldorf, Germany. A detailed footprint study showed that delivering to Benelux from Düsseldorf involves transportation distances that are very similar to those when delivering from within Benelux. This means that we are able to ensure similar customer delivery times, while reducing the overall logistics footprint by around 5 percent per year. In line with the “wall-to-wall” concept, the high-bay warehouse is directly connected to the Laundry & Home Care production facility, which also cuts transport requirements. Several of the processes that take place inside the facility are automated: The pallets are brought into the warehouse by conveyor systems, and are identified by scanning before being put into storage. Orders from customers are communicated electronically and the relevant products are made available for onward transport by automated trolleys. The pallets can be tracked at every step of the journey until they are delivered to the customer.



In 2018, our Laundry & Home Care business unit integrated the warehouse logistics from the Benelux countries into its fully automated high-bay warehouse at our headquarters in Düsseldorf, Germany. This enables an overall logistics footprint reduction of around 5 percent per year.

Finally, thanks to its compact design, modern lighting and state-of-the-art insulation system, the high-bay warehouse is extremely energy-efficient – as confirmed by its LEED certification (short for “Leadership in Energy and Environmental Design”).

In 2018, our Adhesive Technologies business continued to consolidate its warehouses to minimize resource use and transportation needs. Based on a detailed analysis of customer requirements, network scenarios, and business constraints, several warehouses in Belgium and France are being merged into one modern warehouse in France. When it is complete, it will enable a total CO₂ emissions saving of 39 percent. By the end of 2018, we had achieved a 7-percent reduction in CO₂ emissions. The new warehouse is equipped with state-of-the-art technology to reduce energy consumption. This includes triple-glazed windows for better insulation, LED lighting as

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well as a very efficient geothermal system for heating. Water consumption is decreased because rain water is recovered. The new warehouse also features advanced processes for sorting waste, as well as parking areas with plugs for electric cars. In addition, the building holds the French HQE (High Quality Environmental) certification, which promotes sustainable quality in building projects.

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 also make use of reusable cardboard pallets instead of wooden pallets. Due to their lighter weight, they are easier to handle and reduce fuel consumption.

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 regarding transportation, this system enables higher truck capacity utilization and optimized routes that decrease transport mileage, reduce fuel consumption and diminish the related CO₂ emissions. The implementation of the IT solution has already been completed in Europe, China and North America.

To demonstrate our progress, it is especially important to systematically record the CO₂ emissions of 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. The benefits of this tool include the use of real distances based on GPS data and country-specific emission factors as input, as well as the possibility to use the data relating to each carrier. This step enables us to foster transparency and data comparability across the entire industry, and helps us to track progress toward our emission reduction target. By the end of 2018, Henkel had achieved a 2-percent emissions reduction compared to 2015.

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Electromobility in the vehicle fleet

As a pioneer in sustainability, we encourage the use of electromobility at our sites by testing the operational capability of electric vehicles before any new purchase. We take regional aspects and driving profiles into consideration. At our headquarters in Düsseldorf, we have incorporated more than 30 electric vehicles into the internal fleet since 2012, replacing conventional vehicles with internal combustion engines. We have built a corresponding infrastructure with over 35 charging stations in and around the Düsseldorf-Holthausen industrial park, some in cooperation with the utility company Stadtwerke Düsseldorf. In 2018, we also made 14 on-site charging stations available for our employees to recharge their private electric vehicles.



Henkel has been using electric forklifts since the 1950s. Other projects to encourage electromobility include the use of cargo bicycles at company sites and adopting a new car policy that enables all managers in Germany who are entitled to a company car to order vehicles with electric drives.

Due to the cogeneration of the Henkel power plant in Düsseldorf, CO₂ emissions, which originate from the energy generated for recharging the vehicle batteries, amount to 40 grams per kilometer. In comparison, CO₂ emissions are 80 grams per kilometer for electricity from

the public grid and between 120 and 180 grams per kilometer for a conventional gasoline engine. We have also installed new solar technology in a facade of one of our site restaurants, which generates carbon-neutral electricity. The amount generated in a year could be used for the carbon-neutral charging of over 700 electric vehicles, equating to a distance driven of around 100,000 kilometers and a reduction in CO₂ of around 14 metric tons.



The increasingly electrified corporate fleet and the expansion of the charging infrastructure at the Düsseldorf site are important steps toward promoting environmentally compatible mobility.

Electric vehicles mean there is less noise at the Düsseldorf site, and powering them with our energy mix makes them a carbon-reducing alternative to company vehicles with conventional drives. They have proved their worth with lower servicing costs, good cold running on short journeys, and high acceptability by the drivers. As a result, we are working on the further development of electromobility and are creating a structure for new and integrated mobility solutions.

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If we are to decouple increased quality of life from resource use, product innovations will play an essential role. Our products therefore provide key leverage points for implementing our sustainability strategy. They should offer customers and consumers more value and better performance at a smaller environmental footprint.

A high degree of innovativeness is very important in achieving this. In 2018, Henkel employed around 2,750 people on average in research and development and invested 485 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 in the Henkel innovation process since 2008. The focus is on innovations that will help our customers and consumers to reduce their energy use and thereby their own carbon footprint.

Sustainability evaluation in the Henkel innovation process

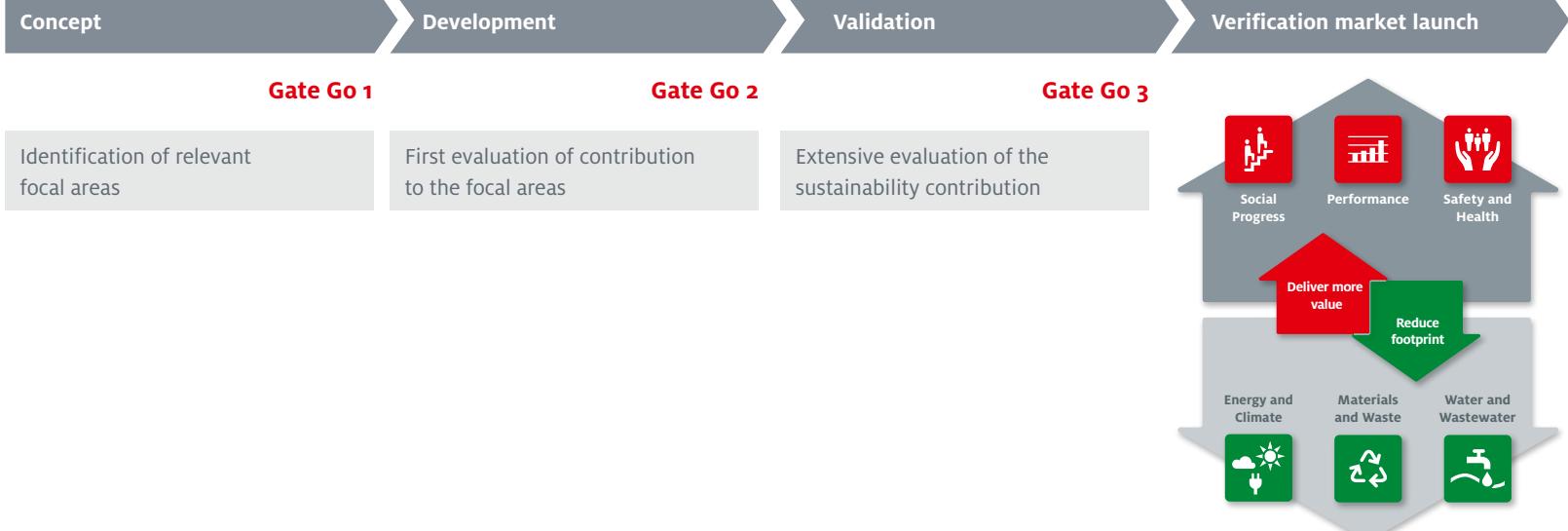
The Henkel focal areas have been systematically anchored into our innovation process since 2008. At a certain point in the process, our researchers must demonstrate the specific advantages of their project in regard to product performance, added value for customers and consumers, and social criteria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



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

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

The Henkel Sustainability#Master® combines various instruments 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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Improvement based on life cycle analyses

Sustainable development needs a systematic approach. With the help of life cycle analyses and the knowledge they have acquired during many years of work on sustainability, our experts analyze the complete life cycle of our products. 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, improvement measures can then be applied 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 footprints. We also participate in international initiatives such as the Sustainability Consortium and the Consumer Goods Forum's Measurement Group.

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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 production and use to disposal. However, until now there has been no standardized method for determining the carbon footprint of a product. Henkel therefore participates in pilot projects in the USA and Europe with a view to driving forward the development of a reliable and internationally harmonized method of determining carbon footprints.

Since 2013, the Laundry & Home Care business unit has been supporting  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 aims to develop meaningful environmental information specifically for liquid detergents that can be easily understood by consumers and leads to more environmentally conscious washing habits. The general aim of the European Commission's pilot project is 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 proportion can be reduced.

Product water footprint

The Earth's water resources are unequally distributed and are threatened by increasing pollution and overuse. For us, therefore, reducing water usage during the production and use of our products is an important aim. In order to identify suitable approaches for achieving improvements in this area as well, 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 gain from such pilot projects into the discussion on the development of an international ISO standard (ISO 14.046) on water footprints.

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Sustainable consumption

An important objective of our strategy is promoting 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 the efficient use of resources such as energy and water during everyday use. Our aim is to save 50 million metric tons of CO₂ emissions by 2020 through our products and by helping our customers and consumers with our expertise. Through targeted communication, we additionally 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. Besides providing appropriate products, our collaboration with retailers and distributors also plays a crucial role.



Every individual can contribute to more environmental compatibility through their behavior. The [Henkel footprint calculator](#) summarizes this in a vivid manner: By answering simple questions, consumers can quickly estimate how much CO₂ they generate through their own lifestyle in the areas of living, nutrition, mobility and recreational activities.

Trade partnerships

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. In November 2018, Henkel and retailer dm-drogerie markt launched the fourth edition of the educational partnership "Understanding through Experience." Over a period of several months, 21 Henkel trainees and dm apprentices will study the topic of sustainability intensively and develop independent projects in mixed teams. The educational partnership enables the trainees to look beyond their own horizons. Working together on joint projects, young people with different professional backgrounds can exchange ideas and develop their own awareness of the many facets of sustainability. In March 2019, the trainees and apprentices will present their projects in an exhibition.



The fourth edition of the educational partnership "Understanding through Experience" was launched in 2018: Henkel trainees and dm-drogerie markt apprentices intensively studied the topic of sustainability.

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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 legal regulations and more extensive Henkel standards.

Our product developers and experts for product safety 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. An important step in this assessment process is the comparison between the level of exposure of people or the environment to a substance and the associated safe application concentration. For substances where exceeding this level can lead to a risk for people or the environment, we minimize the risk by establishing suitable constraints, such as lowering the concentration and restricting use to certain product categories only. 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 so that their use has the least possible 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 in the general public about the safety of chemical ingredients in consumer products. As a rule, we respond by critically reviewing the scientific basis of our assessments with particular care. If this gives rise to serious reservations about product safety and 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. We will therefore enhance the transparency on the substances used and their safety on a global scale.

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Implementation within the company

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

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 under use conditions. 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 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 constituents, 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 will reflect reality. For this reason, Henkel rejects the use of generalized substance lists that are designed to demand the abandonment of substances under controversial discussion, as such lists mostly do not take such differentiation into account.

Innovations and alternative test methods

Henkel has been carrying out successful research since the 1980s to develop  new methods for testing the safety and compatibility of raw materials and products without animal testing. Advanced molecular biological methods are used to thoroughly investigate aspects such as the effect of raw materials on human skin cells so that optimized formulations can be developed. This is one of the basic prerequisites for successful product innovations. Our goal is to be able to answer questions about the safety of our products and the ingredients we use exclusively without animal testing. As a matter of principle, Henkel only uses animal testing if this is stipulated by legal regulations and there are no accepted alternative test methods available for obtaining the necessary safety data. We naturally comply with statutory requirements that prohibit animal testing, such as the legal provisions on safety testing of cosmetic ingredients in the European Union.

Wherever possible, questions regarding the skin compatibility of ingredients are now also investigated with the help of in-vitro tests. In-vitro test systems such as the skin model (in technical terms: epidermis model) have been developed by Henkel over the past decades in collaboration with external partners and submitted for acceptance as alternatives to animal testing to the European validation agency. In 2017, Henkel took a major step toward disseminating in-vitro test methods that were originally developed for its own research purposes: The company has since been granting unlimited access to its innovative skin models, which are marketed under the  Phenion brand. Henkel makes Phenion products available to other companies, organizations and research institutes. The bioartificial models containing human skin cells can be used for safety assessment or basic

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research in dermatology and cosmetics. The tissue models are produced in the research laboratories at Henkel's headquarters in Düsseldorf. As an alternative test method, they can contribute significantly to reducing and avoiding animal testing. With its decision, Henkel is demonstrating its commitment to corporate social responsibility in enabling unrestricted long-term access to innovative alternative methods, thereby making an important contribution to the global use of alternative methods.

Our scientists are currently working to make it possible for the skin models, which are as large as a 1-cent coin, to be used to research other issues regarding the safety of chemicals. You can also find more information on the website of the [Scientific Committee on Consumer Products](#) of the European Commission.



The Phenion skin model can be used for various purposes, for example to test the skin sensitivity of cosmetic ingredients.

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Microplastics

We are committed to ensuring that our consumer products do no 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 now free from microbeads.

In a second step, we have already started eliminating opacifiers made from solid synthetic plastics from our consumer products. Opacifiers give products a creamy white appearance. From 2020 onwards, we will only use natural or biodegradable opacifiers in our consumer products worldwide.

There are also certain types of perfume encapsulation which are discussed as microplastics. These encapsulated perfume oils are used in fabric softeners and certain detergents to create long-lasting fragrances with less perfume. So 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 closed-loop 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.

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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 wallpapering 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 detergents and household cleaners consist of a large number of ingredients, each with its own special function. Most bulk ingredients of detergents and household cleaners are inorganic and therefore cannot be replaced by ingredients based on renewable raw materials. Surfactants are an important exception. They consist of a lipophilic – fat-loving – part, which is obtained from vegetable or mineral oils, and a hydrophilic – water-loving – part, which is usually based on mineral oil or is inorganic. Surfactants like alkyl polyglycosides that are produced only from renewable raw materials are the exception.

To achieve the best washing performance, we use a mixture of different surfactants. In more than half of them, the lipophilic part is based on renewable raw materials. This is the result of Henkel's many years of experience with ingredients based on plant-based oils. The proportion of renewable raw materials in surfactants for our detergents and household cleaners is around 30 percent. The other 70 percent are accounted for by inorganic and mineral-oil-based ingredients.

Cosmetics products with nature-based raw materials

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. Furthermore, we are working to increase the proportion of ingredients based on renewable raw materials in our cosmetic products, wherever this is both possible and appropriate. If mineral-oil-based ingredients in a formulation are replaced by starch-based ones, 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 fraction 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.

Natural bonding

Renewable raw materials such as starch, cellulose, dextrins, and proteins are used in many consumer and craftsmen adhesives and 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 about 45 percent.

Palm and palm kernel oil

At Henkel, we recognize our responsibilities regarding the purchase and use of ingredients based on renewable raw materials. As part of this responsibility, we strive to ensure that all of the materials related to palm oil and palm kernel oil that we buy and use in our products are produced through sustainable practices. Our goals for 2020 include, for example, ensuring that these oils do not contribute to the deforestation of primary or secondary rain forests with significant ecological value. These include peat lands and other high-carbon stock areas. Alongside environmental considerations, we place a strong focus on the rights of people who work in the palm oil industry or live in communities directly impacted by its activities. 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 communities affected. We are therefore focusing on targets such as certification in accordance with the  **Mass Balance model** of the Roundtable on Sustainable Palm Oil (RSPO), traceability, and projects that support smallholder farmers.

Our purchase of palm-oil-related materials accounts for less than 0.2 percent of the palm oil and palm kernel oil produced worldwide. The majority of this is palm kernel oil, which forms the basis of the surfactants that we use in our laundry detergents and household cleaners and cosmetic products. These materials are frequently at the end of a long and often complex supply chain: For this reason, Henkel is committed to driving progress toward achieving sustainable practices across the palm oil industry – along the value chain.

Collaboration with representatives from across the industry is at the heart of our approach to  **supporting sustainable cultivation of palm oil and palm kernel oil**. Through partnerships, projects and dialog, we are able to engage with key players ranging from plantations, small farmers and palm oil mills all the way to governments, non-governmental organizations and suppliers. These activities enable us to expand our contribution to sustainable practices in the palm oil industry. They also provide opportunities to gain valuable insights into changing industry developments and new scientific findings.

