

Sustainability Report 2017



Henkel



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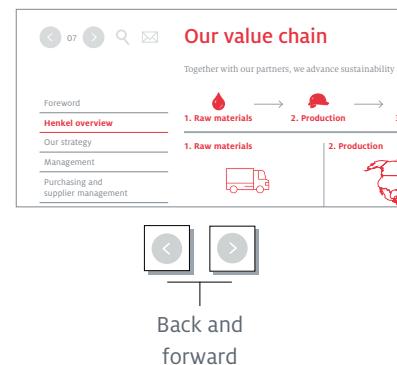
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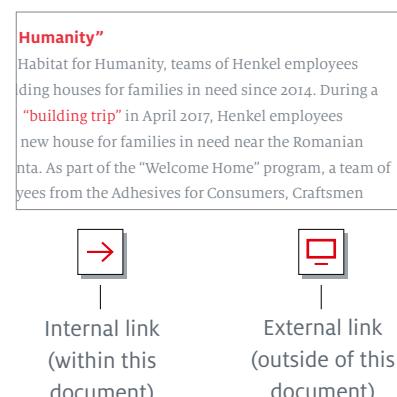
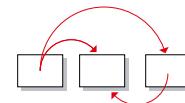
Traditional navigation

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



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.



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Separate non-financial group report

The 2017 Sustainability Report is also the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2017 within the meaning of Sections 315b, 315c, and 289c 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

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"Creating sustainable value – our purpose at Henkel – is both the essence of our heritage and the ambition that guides our actions."

Kathrin Menges

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

Dear Friends of the Company,

We want to create sustainable value through our business activities – for our customers, employees, shareholders and society. Sustainability is one of our corporate values that motivate and inspire each of our employees worldwide.

In 2017, we made clear progress in implementing our sustainability strategy and reaching our sustainability targets. We have taken a major step in this direction by training more than 50,000 employees to become Sustainability Ambassadors. This means that we have anchored our commitment to sustainable action even more firmly in our corporate culture and into the day-to-day activities of every single employee.

We can look back on continued progress and success in the area of sustainability for 2017. We are particularly proud of the fact that many of the world's leading rating agencies have recognized our achievements and progress with excellent ratings and have acknowledged Henkel as one of the world's leading companies in the area of sustainability.

Building on this foundation, we will continue to work with our partners to promote sustainability along the entire value chain.

Kathrin Menges
Kathrin Menges

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In its sustainability reporting, Henkel applies the principles and standard disclosures specified in the G4 guidelines 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" and the International Standard on Assurance Engagements (ISAE) 3410: "Assurance Engagements on Greenhouse Gas Statements," issued by the International Auditing and Assurance Standards Board (IAASB).

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

In addition, the separate, combined non-financial group report for the Henkel Group and Henkel AG & Co. KGaA for fiscal year 2017 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 289c to 289e of the German Commercial Code (HGB).

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



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About Henkel

More than
53,000
employees

120
nations represented
by our people

More than
141
years of brand and
technology success



More than
€ 20 bn
sales

40%
of our sales
generated in
emerging markets

More than
2,100
social projects
supported

→ Further data on our regional centers.

Brands & Businesses

Adhesive Technologies

Our top brands

LOCTITE**TECHNOMELT****TEROSON**

Beauty Care

Our top brands

Schwarzkopf**syoss****Dial**

Laundry & Home Care

Our top brands

Persil**all****Purex**



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Business model / Business activities

Henkel was founded in 1876. Therefore, the year under review marks the 141st in our corporate history. At the end of 2017, Henkel's workforce worldwide numbered 53,700. We occupy globally leading market positions in our consumer and industrial businesses.

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

Henkel AG & Co. KGaA is operationally active as well as being the parent company of the Henkel Group. As such it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. Henkel AG & Co. KGaA performs its tasks within the legal scope afforded to it as part of the Henkel Group, with the affiliated companies otherwise operating as legally independent entities. Operational management and control is the responsibility of the Management Board of Henkel Management AG in its function as sole Personally Liable Partner. The Management Board is supported in this by the central, corporate functions.

Henkel is organized into three business units: Adhesive Technologies, Beauty Care, and Laundry & Home Care.

Adhesive Technologies leads the global market with high-impact solutions. The business unit offers a broad portfolio of adhesives,

sealants and functional coatings through both its Industry and its Consumers, Craftsmen and Building businesses.

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

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

Our three business units are managed on the basis of globally responsible strategic business units. These are supported by the central functions of Henkel AG & Co. KGaA, our shared services, and our Global Supply Chain organization in order to ensure optimum utilization of corporate network synergies. Implementation of the strategies at the country and regional level is the responsibility of the national affiliated companies whose operations are supported and coordinated by regional centers. The executive bodies of these national affiliates manage their businesses in line with the relevant statutory regulations, supplemented by their own articles of association, internal procedural rules and the principles incorporated in our globally applicable management standards, codes and guidelines.

Our value chain

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



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1. Raw materials

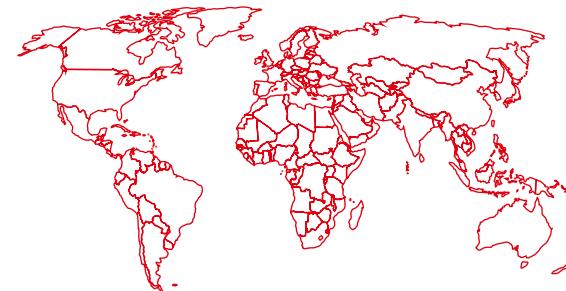


Suppliers from around 110 countries

We develop innovative solutions and set standards for sustainability together with our suppliers and partners from around 110 countries.



2. Production



Henkel operates 188 production sites in 57 countries. At all of these sites we are working to reduce our environmental footprint while maintaining our high levels of quality and safety.



3. Logistics



Reduce transport emissions

We aim to reduce transport emissions by using improved logistics policies worldwide, such as through intermodal transport.

4. Industry and retail



Close cooperation

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

5. Consumers

90 %



Our products are used daily in millions of households. 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



-30 %

By 2020, we want to reduce our waste volume by 30 percent per ton of product.

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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.



1903 / today

The **first water-soluble powder shampoo** is a simple and inexpensive alternative to rough soaps and expensive oils.

Schauma Nature Moments – skin-friendly formulas with 100 percent nature-based essences.

Sustainability milestones at Henkel

The focus on sustainability has evolved continuously at Henkel. When the merchant Fritz Henkel founded his laundry detergent company in 1876, he had the vision of making people's lives easier, better and more beautiful. From the beginning, the company assumed responsibility for its employees, the communities it operates in, and society. Today, Henkel has set up management systems for responsible business practice worldwide, and has firmly anchored the mindset of sustainability in its corporate values.

→ [All of our sustainability milestones](#)



1907 / today

Persil, the world's **first self-acting laundry detergent**, enables users to avoid having to scrub clothes by hand.

Persil Complete Caps – the pre-dosed dual-chamber detergent capsules deliver full washing power even at low temperatures.



1969 / today

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

Today, the Pritt brand glue stick formula is 90 percent nature-based and is free of solvents and PVC.

Overview of our sustainability strategy

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What are our sustainability aspirations?

We are committed to leadership in sustainability – this is one of our corporate values. As sustainability leaders, 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**.

What targets have we set ourselves?

Our 20-year goal for 2030 is to triple the value we create for the footprint made by our operations, products and services. We call this ambition to become three times more efficient **Factor 3**.

What are our priorities for the coming years?

Strengthen foundation

We already have a strong foundation with a successful track record. On the road to our long-term goal, we intend to further improve our performance over the coming years.

Boost engagement

We want to further develop and foster the commitment of our employees to sustainability. Our employees make the difference – with their dedication, skills and knowledge.

Maximize impact

We want to strengthen our contributions to addressing major global challenges and maximize the impact we can achieve with our operations, brands and technologies.

Deliver more value



We concentrate our activities along the value chain on six focal areas that reflect the challenges of sustainable development as they relate to our operations.

Overview of our targets

On the road to our long-term goal “Factor 3” we intend to further improve our performance over the coming years. We have therefore defined our medium-term targets for 2020 and beyond:

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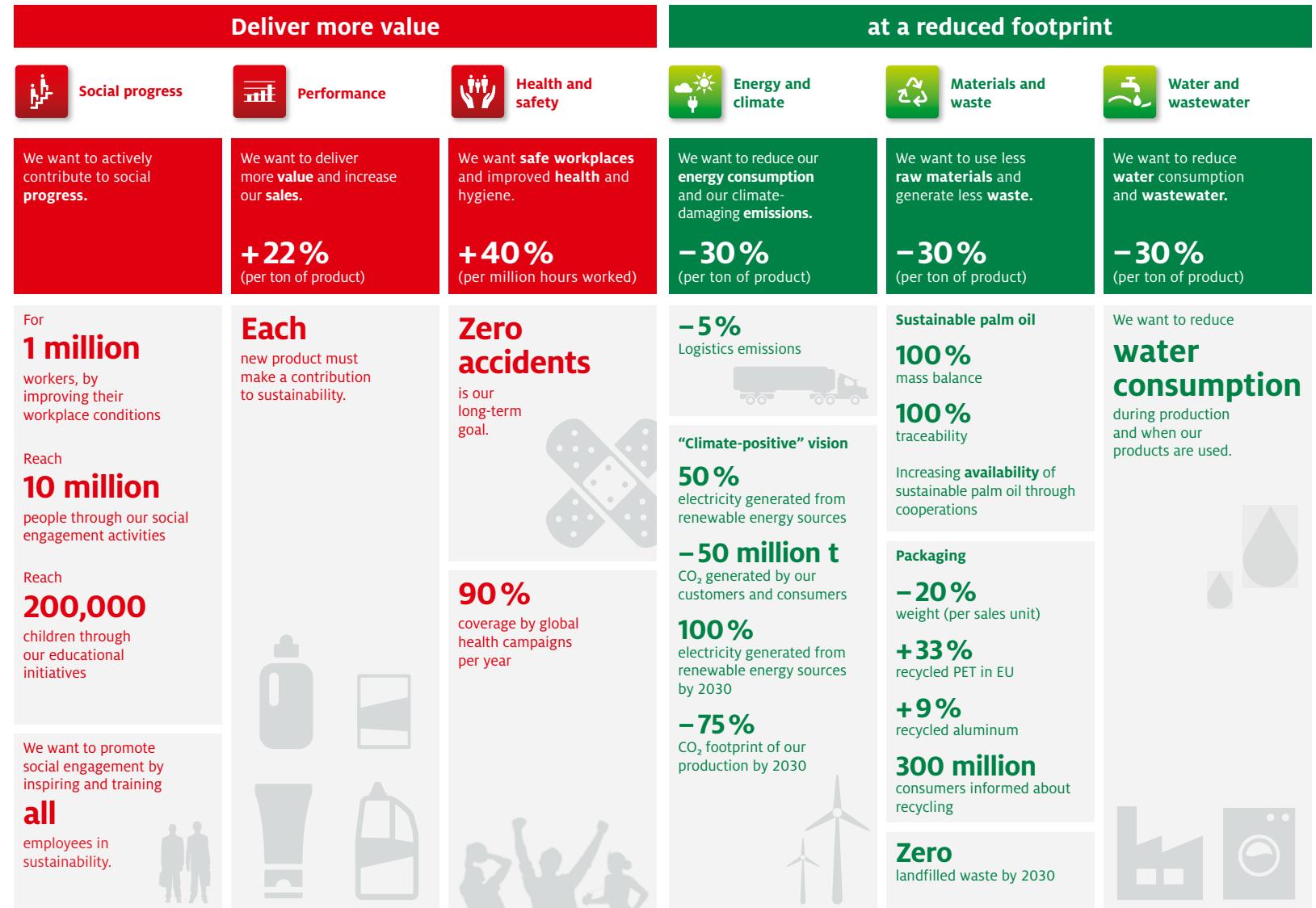
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Our strategy



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Our ambition

Our commitment to leadership in sustainability is anchored in our corporate values. We want to create more value – for our customers and consumers, our employees, our shareholders, for the communities we operate in, and for our company – while reducing our environmental footprint at the same time. 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. Humankind already has a global environmental footprint that is greater than the planet's resources can sustain. By the year 2050, the world's population is expected to grow to nine billion. The accompanying acceleration in global economic activity will lead to rising consumption and resource depletion. 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. We aim to use our decades of experience in sustainability to develop and implement solutions that are fit for the future together with our partners. Our long-term goal is to triple the value we create through our business operations in relation to the environmental footprint of our products and services by 2030. We refer to this goal as "Factor 3."



"In the past year, we have continued to strengthen our leadership in sustainability. Thanks to our clear priorities, the great commitment of our employees and, most of all, the strong cooperation with our partners along the value chain, we were able to make significant progress in many areas."

Hans Van Bylen

Chairman of the Management Board

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Our 20-year goal for 2030 is to triple the value we create for the footprint made by our operations, products and services. We refer to this goal as "Factor 3."

Increasing relevance

Sustainability continues to gather increasing importance for our stakeholders. Our business partners and consumers are placing more and more focus on understanding the impact of our processes and products along the value chain. There is also increasing media attention on topics ranging from climate change through to human rights, and these subjects are increasingly discussed on public platforms, especially social media. At the political level, we have seen great progress toward a shared understanding of the global priorities over the last few years, most notably the global climate agreement reached 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.

SUSTAINABLE DEVELOPMENT GOALS

Henkel actively supports the implementation of the 17 Sustainable Development Goals (SDGs) that were adopted by the 193 United Nations Member States in September 2015. We are convinced that the goals provide a shared focus that can empower collaborative action and will drive much stronger progress toward sustainability. We continuously review our targets and initiatives to ensure they reflect the priorities set out by the SDGs. Due to our long history of working intensively on all dimensions of sustainability, as well as our broad product portfolio and presence in diverse markets, Henkel's activities support almost all of the goals. You can find an overview of our contribution to the SDGs on our [website](#).

Three key drivers for the coming years

We are convinced that our focus on sustainability is more important than ever before. It supports our growth, helps to increase our cost-efficiency, and reduces risks. We already have a strong foundation on which to build, and can demonstrate a successful track record. Using the energy of our more than 53,000 employees and the unique scope of our business, we aim to further expand our leadership and intensify our contribution to sustainable development. To reflect the growing importance of sustainability for our stakeholders and our long-term economic success, we have developed key drivers for the coming years: We aim to strengthen our foundation, boost employee engagement and maximize our impact.

Strengthen foundation

Our long-term goal reflects the global challenges of sustainable development: We will have to significantly improve our efficiency in order to reconcile people's desire to live well with the resource limits of the planet, and to allow us to build on our economic success. Taking 2010 as the base year, our aim is to triple the value we create through our business operations in relation to the environmental footprint of our products and services by 2030. We refer to this goal as "Factor 3."

One way of improving our efficiency would be by tripling the value we create while keeping our environmental footprint the same. Alternatively, we could keep the value the same and reduce our footprint to one third, or improve both value and footprint.

Our focal areas

We concentrate our activities on six focal areas that reflect the key challenges of sustainable development as they relate to our operations. Three of them describe how we want to create “more value,” for example, by enhancing occupational health and safety and encouraging social progress. The three other areas describe the ways in which we want to reduce our environmental footprint, for instance through reduced water and energy use and less waste. We rely on the commitment of our people, our products, and collaboration with our partners along the entire value chain to drive progress in these focal areas.



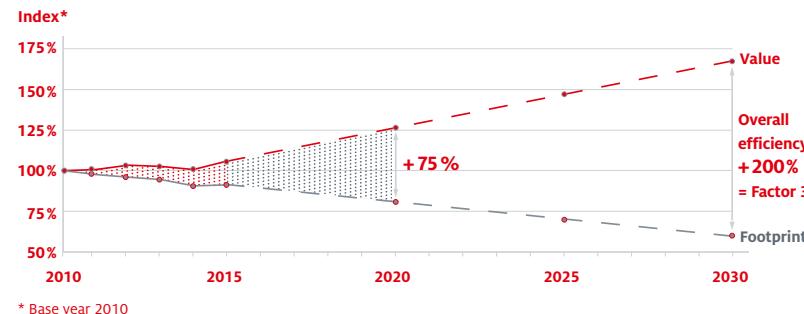
Our long tradition in the field of sustainability, together with our clear strategy and our performance form a strong foundation from which to further expand our leadership and intensify our contribution to sustainable development. We rolled out our sustainability strategy in more than 6,000 workshops worldwide in 2011.

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Tangible progress

We reached our targets for 2011 to 2015, improving the relationship between the value we create and our environmental footprint by 38 percent overall. By 2017, the efficiency increase had risen to 43 percent. On the road to achieving our long-term goal of “Factor 3,” we want to improve our performance in these areas even further in the coming years. To this end, we have defined medium-term targets:

What we want to achieve by 2030



To reach our goal by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. Based on this, we set five-year interim targets for our focal areas.

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

Achieved 2017¹ **Targets 2020¹**


More net sales per ton of product

+5 % **+22 %**



Safer per million hours worked

+17 %² **+40 %**



Less CO₂ emissions per ton of product

-24 % **-30 %**



Less waste per ton of product

-32 %³ **-30 %**



Less water per ton of product

-24 % **-30 %**

Overall efficiency

+43 % **+75 %**

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

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

¹ Compared to the base year 2010.

² The improvement in occupational safety in 2017 would be +25%, if the figure excluded the newly-acquired companies.

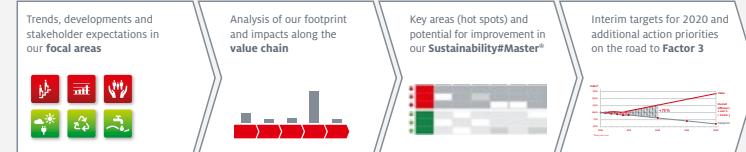
³ Waste footprint of our production sites, excluding construction and demolition waste.

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Process applied to define our targets for 2020



Our → **Sustainability Council** defined the interim targets for 2016 to 2020. Working groups evaluated trends, developments, and stakeholder expectations, and analyzed our footprint along the entire value chain. The groups then identified key areas where we can create more value – at a reduced environmental footprint.

Steering and reporting

We are continuously evolving our reporting and measurement systems so we can evaluate and steer our progress toward the 20-year goal for 2030 in an integrated way across the whole company and along the entire value chain. In pursuing this aim, we are focusing on the most comprehensive data coverage, as well as data quality. This will provide us with an increasingly clear picture of our footprint and our performance – from raw materials and packaging development through to the use phase and disposal.

In 2017, we collected data from 188 sites, representing around 100 percent of our global production volume. To assess our footprint along the entire value chain, we use representative → **life cycle examinations** across all product categories. We also assess data on the raw ingredients and packaging materials we use, and the transport operations. Around 70 percent of our sales are covered by representative life cycle analyses, and more than 25 percent is covered by simplified life cycle examinations.

Henkel works with various measurement and evaluation methods to identify the measures that have the greatest influence along the value chain. Viewed across our entire portfolio, improvements in input materials and in the use phase are the most crucial factors when it comes to our water and carbon footprints.

→ Our Henkel Sustainability#Master® is a key analysis tool in optimizing the “value” and “footprint” dimensions. The core element is a matrix in which changes in both of these dimensions and along the value chain can be analyzed.

Alongside this, we analyze products systematically in our → **innovation process**, including the environmental profiles of raw materials and packaging. This enables us to calculate the footprint of each new formulation, in line with our requirement for every new product to contribute to sustainability.

Reputation

→ **Ongoing dialog** with stakeholders and experts, and benchmarking our performance, are key foundations for our work. Open dialog with opinion leaders and stakeholders helps us to obtain insights and perspectives from outside our business and fosters a common understanding of priorities and challenges. At regular intervals, sustainability analysts and specialist institutions evaluate how companies balance the relationship between economic, environmental and social aspects. We welcome these → **external evaluations** of our sustainability performance, as they lead to greater transparency in the market and show us how our performance is assessed.

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Boost engagement

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 own contributions to sustainable development, both in their daily business lives and as members of society. They interface with our customers and consumers and drive innovation, develop successful strategies, and give Henkel its unique identity. Because of this, we want to further develop and boost our people's engagement in sustainability.



Our Sustainability Ambassador program gives employees targeted training on sustainability issues. The various learning platforms also include team training, like this workshop with our apprentices in Nairobi, Kenya.

Train employees as Sustainability Ambassadors

Our Sustainability Ambassador program was launched in 2012 to encourage our employees to engage even more strongly with the topic of sustainability. Since then, Henkel has trained more than 50,000 ambassadors worldwide. We have expanded our training programs in recent years, to anchor our understanding of sustainability even more firmly within the company and encourage all of our employees to become Sustainability Ambassadors. We reach our employees through an eLearning program on our central global learning platform, as well as 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 along its value chain.

Motivate ambassadors to make a contribution

We want to do more than just communicate information about sustainability to our employees: We also want to motivate them to become involved in sustainability. With their skills and knowledge, they can act as ambassadors to make a contribution to sustainability at our sites, as well as by engaging our customers and other partners within our business environment. Henkel's Sustainability Ambassadors are encouraged to visit schools to teach children about sustain-

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able 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. By the end of 2017, we had reached over 137,000 schoolchildren in 53 countries.



Learning by playing – elementary school children are taught how to handle our planet's resources responsibly. An Xintong and Gan Jiayu are proud of what they've learned at a holiday school in Shanghai, China.

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

Our customers are an important target group. Together with them, we drive the development of solutions for a more sustainable future. Our “Say yes! to the future” initiative, for example, provides Henkel sales representatives from all businesses all around the world with training in sustainability topics that apply to sales, going beyond the content of the Sustainability Ambassador program. They then apply this knowledge in joint projects with our trade customers – in logistics, for example, or by promoting sustainable purchasing decisions.

Above and beyond our existing programs, we also want to give our employees opportunities to engage in volunteer projects and make their own contribution to the communities in which we operate. We aim to reach 10 million people through our employees' → **social engagement** activities by 2020.

Maximize impact

We want to strengthen our contribution toward overcoming major global challenges, and to maximize the impact we can achieve through our operations, our brands, and our technologies. For this reason, we have set ourselves additional ambitious goals that address two of the most pressing global challenges.

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Become climate positive

The Paris Agreement on climate change represents a commitment by the community of nations to limit global warming to significantly less than two degrees Celsius. To achieve this, carbon dioxide emissions must be reduced by 80 to 90 percent by 2050. Henkel is committed to the two-degree target: For this reason, we will follow the long-term vision of becoming a → **climate-positive company** and making an active and committed contribution to climate protection.

We are starting by focusing on our own production, which we can influence directly. We aim to reduce the carbon footprint of our production by 75 percent by 2030. We also want to continually improve our energy efficiency and draw 100 percent of the electricity we use from renewable sources.



We will follow the long-term vision of becoming a climate-positive company. As a first step, we aim to reduce the carbon footprint of our production by 75 percent by 2030 and to help our customers and consumers to save 50 million tons of CO₂ by 2020.

The raw materials we purchase also have a decisive impact on our carbon footprint along the value chain. For this reason, we expect our suppliers and contract partners to set efficiency targets that are as ambitious as our own – and contribute to the reduction of CO₂ along the value chain. We are working on a joint road map to achieve this.

In addition, we want to leverage the potential of our brands and technologies to help our customers and consumers to save 50 million tons of CO₂ when using our products by 2020. Our analysis shows that the product use phase has the greatest impact on our carbon footprint – and our products are used millions of times every day in households and industrial processes.

On the one hand, we make products whose applications are directly linked to the use of energy, such as detergents, shower gels, or hotmelt adhesives. As far as these products are concerned, we plan to contribute toward reducing energy usage and the associated carbon footprint through innovations that enable the efficient use of energy.

At the same time, we are striving to develop specific communication campaigns to encourage responsible behavior during product usage. Our business units have launched initiatives to raise our consumers' awareness of the need to handle resources responsibly, such as our □ “BeSmarter” initiative, and the introduction of the → **cold wash logo** on detergent products.

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We help our customers and consumers to reduce CO₂ emissions



Ceresit – building insulation

Our external thermal insulation composite systems for building facades help to reduce energy consumption. In 2017, we contributed toward saving around 107,500 metric tons of CO₂ emissions in Poland – one of our key markets.



Dry shampoo

Instead of washing hair, dry shampoos can be sprayed onto the hair and then combed out. This means no energy is needed to heat water. Dry shampoos under the Syoss, Schauma, Taft, Got2b, Gliss and Osis brands helped consumers save around 1,500 metric tons of CO₂ emissions in 2017.



Somat dishwasher cleaner

Dishwashers require regular cleaning to perform properly. Somat dishwasher cleaner is the first product of its kind that can be used when the machine is fully loaded, saving time, water and energy. The product helped to save around 7,000 metric tons of CO₂ emissions in our markets in 2017.



