

# Sustainability Report 2019



**Henkel**



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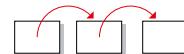
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# About this report

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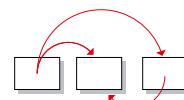
**What are our sustainability aspirations?**  
We are committed to leadership in our corporate values. As a sustainable company, we are developing new solutions while increasing our economic success.



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## Selective navigation

Use the navigation bar to call up specific chapters of interest. Within these, internal links have been provided to enable you to quickly switch to related content, while external links will take you to websites offering complementary information.



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**.



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## Separate non-financial group report

The 2019 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2019 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,*

Commitment to sustainability has been an integral part of our corporate culture for decades. Throughout the organization, our people are passionate about developing new solutions to sustainability challenges and growing our business both successfully and responsibly.

In 2019, global sustainability challenges moved to the center of public attention. Our stakeholders' interest in our performance and progress increased substantially. This confirms our strong commitment across the entire company and motivates all of us to further accelerate our efforts – for example, by becoming a climate-positive company, finding ways to reduce and avoid plastic waste, as well as by respecting human rights along the entire value chain.

We made progress in all dimensions of our sustainability strategy in 2019. To name a few examples: Our new adhesive production site in

Montornès del Vallès, Spain, leverages smart technologies and renewable energy to operate carbon-neutrally. The “Design for Recycling” tool developed by our packaging engineers supports Henkel and also enables hundreds of other companies to assess and improve the recyclability of their plastic packaging. As part of our Sustainability Ambassador program, our employees became “trashfighters” and collected waste along riverbanks, on beaches, and around their sites. Leading rating agencies have once again recognized our performance.

2020 will be an important milestone for us. We are working every day to deliver on the targets we defined for this year, while also further developing the goals we have defined for the future. The next five years will be decisive, both on a global level and for us as a company. We need to make sure that we are on the right track to limit global warming and deliver on the United Nations Sustainable Development Goals. As a company, we need to prepare for fundamental change and transformation.

We are looking forward to building on the knowledge and engagement of our people, the strength of our brands and technologies, and successful partnerships in all areas of our business activities.

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

*Sylvie Nicol*

**Sylvie Nicol**

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

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# Separate non-financial group report

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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 for the Sustainability Report](#)

In addition, the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2019 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 for the Sustainability Report](#)

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# Henkel at a glance

More than

**143 years  
of success with brands  
and technologies**

More than

**52,000  
employees with  
120 nationalities**

## Leading brands



**€ 20.1 billion  
sales in 2019**

**184  
production sites  
worldwide**

## Three business units

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

Around

**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 143rd in our corporate history. At the end of 2019, around 52,450 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 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 Service Centers, 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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## 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](#)

### Then

**1899 – first production site  
in Düsseldorf-Holthausen**

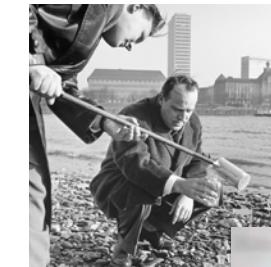
Henkel lays the foundations for its headquarters and uses its own electricity supply.

**1940 – first Henkel****kindergarten for children of employees**

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

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

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



### Now

The → **new production facility** for high-performing solutions for aerospace applications at the Henkel site in Montornès del Vallès, Spain, meets high standards for sustainability.

The educational initiative □ **Researcher's World** encourages children worldwide to explore the fun of science – in 2019, a new facility opened in Dubai.

Around 2,650 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 packaging of the new limited edition  
→ Fa “Meeres Liebe” consists of  
100 percent recycled plastic – 50 percent of  
which is Social Plastic®.

**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.



→ Spee Aktiv Gel Nature consists of 77 percent plant-based ingredients and is a powerful dirt remover. The product was certified in line with the independent eco-label The Blue Angel.

**Then****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.



The Pritt glue stick celebrated its 50-year anniversary in 2019. Today, the formula contains 90 percent natural ingredients and is free from 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.



Social Progress



Performance



Safety and Health

### Deliver more value

### Reduce footprint



Energy and Climate



Materials and Waste



Water and Wastewater

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- Our value 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 more than nine billion. The accompanying acceleration in global economic activity will lead to rising consumption and demand for resources. Humankind already has a global environmental footprint that is greater than the planet's resources can sustain. As a result, competition for resources will intensify in the coming decades. For this reason, we need innovations, products and technologies that enhance quality of life while consuming less input materials.



*"Our purpose to create sustainable value is now more relevant than ever. With our strategic approach, we are securing our company's future and contributing to sustainable development around the world."*

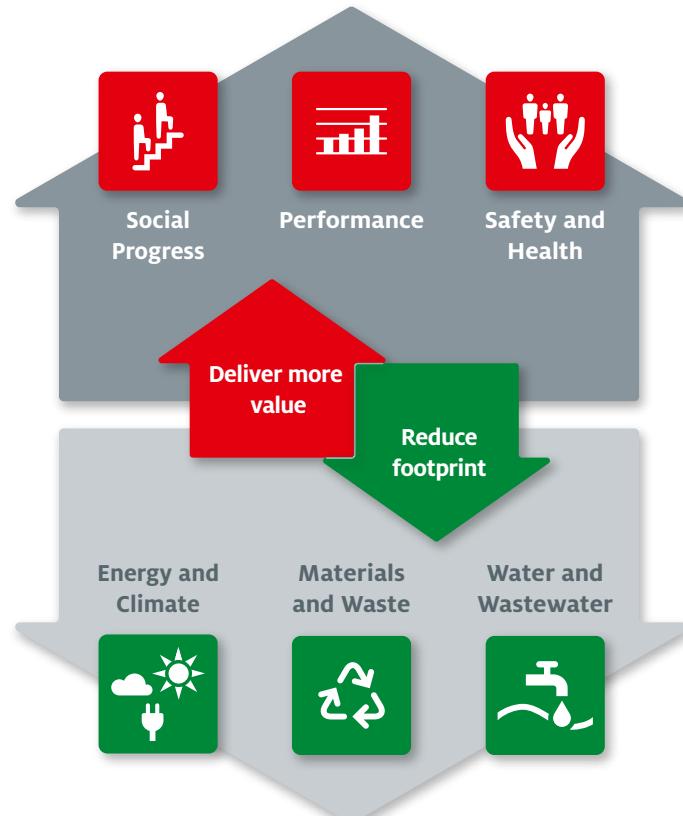
**Carsten Knobel**

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. Cooperating with our partners along the value chain plays a key role in this.

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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. The rising awareness about climate change, respect for human rights and the use of plastics, as well as the presence of these issues in the media, underline their urgency. Likewise, dialog about sustainability issues on public platforms is increasing, especially on 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. This involves dialog with our stakeholders. We engage in initiatives together with industry representatives and civil society organizations worldwide, while also participating in political and public discussions.

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### **A leading role**

We are convinced that our focus on sustainability and our unwavering commitment to this topic are important now – and will also underline the viability of our company in the future. This includes making an effective contribution to global sustainable development while also reinforcing Henkel's business success. This focus supports our growth, helps to increase our cost-efficiency and reduces risks. It permeates all of our company's activities along the entire value chain.

Our many years of work have laid a strong foundation, with the result that we have built a track record of success. Henkel's leading role in sustainability is confirmed by numerous international ratings and rankings. Using the energy of our employees and the great reach of our brands and technologies, we aim to further expand our contribution to sustainable development.



When it comes to implementing our sustainability strategy, it is our people who make the difference – through their dedication, skills and knowledge.

### **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 around 120 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 120 countries

We develop innovative solutions and set standards for sustainability together with our suppliers and partners from around 120 countries.

### 2. Production



Henkel operates 184 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 improving our logistics approach worldwide, such as through intermodal transport.

### 4. Industry and retail



### Close cooperation

It is important to us to work hand-in-hand with our retail partners. We support our retail partners in their sustainability activities, for example, with eLearnings 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 Henkel's packaging will be recyclable or reusable.\*

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## Global goals for sustainable development

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

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

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



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

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### Providing access to good education

We aim to promote access to high-quality education and increase the number of young people and adults with relevant competencies and skills. Schwarzkopf's → **Million Chances** initiative was launched in 2016 to support women and girls in building a successful future for themselves. Henkel is also the main supporter of the → **Teach First Germany** 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.



### Promoting sustainable palm oil

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



### Committed to protecting the climate

In view of the urgent need to reduce CO<sub>2</sub> emissions, it is our long-term vision to become a → **climate-positive** company by 2040 and make progress in further relevant parts of our value chain. As a first step, we plan to achieve a 75-percent reduction in the carbon footprint of our production by 2030. We also want to obtain 100 percent of our electricity from renewable sources by 2030. In addition, we would like to leverage our brands and technologies to help customers and consumers save 50 million tons of CO<sub>2</sub> when using our products by 2020.

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**1 NO POVERTY** **14 LIFE BELOW WATER** **17 PARTNERSHIPS FOR THE GOALS**



**Turning waste into opportunities**

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

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION** **13 CLIMATE ACTION** **17 PARTNERSHIPS FOR THE GOALS**



**Promoting sustainable consumption**

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

**1 NO POVERTY** **2 ZERO HUNGER** **17 PARTNERSHIPS FOR THE GOALS**



**Improving quality of life**

With our social engagement, we aim to support people around the globe and improve their quality of life. For example, → **volunteer efforts by our employees** have provided support for social projects in Uganda for many years. 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.

## **Deliver more value**

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

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

The issue of the social added value of products is especially important in emerging markets. Products that are geared to the needs of lower income groups have more than just economic potential. They also make positive contributions to social well-being, for example to hygiene and health in the home.

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

In addition, we create value with our business activities and in collaboration with our partners. We act in the knowledge that, while the middle class is growing worldwide, large sections of the global population are still facing poverty, poor labor conditions and a lack of development opportunities.

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For example, we are engaged in helping women and girls to build a positive future for themselves through our → [Million Chances initiative](#). We are also committed to improving the income opportunities of people who come into contact with our supply chains and our business, such as → [smallholder farmers](#) in the palm oil industry. We have also been partnering with → [Plastic Bank](#) since 2017 and we are continuing to expand this commitment. Plastic Bank is a social enterprise that aims to reduce the amount of plastic waste that enters the oceans, while also providing opportunities for people in poverty.



In order to promote sustainable palm oil as part of smallholder projects, we are currently involved in seven initiatives worldwide together with the development organization Solidaridad.

## Reduce our environmental footprint

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

By adopting the Paris Climate Agreement, the international community has made a commitment to hold the increase in the global average

temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. To achieve this, CO<sub>2</sub> emissions must be reduced by 80 to 90 percent by 2050. Henkel is committed to helping to reach this target. Against this backdrop, we plan to achieve a 75-percent reduction in the carbon footprint of our sites by 2030. In addition, it is our long-term vision to become a climate-positive company by 2040 and make an active contribution to climate protection.

We are starting by focusing on our own production, which we can influence directly. The raw materials we purchase also have a decisive impact on our environmental footprint along the value chain. For this reason, we expect our suppliers and contract partners to set targets that are as ambitious as our own – and contribute to the reduction of CO<sub>2</sub> throughout their supply chain. In terms of the environmental footprint along the value chain, the product usage phase has the largest impact on our CO<sub>2</sub> footprint. For this reason, we also want to leverage the potential of our brands and technologies to help our customers and consumers to save CO<sub>2</sub> when using our products.

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



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In the focal area of water and wastewater, it is our goal to reduce water consumption 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, cosmetic and body care products that enter wastewater after use have been developed so that they have the least possible impact on the environment. Wastewater from industrial plants is pre-treated with state-of-the-art technologies and disposed of professionally.

### Contributions from our brands and technologies

Our brands and technologies are used in households and industrial processes millions of times every day. For this reason, we are committed to providing products and solutions that make a positive contribution to meeting environmental and social challenges. This commitment is also systematically anchored into our innovation process. When buying products, for example, consumers do not decide on the basis of performance and price alone. They also want brands that offer integrity in terms of ecological, economic and social considerations. New technologies and media create a high degree of transparency, making it easy for consumers to check whether assurances are being met. Through clearly defined and consistently implemented positioning, our brands can strengthen their competitive position and support customer loyalty. With our top brands, our focus is on the "brand purpose." In addition, we offer "green" products as lighthouse products. Our → **Nature Box** brand and our → **Pro Nature** product line are examples of this.

It is also important that we demonstrate how our products can contribute to sustainability when dealing with our customers. This includes showing how resources can be used more efficiently, for example. 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 to reduce CO<sub>2</sub> emissions

It is our goal to help our customers and consumers save 50 million metric tons of CO<sub>2</sub> over the five-year period up to 2020. Our goal includes two approaches. With our engagement, we want to help reduce CO<sub>2</sub> emissions that are generated by customers when they use our products (called Scope 3 emissions). In addition, we want to help customers avoid CO<sub>2</sub> emissions by using our products and technologies (called Scope 4 emissions).

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Through our brands and technologies, we make products that are used and applied in ways that are directly linked to the use of energy, such as detergents, shower gels, or hotmelt adhesives. We want to enable the efficient use of energy with innovations that cut energy consumption and the related CO<sub>2</sub> footprint. On top of this, we 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 CO<sub>2</sub> emissions. The initiative includes information provided on the product packaging and a related [website](#). Through the website, consumers are able to calculate their personal daily water footprint and see the benefits of shorter shower times, for example. Studies show the positive results that can be achieved by raising consumer awareness:

If consumers who purchased Henkel products reduced their shower time by an average of 15 percent, it would be possible to avoid more than 200,000 metric tons of CO<sub>2</sub> emissions each year.



Lower water temperatures also help to reduce energy use and CO<sub>2</sub> emissions. Through continuous research and development partnerships, as well as significant investment in new formulations, we enable our consumers to achieve excellent washing results when using increasingly concentrated dosages at lower temperatures – or even when washing laundry in cold water. We raise awareness of the need to save energy by placing the “be sustainable – wash cold” logo on our laundry detergent packaging to draw consumers’ attention to this topic. The potential for savings is enormous: If no water had to be heated for loads of laundry washed with heavy-duty detergents from Henkel, it would be possible to avoid more than 7 million metric tons of CO<sub>2</sub> emissions each year.



We have developed a CO<sub>2</sub>-saving portfolio to help our customers and consumers reach our target of saving 50 million metric tons of CO<sub>2</sub> emissions between 2016 and 2020. The evaluation of the contributions in this portfolio is based on a company-wide, standardized process that sets out the criteria for the selection of the products and the calculation of CO<sub>2</sub> emissions. We have summarized some examples of our products and technologies in the following six groups. With regard to the products sold between 2016 and 2019, we enabled our customers and consumers to reduce CO<sub>2</sub> emissions by more than 43.5 million metric tons. In the future, we plan to evaluate additional applications and further expand the portfolio of products that contribute to CO<sub>2</sub> savings in the application phase.

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### **Energy-saving building facades**

Our thermal insulation composite systems for building facades help to cut energy consumption by reducing the loss of heat. In addition, our “cool roof” coatings, which reflect 87 percent more sunlight than conventional roof coatings, reduce the consumption of energy because fewer air conditioning units are needed. The products sold in 2019 enabled our customers to save around 5.85 million metric tons of CO<sub>2</sub> emissions.



### **Lightweight vehicle designs**

We support our industrial customers with solutions for lightweight automotive designs. This includes pretreatments for metal surfaces that make it possible to combine steel and aluminum, as well as liquid soundproofing and 3D reinforcement technologies. These solutions all contribute to weight reduction in the chassis and increase fuel efficiency. The solutions sold in 2019 enabled our customers to save around 2.65 million metric tons of CO<sub>2</sub> emissions.

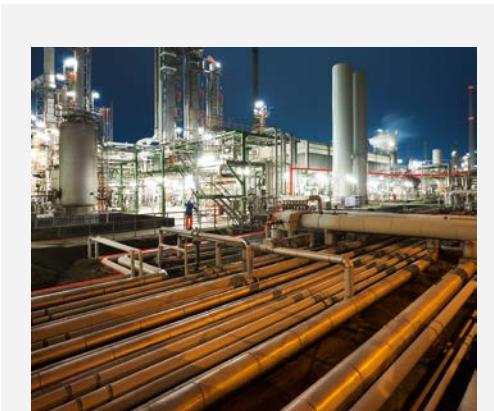


### **More efficiency for renewable energy**

Our electro-conductive adhesives enable manufacturers of photovoltaic modules to increase the efficiency of solar panels. More solar cells can be installed in each module, and the loss of conductivity within the module can be reduced. This enables the modules to generate more renewable energy. The products sold in 2019 enabled our customers to save around 2.75 million metric tons of CO<sub>2</sub> emissions.

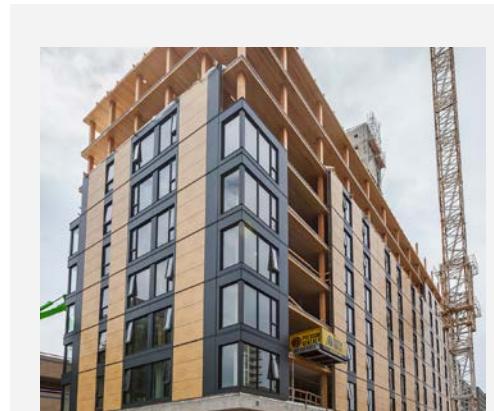
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### Repair and renovation

Our industrial coating products enable our customers to protect machinery like pumps against wear and tear, and extend their lifetime. Machinery of this kind is often operated continuously, which can cause abrasion and corrosion – leading to production downtime. With our coatings, customers are able to increase operational efficiency by reducing energy consumption or making it possible to use the machine for longer. The products sold in 2019 enabled our customers to save around 560,000 metric tons of CO<sub>2</sub> emissions.



### Intelligent material replacement

Our adhesives open up the opportunity for our customers in the construction industry to use wooden panels instead of concrete. The technology is used in Cross-Laminated Timber (CLT) – a construction material made of three or more layers of wood. Using CLT can replace concrete, which uses more energy and emits more CO<sub>2</sub> when it is made. The products sold in 2019 enabled our customers to save around 520,000 metric tons of CO<sub>2</sub> emissions.



### Less hot water usage

We help consumers by providing products that can reduce energy consumption for warming up water, as well as the related CO<sub>2</sub> emissions. With our Laundry & Home Care products Colour Catcher laundry sheets and Somat dishwasher cleaner, customers can reduce the number of washing cycles. In addition, leave-in conditioners and dry shampoos from Beauty Care do not require warm water for rinsing. The products sold in 2019 enabled consumers to save around 200,000 metric tons of CO<sub>2</sub> emissions.

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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 companies, and our corporate functions.

Our employees are actively committed to ensuring that our brands and technologies make significant positive 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. In 2012, 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 the introduction of the → [Sustainability Ambassador program](#), we have trained more than 50,000 Sustainability Ambassadors at our locations worldwide. 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.



In a global communication campaign, we provided our employees with extensive information about plastics. On "Myths Monday," for example, we cleared up some widespread misunderstandings.

In 2019, we also provided our employees with extensive information about packaging and plastics. The communication campaign included dialog with experts, recycling tips and employee events.

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Twice a year, Henkel employees in Shanghai, China, invite children from a local school to visit our company and learn about sustainability. In 2019, the focus was on recycling.

## Motivating 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 and their enthusiasm to others around them. From the start of the project in 2012 until the end of 2019, we reached more than 170,000 schoolchildren in 53 countries.

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

In 2019, Henkel also launched the → [global employee initiative Trashfighter](#) as part of its commitment to avoiding plastic waste in the environment. Around the world, Henkel employees took part in collection campaigns and removed waste from riverbanks, parks and cities. The initiative also aimed to raise our employees' awareness about waste in the environment.



Henkel employees worldwide took part in the Trashfighter campaign to collect plastic waste and draw attention to environmental pollution, as shown here in France.

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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 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.

To support our employees and retirees around the world in their voluntary and social engagement in charitable institutions, we launched the → **“Make an Impact on Tomorrow” (MIT Volunteering) initiative** in 1998. We support projects through product and in-kind donations, as well as by sharing expertise or investing time through paid leave. Our basic principle is: The larger the initiative, the more support Henkel will provide. Through the great commitment of our active and retired employees, as well as through project reports, we ensure that our resources are used fully, responsibly and transparently



The MIT volunteering initiative promotes personal initiative and voluntary social engagement, like the construction of this drinking water well in Burkina Faso.

where they are most needed. With the MIT initiative, Henkel sets important impulses, with employees reporting better teamwork, greater job motivation and a stronger sense of identification with our company. The volunteers also play a pivotal role as a link between Henkel and its social environment by acting as ambassadors for our company and our corporate culture.

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## Further developing 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 (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).

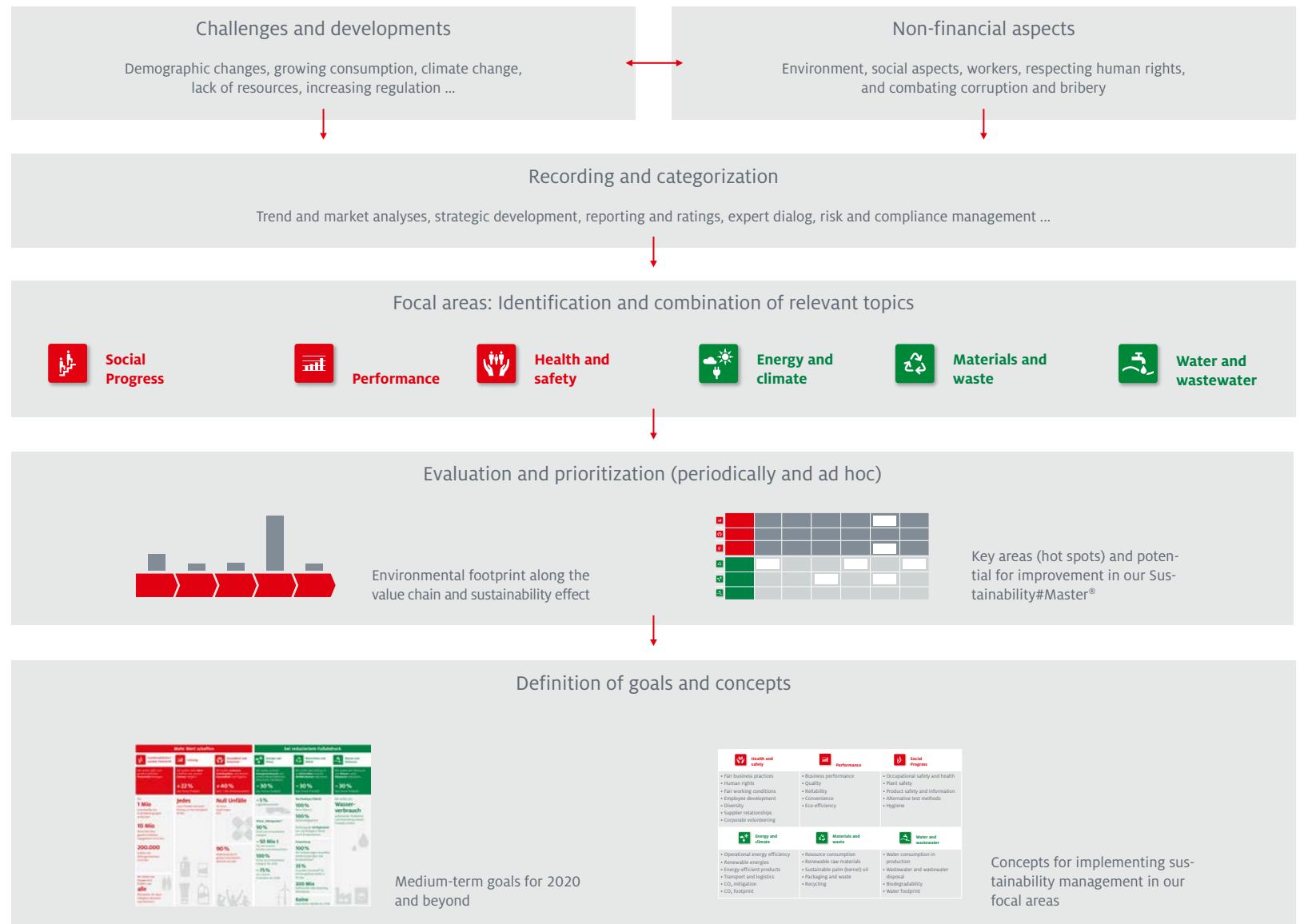
The results of these processes can be categorized in line with the six → **focal areas** that we identified through a materiality analysis. In these focal areas, we want to drive sustainable development around the world and along the value chain with our business activities.

### Evaluating our influence

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

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## Our process for identifying material issues and developing goals



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Viewed across our entire portfolio, improvements in input materials and in the use phase are the decisive factors when it comes to our water and CO<sub>2</sub> footprints. Our → **Henkel Sustainability#Master®** is a key analysis tool in optimizing the “value” and “footprint” dimensions. We use it as part of our innovation process, for example. The core element is a matrix in which changes in both of these dimensions and along the value chain can be analyzed.

## 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. Furthermore, we have established management systems, standards and guidelines, as well as related processes and organizational structures that provide a framework for measures to implement these concepts. We continuously review our goals and concepts, and develop them further when necessary.

### Our focal areas



#### Social Progress

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



#### Performance

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



#### Health and safety

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



#### Energy and climate

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

## 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. We have therefore defined our medium-term targets for 2020 and beyond. We have also set further milestones for 2025 and 2040. The following overview shows our main goals for advancing sustainability.

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Base year: 2010; exception: Logistics emissions: 2015.

<sup>1</sup> Goal already achieved in 2018

<sup>2</sup> 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. Regarding our specific targets for 2020 related to “deliver more value” and “at a reduced footprint,” we were able to make great progress by the end of 2019. By improving our global accident rate by 42 percent per million hours worked, we were able to achieve our target for 2020 in 2019. In addition, we surpassed our 2020 targets for reducing CO<sub>2</sub> emissions (reduction of 31 percent) and reducing the volume of waste generated (reduction of 40 percent) one year early. We are also already close to meeting our 2020 target for water consumption, with a reduction of 28 percent achieved by 2019. Our results in the areas of occupational safety and environmental footprint confirm our global and long-standing commitment to contributing to improved efficiency. By 2019, the efficiency increase had risen to 56 percent.

**Achieved 2019<sup>1</sup> Targets 2020<sup>1</sup>**


More net sales per ton of product

**+5% +22%**


Safer per million hours worked

**+42% +40%**

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

**-31% -30%**


Less waste per ton of product

**-40% -30%**


Less water per ton of product

**-28% -30%**
**Total efficiency**
**+56% +75%**
<sup>1</sup> Compared to the base year of 2010.

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

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

→ You can find an overview of these targets and goals [here](#).

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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. Within Henkel, efficient processes also contribute to environmental protection and occupational health and safety, while additionally reducing resource consumption and costs. We use a variety of methods and tools to assess and manage our corporate sustainability and to measure the extent to which objectives are achieved across the entire company and our value chain. By holistically assessing the influence of our business activities, products and services, we create a substantial foundation for business decisions and communication with our stakeholders. Overall, an important aspect for us is the interplay of company-wide steering instruments and action programs in regions and countries, which are aligned with social challenges and priorities within a specific region or market.

Group-wide risk management also makes an indispensable contribution to our strategic focus on sustainability and enables us to identify potential risks and business opportunities at an early stage.

As part of the non-financial reporting process, a risk analysis has been conducted in line with the concepts and processes for risk mitigation that are described in this report. During this analysis of our own operations, our business relationships, our products and our services, no material risks were identified that meet, or will meet, the criteria of "having severe negative consequences" and "being very probable" according to the definition set out in paragraphs 2 and 3 of section 289c, as well as section 315c of the German Commercial Code (HGB).