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The Mass Balance model enables us to demonstrate our commitment to physical sustainable palm oil and palm kernel oil by enhancing the physical flow of certified materials into our value chain. In March 2018, our Global Supply Chain organization and six of our production sites in Western Europe were successfully audited in line with the RSPO's [supply chain certification standard](#). For 2019, we plan to include additional sites in the United States in the certification. This standard supports the use of sustainable palm oil and palm kernel oil along the entire value chain by promoting greater transparency and open dialog.



Henkel aims to increase the availability of sustainable palm oil and palm kernel oil on the market through collaborative projects that enable smallholders to certify their crops as sustainable, increase productivity and improve their livelihoods. Together with the development organization Solidaridad, Henkel is currently involved in seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria.
Photo: Fedepalma.

We have set three goals that we believe address key priorities for the successful transformation of the palm oil industry. These goals are focused on the specific challenges where we can make our strongest contribution. The targets for 2020 are:

1. Cover 100 percent of our demand with Mass Balance-certified oils:

All palm oil and palm kernel oil used in our products should be derived from sustainably cultivated sources in line with the RSPO's Mass Balance model in 2020. To date, around 65 percent of the oil and derivatives used in our products have been certified according to this model.

2. Establish full traceability of palm oil and palm kernel oil used in our products:

By the year 2020, we aim to be able to trace the palm oil, palm kernel oil and derivatives we buy to known sources – first to the mill and then to the plantation. We have made great progress in this respect. We have held discussions with all relevant suppliers focusing on how to reach our goals, and have stated our expectations clearly and comprehensively through related training materials. Since the requirements related to traceability and compliance with standards have continued to increase, we were not able to increase the traceability ratio in 2018 as much as we did in the previous year. However, we still managed to achieve a ratio of 60 percent in 2018.

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3. Increase the supply of sustainable palm oil and palm kernel oil by a volume equal to Henkel's demand:

We aim to increase the availability of sustainable palm oil and palm kernel oil on the market through collaborative projects that enable small farmers to certify their crops as sustainable, increase productivity and improve their livelihoods. By 2017, we had already confirmed partnerships that 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. In 2018, we further expanded these projects.



Sustainable palm oil production also includes sustainable farming practices, as shown in this example from Colombia. Photo: Fedepalma.

Smallholder projects promote sustainable production

Together with the development organization Solidaridad, Henkel is currently involved in seven initiatives to support sustainable palm oil as part of smallholder projects. With these partnerships, we annually support the production of more sustainable palm oil and palm kernel oil than we use in our products as a raw material. The progress made can be viewed on the Solidaridad Dashboard.

In [Colombia](#), for example, our goal is to support local smallholders with the new, innovative platform Farming Solution. 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, helping them to achieve their goal of sustainable harvest certification sooner. Palm oil is an increasingly important raw material in Colombia and approximately half of the palm oil produced comes from small independent smallholdings whose owners face several challenges. However, the productivity of small independent farmers is 40 percent lower than that of an average-sized operation. 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.

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The training and continuing education of smallholders forms an important part of the collaboration. In [Indonesia](#), for example, two projects were implemented in West Kalimantan to improve the living conditions of small farmers through activities including seminars on financial management as part of the Farmer Field School (FFS). In [Ghana and Mexico](#), it was also possible to introduce more sustainable practices into agricultural production thanks to continuing education measures. Henkel currently supports seven initiatives overall in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria. To date, more than 29,000 smallholders have been reached on more than 350,000 hectares under cultivation.



In Ghana, Henkel and Solidaridad plan to support and train more than 2,000 smallholders by 2020. Photo: Fedepalma.



Henkel and Solidaridad plan to use the Farming Solution platform to help smallholders increase their productivity and reduce negative environmental impacts, helping them to achieve their goal of receiving a sustainable harvest certification sooner.

Initiative for more sustainable guar

Guar and guar derivatives are important plant-based raw materials used in many cosmetic products. The new 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 Rajasthan, India. They learn sustainable guar farming methods and also receive valuable advice regarding the planting of their own vegetable gardens. All product formulas were developed so that they primarily consist of natural substances. Together with Solidaridad, [Nature Box](#) also supports the sustainable production of palm oil and palm kernel oil.

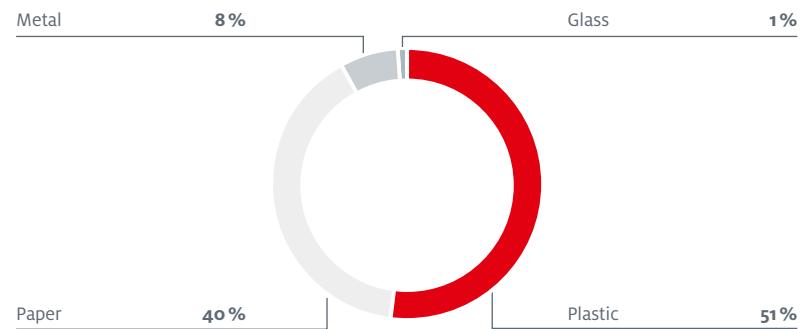
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Packaging and the circular economy

The  packaging for our consumer products fulfills many different functions: It ensures the hygiene and safety of the products, protects them from external influences, provides space for necessary consumer information and often plays an important role in the purchasing decision through attractive packaging design and shelf appeal. At the same time, packaging waste, and especially plastic waste and pollution, has captured the attention of the public, governments, and businesses around the world. The search for solutions has started, and there is growing recognition that addressing the symptoms through clean-ups is not enough. A systemic shift tackling 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.

All our packaging is designed in such a way that it delivers the performance expected by the consumer while using the least possible amount of and the most sustainable materials. 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 advanced materials in the development process.

Henkel packaging: 2018 footprint¹



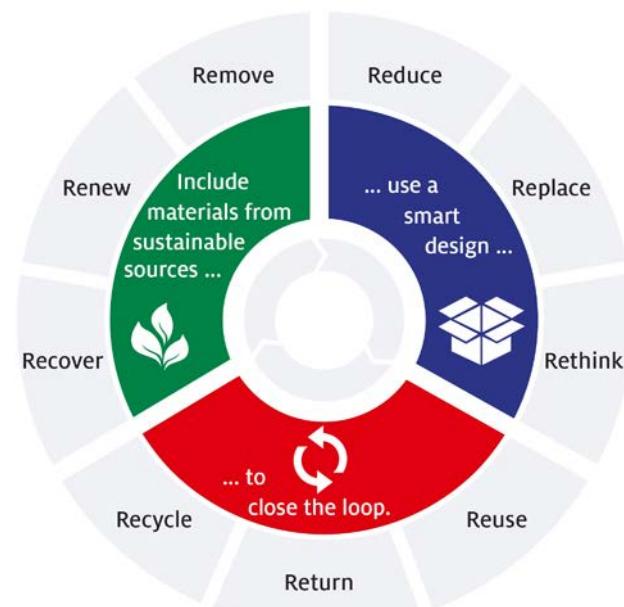
¹ Around 779,000 metric tons (estimated; based on expenditures for packaging material).

Overview of our Packaging Targets

- 100 percent of Henkel's packaging will be recyclable, reusable or compostable* by 2025.
- Plastic: We want to increase the share of recycled plastic to 35 percent for our consumer goods products in Europe by 2025.
- Metal: We want to increase the use of recycled aluminum in Europe to 9 percent by 2020.
- Paper/Pulp: 100 percent of the paper and cardboard will be made of recycled material or, where necessary, come from fresh fiber originating from sustainable forestry.
- We want to remove and avoid PVC and other substances of potential concern.
- We aim to reach more than 1 billion consumers through targeted information on recycling.

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

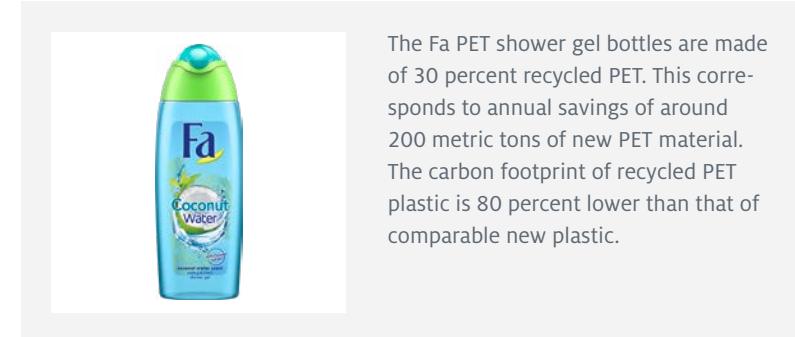
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Three areas that promote a circular economy

1. Materials from sustainable sources

- Recover:** In order to recover as much existing material as possible, 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 set ourselves the ambitious target to use 35 percent recycled plastic for all the plastic packaging of our consumer goods products in Europe by 2025. At the end of 2018, the share was almost 10 percent.



The Fa PET shower gel bottles are made of 30 percent recycled PET. This corresponds to annual savings of around 200 metric tons of new PET material. The carbon footprint of recycled PET plastic is 80 percent lower than that of comparable new plastic.

- Renew:** We also aim to continually increase our use of renewable materials. The most widely used packaging materials made from renewable raw materials are paper and cardboard. We target to use 100 percent recycled paper and cardboard material or, where necessary, fresh fiber originating from sustainable forestry to contribute to zero net deforestation, by 2020. This is also part of our commitment to the [Consumer Goods Forum](#) initiative against worldwide deforestation and for the protection of biodiversity. Our paper-based packaging currently comprises more than 60 percent recycled paper and cardboard. In addition, we are testing and assessing bioplastics. The polymers of these materials are based on raw materials obtained from plant sources, such as cane sugar or maize. Provided they can deliver the same technical performance as conventional polymers, they could offer a good alternative and provide long-term economic benefits.

- Remove:** There are substances of potential concern, like polyvinyl chlorides (PVC), which are often criticized as packaging materials. Henkel began to remove and avoid the use of PVC in its packaging back in the 1990s. Today, we only use PVC in a few exceptional cases for which we have not yet found a workable alternative. Over-

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all, materials containing PVC currently make up less than 1 percent of our total global expenditure on packaging. We continue to work toward our goal of fully eliminating PVC from our packaging materials and extend the scope to cover other substances of potential concern.

2. Smart packaging design

- Reduce:** Reducing packaging material or avoiding it completely is the best way to minimize waste and thus negative environmental effects. We aim to reduce the amount of packaging material where possible and do away with all packaging that is not absolutely essential. 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.



Thanks to a more concentrated formulation and a newly designed bottle for liquid laundry detergents such as Persil, Henkel was able to reduce the packaging volume by 3,500 metric tons annually. The bottles are fully recyclable.



Thanks to the technical improvement of the intermediate bulk container (IBC) for the transport of industrial liquid adhesives, it was possible to save one kilogram of plastic material for every IBC. Over the course of a year, this adds up to a reduction of 150 metric tons of plastics. In addition, the IBC transport pallets consist of recycled plastic from the IBCs which our customers send back via a return system.

- Replace:** Next to that, a smart design right from the start plays a vital role in order to replace 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. With smart designs for newly developed packaging, we are testing the possibility of using alternatives to virgin material if quality and quantities on the market allow for it.

- Rethink:** However, smart design goes beyond this. To transform a linear economy into a circular economy, our packaging experts even rethink packaging concepts to foster designs that enable recycling. They also further optimize transport packaging and related logistics, as well as assessing further ways to develop re-usable packaging that places a stronger focus on durability.

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3. Closing the loop

- **Recycle:** To enable a circular economy, we are striving to make sure our product packaging can be recycled after the product has been consumed. By systematically applying design-for-recycling principles, we want to overcome recycling hurdles specific to each category, like flexible packaging, sleeved 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.
- **Reuse:** Another option to close the loop is to reuse packaging and explore → **refill solutions** in relevant markets based on consumer acceptance, the related expenditure 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.
- **Return:** A third option that allows for circularity is the ability of specific packaging to be returned to nature under certain circumstances. This may, for example, include compostable plastics that are based on renewable raw materials, mineral-oil-based sources or a mixture of the two. However, the current compostable plastics do not yet meet the stringent requirements that we place on our packaging materials. Nevertheless, we closely follow developments in this sector and actively search for suitable materials and possible uses. If we use biodegradable materials, they will meet the international composting standards.

- We are aiming for 100 percent of our packaging to be recyclable, reusable or compostable by 2025. At the end of 2018, we had achieved this for more than 80 percent of our packaging. We want people to be aware of how the circle can be closed and plan to reach more than 1 billion consumers with **targeted information** about recycling. At the same time, we will inform our employees worldwide about these matters.

Since April 2018, Henkel has been a partner of the **How2Recycle program** in the United States to strengthen consumers' awareness about how to close packaging cycles. As part of the program, we create more transparency regarding different recycling paths using an explanatory logo on the product packaging. Brands from all three business units – including Purex Crystals, Nature Box and Technomelt – 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 wishes to increase the general understanding of sustainability related to packaging and smarter packaging solutions.



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In March 2018, a Laundry & Home Care team collected plastic waste at the banks of the river Rhine in Düsseldorf, Germany. The activity was conducted as part of the partnership with [Waste Free Oceans](#) with the aim of removing plastic waste from our waterways.

Partnerships to close the loop

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.

Social partnership to transform waste into opportunities

The [Plastic Bank](#) is a social enterprise that aims to stop plastic pollution in the oceans and provide opportunities for people in poverty at the same time. 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, three new plastic collection centers were established in Haiti, a country that lacks sufficient waste management infrastructure. The local communities can return collected plastic waste and exchange it for money, goods, or social services. In this way, value is created from plastic and it is prevented from entering the waterways and oceans. By the end of 2018, a total of around 63 metric tons of plastic had been collected, sorted and subsequently introduced into the recycling value chain as Social Plastic®. This is a verification of the material by the Plastic Bank, which indicates that the collectors received an above-market price for the plastic waste.



Since the start of the partnership with Henkel, three Plastic Bank collection centers have been opened in Haiti and a total of around 63 metric tons of plastic were collected.

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The recycled Social Plastic® can be used in products or packaging, and in this way closes the material cycle. The first Henkel product packaging with Social Plastic® was launched in October 2018 – it was used in → **25,000 bottles for laundry detergents and household cleaners**. Henkel's Beauty Care business unit has also conducted successful pilot tests with Social Plastic®. For 2019, both business units have planned to expand the use of Social Plastic® in certain product lines.

The Plastic Bank is an important strategic partner for Henkel. The social enterprise offers solutions to both the environmental problems of plastic waste and the social challenges posed by poverty and the lack of employment opportunities. The Plastic Bank has also demonstrated that its model is scalable and has the potential to be adapted for replication in other regions of the world. The partnership is supported by the Beauty Care and Laundry & Home Care business units. It will initially focus on Haiti, where the lack of waste management infrastructure means there is significant potential for positive impact. In addition, the opening of new collection centers is planned to further increase the availability of Social Plastic® – while at the same time helping more people in poverty.



Founded by David Katz (on the right) in 2013, the Plastic Bank seeks to encourage one billion people worldwide to monetize waste. This improves the living conditions of people in poverty.

Cross-industry initiatives for more sustainable packaging

One example is our membership in 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 plastics and build momentum toward a circular economy. In October 2018, the New Plastics Economy introduced its Global Commitment, which has been signed by 250 organizations – among them Henkel. The collective goal: eliminate plastic waste and pollution at the source. Henkel is also founding member of [CEFLEX](#), a consortium of around 100 European companies and organizations aiming to make flexible packaging – which frequently consists of multiple layers of film or foil that are often difficult to separate – easier to recycle.

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Emerging markets

In the fiscal year 2018, Henkel generated worldwide sales of 19,899 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 42 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 geared to the needs of the lower income groups not only have economic potential, but also make positive social contributions by supporting health and hygiene in the household, for example. 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 standardized, we offer globally standardized products. Examples of this are the internationally standardized requirements for instant adhesives or our industrial adhesives.