Cool roof

Cool roof coatings under our Fester brand are white in color and reflect 87 percent more sunlight than traditional red roof coatings. This decreases the need for air conditioning, helping to save around 16,500 metric tons of CO₂ emissions in Mexico in 2017.



Leave-in conditioner

Leave-in conditioners from Schwarzkopf Syoss can be applied after shampooing – and left in the hair all day. Removing the need to rinse out the product saves energy by eliminating the need to heat water. The product helped save around 86,500 metric tons of CO₂ emissions in 2017.



Colour Catcher

Colour Catcher laundry sheets prevent color run accidents and allow consumers to wash mixed color loads. The sheets are placed inside the washing machine drum, and helped to save around 210,000 metric tons of CO₂ emissions in 2017.

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Create shared value

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 prospects. We are therefore striving to encourage social progress, and working with partners along the entire value chain to create shared value.

- We are committed to improving the income opportunities of people who come into contact with our supply chains and our business, such as smallholders in → [palm oil production](#) or craftspeople.
- We want to help girls and women create a positive future for themselves, for example, through our → [“Million Chances” initiative](#).
- We are → [partnering with the Plastic Bank](#), a social enterprise aiming to stop ocean plastic and provide opportunities for people in poverty. Collection centers in Haiti give communities the chance to earn money or access to services by removing waste from the environment.

We also create value in other areas. In addition to payments in the form of salaries and taxes, our business operations and their related value-adding activities contribute to regional development. With production sites in 57 countries, we promote economic and social development as a local employer, purchaser and investor. Through the transfer of knowledge and technologies, we foster the responsible economic activity of our more than 53,000 employees and of our customers. The issue of the social added value of products is especially important in emerging markets. Products that focus on the needs of



We want to drive progress toward sustainable palm oil and palm kernel oil, and make a positive contribution to both the environment and the communities involved. We place a strong focus on the rights of people who work in or are directly affected by the palm oil industry.



The “Shaping Futures” project is part of the overarching “Million Chances” initiative of our Schwarzkopf brand. Since 2010, Schwarzkopf Professional and SOS Children’s Villages have been offering young people the opportunity to obtain basic training in hairdressing techniques.



Henkel is the first major global consumer goods company to partner with the Plastic Bank. By activating leading brands in this cooperation, we aim to further raise consumer awareness about waste and demonstrate our commitment to environmental sustainability and social progress.

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people with lower incomes have great economic potential in these markets and also make positive contributions to society, for example regarding household hygiene and health.

Strengthening the contributions of our brands and technologies

Our brands and technologies are used a million times over, every day, in households and industrial processes. For this reason, we're committed to providing products and solutions that make a significant contribution to meeting environmental or social challenges.

Our communications with customers and consumers place a strong emphasis on demonstrating how resources can be used more efficiently. We develop solutions that help our industrial customers and 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.

Specific examples of the contributions made by our brands and technologies can be found in the chapters of the three business units:



→ Adhesive Technologies



→ Beauty Care



→ Laundry & Home Care

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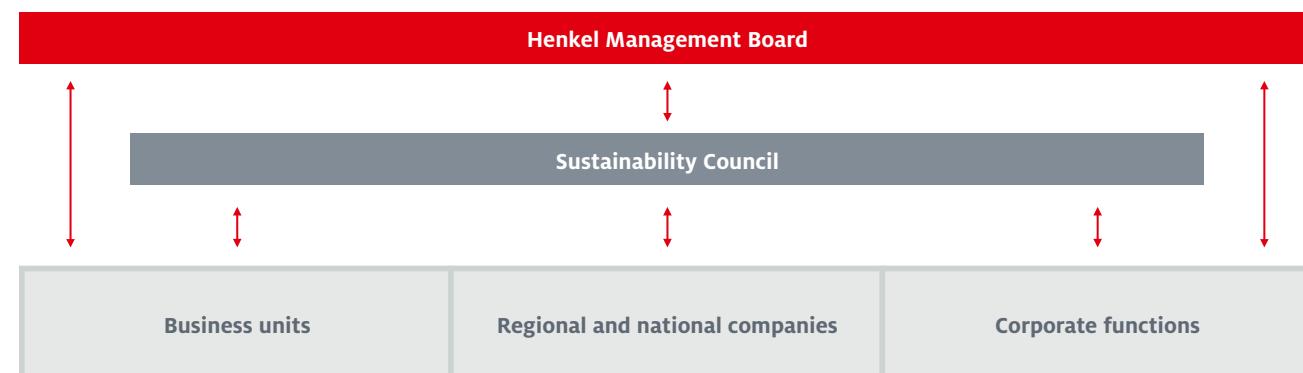
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The Henkel Management Board bears overall responsibility for our sustainability strategy and for our Compliance organization. The latter ensures compliance with legal regulations and internal guidelines. Our Sustainability Council steers our sustainability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

Business units

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

Our organization for sustainability





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

Corporate governance

The controlling company of Henkel is Henkel AG & Co. KGaA, headquartered in Düsseldorf. Responsible corporate management and controlling, aimed at a long-term increase in shareholder value, has always been a part of our identity. Taking into account the special aspects specific to its legal form and articles of association, Henkel AG & Co. KGaA complies with all the recommendations ("shall" clauses) of the German Corporate Governance Code. The remuneration of the Management Board also complies with its guidelines. The full wording of the [declaration of compliance](#) is available on our website.

The remuneration report in [Henkel's 2017 Annual Report](#) (pages 46 to 57) 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 2017 Annual Report, pages 35 to 46.



Codes and standards

The implementation of our sustainability strategy is based on globally uniform codes and standards, integrated management systems, and an organizational structure with clearly defined responsibilities. An important aspect for us is the interplay of company-wide steering instruments and regional action programs, which are aligned to social challenges and priorities of a specific region or market. We are convinced that our continued focus on sustainability will help to grow the long-term value of our company and to realize our strategic priorities. Sustainability is becoming a more and more important driver of economic growth and competitive advantages in the market.

Within Henkel, efficient processes not only contribute to environmental protection and occupational health and safety, but also reduce resource consumption and costs. By sharing our decades of experience in sustainability, we can position Henkel as a leading sustainability partner for retailers, consumers and our industrial customers. Corporate social responsibility strengthens the motivation of our employees and their identification with the company – and thereby creates the basis for a strong global team.

Group-wide risk management also makes an indispensable contribution to our strategic focus on sustainability and enables us to identify possible 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 section 315c or in paragraphs 2 and 3 of section 289c within the Code of Commerce.

Globally uniform standards

From our purpose, vision, mission and values, we have formulated globally binding behavioral rules which are specified in a series of codes and corporate standards. These apply to all employees worldwide, in all business areas and cultural spheres in which we operate. The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption. The codes and corporate standards address specific topics such as compliance with competition and antitrust laws; safety, health, environment 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
- Sustainable Sourcing Policy
- Safety, Health, and Environmental Protection Standards (SHE)
- Social Standards
- Public Affairs Standard



Management systems

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

We carry out → **regular audits** at our production sites and, increasingly, at our subcontractors and logistics centers to verify compliance with our codes and standards. All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department's annual report to the Henkel Management Board.

We have our management systems externally certified at the site level wherever this is expected and recognized by our partners in the respective markets. At the end of 2017, around 82 percent of our production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems. 84 percent of our production volume is covered by the ISO 9001 quality management standard and 47 percent is covered by the ISO 50001 energy management standard. Furthermore, around 82 percent of our production volume came from sites certified to the OHSAS 18001 standard for occupational health and safety management systems. The proportion of our production volume covered by certificates was lower in 2017 than in the previous year due to newly-acquired production sites that are not certified.

Compliance

Our Compliance organization has global responsibility for all preventive and reactive measures. It is supported by integrated management systems and an organizational structure with clearly defined responsibilities. The General Counsel & Chief Compliance Officer reports directly to the Chairman of the Management Board. He is supported by the Corporate Compliance Office, our interdisciplinary Compliance & Risk Committee, and 50 locally appointed compliance officers all over the world. Our Corporate Data Protection Officer is also part of our Compliance organization. Together, this team coordinates the flow of information and helps our employees to implement our requirements locally – for example, through specially adapted training courses. The General Counsel & Chief Compliance Officer reports on any infringements, as well as the measures taken to deal with them, to the Management Board and the Audit Committee of the Supervisory Board on a regular basis.

Our internal reporting and complaints channels are also augmented by a □ **compliance hotline**, which was set up to enable employees and third parties 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.

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Focus on communication and training

Since we operate on a global scale, our employees find themselves working within a variety of legal and value systems. Many of our employees work in countries where, according to surveys by organizations such as Transparency International, there is a greater risk of encountering corrupt practices. Even in these locations, the same expectations apply to all employees without exception: Henkel strictly opposes infringement of laws and standards, and rejects all dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday working situations, we focus on regular training courses and communication measures.

Our managers play a key role with regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. For this reason, all of our managers across the globe must participate in our mandatory Compliance eLearning program twice every year. The program addresses many different compliance topics. The main emphasis in 2017 was on anti-corruption as well as antitrust law.

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 2017, 14 employees received written warnings, and 37 contracts were terminated as a result of conduct-violating compliance rules.

Compliance Management System audited externally

Henkel's compliance culture involves continuous monitoring and improvement of the compliance process. In this context, our global

 **Compliance Management System** once again passed an external audit in 2017, based on the IDW PS 980 assurance standard and in due consideration of ISO 19600, with respect to the appropriateness, implementation and effectiveness of the compliance processes in the areas of competition law and anti-corruption.



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Results of our audits

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

In 2017, we conducted 77 audits around the world. In the course of the audits, a total of 1,414 corrective actions were agreed upon. In 2017, the main emphasis was on the following areas: IT security (with a special focus on business managed IT systems), Commitment Authorization (in general and with special focus on sales agreements); recent acquisitions, and processes relating to safety, health and environment (SHE). Compliance with the SHE Standards was audited at 66 sites, resulting in the initiation of 440 optimization measures. We examined the maintenance of our Social Standards in 17 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, we also conducted four assessments of internal control systems, elaborated in more detail with the help of internal auditors. We also trained 928 employees on aspects of compliance, risk management, and internal monitoring in seminars, and during our audits in 2017.

Human rights and social standards

Our commitment to human rights

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

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

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

Embedded in our business

Our codes, standards and processes provide a framework for decision-making and engagement within our sphere of influence worldwide, alongside local legal requirements. They also reflect our commitment to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact – which we joined in 2003 – as well as the expectations set out in the UN Guiding Principles on Business

and Human Rights. We further promote human rights awareness across our organization by embedding relevant topics into [eLearning and face-to-face training](#).

We have clear due diligence and compliance processes in place to identify and assess social and human rights impacts, and ensure that – if necessary – access to remedy is available. These processes include our company-wide [Corporate Audit](#) approach as well as [supply chain auditing](#). Violations of our codes and standards can be reported directly to one of the relevant contacts listed on our website, or through two anonymous channels: our [email contact form](#) and our [compliance hotline](#). These channels are available for both employees and third parties.

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

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Purchasing and supplier management

What we expect from our business partners

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

Henkel currently has business partners from around 110 countries. More than 75 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 them to conduct themselves in a manner consistent with our sustainability requirements. In selecting and working with our business partners, we also consider their performance in 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



"Acting sustainably along the entire value chain is a major priority for us. We work closely with our strategic partners to achieve this goal. Systematic and transparent assessment of our suppliers is another integral part of the process."

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

standards represent our early commitment to responsibility along the entire value chain. Our corporate purchasing standards apply worldwide, and we supplemented these with a Sustainable Sourcing Policy in 2015. Our aim is that 100 percent of our procurement spend is sourced in line with our Sustainable Sourcing Policy. The Chief Procurement Officer (CPO), who reports directly to the Chief Financial Officer, is responsible for all procurement activities and for ensuring responsible supply chain management.

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Binding supplier code

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

 Association of Materials Management, Purchasing, and Logistics

(BME) is mandatory for all of Henkel's suppliers worldwide. Henkel joined the BME in 2009, as its code is based on the 10 principles of the

 United Nations Global Compact and can therefore be used inter-

nationally. The BME code also serves as the basis for contractual relationships with our strategic suppliers. This means that they have either recognized the cross-sector BME code – and hence the principles of the Global Compact – or produced their own comparable code of conduct. The BME code has already been translated into 12 languages.



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



Supplier Award in the Sustainability category for BASF (from the left): Jan-Dirk Auris, Henkel Adhesive Technologies, Oliver Lotz, Global Key Account Manager BASF, Juergen Pfister, Vice President Dispersions for Fiber Bonding BASF, Heike Kohm, Global Key Account Manager BASF, Christoph Hansen, Senior Vice President Dispersions for Adhesives & Construction Europe BASF, and Bertrand Conquéret, Corporate Senior Vice President Global Supply Chain Henkel.

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 changes throughout the value chain, through joint projects on process optimization, resource efficiency, and environmental and social standards. Furthermore, Henkel has been honoring sustainable innovations by its suppliers for five years.

In 2017, the Adhesive Technologies business unit awarded the Sustainability Award to BASF for its intensive cooperation in the development of adhesives technologies for improved health protection and safety. BASF develops and produces materials that enable Henkel to expand its sealant applications business without the use of solvents.

The Beauty Care business unit recognized the company Solvay in 2017. Solvay is the world's largest producer of guar derivatives. Guar and guar derivatives are important plant-based raw materials used in many cosmetic products. Henkel supports  the initiative for sustainable guar that was created by Solvay. The program aims to



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improve the working conditions of thousands of guar bean farmers in India.

For the first time, the Laundry & Home Care business unit recognized a total of three companies for their contributions to increased sustainability in 2017. DuPont was distinguished for its efficient high-performance enzyme that delivers best washing results with comparatively low dosages. Evonik has developed an ingredient that makes it easier to iron clothes after washing, thereby helping to reduce electricity consumption when doing laundry. With a new raw material solution, Sasol has helped to improve the efficiency of our production facilities.

Training of and cooperation with partners

At the Suppliers' Day in Düsseldorf in June 2017, Henkel entered into a targeted dialog with its most important strategic partners on the subject of sustainable supply chains. The dialog centered on the definition and implementation of a common plan for the sustainability goals through 2020. The primary focus here is to create transparency in the supply chain. A key objective of these joint efforts is to analyze the upstream supply chain beyond the second level. We also take into consideration tail-end suppliers, i.e., suppliers with a lower purchasing volume. To support Henkel's → "Factor 3" objective, we also expect our suppliers to make a contribution to the reduction of CO₂ along their supply chains.

Sustainable Sourcing Process

Our six-stage "Sustainable Sourcing Process" is a core element of our supplier assessment approach. This focuses on two main challenges: First, ensuring that all of our suppliers comply with our defined sustainability standards. Second, we aim to purposefully work with our strategic suppliers to continuously improve sustainability standards in our value chain – for example, through knowledge transfer and continued education about process optimization, resource efficiency, and environmental and social standards. The Sustainable Sourcing Process is an integral part of our purchasing activities. We perform this process both at the beginning of our relationship with a supplier and as a regular check of our existing suppliers. Using this process for the assessment of sustainability performance, we currently cover more than 85 percent of the volume we source from our suppliers in the areas of packaging, raw materials, and contract manufacturers.

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 market or a region. 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 risk for our company. This helps us to identify countries and purchasing markets that may require special precautions.



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Step 2: Onboarding

The results of the pre-check and the risk assessment then flow into our supplier onboarding process. We expect our suppliers to recognize our supplier code (BME code). Our onboarding process is anchored in a globally uniform registration system and provides a standardized summary of our sustainability requirements.

Step 3: Initial assessment or re-assessment

We use supplier self-assessments based on questionnaires and have them examined as assessments by the independent experts EcoVadis. These cover our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anti-corruption. We also regularly request repeat self-assessments, referred to as re-assessments. We are working on digital tools that will enable us to make this enhanced transparency regarding the sustainability performance of our suppliers accessible in real time. In 2017, 70 percent of our re-assessed suppliers had improved their sustainability performance.

Step 4: Analysis

Based on the assessments, we classify suppliers according to a "traffic light" system. A red score leads to a "corrective action plan" (CAP) and a re-assessment or audit within one year. In the case of a yellow score, a "corrective action plan" is also required, and this may be followed up by a re-assessment in the next year.

Step 5: Audit

Henkel works with independent audit companies to audit compliance with the defined standards in audits. Our audits include on-site inspections, e.g., at production sites, and discussions with local employees. Follow-up measures after an audit ensure that suppliers implement the corrective actions that have been specified. Repeated serious non-compliance leads to termination of the supplier relationship. In this area, we also actively participate in cross-sectoral initiatives with the aim of improving the transparency and efficiency of supplier audits and helping to establish cross-company standards. In 2017, we conducted a total of about 1,200 assessments and audits.

Step 6: Development or termination of the supplier relationship

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability performance. We strive to initiate positive changes throughout the value chain, through training programs and joint projects. Overall, we did not receive any notification throughout 2017 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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Sustainable Sourcing Process



Early warning system for risk markets

One example of a risk market is the purchase of raw materials for soldering pastes and similar products for the electronics industry. These contain metals – mainly silver, copper and tin – to make them electrically conductive. In some countries, the mining of cassiterite (the main source of tin) is associated with military conflicts and human rights violations. For this reason, in recent years, we have repeatedly reviewed our direct suppliers of metals and requested them to supply documentary evidence that they do not purchase or process metals from critical regions.

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 the increasingly complex supply chain management processes with regard to sustainability and to optimize the 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

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effort, not only among the member companies but also with all of our shared suppliers. Since the formation of TfS, the sustainability performance of more than 8,000 suppliers has been assessed using the EcoVadis assessment process as part of the initiative. Moreover, members of the initiative have shared more than 1,000 audit reports with each other.

At the heart of the initiative is the idea: "An audit for one is an audit for all." Suppliers only have to undergo one assessment or one audit. These are conducted by independent experts. 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 internet platform is then used to make the results available to all members of the initiative for information and approval.

Since 2014, TfS has a new legal identity: Through partnering with the Brussels-based European Chemical Industry Council (CEFIC), the initiative now has the status of an independent, non-profit organization. This collaboration will generate even more synergies across the chemical industry.

The TfS initiative grew once again in 2017 and the number of members has now more than tripled from the original six to 20. Global expansion of the assessment and audit program, driven in part by supplier training sessions, was again a main focus of activities in 2017. In September 2017,

the CPCIF (China Petroleum and Chemical Industry Federation) and TfS again conducted supplier training in Shanghai, China. This training focused on two core TfS processes: conducting TfS audits and processing the online questionnaire for TfS assessments.

Together with EcoVadis, various supplier and customer events were held in 2017 with the aim of exchanging experiences and examples of best practices. This included a German Suppliers' Day in Düsseldorf in September 2017 and an event in New York, USA, in October 2017 that also included a training session on conducting assessments.



The China Petroleum and Chemical Industry Federation (CPCIF) is an important partner of the Together for Sustainability (TfS) initiative. The shared goal is to promote and improve the sustainability of supply chains in China. Training was also held in Shanghai in 2017. Cheng Xu, Procurement & Logistics Director at LANXESS, explains the advantages of the partnership with TfS.

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Responsible sourcing – “AIM-PROGRESS”

Henkel is also a member of  AIM-PROGRESS, a forum of companies in the consumer goods industry and suppliers. The objective here is also to encourage member companies to share experiences and utilize synergies. The forum also seeks to develop and promote shared assessment methods to determine CSR performance along the value chain.

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Ambition and targets

Henkel operates 188 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 set concrete targets for our production sites to maximize our impact and help steer progress toward our long-term goal to become three times more efficient by 2030 (“Factor 3”). We achieved our interim targets for 2015 and are now focusing on our new interim targets. By 2020, we want to increase net sales by 22 percent per ton of product and improve our worldwide occupational accident rate by 40 percent per million hours worked, while also reducing the direct and indirect CO₂ emissions from our production sites and cutting our water use and waste volume, in each case by 30 percent per ton of product relative to the base year 2010.

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

	Achieved 2017 ¹	Targets 2020 ¹
	More net sales per ton of product + 5 %	+ 22 %
	Safer per million hours worked + 17 %²	+ 40 %
	Less energy / CO ₂ emissions per ton of product - 24 %	- 30 %
	Less waste per ton of product - 32 %³	- 30 %
	Less water per ton of product - 24 %	- 30 %
	Total efficiency +43 %	+75 %

¹ Compared to the base year of 2010.

² The improvement in occupational safety in 2017 would be + 25 %, if the figure excluded the newly-acquired companies.

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

**Production**

Becoming climate positive

The 2015 Paris Agreement on Climate Change, and the worldwide commitment to limit global warming to well below two degrees Celsius, stresses the clear need to reduce CO₂ emissions. In light of this, Henkel has developed the long-term vision of becoming a **climate-positive company**. By pursuing this goal, we will make an active and committed 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 734,000 tons of CO₂ and is attributable in approximately equal measure to the fuels we use ourselves (Scope 1) and the energy purchased (Scope 2), in particular electricity.

To support our progress toward our long-term goal of becoming three times more efficient by 2030 (“Factor 3”), our initial efforts focus on reducing the specific carbon footprint of our production by 75 percent by 2030 compared to the base year 2010. To do so, we want to continually improve our energy efficiency by reducing the energy consumption of our production sites by 30 percent per ton of product by 2020 compared to the same base year. By 2030, we aim to achieve a 50-percent reduction.

Renewable energy

In addition to our efficiency targets, we are striving to source 100 percent of the electricity we use in production from renewable sources by

2030. Our interim target for this goal is to achieve 50 percent coverage by 2020. To implement this goal, it is important to consider differences in legislation and infrastructure, as well as levels of regulation and variations in climate conditions in each of the countries we operate in. For this reason, we are following country-specific approaches that are flexible and leverage a portfolio of options. With this in mind, we are basing our conversion to renewable energy on a combination of the following three models:

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

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

3. Virtual coverage: If the two options above cannot be implemented at one of our sites – meaning we cannot generate or purchase renewable electricity directly – green power requirements can be covered virtually. This involves entering into long-term PPAs that feed green power from specific plants into the supply grid – in an amount that is equal to the amount consumed. In any situations where this is not possible for Henkel, we purchase the appropriate green power certificates.

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Scenario for 2030 and beyond

From 2030 onward, we want to replace the last remaining fossil fuels used in our production with climate-neutral alternatives, such as biogas or gas obtained from converting CO₂. We also aim to supply surplus carbon-neutral energy that Henkel does not need for its own purposes to third parties. In doing so, we will avoid emissions from our own activities, and also enable third parties to avoid potential emissions by using clean energy.

New multi-technology manufacturing facility in India

When building new plants for our production network, we integrate our ambition regarding efficiency and renewable energy as early as the design phase. In 2017, Henkel began building a new greenfield multi-technology manufacturing facility called "Ganesha" in Kurkumbh, India. The site is designed to have the least possible environmental impact and will make use of renewable energy sources as much as possible. Energy efficiency measures like LED lighting combined with smart motion sensors and natural lighting will be implemented, as well as smart process heating, ventilation and air conditioning, and highly efficient production equipment. In addition, the roof will be equipped with 7,000 square meters of solar panels that will generate more than 1,000,000 kilowatt hours of renewable energy per year. This will help save approximately 800 tons of CO₂ every year.



In 2017, Henkel began building a new greenfield multi-technology manufacturing facility called "Ganesha" in Kurkumbh, India. The site is designed to have the least possible environmental impact and will make use of renewable energy sources as much as possible.

Energy, waste and water efficiency were already considered in the construction phase as part of the LEED certification ("Leadership in Energy and Environmental Design") for the new site. In addition to the energy measures, the site in Kurkumbh will also demonstrate best practice regarding waste and water management. Maximized bulk storage of raw materials will avoid packaging waste, while leading technologies for water treatment, recycling and rainwater harvesting will contribute to our ambitious targets to reduce our ecological footprint in production by 30 percent by 2020. The site will start operating in early 2018.

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Driving efficiency

In line with our aim to continuously improve our entire production network, we began introducing the Henkel Production System (HPS) in 2015. Through this Group-wide optimization program, we want to systematically identify and eliminate all inefficiencies, such as waiting times, excess production or defects from our value chain. This will enable us to contribute to our target of becoming 75 percent more efficient by 2020. We have set standards for the harmonization of production workflows that apply to all three business units. HPS is based on lean principles and on engaging all of our employees to ensure that they implement the new standards effectively, while saving resources.

In this context, our Adhesive Technologies business unit has introduced a “Best Operative Practice” program. During sustainability workshops at the Henkel production sites that account for the majority of our operational footprint, examples of best practice for driving progress toward our environmental and safety targets were identified and shared with colleagues at other sites. This was achieved using a knowledge platform, which is regularly updated to include industry knowledge from external sources. A “Supply Chain and Operations Digital Learning” campus was launched in 2017 to ensure the transfer of information about efficiency measures, and to improve quality and safety – and sustainability – in our operations. The new campus was specifically designed to meet the needs of employees within the operations organization. In this way, Henkel aims to support the development of function-specific and professional skills in the areas of safety, health and environment.