## Codes, standards and management systems

### **Globally uniform codes and standards**

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



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

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

You can find the following codes and standards on our website:

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

## Management systems

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

We carry out → **regular audits** at our production sites and at our subcontractors and logistics centers to verify compliance with our □ **codes and standards**. All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department's annual report to the Henkel Management Board. We have our management systems externally certified at the site level wherever this is expected and recognized by our partners in the respective markets.

At the end of 2019, 79 percent of our production volume came from facilities certified to the internationally recognized ISO 14001 standard for environmental management systems. 81 percent of our production volume is covered by the ISO 9001 standard for quality management and 49 percent by the ISO 50001 standard for energy management. In addition, 41 percent of our production volume in 2019 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 78 percent of our production volume in 2019 came from plants certified to OHSAS 18001, while 41 percent is certified to ISO standard 45001.

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## 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 & 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 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 employees and also for 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. The same expectations apply to all employees at all locations without exception: Henkel strictly opposes the infringement of laws and standards, and rejects all dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday working situations, we focus on regular training courses and communication measures. Our managers play a key role with regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. For this reason, in particular all of our managers across the globe must participate in our mandatory Compliance eLearning program and attend relevant training courses. The program addresses many different compliance topics, such as data protection, competition law and anti-corruption. In 2019, a total of 16,959 participants took part in these training courses.

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## **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 2019, 21 employees received written warnings, and 44 contracts were terminated as a result of conduct violating compliance rules.

## **Data Protection and Compliance Management Systems audited externally**

Henkel's compliance culture involves **continuous monitoring and improvement of the compliance process**. Against this background, our data protection management system in the European Union was intensively reviewed and confirmed by external auditors in the period from April to September 2019 in accordance with the IDW PS 980 auditing standard – with regard to the appropriateness, implementation and effectiveness of the data protection processes. This makes Henkel one of the first German companies to have successfully passed this special audit after the General Data Protection Regulation (GDPR) entered into force. Henkel had previously had similar external audits related to competition law and anti-corruption carried out on several occasions.

## **Results of our audits**

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

In 2019, we conducted 77 audits around the world. In the course of the audits, a total of 1,488 corrective actions were agreed upon. In 2019, the main emphasis was on the following areas: audits in relatively small countries; receivables accounting in sales; granting of discounts; IT systems operated by the business units; our global supply chain organization; and current acquisitions. Compliance with our SHE Standards was audited at 63 sites, resulting in the initiation of 340 optimization measures. We examined compliance with our Social Standards in 19 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 an assessment of internal control systems. In 2019, Corporate Audit also trained 3,998 employees worldwide in seminars and during our audits on compliance, risk management and internal controls.

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## Our organization for sustainability

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

### **Sustainability Council**

Our Sustainability Council steers our sustainability activities as a central decision-making body, with members from all business units and functions in the company. It is chaired by a Management Board member and reflects all areas of the company. As a general rule, the Sustainability Council meets four times per year. In addition, the

members take decisions on matters as required during the year. On behalf of senior management, the committee performs coordination, initiative and control functions in relation to sustainability issues. These include strategic topics as well as issues that are operationally relevant, such as climate change and its effects, human rights, sustainable products and technologies, packaging, product safety and management systems. The Sustainability Council sets up project groups to deal with sustainability issues and monitors the results. It also handles cross-departmental projects and regularly monitors the extent to which sustainability goals are met, for example the progress of our climate-related corporate targets and initiatives.

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### Corporate governance

The controlling company of Henkel is Henkel AG & Co. KGaA, headquartered in Düsseldorf. Responsible corporate management and controlling, aimed at a long-term increase in shareholder value, has always been a part of our identity. Taking into account the special features of the legal form and articles of association, Henkel AG & Co. KGaA complies with the recommendations (target provisions) of the German Corporate Governance Code, apart from a few exceptions that are explained in [Henkel's 2019 Annual Report](#) (pages 33 to 34). The full wording of the [declaration of compliance](#) is available on our website.

The remuneration report in Henkel's 2019 Annual Report (pages 47 to 74) 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 74.

### Business units

The business units (Adhesive Technologies, Beauty Care and Laundry & Home Care) are also responsible for adapting our sustainability strategy to their operating needs, as well as providing the resources needed for its implementation. They align their brands and technologies, and the sites involved, to sustainability in line with the specific challenges and priorities of their product portfolio. The research and development departments of our three business units work on key technologies and supply the basis for tomorrow's sustainable products.

### Regional and national companies

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

### Corporate functions

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

### Management conferences and working groups

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

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## Evaluation and management of corporate sustainability

We use a variety of methods and tools to evaluate our progress toward our overarching → **20-year goal for 2030** in a way that is integrated across our whole company and along the entire value chain, as well as to optimize the dimensions “value” and “footprint.” We are continuously developing these methods and tools, which include trend and market analyses, as well as the evaluation of ratings and life-cycle analyses. By holistically assessing the influence of our business activities, products and services, we create an important foundation for business decisions and communication with our stakeholders.

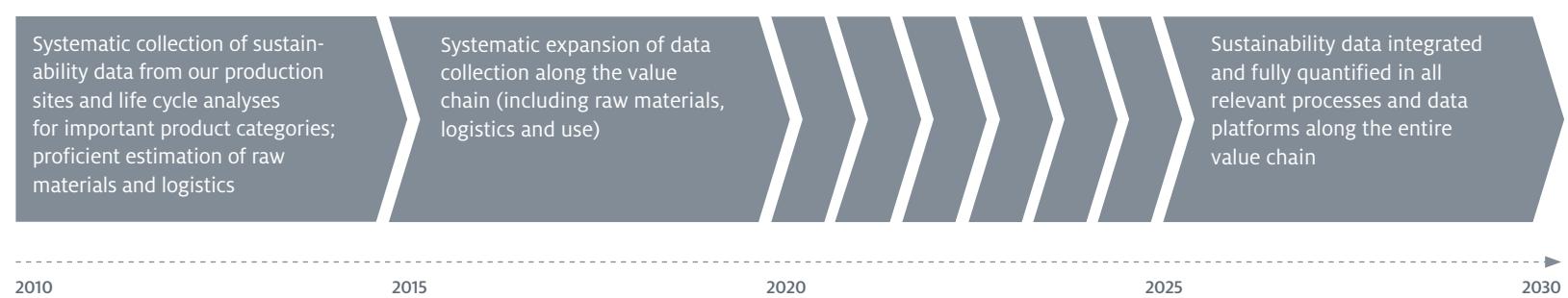
### Measuring and evaluating progress

We use representative life cycle appraisals in all product categories to assess our footprint along the entire value chain. We also assess data

covering the raw ingredients and packaging materials we use, as well as relevant transport operations. We have assessed more than 95 percent of our product categories through life cycle appraisals: more than 65 percent of our annual sales in these product categories has been evaluated through representative life cycle analyses and more than 30 percent through simplified life cycle appraisals.

In this way, we ensure validated greenhouse gas (GHG) reporting along the value chain. In addition, we have further developed our EasyLCA software tool for the fast calculation of CO<sub>2</sub> footprints for product formulations. EasyLCA is a quick way to make the footprint of formulations transparent for decision-making processes during the product development process.

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



## An overview of important topics and opportunities for improvements along the value chain

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

The core of our sustainability strategy is to reduce our consumption of resources while also creating more value. Our → **Henkel Sustainability#Master®** is a key analysis tool for visualizing improvements and optimizing our contribution to the "value" and "footprint" dimensions. Using a matrix representation, we can evaluate changes in both of these dimensions and along the value chain. This tool enables us to carry out systematic measurements and assessments on the corporate and product levels. The Henkel Sustainability#Master® is integrated into our innovation process so that every new product is systematically analyzed, measured and assessed.

### Managing target achievement

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

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packaging materials into the information systems of our product and packaging development departments. This allows the footprint of a new formulation to be calculated as early as the development phase.

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

## **Reporting and communication**

Henkel first published an Environmental Report in 1992. It reviewed our achievements and the progress made in the area of environmental protection in respect of our products and at our production sites. We subsequently began preparing an annual report on our company's major sustainability activities. In 2019, we collected data on 184 sites, representing almost 100 percent of our global production volume. In addition to the Sustainability Report, which is published annually at the same time as our Annual Report, we use various communication

and dialog formats to provide our stakeholders with information, as well as to engage in open dialog. This dialog takes place directly, as well as through our online and print media.

## **Climate change and climate protection**

Climate change is one of the current global challenges that we have integrated into our sustainability and risk management approaches, as well as across our value chain. It is relevant for us from two perspectives: One is the potential impact of our business activities on the global greenhouse gas balance, and the other is the potential impact of climate change on our business activities.

In the context of our sustainability strategy, we consider our direct and indirect CO<sub>2</sub> emissions and their potential impact on the climate. We are focusing initially on our own locations. Our target is to make a 75-percent reduction in the carbon footprint of our production sites by 2030. We intend to achieve this by continuously improving our energy efficiency and by using electricity exclusively from renewable sources. We want to → **become climate-positive** by 2040 by replacing the remaining fuels at our sites with CO<sub>2</sub>-free alternatives. In line with our vision, the sites will become climate-positive when surplus CO<sub>2</sub>-free energy that Henkel does not need for its own purposes is supplied to third parties. In addition to our activities at our own sites, we want to leverage our influence on areas of our value chain that are

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## Link between business activity and climate impact



particularly relevant to CO<sub>2</sub> emissions. We establish this data using the recognized methods of the Greenhouse Gas (GHG) Protocol. Analysis shows that the product use phase has the greatest impact on our CO<sub>2</sub> footprint. As a result, our aim is to help our customers and consumers save CO<sub>2</sub>. We also want to reduce the footprint of the raw materials and packaging that we use by 30 percent by 2030. One component of this is our packaging strategy, as CO<sub>2</sub> emissions can be reduced by using recycled material, for example.

The target of reducing the CO<sub>2</sub> footprint of our sites by 75 percent by 2030 is in line with the Paris Climate Agreement, which aims to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. We are committed to helping to reach this target. In this context, we joined the [Science Based Target Initiative](#) in February 2019.

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



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## Respecting human rights

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

### **Our understanding**

Henkel has a clear policy of doing business in an ethical and legal manner. This is inseparably linked with our commitment to respecting internationally acknowledged human rights.

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

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

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

We follow ongoing human-rights-related developments very closely, including the National Action Plans for Business and Human Rights, as well as the UK's Modern Slavery Act. We continue to develop our approach in line with the resulting expectations. This includes a cross-functional workshop on human rights that was held within the company in 2019. We are also engaged in dialog with stakeholders outside the company and in industry initiatives. Internally, we promote awareness of our obligation to respect human rights by integrating relevant content into eLearning courses and training sessions attended by our employees.

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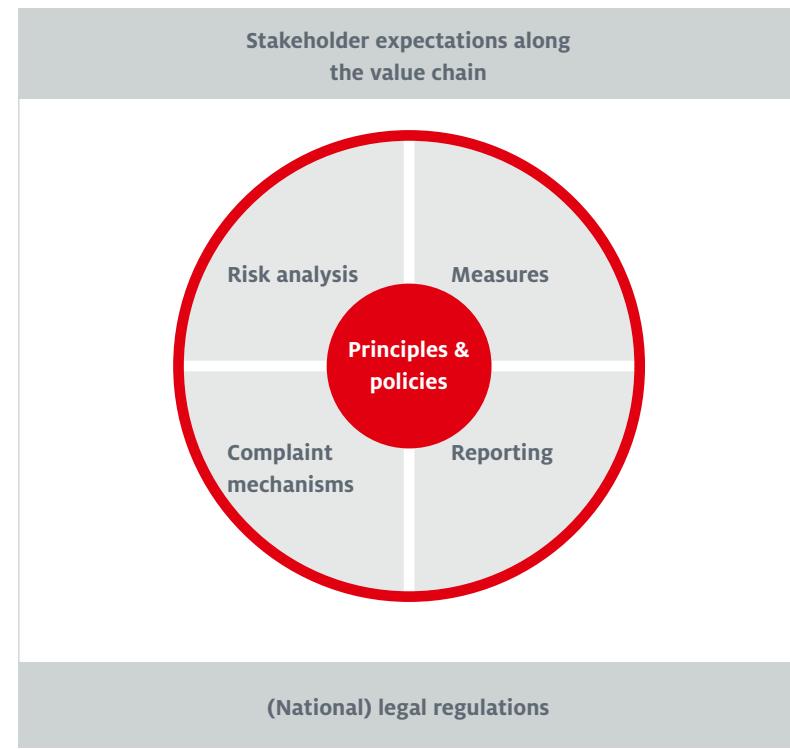
## Our approach

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

The Guiding Principles were adopted in 2011 and, through their "Protect, Respect, Remedy" framework, contribute to clarity regarding the different roles that states and companies play in relation to human rights. Within their own sovereign territory, states are responsible for protecting against human rights violations and ensuring access to the full range of human rights. Companies are expected to respect human rights, comply with national legislation, and establish reporting channels and provide access to remedy in the event of human rights violations.

These guiding principles include key elements such as principles and policies, risk analysis, effective measures, and reporting and complaints mechanisms, which we have incorporated into our approach to respecting human rights.

## Our approach to human rights due diligence



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## **Principles and policies**

Our codes and standards cover a wide range of topics including working hours, occupational health and safety, data protection, non-discrimination, fair remuneration, freedom of association and collective bargaining, and zero tolerance of child and forced labor. We have formulated the codes and standards in line with expectations that are relevant to our specific business operation. We revise the  documents on a regular basis to ensure that we conduct our business in a way that reflects our commitment to support and respect internationally proclaimed human rights.

Our most important documents include: Code of Conduct; Code of Corporate Sustainability; Social Standards; Safety, Health and Environment (SHE) Standards and the Responsible Sourcing Policy. An overview of human rights in the context of responsible business practices at Henkel is available on our website.

## **Risk analysis**

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

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

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

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Henkel considers that a relevant human rights risk exists if all four are met. This allows us to make a clear distinction between an individual case of non-compliance due to a single incident, and a human rights risk that is relevant to our business activities.

To do so, we analyze human rights-related risks in our company and along our value chains. In our global supply chains, for example, we use an early-warning system for sustainability risks. This includes defining the risk potential in our procurement markets and evaluating value chains on a cross-industry basis. In doing so, we focus on countries that international specialist institutes have classified as risk countries. Based on this, we define the riskiest markets by combining this analysis of risk countries with issues of particular relevance to our supply chains at that time, and take appropriate measures.

## **Effective measures**

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

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

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

As a matter of principle, we maintain intensive dialog with our suppliers to promote sustainable practices and respect for human rights along the value chain. For example, we also work with partners from the entire chemical industry as part of the TFS initiative.

More extensive information about this is available on our [website](#).

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## Reporting

We carry out regular audits at our production sites and at our subcontractors and logistics centers to verify compliance with our codes and standards. This also includes relevant human rights issues. All audit results, including the review of our SHE and Social Standards, are reported directly to Henkel's Management Board in the annual report compiled by the Internal Audit team. In line with the criteria of our risk analysis process, our comprehensive Group-wide audit program in 2019 did not reveal any indications of human rights violations related to Henkel's business operations. The identified risks related to raw materials are addressed as part of our supply chain management approach.

## Grievance mechanisms

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

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- Responsible Sourcing Process
- “Together for Sustainability” – Together for a sustainable supply chain

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## What we expect from our business partners

Our supplier base 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. Henkel currently has business partners from around 120 countries. More than 78 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 value chain. Our corporate purchasing standards apply worldwide, and we have supplemented these with a [Responsible Sourcing Policy](#). The Chief Procurement Officer (CPO) is responsible for all procurement activities and for ensuring responsible supply chain management. He reports directly to the Chief Financial Officer.

## Binding supplier code

Compliance with the cross-sector Code of Conduct of the German

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



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

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## Honoring our suppliers

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

The Adhesive Technologies business unit presented the sustainability award to Evonik in 2019. The specialty chemicals company received the award for developing innovative product solutions with improved environmental compatibility. This collaboration with Henkel resulted in a solution-focused project portfolio for bio-based materials, improvements for a circular economy, replacements for substances of very high concern (SVHC) and increased transparency about CO<sub>2</sub> footprint data.

The Beauty Care business unit also presented its sustainability award to Evonik in 2019. The company developed a new premium hair conditioning agent, which is used by Henkel brands including Nature Box. This product excelled in terms of sustainability and performance. The ingredients make for easy handling, and improve the suppleness and softness of hair. It is also solvent-free, easily biodegradable and based on renewable raw materials.



From left to right: Claus Rettig, Gerd Loehden, Lutz Mindach, Nermina Pavlukovic and Thomas Engenhorst from Evonik, Bertrand Conquéret from Henkel, and Ralf Marquardt from Evonik.

The sustainability award of the Laundry & Home Care business unit went to Solvay this year. The chemical company replaced a polymer that creates shiny surfaces with a new preservative-free solution. It also increases the shine of ceramic surfaces by 50 percent by drastically reducing the formation of limescale, which would result in a matte appearance. As of 2020, it will be used in all Bref Blue Activ products.

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## Cooperation with strategic partners

For many years, Henkel has engaged in a targeted dialog with its most important strategic partners on the subject of sustainable supply chains. The dialog centers on the definition and implementation of a common plan for Henkel's sustainability goals for 2020 and beyond. The primary focus here is to create transparency about the sustainability programs of our direct suppliers. Another 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 transparency about the emissions values of our suppliers' product portfolios and expect them to make a contribution to reducing CO<sub>2</sub> emissions along their supply chains.

## Responsible Sourcing Process

Our six-stage Responsible Sourcing Process, which assesses the sustainability performance of our suppliers, is a central element of our Responsible Sourcing strategy. We also support our strategic suppliers in making their contribution to the continuous improvement of sustainability in the value chain through targeted cooperation – for example, through knowledge transfer and continued education about process optimization, resource efficiency, and environmental and social standards. The Responsible Sourcing Process is an integral part of our purchasing activities and is applied both at the beginning of any cooperation and in the repeated cycle of review, analysis and continuous improvement with existing suppliers. Using this process

for the assessment of the sustainability performance of our suppliers, we cover about 86 percent of our purchasing volume in the areas of packaging, raw materials, and contract manufacturing.

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

Henkel uses an early warning system for sustainability risks in global purchasing markets. We begin by 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. One example of a risk market is the purchase of raw materials for solder 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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### 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 audit

We first invite new suppliers to complete or disclose an alternative self-assessment questionnaire concerning their sustainability performance. Our assessment approach uses questionnaires drawn up by EcoVadis, an independent sustainability assessment specialist. These questionnaires cover expectations in the areas of safety, health, environment, quality, human rights, employee standards and anti-corruption.

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

In March 2019, EcoVadis awarded Henkel the “Best Portfolio CSR Performance Improvement” award in the field of sustainable procurement management. This recognition was achieved as a result of our continuous efforts to constantly expand the pool of evaluated suppliers and underscores the high proportion of suppliers who have been able to improve their sustainability performance. Targeted measures will make sure that this continues to be an important component of our sustainability strategy for our purchasing activities in the future.

### Step 4: Analysis of the performance assessment

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

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

Independently of the results, after the assessment we ask all suppliers to draw up a Corrective Action Plan and to work on the sustainability deficits identified. We review the progress made in implementing the Corrective Action Plan in the course of the survey period in consultation with the suppliers.

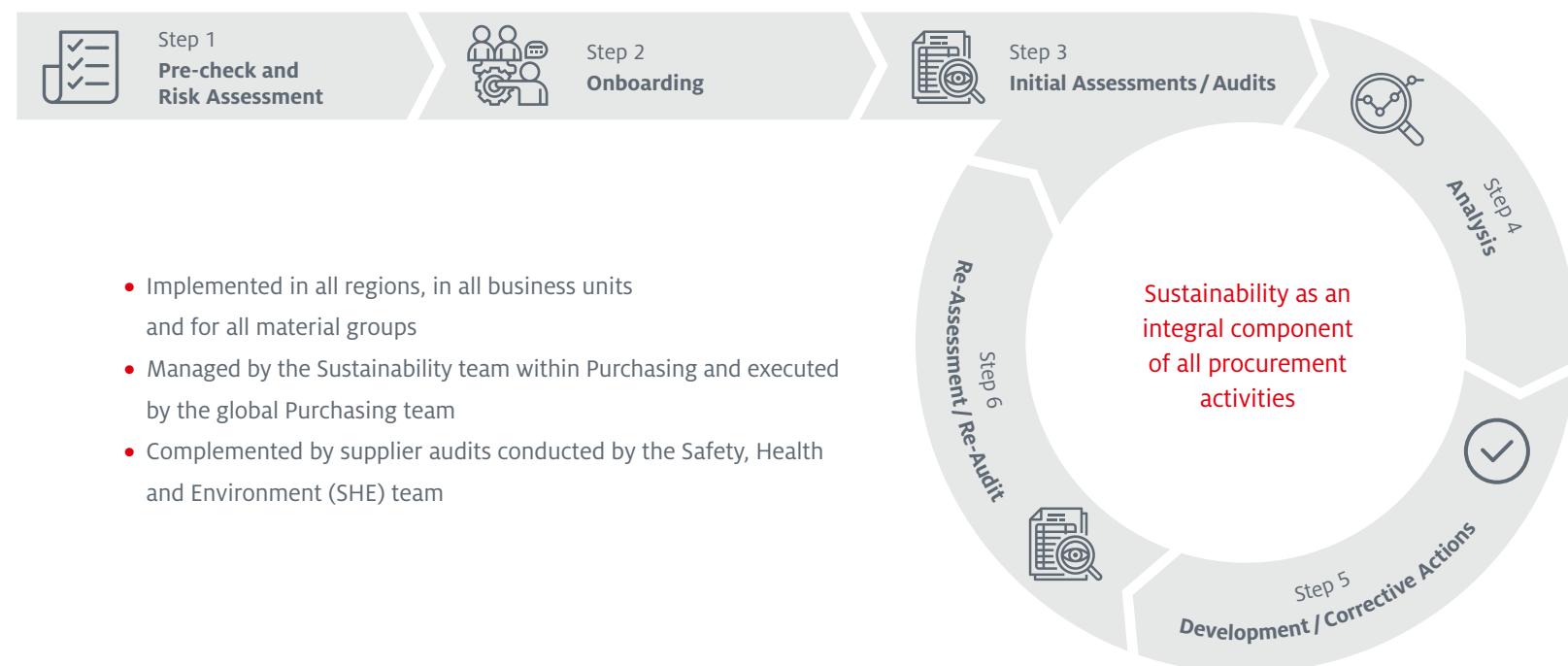
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## Responsible Sourcing Process

Six-step supplier management process



- Implemented in all regions, in all business units and for all material groups
- Managed by the Sustainability team within Purchasing and executed by the global Purchasing team
- Complemented by supplier audits conducted by the Safety, Health and Environment (SHE) team

### Step 6: Re-Assessment / Re-Audit

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

### Development or termination of the supplier relationship

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability performance. We strive to initiate positive change throughout the value chain, through training programs and joint projects. Overall, we did not receive any notification throughout 2019 of an infringement by any of our strategic business partners that would have given cause for terminating our relationship with that supplier.

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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. 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.

At the heart of the initiative is the core idea: “An audit for one is an audit for all!”: Suppliers only have to undergo one assessment or one audit conducted by independent experts. More than 14,000 assessments and audits have been carried out since TfS was founded. Performance is assessed in the areas of management, environment, health and safety, labor and human rights, and issues of ethical corporate governance. The measures then introduced are reviewed via re-assessments or audits. Follow-up monitoring and subsequent supplier management are the responsibility of the individual member companies. An online platform is used to make the results avail-

able to all members of the initiative. The TfS initiative grew once again in 2019 and has almost quadrupled its membership from six to 23 companies. Ensuring the global reach of the assessment and audit program, driven in part by buyer and supplier training sessions, was again a main focus of activities in 2019. In addition, in 2019 TfS applied new performance indicators that focus on transparency and continuous improvement of sustainability performance in the supply chain.

Together with EcoVadis, various supplier and customer events were held in 2019 with the aim of developing sustainability knowledge, while also sharing experience and best practice examples. Bertrand Conquéret, Chief Procurement Officer (CPO) at Henkel, has been Pres-



In Shanghai, China, more than 300 chemical industry suppliers met with representatives from TfS member companies to take part in the “2019 Together for Sustainability Supplier Training.”

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ident of the TfS initiative since May 2019. Conquéret will play a key role in the further development and focus of TfS's new strategic cycle.

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

Chemical Industry Federation (CPCIF). Meetings were also hosted in 2019 with the shared goal of promoting and improving sustainability in China's chemical industry supply chains. In 2019, TfS conducted its fifth supplier training course in China for 200 suppliers. TfS explained the criteria catalog, in particular the significance of the EcoVadis assessments and the conduct of the audits.



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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 focuses on holding regional supplier events to communicate and improve CSR performance within the value chain.

In October 2019, the  Consumer Goods Forum introduced the Sustainable Supply Chain Initiative (SSCI), which Henkel helped to shape through representatives on the Steering Committee and in working groups. The initiative aims to help companies select reliable sustainability schemes that have been verified using SSCI benchmarking so that they can meet their due diligence obligations as part of their risk analysis of their suppliers.

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## Ambition and targets

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Henkel operates 184 production sites worldwide. We work continuously at all of these sites to reduce our environmental footprint while maintaining high quality and safety standards. We have specified concrete targets for our production sites to maximize our positive impact and help steer progress toward our long-term goal of becoming three times more efficient by 2030. We plan to increase net sales by 22 percent per metric ton of product and to improve our worldwide occupational accident rate per million hours worked by 40 percent. At the same time, we aim to reduce the direct and indirect CO<sub>2</sub> 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.

We were able to make great progress toward our specific targets for “deliver more value” and “at a reduced footprint” by the end of 2019, in particular with regard to improving our accident rate, cutting CO<sub>2</sub> emissions and reducing the volume of waste generated. As a result, we were able to achieve or go beyond our targets for 2020 one year ahead of schedule. On top of this, we are already close to meeting our target for water consumption. Our results related to occupational safety and environmental footprint confirm our global and long-standing commitment to contributing to improved efficiency. By 2019, the efficiency increase had risen to 56 percent.

**Achieved 2019<sup>1</sup> Targets 2020<sup>1</sup>**

**+ 5 % + 22 %**

**+ 42 % + 40 %**

**- 31 % - 30 %**

**- 40 %<sup>2</sup> - 30 %**

**- 28 % - 30 %**

**+ 56 % + 75 %**



More net sales  
per ton of product



Safer per million  
hours worked



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



Less waste per ton  
of product



Less water per ton  
of product

**Total efficiency**

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

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

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## Driving efficiency

In line with our aim to continuously improve our entire production network, we began introducing the Henkel Production System (HPS) in 2015. Through this group-wide optimization program, we want to systematically identify and eliminate all inefficiencies like waiting times, excess production or defects from our value chain. This will enable us to reduce energy consumption at our production sites by 30 percent per ton of product by 2020 relative to the base year 2010, and will 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.



Henkel organizes sustainability workshops focused on topics including electricity, gas and heating, water and wastewater for production employees worldwide, including this workshop in Elgin, Illinois, United States.