- **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 cents. 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. So Henkel has brought a fabric softener for washing clothes by hand onto the market in Egypt, Tunisia and Mexico, whose special formulation 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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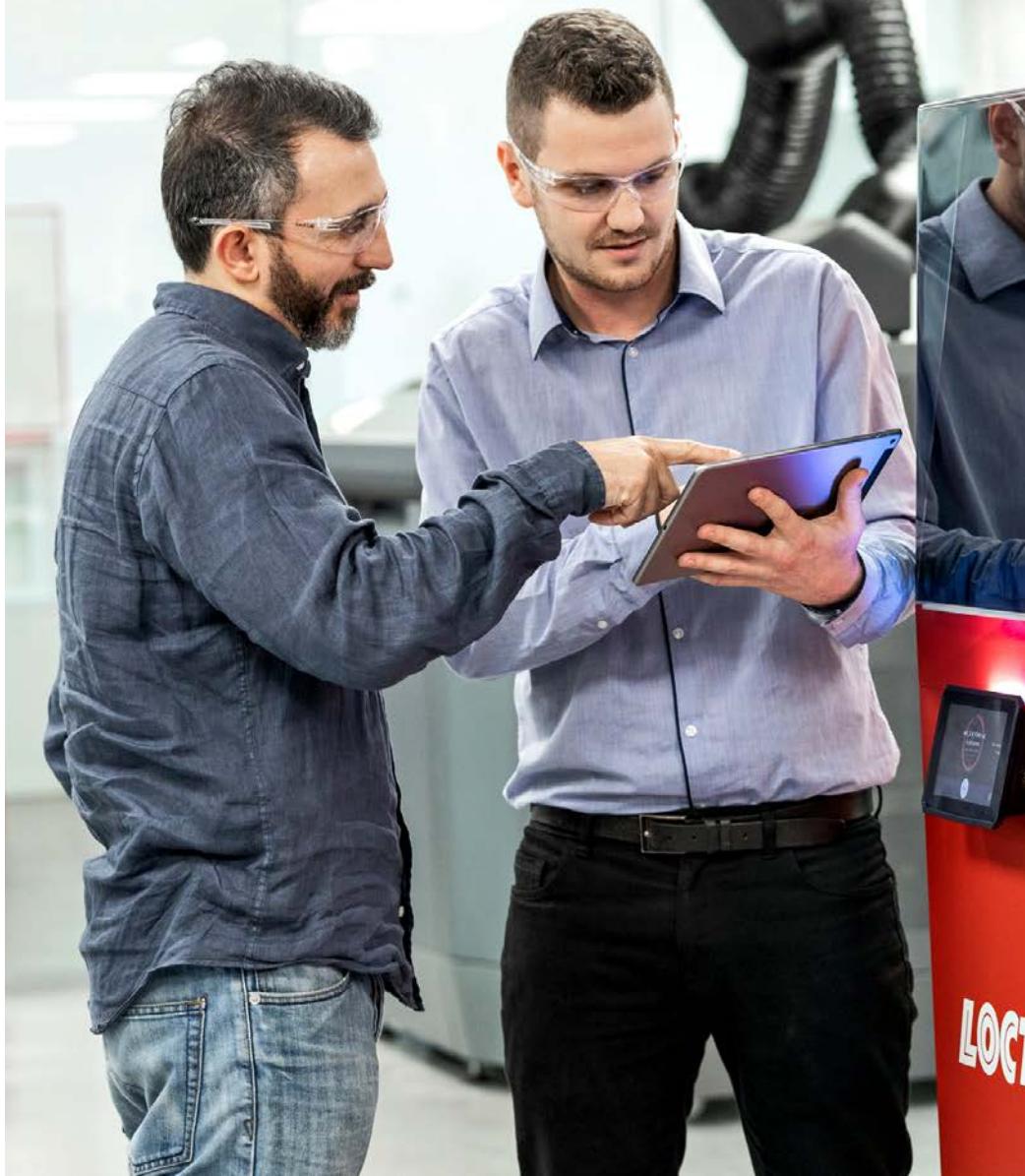
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- High-impact, sustainable solutions
- Collaborating with sustainable suppliers
- Taking advantage of renewable raw materials
- Henkel Sustainability#Master® – Technomelt CHS 700
- Developing sustainable applications
- Enabling sustainable designs
- Empowering resource-efficient performance
- Ensuring consumer safety
- Recycling packaging waste
- Raising awareness
- Driving social progress

Adhesive Technologies

High-impact, sustainable solutions

As a market leader for adhesives, sealants and functional coatings, we have a strong sense of responsibility to create **products and services** that drive progress toward sustainability. We actively support our customers and partners around the world in meeting rising expectations related to sustainability. From the automotive, aerospace and general industries through to electronics and food packaging, our high-impact solutions enable our customers to reduce energy consumption, cut emissions and manufacturing waste, increase worker safety and help consumers avoid emissions when using the final product. Our innovative solutions are the central element of our approach to sustainability – but we make further contributions ranging from the beginning to the end of the value chain.

We start by working with our suppliers to make sure environmental and social responsibility are built into the raw materials we use. At the next stage, we strive to improve the footprint of our own production activities. Beyond this, we collaborate with partners to develop a deep understanding of the specific challenges and trends facing each of our markets. This puts us in a unique position to provide our customers with solutions that enable them to design products that generate a reduced environmental footprint when being manufactured. And once these products are ready to leave the factory, they enable consumers to use them safely and efficiently, before disposing of them in a way that supports recycling or minimizes waste.



"As a global leader, we have an obligation to promote environmental and social responsibility along the entire value chain. We use our strong global presence across diverse markets to drive progress toward sustainability by working together with our customers, suppliers and other stakeholders."

Jan-Dirk Auris
Executive Vice President
Adhesive Technologies

Collaborating with sustainable suppliers

We create added value for our customers by acting as a supplier that shares their commitment to sustainability. However, we also recognize the potential benefits we can create for our customers by placing a strong focus on our own suppliers. In this spirit, we meet with our strategic suppliers each year to review their performance and evaluate how they are contributing to Henkel's sustainability targets – as well as our customers' targets and priorities.

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Each year, we present a → [Sustainability Award](#) to one of our suppliers in recognition of its outstanding contribution. In 2018, we presented this award to Covestro for acting as a key partner in identifying alternatives that can replace hazardous materials. Covestro's sustainable materials enable us to extend our range of safe and efficient manufacturing and design solutions for flexible packaging and wood engineering.



For the sixth year in a row, Adhesive Technologies presented its Sustainability Award to one of its suppliers – this year Covestro was awarded.

Taking advantage of renewable raw materials

We also work with our suppliers to explore potential renewable raw materials that offer a lower CO₂ footprint compared to fossil-based alternatives. Many of our products already take advantage of renewable ingredients – and we aim to increase our use of these materials wherever this is compatible with environmental, economic and social considerations.

As part of this approach, we are actively participating in several projects aiming to develop new supply chains for renewable materials. The open innovation project □ [GreenSolRes](#) is one example: This project aims to use levulinic acid – derived from waste wood pulp – to create alternatives to traditional fossil-based raw materials that are included in adhesives and pharmaceutical products. It brings together industrial partners, universities and research teams from across Europe to explore and evaluate potential new materials in terms of cost, environmental impact and technical performance. The project is funded with support from Henkel and is part of the BBI (Bio-Based Industries) program, which aims to encourage innovative technologies.

Henkel Sustainability#Master® – Technomelt CHS 700 in comparison to traditional adhesives for the furniture industry

	Value	Raw materials	Production	Logistics	Industrial Application	Service / Use	Disposal
Foreword	 Performance				Higher productivity		
Henkel overview	 Health and Safety					Formaldehyde-free	
Sustainability strategy	 Social Progress					Enables more sustainable furniture	
Management							
Purchasing and suppliers							
Production	 Materials and Waste	Higher yield, less material input			Reduces scrap		
Logistics and transport	 Energy and Climate			Reduced materials to transport	Reduced coating weight		
Sustainability stewardship	 Water and Wastewater		Less process water needed		Reduces wastewater		
Adhesive Technologies	Footprint						
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 Significant improvement



Developing sustainable applications

In addition to our involvement in open innovation projects like GreenSolRes, we work together with partners to help our customers turn challenges into a competitive advantage. For example, we supported our customers in the furniture industry in removing formaldehyde-based adhesives from their products. This success involved several collaborative activities. First, we worked with machine designers to create a process for laminating wooden panels with paper-based surfaces. This process uses one of our Technomelt adhesives: It cuts

waste by improving quality, increases productivity by decreasing downtime and also improves safety because it does not contain formaldehyde. → [Explanation of Henkel Sustainability#Master®](#)

The next step involved collaborating with our partners to develop a similar process for laminating wooden surfaces. The result is the new range of water-based lamination adhesives from our Aquence brand. These adhesives have the added benefit of containing bio-based raw materials, which further supports our customers in achieving their goals related to sustainability.

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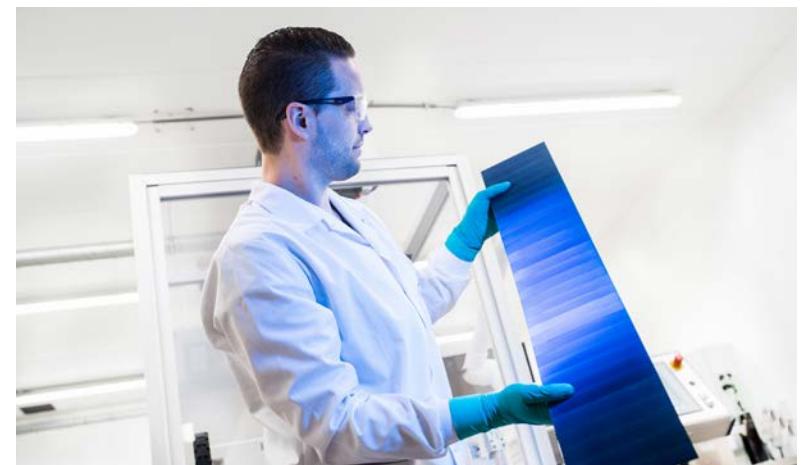
Enabling sustainable designs

Technologies from Henkel also enable our customers to explore innovative new designs that offer sustainability-related benefits. Our Loctite Purbond adhesives, for example, support the use of engineered wood in construction projects around the world. The technology is used in cross-laminated timber (CLT) – a construction material made of three or more layers of wood. Using CLT instead of concrete to construct an office building can save more than 510 metric tons of CO₂. The world's largest building made from CLT is bonded together using our adhesives.

Beyond its environmental benefits, CLT is almost 80 percent lighter and offers stability without the need for deep foundations – an important factor when building in urban areas where subway lines run below ground level. CLT also enables our customers in the construction industry to save time and money because it is faster to assemble.

Alongside facilitating the use of renewable materials, Henkel also provides customers with solutions that support the use of renewable energy. Our innovative electrically conductive adhesives (ECAs), for example, enable manufacturers to create next-generation solar panels that produce more power at a lower cost, with greater reliability.

Our range of Loctite Ablestik ECAs provides durable, flexible connections that enable new solar panel designs. Optimizing the configuration and structure of solar cells and modules can make it possible to convert more solar energy into usable electricity over a longer period of time. It also makes solar panels a more attractive investment by decreasing costs and increasing the output of a single solar module by as much as 10 percent.



Innovative electrically conductive adhesives from Henkel create a more efficient connection between the photovoltaic modules in solar panels.

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Solar panels also rely on coatings and other technologies that protect the surface and make sure they are able to operate at the highest level of performance for as long as possible. Coatings that reduce reflection, repel dirt or reduce static can boost the energy generation of solar modules while also making them more durable – reducing downtime and maintenance costs.

To strengthen our position as a leader in solutions for this market, Henkel recently invested in [Kriya Materials](#), a startup based in the Netherlands. It is developing metal oxide nano particle technologies for solar panels, as well as a range of further applications. It focuses on solutions that have a positive impact on energy efficiency and durability. For example, Kriya is also working on a solution that embeds nano particles between two layers of glass and blocks out infrared light while allowing visible light to pass through. This can be used to keep the inside of a building or car cool – significantly reducing energy consumption related to air conditioning.

Empowering resource-efficient performance

In addition to our work on coatings for solar panels, we also provide coatings that extend the lifetime of industrial machinery and equipment. Our range of Loctite Polymer Composite coatings, for example, enables our customers to protect industrial pumps against wear and tear. This is particularly important because machinery of this kind is often operated continuously, which can cause abrasion and corrosion of the pump – leading to production downtime.

The coatings can either be applied to the pump when it is manufactured or during maintenance of a pump that is already in operation. These technologies enable customers to increase the operational efficiency of their pumps by up to 12 percent, which can save more than 40 tons of carbon dioxide emissions per year for each pump by reducing energy consumption. Extending the life of the pump in this way can also save our customers time and money by avoiding the need to replace parts – or even the entire pump.



Henkel offers innovative coating solutions that protect machinery used in the oil and gas industry, increasing its efficiency while also extending its lifetime.

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Ensuring consumer safety

We use our deep industry knowledge and application expertise to help our customers make sure they are prepared for changes in legislation and consumer expectations well in advance. Back in 2008, our experts became aware of increasing consumer focus on Bisphenol-A (BPA), a molecule used in coatings that are applied to sheet metal when manufacturing food and beverage cans. While BPA is considered safe for use in these applications, many packaging manufacturers aim to proactively avoid materials that consumers may associate with risk in the future.

The result is a new portfolio of coatings that are designed and formulated to function without BPA – and that match the performance characteristics of coatings containing BPA. By switching to one of Henkel's new range of coatings, metal packaging manufacturers are able to keep up with changing customer demands.



Metal packaging manufacturers trust Henkel's coating solutions for food and beverages to ensure consumer safety.

Recycling packaging waste

Of course, our holistic approach to sustainability also includes measures after a product has been used. That is why our teams are engaging in partnerships that help our customers in the packaging industry respond to rising expectations related to recycling. One of our main focus areas is → **flexible packaging**, which consists of multiple layers of film and foil that are bonded together. These materials are commonly used to make packaging for food because flexible packaging is strong and tear-resistant, ensuring that freshness and quality are protected until the product is used. It also weighs less than alternatives, which reduces the carbon footprint created during transport. However, the different layers of flexible packaging can be difficult to separate during the recycling process.

Our experts are working with the Germany-based startup Saperatec to develop a solution to this challenge. Together, we are creating a technology that can be used to split the layers of flexible packaging and make the resulting material available for recycling. The solution has already been tested on a pilot line and is now being scaled-up for commercial volumes for post-industrial waste.



Together with external partners, we are developing a technology that can be used to separate the layers of flexible packaging to enable recycling.

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As well as our collaborative projects with partners like Saperatec, we are also involved in initiatives that bring together stakeholders from across the entire value chain. These include the [New Plastics Economy \(NPEC\)](#), an initiative promoting a circular economy.

Henkel is also a founding member of [CEFLEX](#), a consortium of around 100 European companies and organizations aiming to make flexible packaging easier to recycle. This type of packaging is made using several layers of film or foil, which are often difficult to separate. In 2018, we also invested 5 million British Pounds into an impact fund managed by Circularity Capital, which invests in companies that are developing products and business models with potential to drive progress toward a circular economy.

Raising awareness

We also provide our customers around the world with advice, training and service along the entire value chain. This involves maintaining continuous dialog and training them in how to use our products in their applications safely and efficiently. We also leverage this close contact to strengthen customers' awareness of sustainability.

Our experts provide stakeholders from the food and packaging industries with insights into current legislation and technical developments related to food safety. Our [Food Safe Packaging](#) knowledge platform offers white papers, webinars and eLearnings in a range of languages. Since its launch in 2013, more than 6,000 participants

have been able to communicate directly with Henkel experts during more than 110 webinar sessions. By sharing their knowledge, our teams enable producers to offer a very high level of safety in their food packaging.



Henkel experts share their knowledge about food safe packaging with customers around the world through regular training activities.

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Driving social progress

Alongside considerations related to safety and environmental responsibility, our global team also contributes to social progress by working with local communities and partners to create value. Our Welcome Home initiative, a program aiming to provide a safe home for families and children in need, entered its third year in 2018. Together with aid organizations, employees from the Adhesives for Consumers, Craftsmen and Building business area support the renovation and building of safe places to live. The goal of the program is to give people a foundation on which to build a better life through employee volunteering, raising funds and donating products.

One of the key activities in 2018 was a weeklong project in Varna, Bulgaria, conducted in cooperation with → **Habitat for Humanity**. Henkel employees, mainly from Bulgaria and Austria, supported the renovation of an apartment for a family who lost their home after a major flood. During the project week, a new façade with thermal insulation was installed, indoor walls were plastered and painted, and a new floor was put in place.



Building Homes, Changing Lives



Together with aid organizations, employees from Adhesive Technologies support the renovation and construction of homes for people in need.

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Beauty Care

Innovations for more quality of life

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 believe true beauty is individual and diverse. Our Schwarzkopf brand has been living this value for 120 years. We always focus on consumers when developing **new products**. We want to offer safe and sustainable products that deliver outstanding performance while motivating consumers to contribute to the responsible use of resources through their behavior. In addition, we accept our social responsibilities and cooperate with non-profit organizations to make a measurable contribution to social progress. One of our initiatives is Million Chances, which supports girls and women around the world in building a successful future through professional and personal development.