During a sustainability workshop, Henkel employees in the United Arab Emirates shared best practices related to our environmental and safety targets.

To foster the efficiency of our Laundry & Home Care sites, the business unit has combined our standard HPS system for reporting factory efficiency with their sustainability scorecards. As a result, there is one single source for all sustainability and efficiency initiatives, which is reviewed regularly – with a focus on deriving further improvement. All sustainability activities are reported in terms of their impact on energy, water and waste on a monthly basis.

The new heating elements for the blow-molding machines used to produce PET bottles in our Laundry & Home Care sites in Düsseldorf and Vienna are another example of efficiency measures put into practice. The machines heat the preformed, compact detergent bottles – and then inflate them. This process requires a significant amount of energy, but has now been made more efficient: The new heating devices feature elements that reflect heat back into the

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The new heating element for the blow-molding machines used to produce PET bottles enables a 30-percent reduction in energy consumption during the bottle manufacturing process.

process that would otherwise escape as waste energy. This enables a 30-percent reduction in energy consumption during the bottle manufacturing process, and means less heat is emitted to the environment. The same technology is now being rolled-out to other production sites using PET blow molding.

We have also been able to save a significant amount of energy during the production of our new generation of Somat automatic dishwashing tabs at our Laundry & Home Care site in Düsseldorf. All of the dishwashing products have been phosphate-free since April 2016, ensuring their compliance with an amendment to the EU Detergents Regulation nine months before it came into effect in January 2017. The phosphate-free formula contributes to environmental compatibility by reducing water pollution and eliminating the pre-treatment

of phosphate to create a granulated compound. This process usually required a lot of energy and steam. The overall net energy reduction amounts to 5,670 megawatt hours per year. The project demonstrates how a combination of innovative products and sustainable manufacturing processes can have a positive impact on the overall footprint of our business.

At our Beauty Care sites in Sfax, Tunisia, and Wassertrüdingen, Germany, energy efficiency measures such as LED lightning systems in the areas of filling, mixing and administration led to annual energy savings of 30,000 and 76,000 kilowatt hours, respectively.

Zero waste

We 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 2017, 50 percent of our sites had already achieved this ambition.

We drive progress by systematically identifying waste streams and creating closed-loop systems where possible. Our focus lies on increased recycling within our plants, and on collaboration with our packaging suppliers. Our initiatives are centered around four key areas: Reducing material consumption and waste generation, reusing materials, recycling materials, and recovering energy.

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Henkel Argentina received the “Green Latin America Award 2017” in recognition of its process for treating solid bio waste by vermiculture at the Adhesive Technologies production site in Chivilcoy. The award places the project in a ranking of the 500 best social and environmental projects in Latin America.

Our Adhesive Technologies sites in Chennai and Parwanoo, India, both became zero waste to landfill sites in 2017. This was achieved by co-processing waste and reusing it as fuel for cement kilns, rather than incinerating or sending it to land fill. The sites also achieved significant reductions in carbon footprint and waste through initiatives related to recycling waste paper.

Our Beauty Care business unit strengthened its partnership with UPM-Raflatac in 2017 – increasing its support for the “RafCycle” program. This gives new life to self-adhesive label waste that would otherwise be landfilled: UPM collects used label release liners from Henkel’s sites and recycles it into new graphic printing paper for books and magazines at the UPM paper mill in Germany. The Beauty Care site in Maribor, Slovenia, joined the “RafCycle” program in 2017, enabling the site to reduce waste by 25 tons per year. It is the third Henkel site to participate in the program, following Wassertrüdingen in Germany and Körösladány in Hungary, which contribute nearly 500 tons of siliconized glassine label liner waste to the recycling program.



Henkel is the winner of the RafCycle® Award at Labelexpo Europe 2017. The award recognizes excellence in recycling and environmental performance.
Photo: Sami Helenius.

The Beauty Care site in Yamahatsu, Thailand, initiated a recycling project with focus on wooden pallets in production. By repairing wooden pallets instead of disposing of them, the site saved 6.7 tons of waste in 2017 and reduced the number of damaged pallets by 30 percent.

Our Beauty Care site in Bogotá, Colombia, continued its reverse logistics projects and managed to achieve the zero waste to landfill target. By generating alliances with our suppliers, the site was able to reuse more than 170 tons of cardboard boxes in 2017, which represents a 20-percent decrease in the generation of waste.

Water-saving projects globally

In order to achieve our target of using 30 percent less water per ton of product by 2020, all our production sites carefully assess their potential to reduce water consumption and avoid wastewater. Wastewater from industrial applications is pretreated using state-of-the-art technology for the removal of harmful substances, and is disposed of professionally. The global availability of water is affected by regional and seasonal scarcities. In addition, there are variations in the availability and performance of wastewater treatment facilities, and the specific ecological characteristics of each receiving water body is 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.

At our Laundry & Home Care site in Montornès, Spain, our teams added an additional step to the conventional reverse osmosis process used to filter used water. This has increased the volume of wastewater that can be reused in production from 70 percent up to 85 percent. This represents around 21,000 cubic meters per year, and has increased the overall efficiency of the whole system while cutting water consumption at the site significantly.

A new system for cleaning of the pipes on liquid filling lines has been installed at all our Laundry & Home Care filling lines in Düsseldorf, Germany. It helps save over 2,000 cubic meters of water per year by replacing a conventional cleaning process with a new system which is significantly less water intensive. By pressing the product through the pipes with a cylindrical cleaning element, it is possible to clean them much more quickly and with minimal loss of product. This technology is also in use at some of our Beauty Care production sites.

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. The 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 at December 31, 2017

Code	Standard for	Percentage of production volume covered
ISO 14001	Environmental management systems	82 percent
ISO 9001	Quality management systems	84 percent
ISO 50001	Energy management systems	47 percent
OHSAS 18001	Occupational health and safety management systems	82 percent

The proportion of our production volume covered by certificates was lower in 2017 than in the previous year due to newly-acquired production sites that are not certified.

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, for example, is conducting a pilot project leveraging a new Manufacturing Execution System (MES) across 10 locations in the Asia-Pacific region. The project was implemented to build a comprehensive tool that provides a transparent and collaborative platform covering the end-to-end processes of a factory. MES has helped to easily identify process bottlenecks, drive continuous improvement, and improve efficiency. The warehouse team at Henkel's plant in Shanghai, China, were able to cut the average amount of time taken to receive a delivery from over 100 minutes per truck down to just 13 minutes. This enabled a 76-percent increase in manufacturing output.



Industry 4.0 activities allow Henkel to track and steer the resource efficiency of our production processes in real-time, with greater accuracy. Every day, more than 500 million data points are registered and processed by sensors in Henkel's global supply chain.

All production sites and processes for our Laundry & Home Care business unit worldwide are connected, with information collected in real-time. The digital platform "Wonderware" acts as the digital backbone of this progress toward Industry 4.0: All data from the online metering systems at our laundry detergent production sites around the world is collected and processed there. Using information from more than 3,000 sensors at each site, it records how much energy and water each plant consumes and displays this information visually. Thanks to its analytical capabilities, the system can recognize patterns and identify potential for optimization. Since 2016, efficiency data from the production lines has also been fed into the system and analyzed. Employees can view the relevant information for all other


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production sites worldwide, benchmark against best practices and jointly implement any measures necessary to improve production flows. In 2017, new sensors to measure weather data were installed. The correlation of energy consumption with outside temperature and humidity shows potential to create further efficiencies and reduce energy consumption, for example, by planning production batches for powder detergents to take place on days with low humidity.

Since the launch of its energy monitoring program in 2011, our Laundry & Home Care business unit has been able to reduce energy consumption by 24 percent. This was achieved through the increased efficiencies offered by the system itself, as well as through investments made based on the data collected. Similar measuring and monitoring software also helps save energy at our Beauty Care production sites. In Tunisia, for example, the energy and water monitoring software has enabled our site to save 22,000 kilowatt hours of energy and 250 metric tons of water per year.

Subcontractors

Third-party manufacturing is an integral part of our production strategy. For example, we sometimes use toll and contract manufacturers when entering new markets or introducing new products and technologies.

In these cases, the corresponding production volume is often still small. The use of external partners also helps to optimize our production and logistics network and to increase resource efficiency. Currently, we source around 10 percent additional annual production volume from toll and contract manufacturers.

Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements. We monitor them using audits carried out by our own staff and, increasingly, by specialized third-party service providers.

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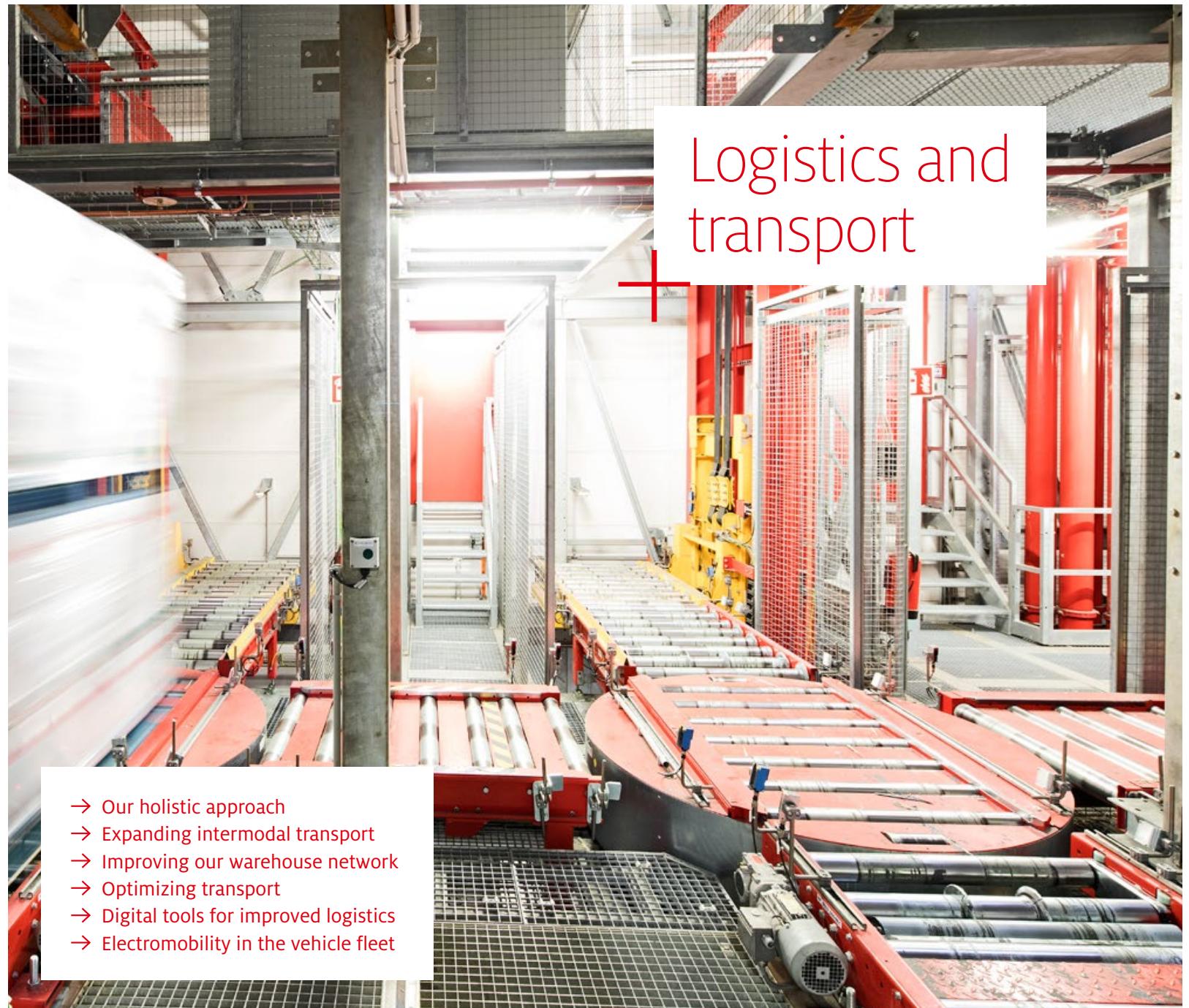
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Our responsibility along the entire value chain includes optimizing our transport and logistics processes in terms of environmental compatibility and resource efficiency. Overall, we want to reduce the emissions from transporting our products by around 5 percent per ton of product between 2015 and 2020.

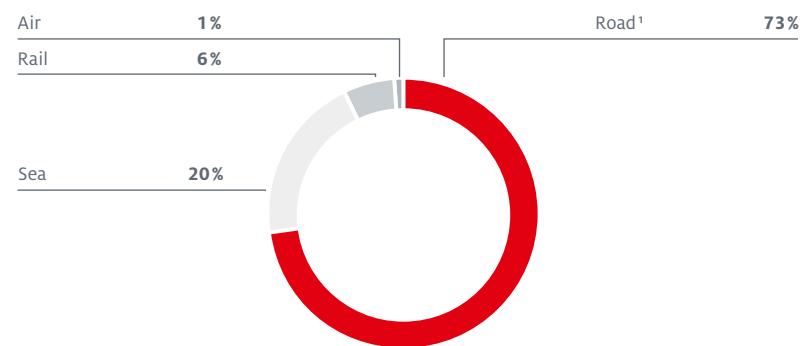
Reducing our logistics footprint starts with the product development stage. We work on product and packaging optimization in terms of weight and volume, provided this is possible without compromising their performance, convenience and stability. More concentrated products and lighter packaging reduce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

Alongside product and packaging optimization, improving our logistics structures helps us to reduce transport emissions. We also take the location of our production sites into account: For bulkier products, we reduce transport mileage and environmental impact by operating regional production sites. Compact products place fewer demands on transport. For this reason, we leverage efficiencies in production by manufacturing these products centrally whenever possible. For the transportation of finished goods, we focus our efforts on three major drivers:

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

We leverage these drivers by collaborating with our suppliers and customers to implement joint logistics projects. In particular, we have extended our established → “Say yes! to the future” program to the logistics area to foster best-practice exchange between our business units and to initiate logistics projects in close → collaboration with our customers.

Product transports per transport mode in 2017



¹ The increased share of road transports compared to the previous year is attributed to a correction of errors identified in the master data.

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

Expanding intermodal transport

Intermodal transport involves using more than one mode of transportation. At Henkel, this means that more and more transports are being switched from road to rail: A truck carries the goods to the nearest rail loading terminal. From there, the goods cover longer distances by train, before a second truck collects the goods at the destination terminal and delivers them to the recipient. This allows us to make use of the lower CO₂ footprint of rail transport compared to road transport, since a train emits about one-third of the CO₂ of a truck when transporting the same weight of goods. For this reason, intermodal transport has become a key driver for CO₂ reduction in logistics at Henkel.



We have a commitment to continue leveraging intermodal solutions in 2018, and we continuously test the applicability of intermodal transport to new routes across Henkel.

In 2017, we added more train routes in Europe using dedicated intermodal tenders. By the end of the year, we were operating a total of 20 intermodal lanes covering all business units, and had switched around 100 million tonne-km (the transport of one tonne of goods over a distance of one kilometer) to intermodal transport. This reduces CO₂ emissions by around 4,000 metric tons on an annual basis. Major drivers are the Laundry & Home Care and Beauty Care business units, which contributed equally by switching more than 40 million tonne-km each from truck to train.

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Improving our warehouse network

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

In 2017, our Laundry & Home Care business expanded its fully automated high-bay warehouse at our headquarters in Düsseldorf, Germany, investing a total of 36 million euros into the project. The warehouse can now hold about 53 million packs of laundry detergent and cleaning products on a floor space of 24,000 square meters – the equivalent of more than three soccer fields. In line with the “wall-to-wall” concept, the high-bay warehouse is directly connected to the Laundry & Home Care production facility, which cuts transport requirements. Furthermore, much of the activity inside happens automatically: The pallets are brought into the warehouse by conveyor systems, and are identified by scanning before being put into storage. Orders from customers are communicated electronically and the relevant products are made available for onward transport by automated trolleys. The pallets can be tracked at every step of the journey until they are delivered to the customer. Finally, thanks to its compact design, modern lighting and state-of-the-art insulation system, the high-bay warehouse is extremely energy-efficient – as



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proven by its LEED certification (short for “Leadership in Energy and Environmental Design”).

In 2017, our Adhesive Technologies business consolidated its warehouses to minimize resource use and transportation needs. Based on a detailed analysis of customer requirements, network scenarios, and business constraints, five smaller warehouses were merged into one larger warehouse in Italy. This enables savings in energy, water and waste. The new warehouse is also equipped with a state-of-the-art lighting system, which involves LED lights as well as motion detector technology. This makes it possible to halve the electricity used for lighting. Product transport from our plants and suppliers can now be combined to arrive at one warehouse instead of several. Downstream, this has the effect that customers are now supplied by only

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one warehouse, which has a positive effect on transport emissions. In addition, the new warehouse now acts as a center for co-packing activities, which saves CO₂ emissions by eliminating the need to send products to co-packers at other locations. Overall, the CO₂ emissions from truck transport and warehousing in Italy were reduced by more than 10 percent annually.

Optimizing transport

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



In 2017, the achievements of a collaboration between Henkel Laundry & Home Care and the Metro Group were recognized with the Efficient Consumer Response award, presented by GS1 Germany, which honors the best collaboration projects regarding optimized value chains.

In 2014, Henkel Laundry & Home Care and Metro began a partnership to further increase consumer satisfaction while at the same time reducing CO₂ emissions – by focusing on higher on-shelf availability. Introducing a new, interactive supplier portal has enabled information relevant for daily operations to be handled more effectively. Joint performance indicators, standardized root cause analysis, and an intensified communication structure have led to improvements based on a clear understanding of gaps and potential on both sides. Joint improvements include higher truck utilization based on better master data quality, as well as more efficient transport flows. This has resulted in increased on-time delivery and sales, as well as a 10-percent reduction in CO₂ emissions compared to 2014.

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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 CO₂ emissions. The implementation of the IT solution has been completed in Europe and in China. In 2018, we will expand the roll-out to North America.

To demonstrate our progress, it is especially important to systematically record the CO₂ emissions of our logistics operations. For this reason, we implemented EcoTransIT World in 2016, which calculates the carbon emissions of finished goods transportation by all transport modes on the basis of the DIN EN 16258 standard. The benefits of this tool include the use of real distances based on GPS data and country-specific emission factors as input, as well as the possibility to use the data relating to each carrier. This step enables us to foster transparency and data comparability across the entire industry, and helps us to track progress toward our emission reduction target.



Henkel's commitment and concentrated efforts to systematically record and reduce its logistics emissions were recognized with the 2017 Oracle Sustainability Innovation Award. The award is judged based on criteria including eco-efficiency, innovation, and transparency.

Electromobility in the vehicle fleet

As a pioneer in sustainability, we encourage the use of electromobility at our sites by testing the operational capability of electric vehicles before any new purchase. Hereby, we take regional aspects and driving profiles into consideration. At our headquarters in Düsseldorf, we have incorporated more than 25 electric vehicles into the internal fleet since 2012, replacing conventional vehicles with internal combustion engines. We have built a corresponding infrastructure with over 30 charging stations in and around the Düsseldorf-Holthausen industrial park, some in cooperation with the utility company Stadtwerke Düsseldorf.

Due to the cogeneration of the Henkel power plant in Düsseldorf, CO₂ emissions, which originate from the energy generated for recharging the vehicle batteries, amount to 40 grams per kilometer. In comparison, CO₂ emissions are 80 grams per kilometer for electricity from the public grid and between 120 and 180 grams per kilometer for a

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

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

Other projects to encourage electromobility include the systematic replacement of forklift trucks with internal combustion engines with electric forklifts and the adoption of a new car policy that enables those of our managers in Germany who are entitled to a company car to order vehicles with electric drives. In 2016, Henkel was awarded for its performance in the field of electromobility in the “Mobile with style – environmentally friendly driving” competition organized by the City of Düsseldorf.



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

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

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

A high degree of innovativeness is very important in achieving this. In 2017, Henkel employed around 2,700 people on average in research and development and invested 476 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, criteria for assessing sustainability have been systematically anchored in the Henkel innovation process since 2008. The focus is on innovations that will help our customers and consumers to reduce their energy use and thereby their own carbon footprint.



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

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Sustainable consumption

An important objective of our strategy is promoting sustainable consumption that conserves resources. Our products are the key here. They are used in millions of households and industrial processes every day. This is why we concentrate on developing products that enable the efficient use of resources such as energy and water during everyday use. Our aim is to save 50 million metric tons of CO₂ emissions by 2020 through our products and by helping our customers and consumers with our expertise.

Through targeted communication, we additionally strive to encourage responsible-minded behavior while using our products. This is especially important, because the environmental footprint of many of our products is determined to a large extent during the use phase.

Besides providing appropriate products, our collaboration with retailers and distributors also plays a crucial role. They 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.

Trade partnerships

Under the slogan “No longer niche. The Future of Sustainable Consumption,” representatives from industry, science and non-governmental organizations discussed topics such as fairness in retailing, sustainable nutrition and the circular economy at the REWE Dialogforum in Berlin, Germany. Henkel participated for the eighth time as a partner during the REWE Group’s “Sustainability Weeks” and in the associated dialog event.

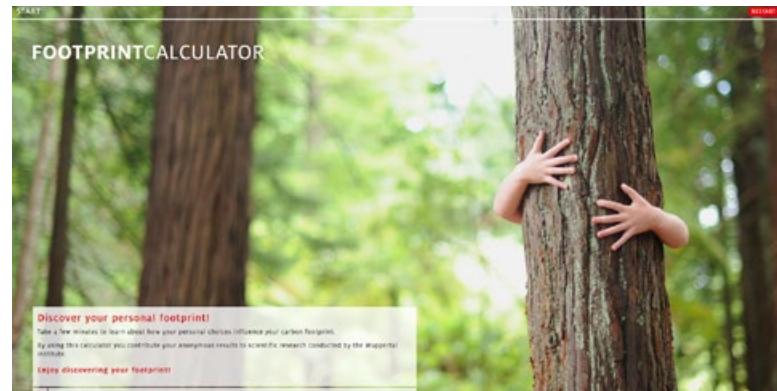
In cooperation with our trading partner Rossmann in 2017, Henkel showed consumers how to conserve resources and reduce their personal carbon footprint – without any major restrictions in their own lifestyle. The focus was on the Henkel footprint calculator, which uses simple questions to calculate how much carbon is produced in the areas of living, nutrition, mobility or vacation and recreational activities. Consumers were able to participate in a campaign with the slogan “Saving resources, winning and doing good.” Not only did they find out more about their individual carbon footprint, they also

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learned how to support an energy-saving initiative in schools and win a solar cell with Powerbank or a Henkel product package, including products from Got2b and Schauma.



Henkel footprint calculator

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

In November 2017, Henkel and retailer dm-drogerie markt launched the third edition of the educational partnership "Understanding through experience". Over a period of several months, 17 Henkel trainees and 17 dm apprentices will spend several months studying the topic of sustainability intensively and developing independent projects in mixed teams. The educational partnership enables the trainees to look beyond their own horizons. Working together on joint projects, young people with different professional backgrounds can exchange ideas and develop their own awareness of the many facets of sustainability. In May 2018, the trainees and apprentices will present their projects in an exhibition.



The third edition of the educational partnership "Understanding through experience" was launched in 2017: Henkel trainees and dm-drogerie markt apprentices intensively study the topic of sustainability. They will present their projects at an exhibition in May 2018.

Sustainability measurement

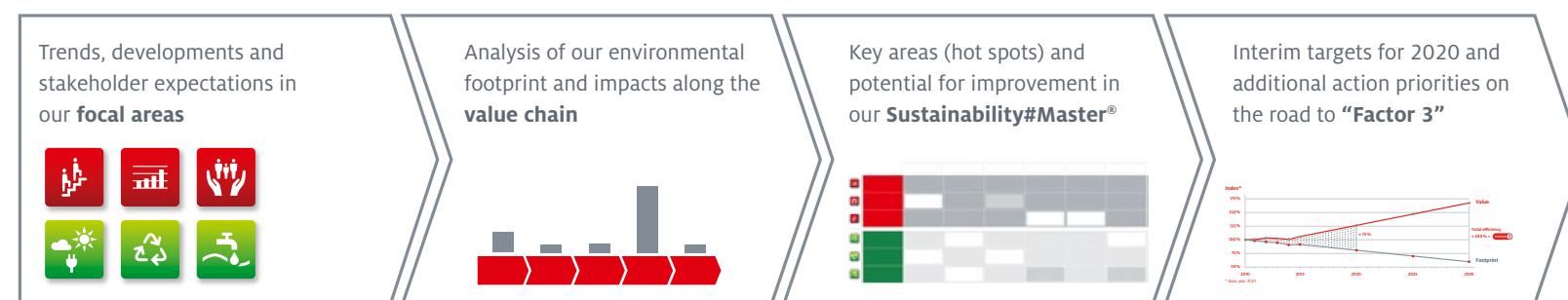
Henkel first published an Environment Report in 1992. It reviewed our achievements and the progress made in the area of environmental protection in respect of our products and at our production sites. Henkel subsequently began preparing an annual report on the company's major sustainability activities. In 2017, we collected data on 188 sites, representing around 100 percent of our global production volume.

toward our 20-year goal for 2030 across the entire company and our value chain. We ensure validated greenhouse gas reporting (GHG) along the value chain. In addition, we have further developed our EasyLCA software tool for the fast calculation of carbon footprints for product formulations. EasyLCA is a quick way to make the footprint of formulations transparent for decision-making processes during the product development process.