In this context, our Adhesive Technologies business unit has introduced a Best Operative Practice program. During sustainability workshops at the Henkel production sites that account for the majority of our operational footprint, main footprint contributors are identified, best operative practices are analyzed and discussed with participants and improvements proposal are developed. The workshops for cross-functional teams use sustainability scorecards to prioritize projects and plan the implementation. In 2019, we conducted workshops at 16 Adhesive Technologies sites across our Asia-Pacific, North America, Latin America and Europe regions. In these workshops, more than 200 participants developed concrete action points addressing energy efficiency and renewable energy, as well as water saving and waste reduction opportunities. These derived actions account for potential savings of between 2 and 4 percent on average for energy, water and waste within the Adhesive Technologies business unit's operations globally. Since the beginning of the program in 2014, a total of 67 workshops have taken place. In the context of the Best Operative Practice program, for instance, at our plant in Rudrapur, India, we replaced High-Speed Diesel (HSD) with natural gas as the fuel for the boiler and the thermic fluid heater. Besides increasing efficiency, the use of natural gas generates less emissions. The investment is expected to save around 128 tons of CO<sub>2</sub> per year.

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At our Laundry & Home Care sites, like at plants in Russia, Germany and Mexico, our efficiency improvements include implementing heat recovery systems. In 2019, we installed a new system at our site in Port Said, Egypt. It recovers hot air that is emitted from the spray tower and uses it to heat up fresh air when it enters the tower burner. This decreases the amount of energy needed to heat the air from ambient temperature. This approach is in line with further improvement measures. Our sites in the Africa and Middle East region also ran several projects in 2019. Examples include improved use of air compressors, optimized heating area geometry and increased concentration of slurry in our powder production. Higher slurry concentration means there is less water in the slurry that needs to be evaporated.

In 2019, we also received external recognition for our engagement in sustainability. Our North American Laundry & Home Care plant in Bowling Green, Kentucky, was awarded the “Green to Gold Award” for companies that best exemplify “green” leadership related to the region’s goal of becoming a leader in this field. The production facility was honored due to its investments in measures to reduce energy use and wastewater.

Our Beauty Care sites also implemented energy efficiency measures in 2019. For instance, we installed a piping system with a heat exchanger on compressors at our plant in Viersen-Dülken, Germany. As a result, we can heat residual water from the osmosis equipment and use this water in a cleaning process. In addition to saving 1 percent of the energy usage in the entire plant, we have also reduced the consumption of fresh water at the site.

In addition, our site in Bogotá, Columbia, has developed approaches that increase efficiency by manufacturing in a modified shift system to reduce water and energy consumption.

## 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: 12/31/2019

Code	Standard for	Percentage of production volume covered
ISO 14001	Environmental management systems	79 percent
ISO 9001	Quality management systems	81 percent
ISO 50001	Energy management systems	49 percent
ISO 45001	Occupational health and safety management systems	41 percent
OHSAS 18001	Occupational health and safety management systems	78 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. Changes in our portfolio mix, such as those related to acquisitions, have an impact on the share of our production volume relative to the sites, and also on the relative share of certified sites in relation to production volume.

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## **New multi-technology production facility in Spain**

When building new plants, we aim to integrate our ambitions related to efficiency and renewable energy as early as in the design phase. For example, we were able to integrate high standards for sustainability into our new Adhesive Technologies production facility for aerospace applications in Montornès del Vallès, Spain, which opened in 2019. Thanks to a holistic concept including the use of renewable energies and smart technologies for equipment and infrastructure, it is the first production building in Spain with the golden DGNB certification. This certificate from the German Sustainable Building Council is internationally applicable and provides an assessment of the sustainability of buildings. Our site takes advantage of LED lighting that is supplemented with natural light, as well as optimal building insulation with three-layer walls. A heat-reflective and insulated roof enables highly efficient operation of the production systems. We use a woodchip boiler to generate all of the

thermal energy needed for processes and buildings across the site. It utilizes the energy contained in old pallets instead of scrapping them. In addition, photovoltaic panels are installed on the roof to generate more renewable energy. The production facility's overall concept aims to achieve carbon-neutral status through on-site renewable energy generation and green energy procurement. Smart metering, high efficiency motors and pumps, as well as process optimization, are also in operation at the site.

In the years before, other sites also received a LEED certificate ("Leadership in Energy and Environmental Design") in recognition of sustainable design. Our production building in Gebkim, Turkey, received a LEED certification and the administration building was awarded the "platinum" certificate – the highest possible LEED certification. Our multi-technology manufacturing facility in Kurkumbh, India, received a LEED Gold certification and more LEED certifications are planned for future greenfield projects. Our new Adhesive Technologies plant for electronics solutions, which is currently being built in Songdo, South Korea, will be strictly aligned with the needs of smart, networked production technologies in a design concept that complies with high standards of sustainability.



In June 2019, Henkel opened a new production facility for high-performing aerospace applications at its site in Montornès del Vallès, Spain. The holistic sustainability concept includes the use of renewable energies and smart technologies for equipment and infrastructure.

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## Becoming climate-positive

The 2015 Paris Agreement on Climate Change, and the worldwide commitment to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius, stresses the clear need to reduce CO<sub>2</sub> emissions. In light of this, Henkel has developed the long-term vision of becoming a **climate-positive company** by 2040. 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 665,000 metric tons of CO<sub>2</sub> 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 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. 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.



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, for example through solar panels or other technologies at our sites.

### Renewable energy

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 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. The infrastructure is either funded by Henkel itself or paid for by collaborations with external partners through long-term Power Purchase Agreements (PPAs).

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**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. Therefore, we can build additional capacities by green power purchase. In any situations where this is not possible for Henkel, we purchase the appropriate green power certificates.

In 2019, we continued to expand the on-site generation of renewable energy at different production sites around the world. For instance, our site in Montornès del Vallès in Spain installed photovoltaic panels as well as a biomass boiler. This on-site generation has the potential to produce about 2 million kilowatt hours, which is equivalent to around 500 tons of CO<sub>2</sub> when used instead of electricity or natural gas. More sites are also constructing and installing facilities for generating renewable energy, such as our Gebkim plant in Turkey, which is installing solar panels with the capacity to generate about 1 megawatt of power. This can save around 800 tons of CO<sub>2</sub> per year.

We have been expanding our purchase of green power and signed PPA agreements in countries including China, Italy and Sweden this year. This means the design and building of the respective energy generating facilities can start in the upcoming months. This includes energy delivery from the grid or from specific installations.

In 2019, 11 percent of our entire electricity purchase came from renewable sources. We have concrete plans to accelerate our respective sourcing, which means we are on the road to achieving our goal for 50 percent of the electricity we use in production to come from renewable sources by 2020.

## **Scenario for 2040**

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 CO<sub>2</sub>. We also aim to supply surplus carbon-neutral energy that Henkel does not need for its own purposes to third parties. In doing so, we will avoid emissions from our own activities, and also enable third parties to avoid potential emissions by using clean energy.

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## Reducing production waste and promoting a circular economy

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

In line with our approach to reducing our company's environmental footprint, it is our goal to decrease the overall volume of waste at our production sites by 30 percent per ton of product by 2020 relative to the base year 2010. By the end of 2019, we had 40 percent less waste per ton of product. This means we had exceeded this target one year ahead of schedule. 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 2019, 63 percent of our sites had already achieved this target.

In this context, the Adhesive Technologies business unit developed a tool that supports our sites in optimizing waste management by differentiating between types of waste and creating an overview of the life cycle of the waste – from when it is generated through to disposal. This tool can be used by production sites and research centers, and was introduced in the Asia-Pacific region. In 2019, all 33 operation sites in this region conducted analysis via this tool. It covers classification and compliance checks, as well as managing the waste streams and generating reports. The tool makes it possible to identify differences between sites of similar waste types, then refer best practices and develop specific improvement measures. This also contributed to Zero Production Waste to landfill project achievement. For example, our Dragon Plant site in China has reduced waste by around 40 percent per ton of product compared to the previous year through actions including raw material packaging replacement, optimizing the frequency of solvent cleaning processes to reduce waste solvent, and reducing production waste through closer monitoring. These successful practices have been transferred into the Adhesive Technologies Best Operation Practice program. We are also collaborating with business partners to drive progress. In North America, for instance, we are working with a scrap plastic buyer, local recycling companies and a waste-to-energy company to eliminate landfill waste from our sites.

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At our Beauty Care site in Bogotá, Colombia, we have a return logistics program 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 has reduced packaging waste by about 1,000 metric tons since the program started in 2016. Another approach for using material from cardboard boxes has been adopted at our three plants in Zapopan, Mexico. Boxes are shredded to make filling material for subsequent package shipments. These sites aim to apply this approach as widely as possible.

As early as 2013, our Beauty Care site in Wassertrüdigen, Germany, joined the RafCycle recycling program, followed by our site in Maribor, Slovenia, in 2017. This 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. Since the beginning of our cooperation, the two Beauty Care sites have recycled around 3,400 metric tons of waste.

Our Laundry & Home Care business unit is also participating in this recycling program for label release liners, as well as another program. We had implemented these programs at nine sites by the end of 2019. Our detergent production plant in Düsseldorf, Germany, for example, started working with Raflatac in 2018. Since then, 512 metric tons of self-adhesive label waste produced at that site has been recycled. In line with our goal to reduce waste, our plant in Racibórz, Poland, started a project to replace single-use outer cases with new reusable packaging in 2019. This means that the packaging rotates between our plant and the supplier of the packaging. Compared to 2018, this measure has reduced paper waste by about 29 percent. In addition, our plant in West Hazleton, USA, reengineered the processes for dosing and controlling raw materials in order to reduce the amount of waste generated at the site.

## **Conserving water**

It is our goal to use 30 percent less water per ton of product by 2020. By the end of 2019, we were using 28 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 pretreated using state-of-the-art technology for the removal of harmful substances and is disposed of professionally.

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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 is implementing highly efficient reverse-osmosis systems for filtering water across all of our plants globally. This technology produces demineralized water, which is an important ingredient for our liquid products. In 2019, for instance, it was installed in Bowling Green, USA, and our site in Perm, Russia, is upgrading its reverse-osmosis system. Other technical improvements also allow us to conserve water. At our Düsseldorf site, Germany, we installed this year special spray nozzles at further tanks. This enables us to save during the cleaning of those tanks up to 85 percent of hot water per cleaning cycle. In addition we installed so-called pigging systems between buffer tanks and the filters. By sending the “pig” (a kind of small ball) through the pipelines we remove all material and avoid cleaning with water which saves 1 ton of water per change-over.

In 2019, we also implemented water-conservation measures at our Beauty Care sites. This includes approaches to reusing water in cooling processes that have been also implemented at our sites in Tésitan, Mexico, and Bogotá, Colombia. In Bogotá, the cleaning process in the production of hair dyes was further optimized by adjusting the washing time and improving batch distribution, for example.

At our Chilean Adhesive Technologies plant in Santiago-Pudahuel, we modified the process for cleaning reactors with alkaline solution in 2019. This enables us to improve the cleaning process and save water. Our plant in Thane, India, has invested in a new water treatment installation that allows for a water saving of about 3 percent per month. Another example from India is our plant in Kurkumbh, where we implemented measures in the reporting year including optimized processes for the cooling tower that make use of rainwater and special filters. At our South African site in Alrode, we also optimized the utilization period of our cooling towers and extraction units to enable water savings.

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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 Adhesive Technologies business unit uses a smart operations platform that enables the visualization, review and analysis of resource consumption. This makes it possible to identify optimization potential for our use of raw materials. The platform is now running at sites across Asia-Pacific and the India, Middle East and Africa region. We aim to expand the rollout to our other operations worldwide. The platform revealed an opportunity to avoid more than 74,000 printed pages per month. Another example of accelerating digitalization is the “quality pulse” tool within our Adhesive Technologies business unit. It aggregates and analyzes huge amounts of qualitative and quantitative data that has been collected along the entire value chain, from goods to machines and even weather. In this way, it improves productivity, reduces energy and water consumption, and cuts costs.



Berta Galende and Jaume Carreras, Digital Transformation Engineers at Henkel's production site at Montornès del Vallès, Spain, keep a constant watch on order data and any deviations.

The production sites and processes for our Laundry & Home Care business unit worldwide are all connected, and all information is centrally collected in real time. Thus, digitalization is a driver to sustainability. The digital platform Wonderware acts as the digital backbone of this Industry 4.0 activity. One element of this backbone is the real-time overall equipment effectiveness (OEE) that quantifies how well a piece of equipment performs relative to its designed capacity during the scheduled time to run. With regard to the Wonderware platform, data from online metering systems at our laundry detergent production sites around the world is collected and processed. Using information from more than 3,500 sensors, it records how much energy and water each plant uses and displays this information visually. Using these sensors, as well as a data lake and big data analytics, the system can recognize patterns and identify potential for optimization. Since 2016, efficiency data from our production lines has also

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been fed into the system and analyzed. Thanks to a highly standardized equipment setup, our employees can view the relevant information for all other production sites worldwide, benchmark against best practice and jointly implement 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 27 percent.

Because the Wonderware platform is flexible, expandable and scalable, more modules have been added that build on identical technology and management procedures for quality, health management, line efficiency and traceability. In 2019, we fully integrated a digitalization solution at the Laundry & Home Care plant in Montornès del Vallès. Here on top to our global Industry 4.0 standard, a line integration system was installed which allows for improved efficiency. This enables us to connect our production machines to the central system, and to each other. In this way, we are better able to analyze and positively influence plant efficiency in real time with the aid of artificial intelligence.

We also aim to drive forward Industry 4.0 in our Beauty Care business unit. This includes further plans to implement a Manufacturing Execution System (MES), combining real-time overall equipment effectiveness (OEE) and energy usage. This is intended to enable faster analysis of the information and appropriate measures to be taken. We are already using OEE at our plant in West Hazleton, USA, for example. We also integrated energy meters into a web-based energy management system at our Colombian plant in Bogotá in 2019.

## **Subcontractors**

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

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# Logistics and transport

- Our holistic approach
- Expanding intermodal transport
- Improving our warehouse network
- Optimizing transport
- Digital tools for improved logistics
- Alternative mobility solutions

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## Our holistic approach

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. At the end of 2019, we had already achieved this target by reducing transport-related emissions by 7 percent per ton of product compared to the base year 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 performance, convenience or stability. More concentrated products and lighter packaging reduce transport weight, which decreases the amount of fuel required during transport and thus reduces 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 transportation and the logistics for finished goods, we focus our respective efforts on three major drivers:

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

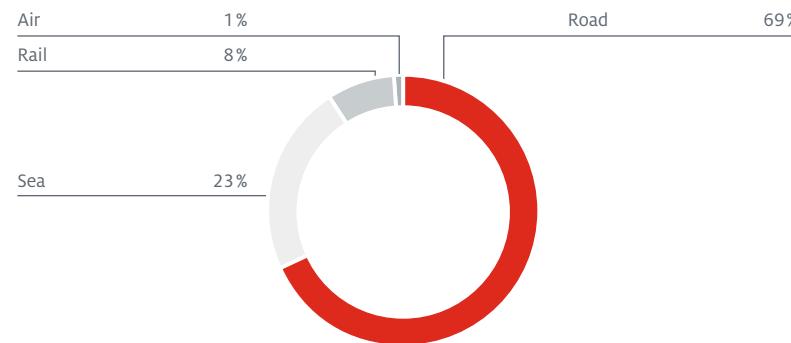
We leverage these drivers by collaborating with our suppliers and customers to implement joint logistics projects. In particular, we have extended our → **“Say yes! to the future” initiative** to cover logistics. This initiative is part of our Sustainability Ambassador program and is now fostering best-practice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

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### Product transports per transport mode in 2019<sup>1</sup>



<sup>1</sup> Due to rounding, the sum of percentages does not add up to exactly 100 percent.

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

## **Expanding intermodal transport**

Intermodal transport involves using more than one mode of transportation. At Henkel, this means more of our transports are being switched from road to rail. This process begins with a truck carrying the goods to the nearest rail loading terminal. From there, the goods cover longer distances by train, before a second truck collects the goods at the destination terminal and delivers them to the customer. This allows us to make use of the lower CO<sub>2</sub> footprint of rail transport compared to road transport, since a train emits about one-third of the CO<sub>2</sub> of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO<sub>2</sub> reduction in logistics at Henkel.



We have a commitment to continue leveraging intermodal solutions in 2020, and we continuously test the applicability of intermodal transport to new routes across Henkel.

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Through dedicated intermodal tendering processes, we are adding further train routes in Europe to support a shift toward intermodal transport. Since the beginning of 2018, this has enabled us to achieve an average reduction in CO<sub>2</sub> emissions of 3,700 metric tons per year. The major drivers for this were the Laundry & Home Care and Beauty Care business units. We continued to implement intermodal solutions for our Beauty Care business unit in 2019 by participating in a pooling concept from an external service provider that operates a train route in France. This route covers more than 800 kilometers between Château Thierry in the North of France and Nîmes in the South. The shift in transport mode from truck to train for this route allowed us to achieve additional reductions in CO<sub>2</sub> emissions. The service provider also manages order volumes for all suppliers to optimize the fill rates of truck deliveries, which leads to fewer deliveries and further reduces emissions.

Another way to improve our environmental footprint is by shifting transport from airfreight to sea freight. For example, in 2019 our Adhesive Technologies business unit reduced the gross weight shipped by airfreight globally by more than 15 percent compared to 2018. This resulted in a reduction in CO<sub>2</sub> emissions of 5 percent in comparison to 2018. Measures that contributed to this reduction include improvements in product availability through targeted capacity increases, enhancements in forecasts and run-time of equipment, and the establishment of an Airfreight Dashboard to identify and resolve potential issues.

## **Improving our warehouse network**

We select the location of our warehouses and distribution centers to optimize the routes between our production sites and our customers. A “wall-to-wall production” approach, where the warehouse is directly connected to the production facility, minimizes transport from production to storage. Where this is not in place, we achieve synergies by consolidating transport between individual 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.

As part of Henkel’s approach to improving our logistics efficiency and sustainability, our Adhesive Technologies business unit is continuing to consolidate its warehouses to minimize resource use and transportation needs. These consolidations are based on a detailed analysis of customer requirements, network scenarios and business constraints. A project that was initiated in 2018 to integrate several warehouses in Belgium into one modern warehouse in France continued in 2019. With one more warehouse to follow, the project will enable a total CO<sub>2</sub> emissions saving of 39 percent when it is complete. By the end of 2019, the project had already reduced CO<sub>2</sub> emissions by 30 percent. In addition, our Adhesive Technologies business unit also started to consolidate five warehouses in Germany and Belgium into one new warehouse near Düsseldorf in 2019. The location of the

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warehouse was chosen according to the location of our customers, and supports our efforts to travel routes from factory to warehouse with fully loaded trucks. Downstream, the consolidation means customers that were initially supplied by several warehouses are now supplied by just one, which decreases transport emissions. The warehouse was awarded the Sustainable Building for Logistics Gold certification from the DGNB (German Sustainable Building Council) and started its first operations in the second half of the year 2019. It is equipped with state-of-the-art technology to reduce energy consumption and features advanced processes for sorting waste in collaboration with waste recyclers to ensure the reuse of recyclables.

In 2019, our Beauty Care business unit relocated its warehouse activities from our plant in Willebroek in Belgium to a new warehouse in the Netherlands. This shift was agreed following an evaluation of the business unit's delivery operations in 2017, which indicated that the focal point of deliveries in the Benelux region was located in the region of Heteren in the Netherlands. The subsequent warehouse relocation allowed a reduction of 125 kilometers in delivery distance to this logistics center, saving more than 25,000 kilograms of CO<sub>2</sub> emissions.



In 2019, our Beauty Care business unit moved part of its warehouse logistics in the Benelux countries from Belgium to a new warehouse in the Netherlands. This resulted in a shortened transport distance to the focal point of deliveries in Heteren, reducing CO<sub>2</sub> emissions by 25,000 kilograms.

## **Optimizing transport**

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

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



As part of Henkel's participation in the FRET 21 initiative, Henkel France established a three-year program to reduce customer-related transport emissions by 10 percent by 2020. By 2019, CO<sub>2</sub> emissions had been reduced by 5.8 percent. Logo: Association des Utilisateurs de Transport et de Fret.

Within the framework of this initiative, Henkel France set up a three-year program aiming to reduce CO<sub>2</sub> emissions from downstream transport to customers in France by 10 percent by 2020. At the end of September 2019, the program had saved 522 tons of CO<sub>2</sub>, which equals a reduction of nearly 6 percent of CO<sub>2</sub> emissions related to our logistic activities in France.

As this program spans the supply chains of all three of our business units, it is managed by a "Green Logistic" group at Henkel France. This group worked with an external consulting firm to identify key actions to implement the program successfully. These include pooling, CO<sub>2</sub> performance, development of transport solutions and deployment of alternative transport modes.

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

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## Digital tools for improved logistics

In 2015, we introduced the Transport Management System, a Group-wide IT solution for more efficient handling of our transport planning and execution across all business units and countries. Based on real-time data regarding transportation, this system enables higher truck capacity utilization and optimized routes that decrease transport mileage, reduce fuel consumption and diminish the related CO<sub>2</sub> 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 track the 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 scientifically developed calculation tool include the use of real distances based on GPS data and country-specific emission factors as input. The process of monitoring emissions is further optimized by Henkel's own reporting model that enables detailed analysis at country-level and also at plant- and customer-level.

The combined application of the external calculation tool EcoTransIT World and Henkel's own reporting model enables us to foster transparency and data comparability across the entire industry, and helps us to track progress toward our emission reduction target. By the end of 2019, Henkel had achieved a reduction in transport-related emissions by 7 percent compared to 2015.

## Alternative mobility solutions

In addition to deploying advanced digital tools, the utilization of alternative mobility solutions is also part of our approach to optimizing our transport and logistics. We are testing the operational capability of vehicles powered by alternative propulsion systems at our sites. We are taking regional aspects and driving profiles into consideration. At our headquarters in Düsseldorf, we have incorporated around 30 electric vehicles into the internal fleet since 2012 to replace conventional vehicles with internal combustion engines. We have built a corresponding infrastructure with over 35 charging stations in and around the industrial park, some in cooperation with the utility company Stadtwerke Düsseldorf. We also made 14 on-site charging stations available for our employees to recharge their private electric vehicles. At our plant in Maribor, Slovenia, we are planning to equip our internal vehicle fleet with its first electric vehicle at the beginning of 2020 – a project that is expected to save more than 3.5 tons of CO<sub>2</sub> emissions.



The increasingly electrified corporate fleet and the expansion of the charging infrastructure at our Düsseldorf site, complemented by new projects promoting alternative modes of propulsion like hydrogen propulsion, are important steps toward promoting environmentally compatible mobility.

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

The deployment of conventional combustion engines that run on Compressed Natural Gas (CNG), which is mainly composed of methane, are another innovative alternative mobility solution that is being implemented into our business operations. This produces the least amount of CO<sub>2</sub> of all types of fossil fuel combustion. In 2019, our Laundry & Home Care business unit implemented a pilot project which deployed a truck powered by CNG combustion for round trip deliveries between Serbia and Austria. While the CO<sub>2</sub> emissions from a diesel vehicle on this route would amount to 1,970 kilograms, the new CNG powered truck only emits 1,147 kilograms of CO<sub>2</sub>, reducing emissions by 42 percent.



For its round trip deliveries between Serbia and Austria, our Laundry & Home Care business unit deployed its first truck powered by Compressed Natural Gas (CNG) in 2019. This cut emissions by 42 percent compared to a diesel vehicle.

Alongside transport to locations outside our company's premises, we also make use of alternative transport modes for internal deliveries at our sites. In the context of future mobility, we also seek to reduce transport-related emissions by generating a holistic, modern and sustainable concept to foster our staff's mobility. For our activities in this area, Henkel was awarded the "Düsseldorfer Mobilitätspreis" (Mobility award of the city of Düsseldorf) in November 2019. The support of our employees for projects regarding staff mobility can, for example, be seen in our Germany-wide → [bike-leasing program](#). Although it was only launched in May 2019, we had already achieved a participation rate of 10 percent of all German employees in November.

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- Our research and development
- Advocating sustainable consumption together with partners
- Product safety
- Microplastics
- Raw materials
- Packaging and the circular economy
- Emerging markets

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## Our research and development

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 with a smaller environmental footprint.

A high degree of innovativeness is very important in achieving this. In 2019, Henkel employed an average of around 2,650 people in research and development, and invested 487 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, criteria for assessing sustainability have been systematically anchored into the Henkel innovation process since 2008. The focus is on innovations that help our customers and consumers to use less energy and reduce their own CO<sub>2</sub> footprint.

### Evaluating sustainability in the Henkel innovation process

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



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

how it contributes to using less resources ("reduced environmental footprint"). One of the tools they use to assess the different contributions is the Henkel Sustainability#Master®.

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Concept      Development      Validation      Verification market launch

**Gate Go 1**

Identification of relevant  
focal areas

**Gate Go 2**

First evaluation of contribution  
to the focal areas

**Gate Go 3**

Comprehensive evaluation of the  
sustainability contribution



Social Progress



Performance



Safety and  
Health

Deliver more value



Reduce footprint



Energy and  
Climate



Materials  
and Waste



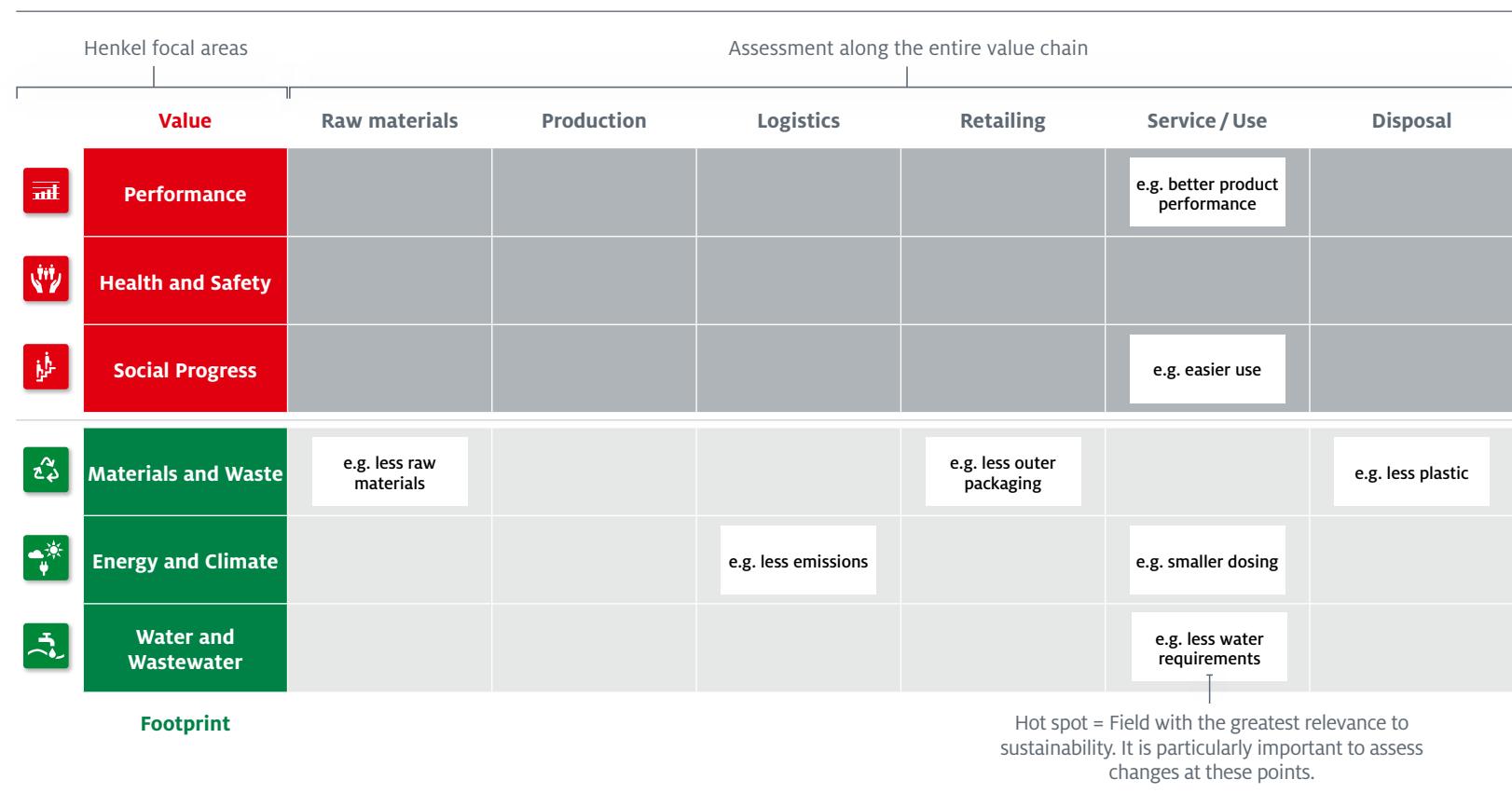
Water and  
Wastewater

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

The Henkel Sustainability#Master® combines various 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 requires a systematic approach. Our experts analyze the complete life cycle of our products with the help of life cycle analyses and the knowledge they have acquired during many years of work on sustainability. As early as the product development phase, we can assess what environmental impacts occur, to what extent, and in which phase of a product's life. Building on these results, we can then apply improvement measures where they are most needed and can be most efficiently implemented. In preparing

life cycle analyses, we use our own primary data as well as data from our partners along the supply chain. If such data is not available, we draw on secondary data from existing databases of life cycle analyses, average values, and emission factors. To further develop metrics and indicators, we collaborate with external partners on topics such as product carbon footprints and water 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 to production, use and 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.