The mission of our Beauty Care business unit is to ensure that every innovation stands out for its performance and attractiveness, as well as for its environmental compatibility and social responsibility. As one element of our efforts to achieve this, we have made sustainability a fixed part of our innovation process. We had already determined the CO₂ footprint of all of our cosmetics product formulas three years ago. This enables us to analyze and implement possible improvements that make our products more sustainable at any time. Since 2017, we have created a compact sustainability report for every product formula. These reports complement the CO₂ profile with infor-



"Our products and services help consumers express their taste, style and creativity, empowering them to live lives full of confidence and positivity. At the same time, it is our mission to contribute to a better world with our sustainable innovations and social initiatives."

Jens-Martin Schwärzler
Executive Vice President
Beauty Care

mation about the amount of renewable and easily biodegradable ingredients contained in the product, and present details covering the water hazard class. In 2018, we integrated data about natural ingredients for the first time, in line with the ISO 16128 standard covering cosmetics products. At all times, the standardized methodology and comparability of the reports provides our developers with easy access to information about how our formulas contribute to sustainability, as well as full transparency about potential optimizations that reduce the overall footprint. On the following pages, we will share examples of products that stand out for their performance and sustainability profile.

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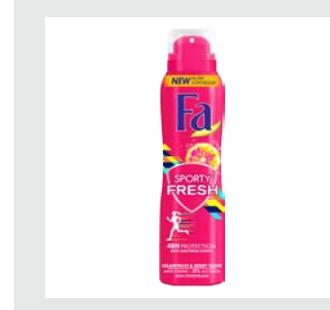
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Sustainable product examples

Fa deodorant

The new generation of Fa deodorants offers particularly strong protection against body odor thanks to its innovative scent capsule technology. The environmentally compatible capsules consist of silicone and starch, and quickly release their scent in response to moisture or movement. In addition, the new formula contains twice the amount of renewable raw materials. They include more than 30 percent ingredients from natural sources classified in accordance with the ISO 16128 standard. Moreover, the high-performance formula contains around 70 percent easily biodegradable ingredients. The deodorant also helps save energy and CO₂ because it no longer needs to be cooled during the production process and 25 percent of the packaging is made from recycled aluminum.

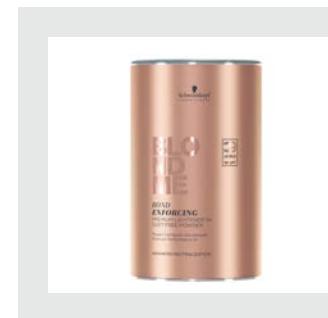


Our new scent capsule technology provides optimal performance and is environmentally compatible. The formula and packaging also save energy and cut CO₂ emissions during production.

BlondMe hair coloring

Blond is the most popular hair color, which makes it very important for hair salons. The new BlondMe range from the Beauty Care professional portfolio uses a patented bonding technology to protect hair during the coloring process. This technology also significantly

contributes to sustainability: The bonding ingredients are already integrated into the BlondMe product formula so that it is no longer necessary to use an additional product immediately before application. The resulting reductions in raw material use and packaging material enable savings of around 120 metric tons of CO₂ and more than 200,000 cubic meters of water.



BlondMe hair coloring features a patented bonding technology that reduces hair breakage during the coloring process. By removing the need to use an additional product, it also enables savings in water and energy consumption.

Together with consumers

Our goal is to increase the 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.

To be even closer to our consumers and understand their behavior better, we opened the Beauty Insights Center in 2018. The new center

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Recognize trends, adjust products to consumer demands and test reactions to new formulas: All this is possible in our newly opened Beauty Insights Center in Düsseldorf.

for consumer testing at our Düsseldorf site offers fully equipped bathrooms where our Henkel experts can study the specific and individual use of our products. We can test and improve our existing and newly developed products in the testing center, while also gathering inspiration for new innovations by observing consumer behavior. We believe the only way to develop and effectively communicate resource-efficient product applications is by comprehensively understanding our consumers' behavior.

We use our brands to inform customers and consumers about the sustainable use of products and to give them suggestions for how to use resources responsibly. As a contribution to the overall Henkel goal of helping consumers save 50 million metric tons of CO₂ by the year 2020, Beauty Care launched the  **BeSmarter** initiative in 2016. 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. At first, the initiative was particularly focused on water as a resource, as well as on the energy-intensive process of generating hot water. In a regular 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. The next step in this initiative addresses recycling, particularly the responsible use and disposal of packaging. Consumers are informed and made more aware of 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 BeSmarter initiative comprises ten brands and 31 countries.



In the second phase of the BeSmarter initiative, we aim to raise consumer awareness of topics including recycling and managing waste within a circular economy.

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Partnerships for sustainable solutions

For many years, our Beauty Care business unit has been focused on new innovations that contribute to sustainable development. Together with our partners, we develop solutions along the value chain. Promoting a → **circular economy** is an increasingly important topic and also one of our goals at Henkel. Our Beauty Care Hair Professional Team in Los Angeles has established a new partnership with **Green Circle Salons** to recycle and reuse salon waste for new purposes. Six different bins were delivered to our test salon. Each bin should be used for a different type of waste, such as aluminum hair spray cans, tubes and bottles from other cosmetics products, or hair from haircuts. This waste, which normally goes into landfills, is recycled by Green Circle and processed to make new items including additional bins for collecting salon waste. Implementation is simple because Green Circle Salons offers employees training in how to dispose of materials correctly. In addition, they provide the bins and have the waste transported from the salon to the recycling center. Thanks to this partnership, our salon waste finds a new purpose instead of ending up in a landfill.



A Henkel employee shows how to properly recycle salon waste in the different bins from Green Circle Salons.

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. By 2020, we want to reach 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 2018, we had supported a total of around 115,000 girls and women in cooperation with international welfare organizations and thanks to the voluntary involvement of our employees.

The initiative's activities include offering young women support when preparing to enter the job market. Together with Plan International in Egypt, young women received training in preparing for job interviews and identifying professional education paths that can improve their chances on the job market.

The first Schwarzkopf Million Chances Award

In 2018, we presented the **Schwarzkopf Million Chances Award** for the first time. It honored four non-profit projects for their outstanding commitment to supporting girls and women. Projects and initiatives 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 three categories: Projects in the "Build Up" category support girls of elementary school age. "Move Up" initiatives

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support young women in gaining the best possible entry into employment, and projects in the “Start Up” category support women make a new start into their professional or private lives. The winner of the fourth award was decided through a public voting process.



The recipients of the first Million Chances Award (left to right): Waris Dirie (Desert Flower Foundation), Elisabeth Schöppner (Girls’ Day), Doreen Perwas and Gabriele Möhlke (Social Business Women e.V.), and Sunny Graff (Frauen in Bewegung e.V.).

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 plastic pollution in the oceans while also creating new opportunities for people living in poverty. By creating three new collection centers for plastic waste in Haiti, it was possible to collect around 63 metric tons of plastic in 2018. The local population receives money, goods or services in exchange for the collected plastic. The plastic waste is sorted and processed, and ready for introduction into the recycling value chain as Social Plastic®: Material that has been verified by the Plastic Bank to indicate that the collectors received an above-market price for the plastic waste. This enables single mothers, for example, to achieve an income to support their lives or pay for their children to attend

school. The first pilot tests for the use of Social Plastic® in cosmetics packaging were successful. We are planning to launch special edition products in packaging made from this material in 2019. The opening of additional collection centers is also planned, to further increase the availability of Social Plastic® – while helping more people in poverty.



In 2017, Henkel teamed up with the Plastic Bank, a social enterprise. Our common goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. In Haiti, local communities can receive money, goods or social services in exchange for collecting and recycling plastic waste.

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. Since 2010, Schwarzkopf Professional and non-profit organizations have offered young people the opportunity to obtain training in basic hairdressing techniques to establish livelihoods. One example is Bui Van Son, who was trained in 2012 together with 24 other young adults from an SOS Children’s Village in Vietnam as part of Shaping Futures. After completing his training, he successfully worked in several hair

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salons. Four years after starting his training, Son returned to his home region to open his own hair salon and work as a trainer as part of the Shaping Futures initiative. Since its foundation, the Shaping Futures initiative has trained over 2,200 young adults from 30 countries thanks to the efforts of volunteer hairdressers. In 2018 alone, the initiative conducted 23 training courses in 19 countries, including its first ever activities in Georgia and Armenia.



The Shaping Futures initiative from Schwarzkopf Professional gives young people the opportunity to obtain training in basic hairdressing techniques and establish livelihoods. The picture shows Bui Van Son, who was trained by Shaping Futures and now works as a trainer for the program.

New self-confidence for cancer patients

With Million Chances, Beauty Care is also a partner of  **DKMS LIFE**'s "look good feel better" patient program. Since 1995, the non-profit organization has been holding free cosmetic seminars to empower female cancer patients with a new sense of self-esteem and courage during cancer therapy. For nine years now, Beauty Care and DKMS LIFE have been organizing the Düsseldorf Charity Ladies' Lunch to promote their commitment to female cancer patients.

The  **National Breast Cancer Foundation** in the United States also became a partner of Million Chances in 2018. We support this initiative through donations and fund-raising campaigns. In exchange, our employees in North America receive information about topics including breast cancer.



In October 2018, a Hair Donation Day was held at our site in Stamford, USA, as part of Henkel's engagement for cancer patients. The picture shows Wendy Gutkin (hair stylist) and Sara Bankers (donor) during a hair donation for cancer patients. Around three meters of hair was donated by Henkel employees and their families on this day.

Henkel Sustainability#Master® – Nature Box

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	Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
	 Performance						
	 Health and Safety						
	 Social Progress	Sustainable farming of guar / palm oil			Collaboration with Solidaridad		
	 Materials and Waste	Up to 95% nature-based ingredients			Vegan formulations		Packaging made from 25% recycled plastic
	 Energy and Climate		100% cold-pressed, natural oils				
	 Water and Wastewater						
	Footprint						

 Significant improvement


The Henkel Sustainability#Master® shows the sustainability profile of the new hair and body care brand Nature Box. It comprises five hair and skin care product lines that contain, among other ingredients, 100 percent cold-pressed oils from fruit seeds or stones and nuts: avocado, coconut, apricot, almond, and macadamia. All important nutrients remain intact during the cold-pressing process, which is a particularly gentle extraction process. The formulas protect the skin against drying out and have a nurturing and smoothing effect. The oils used in Nature Box products are vegan and free from silicones, artificial colors, sulfates and parabens. The formulas contain

up to 95 percent nature-based ingredients in accordance with ISO 16128, the standard specifically developed for cosmetics products. Nature Box combines high production and quality standards with a long-term sense of responsibility. For this reason, Nature Box collaborates with international development organizations and supports small-holders in the → sustainable farming of guar and palm kernel oil, both of which are raw materials used to make ingredients found in the product range. The shampoo, conditioner, shower gel and body lotion bottles all consist of 25 percent recycled plastic. → Explanation of Henkel Sustainability#Master®

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- Research for increased sustainability
- Sustainable product examples
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- A.I.S.E. Charter and other initiatives
- Henkel Sustainability# Master® – Persil

Laundry & Home Care

Creating value with sustainable innovations

Consumers' expectations mirror our own ambitions: We want our products to satisfy the criteria of quality, environmental compatibility and social responsibility. This is because we view these three factors as drivers for innovation and as the basis for our future competitiveness. The Laundry & Home Care business unit's research and development strategy brings together innovation and sustainability, and places a strong focus on resource-efficient  technologies and products. Each new product must make a contribution to sustainability in at least one of Henkel's six focal areas.

Fostering resource-efficient consumption is an important objective. 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-minded behavior while using our products. Through 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.



"Our strong brands make a positive contribution to reducing our environmental footprint along the entire value chain through innovative formulas, increasingly efficient production processes and smart packaging solutions."

Bruno Piacenza
Executive Vice President
Laundry & Home Care

It is also important to work hand-in-hand with our retail partners to advocate sustainable consumption together. As part of the "Say yes! to the future" sales initiative, we train our employees in sustainability topics that are relevant to sales.

The innovation rate for the Laundry & Home Care business unit was around 45 percent in 2018. In other words, the business unit generates around 45 percent of its sales with products that have been on the market for less than three years. Moreover, Henkel has been

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using ingredients based on renewable raw materials for decades. In 2018, around 30 percent of the organic ingredients in our laundry detergents and household cleaners were derived from renewable raw materials.

In its approach to innovation management, Laundry & Home Care places an increasing focus on collaborative research and open innovation, harnessing the capabilities of external innovation partners such as universities, research institutes, suppliers and customers. Collaboration often begins before the actual development phase, in order to understand precisely what customers and consumers need, and to develop customized sustainable innovations for them.

Research for increased sustainability

Henkel has been supporting outstanding research at leading universities for many years. In 2018, the Laundry & Home Care business unit presented the Laundry & Home Care Research Award for the ninth time. Dr. Thiemo Faßbach was honored for his research into washing-active substances, known as surfactants, at the Technical University Dortmund. Among other things, Dr. Faßbach used terpenes, olefins and sugar extracted from plants as components to create new washing-active substances. The decisive element in this process was the use of a suitable catalyst to accelerate the reaction. Together with the industrial partner, a patent application was submitted for several substances. The research generated a total of twelve scientific publications. The results of Dr. Faßbach's work are an important component of the further development of resource-efficient and climate-neutral products.



Prof. Dr. Thomas Müller-Kirschbaum (right), Global Research and Development Manager at Henkel, and Dr. Arndt Scheidgen (left), Manager of International Product Development at Henkel, present the Laundry & Home Care Research Award 2018 to Dr. Thiemo Faßbach.

Sustainable product examples

New liquid detergents with higher concentration

Our new generation of liquid laundry detergents shows that outstanding washing performance can go hand-in-hand with sustainability. It is 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 new generation of liquid laundry detergents from our Persil, Spee, and Weißen Riese brands offers up to 40 percent more stain-removal power per unit of volume. Our product development process placed particular focus on stain removal at low temperatures. This enables our consumers to achieve excellent results when washing their laundry at low temperatures, and even when using cold water.

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The new liquid detergents from the Persil, Spee, and Weißer Riese brands are more concentrated than their predecessors. Now, only 50 ml of laundry detergent are needed instead of 73 ml per load – even at low temperatures. Additional contributions by the Persil brand can be found under → [Henkel Sustainability#Master®](#).



To motivate consumers to do their laundry in an environmentally compatible way, Henkel developed a special logo with the slogan “be sustainable – wash cold.” It is placed on our laundry detergent packaging and aims to encourage consumers to save energy when doing their laundry.

In addition to its improved washing power, our new generation of liquid laundry detergents makes an important contribution to the reduction of our footprint along the entire value chain: We save 3.5 million kilograms of plastic per year in the production of the new bottles. Thanks to the more concentrated formula and a water-efficient production process, we use 120 million liters less water per year. In addition, we save 4.2 million kilograms of CO₂ per year during the transport of our new generation of liquid laundry detergents and make it possible to take 7,000 trucks off the road per year. After use, the more compact bottles generate 50 million kilograms less plastic waste. The empty bottles are fully recyclable and can be introduced into the recycling process via disposal systems. To encourage our consumers to do their laundry in a more sustainable manner, we developed a new logo with the slogan “be sustainable – wash cold.” This helps to save an additional 724 million kilograms of CO₂ emissions during the application phase.

Pro Nature – up to 95 percent ingredients from natural sources

The products from the Biff, Sidolin and Pril brands contribute to sustainability in three ways: through their ingredients, through sustainable packaging and through our social engagement. At the same time, they offer hygienic cleanliness, a visible sparkle and grease-dissolving power. All formulas consist of up to 95 percent ingredients from natural sources, while protecting our waterways and the environment because they only use easily biodegradable surfactants and raw materials from sustainable sources. The products are certified in line with the independent eco-label The Blue Angel, which is owned by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety. This eco-label designates products that meet high environmental, health, and consumer standards and that are more environmentally compatible than comparable products. The new bottles also make a contribution to sustainability: Since 2018, the spray bottles and Pril Pro Nature bottles have been made from 100 percent recycled plastic. The bottles are also fully recyclable once the attached foil sleeve, which has a perforated seam, has been removed. The Pro Nature product line also offers refillable packaging, which enables consumers to reuse the original bottle. Purchasing products

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from the Pro Nature product line also supports social engagement through our partnership with the → [Plastic Bank](#).



The spray bottles and bottles of Pril Pro Nature consist of up to 95 percent natural ingredients and are certified with the Blue Angel eco-label. The packaging is made of 100 percent recycled plastic and is fully recyclable.