To assess our footprint along the entire value chain, we use representative life cycle appraisals in all product categories. We also assess data on the raw ingredients and packaging materials we use and the transport operations. We have assessed more than 90 percent through life cycle appraisals: around 70 percent of our turnover through life cycle analyses and more than 25 percent through simplified life cycle appraisals. We are currently using the knowledge we have gained to further improve our assessment and measurement systems to allow us to make an integrated assessment of our progress

Development of our targets by 2020

Led by our Sustainability Council, we set up working groups to evaluate trends, developments and the expectations of our stakeholders and to analyze our environmental footprint along the value chain. The next step was to identify the key areas where we can create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced footprint. On this basis, we defined our priorities for 2020 in order to contribute to our long-term goal of "Factor 3."



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

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

* Hot water covered by carbon footprint.

Analysis of our impact along the value chain:

From measuring our own production through to comprehensive quantification

Systematic collection of sustainability data from our production sites and life cycle analyses for important product categories; proficient estimation of raw materials and logistics

Systematic expansion of data collection along the value chain (including raw materials, logistics and use)

Sustainability data integrated and fully quantified in all relevant processes and data platforms along the entire value chain

2010 2015 2020 2025 2030

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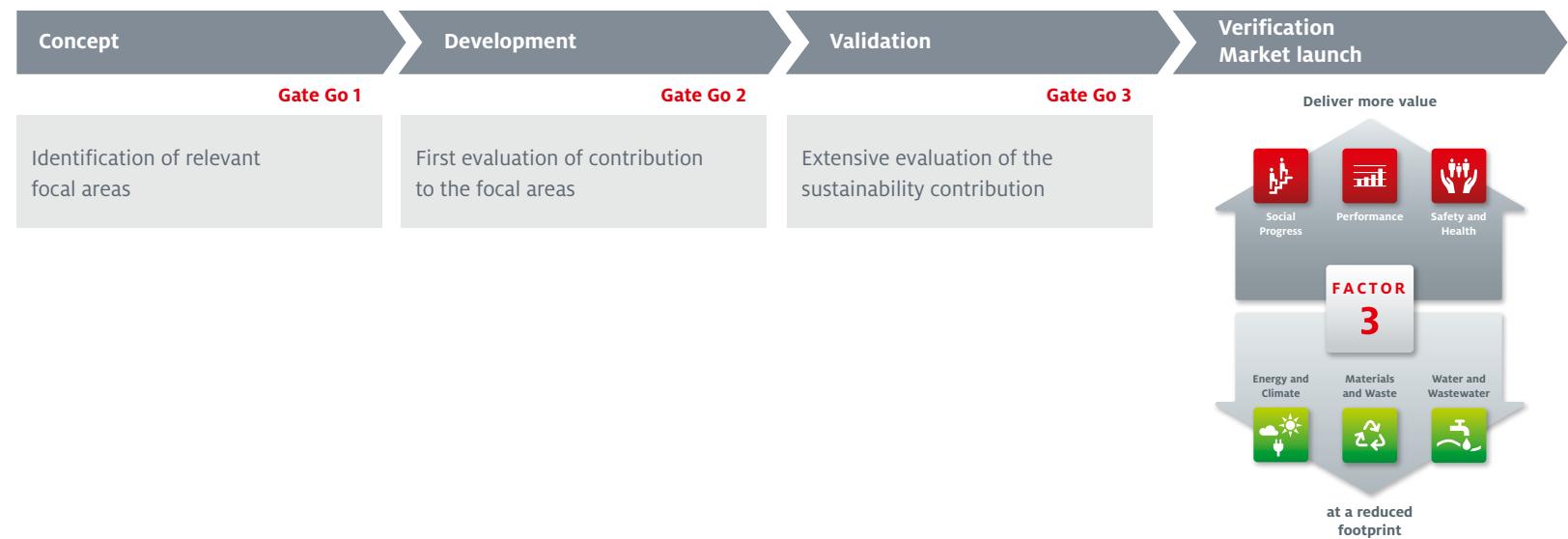
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Sustainability evaluation in the Henkel innovation process

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

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



Measuring, assessing and managing progress

Henkel works with various measurement methods to optimize the "Value" and "Footprint" dimensions. These allow the actions to be identified that have the greatest effect on sustainability along the value chain. Considering our portfolio as a whole, it is evident that improvements in the raw materials and during the use phase have a significant impact on the water and carbon footprint.

We use the results to develop innovations with improved sustainability performance. Only by considering the entire life cycle can we ensure that the action taken will improve the overall sustainability

profile of our products. In line with our ambition that each new product must make at least one contribution to sustainability, we assess our products systematically throughout our innovation process. To make it easier to optimize our products while they are being developed, we integrate the environmental profiles of possible raw ingredients and packaging materials into the information systems of our product and packaging development departments. This allows the footprint of a new formulation to be computed as early as the development phase.

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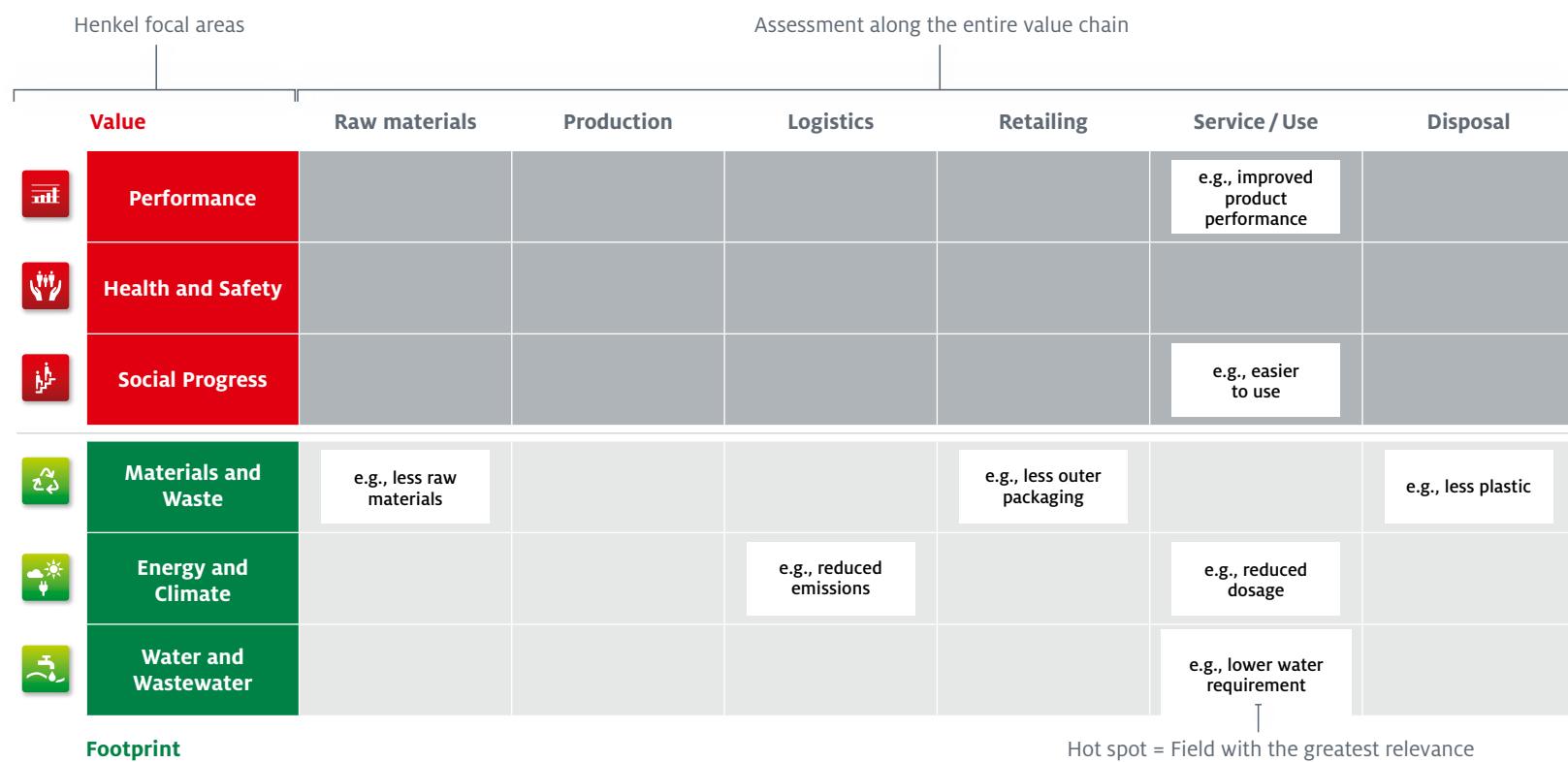
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Henkel Sustainability#Master® – sustainability assessment of products and processes

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

ability – 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.



Hot spot = Field with the greatest relevance for sustainability. It is particularly important to assess changes at these points.


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Improvement based on life cycle analyses

Sustainable development needs a systematic approach. With the help of life cycle analyses and the knowledge they have acquired during many years of work on sustainability, our experts analyze the complete life cycle of our products. As early as the product development phase we can assess what environmental impacts occur, to what extent, and in which phase of a product's life. Building on these results, improvement measures can then be applied where they are most needed and can be most efficiently implemented. In preparing life cycle analyses, we use our own primary data as well as data from our partners along the supply chain. If such data is not available, we draw on secondary data from existing databases of life cycle analyses, average values, and emission factors. To further develop metrics and indicators, we collaborate with external partners on topics such as product carbon footprints and water footprints. We also participate in international initiatives such as "The Sustainability Consortium" and the Consumer Goods Forum's Measurement Group.

Product carbon footprint

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

The focus of our research in cooperation with Arizona State University in Phoenix, Arizona, USA, in 2007 and 2008 was the environmental impact of laundry washing, taking into consideration the special conditions in American households. The scientific findings revealed how consumers can contribute to conserving resources through the use of efficient washing machines, tumble dryers and laundry detergents, as well as by changing their laundry washing habits. As a partner in the German Product Carbon Footprint project in 2008, we calculated the carbon footprint of various Henkel products. We then contributed the experience gained during the project as input to a working group of the DIN standards organization with a view to developing an international ISO standard (ISO 14.067).



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Since 2013, the Laundry & Home Care business unit has been supporting □ A.I.S.E., the International Association for Soaps, Detergents, and Maintenance Products, in the pilot phase of the European Commission's Product Environmental Footprint initiative. This aims to develop meaningful environmental information specifically for liquid detergents that can be easily understood by consumers and leads to more environmentally conscious washing habits. The general desire of the European Commission's pilot project is thus 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. Another focus was on communicating the results: A video explains that the use phase of a shampoo accounts for a significant part of its entire environmental footprint. It also shows ways in which this proportion can be reduced.

Product water footprint

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

We have fed the experience we gain from such pilot projects into the discussion on the development of an international ISO standard (ISO 14.046) on water footprints.

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Product safety

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

Our product developers and experts for product safety assess ingredients according to the latest scientific findings and safety data. They continuously track Henkel products on the market and incorporate the insights gained into the assessments. We follow a risk-based approach when assessing the consumer safety and environmental compatibility of materials and products. An important step of this assessment process is estimating the exposure of people or the environment to a substance by comparing it with the associated no-effect level, corrected, if necessary, by safety factors in accordance with recognized scientific standards. For substances where exceeding this level can lead to a risk for people and/or the environment, we minimize the risk by establishing suitable constraints, such as lowering the concentration limits and restricting use to certain product categories only. In individual cases this can also lead to a substance not being used at all.

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

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

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

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Product safety assessments



Implementation within the company

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

Identifying hazards – assessing risks

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

Evaluation of the substances used

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


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Assessment of the products

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

Controversially discussed ingredients

Scientists and the general public often take different views regarding the risks that chemical substances might pose. The reasons for this are manifold. Particularly often, we see that a direct link is made between the potential hazard a substance may have for humans or the environment and the ensuing risk without taking into account the extent to which humans or the environment are actually exposed to that substance. It is our view that a differentiation must be made between hazard and risk, and that this is in fact essential to ensure that safety assessments of ingredients will reflect reality. For this reason, Henkel does not concur with generalized substance lists that are designed to demand the abandonment of substances under controversial discussion, as such lists mostly do not take such differentiation into account.

Innovations and alternative test methods

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

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

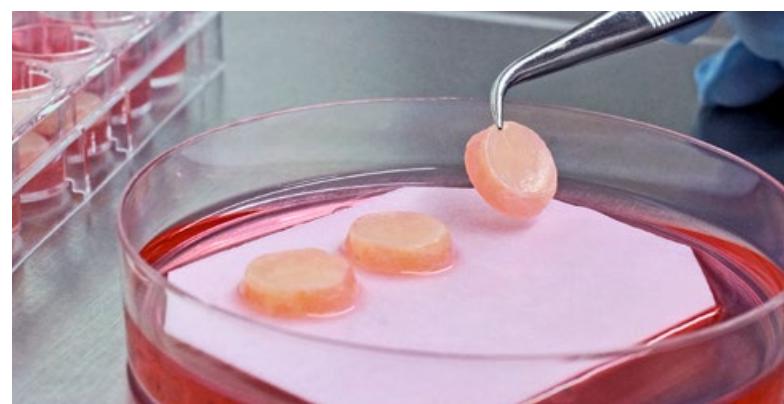
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research in dermatology and cosmetics. The tissue models are produced in the research laboratories at Henkel's headquarters in Düsseldorf. As an alternative test method, they can contribute significantly to reducing and avoiding animal testing. With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

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



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

Microplastics

The media and experts regularly report on the increasing contamination of oceans with plastics and microplastics. We understand that this discussion is of concern to our consumers. Even though cosmetic products account for only a very small percentage of any possible environmental impact, our new cosmetic products introduced in Europe have not contained any solid microplastic particles (exfoliating plastic particles of five millimeters or less) since 2014. Since the beginning of 2016, all our new cosmetic products worldwide have been formulated without any such microplastic particles.

With our decision in this regard, we are clearly ahead of the [recommendation](#) adopted in October 2015 by Cosmetics Europe, the European cosmetics association, that solid microplastic particles should no longer be used in rinse-off cosmetic products from 2020 onwards. In total, this voluntary phase-out has already led to a reduction of 82 percent in these plastic particles from cosmetic products between 2012 and 2015. In our laundry detergents and household cleaners we use only mineral abrasive particles.

Solute polymers should be clearly distinguished from exfoliating plastic particles because they have completely different physical and chemical properties. They do not contribute to the pollution of the oceans by microplastics and should therefore not be part of the debate on microplastics.

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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 soaps, shampoos, glue sticks and wallpapering adhesives.

Renewable raw materials in our laundry detergents

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

To achieve the best washing performance, we use a mixture of different surfactants. In more than half of them, the lipophilic part is based on renewable raw materials – a result of our many years of experience

with ingredients based on plant-based oils – such as palm kernel oil, which can only be used for industrial purposes – and fats. The proportion of renewable raw materials in surfactants for our detergents and household cleaners is around 30 percent. The other 70 percent are accounted for by inorganic and mineral-oil-based ingredients.

Cosmetics based on natural and renewable raw materials

In our cosmetics business, nature-based raw materials are used in all product groups. We refer to the use of individual nature-based active ingredients or fragrances in our products if these are associated with specific properties – for example, the care properties of shea butter and yogurt or the soothing effect of aloe vera. Furthermore, we are working to increase the proportion of ingredients based on renewable raw materials in our cosmetic products, wherever this is both possible and appropriate. If mineral-oil-based ingredients in a formulation are replaced by starch-based ones, this increases the overall proportion of renewable raw materials and helps to conserve fossil resources. Regarding ingredients based on both renewable raw materials and mineral oil, only the renewable fraction is taken into account in the assessment. Wherever possible, we calculate the percentage of renewable raw materials with reference to the dry weight of our products. More than two-thirds of the ingredients of the product formulations of our soaps, shampoos and shower gels are now based on renewable raw materials. 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 and in industrial adhesives for a wide range of applications. For example, we utilize renewable raw materials in glue sticks, wallpaper pastes and packaging adhesives. Bottle labeling adhesives contain as much as about 45 percent.

Palm and palm kernel oil

At Henkel, we recognize our responsibilities regarding the purchase and use of ingredients based on renewable raw materials. As part of this responsibility, we strive to ensure that all of the materials related to palm oil and palm kernel oil that we buy and use in our products are produced through sustainable practices. For example, our goals for 2020 include ensuring that these oils do not contribute to the deforestation of primary or secondary rainforests with significant ecological value – including peat lands and high carbon stock forests. 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. Our approach aims to drive physical progress toward sustainable palm oil and palm kernel oil – and make a positive impact on both the environment and the people affected by the industry. We are therefore focusing on targets such as certification in accordance with the [Mass Balance model](#) of the Roundtable on Sustainable Palm Oil (RSPO), traceability, and projects that support [smallholder farmers](#).

Our purchase of palm-oil-related materials accounts for less than 0.2 percent of the palm oil and palm kernel oil produced worldwide. The majority of this is palm kernel oil, which forms the basis of the

surfactants that we use in our detergent and cosmetic products. These materials are at the end of a long and often complex supply chain: For this reason, Henkel is committed to driving progress toward achieving sustainable practices across the palm oil industry – along the value chain.

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

The Mass Balance model enables us to demonstrate our commitment to physical sustainable palm and palm kernel oil by enhancing the physical flow of certified materials into our value chain. In February 2017, our Global Supply Chain organization and six of our production sites in Western Europe were successfully audited under the RSPO's supply chain certification standard. This standard supports the use of sustainable palm and palm kernel oil along the entire value chain by promoting greater transparency and open dialog.

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:

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

All palm and palm kernel oil used in our products should be derived from sustainably cultivated sources in line with the RSPO's Mass Balance model in 2020. To date, around 60 percent of the oil and derivatives used in our products have been certified according to this model.

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

By the year 2020, we aim to be able to trace the palm oil, palm kernel oil and derivatives we buy to known sources – first to the mill and then to the plantation. We are creating pilot projects to trace the raw materials we use back to the plantation to ensure they originate from sustainably managed resources. In pilot projects we conducted together with partners in 2017, we achieved a traceability rate of more than 60 percent.



As part of its commitment to the sustainable cultivation of palm oil, Henkel is particularly committed to measures supporting smallholders and local initiatives, as in Colombia, for example. Photo: Fedepalma.

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 September 2016, 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. Additional projects were added in 2017 and are planned for the next few years.

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Smallholder projects promote sustainable production

In 2017, Henkel launched a new project to support smallholders in Colombia. In addition to projects in Ghana, Honduras, Indonesia, Mexico, Nicaragua, and Nigeria, the project in Colombia is the seventh such initiative for which Henkel is currently working with international development organization Solidaridad to promote sustainable palm oil.



The objective of the Henkel and Solidaridad project in Colombia is to provide smallholders with access to new markets and to ensure employment stability for local workers. Photo: Fedepalma.

The aim of the project is to support Colombian smallholders with the new, innovative Farming Solution platform. The platform was developed by Solidaridad to strengthen cooperation along the entire palm oil supply chain. It is also designed to help smallholders increase their productivity and reduce negative environmental impacts, help-

ing them to achieve their goal of sustainable harvest certification sooner. Palm oil is an increasingly important raw material in Colombia: In 2016, it accounted for 3.3 percent of the country's agricultural gross domestic product, with production of 1.1 million tons of palm oil. Around half of this amount comes from small independent farms, but their owners face a number of challenges. The productivity of small independent farmers is 40 percent lower than that of an average-sized operation. Some smallholders are also concerned that access to the palm oil market will be limited if their harvests do not meet the criteria set out by the RSPO. This is because many major buyers of palm oil have committed to buying only oil products that are certified as sustainable.



The project in Colombia supports farmers with the new Farming Solution digital platform which is designed to help smallholders increase their productivity and reduce negative environmental impacts, allowing them to achieve their goal of sustainable harvest certification sooner. Photo: Fedepalma.

Packaging and disposal

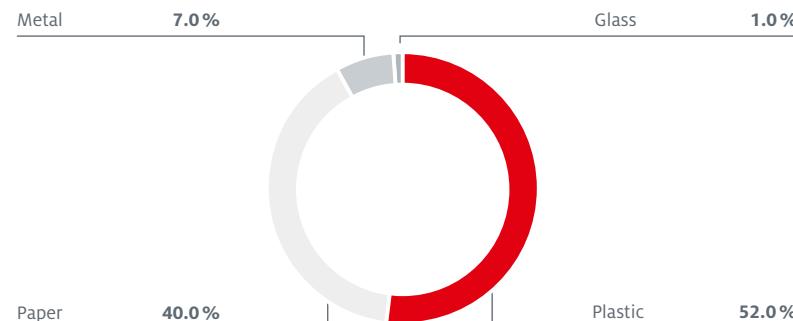
The packaging for our consumer products fulfills many different functions: It ensures the hygiene and intactness of the products, protects them from external influences, provides space for necessary consumer information and often plays an important role in the purchasing decision through attractive packaging design and shelf appeal. In order to minimize the volume of waste, our packaging developers work constantly to design smart packaging that uses the least amount of material possible, and incorporates materials that can be recycled in public recycling systems.

Throughout the company, we follow three basic principles – prevention, reduction, recycling. We have specified these principles in our focus fields: “less packaging and waste,” “better packaging” and “enabling a circular economy.”

In defining our interim packaging targets for 2020, we concentrated on specific action priorities:

- All business units are working to reduce packaging weight. Our targets for 2020 include a reduction in packaging weight by 20 percent compared to sales (base year: 2010).
- By 2020, we want to increase the proportion of recycled polyethylene terephthalate (PET) in bottles and recycled aluminum in cans.
 - Cans: We want to increase the use of recycled aluminum in Europe to 9 percent.
 - Bottles: Our goal is to increase the amount of recycled material in our PET bottles in Europe to 33 percent.
- Additionally, we want to reach more than 300 million consumers through more targeted information on recycling.

Henkel packaging: 2017 footprint¹



¹ Around 871,000 metric tons (estimated; based on expenditures for packaging material).

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Partnership with Plastic Bank – Transforming waste into opportunity

Henkel was the first major global fast-moving consumer goods company to enter into a partnership with the social enterprise  **Plastic Bank** in 2017. The joint goal is to reduce plastic waste in the oceans while creating new opportunities for people in poverty. As part of the partnership, new plastic collection centers are being built in Haiti. The local population can return collected plastic waste and exchange it for money, goods, or services. This creates value from plastic before the waste enters waterways or oceans. Henkel is also researching ways of incorporating the plastic collected into its own product packaging in the future.



The local population in Haiti collects plastic waste and exchanges it for money, goods, or services. This prevents the waste from entering waterways or oceans.

Founded by David Katz in 2013, The Plastic Bank seeks to encourage one billion people worldwide to monetize waste. This improves the live of people in poverty – especially in countries that lack waste management infrastructure.

The Plastic Bank is an important strategic partner for Henkel. The social enterprise offers solutions to both the environmental problems of plastic waste and the social challenges posed by poverty and the lack of employment opportunities. The Plastic Bank has also demonstrated that its model is scalable and has the potential to be adapted for replication in other regions of the world.

The partnership is supported by the Beauty Care and Laundry & Home Care business units. It will initially focus on Haiti, where the lack of waste management infrastructure means there is significant potential for positive impact. Here's how the system works: The local population receives money, goods or services in exchange for the collected plastic. The plastic waste is sorted and processed, and then integrated into recycling value chains as Social Plastic®: Material that has been verified by the Plastic Bank to indicate that the collectors received an above-market price for the plastic waste.



Founded in 2013, The Plastic Bank seeks to encourage one billion people worldwide to turn waste into value. This improves the living conditions of people in poverty.