In 2013, the Laundry & Home Care business unit supported A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, in the pilot phase of the European Commission's Product Environmental Footprint initiative. This initiative aimed to develop meaningful environmental information for liquid detergents that can be easily understood by consumers and leads to more environmentally conscious laundry habits. The general aim of the European Commission's pilot project was to reduce a product's environmental footprint at every stage in its life cycle, including the use phase. Another project was voluntarily carried out in 2016 under the direction of the European cosmetics association, Cosmetics Europe, to which the Beauty Care business unit made a significant contribution. This involved the assessment of the shampoo product category using a life cycle analysis. Another focus was on communicating the results: a video explains that the use phase of a shampoo accounts for a significant part of its entire environmental footprint. It also shows ways in which this impact can be reduced.

## Product water footprint

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

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## Advocating sustainable consumption together with partners

An important objective of our strategy is to promote sustainable consumption that conserves resources. Our products are the key here. They are used in millions of households and industrial processes every day. This is why we concentrate on developing products that enable resources such as energy and water to be used efficiently during everyday life. Our aim is to save 50 million metric tons of CO<sub>2</sub> emissions by 2020 through our products and by helping our customers and consumers with our expertise. Through targeted communication, we also strive to encourage responsible-minded behavior while using our products. This is especially important because the environmental footprint of many of our products is determined to a large extent during the use phase.

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



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

## Product safety

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

Our product developers and product safety experts assess ingredients according to the latest scientific findings and safety data. They contin-

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

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

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

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

### **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 related to product safety.

### **Product safety assessments**



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## Identifying hazards – assessing risks

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

## Evaluation of the substances used

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

## Assessment of the products

Once they have evaluated all of the individual ingredients, our experts perform a further safety assessment focusing on the overall formulation of a product. This looks at the properties of the individual 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 reflect reality.

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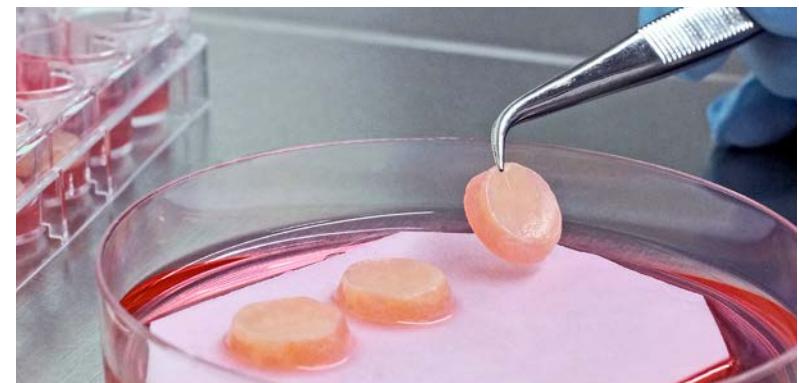
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## Innovations and alternative test methods

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 entirely 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. Of course, we 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 tests have been developed over the past decades by Henkel in cooperation with external partners. They have been proposed for international recognition by the Organization for Economic Cooperation and Development (OECD) as a substitute method for animal testing. 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 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 by 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 one-cent coin, to be used to research other issues regarding chemical safety. You can find more information on the website of the European Commission's [Scientific Committee on Consumer Products](#).



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



## Microplastics

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

As a first step, we have stopped using microbeads in our consumer products. These materials were previously contained in individual products as exfoliating or abrasive particles. We launched this initiative in 2014 for our new Beauty Care products in Europe and implemented it worldwide in 2016. All of our Beauty Care and Laundry & Home Care products are 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 that are discussed as microplastics. These encapsulated perfume oils are used in fabric softeners and certain detergents to create long-lasting fragrances with less perfume. 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 circular economy for plastics that is similar to existing systems for paper and waste paper. We will continue to increase the recyclability of our packaging, while also increasing the percentage of recycled material in our packaging.

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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 wallpaper adhesives.

### Renewable raw materials in our laundry detergents

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

To achieve the best washing performance, we use a mixture of different surfactants. In more than half of them, the lipophilic part is based on renewable raw materials. This is the result of Henkel's many years of experience with ingredients based on plant-based oils. The propor-

tion of renewable raw materials in surfactants for our detergents and household cleaners is around 30 percent. The other 70 percent is accounted for by inorganic and mineral-oil-based ingredients.

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

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



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## Natural bonding

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

## Palm oil 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 people affected. For this reason, we focus on three overriding objectives: the complete certification of all palm-based raw materials that we purchase in line with the [Mass Balance model](#) of the Roundtable on Sustainable Palm Oil (RSPO); the full traceability of these materials; and involvement in projects that support smallholders.

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, household cleaners and cosmetic products. These materials are frequently at the end of a long and complex supply chain. For this reason, Henkel is committed to driving progress toward achieving sustainable practices across the palm oil industry – along the entire value chain.

Collaboration with representatives from across the industry is at the center 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 plantation owners, small farmers and palm oil mills all the way through to governments, non-governmental organizations and suppliers. These activities enable us to expand our contribution to sustainable practices in the palm oil industry. These partnerships also provide us with important insights into the challenges posed by this valuable vegetable oil and its contribution toward safeguarding food supplies.

In May 2019, our Global Supply Chain organization was again successfully audited in line with the RSPO's [supply chain certification standard](#). In addition to the production sites in Western Europe, we also included three sites in the US in the certification process for the first time. Further sites in Eastern Europe are planned for 2020. This standard supports the use of sustainable palm and palm kernel oil along the entire value chain. It is regarded as proof, for retailers and others, that the value chain is certified from the plantation through to the last production site.

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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 by 2020. To date, more than 81 percent of the oil and derivatives used in our products have been certified according to this model.

### 2. Establish full traceability of the 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 stepped up our dialog with all of the suppliers involved and addressed our expectations. Compared to the previous year, we have increased the traceability rate to more than 70 percent in 2019. We have learned from our activities that the issue of transparency and traceability needs further development, especially for palm-kernel-oil-based derivatives. We also find that cross-industry initiatives are needed to verify targets for zero net deforestation.

### 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.

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### 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 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 there comes from small independent farms whose owners face several challenges. However, the productivity of small independent farms 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.



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

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, about 30,000 smallholders have been reached on about 300,000 hectares under cultivation.

For our commitment in Indonesia, we received an award from Fortasbi (Indonesian Forum for Sustainable Palm Oil Producers) at the RSPO Round Table in Bangkok in November 2019.

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## Action for Sustainable Derivatives (ASD)

In November 2019, Henkel joined the cross-industry initiative “Action for Sustainable Derivatives” (ASD) as a founding member, together with other leading companies in the cosmetics, home and personal care, and oleochemicals industries. The primary objective of the initiative is to generate more transparency in the complex value chain for palm derivatives. The resulting shared aspiration is to assess identified risks and to promote the sustainable production and procurement of palm oil and palm kernel oil derivatives. The initiative aims to facilitate the sharing of best practices and solutions in order to comprehensively transform the complex palm oil derivatives sector. In addition, the harmonization of requirements, tools and criteria will create fair conditions of competition for companies and their direct suppliers. It will also reduce the burden on upstream stakeholders in the supply chain.

## Initiative for more sustainable guar

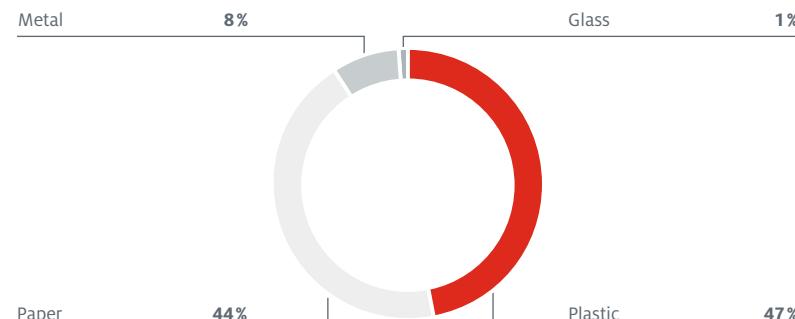
Guar and guar derivatives are important plant-based raw materials used in many cosmetic products. The new hair and body care brand → [Nature Box](#), which was introduced in July 2018, contains guar for hair and skin care purposes. Henkel’s Nature Box brand supports guar farmers in the desert region 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. Nature Box also supports sustainable palm oil and palm kernel oil production together with Solidaridad.

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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 goods during transport, provides space for necessary consumer information, and plays an important role in the purchasing decision through attractive packaging design and shelf appeal. At the same time, packaging waste – especially plastic waste and pollution – has captured the attention of the public, governments, and businesses around the world. The search for solutions is well underway, and there is growing recognition that addressing the symptoms through clean-ups and collection activities is not enough. A systemic shift that tackles the root causes is required: a transition toward a circular economy. Resource consumption can be reduced if materials are kept within the cycles of the economy for as long as possible. Our mission is to include materials from sustainable sources into smart designs to close the loop.

### Henkel packaging: 2019 footprint<sup>1</sup>



<sup>1</sup> Around 769,000 metric tons (estimated; based on expenditures for packaging material).

Our packaging is designed with the most sustainable materials available while using the least possible amount of packaging material – all without compromising the high level of performance expected by consumers. To achieve this goal, our packaging engineers work closely with partners along the entire value chain so they can make use of leading design techniques, modern production technologies and sustainable materials in the development process.

### Overview of our Packaging Targets for 2025

- 100 percent of Henkel's packaging will be recyclable or reusable.\*
- We aim to reduce the amount of virgin plastics from fossil sources in our consumer products by 50 percent. We will achieve this by increasing the proportion of recycled plastic to more than 30 percent, by reducing the plastic volume, and by increasingly using bio-based plastics.
- We want to help prevent waste from being disposed of in the environment. In order to achieve this, we are supporting waste collection and recycling initiatives. We invest in innovative solutions and technologies to promote closed-loop recycling, and we aim to enable contact with more than 2 billion consumers per year by providing targeted information about recycling.

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

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

## New Packaging Targets for 2025

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

**Three areas that promote a circular economy****1. Materials from sustainable sources**

Henkel constantly works on increasing the share of recycled content in its packaging. While many of our brands already offer products with packaging made from recycled material, we have set the ambi-

tious target to increase the proportion of recycled plastic globally to more than 30 percent in all plastic packaging for our consumer goods products by 2025. This ambition represents a further development of our goal to increase the amount of recycled plastic in Europe to 35 percent. At the end of 2019, this share was 12 percent.

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

The most widely used packaging materials made from renewable raw materials are paper and cardboard. We aim 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 68 percent recycled paper and cardboard.

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. Overall, materials containing PVC currently make up less than 0.1 percent of our total global expenditure on packaging. We continue to work toward our goal of fully eliminating PVC from our packaging materials and extend the scope to cover other substances of potential concern.

## 2. Smart packaging design

Reducing packaging material by offering smart solutions is the best way to minimize waste and the related negative environmental effects. For many years, we have been striving to reduce the quantity of packaging material in the entire product life cycle without impacting the quality, performance, or safety of our products. We will continue to do so in the future. Our goal is to reduce the amount of plastic used in our consumer packaging. As well as this, smart designs play a vital role right from the start when it comes to replacing virgin material with recycled or renewable alternatives where feasible and technically possible. For example, stability requirements can limit the use of alternative materials in some packaging. However, smart design goes beyond this, using less material and more sustainable materials. To transform a linear economy into a circular economy, our packaging experts rethink packaging concepts and assess further ways of developing re-usable and re-fillable solutions that place a stronger focus on durability. They also continue to optimize transport packaging and related logistics.

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### 3. Closing the loop

To enable a  **circular economy**, we are striving to make sure our product packaging can be recycled after the product has been consumed. Our aim is that 100 percent of Henkel's packaging will be recyclable or reusable by 2025. At the end of 2019, we had achieved this for 85 percent of our packaging.<sup>1</sup> By systematically applying design-for-recycling principles, we want to overcome recycling hurdles specific to each category, like flexible packaging, sleeves or black packaging. At the same time, it is important that appropriate systems for recycling packaging materials are in place. That is why we partner with organizations from along the packaging value chain to drive progress in the infrastructure for recycling. In particular, we work with our trade partners to help consumers understand how to use and dispose of our products correctly. Among other things, special recycling symbols on our products help us to do this. We aim to enable contact with more than 2 billion consumers per year by providing  **targeted information** about recycling.

Another option to close the loop is to reuse packaging. We are testing  **refill solutions** in relevant markets to explore and understand consumer acceptance, as well as the related requirements and costs. We also want to maximize the re-usability of secondary and tertiary packaging that is typically used for shelf displays or logistical purposes.

### Turning waste into valuable resources

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

- **Recyclability:** Today, mechanical recycling is the dominant recycling technology for plastic packaging. In this process, plastic is melted and turned into pellets for further use. A range of adhesives and coatings for flexible packaging are designed for recycling and support the recycling of monomaterial packaging like Polypropylene (PP) and Polyethylene (PE) with optimized recyclate quality.
- **Debonding incompatible materials:** Debonding enables different materials to be returned to the loop separately. In such cases, a clean removal of the adhesive from surfaces is of the utmost importance. We offer labeling adhesives for PET containers that allow clean debonding, which enables material separation in the recycling process and creates a higher quality of recyclate output.

<sup>1</sup> The reported value of recyclability reflects the properties of the packaging rather than the packaging recyclability in actual markets with their collection and utilization systems.

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### Recyclable Metylan mixing bucket

The ready-to-use paste mixing bucket from the brand Metylan can be used for wallpapers. The bucket is 100 percent recyclable and made of 50 percent recycled plastic.



### Schauma bottles made of recycled plastic

The PET bottles and PP caps used in the Schauma special edition are made of 100 percent recycled plastic. This corresponds to annual savings of around 51 metric tons of new plastic.



### Pril bottles made of old plastic

Pril 5 contains 5 times the cleaning power, so it dissolves stubborn dirt using just one product. Since January 2019, all bottle bodies in Germany have also been made of 100 percent recycled plastic.

- New designs that enable recycling: To enable the recycling of packaging that includes our adhesives and coatings, we focus on minimizing complexity regarding materials used for production and simplifying the packaging structures where possible. Together with our partners along the value chain, we work on new designs for the packaging industry that enable recycling in existing recycling streams.

### 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 ini-

tatives 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.

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## Supplier survey on paper-based packaging

This year, Henkel has again conducted a survey of the major paper-based packaging suppliers, who account for more than 70 percent of the spend in this sector. The aim of the survey was to obtain information on the proportion of recycled material in the paper-based packaging that was purchased, as well as an overview of the paper certification that suppliers use. The results of this survey indicate that the paper-based packaging purchased by Henkel contains 68 percent recycled material. The certificate used most often by those suppliers participating in certification schemes is the FSC certificate (Forest Stewardship Council), which is used by more than half of the respondents. This is followed by PEFC (Programme for the Endorsement of Forest Certification) and the Sustainable Forestry Initiative (SFI), which are offered by one in every five suppliers.

## Software tool EasyD4R® for assessing the recyclability of packaging

Recyclable packaging is a prerequisite for a functioning circular economy. In order to quickly and reliably determine the recyclability of new packaging, Henkel has developed the [software tool EasyD4R®](#). The tool is based on public and recognized sets of criteria, such as those from Plastics Recyclers Europe. It is used by Henkel throughout the company. The goal is to quickly and accurately assess the recyclability of packaging even during product development. The tool's effectiveness was confirmed in an independent test conducted by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT). The scientists analyzed the evaluation software and its results, and compared them with national as well as international standards.



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

Since the beginning of this year, Henkel has been sharing the evaluation tool with other companies and organizations on request. Henkel also presented the tool to the members of the [Recyclate Forum](#), which was initiated by German drugstore chain dm-drogerie markt. Its 32 members include retailers, manufacturers, disposal contractors and packaging manufacturers who represent the entire value chain of the circular economy. Their feedback was very positive, and dm-drogerie markt has shared the EasyD4R® tool with its suppliers.

Henkel has made this assessment tool publicly available on its website, so that more companies and organizations can use it and more easily develop sustainable packaging solutions.

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## Social partnership to transform waste into opportunities

Plastic Bank is a social enterprise that aims to stop plastic pollution from entering the oceans, while also providing opportunities for people in poverty. Henkel started working with [Plastic Bank](#) in 2017, and was the first major global consumer goods company to partner with the organization and successfully incorporate the plastic collected into some of its product packaging. Since the beginning of the partnership, three new plastic collection centers have been established in Haiti, a country that lacks adequate waste management infrastructure. Local communities can return collected plastic waste and exchange it for money, goods, or social benefits. This creates value from plastic instead of letting it enter waterways or oceans as waste. The plastic that is collected in Haiti is then sorted and can subsequently be introduced into the recycling value chain as Social



The next step in Henkel's partnership with Plastic Bank (from left): Jens-Martin Schwärzler (Henkel), Sylvie Nicol (Henkel), David Katz (Plastic Bank) and Bruno Piacenza (Henkel).

Plastic®. This is material that has been verified by Plastic Bank to indicate that the collectors received an above-market price for the plastic waste. The recycled Social Plastic® can be used in products or packaging, and in this way closes the material cycle.

In 2019, Henkel took the next step in its partnership with Plastic Bank and extended the collaboration for another five years. Following the success of the partnership launched in 2017, Henkel intends to support ongoing projects in Haiti, the Philippines and Indonesia. The company will make a significant contribution to establishing an infrastructure of more than 400 plastic collection points in Egypt. By working together, the aim is to increase the availability of Social Plastic® as a resource for the production of packaging. The development of collection infrastructure in Egypt will create additional capacities of up to 5,000 metric tons per year. This is equivalent to one billion bottles over a period of five years.

In 2020 alone, Henkel will integrate more than 600 metric tons of Social Plastic® into its product packaging. Plastic Bank has opened additional collection centers in Haiti since the partnership began. In addition, Henkel helped the social enterprise to set up a supply chain that ensures that the collected plastic waste can be processed and recycled, so that it can ultimately be reintegrated into the value chain.

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In October 2018, the first Henkel packaging that includes Social Plastic® was made available. At the beginning of 2019, Henkel launched a range of cosmetic products, laundry detergents and household cleaners with packaging comprising up to 50 percent Social Plastic®. Henkel has already processed a total of more than 200 metric tons of Social Plastic®. This includes PET bottle bodies for the Pro Nature detergents from the Biff, Pril and Sidolin brands, as well as the bottle bodies for the fabric softener Vernel Fresh Control, which are made of 100 percent recycled plastic, 25 percent of which is Social Plastic®. In Beauty Care, the bottle bodies for Nature Box "Meeres Glück" and Fa "Meeres Liebe" are made of 100 percent recycled plastic, 50 percent of which is Social Plastic®. These successful projects have also been recognized externally: the two limited editions of Fa and Nature Box received the → **Packaging Europe Sustainability Award** for their Social Plastic® packaging. Henkel also received the Ecovia Sustainable Beauty Award in the "Sustainable Packaging" category.

### **"Trashfighter collection" campaigns around the world**

Henkel has launched a global employee initiative as part of its commitment to avoiding plastic waste in the environment. All around the world, more than 1,300 Henkel employees have taken part in collection campaigns and removed waste from riverbanks, parks and cities. In Thailand, for example, teams collected garbage on beaches – including fishing nets and glass bottles. In the US, Henkel's largest single market, a total of 16 collection campaigns were held at a number of locations by the end of 2019. Teams from Düsseldorf also got involved, with more than 150 Henkel employees collecting plastic waste as "trashfighters" over four days. The goal of the initiative was to raise awareness about waste in the environment. The plastic

collection campaigns are part of the → **Sustainability Ambassador program** that Henkel launched in 2012.



Henkel employees in Thailand collect plastic waste, fishing nets and glass bottles on local beaches.

### **Commitment to cross-industry initiatives**

Henkel is also committed to cross-industry initiatives for sustainable packaging. Henkel is a founding member of a new initiative focusing on plastic waste, the □ **Alliance to End Plastic Waste (AEPW)**. Close to 30 international companies along the value chain for plastics and consumer goods have joined forces to tackle the global challenge of a circular economy together. The aim of the alliance is to promote solutions that put a stop to plastic waste in the environment, especially in the ocean. Another 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 more than 400 organizations – including Henkel. The collective goal is to stop plastic waste and

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

### First Henkel bottles made of chemically recycled plastic

In 2019, Henkel and the packaging manufacturer Alpla jointly produced bottle bodies based on chemically recycled plastic for the first time. Plastic waste that is not recycled by mechanical recycling can be returned to the cycle through chemical recycling. In certain cases, chemical recycling can therefore be used alongside mechanical recycling. By using chemical recycling, material made from fossil resources can be replaced by recycled material made from plastic waste. The pilot project using Perwoll bottles is part of BASF's [ChemCycling project](#). ChemCycling uses thermochemical processes to convert plastic waste into pyrolysis oil. This secondary raw material can then be used in the chemical industry. A possible appli-



The first Perwoll bottles made from chemically recycled plastic – the pilot project is part of BASF's ChemCycling project.

cation is the production of plastic, for example for packaging. The packaging made from these chemically recycled materials has the same quality as packaging based on virgin plastic. This reduces waste and also decreases the amount of fossil raw materials that are used, which is important because these materials often cannot be recycled mechanically for a variety of reasons such as heavy contamination or lack of sortability.

### Henkel introduces recyclable black plastic packaging

For many years, black plastic packaging posed a challenge to the recycling value chain due to the colorant that was previously used to make it black. This is because recycling plants use near infrared technology (NIR) to identify the packaging to be recycled. Optical sensors use the reflection of light to detect the material and sort it accordingly. However, due to the colorant, black plastic packaging cannot be correctly detected and sorted by these optical sensors.

Together with its supplier Ampacet, a global masterbatch producer, Henkel worked on an [innovative solution for black plastic packaging](#) that is fully recyclable. The new packaging material uses an alternative black colorant, so that bottles can be returned to the value chain after use. In addition to successfully developing the recyclable black bottle for Bref products, Henkel and Ampacet are currently working on technical implementation of the new material for packaging from the various business units and product categories, for example for bottles of Bref toilet cleaner in Eastern Europe. The new material has proven itself in test runs under real-world conditions. The Cyclos-HTP Institute, which specializes in classifying, assessing and certifying the recyclability of packaging and products, has confirmed that Henkel's bottles, in black color and free of carbon black, are fully

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detectable and sortable. Henkel's packaging developers are now working to integrate the new material into other types of packaging while ensuring the highest quality standards. The next step, integrating recycled plastic into this packaging, is also already in sight.

The REC-NIR-BLACK masterbatch from Ampacet was named "Product Technology Innovation of the Year" at the Plastics Recycling Awards Europe 2019 in April.



In partnership with our supplier Ampacet, we are working on an innovative solution for black plastic packaging that is fully recyclable.

## Collaboration with our retail partners

It is also important to work hand-in-hand with our retail partners to promote a functioning circular economy. In addition to new product forms and the use of recycled plastics in our packaging, we are also testing the use of refill stations. The concept is simple enough: customers buy a container once and fill it with detergent or dishwashing liquid.

As part of a pilot project, we set up refill stations in the Czech Republic in November 2019. Customers can refill liquid detergents, fabric softeners, dishwashing liquids or shampoos and shower gels in selected stores. The "gas station" system was designed by Henkel to be as customer-friendly as possible. When entering the store, the customer selects an empty bottle of the required product and scans its code at the station. A label is also printed to inform the customer of the product's expiry date. When the product is used up, the customer takes the empty bottle back to refill it.



Since the end of 2019, consumers in the Czech Republic have been able to refill various liquid Henkel products at "filling stations."

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In Germany, Henkel is also a member of the [Recylcate Forum](#), which was established in 2018. dm-drogerie markt set up the forum together with Henkel, Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble, Share and Vöslauer Mineralwasser. The initiative has two objectives: First, to significantly increase the reuse of recyclable materials for packaging in order to offer customers more sustainable packaging alternatives and reduce the amount of packaging waste. And second, to raise public awareness about a circular system – from product design by manufacturers, through to use by customers, disposal of household waste, and recycling of the packaging.

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



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

At the beginning of 2020, the Beauty Care business unit is going to go one step further by launching the [Schwarzkopf recycling program](#) in the US. This will enable US consumers to recycle all Schwarzkopf hair care, coloring and styling products through the TerraCycle recycling platform. By recycling products through this program, consumers can earn points. These can be redeemed for charitable gifts or converted to cash and donated to a non-profit, educational or charitable organization of their choice. The Laundry & Home Care business unit is also collaborating with TerraCycle on flexible packaging.

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## Consumer information promotes sustainability

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

Henkel also states the proportion of → **Social Plastic®** in its product packaging. At the beginning of the year, Henkel launched a range of cosmetic products, laundry detergents and household cleaners with packaging made from up to 50 percent Social Plastic®.

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

In a global campaign, we also informed our consumers and employees about the sustainable use of plastic packaging to enable a circular economy. This included dialog with experts, as well as infographics and explanatory videos. In addition, a “myths series” was developed to clear up common misconceptions about plastic.



Clearing up misunderstandings: Henkel's “plastics myths” series addressed common consumer misconceptions with the aim of promoting sustainable behavior.

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

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

## Investments for a circular economy

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

In 2019, Henkel also invested in the US cleaning agent start-up Truman's, based in Louisville, Kentucky. The company offers cleaning materials in returnable bottles and concentrated refill cartridges to reduce the amount of plastic used. [Truman's](#) supplies its products, a range of spray cleaners for hard surfaces, directly to its customers. This investment enables Henkel to expand its expertise in innovative and sustainable household products, while gaining valuable insights into the promising "direct-to-consumer" business model.

Henkel invested in the recycling start-up [Saperatec](#) in October 2019. The recycling specialist has developed a new type of patented technology that can be used, for example, to separate and recycle aluminum-containing flexible composite packaging. The two companies have been working together on a technical level for more than two years to develop and refine customized recyclable adhesive solutions. By investing in Saperatec, the Adhesive Technologies business unit is underlining its leading role in sustainability. Going forward, Henkel intends to offer its industrial customers comprehensive, efficient recycling solutions for flexible packaging, especially in the food industry.

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## Emerging markets

In the fiscal year 2019, Henkel generated worldwide sales of 20,114 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 38 percent of our global purchasing volume. This makes us an important local employer and business partner.