Somat Gold 12 Multi-Aktiv with an improved formula

In 2018, the improved formula of Somat Gold 12 Multi-Aktiv achieved even better performance in terms of deep cleaning and removing stubborn dirt. Somat products already made a significant contribution to reducing energy and water consumption by delivering full performance even when used in low-temperature programs and without pre-soaking. The modernized tabs now also come in new packaging made from a water-soluble and biodegradable foil. This reduces waste and makes them easier to handle because they do not need to be unpacked.

Sustainable packaging solutions

The key goals of Henkel's packaging developers are the reduction and reuse of packaging materials, as well as the increased → [use of recycled materials](#). Together with its long-term partner, the packaging manufacturer Mondi, Henkel is working to increase the use of regranulate in the flexible packaging for its detergents. Our goal is to develop solutions that enable more recycled plastic waste to be used in highly functional, aesthetically pleasing composite materials for flexible packaging. In this way, the packaging of consumer goods will be better equipped to meet the environmental requirements of a circular economy. Henkel and Mondi are also working together with the plastics producer Borealis and recycling technology company APK AG as part of a joint development project aiming to significantly improve the sustainability of flexible packaging that consists of multiple layers. APK AG has developed a solvent-based process called Newcycling® that enables the recovery of high-quality, clean-grade materials from complex multi-layer packaging. It makes it possible to recover sorted regranulates that offer properties similar to those of newly produced plastic materials.



Since December 2017, all 1.5-liter bottles of Perwoll Wolle & Feines laundry detergent produced in Germany are made using 20 percent recycled HDPE (high-density polyethylene).

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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, three new plastic collection centers have been built in Haiti. 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.



Generating value from plastic:
Local communities in Haiti can return collected plastic waste and exchange it for money, goods, or social benefits. Since launching our partnership with Plastic Bank, we have built three new plastic collection centers and a total of 63 metric tons of plastic have been collected.

This Social Plastic® is then reintroduced into the plastic recycling value chain. The first **Henkel packaging made using Social Plastic®** has been available since October 2018. Packaging developers from the Laundry & Home Care business unit were able to use the recycled plastic in 25,000 laundry detergent and household cleaner bottles from the Sidolin and Silan brands.



The first Henkel packaging containing Social Plastic® has been available since October 2018. The plastic was collected in Haiti, then sorted and subsequently introduced into the recycling value chain. We plan to further expand our use of Social Plastic® in 2019.

Persil supports “NaturKinder”

As part of the “NaturKinder” initiative, Persil and the German drugstore chain Rossmann have been helping children develop environmental awareness. Since it was established in 2013, the initiative has supported 66 projects run by schools, kindergartens, and non-profit organizations to teach a responsible approach to nature.



A school with its own garden? A solar-powered fountain? Sometimes a small change can make a big difference. The “NaturKinder” initiative from Persil and the German drugstore chain Rossmann aims to give children valuable experiences and exciting moments of learning.

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A.I.S.E. Charter and other initiatives at the association level

□ A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, has helped the European laundry and cleaning detergent industries play a leading role in sustainability for many years. As a long-standing member of the association, Henkel was the first company to successfully fulfill the criteria of the "A.I.S.E. Charter for Sustainable Washing and Cleaning" in 2005. The criteria for this Charter were further developed and amended with the important "products" dimension, and since 2010 it has been possible to show that a product has been manufactured by a company that operates sustainably while also showing that the product itself has a positive sustainability profile. In the "Laundry Detergents" category, for example, four criteria are of particular importance: environmental safety of the ingredients, resource efficiency with regard to dosage and packaging materials, washing performance at low temperatures, and consumer information. Products that satisfy all of the requirements may place the A.I.S.E. Charter logo, introduced in 2011, on their packaging. Our liquid and powder laundry detergents, fabric softeners, automatic dishwashing products, hand dishwashing liquids, all-purpose cleaners, special spray cleaning products, and toilet cleaners all meet the criteria for these product categories.

In 2018, Henkel supported the A.I.S.E. project for resource efficiency of liquid laundry detergents and introduced more concentrated liquid laundry detergents in Europe – with the overarching goal of reducing the impact of laundry detergents on the environment, as well as reducing packaging material and transport requirements. The A.I.S.E.-issued dosage recommendation is 55 ml per load for normally soiled laundry and medium water hardness. Henkel has gone one step further than this and now offers its liquid laundry detergents with even more concentrated formulas so that 50 ml is sufficient for one load of laundry instead of our previous recommended dosage of 73 ml.

In addition, Henkel continues to support the A.I.S.E. online education campaign "Keep Caps from Kids." It explains why it is so important to keep liquid detergent capsules out of reach of children. The website □ www.keepcapsfromkids.eu is available in all EU languages and illustrates how liquid detergent capsules can be safely stored and used.

Henkel Sustainability#Master® – new generation of Persil compared to Persil Universal liquid detergent

	Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
Foreword	 Performance			Efficient loading	Efficient loading	Better grease-dissolving power	
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Sustainability strategy	 Social Progress				eCommerce-certified		
Management							
Purchasing and suppliers							
Production	 Materials and Waste	Targeted selection of raw materials			Less secondary packaging	Easier emptying	Less plastic packaging
Logistics and transport	 Energy and Climate		Less energy	Optimized transport		Low-temperature CO ₂ savings	Recyclable plastic packaging
Sustainability stewardship	 Water and Wastewater	Water usage	Water usage				
Adhesive Technologies							
Beauty Care							
Laundry & Home Care							
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Footprint	<input type="checkbox"/> Significant improvement					
 Performance						
 Health and Safety						
 Social Progress						
 Materials and Waste	Targeted selection of raw materials					
 Energy and Climate		Less energy	Optimized transport			
 Water and Wastewater	Water usage	Water usage				

Laundry & Home Care was able to increase the stain-removal power of its new generation of Persil liquid laundry detergent by 40 percent per unit of volume. Due to the more concentrated formula, consumers now only need 50 ml of the product compared to the previous dosage of 73 ml per load – even when washing at lower temperatures. The premium brand also offers unique stain-removal power through

exclusive polymers that remove particularly strong grease stains and through enzymes that successfully combat starch stains. At the same time, the product makes a positive contribution to sustainability through energy-efficient production, optimized transport, more efficient load sizes and fully recyclable plastic packaging.

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



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- Strengthening our global team
- Employee development
- Compensation and benefits
- Diversity & Inclusion
- Dialog and culture
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Strengthening 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. Six years ago, Henkel launched the → **Sustainability Ambassador program** to anchor this understanding in all of our 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 both in their working environment as well as in their private lives. It is our aim to



"We are proud of our employees. Together, we are creating sustainable value for our customers, for society and for our company. This is only possible when we enable all employees to reach their full potential."

Kathrin Menges

Executive Vice President Human Resources and Infrastructure Services

train all of our employees and encourage them to become Sustainability Ambassadors. We have reached almost all of our employees with our combined efforts and target-group-specific training approach, which is part of the onboarding process for new employees. 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

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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.



Henkel's Sustainability Ambassadors are encouraged to visit schools to teach children about sustainable behavior in the home. At the Schloß-Gymnasium in Düsseldorf, Germany, students learned more about CO₂ and climate change.

Employee development

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 on performance and potential serves as a foundation for their development. As a result, development measures can be defined individually that address both the company's needs and the employees' potential. To meet our employees' needs even more specifically, we have further expanded our → [digital learning offers](#). We are also strengthening the development of digital skills, so we can successfully leverage the opportunities presented by digitalization.



Our training programs

Henkel offers 23 vocational training and dual-study programs in Germany. A first-ever apprenticeship for eCommerce business managers was also added as an option in 2018. In the new training year, a total of 161 new apprentices and students have started a vocational or professional qualification at Henkel in Germany. In selected emerging markets, we offer various trainee programs that are specifically tailored to the needs of the respective country.

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Assessment and 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 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.
- **Our managers** and selected non-managerial employees are assessed every year in the globally standardized Talent Management Cycle. The first step is for the employee to give a self-assessment of their performance and their potential to their supervisor. Several supervisors from the same department then discuss the performance and potential of their employees together, in order to ensure that the assessment is balanced. It is made on the basis of uniform principles and clearly defined criteria relating to performance, such as customer orientation, and potential, such as being

convincing and influencing. Supervisors discuss the assessment results with their employees in personal feedback meetings and, together, they agree on individual development measures. These meetings foster professional and personal development, while also facilitating targeted and long-term career planning. In 2018, more than 1,200 managers were promoted.

Life-long learning

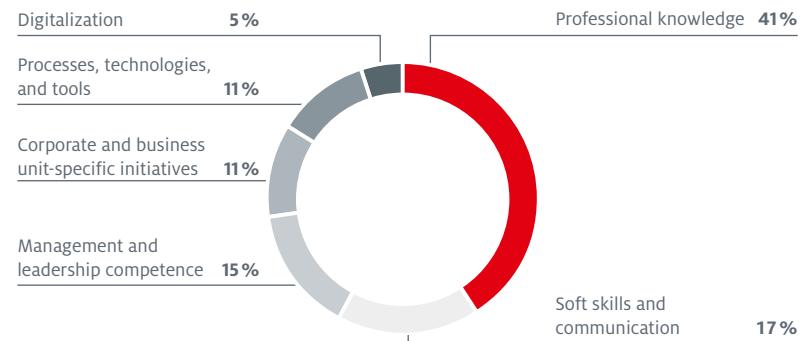
We believe that life-long learning is a central factor in further development, especially given that knowledge becomes outdated much more quickly than it did a few years ago. An important element for us is learning as part of everyday work and through handling a varied range of tasks. Henkel encourages this, particularly through the opportunity 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. We support internal knowledge transfer by making greater use of digital communication channels. We have also extended our training courses with new digital and modular formats that can be integrated more easily into everyday working practices.

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Training categories in 2018



- 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. On our global intranet, our employees have access to the Henkel Global Academy, which hosts all formal training courses together. These include basic knowledge – such as management, process, and software training – as well as content specific to our business units. Against the background of digitalization, we have introduced an initiative called Digital Upskilling to support our employees in expanding their digital knowledge. The initiative has two components: BaseFit – a quiz which shows employees how digitally savvy they are, and ExpertFit – a self-review test that is targeted to specific job roles. Based on the results, 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. Leadership skills also represent a key element of the learning content. We want to foster a global, → **value-oriented leadership standard** that takes account of different regional and cultural aspects. For example, we communicate content via a training program that specifically and gradually prepares the leaders of tomorrow for their leadership responsibilities.

- Digital learning formats** play an increasingly important role for us in making training opportunities available flexibly worldwide. We increasingly complement general in-person training courses with interactive eLearning courses, videos and webinars. Since 2017, all employees with PC access have had access to more than 9,500 online courses in German, English and Spanish as part of a partnership between Henkel and Lynda.com. Lynda.com is part of the LinkedIn professional network and is a leading online training platform that is now also available through the Henkel Global Academy. It supports the expansion and deepening of software, creative and business skills, and contributes to the achievement of professional and personal goals. As of 2018, Lynda.com is also available on all mobile devices, which is particularly helpful for employees who are on the road a lot.

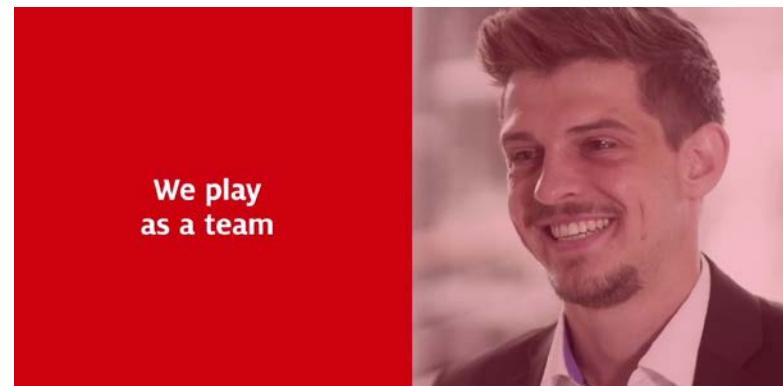
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Working digitally

Digitalization is fundamentally changing the world of work. It creates new opportunities and challenges in the way employees collaborate, communicate and contribute to the company's success. We 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 make contact with each other, we can reinforce interdisciplinary thinking and better exploit our existing knowledge potential. Digital solutions help us to learn from each other, while also enabling us to work together more efficiently. As a result, project work and collaboration between teams are also increasingly supported digitally. This enables us to work on projects quickly and flexibly, and to exchange information quickly and personally in a virtual context. In searching for the best talent, we increasingly use digital



Eike Dominiak explains what he thinks makes working at Henkel so attractive: an open corporate culture with a lot of knowledge transfer between young talents and very experienced employees.

channels to showcase what makes Henkel an attractive employer. Since our employees are the best judges of this, we have invited them to share their perspectives on social media channels including [LinkedIn](#) and [Facebook](#) under the hashtag #MyStory@ Henkel.

Flexible working

At Henkel, we measure performance by results and not by presence. This is why we have been promoting flexible working models for years. Based on a culture of trust, part-time work, flexible working hours, new workplace concepts and mobile working are a natural part of our work. 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



We believe it is important for our employees to have a say in their working time schedules and workplace designs according to 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.

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2012, the Management Board has long emphasized that this is an important topic at Henkel.

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, for scheduled or for 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.

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 medium-term financial targets and each person's individual performance. Some of our employees not subject to collective agreements and managers with direct responsibility for sales are compensated through separate bonus arrangements, instead of the STI, which focus on success in selling. Our top managers are only entitled to payments under 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 encourage forward-looking behavior that increases our company's value and rewards the achievement of long-term goals.

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- 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. Details of this can be found in the remuneration report in the [Annual Report](#), pages 42 to 61.

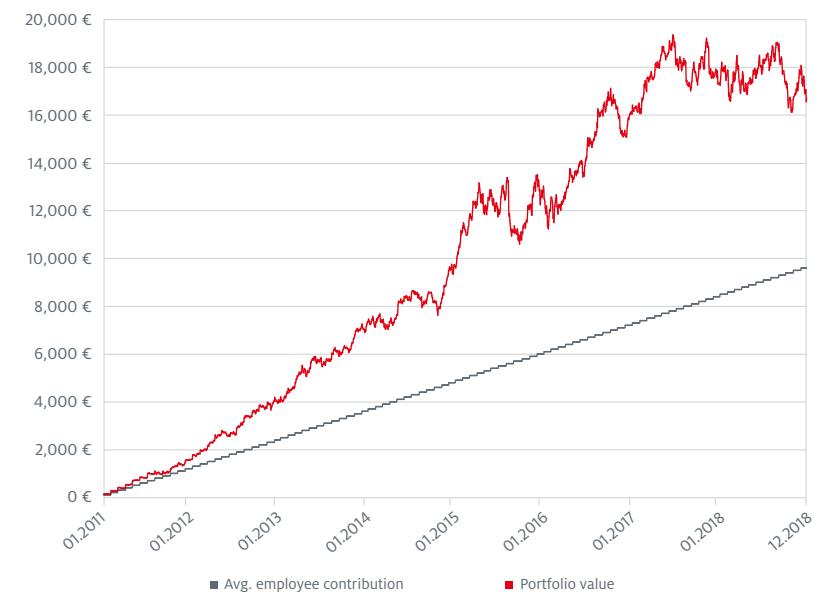
We always assess the performance of our employees in the context of our vision and corporate values. We are committed to leadership in sustainability – this is one of our five corporate values. Correspondingly, contributions to Henkel's sustainability strategy and to its targets form part of the comprehensive 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 program

We believe it is important for our employees to share in the success of our business. This not only improves motivation, but also identification with the organization. Since 2001, Henkel has offered an employee share program. 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 and their retirement. For each euro invested in 2018 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added 33 eurocents. Around 12,200 employees in 58 countries purchased Henkel preferred shares under this program in 2018. At year-end, around 15,600 employees held a total of around 2.4 million shares, representing 1.4 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.

Development of an employee share portfolio for a monthly investment of 100 euros since January 2011



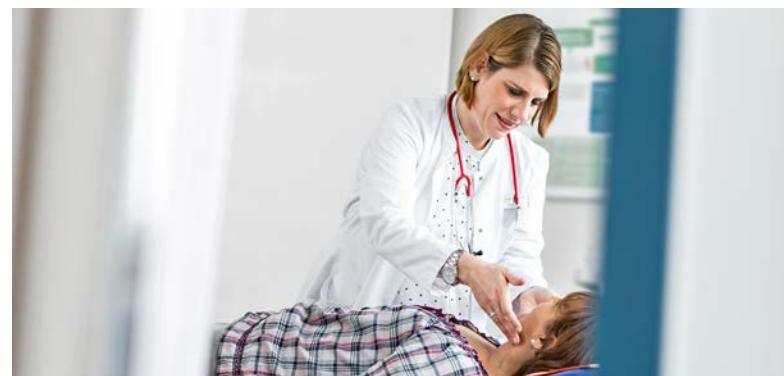
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Our contribution to social security

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 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 our employees in Germany 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 2018, Henkel expanded the existing range of social benefits we offer by adding the supplementary corporate long-term care insurance CareFlex. It was developed together with the Industrial Union for Mining, Chemicals and Energy (IG BCE). In this way, Henkel is able to offer

all of its approximately 9,000 employees and trainees in Germany 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. This unique type of insurance was made available in Germany for the first time in September 2018. It took effect from January 2019 onwards.