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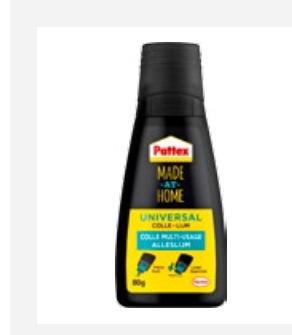
Examples of sustainability in our packaging development



The new trigger pump system for spray bottles of the Bref, Sidolin, Biff, Sidol and Sil brands makes it easier and more efficient to use liquid products. The new spray pump design saves more than 450 metric tons of plastic material per year, which corresponds to savings of 900 metric tons of crude oil.



The PET shampoo bottles used for the Syoss hair care range are made of 25 percent recycled PET and save 167 metric tons of new PET material. The carbon footprint of recycled PET plastic is 80 percent lower than that of comparable new material.



Both the bottle used for Pattex Made at Home all-purpose glue and the adjustable applicator nozzle for filigree and wide-area gluing are made of 100 percent recycled material.

We divide our progress into the following three areas:

1. Less packaging and waste

Reducing packaging material or avoiding it completely is the best way to minimize waste and thus negative environmental effects. This is why we aim to do away with all packaging that is not absolutely essential. We continually strive to reduce the quantity of packaging material in the entire product life cycle without impacting the quality, performance, or safety of our products. Packaging is designed in such a way that it delivers the performance expected by the consumer while using the least possible amount of materials. To achieve this goal, our packaging engineers work closely with partners along the entire value chain, so they can make use of leading design techniques, modern production technologies and advanced materials in the development process. For example, we cooperate with external research institutions on an ongoing basis to develop packaging formats that offer the consumer the same quality with less material.

2. Better packaging

The most widely used packaging materials made from renewable raw materials are paper and cardboard. We want to continually increase our use of these materials. We also test and assess new packaging materials, such as bioplastics. The polymers of these materials are based on raw materials obtained from plant sources, such as cane sugar or maize. Provided they can deliver the same technical performance as conventional polymers, they can offer a good alternative and provide long-term economic benefits. We work together with external partner universities, raw material suppliers, and processors to identify possible bio-based materials and actively support their



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further development. We jointly assess where it makes sense to use biopolymers as packaging materials from a technical, economic and environmental point of view. Using life cycle analyses, we ensure that the environmental effects will be less than those of mineral-oil-based materials.

Biodegradable plastics

Biodegradable plastics can be based both on renewable raw materials and mineral-oil-based sources or a mixture of the two. Ideally, renewable materials are produced using a sustainable cultivation method and can later be broken down into their natural constituent parts. Unfortunately, biodegradable plastics have not yet been able to meet the stringent requirements that we place on our packaging materials with regard to reliable hygiene, product protection, quality, incentive to buy, and aesthetic appeal. One problem is their limited life. In addition to the consumption period, we must also ensure a shelf life of several years for our consumer goods. This has not yet been achieved with biodegradable plastics. Technical aspects such as formability and dimensional stability still also need to be optimized. In addition, many materials are not compatible with existing recycling systems. Nevertheless, we follow developments in this sector carefully and actively search for suitable materials and possible uses.

Dispensing with PVC

Polyvinyl chloride (PVC) is often criticized as a packaging material, as it is not collected via an official recycling system in some countries, but is disposed of without the use of industrial incinerators. This can lead to emissions that pose a possible danger for the environment and human health.

Henkel began to reduce 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 one percent of our total global expenditure on packaging. Our packaging engineers continue to work in close collaboration with our packaging suppliers to find alternative materials. Our goal has always been to find replacements for PVC in all of our packaging material.

3. Enabling a circular economy

Using recyclable packaging materials for markets with regional collection and recycling systems

As the majority of packaging becomes household waste after use, our packaging developers are continuously searching for smart packaging solutions that reduce the volume of waste on the consumer side. In order to create closed loops, we aim to make the materials used in our primary, secondary and tertiary packaging recyclable and/or reusable after the packaging has been used. We also work with stakeholders from a variety of industries to drive innovation in packaging development: For example, Henkel participates in the New Plastics Economy Initiative, a three-year program initiated by the Ellen



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MacArthur Foundation. We rely on packaging materials for which there are public recycling systems or that are compatible with the relevant regional collection and recycling systems. For example, we support local collection systems such as the “Green Dot,” which allows our consumers to recycle packaging without any fuss. We focus on mono-materials, which can be recycled particularly efficiently.

We also inform customers and consumers about the recyclability of the materials, for example, by marking packaging accordingly. We also work in close collaboration with suppliers and industry partners to reduce the amount of secondary packaging (outer packaging) – by using recyclable transport containers, for example.

Use of recycled paper and cardboard material or, where necessary, fresh fiber originating from sustainable forestry

As a signatory to a  Consumer Goods Forum initiative against worldwide deforestation and for the protection of biodiversity, Henkel undertook to take individual and collective measures to stop global deforestation and achieve the objective of “zero net deforestation by 2020.”

Paper-based packaging offers many benefits. With regard to packaging design, it is both structurally and visually the most versatile and can be used for a very wide range of products. It is also characterized by high material strength and is easy to handle in production, distribution and marketing. It is inexpensive and is very often perceived by consumers to be “eco-friendly.” The greatest advantage of paper-based packaging is the fact it can be recycled, which is why it plays an important role in our primary, secondary, and tertiary packaging.

Our paper-based packaging currently comprises more than 60 percent recycled paper and cardboard material. We strive to ensure that the paper-based packaging for our entire product range is made either from recycled material or – if fresh fiber is required – from sustainable forestry sources. To do this, we work in close collaboration with our suppliers.

Disposal

The packaging for our branded consumer products becomes household waste after use. In order to reduce waste generation, we try to minimize the amount of materials we use and rely on materials for which public recycling systems are available. In Germany alone, we have been able to reduce the volume of our packaging materials by around half since the 1980s.

Transport packaging

Transport packaging is developed so that pallets and containers can be optimally packed. The requirements of transport safety and transport capacity utilization impose limits on reductions in transport and secondary packaging. The packaging materials we use must be sturdy in order to ensure that our products are not damaged during transport, and that our trucks and freight cars can be optimally loaded in terms of volume and weight. For our industrial customers, we offer multi-use systems such as reusable transport containers and secondary packaging.



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Partnership – from waste to a valuable building block

Henkel is a consortium partner of the  [GreenSolRes project](#), an initiative to convert biological waste into material that can be used in the production of adhesives and consumer goods. Base materials obtained in this way are environmentally compatible alternatives to mineral-oil-based products. The objective of the GreenSolRes project is the sustainable and competitive industrial production of levulinic acid, a versatile chemical compound that can be converted into valuable building blocks for Henkel products. Levulinic acid is produced from lignocellulosic waste, i.e., agricultural products such as straw or hay, and fuels from forestry and agriculture. In contrast to some of the bio-based building blocks used to date, they therefore do not compete with food production. An additional advantage is that bio-based building blocks save up to 70 percent in greenhouse gas emissions compared to comparable fossil-based compounds.

Emerging markets

In fiscal year 2017, Henkel generated worldwide sales of 20,029 million euros, 40 percent of which was generated in the emerging markets of Eastern Europe, Africa/Middle East, Latin America and Asia (excluding Japan). 54 percent of our people are employed in the emerging markets, and those regions account for 39 percent of our global purchasing volume from them. This makes us an important employer there and a local business partner.

The issue of the social added value of products is especially important in the emerging markets. Products geared to the needs of the lower income groups not only have economic potential, but also make positive social contributions, for example to health and hygiene in the household. In order to meet needs that differ greatly around the world, we pursue different strategies depending on the market situation:

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

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

- Locally adapted products: Different regional conditions may also require the adaptation of our product formulations. In North Africa and Latin America, for example, water is a scarce and valuable resource. So Henkel has brought a fabric softener for washing clothes by hand onto the market in Egypt, Tunisia and Mexico, whose special formulation rinses the suds away more quickly. Another example is our construction technology and DIY products in Eastern Europe. Since local building materials are often very different from those available in Western Europe, we offer locally adapted products such as CM9 tile adhesive.

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Making a difference

Our high-impact solutions and products are used in a comprehensive range of industrial and consumer applications. As a market leader for adhesive technologies, sealants and functional coatings across diverse markets, we have a strong sense of our responsibility to deliver products and services that drive progress toward sustainability. To make a decisive difference, we utilize our global presence and expert knowledge to enable our customers and support our partners in their commitments to sustainability. We do this by creating solutions that enable our customers to design and manufacture more sustainable products in a more efficient and safe way, and by driving progress toward the circular economy together with strong partners.

Enabling our customers

From the automotive, aerospace and general industries through to electronics and food packaging, our innovative solutions empower our customers to reduce energy consumption, cut emissions and waste, and increase worker safety. By working closely with top innovators and partners along the entire value chain, Henkel's expert teams develop a deep understanding of the specific challenges and technology trends for each of our markets. This puts us in a unique position to provide our customers with solutions that create added value, increase efficiency and drive progress toward sustainability.

In the electronics industry, for example, Henkel has developed a range of leading solutions that enable manufacturers of smartphones and other devices to meet rising expectations for functionality and



"We work together with customers, suppliers and other stakeholders to drive progress toward our joint sustainability goals. Our unique portfolio and global presence, as well as our leading expertise and innovative technologies, make us an outstanding partner."

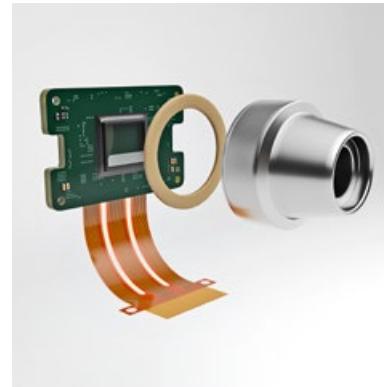
Jan-Dirk Auris
Executive Vice President
Adhesive Technologies

performance – while also providing greater freedom in the design process, cutting resource consumption, and reducing waste.

Together with our customers in this market, we have developed a range of materials to address the increasingly demanding applications for camera modules in smartphones. Users expect these cameras to deliver the same sophisticated range of functions as a high-end traditional camera, even though the compact camera modules are housed within a small, thin device that also performs other functions.

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Our Loctite Ablestik non-conductive adhesives are used to bond components in electronic devices – like the camera modules in smartphones. The technology can be applied at a lower temperature than conventional adhesives, enabling our customers to reduce energy consumption and the associated CO₂ emissions.

Loctite Ablestik non-conductive adhesives (NCAs) for bonding components within electronic devices are one example of how we support our customers in achieving their ambitions for performance and sustainability. Many of Henkel's NCAs cure at a significantly lower temperature than traditional adhesives used for compact camera module applications. As a result, our customers are able to save energy by lowering the curing oven temperature within the assembly process – reducing the associated CO₂ footprint.

Enabling innovative design

By working with our customers as early as the design stage, we are able to open up innovative new design possibilities that contribute to sustainability. For example, we worked together with one of our customers in the construction industry to successfully develop a new tailor-made solution for cross-laminated timber (CLT) mats, making them lighter and easier to produce – with a reduced carbon footprint. The solution, which was also developed together with machine OEMs, covers the functionality of an adhesive and a primer, as well as optimized processes and equipment.

The mats are placed on the ground to support heavy equipment on building sites for large construction projects. Traditionally, the mats are made of hardwood and attached with steel bolts, which makes them heavy and labor intensive to produce. The solution developed by Henkel and our partners makes it possible for mat manufacturers to eliminate the use of bolts, and to use soft woods that grow quicker and are less expensive than hard woods. Additionally, the adhesive is solvent and formaldehyde free, and bonded mats are lighter, twice as strong and five times stiffer than conventional ones.

Our technologies enable our customers to solve design and assembly challenges in a range of industrial and manufacturing applications. Our two-part hybrid adhesives, for example, help our customers to drive progress toward sustainability by replacing traditional fasteners like screws and bolts – which can reduce the weight of the final product and decreases overall carbon footprint. Our adhesives leverage a patented technology that combines the key attributes of both structural and instant adhesives. This results in a powerful combination of bond strength, speed and durability that provides improved performance on a variety of substrates in a wide range of applications. The hybrid technology also offers improved health and safety properties compared to other structural adhesives, as hybrids are formulated to reduce the potentially flammable or corrosive ingredients. This key feature enables wider use in manufacturing processes.

Henkel Sustainability#Master® – Loctite EA 9845 LC Aero in comparison to traditional lightning strike protection

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Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
 Performance					Improved paint adhesion and smoother finish	Easier to repair and rework
					Minimizes manual sanding process	
 Health and Safety						
 Social Progress						
 Materials and Waste					Less scrap	
 Energy and Climate			Reduced materials to transport	Reduces process to single-step	Enables lightweighting	
 Water and Wastewater				Enables curing without autoclave		
Footprint						

 Significant improvement

Enabling technology trends

Henkel's leading knowledge and global market presence enables our teams to anticipate and respond to trends in technology and society – turning challenges into a competitive advantage. We work closely with leading manufacturers in the automotive and aerospace industries to support them in responding to increasing requirements for safety and comfort, as well as to produce lighter vehicles that consume less fuel and produce less CO₂ emissions.

To overcome these challenges, vehicle and aircraft manufacturers increasingly use components made from composites instead of met-

als, as these materials are lighter and stronger. However, composites are not able to dissipate energy from lightning strikes – an important consideration for aircraft manufacturers. Traditional responses to this have used a two-step process that involves applying a layer of adhesives, and then adding a layer of copper or aluminum mesh to diffuse energy from lightning.

Henkel developed Loctite EA 9845 LC Aero, a surfacing film with integrated metallic mesh that is applied to an aircraft's exterior to protect the composites against lightning strikes. It delivers a 30-percent weight saving compared to other surfacing films, and enables customers to



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Trends in the automotive industry – like electric vehicles – open up opportunities to support our customers in their ambitions for greater sustainability.

reduce overall aircraft weight, fuel consumption and emissions. The first successful roll-out on the Latitude business jet supported Textron Aviation in switching from the two-step process described above to a single-step process. The ready-to-use film also produces a smooth surface with improved aerodynamic properties, is easier to paint, and eliminates waste from scrap mesh.

→ Explanation of Henkel Sustainability#Master®

We are also working together with our customers to help reduce vehicle emissions and decrease the world's dependence on fossil fuels. Together, we are exploring opportunities related to the market for vehicles that use alternative energy, like hybrid electric vehicles. Hybrids are popular among consumers, and are now becoming lighter, more affordable, and offer improved range and power. This is

significantly due to innovations in rechargeable lithium-ion batteries, like those used for computers and cell phones. Henkel is supporting its automotive customers in responding to this development through its portfolio of thermal management materials, structural and electrically conductive adhesives, printable heaters, and functional coatings which makes batteries less expensive and more effective. These technologies improve battery performance and reliability.

Enabling shared expertise

We provide customers all over the world with advice, training and service. We maintain a continuous dialog and train them in using our products in their applications safely and efficiently. We use our close customer contact to strengthen customers' awareness of sustainability and to demonstrate how our innovative solutions can help them reduce their footprint and increase resource efficiency.



Our experts work together with automotive customers to develop and test components made from composite materials at our state-of-the-art laboratories in Heidelberg, Germany, and Yokohama, Japan.



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Our newly-opened test facility for composites near Yokohama, Japan, demonstrates this element of our approach. Our teams work with automotive OEMs and tier 1 suppliers from across Asia to develop and test composite parts that reduce vehicle weight and increase performance. The innovative new composites lab, which builds on our similar facility in Heidelberg, Germany, enables our customers to optimize their production processes by carrying out trials on Henkel's state-of-the-art equipment. Our teams then support the customer as they look to reduce weight in cars and trucks to help boost fuel economy and reduce emissions.

Henkel provides stakeholders from the food and packaging industries with insights into the current legislation and developments relating to food safety. Our [Food Safe Packaging knowledge platform](#) offers white papers, webinars, and videos in a range of languages. Since its launch in 2013, more than 5,000 participants have been able to communicate directly with Henkel experts during more than 70 webinar sessions offered on this platform. They support producers in being able to offer a very high level of safety in their food packaging. Our commitment to sharing knowledge by interacting and collaborating with partners along the entire value chain is central to this approach.

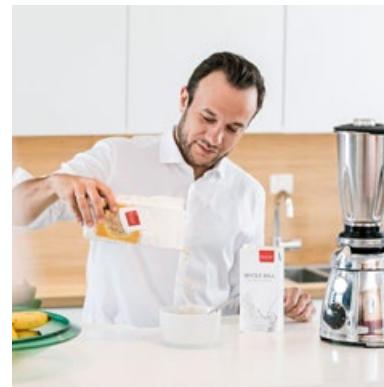
Partnering along the value chain

When it comes to collaborating for sustainability, Henkel is a strong partner because of its unique business model. We are able to contribute expertise as a manufacturer of fast-moving consumer goods like laundry detergents, shampoos or glue sticks. Alongside this, our experts also possess a uniquely broad understanding of the challenges and possible solutions related to consumer packaging – because we are a global leader in adhesives and other advanced technologies used for packaging applications.

Our involvement in cross-industry initiatives related to flexible packaging is a strong example of this. Flexible packaging is very popular due to its outstanding range of properties: It creates a strong protective barrier against external influences, and extends product shelf life. It also offers advantages in logistics, because it is lightweight, robust and space-saving. Flexible packaging presents a challenge in terms of sustainability because it is difficult to recycle. This challenge arises for around 30 percent of the flexible packaging on the market, which consists of multiple layers of film or foil that are often made from materials that are difficult to separate and cannot be recycled together.

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Food packaging ensures the safety and intactness of products while protecting them against external influences. Our teams are working with partners from across industries to drive progress toward sustainable packaging.

Our teams are working with the technology provider Saperatec to develop a solution to separate the individual layers and make recycling possible, which is currently being evaluated in applications at its pilot plant. This is an important step for the packaging industry, as the legal requirements for the recycling of plastics are being strengthened. It also enables us to support our customers and their consumers in driving progress toward sustainability.

Alongside our collaborative projects with partners like Saperatec, we are also involved in a range of initiatives that bring together stakeholders from across the entire value chain. These include the **New Plastics Economy**, an initiative aiming to build momentum toward the “circular economy” principle – where materials are gathered after use and can be reintegrated into a new production process over and over again. We are also participating in **CEFLEX**, a consortium of close to 50 European companies and organizations aiming to make flexible packaging more relevant to the circular economy by advancing better system design solutions.

Partnering with pioneers

Alongside our collaborative activities with suppliers and customers, we also work with innovative partners from outside our direct value chain. Our **TerraCycle** – a US company that offers recycling solutions for typically non-recyclable materials – continued to expand throughout 2017. Our Product Development teams worked with TerraCycle to develop a recycling solution for several technologies from our Loctite brand, including anaerobic adhesives, light cure adhesives and cyanoacrylates. Once adhesive residue has been removed from the bottles, they are melted down and processed into pellets that are used to manufacture goods like park benches and outdoor furniture. The plastic can even be put back into the bottle manufacturing process, enabling the development of a “circular economy” approach. The partnership is currently active in five countries: Canada, USA, Germany, China and Australia.



The solution developed via our partnership with TerraCycle makes it possible to recycle the packaging for our adhesives into material that can be used to create new goods such as outdoor furniture.

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Partnering for social progress

We want to contribute toward social progress, and work with local communities and our partners to create value. The Adhesive Technologies business unit uses its strong brands to drive contributions to society. With the support of the “Fritz Henkel Stiftung” foundation, our consumer brand Pritt has been working together with Plan International to → **build a new school** in the municipality of Codó, Brazil. In 2017, a second school was renovated and refurbished. Teachers have also benefited from training courses to improve their skills, and the children and their families have been able to attend workshops on basic children’s rights such as education or health and nutrition. The goal of the initiative is to create an appropriate learning situation for children and to help them break the cycle of poverty.

Our Welcome Home initiative, a social responsibility program aiming to provide a safe home for families and children in need, entered its second year in 2017. Together with aid organizations, employees from the Adhesives for Consumers, Craftsmen and Building business area travel to construction sites to support the renovation and building of safe places to live. The goal of the program is to give people a foundation on which to build a better life. One of the key activities in 2017 was a week-long project in Veles, Macedonia, conducted in cooperation with Habitat for Humanity. Working hand-in-hand, 18 Henkel employees from across Europe joined forces with 12 local employees from Serbia, Kosovo and Macedonia to support the construction of an apartment building for families in need.



Together with the organization Habitat for Humanity, teams from Henkel's Adhesives for Consumers, Craftsmen and Building business area supported the construction of an apartment building for families in Veles, Macedonia, in 2017.

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Improving quality of life

In our Beauty Care business unit, we want to improve people's quality of life through innovations and partnerships, and contribute to creating sustainable value in our social environment. Our focus in the development of new products is on consumers. We want to offer them safe, high-performance products while motivating them to contribute to the responsible use of resources through their behavior. We also want to make a measurable contribution to social progress and fulfill our social responsibility. The objective of our Million Chances initiative is therefore to help girls and women around the world build a successful professional future and develop personally as well.

Every contribution counts

Sustainability is of paramount importance in the development of product innovations. Our mission at Beauty Care is to ensure that every innovation stands out for its performance and attractiveness, as well as for its environmental compatibility and social responsibility.

Henkel is committed to contributing to greater sustainability with each new product. This is why at Beauty Care, we had already calculated the CO₂ footprint of all of our 165,000+ product formulas two years ago and are now able to analyze and, where possible, implement improvements at any time in order to achieve a more sustainable product profile. To improve and simplify the use of our comprehensive measuring systems even more, a sustainability report has been avail-



"We want to create more value through sustainable innovations in our consumer and hair salon business. Our aim is to make a positive contribution to a better quality of life while at the same time fulfilling our social responsibility."

Jens-Martin Schwärzler
Executive Vice President
Beauty Care

able in compact form for each formula since 2017. This report summarizes all relevant information on the ingredients, such as the CO₂ value, the amount of renewable and readily biodegradable ingredients or the water hazard class. At all times, the standardized methodology and comparability of the reports provides our developers with easy access to information about how our formulas contribute to sustainability, as well as full transparency about potential optimizations in favor of a reduced footprint. Here are some examples of products that stand out for their performance and sustainability profile.

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Schauma Nature Moments

Schauma Nature Moments shampoo with fair-trade argan oil from Morocco and macadamia oil repairs and nourishes damaged hair. The sophisticated formula is one of our DERMOCERT labeled cosmetic products, which have proven their excellent compatibility in special dermatological tests. The shampoo is produced without additional heat during the production process, which saves energy and reduces the associated CO₂ emissions. A new process has been introduced for labeling the bottle, which enables the release liner to be recycled. This saves a considerable amount of waste. Beauty Care was awarded the → **RafCycle Award** for this in 2017. The largest share of CO₂ is generated during use of the shampoo. This is why the Schauma brand is part of our  **BeSmarter** initiative, which we use to raise consumer awareness about the responsible use of water and energy.



Schauma Nature Moments shampoo offers high-performance as well as excellent compatibility, as demonstrated by the DERMOCERT label it carries. A new labeling process reduces the amount of waste produced and saves energy and CO₂ in the production process.

Got2b dry shampoo

The new Got2b dry shampoos combine practical hair cleansing and styling with significant environmental savings compared to conventional shampoos used in combination with warm water. These new products contain colored rice starch, formulated so that the starch and color pigments do not separate. This prevents gray haze from

forming on the hair and white residue from building up on clothing. When used as a styling product, it also gives hair texture and volume. Compared to washing with a conventional shampoo, the reduced footprint is particularly significant: 200 grams of CO₂ can be saved with each application.



Got2b dry shampoo helps to save water and energy. This helps our consumers to reduce their footprint while using our products. The new dry shampoo also prevents gray haze and residue from building up on hair and clothing.

Together with our consumers

Our goal is to achieve a better 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 the 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. Overall, more than 70 percent of the hot water consumed in a household is used for showering. Beauty Care uses its brands to inform customers and consumers about the sustainable use of products and to give them ideas about the responsible use of water as a resource. As a contribution to the overall Henkel goal of helping consumers save 50 million metric tons of CO₂ by the year 2020, Beauty Care launched the BeSmarter initiative in 2016. Information on the product packaging, a comprehensive information website and additional support measures at the points of sale explain to con-

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sumers how they can make a contribution to conserving resources. Since the initiative was launched, 10 brands and 25 countries have participated in the implementation of our goal. During [World Water Week 2017](#) Beauty Care also addressed its own employees at the Düsseldorf site, encouraging them to assess their showering habits. In cooperation with the Swiss start-up Amphiyo, a meter installed between shower head and shower hose to measure water consumption and energy use in real time during showering was presented. This meter, which is operated purely by the water flow, helps consumers better assess and modify their showering habits.



The BeSmarter initiative introduces consumers to the responsible use of water as a resource, in particular with regard to the use of our products. 10 brands are now active in 25 countries.