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

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

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

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

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## High-impact solutions for sustainability

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As a market leader for adhesives, sealants and functional coatings, we have a responsibility to provide □ technologies and solutions that address global environmental and social challenges. We act on this responsibility by working with partners and customers around the world to help them reach or even exceed their sustainability targets. From the automotive, aerospace and general industries through to electronics and food packaging, our market-specific solutions enable customers to cut CO<sub>2</sub> emissions, promote the transition to a circular economy, and protect the health and safety of workers and consumers.

Our sustainable solutions are one reason why our customers choose us as their preferred supplier – but no single company or organization can solve the world's challenges alone. For this reason, we engage in partnerships that make important contributions at every stage in 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 environmental footprint of our own production activities. We also collaborate with partners to understand the specific challenges and trends facing each



*"We're a global leader across a diverse range of markets. We contribute to tackling global challenges by providing resource-efficient solutions and helping our customers to drive progress toward sustainability."*

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

of our markets. This puts us in a unique position to provide solutions that enable our customers to design products that generate a lower environmental footprint during the manufacturing process than other solutions on the market. And once these products leave the factory, we aim to make sure that consumers are able to use them safely and efficiently, before disposing of them in a way that supports recycling or minimizes waste.

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## Recognizing sustainable suppliers

Our customers value us as a supplier because we share their commitment to sustainability. On top of this, we also create added value for our customers by placing a strong focus on our own suppliers. This focus includes meeting 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.

Every year, we present a → **Sustainability Award** to one of our suppliers in recognition of its outstanding contribution. In 2019, we presented this award to Evonik for developing innovative solutions that offer a reduced environmental impact and support Henkel's sustainability targets. Our strong collaboration resulted in a portfolio that includes bio-based materials, as well as a range of solutions that enable a circular economy, eliminate potentially harmful substances and create increased transparency about CO<sub>2</sub> emissions.



For the seventh year in a row, Adhesive Technologies presented its Sustainability Award to one of its suppliers. Evonik was the winner in 2019.

## Exploring renewable and bio-based materials

Alongside our work with suppliers, we also explore ways of adapting our product formulas to include more bio-based or renewable raw materials. These materials have a lower CO<sub>2</sub> footprint than fossil-based alternatives and can also increase safety for workers and consumers. 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 one example of this approach in action, our research teams are developing innovative bio-based solutions for the electronics industry. In this way, we aim to enable our customers in this market to replace materials based on oil whenever possible. Leading manufacturers of smart phones and other devices are constantly striving to meet changing consumer expectations and stay ahead of new legislation by taking advantage of new technologies that offer a reduced environmental footprint – while still delivering high standards of quality and performance.

We also support our customers across industries in meeting high standards for safety by creating solutions that eliminate potentially harmful substances. For example, we now offer a range of primer and conversion coatings for the aerospace market that is free of chromates. The conversion coatings are applied to the outside of an aircraft before it is painted, while our primers protect paint and adhesives against corrosion. By switching to our chromate-free technology, customers in this market are able to fulfill their responsibility to put the safety of their workers and passengers first.

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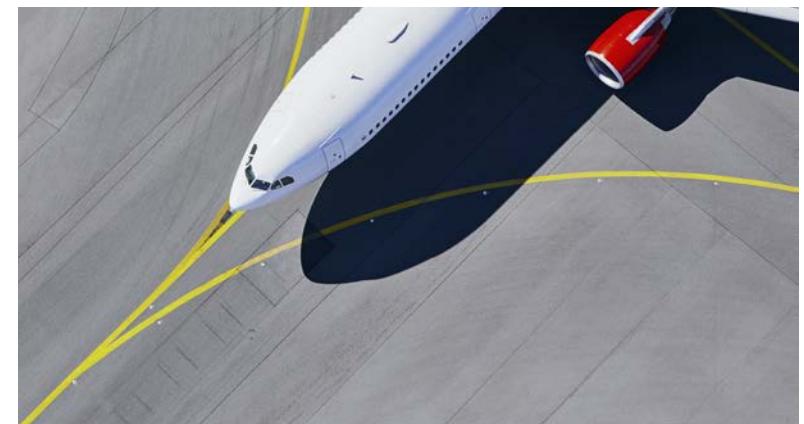
## Empowering resource-efficient performance

In addition to increasing the availability of bio-based or renewable materials, we work together with our partners from along the value chain to turn challenges into a competitive advantage. For example, we have joined forces with [Carbon Revolution](#), an Australian company that has developed a technology for creating one-piece carbon fiber wheels for the automotive industry. Carbon fiber wheels can be up to 50 percent lighter than conventional wheels made of aluminum. Switching to this new technology can enable manufacturers to reduce the overall weight of each vehicle – which means they consume less fuel and generate less CO<sub>2</sub> emissions. It is estimated that reducing the weight of a car by one kilogram would save 0.08 grams of CO<sub>2</sub> for each kilometer driven.



Henkel and Carbon Revolution have joined forces to speed up the development of lightweight wheels that are made from a single piece of carbon fiber.

Technologies and solutions from Henkel also enable weight and emissions reductions by opening up new design possibilities. Our cutting-edge method for bonding thermoplastics, for example, is making it possible for customers in the [aerospace industry](#) to reduce the weight of each aircraft by replacing thermoset materials. Using thermoplastics can enable a weight reduction of up to 50 percent compared to parts made of aluminum or titanium alternatives, partly because they do not need to be fixed in place with screws and bolts. Switching to thermoplastics can also save time and energy during production processes because these materials cure faster and do not need to be kept in refrigerated storage.



Our solutions are already used to reduce weight and increase safety in more than 1,500 aircraft specifications worldwide.



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## Researching with leading experts

Our efforts to develop new technologies that reduce CO<sub>2</sub> emissions are often driven by strategic partnerships, where we share common goals and our passion for sustainability. We formed a **strategic alliance** with RLE International, a global engineering company, to develop lightweight and high-performance solutions for the automotive industry. Henkel and RLE conducted a comprehensive study on engineering and material science solutions to reduce the weight of the body structure by looking at components like body platform, external panels, and structural components. This has led to a weight saving of up to 10 percent – without compromising comfort, safety or strength.

This approach is based on replacing common all-metal components made from steel or aluminum with hybrid designs that use high-performance structural foam and panel reinforcement elements from Henkel's portfolio. This enables car manufacturers to achieve the same level of crash resistance and comfort while making the vehicle lighter. The alliance between Henkel and RLE is currently working on multiple projects with automotive customers to drive weight reduction in new cars that are going to be launched in the next few years.

## Ensuring safety for workers and consumers

Our customers in the automotive sector face increasingly strict legislation related to vehicle emissions. Changing regulations about consumer safety are another aspect that companies across all industries need to adapt to. For this reason, our innovators focus on anticipating changes at a very early stage and then developing high-performance solutions that enable our customers to make sure they stay ahead of expectations – and protect the safety of workers and consumers at all times.

In the food packaging industry, our **Loctite Liofol** brand offers a range of adhesives that is free from epoxysilanes, such as GLYMO. This common ingredient used in packaging adhesives was recently classified as substance of concern by the European Union. Our innovative solutions can be used for food and beverages, and also for medical applications. As well as offering safety benefits, the adhesives are resistant against aggressive filling goods and temperatures so that they stay bonded even during sterilizing processes or when placed in the microwave for a ready meal.

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## Creating circular value chains

Our solutions for this market also play a key role in promoting a circular economy – where everything is reused and nothing is wasted. In particular, we place a strong focus on enabling the recyclability of flexible packaging, which combines layers of different materials like plastic, film and aluminum. This strong and versatile packaging keeps food fresh and protects medical supplies against contamination. However, it is also difficult to recycle because the various layers have to be separated in order to return the different materials to their respective streams. As a result, thousands of tons of waste are generated in the production of flexible packaging each year in Europe alone.

As part of our approach to tackling this challenge, we have developed a range of adhesives and coatings that build recyclability into flexible packaging from the very beginning. The solvent-free adhesives are able to effectively bond multiple compatible layers and have excellent mechanical recycling properties. This material compatibility is central in achieving the optimal result in different recycling processes. The new [Henkel RE adhesive range](#) can even be used in a closed loop recycling process for flexible packaging.



Henkel is working on a pilot for a laminate stand-up pouch that contains both virgin and recycled material, including 35 percent post-consumer recycled plastic.

## Optimizing recycling processes

We also work with partners from along the entire value chain to find ways of improving recycling processes for flexible packaging. For more than two years, we have been collaborating with the German recycling specialist [Saperatec](#). This startup company has developed a patented and cost-efficient technology that makes it possible to separate and recycle flexible packaging containing aluminum foil. We have contributed to this collaboration by developing a range of high-performance adhesives that is compatible with Saperatec's technology. In 2019, we made an additional investment in Saperatec and have further strengthened our efforts to expand and develop our adhesives. Together, we are aiming to provide a comprehensive recycling solution for flexible packaging.



Saperatec has developed an innovative and cost-efficient technology that makes it possible to separate and recycle flexible packaging that contains aluminum foil.

## Henkel Sustainability#Master® – Aquence PS 3682 in comparison to a standard adhesive for applying labels to PET bottles

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	Value	Raw materials	Production	Logistics	Industrial Application	Service / Use	Disposal
	 <b>Performance</b>						Easier to recycle
	 <b>Health and Safety</b>		No solvents				
	 <b>Social Progress</b>						
	 <b>Materials and Waste</b>	Easier to recycle – less raw materials					Easier to recycle – less waste
	 <b>Energy and Climate</b>	Decreased CO <sub>2</sub> footprint					
	 <b>Water and Wastewater</b>		Easier to recycle – less water				
	<b>Footprint</b>						

 Significant improvement



A  new range of adhesives from our Aquence brand, for example, is enabling food and beverage brands to meet rising expectations for sustainable and recyclable packaging. These adhesives can be used for labeling rigid PET bottles and have excellent wash-off characteristics. This means they can be removed from the package cleanly and easily, which helps material separation in the recycling process

and therefore enables a higher quality grade of recyclate. Innovations like this are valuable because sustainability is an increasingly important factor in consumers' purchasing decisions. This consumer perception is in line with where we see our own responsibility as a supplier and brand owner.

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

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## Driving social progress

As well as our activities related to environmental challenges, our team also contributes to promoting social progress around the world by working with local communities and partners. In 2019, our Welcome Home program, which aims to provide a safe home for families and children in need, entered its fourth year. Through this initiative, employees from the Adhesives for Consumers, Craftsmen and Construction business area join together with aid organizations to help renovate and build safe places to live. By raising funds, donating products and providing teams of volunteers, Welcome Home provides a foundation on which people can build a better life. Our key activities in 2019 included projects in the USA, Colombia, Portugal and Hungary.

2019 also marked the 50th anniversary of our iconic Pritt brand of glue sticks. Since its creation, Pritt has been supporting the development of children's motor and creative skills through glue crafting activities. For its 50th anniversary, Pritt decided to go one step further and launched a social responsibility campaign called  "We Craft for Children" to bring together employees from ten countries to craft paper figurines expressing what they wanted to be as a child. More than 2,300 figurines were made, and the three countries with the strongest participation received donations worth 90,000 euros. This was donated to local organizations that support children's development and education.



For the 50th anniversary of the brand Pritt, Henkel employees crafted more than 2,300 figurines that represented the job they wanted to do as an adult back when they were children. Through donation activities, the figurines then supported charitable projects for children.

On top of donating money and innovative products, our Adhesive Technologies business unit also supports social projects by donating our deep industry expertise. In India, we are working with local producers, like the startup organization Niine, to develop affordable, high-quality feminine care products. There are more than 350 million girls and women in India, but less than 20 percent currently have access to solutions for managing their menstrual cycles. In cooperation with a sanitary awareness campaign from the Indian government, Niine employs local women to produce these products close to where they are needed and invests in the health education of girls and women. Henkel supports Niine with adhesives, while our teams of experts also help to get the production process set up and optimized.

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## Together, for true beauty and a more beautiful world

In our Beauty Care business unit, we are convinced that we can only create sustainable value together – with our employees, consumers, customers and business partners. We always focus on our consumers when developing  new products. They demand sustainable products that are environmentally compatible from brands that support this shared fundamental belief. Beauty Care recognizes these concerns and its responsibility for the environment. This is reflected in its “Better for you” strategy. For the coming years, the business unit has set itself the goal of making its entire product portfolio even more sustainable. One current example of this is the Schauma brand family, which offers a new vegan formula and a product line that has been certified in line with the EU Ecolabel, while the bottles are made of 30 percent recycled plastic.

We want to offer our customers safe and sustainable products that deliver outstanding performance, while also motivating consumers to contribute to the responsible use of resources through their behavior.



*“We contribute to improving quality of life for people around the world with our sustainable brands, while also embracing our responsibility to drive social progress by working together with non-profit organizations.”*

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

In addition, we accept our social responsibilities and cooperate with non-profit organizations to promote social progress. One of our initiatives is Million Chances, which supports girls and women around the world in building a successful professional and personal future.


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## Sustainability in product development

Sustainability is a key consideration in the development of product innovations at Henkel. We pursue a holistic approach that covers the entire value chain: from the purchase of raw materials and packaging materials, through to production and logistics, as well as the application and disposal of the product by the consumer. Sustainability considerations, consumer expectations and related challenges are taken into account at an early stage in the product development process. 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. Over the past four years, the Beauty Care business unit has calculated the environmental footprint of more than 170,000 product formulas. Since 2017, we have created a compact sustainability report for every product formula. These reports clearly summarize relevant categories such as the CO<sub>2</sub> footprint, the proportion of bio-based ingredients, and biodegradability. We have already succeeded in making all of the surfactants contained in our shower gels, shampoos and hand soaps easily biodegradable. We will work closely with our suppliers to review the degradability of the ingredients in all of our beauty products and, where necessary, supplement the data or replace individual substances.

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

## Nature-based raw materials

The responsible procurement of raw materials is an essential component in the production of sustainable cosmetic products. We recognize our responsibilities regarding the purchase and use of ingredients based on renewable raw materials and we support local small farmers through a number of initiatives. In cooperation with the development organization Solidaridad, we support palm oil smallholders in South America, Africa and Asia, while also supporting farmers in India through Solvay's Sustainable Guar initiative. In both cases, the farmers are trained in planting, growing and harvesting their plants under fair working conditions.

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The product portfolio of the organic certified cosmetics brand N.A.E. (Naturale Antica Erboristeria) includes care and cleansing products for the face, body and hair in liquid and solid form, ranging from shampoos and conditioners through to shower gels, face creams, body balms and deodorants.

Our beauty products already contain many ingredients from natural sources – and this is not just the case with our natural cosmetics. All formulations of the body and hair care products sold under the  **Nature Box** brand contain, for example, cold-pressed oils from fruit seeds and nuts such as avocado, coconut, apricot, almond and macadamia. The certified natural cosmetics brand  **N.A.E.**, launched in 2019, has its origin in Italian herbalism. A minimum of 97 percent of the ingredients in skin and body care products are of natural origin, such as lemon, tangerine, thyme, grape seed oil or rosemary. The formulas are also vegan.

## **Product and packaging examples**

### **Syoss Haircare Pure Shampoo**

The Syoss Haircare Pure product line is a new haircare range for naturally beautiful hair with professional salon quality. The formula is free of silicones, parabens, mineral oils and artificial colors. Over 93 percent of the ingredients are easily biodegradable. As a result, the product carries the EU Ecolabel, which is awarded to particularly environmentally compatible products. The composition of the formula has been designed with a high proportion (more than 90 percent) of ingredients of natural origin. The product also has a reduced CO<sub>2</sub> footprint. The bottle is made of transparent PET and contains 25 percent recycled material.



Syoss Haircare Pure Shampoo provides optimal performance and is environmentally compatible, for which it was awarded the EU Ecolabel.

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### **N.A.E. shower gel**

The shower gel line from the new brand Naturale Antica Erboristeria, abbreviated as N.A.E., gently cleanses and matches the natural moisture content of the skin without drying it out. All N.A.E. face and body care products are certified by ECOCERT in compliance with the COSMOS standard for organic cosmetics. The formulations are vegan and contain at least 97 percent ingredients based on natural raw materials. The tubes of the N.A.E. shower gels are also made from renewable raw materials, namely from plastic material derived from sugar cane. Since the plants bind CO<sub>2</sub> during growth, the production of the sugarcane-based material is significantly more CO<sub>2</sub>-efficient than petroleum-based plastics.



The organic certified N.A.E. shower gel Freschezza combines extracts of rosemary and thyme leaves, provides gentle cleansing, and matches the natural moisture content of the skin. Compared to petroleum-based materials, the production of sugarcane-based packaging generates significantly lower CO<sub>2</sub> emissions.

## **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. This is why Beauty Care uses its brands to inform customers and consumers about the sustainable use of products and to give them suggestions for how to use resources responsibly. As a contribution to the overall Henkel goal of helping consumers save 50 million metric tons of CO<sub>2</sub> by the end of 2020, Beauty Care launched the "Be smarter." 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. As part of the "Be smarter. Save water." campaign, the initiative was first particularly focused on water as a resource, as well as on the energy-intensive process of generating hot water. In a typical household, more than 70 percent of all hot water is used for showering. This means a change in behavior while showering can have a significant impact.

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In the second phase, we expanded the initiative to include recycling, focusing primarily on the responsible handling of packaging and how to dispose of it in a manner that conserves resources. To draw attention to these urgent issues, we have launched the “Be smarter. Recycle.” campaign. Consumers are informed and made more aware about the correct approach to waste, as well as the recyclability of different types of packaging. In this way, we want to raise consumer awareness about the concept of a → **circular economy**. The “Be smarter.” initiative has been launched in more than 30 countries. It also targets consumers in countries where the collection and recycling systems for packaging are much less developed than in Germany.



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

## Partnerships for sustainable packaging 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 important issue, for example. To this end, we work closely with various partners. For example, Henkel is a member of the → **Recyclate Forum** in Germany, which was launched by dm-drogerie markt in 2018 together with Henkel,

Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble, Share and Vöslauer Mineralwasser. One of the aims of the initiative is to significantly increase the recycling of reusable materials for packaging in order to offer customers more sustainable packaging alternatives and reduce the amount of packaging waste. Another aim is to promote public awareness about a circular economy – from product design by manufacturers, through to use by consumers, disposal of household waste, and recycling of packaging.

Since 2016, Henkel has also been working in various countries with → **TerraCycle**, a company that offers recycling solutions for materials that are difficult to recycle. For example, a partnership with TerraCycle enabled consumers in the UK to dispose of Right Guard brand cosmetics packaging in special collection containers. These materials were then used to produce → **new mobile fitness equipment**. This prevents valuable raw materials from being burned or dumped, and creates new products from them. In 2019, the equipment found a new home in the community of Hemel Hempstead.



Cooperation with TerraCycle: Following the donation of fitness equipment in Queen Elizabeth Olympic Park in London, UK, another fitness trail made from recycled aerosol cans was opened two years later in Gadebridge Park in Hemel Hempstead.

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In January 2020, the Beauty Care business unit will go one step further and launch a free Schwarzkopf recycling program in the USA, which will enable US consumers to recycle all Schwarzkopf hair care, color and styling products through the TerraCycle platform. Consumers can collect points that can be redeemed for charitable gifts or converted to cash and donated to a charitable or educational organization of their choice.

Henkel is also investigating further possibilities for promoting a circular economy. For example, we are testing refill stations for hand soap, shampoos and shower gels in selected markets in the Czech Republic.

## 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 the end of 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 2019, we had reached around 125,000 women since the initiative was launched, by cooperating with international charities and through the voluntary commitment of our employees.

The initiative's activities include offering young adults support as they enter the job market. As part of a two-year project called "Employment Perspectives for Young Adults in Shaanxi" that was undertaken together with Plan International in China, 600 people will receive comprehensive vocational training by July 2020. This will give them the opportunity to determine the course of their own lives. The program is helping people between the ages of 16 and 30 who come from poor backgrounds or ethnic minorities to learn a profession that is needed in the region. In addition to the project participants themselves, at least 400 families benefit from this project as the young participants gain economic independence and are better able to support their families.



Through a project conducted in cooperation with Plan International, participants gain access to vocational and lifelong qualifications, and are also able to pursue meaningful and dignified work. Picture: © Plan International

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## **Second Schwarzkopf Million Chances Award presented**

In 2019, we presented the Schwarzkopf Million Chances Award for the second 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 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 second Million Chances Award (left to right): Mai Huyen Vo Dieu, Dr. Mari Hrkac, Maycaa Hannon (SWANS Initiative), Dr. Sigrun Schirner, Dr. Claudia Uebler, Dr. Heidrun Stöger (CyberMentor), Vera Falck (Dunkelziffer e.V.), Alina Floroiu and Maram AbuGhanim (ReDi School).

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

Our strategic partnership with the social enterprise → [Plastic Bank](#), which we initiated in 2017, aims to reduce the amount of plastic waste that enters the oceans while also creating new opportunities for people living in poverty. The local population receives money, goods or services in exchange for the collected plastic. The plastic waste is sorted, processed and made ready for introduction into the recycling value chain as Social Plastic®: Material that has been verified by Plastic Bank to indicate that the collectors received an above-market price for the plastic waste. This can enable single mothers, for example, to achieve an income to support their lives or pay for their children to attend school.

Since the beginning of the cooperation, Henkel has helped Plastic Bank open three collection points in Haiti. In addition, Henkel assisted the organization in setting up a supply chain to recycle the collected plastic waste and reintegrate it into the value chain. In 2018, the Beauty Care and Laundry & Home Care business units launched their first ever products with packaging made of 100 percent recycled plastic, including some Social Plastic®. For example, the bottles for the special editions of Nature Box “Meeres Glück” and Fa “Meeres Liebe” are made of 100 percent recycled plastic – 50 percent of which is Social Plastic®. Beauty Care has received several awards for this, including the “Best Practice” Sustainability Award from Packaging Europe and the “Sustainable Beauty Award” from Ecovia in the “Sustainable Packaging” category.

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Philippe Blank (left), Head of Sustainability in International Packaging Development at Henkel Beauty Care, accepted the Packaging Europe Sustainability Award from Tim Sykes, Editor-in-Chief of Packaging Europe.

We are planning to launch further special editions with Social Plastic® in 2020 and to integrate this material into the packaging of some of our core brands. The opening of additional collection centers is also planned, to further increase the availability of Social Plastic® – while helping more people in poverty.



The bottles of the limited edition "Meeres Liebe" and "Meeres Glück" products are made of 100 percent recycled plastic.

## **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. In a collaboration between Shaping Futures and the social enterprise Plastic Bank in 2019, four young people from households run by plastic collectors were able to take part in a Shaping Futures training course. Edmar M. Padillo, Leah A. Alejandre, Rowena Norte and Annalisa Aurora were trained together with 17 other young people from an SOS Children's Village in Lipa, the Philippines. Following the training, the four graduates were offered a job at David's Salon, one of the largest hairdressing chains in the Philippines.



The Shaping Futures initiative from Schwarzkopf Professional gives young people the opportunity to obtain training in basic hairdressing techniques and establish livelihoods. This photo features Rowena, Annalisa, Leah and Edmar, who were trained by "Shaping Futures" in the Philippines.

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Since its foundation, the Shaping Futures initiative has trained over 2,500 young adults from 30 countries thanks to the efforts of volunteer hairdressers. In 2019 alone, the initiative conducted 20 training courses in 18 countries.

### **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 eleven years now, Beauty Care and

DKMS LIFE have been organizing the Düsseldorf Charity Ladies' Lunch to promote their commitment to female cancer patients. In 2019, Henkel expanded its commitment and launched a limited Gliss Kur DKMS LIFE Charity Edition. Henkel donates 20 eurocents to DKMS LIFE with the purchase of one of three hair treatments from the Gliss Kur product range.

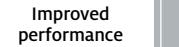
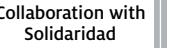
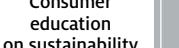
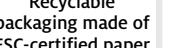
The National Breast Cancer Foundation in the United States also became a partner of Million Chances in 2018. We support this initiative through donations and fund-raising campaigns. In exchange, our employees in North America receive information about topics including breast cancer.



In October 2019, a Hair Donation Day was again held at our site in Stamford, USA, as part of Henkel's engagement for cancer patients. The photo features Henkel stylists Wendy Gutkin (left), Lucy Vitiello (right) and hair donor Nina Miotto. A total of around two meters of hair was donated by Henkel employees, their families and friends on this day.

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

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	Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
	 <b>Performance</b>					 Improved performance	
	 <b>Health and Safety</b>						
	 <b>Social Progress</b>	Sustainable farming of palm oil			 Collaboration with Solidaridad	 Consumer education on sustainability	
	 <b>Materials and Waste</b>	Up to 82 % nature-based ingredients			 Vegan formulations		 Recyclable packaging made of FSC-certified paper
	 <b>Energy and Climate</b>		Cold-pressed natural oils	Concentrated, water-reduced formulations	1 bar of shampoo = 2 liquid shampoos		
	 <b>Water and Wastewater</b>						
	<b>Footprint</b>						

 Significant improvement

The Henkel Sustainability#Master® shows the sustainability profile of the solid shampoo from our Nature Box brand. The ingredients of these products include cold-pressed oils from fruit kernels and nuts such as avocado, coconut and almond. All important ingredients remain intact during the cold-pressing process, which is a particularly gentle extraction process. The formulas nurture the hair and prevent it from drying out. The oils used in Nature Box products are vegan and free from silicones, artificial colors, sulfates and parabens. They contain up to 82 percent nature-based ingredients. Due to its concentrated formula, the solid shampoo is as economical as two liquid

shampoos and has a lower weight and volume. This results in lower CO<sub>2</sub> emissions during transport. Nature Box combines high standards of production and quality with a long-term sense of responsibility. For this reason, Nature Box collaborates with the international development organization Solidaridad and supports smallholders in the → **sustainable farming of palm kernel oil**, which is a raw material used to make ingredients found in this product range. The packaging is also made from FSC-certified paper and is fully recyclable.