Diversity & Inclusion

The diversity of our employees with their individual differences and perspectives is essential to our strength and innovative capabilities. Consequently, Henkel has been focusing on the subject of Diversity & Inclusion for more than ten years. We want to create an inclusive working environment in which every employee is valued and individual performance is recognized. With numerous programs, training courses and workshops, we strengthen understanding of diversity and appreciative behavior. Our → [flexible working models](#) also contribute to our employees being able to maximize the use of their abilities in various life stages.

What we mean by diversity and inclusion

On principle, we 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. We aim to develop the full potential of our employees, regardless of external circumstances. To do so, we want to identify and remove barriers in our thinking and in our processes.

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We are convinced that a diversified workforce and an open and appreciative corporate culture are important success factors in a globalized world. With our Global Diversity & Inclusion policy, we have promised to further strengthen diversity and appreciative behavior at Henkel.

We want to create an inclusive working environment that fosters all dimensions of diversity. We pursue a holistic approach, which includes individual personal characteristics as well as experience, knowledge, and skills. Examples are:



In June 2018, the Global Diversity Week was held for the sixth year running. Various activities were offered under the motto "Let's talk agility!", including digital mentoring, flexible work solutions, agility training and inclusion workshops. During the Diversity & Inclusion workshop in Egypt, shown above, the teams discussed the importance of diversity in the work environment.

- **Generations:** We encourage → **life-long learning** across all generations through appropriate training measures. Specifically, we use mentoring in different business units and countries to promote knowledge transfer and a change of perspective between experienced and less experienced employees. Societal changes, such as the aging population in industrialized countries, pose substantial challenges for companies. To address this demographic development, Henkel, in collaboration with the Rhenish-Westphalian Technical University in Aachen, Germany, has developed a → **"demography radar,"** which we can use to simulate the age structure of our workforce in Germany under particular conditions. With this information, we can better meet the challenges posed by demographic changes. We also offer our employees a wide range of programs for → **maintaining health**.

- **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 both our female and male employees to balance the planning of their career and their personal life. In 2018, the proportion of women in management positions was around 35 percent.

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Semi-retirement at Henkel

At Henkel, we want to use our TANDEMS concept (part-time work and training to normalize demography in shift work) to take an active role in the demographic change. The semi-retirement model enables our employees involved in shift work and in the fire service at all German sites to gradually move away from shift work, which increasingly takes its toll over the years. At the same time, we encourage the targeted training of qualified young people by having their experienced colleagues coach them in direct preparation for a specific role. This ensures that we keep many years of knowledge within Henkel and improves the company's future viability.

- **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 a reasonable way. We support our employees by offering them → **flexible working models**. We also actively help families in achieving a work-life balance, for example, through the provision of childcare and our → **social services**.



Reliable childcare is a decisive factor in achieving a work-life balance for working parents. Henkel offers counseling and support to its employees returning to work from parental leave in many countries to help them find suitable childcare facilities. At the Düsseldorf site there are 240 childcare places in three company daycare centers. In 2015, the first Henkel company daycare center outside of Germany was opened in Bratislava, Slovakia. Childcare places for 100 children from two years of age were created here.



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Integrating 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.

Our Shared Service Center (SSC) 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. In 2018, an informative campaign was carried out at all three locations in the Philippines, as well as a disability equality training session that was conducted together with the NGO Leonard Cheshire Disability Philippines Foundation. The training included a real simulation of how to interact with people with disabilities and gave our employees the opportunity to get first-hand experience of how to deal with different types of disabilities. In 2018, the SSC Manila also participated in different forums, where Henkel shared its experience of integrating people with disabilities with other companies.

Dialog and culture

We are committed to communicating openly with our employees and their representatives and pursuing a constructive dialog. Our goal is to inform them about important issues early on 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 order to remain competitive and sustainable in the future.

Our leadership culture

Our managers have a special importance in employee dialog, as they embed our values and corporate culture in the workforce. An appreciative leadership style that takes into consideration the skills 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**. In 2018, we also introduced the Quarterly CEO Update, in which Hans Van Bylen, the Chairman of the Management Board, communicates the quarterly results. The event, which is held at Henkel's headquarters in Düsseldorf, is open to all managers worldwide and gives them the opportunity to ask questions and engage in an open dialog with the Chairman of the Management Board, other members of the Management Board and top management, both in the global live broadcast via Skype and onsite.

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During the Quarterly CEO Update event, Chairman of the Management Board, Hans Van Bylen, comments on the business performance in the past quarter, and on internal and external challenges. He also thanks all employees for their dedication and contribution.

Employee representation

Our various employee representative bodies play a key role. An in-depth exchange of views and consultations with the management takes place both at the operational level, for example, with the local works councils, and across companies with the trade union. We inform our employee representatives regularly and on a timely basis and give them as much detail as possible, for example, regarding the corporate strategy or planned acquisitions. In countries where no employee representation is planned or established, the 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 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, shift-work and break times, → **accident prevention** and → **health protection** in the workplace, → **company pension plans and retirement schemes** through to 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 successfully 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. We aim to reach agreements with socially compatible arrangements for the particular employees. To date, we have been able to manage the necessary restructuring measures while reconciling interests. The actions involved range from early retirement through to support with professional reskilling and refocus.

Health and vitality

We promote the health and vitality of our employees to help create an agile and 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 that could lead to illness. The broad range of health services offered at the 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.



Henkel's comprehensive corporate healthcare management was honored with the German Corporate Health Award 2018 and won first place in the "consumer goods" category. All participating companies were evaluated based on standardized qualification criteria. This was followed by industry comparisons, analytical discussions and ultimately a full-day, on-site corporate health audit. The Henkel health management received top marks in all audit areas.

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 almost 110 years ago, has developed into a professional approach to global health management.

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Since 1910, nurses have been tending to the health of workers in "sickbays" initially set up as medical care facilities. In July 1940, the company's Corporate Health Services officially started with a staff of three company doctors.



As recognition for our 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" dated 1997.

In order to ensure holistic healthcare at all sites, we work continuously on establishing uniform principles. In 2014, a major step was to introduce global health protection metrics, such as the availability of first aiders and emergency medical care, carrying out occupational health screenings, and the number of cases of occupational illness. They are reported each quarter by all Henkel sites worldwide.

The Health Procedure introduced in 2015 describes the minimum global standards for health protection and health promotion. In the implementation of internal guidelines, programs and legal requirements, regional managers for health, workplace safety and security provide support for the locations 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 part of the company's efforts to continuously improve preventive healthcare measures, an annual exchange takes place enabling the physicians from all Henkel sites in Germany to share their experience. 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.

Mental vitality and a healthy corporate culture

In a world with constantly rising demands that is becoming increasingly complex and dynamic, 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

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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. We use executive webinars to communicate this to them, so 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, the offer provided by our social services also plays 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, they also provide support in → **finding a work-life balance**, for example by assisting in the search for childcare or help for relatives with care needs. At other sites, external service providers support employees' needs according to local requirements. Our initiatives to create → **flexible working hours** should also help to improve work-life balance and reduce stress factors.



Henkel received the Otto Heinemann Prize at the Berlin Care Conference on long-term care. It was awarded this year under the sponsorship of Peter Altmaier, the German Federal Minister of Economics, to employers who had shown particular commitment to ensuring the compatibility of work and long-term care. Regina Neumann-Busies, responsible for social services at our Düsseldorf site, accepted the prize on behalf of Henkel.

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Demographic 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 long-term employability up to the age of 67. Since 2013, at our corporate headquarters in Düsseldorf, we have been implementing a demography program after a successful pilot phase. This holistic concept includes a combination of preventive occupational healthcare with a general medical check-up, workability index, and employee interviews. From this we can derive profiles of individual employees' strengths and weaknesses as well as those of the relevant organizational unit. Employees can be informed of the individual actions they need to take to improve and maintain their health and performance. Plant managers can see the need to take operational measures with regard to workplace design, continuing education, and optimizing the organization of work and the working atmosphere. This supports them in developing their teams. The plants are repeating the program since 2016. This makes it possible to evaluate the development and success of the measures. There were distinctly positive effects in maintaining working capacity and developing a healthier lifestyle. Key issues identified, such as lack of exercise and prevention activities, were addressed by the health campaign, as well as by the new preventive healthcare services available all across Germany.

causes of cardiovascular disease: high blood pressure, diabetes, high cholesterol and smoking. Addressing these four causes could potentially help prevent up to 80 percent of all cardiovascular disease. The current health campaign provides practical tips for a healthier lifestyle. These include a good diet and a life free of smoking, as well as lots of sports and exercise, which strengthens the heart and cardiovascular system while also protecting against obesity and high cholesterol. On a globally accessible campaign portal, we provided detailed information about cardiovascular disease and the four largest risk factors. We also presented related preventative measures and actively communicated these across all channels. In the portal, we also collected information about local activities resulting from the health campaign's global call to action. With this approach, "4 for Life" was able to reach more than 90 percent of the organization.

Third global health campaign

"4 for Life"

After our first two global health campaigns "Save a Life" and "Active Life," the third campaign in 2018 was dedicated to promoting cardiovascular health. As part of the "4 for Life" campaign, our occupational health physicians recommended effective measures to prevent the respective four main



A balanced diet is important to stay healthy. Employees were able to gather insights into healthy nutrition thanks to a brainfood bar, informative material, consultations and a special "4 for Life" menu. Their favorite healthy recipes were collected for a Henkel cookbook.

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Occupational safety

Occupational safety within the company and along the value chain is a top priority at Henkel. We remain focused on our long-term objective of zero accidents. Our interim target is to reduce our worldwide occupational accident rate by 40 percent by the end of 2020 (base year 2010). To this end, we are continuously working on improving our workplace safety by providing awareness raising training and investing in enhancing technical safety. We regularly review whether our  Safety, Health and Environment (SHE) standards are being strictly adhered to. We also want to improve 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. We also conduct training sessions for the staff of contractors working at our sites. 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 will target increased awareness of the most important safety issues.



In May 2018, the Laundry & Home Care site in Ratibor, Poland, became the very first Henkel facility to successfully pass an external audit for a newly released ISO 45001:2018 standard. This standard for → **occupational health and safety management systems** replaces and expands the previous OHSAS 18001:2007 standard and is an additional important step toward achieving our zero accidents objective.

Measures for more occupational safety

On Safety, Health and Environment Day 2018 (SHE Day), the Düsseldorf site focused its event on accident prevention. Around 400 employees attended, and production was even halted for the day to make their participation possible. At a total of 13 training stations, specific topics were discussed, including heart, health and nutrition, forklift safety and the correct use of fire extinguishers. The stations were all developed based on experiences gathered during previous events and were led by an external or internal expert.

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One of the 13 stations at the SHE Day for Adhesive Technologies: William Santos, Global Head of SHE for Adhesive Technologies, extinguishing a fire under the supervision of fire fighter Bernd Thiessen.

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. In 2018 alone, around 68,000 conversations of this kind were held at 150 different sites. After the successful launch of the CBS program, we will focus specifically on quality assurance in 2019. We will also ensure that our new employees worldwide complete the CBS training.

At the sites for our Beauty Care business unit, numerous trainings were held covering topics related to health and occupational safety. At our site in Bogotá, Colombia, 23 activities with more than 650 participants were carried out during our SHE week. These activities focused on topics including working, speaking, learning, risk prevention, mindfulness, health and sustainability. At our plant in Chonburi, Thailand, we conducted training in how to identify and handle hazardous materials. We also introduced monthly safety training sessions at our North American production site in West Hazelton that are led by the management team. At our office and lab site in Dubai, we conducted safety, ergonomics and first-aid training. We also carried out an occupational safety evaluation for the new research and development lab and took related measures to enhance safety.

Since 2018, the Laundry & Home Care business unit has been using a technical solution based on a modern radio system to strengthen occupational safety when using forklifts. An antenna is installed on top of the forklift and the employees are equipped with sensors that they wear on their clothes. This means all forklifts and employees are networked, which helps prevent collisions. The radio system particularly improves occupational safety in areas with restricted visibility, such as in the areas where pallets are loaded. In high-traffic pedestrian areas, the system can also be used to reduce the speed of the forklifts and can facilitate safe pedestrian crossings when combined with traffic lights.

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Areas where employees and forklifts work side-by-side pose a collision risk. Thanks to a modern radio system, forklift drivers are alerted if employees are detected within a range of one up to 6.5 meters. This helps avoid collisions.

2018 status

In 2018, we recorded 1.0 occupational accidents per million hours worked. This is an improvement of 17 percent (base year 2010).

In 2018, we had no fatal work accidents by a Henkel employee or any employee of an external company working on behalf of Henkel companies at one of our sites.

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Social engagement

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 the four pillars of our corporate citizenship program: corporate volunteering, social partnerships, brand engagement and emergency aid. By 2020, we want to improve the quality of life of 10 million people through our social engagement.

Henkel and the Fritz Henkel Stiftung foundation support projects in the areas of education and science, social initiatives, art and culture, fitness and health, and ecology. The projects are selected according to our corporate standard for donations, memberships and sponsorships.

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**.

Our four pillars

Corporate volunteering

As part of our worldwide corporate volunteering 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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Corporate volunteering

The “Make an Impact on Tomorrow” (MIT) initiative reached a milestone in 2018: We have now been supporting the volunteer activities of Henkel employees and retirees for 20 years. Since 1998, around 14,600 projects have been supported in more than 100 countries.

MIT special project – Nepal

The 20th anniversary of the MIT initiative provided an occasion to give special funding worth 50,000 euros to a [social project in Nepal](#). The money will be used to build a mother-and-child health center in the Nepalese village of Namjung. Henkel employee Susanne Volkmann has been volunteering in Nepal for many years and regularly uses part of her annual vacation time to support this project. For more than ten years, the MIT initiative has been supporting her with financial donations and time off from work.



MIT special project in Nepal: Susanne Volkmann and her team have already been able to help more than 10,000 children aged 13 and younger. She met her godchild, Avina Tamang, when she was eight years old and continues to have regular contact with her to this day.

Sport brings us together

Sport can overcome boundaries, build bridges and connect people.

For Henkel, the support of sports events and initiatives is an important opportunity to connect employees with other participants in society. For the third time, Henkel supported the national [Special Olympics](#) in Germany – the largest sports movement worldwide for people with mental and multiple disabilities.



Around 40 Henkel employees helped at the Special Olympics in Kiel, Germany, which took place under the inclusive motto “Strong Together.”

For three years, the Fritz Henkel Stiftung foundation has been a partner of Kickwinkel in Germany. This project involves a soccer camp in Düsseldorf, where unaccompanied underage refugee children can enjoy organized leisure activities that promote healthy social interactions.

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Social partnerships

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.

Habitat for Humanity

Together with Habitat for Humanity, teams of Henkel employees have been building houses for families in need since 2014. In 2018, as part of one-week [Building Trips](#), Henkel employees helped build multi-family houses for people in need in Macedonia, Bulgaria, Romania and Canada. Henkel also supports these activities with donations in kind, for example with building materials.



Leave your office routine and work together to build a new home for people in need – with this goal in mind, motivated Henkel employees regularly embark on a “building trip” like this one in Macedonia.

Teach First

Henkel is the main supporter of the non-profit educational initiative Teach First Germany, which encourages young adults to achieve a better school-leaving certificate. At [Teach First](#), university graduates and future leaders support schools in disadvantaged communities. As additional teachers, they help students to find their own path and reach their full potential. In addition to the support of Teach First Germany, Henkel also supported the organization in Argentina, India, Ukraine, the United States, and Vietnam in 2018.



At Teach First, university graduates support schools in disadvantaged communities as additional teachers.

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Brand engagement

In addition to Henkel's engagement on a corporate level, our brands are also involved in partnerships with social initiatives and public institutions around the world.