In 2018, the BeSmarter initiative will focus on recycling. In many countries there are already collection and recycling systems for packaging, such as the "Green Dot" in Germany. In other countries, however, waste management practices are still far less developed. In addition to waste management, recyclability, i.e., the selection of suitable materials and material mixes, also plays an important role. We would like to use our brand communications to educate as many consumers as possible on this subject and to raise their awareness.



Together with start-up Amphiyo, Henkel provided its employees in Düsseldorf with information on how to conserve resources when showering during World Water Week.

Partnerships for sustainable solutions

For many years, the focus of our Beauty Care business unit has been on the development of innovations that make a contribution to sustainable development. To this end, we develop solutions together with partners across the entire value chain. An increasingly important topic, and one of our goals at Henkel, is the promotion of a circular economy. In addition to basic recycling systems in our markets, consumers also play an important role in this context. In partnership with [TerraCycle](#), a company offering recycling solutions for materials that are usually non-recyclable, as well as with selected retail customers in Austria and the UK, consumers could dispose of Fa and Right Guard branded empty cosmetic packaging in special collection containers in 2017. The second step was to produce new consumer goods such as mobile fitness equipment and children's slides from the empty packaging. This prevents valuable raw materials from being incinerated or deposited in landfills. They can also give rise to new products.

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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. Since the initiative was launched, 44 projects have been implemented and around 7,500 women have been reached in cooperation with international charities and through volunteering by our employees. For example, the initiative offers help with a career change or getting a new start in private life. In Colombia, for instance, we worked with Plan International to train women, who often have no access to education, in entrepreneurial thinking and acting so that they could be financially independent.



Schwarzkopf's Million Chances initiative was launched in 2016 to help women and girls build a successful future for themselves. The initiative is supported by charities and the volunteer work of Henkel employees. Photo: Plan International.

2017 also saw the launch of a → [strategic partnership](#) with social enterprise [the Plastic Bank](#). The goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. Henkel's program initially focused on setting up collection points for plastic waste in Haiti. Local communities on the island will receive money, goods or services in exchange for collecting plastic waste. The plastic that is collected is sorted and processed, and then integrated into recycling value chains as Social Plastic®. Material that has been verified by the Plastic Bank indicates that the collectors received an above-market price for the plastic waste. In the future, packaging for Henkel products will be produced using Social Plastic®.



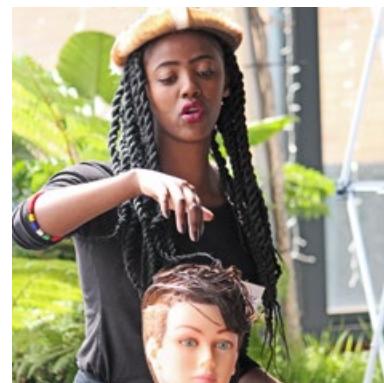
In 2017, Henkel teamed up with the Plastic Bank, a social enterprise. The common goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. In Haiti, local communities can receive money or social services in exchange for collecting and recycling plastic waste.

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Another long-term project that is designed to help young people around the world secure their future is  **Shaping Futures**, which acts as a vital support for 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 and thus establish livelihoods. Since its foundation, the Shaping Futures initiative has trained over 1,900 young adults from 30 countries thanks to the volunteer efforts of hairdressers. In 2017, 20 training sessions were held in 17 countries. New additions to the program are Georgia and Hungary. In Myanmar, in addition to the initial training courses, we worked together with the "Fritz Henkel Stiftung" foundation and other partners to construct a school building and facilities for these purposes. In the long term, the plan is to enable young women to complete a six-month training course to become beauticians, with three months focusing on hairdressing.



The Shaping Futures initiative by Schwarzkopf Professional allows young people the opportunity to obtain training in basic hairdressing techniques and thus establish livelihoods. Since its foundation in 2010, over 1,900 young adults from 30 countries have been trained.

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 the courage to live during cancer therapy. For eight years now, Beauty Care, together with DKMS LIFE, have been organizing the Düsseldorf charity Ladies' Lunch to promote their commitment to female cancer patients.

By 2020, we plan to reach a total of 140,000 women and girls under the umbrella of the Million Chances initiative.



Beauty Care supports DKMS LIFE's "look good feel better" patient program, which organizes free cosmetic seminars for female cancer patients. In dialog: Schwarzkopf hair expert Armin Morbach with sponsor Marina Ruperti.

Henkel Sustainability#Master® – Barnängen All Over Intensive Body Balm

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Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
 Performance	Based on natural ingredients				Provides excellent care	
 Health and Safety					High dermatological compatibility	
 Social Progress	Beeswax in line with the Good Beekeeping Practices standard					
 Materials and Waste	70 % renewable raw materials		Lightweight plastic jar		No product residues in the jar	
 Energy and Climate	No aluminum sealing of the jar					
 Water and Wastewater						
Footprint						

 Significant improvement

The Henkel Sustainability#Master® shows the sustainability profile of the new Barnängen All Over Intensive Body Balm. Its formula is based on the classic concept of cold cream, an emulsion based on selected natural ingredients that has been known since ancient times, combined with the active ingredients allantoin and chamomile. Altogether, the formula comprises 70 percent renewable raw materials. The patent-pending formula contains moisturizing beeswax obtained according to the Good Beekeeping Practices standard. This rich cream

is quickly absorbed and offers a particularly high level of skin care. The product is packaged in a lightweight plastic jar to avoid transport emissions caused by weight. In addition, the packaging does not require additional aluminum sealing for product protection. Choosing a jar instead of other packaging formats also makes it easy for consumers to empty the container completely.

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



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Working together to conserve resources

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

Focus on the use phase

An important objective is fostering resource-efficient consumption. Our products are the key here. They are used daily in millions of households and often require water and energy. As much as 80 percent of the environmental footprint of our products is generated during their use. This is why we concentrate on developing products that enable the efficient use of resources. By using targeted information for consumers, we also work to promote responsible-minded behavior while using our products. Through specific communication 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, which provides information to consumers via the internet about how to conserve resources when washing.



"Our absolute priority is to have all our products meet the criteria of quality and environmental compatibility. Beyond that, our goal is that they also help to fulfill our responsibility for the well-being of consumers, the environment and society."

Bruno Piacenza
Executive Vice President
Laundry & Home Care

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

Deliver more value with sustainable innovations

The innovation rate at the Laundry & Home Care business unit was around 45 percent in 2017. In other words, the business unit generates around 45 percent of its sales with products that have been on the market for less than three years. Moreover, Henkel has been using ingredients based on renewable raw materials for decades. In 2017, around 30 percent of the organic ingredients in our laundry detergents and household cleaners were derived from renewable raw materials.

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Industry meets science

In its innovation management, Laundry & Home Care is focusing increasingly on collaborative research and open innovation, harnessing the capabilities of external innovation partners such as universities, research institutes, suppliers and customers. In order to understand precisely what customers and consumers need and develop first-class innovations, collaboration often begins before the actual product development phase.

Using renewable raw materials is a key part of sustainable laundry detergents and household cleaners. At the Henkel Innovation Campus for Advanced Sustainable Technologies (HICAST), a cooperative venture between Henkel and the RWTH Aachen University in Germany, promising progress has been made in the field of sustainable raw material bases; this effort was honored with the Laundry & Home Care Research Award 2017. The prize went to Dr. Peter Hausoul for his



Prof. Dr. Thomas Müller-Kirschbaum (left), Global Research and Development Manager at the Laundry & Home Care business unit, and Dr. Michael Dreja (right), Global Research Manager at the Laundry & Home Care business unit, presented the 2017 Laundry & Home Care Research Award to Dr. Peter Hausoul.

research on synthesis routes for new high-performance detergent active substances, also known as surfactants, based on biomass, which could improve the carbon footprint of laundry detergents in the future. Dr. Hausoul has used intermediate products obtained from biomass as building blocks to design innovative surfactants. Patents are already pending for several substances. Together with Henkel's research scientists, he was able to show that the new surfactants really work in practice. Dr. Hausoul's work shows that catalytic processes make it possible to obtain new bio-based surfactants that could in the long run replace the raw materials currently used in laundry detergents. These findings are an important milestone for the further development of resource-conserving and climate-neutral products.

Somat Gold receives another award

In the German machine dishwashing detergent test conducted by the consumer watchdog organization Stiftung Warentest, Somat came out on top in the test for the seventh time. Since Somat products deliver full performance even with low-temperature programs and without pre-soaking, they have already made a significant contribution to reducing energy and water consumption in the past. All of the European dishwashing products sold under Henkel's Somat brand, which is also marketed as Pril in some countries, have been free of phosphate (i.e., the salts of phosphoric acid) since April 2016. The phosphates have been replaced with the power of citric acid. This made Henkel one of the first manufacturers of branded consumer goods to comply with an amendment to the EU Detergents Regulation, nine months before its entry into force, which requires that detergents for household dishwashers be virtually free of phosphorus compounds starting in January 2017.

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Laundry & Home Care launched Persil Sauber & Glatt (Clean & Smooth) in April 2017. This innovative detergent protects clothes from wrinkles in the washing machine and makes it easier to iron dry clothes. The product is now available in Belgium, Germany, Greece, Italy, Spain and Cyprus. Less ironing means less energy consumption for the consumer. This saves more than 100,000 tons of carbon dioxide worldwide every year.



Laundry & Home Care brought the innovative product Persil Sauber & Glatt on the market in 2017. It protects clothes from wrinkles in the washing machine and makes it easier to iron them. Chemical laboratory assistant Ingrid Gattner (left) and product developer Dr. Martina Seiler examine the pattern of wrinkles in dry laundry.

Compared to powder laundry detergents, liquid laundry detergents contain more ingredients based on renewable raw materials, use up to 80 percent less energy in the production process and thus contribute to sustainability. Since liquid laundry detergents dissolve instantly in contact with water, consumers are also more willing to reduce the washing temperature, which also contributes to resource conservation. If, for example, users were to select 30 instead of 40 degrees Celsius for all machine loads washed with Henkel products for colored laundry and synthetic textiles, this would have the potential

to avoid around two million metric tons of CO₂ every year. This corresponds to the amount of CO₂ taken up every year by more than 40 million trees. Persil's new logo with the motto "be sustainable – wash cold" will draw consumer attention to the potential savings.



Henkel will use the "be sustainable – wash cold" logo on its laundry detergent packaging to draw attention to the issue of saving energy during washing. By reducing the washing temperature, consumers can save energy and carbon.

Sustainable packaging solutions

The key goals of Henkel's packaging developers are the reduction and reuse of packaging material and the increased use of recycled materials. The reusable Persil box for liquid detergent capsules, for example, uses 40 percent less packaging raw materials than the box it is replacing. This corresponds to annual savings of 1,350 metric tonnes of plastic material. The separation of paper and plastic packaging material also increases recyclability to 100 percent. A further example is the bottle used by Persil Sauber & Glatt: In Germany, bottles containing 20 percent recycled polypropylene (PP) from industrial processes were produced for the first time in 2017.

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Since most packaging becomes household waste after use, we are constantly in search of intelligent packaging solutions that reduce consumer waste. The reusable Persil box is 100 percent recyclable.

Pro Nature – products with high standards

Henkel's Pro Nature range with products from Pril and Sidolin meets the criteria for the "Blue Angel" designation. As an eco-label owned by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, "The Blue Angel" designates products that meet high environmental, health, and consumer standards and are more environmentally compatible than comparable conventional products. For example, a surfactant that is based 100 percent on renewable raw materials was specifically selected for the formula of Pril Pro Nature Sensitive. In addition, the new sealing



Pril Pro Nature Sensitive meets the criteria of the "Blue Angel." It contains ingredients based on renewable raw materials and its pH-neutral formula is gentle on the skin. In a competition run by the German magazine Lebensmittelpraxis, consumers voted it 2018 Product of the Year.

caps on Pril bottles prevent the buildup of dishwashing liquid residues on the outside and enable more accurate dosing. The weight of the bottle, which currently contains 25 percent recycled material, was also further reduced by using less plastic. The overall contribution to conserving resources amounts to more than 1.3 million kilograms of plastic per year. Practical refill bags for cleaner products Biff and Sidolin make another contribution to sustainability by enabling consumers to save packaging waste and contribute to sustainable consumption.

Vernel Suprême – deluxe laundry care

This specially gentle fabric softener provides soft laundry and a delicate fragrance. Its creamy formula cares for and protects the fibers of clothing and, through its higher concentration, also contributes to resource efficiency with savings of 11,100 metric tons of fabric softener per year compared to conventional fabric softeners. This corresponds to the contents of more than 18 million bottles, including the raw materials, production, logistics and disposal of the plastic material.



The innovative fabric softener Vernel Suprême not only ensures soft laundry and a delicate fragrance but also contributes to resource efficiency. The more concentrated formula saves 11,100 metric tons of fabric softener per year.

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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. The goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. As part of the partnership, new plastic collection centers will be built in Haiti. The local communities can return collected plastic waste and exchange it for money, goods, or social services. This creates value from plastic instead of letting it enter waterways or oceans as waste. Henkel is also working on using the recycled plastic in its own product packaging. The partnership is supported by leading brands from the Laundry & Home Care business unit, among others. We will be linking the partnership with the Pro Nature variants of the Pril, Sidolin and Biff brands and with the newly developed Lovables product line.



In 2017, Henkel teamed up with the Plastic Bank, a social enterprise. The goal is to reduce plastic waste in the oceans while providing new opportunities for people in poverty. As part of the partnership, new plastic collection centers will be built in Haiti.

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

A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, has for many years helped the European laundry and cleaning detergent industries to play a leading role in sustainability measures. As a long-standing member of the association, Henkel was the first company to successfully fulfill the criteria of the "A.I.S.E. Charter for Sustainable Washing and Cleaning" in 2005. As part of its further development, the Charter was extended in 2010 to include the key dimension of "Products." It has thus become possible to show not only that a product was manufactured by a company with sustainable business practices, but also that the product itself has an advanced sustainability profile. In the "Laundry Detergents" category, for example, four criteria are of particular importance: environmental safety of the ingredients, resource efficiency with regard to dosage and packaging materials, washing performance at low temperatures, and consumer information. Products that satisfy all of the requirements may place the A.I.S.E. Charter logo, introduced in 2011, on their packaging. Our liquid and powder laundry detergents, fabric softeners, automatic dishwashing products, hand dishwashing liquids, all-purpose cleaners, special spray cleaning products, and toilet cleaners all meet the criteria that have now been set for these products.

In 2017, Henkel played an active role in updating the A. I. S. E. online information initiative "Keep Caps from Kids", which Henkel started supporting as early as 2014. It explains why it is so important to keep liquid detergent capsules out of the reach of children. The website www.keepcapsfromkids.eu is available in all EU languages, and illustrates how liquid detergent capsules can be safely stored and used.

Henkel Sustainability#Master® – Persil Sauber & Glatt compared to Persil Universal liquid laundry detergent

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Value	Raw materials	Production	Logistics	Retailing	Service / Use	Disposal
 Performance			 Efficient loading		 Cleaning performance	
					 Reduced user risk	
				 Solution offer for consumer needs	 Saves time	
 Materials and Waste	 Smarter chemistry				 Less additives	 Recyclable plastic packaging
		 Energy-efficient production	 Optimized transport		 Shorter ironing times	
Footprint					 Significant improvement	

Laundry & Home Care has developed an innovative formula for Persil Sauber & Glatt that prevents wrinkling during washing by keeping the fabric fibers in shape. This provides perfect ironing results with less effort and increased cleaning performance. By shortening ironing times, consumers can save both time and energy. Consumers also need fewer additional products and reduce their risk of injury when

ironing. At the same time, the product makes a positive contribution to sustainability through energy-efficient production, optimized transport, more efficient loading and recyclable plastic packaging.

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



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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. Five years ago, Henkel launched the → **Sustainability Ambassador Program** to anchor this understanding in all 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 sustain-



"By the end of 2017, we had trained more than 50,000 employees to become Sustainability Ambassadors. We are particularly proud of this achievement. This means that we have anchored our commitment to sustainable action even more firmly in our corporate culture."

Kathrin Menges
Executive Vice President Human
Resources and Infrastructure Services

ability and to inspire others to share their enthusiasm for it both in their working environment as well as in their private lives. It is our aim to train all of our employees and encourage them to become Sustainability Ambassadors. By the end of 2017 we have reached more than 50,000 employees with our combined efforts and target-group-specific training approach. Employees who like to study on their own and have access to a PC were able to complete the online training program at the time that suits them best. Alternatively, we organized numerous group training sessions for employees who prefer to study in groups, as well as for employees without access to a PC. We provided the necessary training material in more than

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30 different languages to overcome potential language barriers and facilitate access to training. All of the training courses end with a questionnaire, after which the participants receive a certificate. However, qualifying as a Sustainability Ambassador is only the first step: We encourage all ambassadors to use their skills and knowledge to make their own contributions and → **actively engage in sustainability.**



These Henkel employees from the Beauty Care business unit have successfully completed their qualification as Sustainability Ambassadors and have received their certificates.

Employee development

It is our aspiration to create an appreciative working environment where all employees can develop and excel at Henkel in the long-term, and where they can give their best. To do so, we foster their

skills and knowledge and help them to reach their full potential. Regular and open feedback on performance and potential serves as a foundation for their development. As a result, development measures can be defined individually that address the company's needs and the employees' potential. To meet our employees' needs even more specifically, we have further expanded our → **digital learning offers**, in particular. We are also strengthening the development of digital skills, so we can successfully leverage the opportunities presented by digitalization.



Milestones: 50th anniversary of the Jost Henkel Training Center

In 1966, Konrad Henkel laid the foundation stone for the Jost Henkel Training Center, which was designed to consolidate all of the educational and training facilities on the Düsseldorf site into a single building. Today, Henkel offers □ **27 vocational training and dual study programs** in Germany, currently attended by more than 500 apprentices and students. 165 new apprentices and students started work with Henkel in 2017.

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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 prior achievements and hold confidential feedback conversations with them. This enables our employees to recognize what is expected of them and where their strengths, weaknesses, and development potentials lie. The meetings are followed by specific development measures. These can include training in the workplace, such as seminars and workshops, as well as job enlargement, for example by taking on management tasks.
- **Our managers** and selected non-managerial employees are assessed every year in the globally standardized Talent Management Cycle. The first step is for the employee to give a self-assessment of their performance and their potential to their supervisor. Then several supervisors of the same department together discuss the performance and potential of their employees in order to ensure that the assessment is balanced. It is made on the basis of uniform principles and clearly defined criteria relating to performance, such as customer orientation, and potential, such as being convincing and influenc-

ing. Supervisors discuss the assessment results with their employees in personal feedback meetings and, together, they agree on individual development measures. These meetings not only foster professional and personal development, but also facilitate targeted and long-term career planning. In 2017, more than 1,300 managers were promoted.

Life-long learning

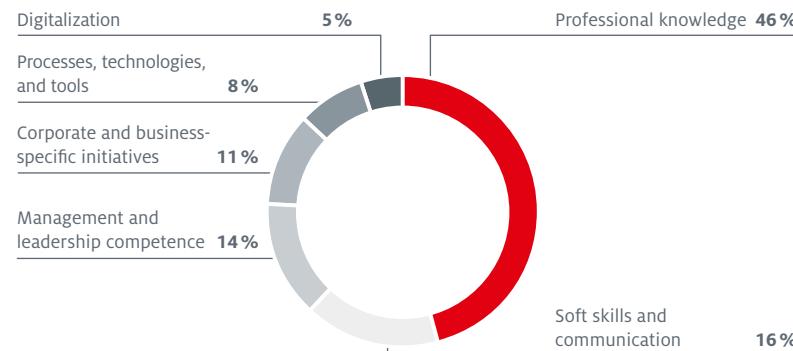
We believe that life-long learning is a central factor in further development, especially given that knowledge becomes outdated much more quickly than it did a few years ago. An important element for us is learning as part of everyday work and through handling a varied range of tasks. Henkel encourages this, particularly through the opportunity to take advantage of new roles both locally and in other countries. We learn from supervisors, team members, and other colleagues on a daily basis. By making greater use of digital communication channels we support internal knowledge transfer. 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 2017



- 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. Since 2017, against the background of digitalization, we have been offering a learning path called “Digital Upskilling,” which guides participants through the entire range of digital knowledge. This helps us support our employees in moving efficiently in an age of digitalization and taking advantage of the opportunities associated with this. Leadership skills also represent a key element of the learning content. We want to foster a global, → **value-oriented leadership standard** which takes account of different regional and cultural aspects. For example, we

communicate the content via a training program, which we use to prepare our leaders of tomorrow specifically and gradually for their leadership responsibilities.

- **Digital learning formats** play an increasingly important role for us in making training opportunities available flexibly worldwide. We increasingly complement general in-person training courses with interactive eLearning courses, videos, and webinars. Since 2017, all employees with PC access have had access to more than 9,500 online courses in German, English and Spanish as part of a partnership between Henkel and Lynda.com. Lynda.com is part of the LinkedIn professional network and is a leading online training platform that is now also available through the Henkel Global Academy. It supports the expansion and deepening of software, creative and business skills and contributes to the realization of professional and personal goals. Using digital formats, our employees are increasingly able to determine their own learning content and deploy training flexibly at a time that suits them. This meets the needs of our employees. Digital learning also reduces the need for travel.

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Working digitally

Digitalization is changing the world of work fundamentally. It creates new opportunities and challenges in the way in which 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 not only help us to learn from each other, they also enable us to work together more efficiently. As a result, project work and collaboration between teams is also increasingly supported digitally. This enables us to work on projects quickly and flexibly, and to exchange information quickly and personally in a virtual context.

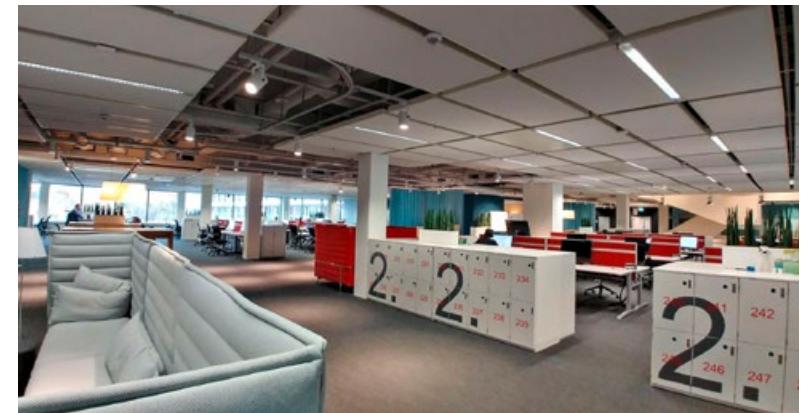


At the Digital Challenge, Rahmy Kress, Chief Digital Officer (left) and Joachim Jaekle, Head of Integrated Business Solution, called on employees to generate creative ideas on how digitalization can have a lasting impact on Henkel's success.

Flexible working

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



At various locations, our employees can decide for themselves which of the new modular spaces they want to use in order to be able to carry out their tasks successfully by alternating between teamwork and individual work.

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each floor has a specially designed mix of different spaces for individual and team work, for scheduled or for informal meetings. Employees simply select the work environment that is best suited to their current activity. Like all the other work-space modules, the modern desk, or “flexible workstation,” is also used flexibly and as needed.

Compensation and benefits

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

A remuneration system that rewards individual performance

Our remuneration system has as its foundation an appropriate and competitive level of basic pay, which all employees receive 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. So, depending on the nature of the job and region, there are various bonus systems for employees 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) paid out annually takes into account both our medium-term financial targets and each person's individual performance. Some of our employees not subject to collective agreements and managers with direct responsibility for sales are compensated through separate bonus arrangements, instead of the STI, which focus on success in selling. Our top managers are only entitled to payments under the STI.

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

- **For Management Board members**, we also use an annual bonus and one 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 2017](#), pages 46 to 57.