→ **Explanation of the Henkel Sustainability#Master®**



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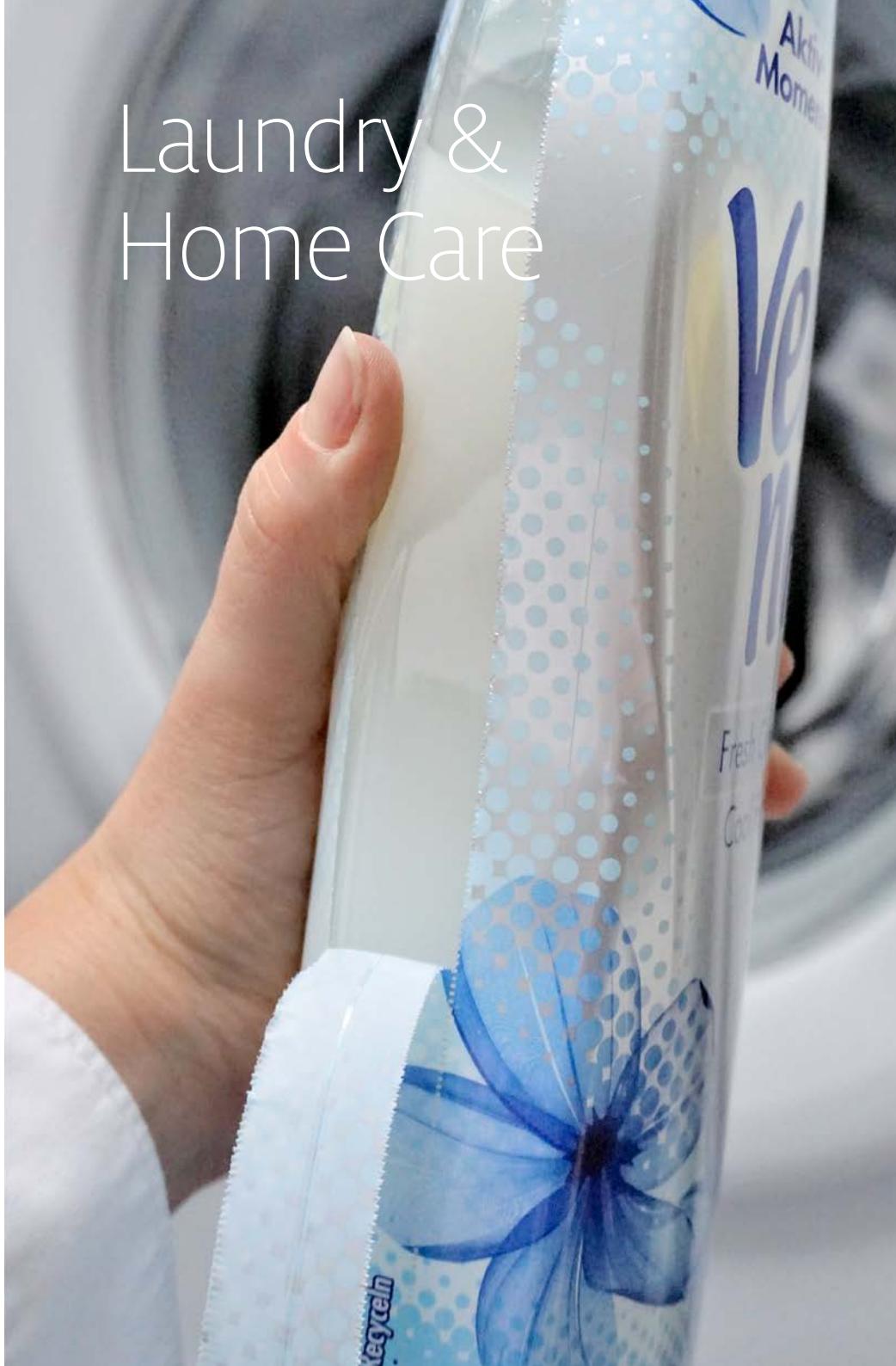
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## Creating value with sustainable innovations

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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. For this reason, 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 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. It is also important to work hand-in-hand with our retail partners to advocate sustainable consumption



*"We conserve resources when making our products and continuously improve our packaging, ingredients and performance, while also helping consumers to use and dispose of our products in the most sustainable way possible."*

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

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 2019. In other words, the business unit generated around 45 percent of its sales with products that have been on the market for less than three years. This includes products from the Pro Nature brand, which are notable for their particularly high proportion of ingredients based on renewable raw materials. Henkel has been using ingredients based on renewable raw materials for decades. In 2019, around 30 percent of the organic ingredients in our laundry detergents and household cleaners were derived from renewable raw materials.

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## Henkel wins ECR Award 2019

In 2019, the Laundry & Home Care business unit received the ECR Award in the category for individual companies. With this award, the GS1 organization recognized Henkel's many years of successfully implementing the Efficient Consumer Response approach, both internally and in cooperation with partners. GS1 Germany GmbH is headquartered in Cologne. It helps companies in all industries apply modern communication and process standards in practice to improve the efficiency of their business processes. It presented the ECR Award for the 17th time in 2019.

Analyzing consumer needs has been part of Henkel's marketing strategy for many years. Digital technologies now make it possible to establish points of contact with consumers across several different channels and platforms, and to analyze multiple sources of information simultaneously. A current study, for example, is looking at identifying different types of buyers of sustainable products. Our aim is to create a personalized product experience at all relevant touch points. Digital instruments are also an integral part of the supply chain at Henkel, for example in the real-time tracking of deliveries, which all of our trading partners can monitor continuously.



Paul Vetter (fifth from left), Managing Director Laundry & Home Care, and the business unit's Germany team at the presentation of the ECR Awards.

## Product and packaging examples

### Innovations in the liquid detergent segment

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 liquid laundry detergents that were introduced in 2018 from our Persil, Spee and Weißer Riese brands offer up to 40 percent more stain-removal power per unit of volume, for example. Our product development process placed particular focus on stain removal at low temperatures. This enables consumers to achieve excellent results when washing their laundry at low temperatures, and even when using cold water.

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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 CO<sub>2</sub> 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.

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

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

gives laundry a long-lasting sense of freshness. A limited edition of Persil Eco Bars has also been available since December 2019. This is an innovative product with a particularly compact design. It is manufactured using methods that have a low impact on resources, with an outer packaging made of recycled cardboard that requires very little material.



Persil Discs provide powerful stain removal with easy handling, even at washing temperatures as low as 20 degrees Celsius. The pre-measured 4-chamber system also prevents the use of excessive quantities of detergent.

## Pro Nature – up to 95 percent ingredients from natural sources

For several years now, Pro Nature brand products have been contributing to sustainability in three key ways: through the ingredients, through sustainable packaging solutions, and through social engagement. Products from the Pro Nature brand family, which includes Biff, Pril and Sidolin, also ensure brilliant cleanliness and shine. The formulas consist of up to 95 percent ingredients from natural 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.

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Another Pro Nature product was launched in 2019: General Pro Nature combines the powerful cleaning performance of the all-purpose cleaner with a formula containing 98.6 percent natural ingredients. The special grease dissolving and cleaning power makes all floors and hard surfaces shine and dry quickly, without the need for wiping them again afterwards. The Pro Nature product line has also included the Pro Nature Pack of our scented toilet fresheners since 2019: The plastic basket is made from 100 percent recycled industrial waste, the cardboard card is made from 100 percent recycled paper, and the blister cover contains 80 percent recycled PET. In this way, the sustainability profile of the product is better than that of our other scented toilet freshener products. The Pro Nature product line also offers refill bags for its liquid products, which enables consumers to reuse the original bottle.



Pro Nature brand products are contributing to sustainability in three key ways: through the ingredients, through sustainable packaging solutions, and through social engagement.

## Somat Excellence with three-phase formula

Nearly 70 percent of consumers soak dishes and pots with baked-on food residues before washing them because they are concerned about residues being difficult to remove. The new Somat Excellence product makes intensive cleaning possible without soaking, which helps to conserve resources. This product also provides its full performance in low-temperature programs, which makes a major overall contribution to reducing energy and water usage. The dish-washing tabs provide optimal performance thanks to their three-phase formula: The core with active soaking power mainly acts against baked-on stains and removes them. In the deep cleansing phase, stubborn starch residues, such as from pasta, rice or potatoes, are easily removed. The third phase consists of a cleaning booster that ensures that the dishes get clean.



The new Somat Excellence eliminates the need to soak dishes, which helps to conserve resources. The product also provides full performance in low-temperature programs, which helps to save water and energy.

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## Product logos support consumers

Henkel aims to promote sustainable behavior among consumers. First, we want to motivate consumers to adopt the most sustainable washing habits possible. For this reason, we have developed a logo with the slogan “be sustainable – wash cold.” Henkel has also developed new product logos that show the proportion of recycled content and how recyclable the packaging is. The bottles for many of the cleaners and fabric softeners from our Vernel brand are made from 100 percent recycled material and are surrounded by a sleeve. The advantage of this thin film sleeve is that it covers the bottle, which can take on a yellow to grayish appearance due to its high volume of recycled content. The film is also customizable, so that the bottle



The bottles of the fabric softener Vernel are made of 100 percent recycled material, which can give the bottles a yellowish to grayish color. That is why a thin film jacket surrounds the bottle and can be removed from the bottle using the perforation once the contents have been used up. This makes it easier to recycle.

itself does not need to be colored and can be recycled very easily.

When the contents of the bottle are used up, the film must be separated from the bottle so that the bottle can be recycled. To make this process easier for consumers, Henkel has developed a product logo with a “zipper,” and the film cover is perforated.



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.

This important aid to recycling-friendly disposal can already be found on many products of our Vernel and Silan brands, as well as our spray bottles and toilet cleaners of the brands Biff, Sidolin and Bref. Henkel will continue to drive forward the implementation of this perforated packaging solution in 2020.

## Retail partnerships for more sustainable packaging solutions

The key goals for Henkel's packaging developers are to reduce the amount of packaging material and to increase reuse, as well as to increase the → **use of recycled materials**. We also work closely with our trading partners to promote the responsible use and disposal of our packaging at the end of the value chain. For example, Henkel is a member of the  **Recyclate Forum** in Germany. It was established by dm-drogerie markt in 2018, together with Henkel, Brauns-Heitmann, Dr. Bronner's, ecover + method, Einhorn, Procter & Gamble,

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

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



Based on the motto “Recycle together – create value together,” the Recycling Forum in Germany aims to offer consumers more sustainable packaging alternatives.

### **Software tool for evaluating the recyclability of packaging**

Recyclable packaging is a prerequisite for a functioning circular economy. In order to quickly and reliably determine the recyclability of new packaging, Henkel uses its specially developed [software tool EasyD4R®](#). This is based on public and recognized criteria catalogs such as those from Plastics Recyclers Europe, and is used by Henkel throughout the company. The goal is to quickly and accurately assess the recyclability of packaging as early as the first stages of product development. The functional efficiency of the tool has

been confirmed by an independent test completed by the Fraunhofer Institute for Environmental, Safety and Energy Technology UMSICHT. The scientists analyzed the evaluation software and its results, and compared them with national as well as international standards. Henkel has now made this assessment tool publicly available on its website so that more companies and organizations can use it to develop sustainable packaging solutions more easily.

### **The first Perwoll bottles made from chemically recycled plastic**

For the first time, Henkel and packaging manufacturer Alpla have jointly produced a bottle body based on chemically recycled plastic. At some point, the limits of mechanical recycling are reached, as not all plastic waste can be recycled to a high level of quality. Using chemical recycling, fossil resources can be replaced by recycled material from plastic waste. Consequently, the project is another major step toward promoting a circular economy for plastics. Based on these results, we are evaluating further possibilities for the use of chemically recycled plastic in our product packaging. The pilot project with Perwoll bottles is part of BASF's [ChemCycling project](#) and has shown that products based on chemically recycled raw materials have the same high quality and performance as products made from raw materials derived from fossil fuels.



The first Perwoll bottles made from chemically recycled plastic were manufactured in 2019. In chemical recycling, mixed plastic waste that would otherwise not be recycled can be reprocessed to meet high quality standards.

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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. Locals drop off collected plastic waste and exchange it for money or social benefits. This creates value from plastic instead of letting it enter waterways or oceans as waste, for example. A part of this Social Plastic® is then fed into the recycling value chain and made available for  use in product packaging from Henkel.

Henkel's first product packaging with Social Plastic® was launched in 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. Henkel took the next step in 2019: The Laundry & Home Care and Beauty Care consumer segments have launched products on the market with bottles made from 100 percent recycled plastic – including some Social Plastic®. Since the summer of 2019, all PET bottle bodies of Pro Nature cleaners from the brands Biff, Pril and Sidolin, as well as bottles of the fabric softener Vernel, have been made of 100 percent recycled plastic, 25 percent of which is Social Plastic®. In 2019, a total of around 200 tons of collected Social Plastic® was processed for Henkel, ensuring that this plastic reenters the value chain and does not end up in the ocean.



Partnership with Plastic Bank: The gathered plastic is exchanged for money, goods or services in collection centers and then reintegrated into the value chain as Social Plastic®.

### Pro Nature supports “NaturKinder”

In 2019, Pro Nature and the German drugstore chain Rossmann again supported environmental awareness among children as part of the “NaturKinder” initiative. We have supported a number of projects in schools and kindergartens since the initiative was founded in 2013. Among other things, a water playground, a learning island, a newly designed outdoor area with a quiet retreat for dreaming and resting, and a mobile research vehicle were created with the help of the initiative.

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

Henkel is the first German consumer goods company to enter into an [international partnership with UNICEF](#) as part of its global nutrition programs: The Somat and Pril brands support UNICEF in its efforts to improve children's nutrition to promote healthy development. The partnership is part of the brand initiative #enjoytogether, which combines the communication of the brands Somat and Pril in partnerships and collaborations with social influencers.



## Rethink Fashion – an initiative for more durable clothing

In Germany, around 60 percent more clothing is sold each year than five years ago. At the same time, it is only kept for half as long as it used to be. Under the slogan #rethinkfashion, Henkel's Perwoll brand focuses on the durability of clothing and encourages consumers to think more about the life cycle of their clothes. It provides consumers with information and inspires them to appreciate and enjoy their clothes for longer. The aim is to encourage responsible shopping behavior and greater appreciation of clothing. The campaign presents projects from the fashion industry and gives tips on how consumers can upgrade their current wardrobes. Perwoll renew Advanced helps to maintain clothing and prolong its life.

#RethinkFashion  
by Perwoll

**It doesn't always have to be NEW!**

NEW? NO, washed with Perwoll.

Under the slogan #rethinkfashion, Henkel's Perwoll brand focuses on the durability of clothing.

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

In 2005, Henkel was the first company to successfully meet the criteria of the “A.I.S.E. Charter for Sustainable Washing and Cleaning.” As a long-standing member, Henkel has since supported many different initiatives from the  A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, with which the European laundry and home care industry plays a leading role in the field of sustainability. In 2010, the Charter was expanded to include the important dimension of “Products.” Since then, it has become possible to show that a product is not only manufactured by a company that operates sustainably, but also has a progressive sustainability profile itself. In 2019, Henkel supported the further development of the Charter criteria, which from 2020 will be visible via two new seals on product packaging: A logo with a blue background will continue to appear on products manufactured by a company that is a “member of the initiative” of A.I.S.E., while the “Industry Sustainability Seal” with a green background will identify products that meet special criteria. For the category “Detergents,” for example, four criteria have been particularly important so far: The environmental safety of the ingredients, resource efficiency in terms of quantities used and volume of packaging materials, washing performance at low temperatures, and consumer information. To receive the new “Sustainability Seal,” in the future plastic packaging must also be 100 percent recyclable, reusable or compostable. Cardboard packaging must be recyclable and contain at least 70 percent recycled material or be 100 percent sustainably sourced. In addition, a new safety pictogram will also appear on the packaging of our liquid laundry detergent capsules

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

## Henkel Sustainability#Master® – Spee Aktiv Gel Nature in comparison with Spee Active Gel liquid detergent

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Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
 <b>Performance</b>					Improved cleaning power	
 <b>Health and Safety</b>					Blue Angel certification	
 <b>Social Progress</b>						
 <b>Materials and Waste</b>	77 % plant-based ingredients				Concentrated power formula	100 % recyclability
 <b>Energy and Climate</b>	Less petroleum ingredients	Certified production	Optimized transport logistics		Blue Angel certification	
 <b>Water and Wastewater</b>	Concentrated formulation	Water-saving production management			Natural scents	Blue Angel certification
<b>Footprint</b>						

 Significant improvement

Spee Aktiv Gel Nature consists of 77 percent plant-based ingredients and is a powerful dirt remover. The formula is also highly concentrated. The product was 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. 100 percent recyclable bottles are a further contribution to sustainability.

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



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- Strengthening our global team
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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. Seven 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 – in their working environment as well as in their private lives.



*"I'm proud of our global team. In 2019, it has once again shown that we can achieve our sustainability targets when we work together across our entire company and actively engage every employee."*

**Sylvie Nicol**

Executive Vice President Human Resources and Infrastructure Services

It is our aim to 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, like here in Japan.

## 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, individual development measures can be defined that address both the company's needs and each employee's potential. To meet our employees' needs even more specifically, we have further expanded the range of → [digital learning material](#) we offer. We are also strengthening the development of digital skills, so we can successfully leverage the opportunities presented by digitalization.



### Our training programs

Henkel offers 27 vocational training and dual-study programs in Germany. In the 2019 training year, a total of 158 new apprentices and students started a vocational or professional qualification at Henkel in Germany. A total of 534 people are participating in our vocational training programs at ten German locations. 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. In 2019, we separated the elements of performance evaluation and potential assessment, which were previously combined in one step, for the first time. To evaluate performance, managers and employees agree on an individual role expectation at the beginning of a year, which contributes to the fulfillment of the company's strategic objectives. This is re-validated in the middle of the year and then evaluated at the end of the year.

The first step in assessing potential is to ask employees to submit a self-assessment to their superiors. Supervisors then evaluate their employees and discuss this evaluation with several supervisors in a department to ensure a balanced and nuanced assessment. The evaluation is made on the basis of uniform principles and clearly defined criteria such as expected management behavior. Supervisors then discuss the assessment results with their employees in personal feedback meetings and, together, they agree on individual development measures. These discussions foster the professional and personal development of our employees, which allows for a targeted and long-term career planning of our workforce. In 2019, more than 1,500 managers were promoted.

## Life-long learning

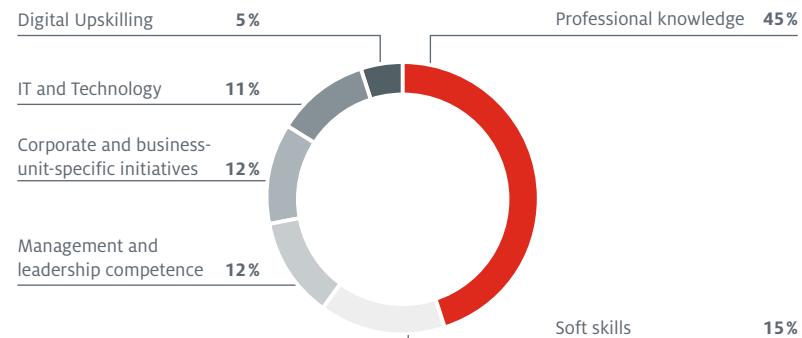
We believe that life-long learning is a central factor in further development, especially given that knowledge becomes outdated much more quickly than it did a few years ago. An important element for us is learning as part of everyday work, as well as through handling a varied range of tasks. Henkel encourages this particularly by offering opportunities to take advantage of new roles both locally and in other countries. We learn from supervisors, team members, and other colleagues on a daily basis. And 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 2019



- 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: Digital BaseFit – a quiz that shows employees how digitally savvy they are and suggests individual training to fill knowledge gaps – and Digital ExpertFit – a learning path that targets specific job roles and combines knowledge transfer with practical application. 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. The main aim is to train new competencies and skills that will provide our managers with the best possible preparation for future challenges. Based on the new Leadership Commitments, 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 consistent 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 seven languages as part of a partnership between Henkel and LinkedIn Learning (formerly Lynda.com). LinkedIn Learning is a leading online training platform that is now also available through the Henkel Global Academy. It supports the expansion and deepening of personal, creative and software skills, and contributes to the achievement of professional and personal goals. As of 2018, the training platform is also available on all mobile devices, which is particularly helpful for employees who are on the road a lot.

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IT security is more important than ever in an increasingly digital world. One of the most important measures that companies can take to protect themselves against cyber attacks is to raise employee awareness. To this end, Henkel has launched a cyber awareness campaign under the motto #SharedResponsibility, which took second place at the Cyber Security Leader Awards 2019 and is based on three strategic pillars: inform, educate and engage. As part of the campaign, a one-week cyber-awareness fair was held for the first time in 2019 at the Düsseldorf location and broadcast to 81 countries. This made it possible for almost 7,000 employees worldwide to participate in the trade fair.



During the cyber-awareness fair, experts from inside and outside the company made presentations on topics ranging from social engineering to security in Industry 4.0, and from mobile devices through to preventing email fraud.

## 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 with greater flexibility and speed, and to exchange information quickly and personally in a virtual context. In searching for the best talent, we increasingly use digital channels to showcase what makes Henkel an attractive employer. On our social media channels [Facebook](#), [Instagram](#) and [LinkedIn](#), our employees show their everyday work and their experiences at Henkel using the hashtags #MyStory@Henkel, #JobOfTheMonth and #FollowMeAround.

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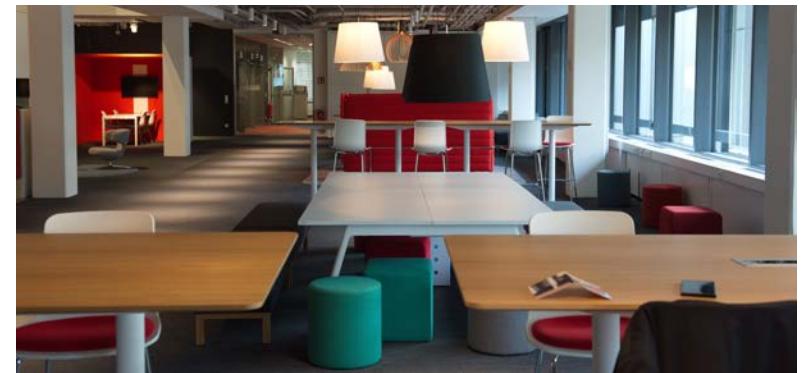
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## Flexible working

At Henkel, we measure performance by results and not by presence. This is why we have been promoting flexible working models for many years. Based on a culture of trust, part-time work, flexible working hours, new workplace concepts and mobile working are a natural part of our work. Being able to work wherever and whenever necessary, regardless of time or place, improves the work-life balance. The trust we place in our people strengthens their motivation. Our managers are instructed to put opportunities for flexible working into practice and to support them actively. By signing our global Work-Life Flexibility Charter in 2012, the Management Board has 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, as well as for scheduled or informal meetings. Employees simply select the work environment that is best suited to their current activity. Like all other work-space modules, the modern desk, or “flexible workstation,” is also used flexibly and as needed.



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.

## 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.

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There is no systematic difference between the compensation received by male and female employees. In addition to fixed and performance-based components of pay, our remuneration system also includes benefits in kind and social security components.

### A remuneration system that rewards individual performance

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

- **For our non-managerial employees**, we use locally adapted compensation components to reward their performance and their contribution to the company's success. Depending on the nature of the job and region, there are various bonus systems for employees for example in sales, research, and production. These systems cover almost all of our non-managerial employees worldwide.
- **For our managers**, we use short-term variable remuneration components to reward individual contributions to the company's success. The Short Term Incentive (STI), which is paid out annually, takes into account both our short-term financial targets and each person's individual performance. Some of our employees who are not subject to collective agreements, as well as managers with direct responsibility for sales, are compensated through separate bonus arrangements that focus on sales-related targets instead through the STI.

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

● **For Management Board members**, we also use an annual bonus as well as a bonus related to the company's long-term success as variable compensation elements. Details of this can be found in the remuneration report in the [Annual Report 2019](#), pages 47 to 74.

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.

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## Our employee share plan

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 plan. The intention of this is to align the interests of the company and those of our employees even more closely, while giving employees an attractive opportunity to provide individually for their future investment and their retirement. For each euro invested in 2019 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added 33 eurocents. Around 12,500 employees in 58 countries purchased Henkel preferred shares under this program in 2019. At year-end, around 16,000 employees held a total of around 2.5 million shares in the program's securities accounts, representing 1.4 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.

## 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 offer-

ing 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 January 2019, Henkel expanded the existing range of social benefits we offer by adding the supplementary corporate long-term care insurance Henkel CareFlex. It was developed together with the Industrial Union for Mining, Chemicals and Energy. In this way, Henkel is able to offer all of its around 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.



"My Henkel Bike" is another part of our extensive range of social services. Since June 2019, all employees who have a permanent contract at our sites in Germany have been able to lease up to two bicycles at attractive conditions as part of a deferred compensation plan. In this program, Henkel is working together with the provider mein-dienstrad.de. The offer also includes fully comprehensive insurance and a full service package with maintenance and repair, for which Henkel bears the costs.

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## 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 and 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

Diversity at Henkel represents the variety of talents, attitudes, perspectives, strengths, abilities and characteristics of our employees and business partners that make Henkel unique and contribute to creativity, innovation and business success. The individual differences in our company make us strong and successful – visible differences like gender and invisible differences like experience, values, education, sexual orientation, origin or religious background. Only if we promote, respect and value all aspects of diversity we will do justice to inclusion and bring it to life at Henkel. We are convinced that a diversified workforce, as well as an open and appreciative corporate culture, are important success factors in a globalized world. 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. With our Global Diversity & Inclusion policy, we have promised to further strengthen diversity and appreciative behavior at Henkel.

In 2019, a global Diversity Challenge was held at Henkel for the first time. All employees were invited to gather in teams and show how they experience diversity and how it promotes business success. A total of more than 300 contributions were submitted from five regions and 45 countries. They all clearly showed the diversity of the teams, with different ways of thinking and different cultures.



The three winning teams of the global Diversity Challenge from Egypt, Singapore and the USA were honored at the company's headquarters in Düsseldorf in October 2019.

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We want to create an inclusive working environment that fosters all dimensions of diversity in order to develop the full potential of our employees. We pursue a holistic approach, which includes individual personal characteristics as well as experience, knowledge, and skills.

### Our diversity dimensions

- **Gender:** Our goal is to continually increase the share of female representation at all levels of the organization. For this, it is critical that we create the required framework conditions that permit our employees to balance the planning of their career and their personal life. In 2019, the proportion of women in management positions was around 36 percent. Our commitment to diversity has been recognized several times in recent years. For example, the BCG Gender Diversity Index 2019 put Henkel in second place within the DAX 30 category.

We also have various mentoring programs for women in our business units and functions worldwide. For example, an internal mentoring program called “Women into Science and Engineering” was created in the Adhesive Technologies business unit. The objective of this program is to connect women at various levels of management with executives in the technology and engineering sectors worldwide to enable the exchange of skills, knowledge and expertise. In this way, we promote their personal and professional development.



In 2019, Henkel was awarded the Grand Prix de la Mixité in the DAX 30 category in France for the second year in a row. This European Diversity Award recognizes the company's success in our efforts to further promote inclusion and empower women in leadership positions. Picture: Institut du Capitalisme Responsable – Ethics & Boards – © Marc Mellet.

- **Cultures:** An international workforce composed of people with different cultural backgrounds is important in a global company like Henkel, as it enables us to develop an understanding of our markets. In order to meet the challenges of mixed teams, we provide intercultural training courses and workshops. These aim to increase awareness of different value systems and their influence on our daily behavior. Henkel also encourages international transfers within employees' career paths. The experiences gathered open up new ways of thinking. With employees from a total of 120 countries, cultural diversity is a part of everyday working life at Henkel. Employees from 72 different nations work at the company headquarters in Düsseldorf alone.

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- **Mindset:** Mindset diversity means embracing and valuing all different ways of thinking, perspectives and opinions. We are convinced that it is a key competitive edge that allows better decisions and successful innovations, which results in better business performance. For this reason, we empower our people to share their thoughts and opinions openly, and are striving to create workplaces where everybody feels safe to speak up and be comfortable voicing their opinions. As part of the Newcomer's Pulse Check, we measure how different opinions are valued in the organization. This enables us to continuously monitor our progress, identify points to improve and come up with new initiatives that will make a positive impact.

- **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**. These models include mobile working, part-time and flexible working hours, job sharing/tandems or sabbaticals. We also actively help families to achieve a work-life balance, for example, through the provision of childcare and our → **social services**. At the Düsseldorf site, there are 240 childcare places in three company daycare centers. At the company kindergarten in Bratislava, Slovakia, Henkel offers childcare places for 75 children from the age of two.

- **People with disabilities:** At Henkel, we foster a culture of inclusion that focuses on the skills and individual talents of people with disabilities. Through targeted programs, including in our emerging markets, we strive to offer everybody the same opportunities while always focusing on a person's individual strengths rather than their limitations.

For example, our 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.