Million Chances

Since 2016, the Schwarzkopf Million Chances initiative has been pursuing its goal of helping girls and women overcome challenges, while also giving them confidence and prospects for their future. The initiative supports aid projects worldwide, often in cooperation with independent organizations such as Plan International Deutschland e.V. in Colombia, Egypt, and China. Around 17,500 women and girls were reached by 20 projects in 2018. The first  **Schwarzkopf Million Chances Award** – sponsored by the Fritz Henkel Stiftung foundation – was held at Henkel's site in Düsseldorf. The award honored **→ four non-profit projects** for their outstanding commitment to supporting women and girls.



Together with Plan International, Schwarzkopf Million Chances helps young women in Egypt prepare for a career, for example, by supporting them in getting ready for job interviews to improve their chances on the job market.

Our Million Chances umbrella also involves 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 2,200 young people in 30 countries have already been trained thanks to the volunteer work of hairdressers and employees.

Persil children's book campaign

As a family brand, Persil is committed to helping parents awaken a love of reading in their children. As part of the customer loyalty campaign "Unser Bestes" (Our Best), parents were given a children's book if they bought two Persil products between October and December 2018. This enabled them to support a good cause because Persil donated one euro to the organization Mentor e.V. for every book that was distributed. By employing reading mentors, Mentor e.V. actively helps improve children's reading skills, while also strengthening their ability to recognize and comprehend texts and images.



The children's book "Weißt du, was das Beste ist?" (Do you know what the best thing is?) contains stories that encourage children to dream, while also building inner strength for life.

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NaturKinder

As part of the NaturKinder initiative, Persil and the German drugstore chain Rossmann have been helping children develop environmental awareness. Since it was established in 2013, the initiative has supported 66 projects run by schools, kindergartens, and non-profit organizations to teach a responsible approach to nature.



Emergency aid

Henkel takes a fast and unbureaucratic approach to providing aid after natural disasters worldwide through the Fritz Henkel Stiftung foundation.

Earthquake in Indonesia

In August, a massive earthquake on the Indonesian island of Lombok destroyed many buildings in the northeast of the island. Over 400 people died and more than 350,000 lost their homes. As a first step, the Fritz Henkel Stiftung foundation provided urgently needed emergency financial support.



The local population on the Indonesian island Lombok welcomes Henkel's donations, which reached them via the NGO Happy Hearts Indonesia.

Hurricane Florence and forest fires in North America

In 2018, Henkel also provided immediate help after hurricane Florence hit the southeast of the United States and after the disastrous forest fires in California. The company supported the renovation of homes and provided typical household goods in the provinces and cities in which Henkel employees or their families were affected.

In cooperation with global and local organizations, Henkel continues to support existing projects such as the reconstruction of houses and cities in the Philippines after the massive typhoon Haiyan in 2013.

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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, as well as politicians and academia.

To better understand the expectations and perspectives of our stakeholders and to engage in dialog that is better 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 on 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 make progress.

In a comprehensive survey in 2014, we asked our stakeholders what topics have priority for them. It confirmed how important the integration of sustainability in all of our activities and product life cycles is to our target groups, as well as the impacts on the environment that occur during the individual phases of our products' life cycles.

Another topic that has been identified as particularly important for our stakeholder groups is the targeted support of consumers, helping them to lead more sustainable lifestyles and to use our products responsibly. The results have been taken into account in the further development of our strategy and our targets since 2015.

Stakeholder dialog is key to our innovation and risk management and helps us to continuously develop our sustainability strategy and reporting.

Integrated dialog

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. 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 2018, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public.

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This year, representatives from the plastics industry met in Ansfelden, Austria, for the annual [EREMA Discovery Days](#) at EREMA, the global leader for plastic recycling machinery. The focus was on the future of the circular economy, innovative technologies and effective strategies. These topics were discussed by more than 1,000 participants representing a broad range of technologies, including cleaning, sorting and extruding.



Dr. Thorsten Leopold, Manager of International Packaging Development for Home Care products at Henkel, shared his expert knowledge about how a circular economy functions at the EREMA Discovery Days event in Austria.

In many European countries, Henkel used the [European Sustainable Development Week](#) as a platform to celebrate the training of more than 50,000 Sustainability Ambassadors since 2012 and to thank all employees for their commitment. The [→ Sustainability Ambassador program](#) is now one of Henkel's largest ever education initiatives. In the course of the week, Henkel employees were able to educate themselves on topics such as sustainable packaging and corporate citizenship using webinars and videos.

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. In 2018, the European



As part of the European Sustainable Development Week, Henkel's employees, here in Spain, celebrated the successful implementation of the Sustainability Ambassador program and raised awareness about different ways of making a personal commitment to sustainability.

Roundtable on Sustainable Palm Oil was held in Paris. Hosted by the [→ Roundtable on Sustainable Palm Oil](#), which is the world's largest organization for the certification of palm oil, the event focused on creating transparency in the entire palm oil supply chain and on the goal of achieving "zero net deforestation". Henkel held discussions with other companies on the next milestones on the path to more sustainable certified palm oil – in order to mitigate deforestation and greenhouse gas emissions caused by the production of palm oil, while also improving quality of life and economic development in areas where crops are grown. This year's meeting placed particular focus on joint projects for smallholders.

Solidaridad and Henkel are continuing to expand their partnership for smallholders, who produce around 40 percent of [→ palm oil](#) and [palm kernel oil](#) worldwide. In countries where palm oil is produced, increasing the yield without increasing the area being cultivated is one of the most important issues. For this reason, Henkel and BASF

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are working together with the development organization Solidaridad as part of their commitment to supporting smallholders and local initiatives. Henkel currently supports seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria. To date, more than 29,000 smallholders have been reached that cultivate more than 350,000 hectares of land.



The objective of the smallholder project in Nigeria is to provide access to new markets and ensure employment stability for local workers.
Photo: Fedepalma.

Henkel is also committed to supporting a sustainable palm oil economy in Germany. □ **The Forum for Sustainable Palm Oil (FONAP)** is a collaboration comprising 52 companies, NGOs and associations, as well as the Federal Ministry of Food and Agriculture (BMEL). It was established in September 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 as well as fractions and derivatives; supplier dialog focusing on traceability and achieving additional criteria; and detailed reporting on the achievement of goals. Henkel has also undertaken to use 100 percent Mass Balance-certified palm products by 2020 and to cover its own demand in this way.



Christine Schneider (left), Sustainability Manager Laundry & Home Care at Henkel, and Elise Muijzert, Programme Manager Agri-commodities at Solidaridad, both spoke about the challenges of ensuring a sustainable supply chain in the palm oil industry at the FONAP in Berlin.

Henkel shared its expertise regarding sustainability with other experts at the fifth National Sustainability Forum (FORUM NACIONAL de SOSTENIBILIDAD) in Recoleta, Buenos Aires. The network comprises leaders from business and politics, and aims to make the business environment more transparent and competitive. Guillermo von Bergen, President of Henkel Argentina, presented the new Henkel packaging strategy and local initiatives aiming to promote a circular economy.

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Guillermo von Bergen, President of Henkel Argentina, spoke about sustainability and Henkel's packaging strategy at the fifth National Sustainability Forum in Argentina.



At the German Sustainability Award, visitors to Henkel's stand were able to gather information about sustainable packaging development, as well as our aim of promoting a circular economy and our partnership with Plastic Bank.

Dialog with politicians and government authorities

At the [German Sustainability Award](#), which attracts around 2,000 participants and is the most popular national congress on sustainability, experts from Henkel spoke with stakeholders and discussed the sustainability strategy and the contribution its brands make to sustainability. This year, the focus was on packaging and the circular economy. Cooperation with partners such as → [Plastic Bank](#) is particularly important in actively promoting a circular economy along the entire supply chain. The German Sustainability Award is an initiative of the Stiftung Deutscher Nachhaltigkeitspreis e. V. in cooperation with the German Federal Government, the German Council for Sustainable Development, economic associations, local government associations, civil society organizations and research institutions.

Policymakers and government authorities often seek out the expertise of companies in their [political decision-making processes](#). We take advantage of this opportunity to provide experience-based knowledge and to describe how political considerations impact Henkel, our employees, and business partners. Our "Public Affairs Standard – Representation of Interests in Public Affairs," applicable worldwide, provides clear rules of conduct in this respect. In addition, we provide open information on our areas of interest and the scope of our political work, for example, through our entry in the EU's transparency register.

Kathrin Menges, Executive Vice President Human Resources and Chair of Henkel's Sustainability Council, has been a member of the German Council for Sustainable Development since 2013. The Council was first established in April 2001 by the German

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government of that time under Chancellor Gerhard Schröder. The Council comprises 17 public figures. Its tasks include generating contributions for implementing the National Sustainability Strategy for Germany, specifying concrete focal areas and projects, and making sustainability a public issue of vital importance.

Associations and international initiatives

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)**. 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.

As a member of the German  **Chemical Industry Association (VCI)**, chaired by Henkel's Chairman of the Management Board Hans Van Bylen since 2018, Henkel is also involved in the Chemie³ (Chemistry³) initiative, which is made up of the VCI, the Mining, Chemical and Energy Industrial Union (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. Together with the A.I.S.E., Henkel is also participating in a pilot project of the EU, the Product Environmental Footprint (PEF), in which case studies are used to develop methods and risk assessments for life cycle assessment together with other members of the association and representatives of government authorities. 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) and which 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."

Henkel has been a member of the cross-sectoral Roundtable on Sustainable Palm Oil (RSPO) initiative since 2008. In 2018, we met with representatives from the RSPO, international development organization Solidaridad and BASF again to discuss ongoing partnerships that promote sustainable palm oil. By joining forces, the objective is to drive progress in the sustainable production of palm oil and palm kernel oil.

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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 foundations Konrad Henkel Stiftung and Fritz Henkel Stiftung 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.



Prof. Dr. Rüdiger Hahn (center) during his introductory lecture, together with (from left) Kathrin Menges (Executive Vice President Human Resources at Henkel), University President Prof. Dr. Anja Steinbeck, Dr. Christoph Henkel, and Dean Prof. Dr. Stefan Süß.

Photo: Jochen Müller / HHU

External assessments

Our assessment and recognition by independent sustainability experts increases market transparency and provides important feedback on how well we are implementing our sustainability strategy.

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Sustainability indices 2018

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



2018 Constituent
MSCI ESG
Leaders Indexes

New York: Henkel is again included in the Sustainability Indices MSCI ACWI ESG Leaders and MSCI ACWI SRI. The indices include companies with a strong risk and opportunity management regarding their environmental, social and governance (ESG) performance.

Euronext Vigeo Eiris Indices



Paris: Henkel was again listed in the Euronext Vigeo Eiris sustainability indices World 120, 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 18th consecutive year, Henkel is included in the FTSE4Good ethical index, which was first 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. The companies are assessed in terms of their environmental, social and governance performance. The underlying data is provided by the Dutch rating agency Sustainalytics.

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Sustainability ratings 2018

EcoVadis



Paris: As a member of the “Together for Sustainability” initiative, Henkel’s sustainability management was again assessed by the international rating agency EcoVadis. Based on its corporate social responsibility rating, Henkel was awarded the highest assessment category.

oekom research



Munich: Henkel remains recognized with Prime Status by ISS-oekom. With the rating B, Henkel performs best in the consumer goods sector. Since 1993, the rating agency has actively helped to shape the sustainable investment market.

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, assessing 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.

Awards and customer recognition

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 2018 is presented below.

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Henkel wins UPM Raflatac's Label Life Awards 2018

Finland: UPM Raflatac, a leading manufacturer of self-adhesive product label materials, honors strong sustainable performance by its suppliers with its Label Life Awards. The awards recognize influential, sustainable business practices that benefit the environment and society. Henkel received this year's award for two of its educational initiatives: The International Forscherwelt Initiative (Researcher's World) and the Sustainability School Project where Henkel employees visit elementary schools as Sustainability Ambassadors. The awards committee praised the overall positive societal impact of Henkel's initiatives – particularly in developing countries.



Recognition for Henkel's SDG contribution

Argentina: In connection with the "Association of Companies with Sustainable Development Goals (SDGs)" meeting, CEADS recognized Henkel Argentina for a packaging innovation that contributes to SDG # 12 – Responsible Production and Consumption. The Argentine Business Council for Sustainable Development (Consejo Empresario Argentino para el Desarrollo Sostenible – CEADS) is a cross-sector organization with 63 Argentine member companies from different industries. The companies are united by their commitment to sustainable development.



Gold award for "Excellence in CSR Strategy"

Singapore: Henkel Singapore received this year's "Excellence in CSR Strategy" award, which recognizes organizations with CSR frameworks that make them role models. The HR Magazine's award honored Henkel's comprehensive programs for sustainability and social engagement. These include sustainability initiatives in our offices, efforts to share sustainability expertise with students, and volunteer work in various sustainability and social projects. Through this work, Henkel is supporting goals Singapore set itself as part of the "Year of Climate Action" in 2018. Henkel is the first company in Singapore where all employees are committed to protecting the environment as Sustainability Ambassadors.



28th of April award – World Day for Safety and Health at Work

Serbia: April 28, 2018 was the "World Day for Safety and Health at Work." Henkel Serbia was honored with the "28th of April" award for its teamwork and the investments made in occupational safety during the previous year. On this day, the Ministry for Work, Employment, Veterans and Social Affairs recognizes companies who emphasize safety at work. Dejan Davidović, SHE & QMS Manager, and Dusan Antonijević, Plant Manager Laundry & Home Care, accepted the award on behalf of the entire team and in recognition of the efforts all employees have made to ensure a safe work environment.

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The indicators we record throughout the company offer 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 2018 were determined at all 185 Henkel sites in 56 countries. Thus, 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 are covered. The published employee indicators also covered 99 percent of our employees in 2018.

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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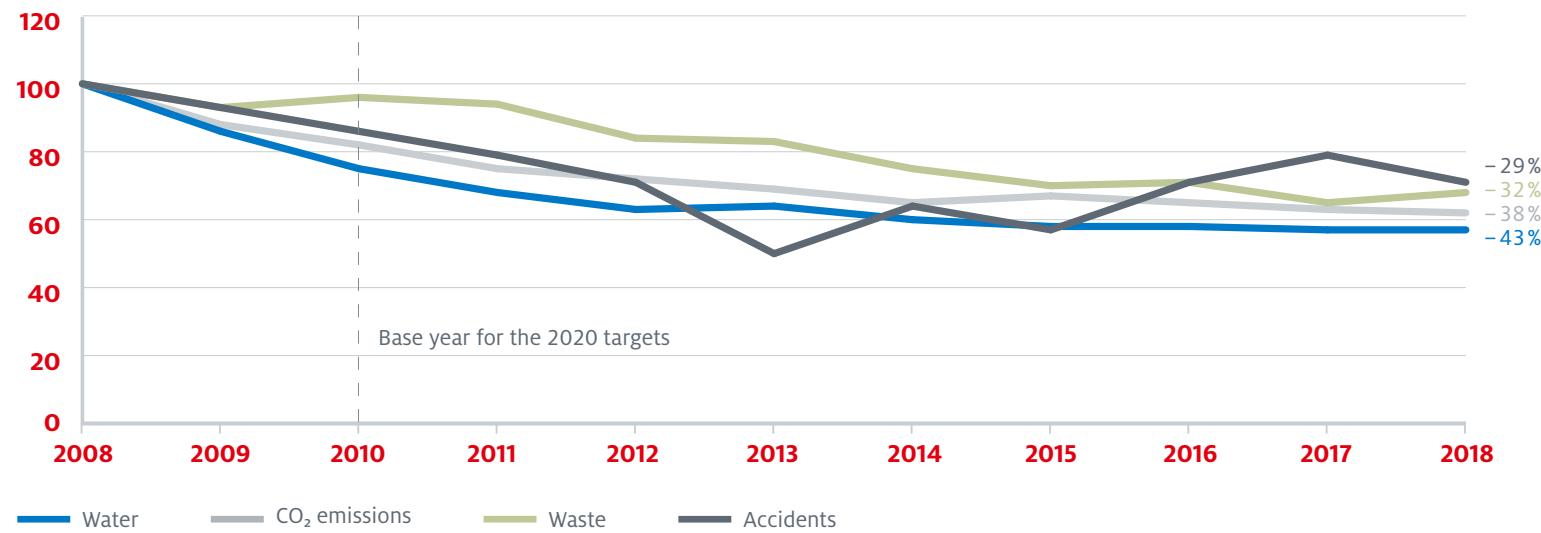
Long-term trend:

Sustainability performance from 2008 to 2018

We have been working to increase the efficiency and safety of our production processes for decades. Our sustainability performance over the past 11 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 2008



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Economic indicators

	2017	2018
Sales in million euros	20,029	19,899
Adjusted ¹ operating profit (EBIT) in million euros	3,461	3,496
Adjusted ¹ return on sales (EBIT) in percent	17.3	17.6
Adjusted ¹ earnings per preferred share (EPS) in euros	5.85	6.01
Dividend per ordinary share in euros	1.77	1.83²
Dividend per preferred share in euros	1.79	1.85²

¹ Adjusted for one-time charges / gains and restructuring expenses.