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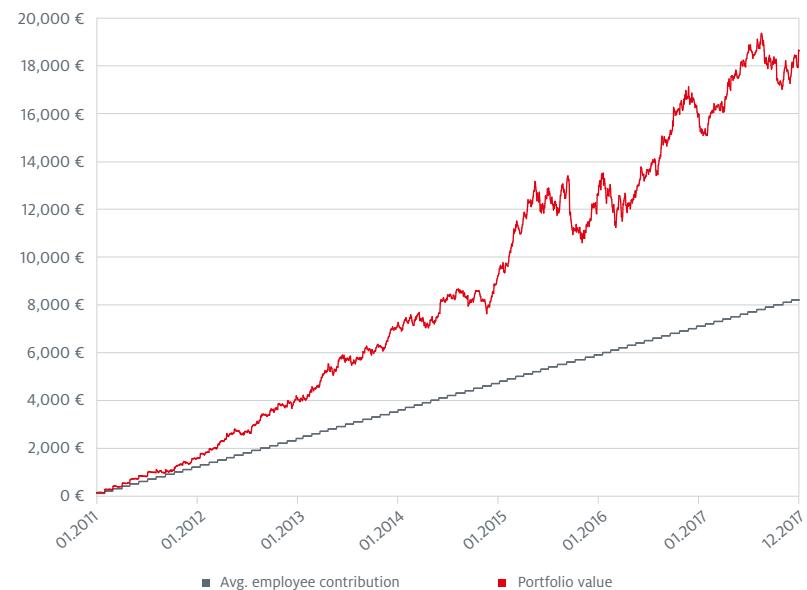
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We always assess the performance of our employees in the context of our vision and corporate values. We are committed to leadership in sustainability – this is one of our five corporate values. Correspondingly, contributions to Henkel's sustainability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

Our employee share program

We believe it is important for our employees to share in the success of our business. This not only improves motivation, but also identification with the organization. Since 2001, Henkel has offered an employee share program. The intention of this is to align the interests of the company and those of our employees even more closely, while giving employees an attractive opportunity to provide individually for their future and their retirement. For each euro invested in 2017 by an employee (limited to 4 percent of salary up to a maximum of 4,992 euros per year), Henkel added 33 eurocents. Around 11,600 employees in 54 countries purchased Henkel preferred shares under this program in 2017. At year-end, some 14,600 employees held a

total of around 2.4 million shares, representing approximately 1.4 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.

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

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Our contribution to social security

Our employees benefit worldwide 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.

In cooperation with the Allianz Insurance Group, we have introduced a unique healthcare package for all employees in Germany. The scope of this offer goes far beyond the scope of legally required insurance and is independent of age. Since October 2017, it has been enabling our employees to have selected preventive health check-ups as private patients, with a free choice of doctor and without any contribution to the costs. Henkel pays 100 percent of the insurance premium. The many services include cardiovascular care, prenatal care, extended cancer screening, sports medicine and supplementary healthcare. Of course, all medical results remain exclusively with the employees and the doctors they trust, without any involvement on the part of Henkel.



We want to encourage our employees to think more about their → **health** and act early by giving them access to optimal prevention. This is addressed by a new social benefit from Henkel, which includes a unique healthcare package for all employees in Germany.

Diversity & Inclusion

The diversity of our employees with their individual differences and perspectives is essential to our strength and innovative capabilities. Consequently, Henkel has been focusing on the subject of Diversity & Inclusion for 10 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.

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What we mean by diversity and inclusion

On principle, we fill our job vacancies exclusively according to ability, potential, and performance. We do not tolerate discriminatory behavior either when we hire new employees or in our daily interaction with each other. We aim to develop the full potential of our employees, regardless of external circumstances. To do so, we want to identify and remove barriers in our thinking and in our processes.

We are convinced that a diversified workforce and an open and appreciative corporate culture are important success factors in a globalized world. With our Global Diversity & Inclusion policy, we have promised to further strengthen diversity and appreciative behavior at Henkel. We want to create an inclusive working environment that fosters all dimensions of diversity. We pursue a holistic approach, which includes individual personal characteristics as well as experience, knowledge, and skills. Examples are:



To appreciate our diversity and strengthen our global team spirit, Henkel – inspired by a Danish commercial – carried out a small video experiment: We asked our employees personal questions and found out what connects us all. The □ result shows that the diversity of our workforce is unique and yet we have many things in common.

Global Diversity Week – Diverse minds, agile teams

In September 2017, Global Diversity Week was held for the fifth year running. With the goal of promoting committed and agile teamwork, there was a comprehensive program of activities with different areas of focus every day. The first day was devoted to conscious perception, followed by the topics of generations, → **flexible working**, agile thinking and appreciation.

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

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Semi-retirement at Henkel

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

- **Gender:** Our goal is to continually increase the share of female representation at all levels of the organization. To do so, we use targeted measures in employee acquisition and development. We support the career development of women at all management levels worldwide. In 2017, the proportion of women in management positions was around 34.5 percent.

- **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 thus 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. 66 countries are represented at the corporate headquarters in Düsseldorf alone.

- **Life stages:** Our employees are defined by their education, career paths, and social relationships in different life stages. The resulting activities and obligations pose the challenge of combining personal and working life in a reasonable way. We support our employees by offering them → **flexible working models**. We also actively help families in achieving a work-life balance, for example, through the provision of childcare and our → **social services**.



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



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Integrating people with disabilities

At Henkel, we foster a culture of inclusion which focuses on the skills and individual talents of people with disabilities. Through targeted programs, we want to increase the number of employees with disabilities – including in our emerging markets.

Since the beginning of 2016, our Shared Service Center (SSC) in Manila, Philippines, has developed awareness-raising talks and an eLearning focusing on types of disability, the rights of people with disabilities and the advantages of their employment for the company. The SSC Manila fully implemented its integration program in 2017. Six employees with disabilities are currently employed in different processes. The program takes a holistic approach to identifying, recruiting, hiring and integrating people with disabilities and finding the right employment opportunities for them. In 2017, the SSC Manila also participated in different forums in which Henkel shared its experience of integrating people with disabilities with other companies.

Dialog and culture

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

Our leadership culture

Our managers have a special importance in employee dialog, as they embed our values and corporate culture in the workforce. An appreciative leadership style that takes into consideration the skills and views of all employees is important to us. We want to create a culture in which everyone can be heard and where these opinions are valued and respected. We particularly value personal feedback for our employees in the context of our active feedback culture. This includes → **individual assessment and development meetings** as well as feedback as part of daily work. These are complemented by regular team meetings, staff gatherings, and our → **digital communication channels**.

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Communicating our strategic priorities

In 2016, Henkel presented its new ambitions and strategic priorities which are to shape the company up to 2020 and beyond –

Henkel 2020+ for short. In 2017, we introduced a new interactive format to communicate and deepen the understanding of our key initiatives and corporate values. The Henkel 2020+ talks are a series of events that deal with strong ideas on a wide range of topics relating to our strategic priorities, projects, and values. Using concrete examples and personal anecdotes, selected management personnel provide in-depth insights into the most important topics for Henkel. In the talks, the speakers get to the heart of the issues and then engage in an open and interactive dialog with the employees – either in person or via Skype. After successful kick-off events in Düsseldorf with international participation, the talks were held in Stamford and Rocky Hill, Connecticut, USA, and broadcast around the world.



With the Henkel 2020+ talks, we inspired more than 5,000 employees to implement Henkel's strategic priorities, projects, and values in their daily professional lives.

Survey on Henkel 2020+

About six months after the introduction of Henkel 2020+, we invited our managers to participate in a survey. The objective was to measure their understanding of our strategic priorities and ambitions and then to further improve our communication and engagement activities based on this feedback. The response rate was 45 percent, with very positive results overall. Understanding of and commitment to all the elements of our strategy was well above 90 percent and outperformed external benchmarks. The fact that 80 percent of all managers who responded described their personal contribution in detail is also evidence of this clear understanding. A key finding was the effectiveness of personal communication: Most of the participating managers learned about Henkel 2020+ at the town hall meetings of the Management Board or at management conferences. This underscores the unchanged importance of personal communication in parallel with the trend toward digitalization and new media formats.

Employee representation

Our various employee representative bodies play a key role. An in-depth exchange of views and consultations with the management take place both at the operational level, for example, with the local works councils, and across companies with the trade union. We inform our employee representatives regularly and on a timely basis and give them as much detail as possible, for example, regarding the corporate strategy or planned acquisitions. In countries where no employee representation is planned or established, the social dialog with the respective management serves as a voluntary and informal instrument for close exchange. This enables us to improve communication with our employees, include their perspectives early on, and jointly shape future-oriented issues. That 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. In May 2017, Henkel's Works Council celebrated its 100th anniversary in Düsseldorf. The results of this decades-long, open and constructive cooperation between employers and employee representatives include, for example, an improved → **work-life balance**, working hours, shift-work and break times, → **accident prevention** and → **health protection** in the workplace, → **company pension plans and retirement schemes** through to → **preventive healthcare**. In the close cooperation between Henkel and the Works Council, we are committed to providing support for the people behind Henkel's success in order to successfully overcome new challenges together.



On the occasion of the 100th anniversary of employee representation, representatives of the Works Council spent a week visiting the canteens at the Düsseldorf site during lunchtimes, so that co-workers could chat with them spontaneously, without arranging visits in advance.

Dealing with structural changes

Preserving jobs and dealing responsibly with necessary structural changes 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 solutions-oriented dialog with the employee representatives before actions are taken. In doing so, we follow all applicable codetermination legislation and apply the required procedures for each action. We aim to reach agreements with socially compatible arrangements for the particular employees. To date, we have been able to manage the necessary restructuring measures while reconciling interests. The actions involved range from early retirement through to support with professional reskilling and refocus.

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Health and vitality

We promote the health and vitality of our employees to help create an agile and high-performance organization. To do so, we rely on globally uniform health and safety standards and provide health and preventive care programs to guard against workplace risks that could lead to illness. Our broad health offer at the sites has two aims: promoting our employees' physical health (via seminars for giving up smoking, → [health check-ups](#), AIDS prevention, etc.), and maintaining their mental vitality (through stress management and similar measures). We successfully pick up on important social trends, such as the demographic change, with our program for maintaining working capacity. In addition to a number of regional and local programs, since 2016 we have been planning a major joint health campaign with all sites worldwide every year. For each global health campaign Henkel has set itself the objective of reaching more than 90 percent of the organization worldwide in the year of implementation.

Global health management

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



As recognition of our comprehensive healthcare philosophy, Henkel joined the business network "Companies for Health" back in March 2002. In this context, Henkel signed the "Luxembourg Declaration on Workplace Health Promotion in the European Union" dated 1997.

The Health Procedure introduced in 2015 describes the minimum global standards for health protection and health promotion. In the implementation of internal guidelines, programs and legal requirements, regional managers for health, workplace safety and security provide support for the locations as first point of contact and during regular visits and training. In several regions, locally employed doctors also act as health managers, 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 part of the company's efforts to continuously improve preventive healthcare measures, an annual exchange takes place enabling the physicians of 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.



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

Mental vitality and a healthy corporate culture

In a world with ever growing 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, for example, 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. We use executive webinars to communicate this to them, so they can contribute to creating stronger motivation and a better atmosphere in the workplace combined with higher performance, while, at the same time, reducing instances of illness.

Relaxation as an antidote

In today's fast-moving world, conscious relaxation can make a significant contribution to health. Henkel addressed this topic as part of the → **Active Life** health campaign. Employees at the company's headquarters in Düsseldorf, Germany, were able to test different exercise and relaxation methods and find out which one is most effective for them. These included yoga, which simultaneously improves both fitness and mobility, progressive muscle relaxation to relieve tensions, meditation with targeted mindfulness, and concentration exercises to achieve stillness and contentment.

At all German sites, the offer provided by our social services also plays an important role in supporting our employees professionally in all circumstances. In addition to giving psychological advice in particular cases, as well as occupational integration management, they also provide support in → **finding a work-life balance**, for example by assisting in the search for childcare or help for relatives with care needs. At other sites, external service providers support employees' needs according to local requirements. Our initiatives to create → **flexible working hours** should also help to improve the work-life balance and reduce stress factors.

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Demographic program to maintain health and working capacity

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

Second global health campaign “Active Life”

After our first global health campaign “Save a Life,” the second campaign in 2017 was dedicated to promoting a healthy lifestyle. “Active Life,” a worldwide exercise program, defined various priorities: The first quarter focused on the integration of more healthy activities into everyday life, followed by targeted strengthening of the cardiovascular system, muscles and inner balance in the following quarters. We communicated the concept and contents of the health campaign through our local contacts and invited employees to actively participate via various global channels. With this approach, “Active Life” reached more than 90 percent of the organization. For each activity, employees were able to gain points in the Active Life Point action



In the spring of 2017, Henkel Ukraine employees took the opportunity to explore the Mezhyhirya National Park on bicycles and do something for their health while enjoying themselves.

portal. It also served as an online meeting place where employees from all over the world could exchange ideas with each other and make appointments for training with co-workers at their own sites, as team activities were awarded double points. Getting as much exercise as possible in 2017 not only paid off sustainably for the fitness of our employees, but also made it possible for Henkel to make a donation to the organization □ **Special Olympics** after the end of the campaign.

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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.

Focus on safety training

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 a company-wide global safety campaign that will target increased awareness of the most important safety issues.

Global safety campaign

In an effort to counteract the often underestimated risk of slipping, stumbling or falling, Henkel launched a global safety campaign on this subject for the first time. The goal was to raise employee awareness of these risks. At the same time, the campaign was intended to illustrate which behaviors can lead to accidents and what each individual can do to prevent them. As part of this, an interactive eLearning module has been developed that can be accessed worldwide by all employees with computer access. More than 1,000 employees took advantage of this opportunity in 2017. In addition, managers have personally communicated the importance of this topic to their teams in safety-related discussions.

Our hands, in particular, are exposed to increased risk in an industrial working environment on a daily basis. The Laundry & Home Care business unit addressed this topic with a video competition to raise employee awareness of the value of their hands. We asked employees at our production and warehousing sites to show us what kind of practical or nice things they do with their hands – at work and at home. We received their contributions, some of which were very personal, in more than 20 creative short films. From these we put together a collaborative, emotionally touching film to communicate the topic globally. We assessed the success of the final version of the film using online feedback forms available in 14 different languages that were filled out by our management teams and employees. The feedback was very positive and shows that the direct involvement of employees can contribute to very effective communication measures relating to safety issues.

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One of the entries in the video competition featured a yellow handprint representing a fish. This yellow fish has become the symbol of the campaign for the safety of our hands. At the different sites, the yellow fish was used to announce the presentation of the final version of the film. In addition, our employees shared the yellow fish online in our Yammer network – virtually floating around the world and spreading awareness of the value of our hands.

Since 2015, the Beauty Care business unit has been focusing on the continuous improvement of Safety, Health and Environment (SHE) issues at our main subcontractors and logistics service providers in China. Since then, specific SHE training courses have been held each year on topics such as plant risk assessment, storage safety and occupational hygiene. We regularly include external SHE experts in our training courses, including those conducted in 2017 for working in confined spaces and disposing of hazardous waste. The training courses took place on site at certain subcontractors and were also attended by employees of other suppliers. In total, we trained 25 employees from four of our most important subcontractors and logistics service providers. Such training courses help Henkel make an extra contribution to the safety of employees of external companies.

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 behaviors 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 behaviors. In 2017 alone, around 42,000 dialogs of this kind were held worldwide. Since the start of the CBS program, a total of more than 14,000 employees at over 130 different sites had completed CBS training by the end of 2017. For 2018, we are planning to extend the program to all remaining production sites and to administrative sites.



Since the opening of the Dragon Plant adhesive facility in Shanghai, China, in 2013, promoting Culture Based Safety (CBS) has been one of Henkel's top priorities. Four years on, production workers and managers were asked to share their tips, experience and ideas on how to implement the CBS concept. Our employees were highly engaged. Selected contributions were posted on the site's notice board so that all employees could read them.

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2017 status

In 2017, we recorded 1.0 occupational accidents per million hours worked. This is an improvement of 17 percent (base year 2010). This result was impacted by a major acquisition in the Beauty Care business unit. Without this acquisition, Henkel would have recorded 0.9 occupational accidents per million hours worked, which would have been an improvement of 25 percent over the base year 2010. Appropriate measures have already been initiated to bring the standards for safety, health and environment (SHE) at the newly acquired sites into line with our existing SHE Standards.

Despite our continuous focus on health and safety, there was a fatal traffic accident in Slovenia. A field sales representative was on his way to meet a customer when he collided with a truck on the highway.

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Corporate citizenship has been an integral part of our corporate culture ever since the company was established by Fritz Henkel in 1876. Our lasting and long-term commitment to social involvement that goes beyond direct business interests was especially evident in the creation of the “Fritz Henkel Stiftung” foundation in 2011. This engagement is based on the four pillars of our corporate citizenship program: corporate volunteering, social partnerships, brand engagement and emergency aid. By 2020, we want to improve the quality of life of 10 million people through our social engagement.

Henkel and the “Fritz Henkel Stiftung” 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 our education initiatives such as  [Forscherwelt \(Researcher's World\)](#), our [→ Sustainability Ambassador program](#) in elementary schools and our [→ school construction project for disadvantaged children in Brazil](#) together with the support of our employees and partner organizations, we want to improve the future prospects of more than 200,000 children by 2020. We reached this goal in 2017, well ahead of schedule. For this reason, we will define a new goal in 2018.

Our four pillars



Corporate volunteering

We support employees and retirees in their voluntary social engagement through the “Make an Impact on Tomorrow” initiative.



Social partnerships

In social partnerships, we support social initiatives and public institutions at Henkel sites around the world.



Brand engagement

In addition to Henkel’s corporate-wide social engagement, our brands are also involved in partnerships with social initiatives and public institutions around the world.



Emergency aid

After natural disasters, Henkel responds quickly and pragmatically, providing aid through our foundation, the “Fritz Henkel Stiftung,” wherever it is needed in the world.

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Corporate volunteering

Since the initiative “Make an Impact on Tomorrow” (MIT) was launched in 1998, we have supported the volunteer work of Henkel employees and retirees in over 13,800 projects in more than 100 countries around the world. At the same time, more and more employees and retirees are coming together to carry out social projects of a larger scale.

“Cargo of Dreams” – USA / South Africa

Within 13 months, around 100 Henkel employees from our site in Bridgewater, New Jersey, USA, together with the international organization  [Cargo of Dreams](#), transformed a freight container into a classroom that provides underprivileged children in South Africa with access to education. After completion, the container was ready for the 13,000-kilometer journey to Cape Town, South Africa, where local Henkel employees received it in the fall of 2017 and sent it to its final destination in George, around 430 kilometers from Cape Town.



Henkel employees from Bridgewater, New Jersey, USA, celebrated the completion of the Cargo of Dreams container.

“El Manzanillo” – Guatemala

Since 2010, Henkel has been supporting the rural school “Professor Angela Flores Arjona” in El Manzanillo, Mixco, Guatemala. The school, which is also attended by many children of Henkel employees, is located close to the local Henkel production site. In 2017, employees supported the further expansion of the second floor of the building as part of the MIT initiative’s volunteering program. Three more classrooms will be created so that an additional 90 children can be taught. There is also a new playroom that supports the learning process of babies and children up to seven years old and enables them to learn through play. Henkel’s volunteers painted this room in bright colors and brought pencils, books and games.



The students at the “Professor Angela Flores Arjona” school in El Manzanillo, Guatemala, are delighted with the new learning materials brought by Henkel employee Carlos Quijada.

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Social partnerships

Through our involvement in social partnerships, we support social initiatives and public institutions at Henkel sites around the world. The main objective is to promote education and equal opportunities in cooperation with the "Fritz Henkel Stiftung" foundation.

"Habitat for Humanity"

Together with Habitat for Humanity, teams of Henkel employees have been building houses for families in need since 2014. During a week-long "building trip" in April 2017, Henkel employees helped build a new house for families in need near the Romanian port of Constanta. As part of the "Welcome Home" program, a team of Henkel employees from the Adhesives for Consumers, Craftsmen and Building business area volunteered to spend one week helping to construct multi-family houses for people in need in Macedonia during September. Henkel also supports these activities with donations in kind, for example with building materials.



Get out of the daily office routine and work together to support those in need: With this in mind, around 20 motivated Henkel employees flew to Romania for a "building trip". For one week they helped build new homes for families.

Integration through internships

In 2017, we once again focused on the integration of refugees. Together with other companies, as well as the German Federal Employment Agency, Henkel is assisting less-qualified refugees in Germany in taking their first steps into the world of work. In the "Praktikum PLUS Direkteinstieg" pilot project, participants learn practical skills and gain knowledge to prepare them for a future job. They also attend language classes and integration courses.

In 2016, Henkel launched a comprehensive program for integrating refugees at its vocational training center in Düsseldorf. In cooperation with external partners, as well as authorities, the company provides refugees with career orientation and job shadowing opportunities, internships, coaching, and access to language programs that run for several months. The objective is to support the integration of people who have high prospects of remaining, at all levels.



Ahmad Shah Rahmani (right) is a participant in the "Praktikum PLUS Direkteinstieg" integration program. He has been working for Henkel since March 2017 in Infrastructure Services. His colleague Andre Terporten (left) and supervisor Michael Roling are happy to have him in their team.

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Brand engagement

In addition to corporate engagement, our brands are also involved in partnerships with social initiatives and public institutions around the world.

Construction and educational project in Brazil

With support from the “Fritz Henkel Stiftung” foundation, Henkel brand Pritt cooperated with Plan International to build a [new school](#) with a modern infrastructure in the rural area of Codó in the northeastern part of Brazil. The school opened in February 2017, and another school was renovated and equipped with new furniture and modern equipment., as well as accompanying measures to improve the quality of the school. These include, for example, educational workshops for the children and their families on basic children's rights such as education, participation, health and nutrition. The purpose of the project was to improve the student's learning situation and help break the cycle of poverty over the long term.



The new school in the municipality of Mata Virgem was opened by the mayor of the Codó region, Francisco Nagib (second from the right) together with representatives of Plan International and Pritt, and enthusiastic schoolchildren.
Photo: Plan International.

“Million Chances”

As part of the → [Million Chances](#) initiative launched in 2016, the Beauty Care business unit and its Schwarzkopf brand are helping girls and women around the world build a successful future. Together with international charities, projects have been implemented that make it possible for girls to have good access to education and then to the job market. In addition, the initiative offers women assistance in starting a new career or a new private life. 44 projects in 2017 reached around 7,500 girls and women worldwide.



Together with international and local relief organizations, the Schwarzkopf initiative Million Chances provides support for all walks of life. Together with Plan International, for example, women who otherwise do not have access to education are trained in entrepreneurship with the goal of becoming financially independent. For example, 28 year-old Claudia Vergara Sanchez (right) opened her own small business in the Colombian village of Padilla. Photo: Plan International.

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Under the Million Chances umbrella, we also have the Shaping Futures initiative: Since 2010, Schwarzkopf Professional and SOS Children's Villages have been offering young people the opportunity to obtain training in basic hairdressing techniques and thus establish livelihoods. More than 1,900 young people in 30 countries have already been trained thanks to the volunteer work of hairdressers and employees. New projects in Georgia, Hungary and Myanmar were added in 2017.

Weißer Riese and Persil projects

In 2017, the Laundry & Home Care business unit supported the children's project "Die Arche" (The Ark) in Germany with the Weißer Riese brand. In buildings belonging to Die Arche, children from socially disadvantaged backgrounds receive a balanced meal every day, which makes an important contribution to ensuring a stable daily structure for them. The sale of Weißer Riese products helped to provide a total of 11,111 meals for children.



Through the initiative "NaturKinder", the marketing departments from Persil and the Rossmann drugstore chain foster the spirit of discovery in children. Since it was established in 2013, this initiative has supported 56 projects in schools, pre-school facilities and non-profit organizations that seek to encourage a responsible approach to nature.



Emergency aid

During disasters and emergencies, Henkel provides aid quickly and pragmatically worldwide through the "Fritz Henkel Stiftung" foundation.

Earthquake in Mexico

More than 300 people lost their lives as a result of two major earthquakes in Mexico in September 2017. Thousands of families in the states of Oaxaca, Chiapas, Puebla and Mexico City were unable to return to their homes. Henkel used donations in kind to support families affected by the earthquake in the most vulnerable communities.

Tropical storms in the USA and the Caribbean

In August and September 2017, several tropical storms hit the US mainland as well as the Caribbean islands of Puerto Rico, Dominica, the Lesser Antilles and the Dominican Republic. Henkel provided practical emergency aid in the provinces and cities in which Henkel employees or their relatives were affected and helped them to restore their homes or provide them with everyday needs such as food, clothing and medicine.

At the various Henkel locations, employees organized donations of products and sent them to local charities in Houston, Texas, USA. In addition, Henkel employees raised money via a special American Red Cross website to support hurricane relief measures. These donations were matched by the "Fritz Henkel Stiftung" foundation.

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Understanding the social demands that stakeholders of all kinds place on the company is a key component of our sustainability management. That is why we promote dialog with all stakeholders, including our customers, consumers, suppliers, employees, shareholders, local communities, government agencies, associations and non-governmental organizations, as well as politicians and academia.

To better understand the expectations and perspectives of our stakeholders and to engage in dialog that is better targeted and solution-oriented, we make use of specific surveys and continuously monitor the opinions of our stakeholders at several levels: in direct dialog, in multi-stakeholder initiatives, and on dialog platforms on sustainability topics. Proactive, bilateral cooperation with NGOs and opinion leaders gives us insight into the precise goals with regard, for instance, to sustainable palm oil, which enables us to respond quickly and make progress on the issue.