## Semi-retirement at Henkel

With three models for semi-retirement, we want to actively shape the demographic change at Henkel. These models target shift workers, specialists, and employees within our factories, laboratories and administrative teams. This enables our employees at all sites in Germany to leave work up to six years early, depending on the semi-retirement model. This provides particularly important support for employees in demanding shift work. At the same time, we encourage the targeted training of qualified young people by having their experienced colleagues in semi-retirement coach them in direct preparation for a specific role. This ensures that we keep many years of knowledge within Henkel and improves the company's future viability.

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- **Generations:** We encourage → **life-long learning** across all generations through appropriate training measures. Specifically, we use mentoring and employee networks in different business units and countries to promote knowledge transfer and a change of perspective between experienced and less experienced employees. We also offer our employees a wide range of programs for → **maintaining health**.

- **LGBT+:** Henkel strives to create a working environment that is open to all people regardless of their sexual orientation or identity. We have LGBT+ networks (“LGBT+” is an initialism that stands for: lesbian, gay, bisexual, transgender and further sexual orientations) in several countries and promote awareness through various events and activities. In 2019, for example, we participated in the Manila Pride March. Participating staff from our Philippine SSC in Manila campaigned for the Sexual Orientation and Gender Identity and Expression Equality Bill (SOGIE). In addition, a Pride Talk was held at the site with the support of the Rainbow Rights Philippines non-governmental organization to discuss typical prejudices against LGBT+ and stereotypical patterns of thought that often stand in the way of LGBT+ integration.



As part of the worldwide celebration of LGBT Pride Month in June 2019, the SSC Manila Diversity & Inclusion Committee held its first Pride Talk with a focus on gender diversity.

## Diversity promises



In 2019, Henkel joined the Business for Inclusive Growth (B4IG) initiative. The global business coalition for inclusive growth is supported by the OECD and seeks to pool and strengthen the commitment of private companies to reduce inequality related to opportunity, gender and region.



## European Round Table for Industry

As part of our membership in the ERT (European Round Table for Industry), Henkel signed a pledge to promote diversity and inclusion together with 53 business leaders in December 2018.

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## Dialog and culture

Our employees are our greatest asset – this is deeply rooted in our strategy and values. In an increasingly challenging world, companies need a solid foundation as well as the flexibility to react to a changing environment quickly. A successful management culture must be founded on an environment of trust that is open to ideas and innovations, and that enables decisions to be made. To strengthen the importance of this leadership culture, we have further developed our Leadership Principles and formulated new Leadership Commitments that apply to all employees at Henkel, regardless of whether they lead a team or not. These commitments to leadership culture form the basis for cooperation within the teams and for each individual. As a result, we have high expectations of our employees in terms of leadership culture, agility and cooperation. At the same time, we recognize that this cultural change offers an opportunity to question and improve the status quo.

The Leadership Commitments were introduced worldwide in January 2019. Leadership Activation Sessions have been held since February 2019 to engage all employees in open dialog. To obtain a first impression of the impact and understanding of our Leadership Commitments, an employee survey was conducted on this topic in July, revealing a generally positive response to the program. Our goal is to anchor the Leadership Commitments deep into our working environment and to successfully act upon them.



Sylvie Nicol, Member of the Management Board, responsible for Human Resources and Infrastructure Services, presents the new Leadership Commitments.

## Our leadership culture

We are committed to communicating openly with our employees and their representatives, and to pursuing constructive dialog. Our goal is to inform them about important issues early and to involve them in the process. As a result, we are in a position to successfully face challenges and changes in society, the economy and politics in a way that enables us to remain competitive and sustainable in the future.

In employee dialog, our managers have a special importance because they embed our values and corporate culture in the workforce. An appreciative leadership style that takes into consideration the skills 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.

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These are complemented by regular team meetings, staff gatherings, and our → [digital communication channels](#).

Since 2018, our employees have also been receiving timely information on quarterly results from the CEO in a live event that is broadcast worldwide via Skype. The Quarterly CEO Update provides an opportunity to ask questions and engage in open dialog with the Chairman of the Management Board, as well as other members of the Management Board and top management.

### New employee communication campaigns

Henkel launched the HR Germany Close-up Campaign in 2019 to intensify the exchange of information with employees in Germany. The offer to employees consists of three elements: First, relevant personnel topics are discussed at the Human Resources (HR) Talks. Second, employees can ask colleagues from the HR department their personal questions directly at information stands. And third, participants can give feedback on the event or on HR in general, and can also suggest topics for the future. In addition to the HR Talks, topic-specific Coffee Chats are also offered. These chats focus on personal questions from employees about various HR topics that can be discussed with colleagues from the local HR teams in a small group of three or four people.

The HR Close-Up Events will be continued in 2020 and then extended to other German locations.



At the second HR Close-up Event in Düsseldorf in October 2019, participants were able to gather information about the comprehensive social benefits offered by Henkel. In addition to long-established social benefits such as pension plans and the Employee Share Plan (ESP), new offerings such as Care-Flex and the Henkel bike leasing program were also discussed.

### Employee representation

Our various employee representative bodies play a key role. An in-depth exchange of views and consultations with the management takes place at the operational level, for example with the local works councils, as well as across companies with the trade union. We provide our employee representatives with information regularly and on a timely basis, and give them as much detail as possible about topics such as the corporate strategy, for example. In countries where no employee representation is planned or established, social dialog with the respective management serves as a voluntary and informal instrument for close exchange. This enables us to improve communication with our employees, include their perspectives early on, and jointly shape future-oriented issues. It also helps Henkel avoid conflicts of interest and strengthens employee identification with the company.

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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**, and preventive healthcare. In the close cooperation between Henkel and the Works Council, we are committed to providing support for the people behind Henkel's success in order to overcome new challenges together.

### 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 each employee. To date, we have been able to manage necessary restructuring measures while reconciling interests. The actions involved range from special semi-retirement models and 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, high-performance organization. To do so, we rely on globally uniform health and safety standards, and provide health and preventive care programs to guard against workplace risks and general health risks that could lead to illness. The broad range of health services offered at our sites has two aims: promoting our employees' physical health (via seminars for giving up smoking, → **health check-ups**, AIDS prevention, etc.), and maintaining their mental vitality (through stress management and similar measures). We successfully pick up on important social trends, such as the demographic change, with our program for maintaining working capacity. In addition to a number of regional and local programs, we have been carrying out a major joint health campaign with all sites worldwide every year since 2016. For each global health campaign, Henkel has set itself the objective of reaching more than 90 percent of its employees worldwide in the year of implementation.

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In 2018, Henkel's corporate health management system was audited for the first time in a comprehensive, all-day audit and received the highest ratings in all areas of the audit. Henkel's holistic, systematic approach and innovative programs earned it the German Corporate Health Award 2018 and we won first place in the "consumer goods" category.

### 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.



In 1910, nurses began tending to the health of workers in "sickbays" that were initially set up as medical care facilities. In July 1940, the company's Corporate Health Services was officially introduced with a staff of three company doctors.

In order to ensure holistic healthcare at all sites, we work continuously to establish uniform principles. An important step in 2014 was the introduction of global key figures on health protection. We updated and expanded these figures in 2019. We now record the availability of first responders, the offer of flu shots and participation in the global health campaign, as well as when emergency medical drills and occupational health screenings are conducted. These key figures are reported annually by all Henkel sites worldwide. In addition, the sites report occupational diseases as soon as they have been officially confirmed by the authorities.

The Health Procedure, introduced in 2015, describes the minimum global standards for protecting and promoting health. In the implementation of internal guidelines, programs and legal requirements, regional managers for health, workplace safety and security provide support for each site as the first point of contact, as well as during regular visits and training. In several regions, locally employed doctors also act as health managers, helping our employees by using their specialist knowledge and familiarity with the local conditions and the local language. In designing these programs, our sites determine different priorities based on local requirements.

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As recognition for its comprehensive healthcare philosophy, Henkel joined the business network "Companies for Health" back in March 2002. In this context, Henkel signed the "Luxembourg Declaration on Workplace Health Promotion in the European Union."

As part of the company's efforts to continuously improve the company health management, an annual exchange takes place enabling the physicians from all Henkel sites in Germany to share their experience. 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 tailored care packages for the early medical treatment of health disorders. We also believe it is important to make our managers aware

that they need to act as role models for their staff and teams. In a globally available eLearning program for executives, we teach managers how they can contribute to creating stronger motivation and a better atmosphere in the workplace combined with higher performance, while, at the same time, reducing instances of illness.

At all German sites, we offer social services that play an important role in supporting our employees professionally in all circumstances. In addition to giving psychological advice in particular cases, as well as occupational integration management, this also includes providing support in → **finding a work-life balance**, for example by assisting in the search for childcare or help for relatives with care needs. In 2019, we expanded our offering at the Düsseldorf location to include a potential training course. This is a preventive health coaching program with individual and group units that was implemented for the areas of family and work together with the statutory health insurance company Barmer and BAG-Selbsthilfe. The objectives are to strengthen the individual's own personality, to make existing resources visible and to learn helpful coping strategies for dealing with daily challenges at work and in everyday life.

At other sites, external service providers support employees' needs according to local requirements. Our initiatives to create → **flexible working hours** also aim to improve work-life balance and reduce stress factors.

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### **Demography and Work 4.0: 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. In addition, new challenges arise from the changes in the world of work due to digitalization, Working Environment 4.0 and a shift toward more cognitively demanding activities.

This is why we launched a demographic program at our headquarters in Düsseldorf in 2013. This holistic concept includes a combination of preventive occupational healthcare with a general medical check-up, workability index, and employee surveys. In 2019, this program was supplemented by the “TOP Check 4 Health” process, in which supervisors and employees analyze and evaluate working conditions in the various areas of activity. Each responsible department receives feedback via the combination of the employee survey and “TOP Check 4 Health” as to whether there is a need for improvement with regard to health, working conditions and work requirements, and they then define appropriate measures. Participating employees are also informed about the individual actions they need to take to improve and maintain their health and performance, and receive targeted suggestions and offers.

### **Fourth global health campaign**

#### **“Protect Your Life”**

After our first three global health campaigns “Save a Life,” “Active Life” and “4 for Life,” the health campaign in 2019 was focused on the prevention of infectious diseases. In “Protect Your Life,” our company doctors explained important and effective preventive measures such as vaccinations and proper hand hygiene.



Around 80 percent of all infectious diseases are transmitted via the hands, according to the World Health Organization. This means that careful hand hygiene is an important prerequisite for preventing disease. One of the ways in which attention was drawn to this issue was a sticker with the message “Wash your hands before you go-go.”

One particularly common infectious disease is the “real” flu (influenza). For this reason, the 2019 health campaign specifically addressed the offer of flu vaccinations at Henkel sites worldwide. Employees also received detailed information about various vaccinations, as well as responses to the most frequent objections. In addition to practical hygiene tips, the information was made available on a worldwide action portal and actively communicated on 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, “Protect Your Life” was able to reach more than 90 percent of the employees.



In Portugal and Spain, nine locations with around 1,000 employees also took part in the “Protect Your Life” health campaign.

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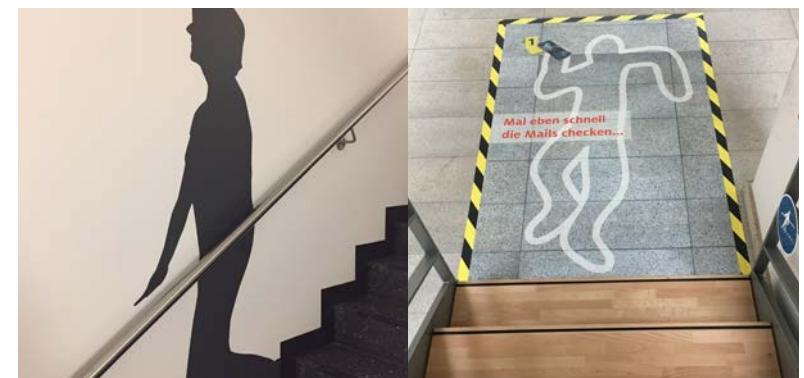
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## Occupational safety

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.



The “You Never Walk Alone” program was developed as part of the “SHE Hacks,” which are designed to increase safety in the workplace by providing simple behavioral instructions. Silhouettes on the walls next to flights of stairs, as well as “Crime Scenes” at the bottom of stairs, are effective reminders of the dangers that can arise from being inattentive when climbing stairs.

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## Measures for more occupational safety

On Safety, Health and Environment Day 2019 (SHE Day), the Düsseldorf site also focused its event on accident prevention. Around 350 employees attended, and production was even halted for the day to make their participation possible. At a total of twelve training stations, specific topics such as hygiene and how to react to leaks were addressed. The stations were all developed based on experiences gathered during previous events and were led by an external or internal expert.



One of the twelve stations at the SHE Day for Adhesive Technologies: Members of the Henkel site's fire brigade showed the participants what to look out for during resuscitation.

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 2019 alone, more than 90,000 conversations of this kind were held at 160 different

sites. After the successful launch of the CBS program, we focused particularly on improving the quality of the dialogs in 2019, asking the on-site management of our locations to assess their results. This will further remain a priority in 2020, our focus being the standardization of quality measurement methods and the encouragement of sites to start reporting on a monthly basis. In addition, a refresher course in CBS training is planned at all locations.



In 2019, "Your Lock, Your Life" was the name given to a global initiative from the Adhesive Technologies business unit that focused on machine and plant safety. At its heart was a prevention program to ensure the safety of machinery and equipment by means of "Lock Out, Tag Out, Try Out," also known as LOTOTO. It describes a procedure for switching off machines and systems before repair, cleaning, maintenance or servicing, as well as switching them to completely current-free ("lock out"), clearly marking them ("tag out") and checking that they are current-free ("try out"). About 1,300 employees worldwide were trained in this safety procedure in 2019 to eliminate the risk of injury from hazardous sources of electrical power.

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At the global sites for our Beauty Care business unit, numerous trainings were held covering topics related to health and occupational safety. At our Thai location in Chonburi more than 15 different topics were taught to about 500 participants in a SHE training course. These activities focused on topics including risk prevention, mindfulness, health and sustainability. Safety, ergonomics and first aid training courses were also held at our North American site in Geneva, as well as training for the local emergency response team.

In 2019, the Laundry & Home Care business unit focused on improving employee participation in safety programs. 42 locations and more than 7,000 employees participated in an international initiative. In



The Laundry & Home Care business unit has developed two employee apps with the aim of digitalizing safety issues. The Life Saving Rules app gives employees easy access to the most important safety rules, which have been compiled and defined based on historical accident rates. The Behavior Based Safety Walkaround app is a paperless reporting system that extends and standardizes the division's long-standing safety program. It facilitates the direct and easy reporting of safety concerns. This global collection of information provides a good indicator of potential hazards.

addition to strengthening communication between management and production employees with the aim of improving our safety culture, workplace inspections were carried out in small groups at the respective sites and immediate corrective action was taken for all hazards identified. On top of this, the business unit implemented the "Safety 4 LIFE" campaign across all sites in 2019. It raises awareness about safety among employees and aims to prevent accidents from occurring. The campaign includes training for new and existing employees that shares information about the fundamental safety rules related to exemplary behavior, passing information to the responsible person, intervening in dangerous situations and identifying safety risks.

## 2019 status

In 2019, we recorded 0.7 occupational accidents per million hours worked. This is an improvement of 42 percent (base year 2010). Despite our ongoing commitment to occupational safety, there was one occupational accident at our Indian plant in Kurkumbh. One employee suffered severe burns in a deflagration. Despite immediate emergency medical care, he succumbed to his injuries in the hospital.

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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 ten million people through our social engagement. We achieved this target in 2019, ahead of schedule.

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

Through our MIT 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

Since the foundation of the initiative “MIT Volunteering” (Make an Impact on Tomorrow) in 1998, we have supported the voluntary activities of Henkel employees and pensioners in over 15,500 projects and more than 100 countries around the world. At the same time, more and more employees and pensioners are joining forces to implement larger social projects.

### Hot meals for the homeless

For more than ten years, Henkel employee Duff Michowski has been supporting St. Leo's Soup Kitchen in Detroit, USA. The charitable organization provides more than 40,000 soups and hot meals for people in need each year. In 2019, a grant from Henkel's MIT initiative enabled the soup kitchen to purchase a new oven, a steam table, and a refrigerated buffet table.



Henkel employee Duff Michowski has been involved in St. Leo's Soup Kitchen for many years. The charity organization provides hot meals, offers shower facilities and clothing, and hosts a medical and dental clinic for people in need.

### Working together to fight plastic waste

Henkel has launched a global employee initiative as part of its commitment to a functioning circular economy and to the avoidance of plastic waste in the environment: In 2019, around 1,300 Henkel employees around the world took part in collection campaigns, removing waste from riverbanks, parks and cities. The objective of the Trashfighter initiative is to further raise awareness of waste in the environment. In Thailand, for example, teams collected waste on beaches – including plastic waste as well as fishing nets and glass bottles. In the USA, 16 collection campaigns took place at various locations.



Henkel employees in Russia collected plastic waste around their sites. The campaign is part of Henkel's Trashfighter initiative, in which employees in 18 countries have organized collection campaigns to help rid their neighborhoods, cities, parks and green spaces of waste.

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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.

### New homes for families in need

Together with  Habitat for Humanity, teams of Henkel employees have been building houses for families in need since 2014. In 2019, as part of one-week “Building Trips,” Henkel employees helped build multi-family houses for people in need in North Macedonia. Henkel also supports these activities with donations in kind, for example with building materials.



Henkel employees, together with the Habitat for Humanity organization, help to provide families with a new home by going on building trips like this one in North Macedonia.

### Making a smooth transition into the workplace

Since 2012, Henkel and the Fritz Henkel Stiftung foundation have been the main supporters of the non-profit educational initiative

 Teach First 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.



At Teach First, university graduates from various disciplines work on a voluntary basis as additional teaching staff in disadvantaged communities.

In 2019, in a joint project with the Joblinge initiative and the Technical University of Braunschweig, Teach First Germany focused on helping young people to make the transition from school to work. In addition to supporting Teach First in Germany, Henkel also supported the organization in Argentina, Brazil, China, Colombia, India, Latvia, Ukraine, the USA and Vietnam in 2019.

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## Brand engagement

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

### 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 China, Colombia and Egypt. Around 10,200 women and girls were reached by 27 projects in 2019.

The second Schwarzkopf Million Chances Award was also held at Henkel in Düsseldorf in 2019. During a formal ceremony, → four non-profit projects were recognized for their commitment to the rights and opportunities of women and girls. Each winning project received a cash prize of 10,000 euros, made possible by the Fritz Henkel Stiftung foundation.



The SWANS initiative won the Million Chances award after a public vote in 2019. The volunteer organization offers seminars for highly qualified young women with migration backgrounds and for Women of Color. Committed female students and graduates receive training in how to start a career and can access a platform to exchange ideas.  
Photo: Mai Vo Dieu/SWANS Initiative.

The 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 2,500 young people in 30 countries have already been trained thanks to the volunteer work of hairdressers and employees.

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## NaturKinder

As part of the NaturKinder initiative, Pro Nature and the German drugstore chain Rossmann have been helping children develop environmental awareness. Since it was established in 2013, the initiative has supported various projects run by schools, kindergartens, and non-profit organizations that teach a responsible approach to nature. To the delight of more than 4,000 children, 89 projects have been completed so far. For example, the NaturKinder initiative has helped to create a water play area, a learning island, a newly designed outdoor area with a retreat for dreaming and resting, and a mobile research center.



Wir machen was draus!

## Welcome Home

In 2019, our → [Welcome Home program](#), which aims to provide a safe home for families in need, entered its fourth year. Through this initiative, employees from the Adhesives for Consumers, Craftsmen and Construction business area join together with aid organizations to help renovate and build safe places to live. The program has supported projects in Brazil, Bulgaria, Canada, Colombia, Hungary, North Macedonia, the Philippines, Portugal, Romania and the USA.

## Emergency aid

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

### Earthquake in the Philippines

In October, three major earthquakes occurred within two weeks on the Philippine island of Mindanao. At least twelve people died and hundreds more were injured. Tens of thousands of people had to flee their homes and seek refuge in emergency shelters. The Fritz Henkel Stiftung foundation supported a local aid organization in the purchase of tents, blankets, clothing, food and hygiene items.

In cooperation with global and local organizations, Henkel continued to support the reconstruction of homes and cities following natural disasters in 2019, for example in the Philippines following the severe typhoon "Haiyan" in 2013.

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## Aims of dialog

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, and politicians and academia.

To better understand the expectations and perspectives of our stakeholders and to engage in dialog that is more targeted and solution-oriented, we make use of specific surveys and continuously monitor the opinions of our stakeholders at several levels: in direct dialog, in multi-stakeholder initiatives, and through dialog platforms about sustainability-related topics. Proactive, bilateral cooperation with NGOs and opinion leaders gives us insights into global challenges such as those related to developing sustainable packaging solutions. This enables us to respond to issues quickly and drive progress.

In a comprehensive survey in 2014, we asked our stakeholders what topics have priority for them. It confirmed that our target groups place great importance on our efforts to integrate sustainability into all of our activities and product life cycles, and that they also have a strong focus on the environmental impacts that occur during the



*"It's increasingly important for the financial markets to understand how companies are responding to the global challenges of sustainable development. Our clear strategy and comprehensive reporting approach give us a strong foundation in this regard."*

**Marco Swoboda**

Executive Vice President Finance (CFO) /  
Purchasing / Integrated Business Solutions

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 and the related packaging responsibly. The results have been taken into account in the further development of our strategy and our targets since 2015. Stakeholder dialog is a key element of our approaches to innovation and risk management, and helps us to continuously develop our sustainability strategy and reporting.

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## 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, where experts at our various company sites and in our different business units engage in discussion with relevant stakeholder groups on specific local and regional challenges. This allows us to develop customized concepts and solutions that can be implemented and assessed effectively. In 2019, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public.

Sustainable packaging and the circular economy were key topics of discussion at many stakeholder dialog events in 2019. To underscore our commitment in this area, Henkel is a founding member of a new initiative focusing on plastic waste, the [Alliance to End Plastic Waste \(AEPW\)](#). Close to 30 international companies along the value chain for plastics and consumer goods have joined forces to tackle the global challenge of a circular economy together. The aim of the alliance is to promote solutions that put a stop to plastic waste in the environment, especially in the ocean. Henkel is also a member of the [New Plastics Economy \(NPEC\)](#), an initiative led by the Ellen MacArthur Foundation that brings key stakeholders together to rethink and reshape the future use of plastics and build momentum toward a circular economy. Henkel is also involved in the [Recyclate Forum](#) initiated by German drugstore chain dm-drogerie markt.



The “Circular Economy Mission” event is an example of ongoing discussions about the circular economy that are taking place between the European Commission in Brussels, regional government authorities and Henkel.

As part of the “Circular Economy Mission,” representatives from the European Commission and the government of North Rhine-Westphalia met in Düsseldorf with Henkel experts from all three business units for the second time to discuss the subject of the circular economy. Prof. Dr. Thomas Müller-Kirschbaum, Global Research and Development Manager in the Laundry & Home Care business unit, presented Henkel’s sustainability approach, with a particular focus on packaging and recycling.

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Dr. Thorsten Leopold (left), Head of International Packaging Development for Home Care products at Henkel, presented the ChemCycling project together with Mario Schmidt from BASF in a live talk at the K Trade Fair.

At the K Trade Fair in Düsseldorf in 2019, one of the most important trade fairs for the plastics and rubber industry, Henkel presented its contributions to the circular economy. Dr. Thorsten Leopold, Head of International Packaging Development for Home Care products at Henkel, made a joint presentation with BASF on an innovative approach to chemical recycling. Another example of Henkel's commitment to sustainable packaging is the [ChemCycling project](#) with BASF and packaging manufacturer Alpla, which promises great potential as a supplement to mechanical recycling processes.

Henkel employees and three representatives from TerraCycle, one of Henkel's partner companies, toured North America's largest recycling plant in 2019. The visitors gained a behind-the-scenes experience of recycling processes and expanded their knowledge of the circular economy. The focus of the tour was on materials recovery and how intelligent packaging design can support a circular economy.



During a tour of North America's largest recycling plant, Henkel employees looked at the approximately 800 metric tons of recyclables from all over New York City that are processed there every day.

Henkel has launched the "Effective Packaging" project together with the local authorities at its site in Perm, Russia. Around 120 containers for collecting plastic packaging were set up in the city. As the next step, this packaging waste is processed by a local organization to make granulate that can be used to manufacture PET bottles for Henkel products. In addition, Henkel offered courses for children and their parents as part of the project. They learned how various types of packaging differ, how they can be processed, and how packaging waste affects the environment. The contribution that Henkel makes toward reducing negative environmental impacts was then demonstrated.

Packaging and sustainability were also discussed on International United Nations Day in October 2019. On this occasion, Henkel Ibérica organized a roundtable about sustainable consumption with the

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support of Corresponsables, a leading Spanish media company in the field of sustainability. Representatives from various companies, the media and institutions came together to discuss how to reduce the negative environmental impact of consumption and to talk about successful initiatives to reduce waste generation in line with the United Nations Sustainable Development Goals.



Henkel Ibérica organized an event on sustainable consumption and the circular economy, at which various stakeholders discussed the impact of consumption and possible solutions.

Henkel UK's cooperation with The Guardian, a global media company, is another project that was successfully conducted for the third year running in 2019. The "Sustainability Unwrapped" series focuses on plastics and packaging. The campaign was concluded with a round-table in October 2019. Experts from the worlds of business and science met with representatives from government organizations to discuss what measures are needed to reduce the environmental impact of plastics and packaging. Uwe Bergmann, Global Head of Sustainability Management, represented Henkel.



Discussions during the Sustainability Unwrapped campaign with The Guardian focused on what companies can do to reduce and avoid plastic waste.

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During the annual Sustainability Week, Henkel employees from the Shared Service Center in Manila, Philippines, made pen holders from scrap cardboard rolls.

Henkel works in close collaboration with its stakeholders on challenging issues such as the promotion of sustainable palm oil. These stakeholders include NGOs such as the WWF (World Wide Fund for Nature) and retail chains such as Carrefour. Henkel has been a member of the cross-sector initiative  “[Roundtable on Sustainable Palm Oil](#)” ([RSPO](#)), the world’s largest organization for the certification of palm oil, since 2008. In cooperation with the RSPO and the international development organization Solidaridad, it aims to promote progress in the sustainable production of → [palm and palm kernel oil](#), and further develop ongoing partnerships to promote a sustainable palm oil industry. At the 17th annual RSPO conference held in Bangkok in 2019, Henkel was recognized for its contribution to the promotion of a sustainable palm oil industry by Fortasbi, the Indonesian forum for sustainable palm oil producers.

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 are working together with the development organization Solidaridad as part of their commitment to supporting smallholders and local initiatives. In 2019, the 50th anniversary of Solidaridad was an occasion to reflect: Henkel currently supports seven initiatives in Colombia, Ghana, Honduras, Indonesia, Mexico, Nicaragua and Nigeria. In Honduras alone, 17,500 farmers and farm workers received training in modern cultivation techniques in 2016, which increased their yields by over 25 percent. In total, our partnership with Solidaridad has supported projects that have reached about 30,000 smallholders, who cultivate about 300,000 hectares of land. There are now further ambitions for the reduction of greenhouse gases in the value chain for palm oil products.

In the year under review, Henkel also participated in the global meeting of the Tropical Forest Alliance (TFA) in Bogotá, Colombia. At the initiative of the World Economic Forum, Henkel presented its sustainability strategy and its partnership with Solidaridad to promote sustainable palm oil. The project in Colombia supports smallholders with an app that helps them to increase their productivity and reduce their environmental impact.