² Proposal to shareholders for the Annual General Meeting on April 8, 2019.

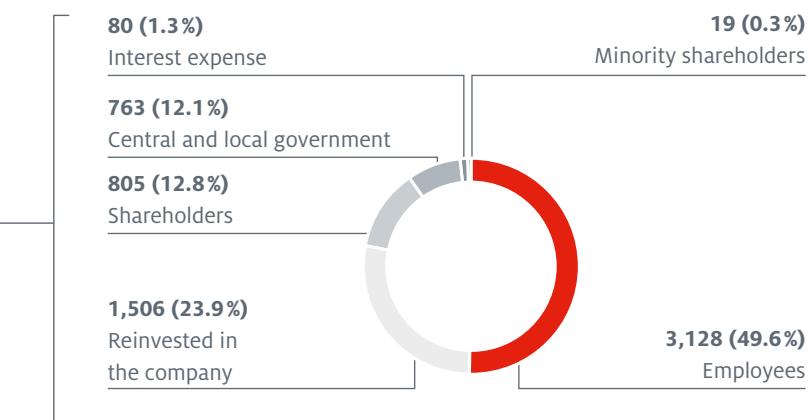
Value added statement 2018

The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 49.6 percent – went to our employees in the form of salary and pension benefits. Central and local government received

12.1 percent in the form of taxes; lenders received 1.3 percent as interest payments. We paid 12.8 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	19,899	98.7%	—
Other income	272	1.3%	—
Total sales / other income	20,171	100.0%	—
Cost of materials	9,093	45.1%	—
Amortization / depreciation	578	2.9%	—
Other expenses	4,199	20.8%	—
Value added	6,301	31.2%	—



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Environmental indicators



Our operational CO₂ footprint

Henkel's own CO₂ emissions are primarily caused by energy generation and consumption. Other CO₂ emission sources are not relevant for our business operations. The same applies to emissions of other greenhouse gases. They account for less than one percent of the

Scope 1 and Scope 2 emissions. We calculate the Scope 3 emissions along the entire value chain, whereby the biggest contributions emanate from the production of raw materials and the use of our own products.

In thousands of metric tons of CO₂/CO₂ equivalent

	1. Raw materials	2. Production	3. Logistics	4. Industry and retail	5. Consumers	6. Disposal / recycling	
Direct CO ₂ emissions (Scope 1)		Energy use at our production sites: 353					353 (1%)
Indirect CO ₂ emissions (Scope 2)		Bought-in energy ¹ (electricity, steam): 337					337 (1%)
Indirect emissions in CO ₂ equivalents (Scope 3)	Chemicals: 9,918 Packaging: 2,020 Raw materials transportation: 211	Production waste: 8 Business travel: 60	Transportation of our products: 663		Use of our products: 29,651 ²	Disposal of our products: 1,653	44,184 (98%)
	12,149 (27%)	758 (2%)	663 (1%)		29,651 (66%)	1,653 (4%)	
Total: around 44,874 thousand metric tons of CO₂/CO₂ equivalent							

¹ Change of the calculations (Scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.

² Change of the usage phase-scenarios for Laundry & Home Care as well as Beauty Care resulted in a significant decrease of the CO₂ footprint.

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The index in the tables shows the progress of the specific indicators relative to the volume of production (per metric ton of output).

The base for the index is the year 2014 (= 100 percent).

Production volumes

In thousand metric tons	2014	2015	2016	2017	2018
Production volumes	7,837	7,924	8,419	9,390	9,057
Index: Change from 2014 to 2018					+16%

Due to the improved economic situation and increasing global demand, our production volumes have been rising again since 2014. The increase includes the pro rata annual production of our acquisitions.

Energy consumption

In thousand megawatt hours	2014	2015	2016	2017	2018
Bought-in energy	655	677	738	837	840
Renewable of bought-in energy	4%	5%	4%	6%	10%
Coal	96	127	126	105	86
Fuel oil	115	121	121	115	102
Gas	1,361	1,376	1,392	1,484	1,471
Total	2,227	2,302	2,377	2,539	2,500
Index: Change from 2014 to 2018					-3%

Bought-in energy is electricity, steam, and district heating that is generated outside our sites.

Carbon dioxide emissions

In thousand metric tons	2014	2015	2016	2017	2018
Henkel's own carbon dioxide emissions	337	353	355	365	353
Carbon dioxide emissions from bought-in energy	288 ¹	295 ¹	319 ¹	356 ¹	337¹
Total	626 ¹	647 ¹	675 ¹	721 ¹	691¹
Index: Change from 2014 to 2018					-4%

Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities.

¹ In 2018, change of the calculations (Scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.

Emissions of volatile organic compounds

In metric tons	2014	2015	2016	2017	2018
Emissions of volatile organic compounds	314*	367*	385*	472*	590
Index: Change from 2014 to 2018					+63%

Water consumption and volume of wastewater

In thousand cubic meters	2014	2015	2016	2017	2018
Water consumption	7,440	7,260	7,630	8,448	8,136
Volume of wastewater	3,015	2,994	2,977	3,217	3,189
Index: Change from 2014 to 2018					-5%
Water consumption					-8%

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	2014	2015	2016	2017	2018
COD emissions to wastewater	6,359	6,448	7,037	8,726	8,024
Index: Change from 2014 to 2018					+9%

Chemical oxygen demand (COD): Measure of the pollution of wastewater with organic substances.

Emissions of heavy metals to wastewater

In kilograms	2014	2015	2016	2017	2018
Zinc	446	519	481	580*	428
Lead, chromium, copper, nickel	200	296	268	228	265
Total	645	815	748	809*	692
Index: Change from 2014 to 2018					-7%

Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant in our production.

Waste for recycling and disposal

In thousand metric tons	2014	2015	2016	2017	2018
Waste for recycling	53	59	68	72	70
Hazardous waste for disposal	17	15	13	13	13
Waste for disposal	48	38	39	38	40
Total	118	112	120	123	124
Index: Change from 2014 to 2018					-9%

Construction and demolition waste

21 33 70¹ 28 41

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.

¹ The increase in 2016 resulted from wide-ranging infrastructure projects.

Dust emissions

In metric tons	2014	2015	2016	2017	2018
Dust emissions	383	304	279	398	316
Index: Change from 2014 to 2018					-29%

The values include aerosols, since these are difficult to distinguish from dust during measurements.

Sulfur dioxide emissions

In metric tons	2014	2015	2016	2017	2018
Sulfur dioxide emissions	129*	108*	105*	94*	76
Index: Change from 2014 to 2018					-49%

Nitrogen oxide emissions

In metric tons	2014	2015	2016	2017	2018
Nitrogen oxide emissions	384*	382	418	486	409
Index: Change from 2014 to 2018					-8%

Use of chlorinated hydrocarbons

In metric tons	2014	2015	2016	2017	2018
Use of chlorinated hydrocarbons	1,319	1,205	1,249	1,387	1,320
Index: Change from 2014 to 2018					-13%

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)

	2014	2015	2016	2017	2018
Henkel worldwide ¹	49,750	49,450	51,350	53,700	53,000
Structure of workforce					
– Non-managerial employees	79.0%	77.5%	76.9%	77.7%	77.4%
– Managers	19.5%	21.0%	21.7%	20.9%	21.3%
– Top managers ²	1.5%	1.5%	1.4%	1.4%	1.3%
Employee fluctuation worldwide ³	4.3%	4.5%	6.3%	6.8%	7.1%

¹ Permanent staff excluding trainees. Figures have been rounded.

² Corporate Senior Vice Presidents, Management Circles I and IIa.

³ Based on employee resignations.

Age and seniority (as of December 31)

	2014	2015	2016	2017	2018
Average seniority in years	10.2	10.3	10.3	10.2	10.5
Average age of employees in years	39.7	39.9	40.3	40.5	40.9
Age structure					
16 – 29	18.4%	18.0%	17.3%	16.9%	16.1%
30 – 39	33.8%	33.4%	33.0%	33.0%	32.7%
40 – 49	28.2%	28.1%	27.9%	27.3%	27.2%
50 – 65	19.5%	20.5%	21.8%	22.8%	24.0%

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)

	2014	2015	2016	2017	2018
Henkel	124	123	123	120	120
Managers	93	87	90	89	90
At headquarters in Düsseldorf	62	64	64	66	71

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	2014	2015	2016	2017	2018
Henkel	33.2	33.6	33.1	34.3	34.4
Managers	32.5 ¹	33.1	34.3	34.5	34.7
Top managers ²	20.6	21.1	22.5	23.2	22.9

¹ Without acquisitions in 2014.

² 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	2014	2015	2016	2017	2018
Part-time contracts, global	3	3	3	3	3
Western Europe (including Germany)	8	9	9	9	9
Germany	11	11	11	12	12

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

	2014	2015	2016	2017	2018
Internal promotion (managers)	1,154	1,309	1,181	1,325	1,262
International job rotations	666	658	428	380	319
Trainees (Germany) ¹	484	508	488	502*	501
Average number of training days ²	1.5	2.1	1.6	1.8	1.7

¹ Initial vocational training includes trainees and Bachelor students.

² 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	2014	2015	2016	2017	2018
Percentage worldwide	44	52	49	45	47
Percentage in the European Union (EU)	79	78	73	64 ¹	68

¹ The drop in the percentage of employees with collective agreements in the EU can be explained by the fact that we do not yet have full information from our acquisitions in 2017 concerning the percentage of new employees covered by employee representation.

Employee share program (as of December 31)

in percent	2014	2015	2016	2017	2018
Participation rate	30.1	29.7	30.7	31.4	31.5

Around 12,200 employees in 58 countries purchased Henkel preferred shares under this program in 2018. At year-end, some 15,600 employees held a total of around 2.4 million preferred shares, representing approximately 1.4 percent of total preferred shares outstanding.

Social indicators

Social engagement

	2014	2015	2016	2017	2018
Total number of projects supported	2,265	3,431	2,051	2,124	2,032
Number of people supported	1,358,108	1,506,525	1,223,598	1,268,791	1,285,851
Time off from work for employee-initiated projects (days)	284	121	335	204	327
Donations in thousand euros (financial and product donations, not counting time off)	8,238	8,316	7,814	8,037	8,304
Number of schoolchildren reached by our Sustainability Ambassadors	20,773 ¹	24,426 ¹	29,268	42,799	13,268

¹ This figure has been adjusted based on subsequent reports.

The number of projects supported was below the prior-year level. Employee projects gave rise to significantly more days off from work in 2018 than in the prior year. This is due to the special commitment of employees in team-volunteering projects. Generally speaking, employees may request up to five days off from work per year for volunteer activities. Total donations were up versus the prior year.

* We have corrected errors identified during our data verification.



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Percentage of projects supported per United Nations Development Goal

in percent	2018
SDG 1: No poverty	7.9
SDG 2: Zero hunger	0.8
SDG 3: Good health and well-being	32.4
SDG 4: Quality education	50.9
SDG 5: Gender equality	4.5
SDG 6: Clean water and sanitation	0.4
SDG 7: Affordable and clean energy	0.1
SDG 8: Decent work and economic growth	0.4
SDG 9: Industry, innovation and infrastructure	0.3
SDG 10: Reduced inequalities	0.3
SDG 11: Sustainable cities and communities	0.7
SDG 12: Responsible consumption and production	0.2
SDG 13: Climate action	0.1
SDG 14: Life below water	0.1
SDG 15: Life on land	0.3
SDG 16: Peace, justice and strong institutions	0.5
SDG 17: Partnerships for the goals	0.3

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 **Sustainable Development Goals** (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.



Occupational safety

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Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)	2014	2015	2016	2017	2018
Henkel employees	0.9	0.8	1.0	1.1 ¹	1.0
Employees of external companies who work at Henkel sites and are directly contracted	0.8	1.0*	0.9	1.0	1.0

¹ In March 2018, a subsequent reclassification was made for an accident in September 2017.

Serious occupational accidents

More than 50 days lost	2014	2015	2016	2017	2018
Accidents during typical production activities	12	13	13	11 ¹	11
Accidents while walking or moving around (e.g., stumbling)	5	4	8	6	9

¹ In March 2018, a subsequent reclassification was made for an accident in September 2017.

* We have corrected errors identified during our data verification.

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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 non-financial statement, 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 2018, the number of people employed at Henkel AG & Co. KGaA was around 8,200 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

	2018
Production volume (in thousand metric tons)	743
Carbon dioxide emissions (in thousand metric tons)	102 ¹
Energy consumption (in thousand megawatt hours)	434
Waste (in thousand metric tons)	21
Water consumption (in thousand cubic meters)	1,515
Occupational accidents affecting Henkel employees (per million hours worked)	1.8
Headcount	8,160

The key figures listed here are generally comparable to those of the Group. There is one significant deviation of the key figures of Henkel AG & Co. KGaA in the area of energy due to the power plant at the Düsseldorf site and the corresponding use of coal.

¹ In 2018, change of the calculations (Scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.

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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 50,000 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
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. Measures initiated: 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 persons or the environment. The fire caused a temporary interruption to operations. Measures initiated: 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.
2015	There were no operational incidents in 2015.	There were no environmental violations in 2015.
2014	There were no operational incidents in 2014.	There were no environmental violations in 2014.

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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 CO₂ 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.

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. It has now been published annually for 27 years. 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 2018. 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 56 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, and 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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Limited Assurance Report of the Independent Auditor regarding Sustainability Information¹

To the Management Board of Henkel AG & Co. KGaA

We have performed an independent limited assurance engagement on selected disclosures on materiality and stakeholder dialogue, disclosures on management approaches of aspects on the focal areas (energy and climate, water and wastewater; materials and waste; health and safety; social progress; palm oil; purchasing and supplier management, product safety) as well as the performance indicators in relation to these focal areas, the operational carbon footprint along the value chain and selected case studies for avoided CO₂ emissions, published in the Henkel Sustainability Report 2018 (further “Report”), for the business year from January 1 to December 31, 2018 of Henkel AG & Co. KGaA, Düsseldorf (further “Henkel”).

Selected disclosures included in the scope of our assurance engagement are marked in the complementary GRI-Index, published in the appendix of the report and online under <http://www.henkel.de/sustainability>, with the following symbol: ✓

As described on page 43 in the Report, Henkel engaged the external provider EcoVadis to perform supplier assessments in 2018, in order to ensure compliance with Henkel’s standards concerning safety, health, environment, quality, human rights, employee standards, and anti-corruption. The adequacy and accuracy of the conclusions from these external assessments were not part of our limited assurance engagement.

Management’s Responsibility

The legal representatives of Henkel are responsible for the preparation of the Report in accordance with the reporting criteria. Henkel’s Report applies the principles and standard disclosures of the 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 CO₂ emissions of Henkel products, in combination with internal guidelines (further: Reporting Criteria).

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

¹ Our engagement applied to the German version of the Report 2018. This text is a translation of the Independent Assurance Report issued in German language, whereas the German text is authoritative.

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Independence and quality assurance on the part of the auditing firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed within a limited assurance engagement on the disclosures described above and marked in the complementary GRI-Index with the following symbol: “✓”

We conducted our work 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 IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the above mentioned sustainability information of the entity for the business year January 1 to December 31, 2018 has not

been prepared, in all material respects, in accordance with the aforementioned Reporting Criteria. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following assurance procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Henkel
- A risk analysis, including a media search, to identify relevant information on Henkel sustainability performance in the reporting period
- Reviewing the suitability of internally developed criteria
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the sustainability disclosures included in the scope of this engagement, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level

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- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Chonburi and Chonburi Bangpakong (Thailand) as well as Shanghai Dragon Plant and Guangdong, Humen (China)
- Assessment of the overall presentation of the disclosures

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the disclosures on sustainability information for the business year from January 1 to December 31, 2018 published in the Report and marked in the complementary GRI-Index with “✓”, are not prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use / Clause on General Engagement Terms

This report is issued for purposes of the Management Board of Henkel AG & Co. KGaA, only. We assume no responsibility with regard to any third parties.

Our assignment for the Management Board of Henkel AG & Co. KGaA, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Munich, February 5, 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

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and its affiliated companies depend on a number of risks and uncertainties, and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements. This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell securities, or a solicitation of an offer to buy securities.

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

Our financial publications on the internet:

 www.henkel.com/reports

Our sustainability publications on the internet:

 www.henkel.com/sustainability/reports

Henkel app available for iOS and Android:



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