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Sustainable palm oil production also includes sustainable farming practices, as shown in this example from Colombia. 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 2013 and is based on an initiative from Henkel, Unilever, the retail group Rewe and the WWF. FONAP's commitment for regular members is based on three pillars: The switch to certified sustainable palm oil and palm kernel oil and fractions and derivatives; supplier dialog focusing on traceability and achieving additional criteria; and detailed reporting on the achievement of goals. Henkel has also set the target of using 100 percent Mass Balance-certified palm products by 2020 and to cover its own demand in this way.

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 its sustainability strategy and the contribution its brands

make to sustainability. Henkel sponsored a stand dedicated to the theme “climate-positive” at the German Sustainability Day 2019 congress. Attendees had the opportunity to learn about Henkel’s progress in climate protection and its contributions along the value chain. In addition, Uwe Bergmann, Global Head of Sustainability Management, took part in a panel discussion on “Climate Change – Tangible Solutions,” which explored existing approaches and barriers to implementation. 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.



Uwe Bergmann, Global Head of Sustainability Management (second from left), discussed the topic of climate change with Dr. Katherine Wilkinson, Luisa Neubauer, Prof. Dr. Maja Göpel and Prof. Dr. Uwe Schneidewind at German Sustainability Day.

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Energy Consulting Days in Düsseldorf: Interested Henkel employees were offered advice on saving energy at the information stands at the Consumer Advocacy Center.

At the Energy Consulting Days at the Düsseldorf site, the Consumer Advocacy Center presented tips on saving energy. Henkel employees had the opportunity to attend two different presentations and information stands to gather advice about saving energy in the home.

## **Dialog with politicians and government authorities**

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 our 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 European Union’s (EU) transparency register.

Henkel employees met with politicians at the Düsseldorf site in the run-up to the 2019 European elections. A discussion session on the topic “Yes – to Europe” addressed central issues, such as digitalization and globalization, as well as climate and environmental protection. In cooperation with the [German Chemical Industry Association \(VCI\)](#), Henkel invited participants to the event to emphasize the importance of a strong Europe.

## **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. Henkel is also a member of the [German Chemical Industry Association \(VCI\)](#) and is involved in the Chemie<sup>3</sup> initiative, which is

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made up of the VCI, the Industriegewerkschaft Bergbau, Chemie, Energie (IG BCE) and the Bundesarbeitgeberverband Chemie (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. It defines ethical obligations in six areas, including "Protection of people and the environment" and "Contribution to sustainability."

## Education for sustainable development

At Henkel, we believe it is important to address issues of sustainable development beyond our own sphere of influence. In 2017, Dr. Christoph Henkel and the Konrad Henkel Stiftung and Fritz Henkel Stiftung foundations endowed the Chair for Sustainability Management for Business Management at the Heinrich Heine University in Düsseldorf to mark the 25th anniversary of the Economics department. The aim of this endeavor is to contribute to meeting global challenges related to sustainability management by promoting teaching and cutting-edge international research in this field, with a particular focus on sustainable behavior. Since the winter semester of 2018, Prof. Dr. Rüdiger Hahn has been the chair of the newly endowed Henkel professorship. His research and teaching activities focus on central issues of sustainability management where they interface with traditional business management disciplines. Thanks to the endowed professorship, Henkel has further strengthened its partnership with the Heinrich Heine University. The sponsors have endowed around 2 million euros, which will be provided over a period of ten years.



Guest lecture at the Heinrich Heine University in Düsseldorf: Laura Ribas, market researcher in the Laundry & Home Care business unit at Henkel, provides interested students with insights into the company's sustainability strategy.

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Assessment and recognition from 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 2019

### 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.

### 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 19th 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.

### MSCI World ESG Index and MSCI Europe ESG Index\*



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

### STOXX ESG Leaders Indices



**Zurich:** STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices. It assesses companies in terms of their environmental, social and governance performance. The underlying data is provided by the Dutch rating agency Sustainalytics.

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## Sustainability ratings 2019

**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 retained its Prime Status from ISS-oekom. With the rating B, Henkel was the best performer 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**

**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.

### Syndicated “Green Loan” linked to sustainability ratings

Henkel was the first company in Germany and within its sector to conclude an agreement on a “Green Loan” as early as 2018. The syndicated credit line has a total volume of 1.5 billion euros and replaces two existing credit lines of 700 million and 800 million euros. The term is up to seven years. The interest rates are linked to the fulfillment of fixed sustainability criteria in the form of sustainability ratings. The key factor in any adjustment to the interest rates is a change in the ratings supplied by Sustainalytics, EcoVadis and ISS-oekom. The involvement of these different sustainability rating agencies ensures that Henkel’s sustainability performance is assessed in a balanced and comprehensive way. Henkel received the Corporate Finance Award from “Börsen-Zeitung” for the “Green Loan” in 2019.



## 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 2019 is presented below.

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#### Frost & Sullivan Sustainability award

**India:** For the fourth consecutive year, Henkel India has won the Frost & Sullivan Sustainability Award. In 2017, the company progressed from winning the "Challengers Award" to receiving the "Leaders Award." This year, Henkel achieved an even higher score. The assessment framework is built around four parameters (Purpose, Partnerships, Planet, and People) and recognizes companies that are well equipped to respond to opportunities and risks resulting from current sustainability trends.



#### Recognition for contribution to reforestation and combating climate change

**Guatemala:** Henkel Guatemala received an award from inab, the national forestry authority, for taking part in a reforestation campaign and helping to combat climate change. inab contributes both nationally and internationally to the sustainable development of the forestry sector in Guatemala and to improving the economy, as well as quality of life. As one of 13 companies taking part, Henkel carried out reforestation near the detergent factory in Mixco. 330 trees were planted by employees and their families. The award recognized Henkel Guatemala as one of a total of 13 "Friends of Forest."



#### Recipient of "More Than A Market" award

**China:** At the award ceremony organized by the German Chamber of Commerce in China, Henkel received the "More Than A Market" Award 2019 for the "Flying Hope" project, which is part of the MIT program for the social and ecological commitment of Henkel China. "Flying Hope" is a volunteer project with the objective of promoting environmental protection and awareness of biodiversity. The project was launched in 2016 to raise public awareness about protecting a coastal bird on the globally endangered list. In cooperation with experts and an NGO, Henkel China is committed to protecting aquatic birds in the Yangtze Delta.



#### Environmental award for Henkel in Vienna

**Austria:** Henkel's production site in Vienna received the "Environmental Award 2019" in the competition organized by OekoBusiness Vienna. The accolade is conferred on Viennese firms that stand out because of their particularly innovative environmental projects. The award acknowledged consistent implementation of the sustainability strategy and the holistic approach. The CO<sub>2</sub> savings that have been achieved also have an impact beyond the City of Vienna due to the importance of the plant for the Central and Eastern European region. Photo: Christian Houdek/PID

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# Indicators

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 2019 were determined at all 184 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 were covered in 2019. In line with this, the published employee indicators also cover 99 percent of our employees.

## Adjustment of reported indicators

**Acquisitions and divestments:** Initial and historical data are only adjusted in exceptional cases in which disruptive acquisitions or divestments do not permit a meaningful comparison of timelines.

**Changes in methodology:** Initial and historical data are corrected where possible. The resulting changes are highlighted and commented on.

**Errors:** Individual or cumulative errors greater than 1 percent of the value of the indicator (for example, total energy consumption) are corrected, including the subordinate indicators (for example, electricity consumption). Where necessary for clarity, typically in the case of changes greater than 2 percent of the value of the indicator, changes are highlighted and explained.

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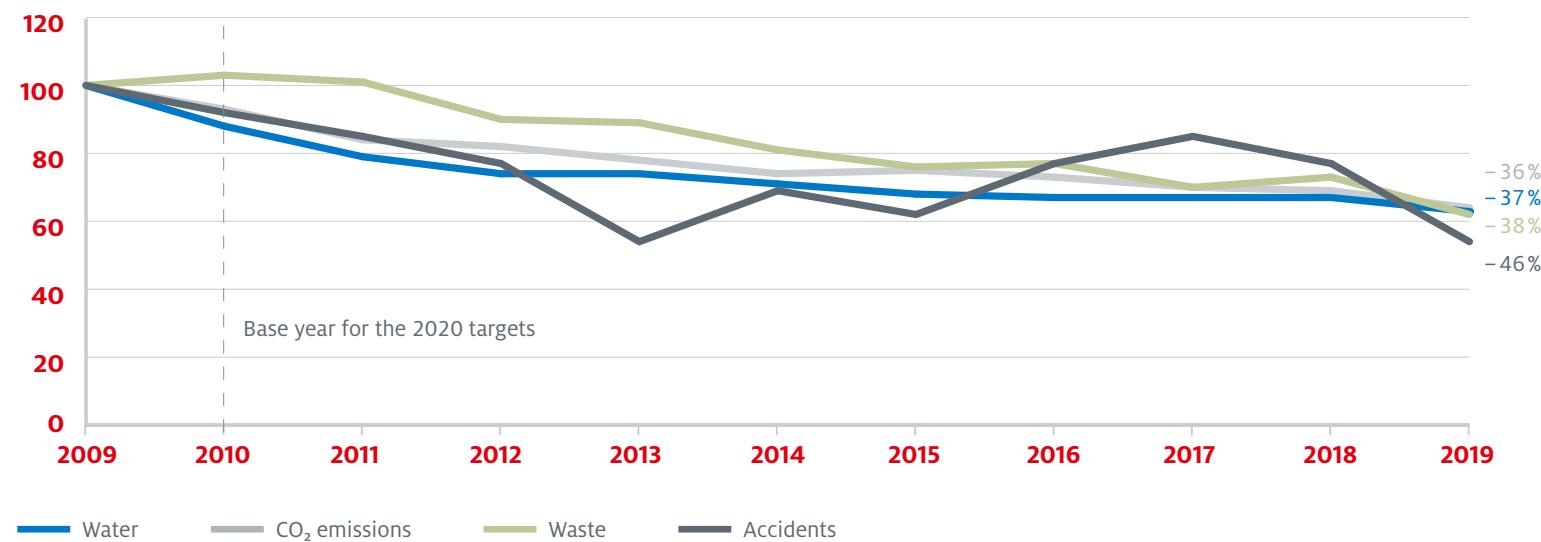
## Long-term trend:

### Sustainability performance from 2009 to 2019

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 2009



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## Economic indicators

	2018	2019
Sales in million euros	19,899	<b>20,114</b>
Adjusted <sup>1</sup> operating profit (EBIT) in million euros	3,496	<b>3,220</b>
Adjusted <sup>1</sup> return on sales (EBIT) in percent	17.6	<b>16.0</b>
Adjusted <sup>1</sup> earnings per preferred share (EPS) in euros	6.01	<b>5.43</b>
Dividend per ordinary share in euros	1.83	<b>1.83<sup>2</sup></b>
Dividend per preferred share in euros	1.85	<b>1.85<sup>2</sup></b>

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

<sup>2</sup> Proposal to shareholders for the Annual General Meeting on April 20, 2020.

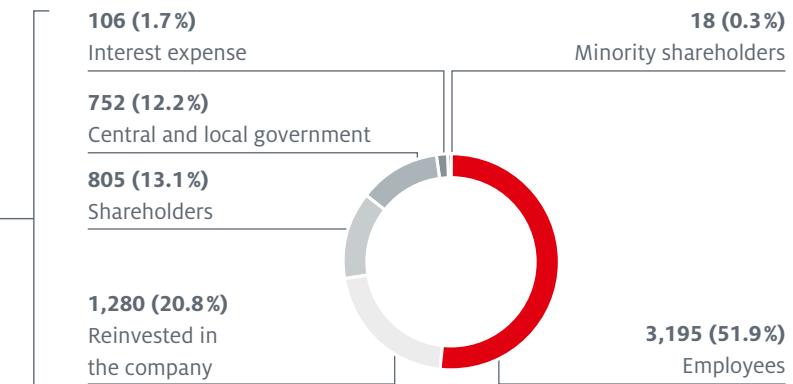
### Value added statement 2019

The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 51.9 percent – went to our employees in the form of salary and pension benefits. Central and local government received

12.2 percent in the form of taxes; lenders received 1.7 percent as interest payments. We paid 13.1 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	20,114	98.9 %	—
Other income	233	1.1 %	—
<b>Total sales / other income</b>	<b>20,347</b>	<b>100.0 %</b>	of which:
Cost of materials	9,241	45.4 %	—
Amortization / depreciation	757	3.7 %	—
Other expenses	4,193	20.6 %	—
<b>Value added</b>	<b>6,156</b>	<b>30.3 %</b>	—



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# Environmental indicators



## Our operational CO<sub>2</sub> footprint

Henkel's own CO<sub>2</sub> emissions are primarily caused by energy generation and consumption. Other CO<sub>2</sub> 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 are related to the production of raw materials and the use of our own products.

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

	1. Raw materials	2. Production	3. Logistics	4. Industry and retail	5. Consumers	6. Disposal / recycling	
Direct CO <sub>2</sub> emissions (Scope 1)		Energy use at our production sites: 351					351 (1%)
Indirect CO <sub>2</sub> emissions (Scope 2)		Bought-in energy <sup>1</sup> (electricity, steam): 315					315 (1%)
Indirect emissions in CO <sub>2</sub> equivalents (Scope 3)	Chemicals: 9,842 Packaging: 1,776 <sup>1</sup> Raw materials transportation: 211	Production waste: 6 Business travel: 73	Transportation of our products: 642		Use of our products: 28,944	Disposal of our products: 1,649	43,143 (98%)
	11,829 (27%)	745 (2%)	642 (1%)		28,944 (66%)	1,649 (4%)	
Total: around 43,809 thousand metric tons of CO <sub>2</sub> /CO <sub>2</sub> equivalent							

<sup>1</sup> Refined calculation method produces differences compared to the previous year.

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

The base year for the index is 2015 (= 100 percent).

### Production volumes

In thousand metric tons	2015	2016	2017	2018	2019
Production volumes	7,924	8,419	9,390	9,057	9,532
<b>Index: Change from 2015 to 2019</b>					+20%

The increase includes the pro rata annual production of our acquisitions.

### Energy consumption

In thousand megawatt hours	2015	2016	2017	2018	2019
Bought-in energy	677	738	837	840	824
Renewable of bought-in energy	5 %	4 %	6 %	10 %	11 %
Coal	127	126	105	86	79
Fuel oil	121	121	115	102	113
Gas	1,376	1,392	1,484	1,471	1,454
Total	2,302	2,377	2,541	2,500	2,470
<b>Index: Change from 2015 to 2019</b>					-11 %

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

### Carbon dioxide emissions

In thousand metric tons	2015	2016	2017	2018	2019
Henkel's own carbon dioxide emissions	353	355	365	353	351
Carbon dioxide emissions from bought-in energy	295 <sup>1</sup>	314 <sup>1</sup>	344 <sup>1*</sup>	329 <sup>1*</sup>	315 <sup>1</sup>
Total	647 <sup>1</sup>	669 <sup>1</sup>	709 <sup>1</sup>	682 <sup>1</sup>	665 <sup>1</sup>
<b>Index: Change from 2015 to 2019</b>					-15 %

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

<sup>1</sup> 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	2015	2016	2017	2018	2019
Emissions of volatile organic compounds	367	385	427 <sup>*</sup>	590	422
<b>Index: Change from 2015 to 2019</b>					-4 %

### Water consumption and volume of wastewater

In thousand cubic meters	2015	2016	2017	2018	2019
Water consumption	7,260	7,630	8,448	8,136	8,103
Volume of wastewater	2,994	2,977	3,217	3,283 <sup>*</sup>	3,261
<b>Index: Change from 2015 to 2019</b>					
Water consumption					-7 %
Volume of wastewater					-9 %

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	2015	2016	2017	2018	2019
COD emissions to wastewater	6,448	7,037	8,726	8,024	8,333
<b>Index: Change from 2015 to 2019</b>					+ 7%

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

### Emissions of heavy metals to wastewater

In kilograms	2015	2016	2017	2018	2019
Zinc	519	481	593*	445*	621
Lead, chromium, copper, nickel	296	268	228	277*	241
Total	815	748	821	721*	862
<b>Index: Change from 2015 to 2019</b>					- 12%

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

### Waste for recycling and disposal

In thousand metric tons	2015	2016	2017	2018	2019
Waste for recycling	59	68	72	71	67
Hazardous waste for disposal	15	13	13	13	11
Waste for disposal	38	39	38	40	32
Total	112	120	123	124	111
<b>Index: Change from 2015 to 2019</b>					- 18%

### Construction and demolition waste

We have removed the share of construction and demolition waste from our footprint and shown it separately, as the presence or absence of some larger construction projects have a significant effect on our waste footprint. This has enabled us to show the performance of our sites and our progress more transparently.

<sup>1</sup> The increase in 2016 resulted from wide-ranging infrastructure projects.

### Dust emissions

In metric tons	2015	2016	2017	2018	2019
Dust emissions	304	279	398	316	279
<b>Index: Change from 2015 to 2019</b>					- 24%

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

### Sulfur dioxide emissions

In metric tons	2015	2016	2017	2018	2019
Sulfur dioxide emissions	108	105	94	80*	72
<b>Index: Change from 2015 to 2019</b>					- 44%

### Nitrogen oxide emissions

In metric tons	2015	2016	2017	2018	2019
Nitrogen oxide emissions	382	418	493	409	433
<b>Index: Change from 2015 to 2019</b>					- 6%

### Use of chlorinated hydrocarbons

In metric tons	2015	2016	2017	2018	2019
Use of chlorinated hydrocarbons	1,205	1,249	1,387	1,320	1,415
<b>Index: Change from 2015 to 2019</b>					- 2%

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.



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### Employees (as of December 31)

	2015	2016	2017	2018	2019
Henkel worldwide <sup>1</sup>	49,450	51,350	53,700	53,000	52,450
Structure of workforce					
- Non-managerial employees	77.5%	76.9%	77.7%	77.4%	77.5%
- Managers	21.0%	21.7%	20.9%	21.3%	21.2%
- Top managers <sup>2</sup>	1.5%	1.4%	1.4%	1.3%	1.3%
Employee fluctuation worldwide <sup>3</sup>	5.4%*	6.3%	6.8%	7.1%	6.6%

<sup>1</sup> Permanent staff excluding trainees. Figures have been rounded.

<sup>2</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

<sup>3</sup> Based on employee resignations.

### Nationalities (as of December 31)

	2015	2016	2017	2018	2019
Henkel	123	123	120	120	120
Managers	87	90	89	90	88
At headquarters in Düsseldorf	64	64	66	71	72

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	2015	2016	2017	2018	2019
Henkel	33.6	33.1	34.3	34.4	35.5
Managers	33.1	34.3	34.5	34.7	35.7
Top managers <sup>1</sup>	21.1	22.5	23.2	22.9	24.3

<sup>1</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

As a result of our consistently applied diversity strategy, we have continually developed the percentage of women we employ, especially at the different management levels.

### Part-time employees (as of December 31)

in percent	2015	2016	2017	2018	2019
Part-time contracts, global	3	3	3	3	3
Western Europe (including Germany)	9	9	9	9	10
Germany	11	11	12	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

	2015	2016	2017	2018	2019
Internal promotion (managers)	1,309	1,181	1,325	1,262	1,501
International job rotations	658	428	380	319	282
Trainees (Germany) <sup>1</sup>	508	488	502	501	534
Average number of training days <sup>2</sup>	2.1	1.6	1.8	1.7	1.8

<sup>1</sup> Initial vocational training includes trainees and Bachelor students.

<sup>2</sup> Our employees have many different development opportunities. In addition to traditional training courses and in-person seminars, they also include eLearning modules and on-the-job training.

### Employees with collective agreements (as at 31 December)

in percent	2015	2016	2017	2018	2019
Percentage worldwide	52	49	45	47	47
Percentage in the European Union (EU)	78	73	64 <sup>1</sup>	68	68

<sup>1</sup> 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	2015	2016	2017	2018	2019
Participation rate	29.7	30.7	31.4	31.5	30.2

Around 12,500 employees in 58 countries purchased Henkel preferred shares under this program in 2019. At year-end, some 16,000 employees held a total of around 2.5 million preferred shares, representing approximately 1.4 percent of total preferred shares outstanding.

## Social indicators

### Social engagement

	2015	2016	2017	2018	2019
Total number of projects supported	3,431	2,051	2,124	2,032	2,044
Number of people supported	1,506,525	1,223,598	1,268,791	1,285,851	1,324,806
Time off from work for employee-initiated projects (days)	121	335	204	327	301
Donations in thousand euros (financial and product donations, not counting time off)	8,316	7,814	8,037	8,304	8,096
Number of schoolchildren reached by our Sustainability Ambassadors	24,426	29,456 <sup>1</sup>	43,306 <sup>1</sup>	17,326 <sup>1</sup>	17,286

<sup>1</sup> This figure has been adjusted based on subsequent reports.

The number of projects supported was slightly above the prior-year level. Employee projects required fewer days off from work in 2019 than in the prior year. 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.

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### Percentage of projects supported per United Nations Sustainable Development Goal

in percent	2019
SDG 1: No poverty	7.7
SDG 2: Zero hunger	0.6
SDG 3: Good health and well-being	28.4
SDG 4: Quality education	53.0
SDG 5: Gender equality	5.3
SDG 6: Clean water and sanitation	0.5
SDG 7: Affordable and clean energy	0.3
SDG 8: Decent work and economic growth	0.7
SDG 9: Industry, innovation and infrastructure	0.6
SDG 10: Reduced inequalities	0.3
SDG 11: Sustainable cities and communities	0.6
SDG 12: Responsible consumption and production	0.4
SDG 13: Climate action	0.4
SDG 14: Life below water	0.3
SDG 15: Life on land	0.4
SDG 16: Peace, justice and strong institutions	0.5
SDG 17: Partnerships for the goals	0.4

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

	2015	2016	2017	2018	2019
At least one day lost (excluding commuting accidents)	0.8	1.0	1.1	1.0	0.7
Henkel employees	0.8	1.0	1.1	1.0	0.7

	2015	2016	2017	2018	2019
Employees of external companies who work at Henkel sites and are directly contracted	1.0	0.9	1.0	1.0	0.6

#### Serious occupational accidents

	2015	2016	2017	2018	2019
More than 50 days lost					
Accidents during typical production activities	13	13	11	11	9
Accidents while walking or moving around (e.g., stumbling)	4	8	6	9	5

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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 2019, the number of people employed at Henkel AG & Co. KGaA was around 8,400 employees.

The operating business of Henkel AG & Co. KGaA represents only a portion of the business activity of the entire Henkel Group and is managed across the Group by the business units.

Matters relating to sustainability at Henkel AG & Co. KGaA are characterized both by its own operating activities and those of its subsidiaries. Regarding sustainability issues and the risk position of Henkel AG & Co. KGaA, it is therefore appropriate to refer to the Group statement. The extent to which the key figures for Henkel AG & Co. KGaA deviate from the Group key figures is presented [and commented on] below:

### Key figures for Henkel AG & Co. KGaA

	<b>2019</b>
Production volume (in thousand metric tons)	763
Carbon dioxide emissions (in thousand metric tons)	101 <sup>1</sup>
Energy consumption (in thousand megawatt hours)	436
Waste (in thousand metric tons)	32
Water consumption (in thousand cubic meters)	1,540
Occupational accidents affecting Henkel employees (per million hours worked)	0.8
Headcount	8,390

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.

<sup>1</sup> 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
2019	<p>During the production of powder laundry detergent, a fire broke out inside the filtering system in the spray-drying area in our laundry detergent factory in Ibadan, Nigeria, in August 2019. The installed detectors instantly recognized the fire. Respective measures were immediately taken with internal and external support, in accordance with the provisions of the local intervention plan. The fire was brought under control within a short period of time. There was no damage to people or the environment. The fire caused a brief interruption to operations.</p> <p><b>Measures initiated:</b> After a comprehensive check of all safety-relevant systems at the entire site, additional training and emergency exercises that involved the entire workforce at the plant were carried out. These will also be repeated regularly in the future. The comprehensiveness and suitability of the safety concept was confirmed after an on-site audit by TÜV Nord.</p> <p>A deflagration occurred in our adhesives plant in Kurkumbh, India, in April 2019. Unfortunately, two employees suffered burns as a result of the deflagration. They immediately received emergency medical aid and were then transferred to a hospital where one employee died of his injuries during treatment.</p> <p><b>Measures initiated:</b> Henkel started assisting the families and relations during the treatment of the employees and continues to support the families. Immediately after the incident, safety reviews were completed at each of our sites with similar production to ensure that operations could continue safely.</p>	There were no environmental violations in 2019.
2018	There were no operational incidents in 2018.	There were no environmental violations in 2018.

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Year	Operational incidents	Environmental violations
2017	<p>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.</p> <p><b>Measures initiated:</b> The design of the pressure relief system was examined and the alarm function was tested. A measuring device was installed that continuously monitors the solvent to make sure it is free of water.</p>	There were no environmental violations in 2017.
2016	<p>In December 2016, a fire in a production facility at our adhesives plant in Taizhou, China, resulted in property damage. The local fire service was quickly able to bring the fire under control. There was no damage to people or the environment. The fire caused a temporary interruption to operations.</p> <p><b>Measures initiated:</b> The inspections on the extent of the damage to the plant showed that the structures would have to be completely rebuilt in order to properly resume operations. As a result, the plant was closed on December 3, 2017. The affected employees were informed of this on November 3, 2017. All measures were conducted in accordance with the legal provisions in effect in China.</p>	There were no environmental violations in 2016.
2015	There were no operational incidents in 2015.	There were no environmental violations in 2015.

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## Global Reporting Index (GRI)

Henkel's Sustainability Report is orientated toward the principles and standard disclosures of the GRI Standards of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO<sub>2</sub> emissions of Henkel products, in combination with internal guidelines. Our → [GRI index](#) provides links to the required information in our Annual Report and Sustainability Report.

## 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.

## 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.



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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 28 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 2019. 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, as well as the measures taken in response. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 99 percent of Henkel employees. The published employee indicators cover 99 percent of our employees.

## Reporting initiatives

Henkel participates in international reporting initiatives as part of its aim to gather new stimuli for the future and share its own experiences with others.

Henkel evaluated the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) in a pilot project as early as 1999. Since that time, Henkel has engaged in a continuous constructive and critical dialog with the GRI to improve the quality of reporting and increase the practicability of the guidelines. Henkel channels the experience and knowledge gained in its dialog with its stakeholders into internal workshops and feedback processes.

The results of this work are made available to the public. In doing so, Henkel seeks to contribute to efforts aimed at raising the level of voluntary reporting about environmental protection and social responsibility.

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## Limited Assurance Report of the Independent Auditor regarding Sustainability Information<sup>1</sup>

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 carbon footprint along the value chain and selected case studies for avoided CO<sub>2</sub> emissions, published in the Henkel Sustainability Report (further "Report"), for the business year from January 1 to December 31, 2019 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 52 in the Report, in 2019, Henkel engaged the external provider EcoVadis to perform supplier assessments 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 Global Reporting Initiative Standards (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO<sub>2</sub> emissions of Henkel products, in combination with internal guidelines (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.

<sup>1</sup> Our engagement applied to the German version of the Report 2019. 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, 2019 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 Reporting 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 responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information, including the explanatory information on the quantitative indicators.
- Evaluation of selected internal and external documentation.

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- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level.
- 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 Chelghoum Laid (Algeria), Raciborz (Poland) and Elmadağ (Turkey).
- 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, 2019 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](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 7, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

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## Further publications

Our website offers access to all of the Environment Reports and Sustainability Reports we have published since 1992, which are also available as downloads. There you will also find our Annual Reports, Quarterly Statements and Financial Reports for the Half Year, Vision and Values, Code of Conduct, Code of Corporate Sustainability, SHE Standards, Public Affairs Standard, and our Social Standards.

 [www.henkel.com/publications](http://www.henkel.com/publications)

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