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

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

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

Integrated dialog

All of our employees worldwide are encouraged to be engaged in their working environment and to base their decisions on the principles of sustainable development. For many of our employees, this includes regular dialog with stakeholders. Experts at our various company sites and in our different business units engage in discussion with the relevant stakeholder groups on specific local and regional challenges. As a result, strategies and solutions are developed where they are assessed and put into practice.

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In 2017, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public.

At this year's [Packaged Summit](#) in Amsterdam, the Netherlands – an international event dedicated to the topic of "Sustainable Packaging" – Henkel shared its expertise on the sustainable characteristics of packaging. Philippe Blank, who is responsible for innovation and sustainability in the Beauty Care business unit, spoke about current developments in the context of the circular economy.



Philippe Blank, Innovation and Sustainability Manager at Henkel's Beauty Care business unit, shares his expert knowledge on how to build a circular economy at the Packaged Summit in Amsterdam.

In Germany, Spain and other countries in Europe, Henkel participated in the [European Sustainable Development Week](#) to engage with stakeholders. A sustainability island was set up at the head office in Düsseldorf to provide employees information about the Sustainability Ambassador program, among other things. On the Commitment

Wall, visitors to the sustainability island were able to document their next steps as ambassadors.



During the European Sustainable Development Week in Düsseldorf, Henkel employees wrote the next steps they planned to take as Sustainability Ambassadors on the Commitment Wall for all to see.

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. At the 2017 [European Round-table on Sustainable Palm Oil](#) (RSPO) in London, the focus was on innovations and partnerships that are delivering on commitments to smallholders, labor rights and preventing deforestation. Henkel held discussions with other companies on the next milestones on the path to more sustainable certified palm oil – in order to mitigate deforestation and greenhouse gas emissions caused by the production of palm oil, while improving quality of life and economic development in palm oil production areas. At the meeting, special attention was paid to the rights of children and families in palm oil production areas, which the RSPO wants to protect together with UNICEF.

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International experts from Henkel also shared their expertise on sustainability at public events such as the annual conference of the China Chemical Industry and Chemical Park Forum. The Association of International Chemical Manufacturers (AICM) organized a seminar and invited Henkel, as a senior member of the association, to share its experience. Among the topics of the conference were key factors in sustainable development in the chemical industry, the formulation of regional guidelines for chemical companies as well as the awarding of public contracts in chemical parks and the development of a positive investment environment.

At German Sustainability Award, which is the most popular national congress on sustainability with around 2,000 participants, experts from Henkel spoke with stakeholders and discussed the sustainability strategy and the contribution of brands to sustainability. The brands and technologies play a decisive role in the advancement of sustainability. Working together with partners is crucial to promoting sustainability along the entire value chain.

The German Sustainability Award is an initiative of the Stiftung Deutscher Nachhaltigkeitspreis e. V. in cooperation with the German Federal Government, the German Council for Sustainable Development, economic associations, local government associations, civil society organizations, and research institutions. In 2017, a special anniversary prize was awarded in honor of the tenth anniversary of the  **German Sustainability Day**. Henkel was one of the five nominees for this award.



Andreas Scholten, Sustainability Manager in Research and Development in the Beauty Care business unit at Henkel, in conversation with Prof. Dr. Christa Liedtke from the Wuppertal Institute for Climate, Environment and Energy at the 2017 German Sustainability Day in Düsseldorf.

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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 business partners. Our “Representation of Interests in Public Affairs” standard, applicable worldwide, provides clear rules of conduct in this respect. In addition, we provide open information on our areas of interest and the scope of our political work, for example, through our entry in the EU’s transparency register.

Kathrin Menges, Executive Vice President Human Resources and Chair of Henkel’s Sustainability Council, has been a member of the German Council for Sustainable Development since 2013. The Council was first established in April 2001 by the German government of that time under Chancellor Gerhard Schröder. The Council comprises 15 public figures. Its tasks include generating contributions for implementing the National Sustainability Strategy for Germany, specifying concrete focal areas and projects and making sustainability a public issue of vital importance.

Associations and international initiatives

Henkel participates in a wide variety of initiatives on national and international levels, so that it can play an active part in shaping sustainable development and driving it ahead in collaboration and through a mutual exchange with other stakeholders.

This includes engagements in working groups and industrial associations, such as the [World Business Council for Sustainable Development \(WBCSD\)](#), the International Association for Soaps, Detergents and Maintenance Products [A.I.S.E.](#), the European cosmetics association [Cosmetics Europe](#), and the [Consumer Goods Forum \(CGF\)](#). Our experience and our role as a sustainability leader make it possible for us to help shape the discussion regarding solution concepts for sustainable consumption along the value chain.

As a member of the German Chemical Industry Association (VCI), Henkel is also involved in the Chemie³ (Chemistry³) initiative, which is made up of the VCI, the Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers' Associations (BAVC). The initiative seeks to promote sustainability in the chemical industry.

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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 geared to best practices and at the same time that experiences are shared in order to increase overall transparency and precision with regard to life cycle assessment. Together with the A.I.S.E., Henkel is also participating in a pilot project of the EU, the Product Environmental Footprint (PEF), in which case studies are used to develop methods and risk assessments for life cycle assessment together with other members of the association and representatives of government authorities. On an international level, Henkel is one of the signatories to the "Responsible Care Global Charter" initiative, which was presented in 2015 at the ICCM-4 International Conference on Chemicals Management of the United Nations Environment Programme (UNEP) and which addresses international issues relating to the chemical industry and defines ethical obligations in six areas, including "Protection of people and the environment" and "Contribution to sustainability."

Henkel has been a member of the cross-sectoral Roundtable on Sustainable Palm Oil (RSPO) initiative since 2008. In 2017, Henkel again met with representatives of the RSPO, international development organization Solidaridad and BASF to discuss ongoing partnerships to promote sustainable palm oil management. Since the participants believe that no single organization is capable of bringing about change in the palm oil industry on its own, joining forces is intended to promote progress in the sustainable production of palm and palm kernel oil.



Elise Muijzert (right), Program Manager for Agri-Commodities at Solidaridad, talks with Uwe Bergmann and Christine Schneider from Henkel about the challenges of projects to promote a sustainable palm oil economy.

Education for sustainable development

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Henkel considers it important to address issues of sustainable development beyond its own sphere of influence. In 2017, we once again launched a series of projects and actions, particularly in the field of education for sustainable development. On the occasion of the 25th anniversary of the founding of Heinrich Heine University Düsseldorf's Economics Department, the "Konrad Henkel Stiftung" foundation, the "Fritz-Henkel-Stiftung" foundation and Dr. Christoph Henkel jointly endowed a Chair for Sustainability Management. The objective here is to promote teaching and international cutting-edge research in the field of sustainability management, with a particular focus on sustainability behavior, and in so doing contribute to meeting the global challenges of sustainable management.



Dr. Christoph Henkel, Chair of the Board of Trustees of the "Konrad Henkel Stiftung" foundation and Vice Chair of the Shareholders' Committee of Henkel, and Prof. Dr. Anja Steinbeck, Rector of the Heinrich Heine University of Düsseldorf at the signing of the endowment contract on October 18, 2017. The purpose of the endowed chair is to contribute to mastering the global challenges of sustainable management. In the background: Kathrin Menges (Executive Vice President Human Resources at Henkel and member of the Management Board of the "Fritz Henkel Stiftung") and Dr. Stefan Süß. (Photo: HHU / Jürgen Bauer)

Identification of material issues

Society as a whole and corporations in particular are facing a series of global challenges. In order to establish which topics are relevant to our business activities and reporting, we analyze sustainability challenges using a variety of instruments and processes and assess their significance for the company and our stakeholders. In so doing, we engage in dialog with sustainability-focused institutions, international rating agencies and analysts, and academia. 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 this continuous process are structured on the basis of our six focal areas, in which we aim to drive sustainable development worldwide along the value chain through our business activities.

Identification of key topics for our sustainability management and reporting

External challenges	Processes / Instruments	Results / Relevant topics (selection)		
Population growth	Trend and market analyses	<ul style="list-style-type: none"> Business performance Quality Reliability Convenience Eco-efficiency 		<ul style="list-style-type: none"> Occupational safety and health Plant safety Product safety and information Alternative test methods Hygiene
Rising consumption	Dialog with experts			<ul style="list-style-type: none"> Fair business practices Human rights Fair working conditions Employee development Diversity Supplier relationships Corporate volunteering
Scarcity of resources	Strategy development			<ul style="list-style-type: none"> Water consumption in production Wastewater and wastewater disposal Biodegradability Water footprint
Climate change	Reporting and ratings	<ul style="list-style-type: none"> Resource consumption Renewable raw materials Sustainable palm (kernel) oil Packaging and waste Recycling 		<ul style="list-style-type: none"> Operational energy efficiency Renewable energies Energy-efficient products Transport and logistics CO₂ mitigation CO₂ footprint
Biodiversity	Risk and compliance management			
Scarcity of water	...			
Increasing regulatory controls	...			
...				

Materiality analysis: We use a series of different instruments and processes to analyze global challenges to sustainable development and identify material topics for Henkel's sustainability management reporting.

External assessments

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

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Sustainability indices 2017

Dow Jones Sustainability Indices



Zurich / New York: Henkel was named Industry Group Leader in the category Household and Personal Products and is listed in the Dow Jones Sustainability Indices World and Europe. The → **assessment** is based on economic, environmental and social criteria and is conducted by S&P Dow Jones Indices and Swiss agency RobecoSAM. Since their launch in 1999, Henkel ranked 9 times as industry leader.

FTSE4Good Ethical Index



London: For the 17th 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.

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 back 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 oekom research. Henkel has been included in the Global Challenges Index since 2007.

Ethibel Sustainability Indices and Investment Registers



Paris: Henkel was again included in the Excellence Europe and Excellence Global Sustainability Indices 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.

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. The indices include companies with a strong risk and opportunity management regarding their environmental, social and governance (ESG) performance.

STOXX ESG Leaders Indices



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

* The inclusion of Henkel AG & Co. KGaA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Henkel AG & Co. KGaA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

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Sustainability ratings 2017

EcoVadis


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

oekom research


Munich: Henkel remains recognized with Prime Status by oekom research. With the rating B, Henkel performs best in the consumer goods sector. Since 1993, oekom research 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 (score: B), water and forests.

RobecoSAM Sustainability Yearbook 2018


Zurich: Henkel received the Gold Class and Industry Mover awards in the Sustainability Yearbook for the second consecutive time. It includes the world’s most sustainable companies in each industry as determined by RobecoSAM’s annual corporate sustainability assessment. Over 3,000 of the world’s largest companies are invited to participate in this assessment every year.

Awards and customer recognition

External assessments of our sustainability performance also include awards by our customers as well as awards by local and national environmental, business or governmental organizations. A selection for the year 2017 is presented below.

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Henkel received LSA Award for Diversity and CSR

France: LSA, a leading French magazine for the retail industry and fast-moving consumer goods (FMCG), recognized the best sustainability initiatives led by retailers and FMCG players. Henkel France received the LSA Award for Diversity for a project aiming to support employees providing assistance to elders and relatives with disabilities. The LSA Award for CSR recognized a Henkel initiative focused on contributing to the Circular Economy.



Frost & Sullivan Sustainability Award for Henkel

India: This is the second consecutive year that Henkel India has won the Frost & Sullivan Sustainability Award. The company progressed from winning the “Challengers Award” last year to being awarded with the “Leaders Award” this year. 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.



Automotive Lightweight Technology Innovation Award for Henkel

China: At the Auto Lightweight Technology Innovation Annual Summit in Suzhou, Henkel introduced its Teroson HDF technology, a high-damping foam (HDF) that can quickly and effectively eliminate noise and vibrations. Henkel's ability to anticipate customer and consumer needs and to get innovations quickly to the market was recognized by the Sino-EU Auto Materials Committee with the Automotive Lightweight Technology Innovation Award.



Henkel recognized in the Green Latin America Awards

Argentina: The process of biosolids waste treatment by vermiculture that Henkel carries out in its Chivilcoy plant is included in the ranking of the 500 best social and environmental projects in Latin America. The awards are organized by SAMBITO – Total Environmental Solutions – with the endorsement of PwC consultancy and UNDP. Out of 2,400 projects, the process of biosolids waste treatment by vermiculture ranked #45 in the water category.

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The indicators we record throughout the company offer transparency while helping us to identify potential improvements, manage activities and monitor achievements. We show the progress of each of our indicators over a five-year period. In this Sustainability Report, we focus on the publication of our globally relevant core indicators.

Environmental indicators for our production operations

The production-related data for 2017 were determined at all 188 Henkel sites in 57 countries. Thus, the data represent 100 percent of our production volume. The data were validated centrally for year-end reporting and verified at the sites within the framework of our internal audit program. Any differences discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – due to the start-up of new sites or closure of existing sites, for example – the number of sites contributing data changes accordingly. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

Employee indicators

Occupational accidents are registered using a globally uniform reporting system. 99 percent of Henkel employees are covered. The published employee indicators also covered 99 percent of our employees in 2017.

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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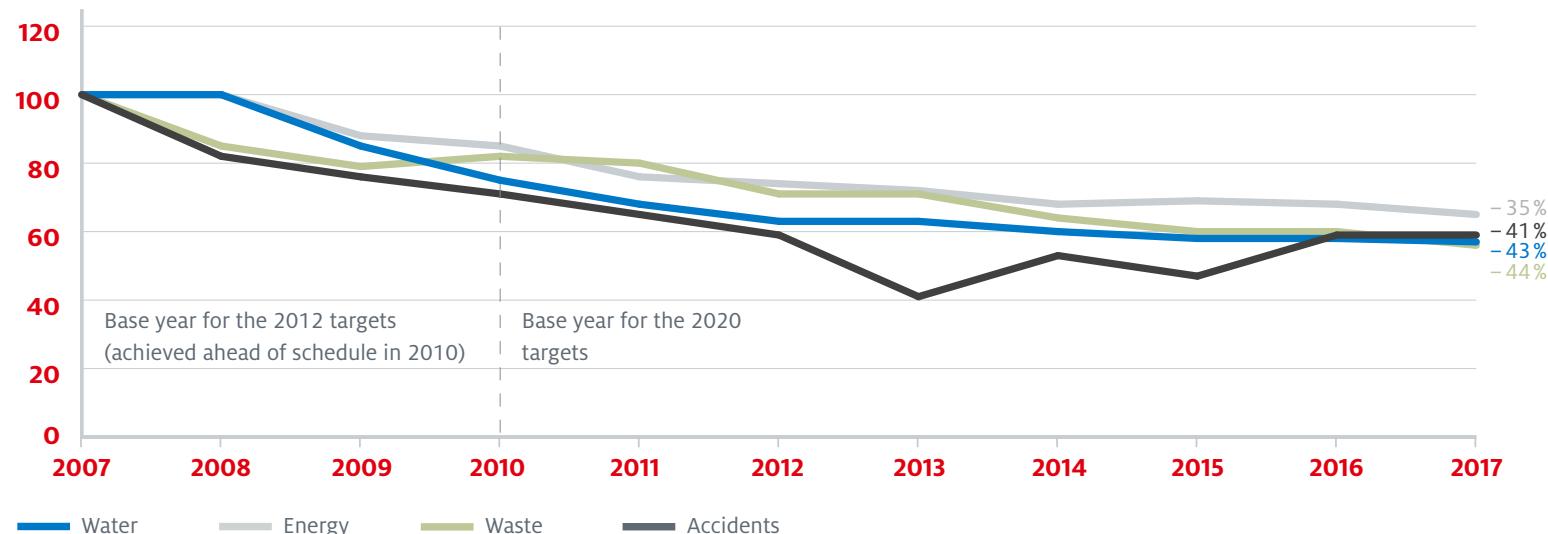
Long-term trend:

Sustainability performance from 2007 to 2017

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 2007



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Economic indicators

	2016	2017
Sales in million euros	18,714	20,029
Adjusted ¹ operating profit (EBIT) in million euros	3,172	3,461
Adjusted ¹ return on sales (EBIT) in percent	16.9	17.3
Adjusted ¹ earnings per preferred share (EPS) in euros	5.36	5.85
Dividend per ordinary share in euros	1.60	1.77²
Dividend per preferred share in euros	1.62	1.79²

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

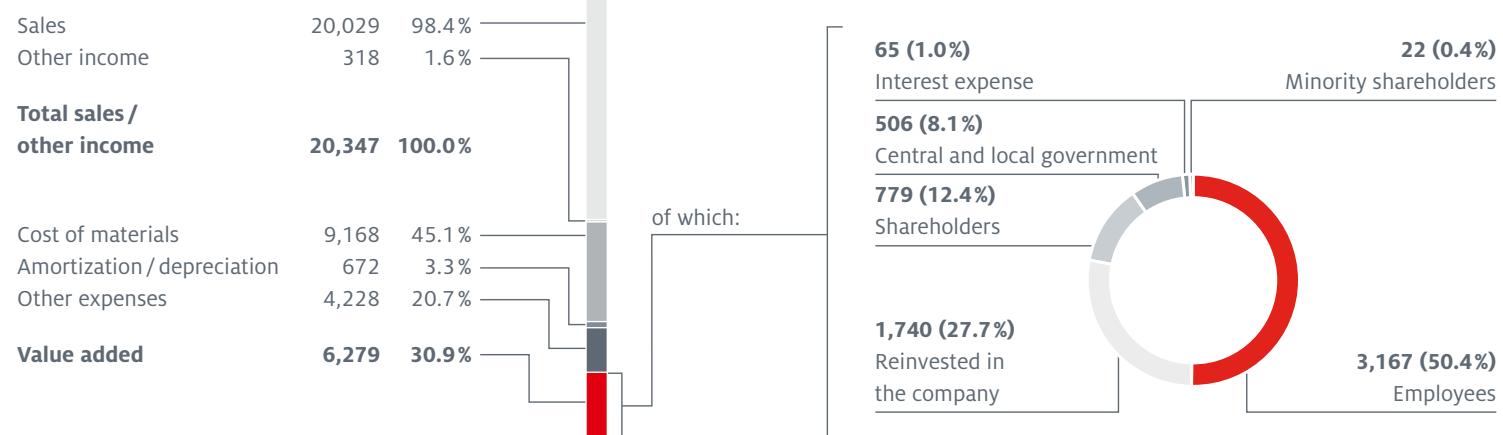
² Proposal to shareholders for the Annual General Meeting on April 9, 2018.

Value added statement 2017

The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 50.4 percent – went to our employees in the form of salary and pension benefits. Central and local government received 8.1 per-

cent in the form of taxes; lenders received 1 percent as interest payments. We paid 12.4 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



Environmental indicators



Our operational CO₂ footprint

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

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

In thousands of metric tons of CO₂ / CO₂ equivalent

	1. Raw materials	2. Production	3. Logistics	4. Industry and retail	5. Consumers	6. Disposal	
Direct CO₂ emissions (Scope 1)		Energy use at our production sites: 365					365 (1%)
Indirect CO₂ emissions (Scope 2)		Bought-in energy (electricity, steam): 369					369 (1%)
Indirect emissions in CO₂ equivalents (Scope 3)	Chemicals: 10,933 Packaging: 2,224 Raw materials transportation: 231	Production waste: 7 Business travel: 68	Transportation of our products: 677		Use of our products: 34,531	Disposal of our products: 1,523	50,194 (98%)
	13,388 (26%)	809 (2%)	677 (1%)		34,531 (68%)	1,523 (3%)	

Total: around 50,928 thousand metric tons of CO₂ / CO₂ equivalent

In nearly all reporting categories there was an increase in the volume of CO₂ / CO₂ equivalent, which is due to the acquisition of new sites in 2017.

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

The base for the index is the year 2013 (= 100 percent).

Production volumes

In thousand metric tons	2013	2014	2015	2016	2017
Production volumes	7,690	7,867	7,940	8,456	9,392
Index: Change from 2013 to 2017	+22%				

Due to the improved economic situation and increasing global demand, our production volumes have been rising again since 2013. The increase includes the pro rata annual production of our acquisitions.

Energy consumption

In thousand megawatt hours	2013	2014	2015	2016	2017
Bought-in energy	648	650	677	738	835
Coal	114	96	127	126	105
Fuel oil	123	115	121	121	116
Gas	1,406	1,360	1,375	1,391	1,482
Total	2,291	2,221	2,300	2,376	2,538
Index: Change from 2013 to 2017	-9%				

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

Carbon dioxide emissions

In thousand metric tons	2013	2014	2015	2016	2017
Henkel's own carbon dioxide emissions	353	335	349	355	365
Carbon dioxide emissions from bought-in energy	301 ¹	299 ¹	305 ¹	329 ¹	369
Total	654 ¹	634 ¹	654 ¹	685 ¹	734
Index: Change from 2013 to 2017	-8%				

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

¹ To calculate carbon dioxide emissions from bought-in energy, we use the current emissions factors of the International Energy Agency (IEA) for the relevant reporting period.

Emissions of volatile organic compounds

In metric tons	2013	2014	2015	2016	2017
Emissions of volatile organic compounds	308	289	339*	358*	397
Index: Change from 2013 to 2017	+5%				

Water consumption and volume of wastewater

In thousand cubic meters	2013	2014	2015	2016	2017
Water consumption	7,642	7,438	7,190	7,658	8,431
Volume of wastewater	3,084	3,004	2,990	2,977*	3,202
Index: Change from 2013 to 2017	Water consumption -10%				
	Volume of wastewater -15%				

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.

* We have corrected errors identified during our data verification.

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COD emissions to wastewater

In metric tons	2013	2014	2015	2016	2017
COD emissions to wastewater	5,746	6,362	6,500	7,038*	8,618
Index: Change from 2013 to 2017				+23%	

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

Emissions of heavy metals to wastewater

In kilograms	2013	2014	2015	2016	2017
Zinc	397	445	519*	478*	564
Lead, chromium, copper, nickel	270	200	294	268*	227
Total	667	645	813*	746*	791
Index: Change from 2013 to 2017				-3%	

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

Waste for recycling and disposal

In thousand metric tons	2013	2014	2015	2016	2017
Waste for recycling	62	53	59	68	72
Hazardous waste for disposal	18	17	15	13	13
Waste for disposal	48	48	38	39	38
Total	128	118	112	120	124
Index: Change from 2013 to 2017				-21%	

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.

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

Dust emissions

In metric tons	2013	2014	2015	2016	2017
Dust emissions	352*	382	303	277	398
Index: Change from 2013 to 2017				-8%	

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

Sulfur dioxide emissions

In metric tons	2013	2014	2015	2016	2017
Sulfur dioxide emissions	154*	112*	94*	90*	98
Index: Change from 2013 to 2017				-56%	

Nitrogen oxide emissions

In metric tons	2013	2014	2015	2016	2017
Nitrogen oxide emissions	410	367	382	418	485
Index: Change from 2013 to 2017				-2%	

Use of chlorinated hydrocarbons

In metric tons	2013	2014	2015	2016	2017
Use of chlorinated hydrocarbons	1,358	1,319	1,204	1,249*	1,387
Index: Change from 2013 to 2017				-16%	

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.

* We have corrected errors identified during our data verification.

Employee indicators



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Employees (as of December 31)

	2013	2014	2015	2016	2017
Henkel worldwide ¹	46,850	49,750	49,450	51,350	53,700
Structure of workforce					
– Non-managerial employees	78.7%	79.0%	77.5%	76.9%	77.7%
– Managers	19.8%	19.5%	21.0%	21.7%	20.9%
– Top managers ²	1.5%	1.5%	1.5%	1.4%	1.4%
Employee fluctuation worldwide ³	4.4%	4.3%	4.5%	6.3%	6.8%

¹ Permanent staff excluding trainees. Figures have been rounded. At 53,700, the 2017 headcount was above the prior-year level. The increase was due mainly to the acquisitions in our Beauty Care business unit.

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

³ Based on employee resignations.

Nationalities (as of December 31)

	2013	2014	2015	2016	2017
Henkel	123	124	123	123	120
Managers	88	93	87	90	89
At headquarters in Düsseldorf	56	62	64	64	66

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	2013	2014	2015	2016	2017
Henkel	32.9	33.2	33.6	33.1	34.3
Managers	31.6	32.5 ¹	33.1	34.3	34.5
Top managers ²	19.8	20.6	21.1	22.5	23.2

¹ Without acquisitions in 2014.

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

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

Age and seniority (as of December 31)

	2013	2014	2015	2016	2017
Average seniority in years	10.3	10.2	10.3	10.3	10.2
Average age of employees in years	39.6	39.7	39.9	40.3	40.5
Age structure					
16 – 29	17.8%	18.4%	18.0%	17.3%	16.9%
30 – 39	34.4%	33.8%	33.4%	33.0%	33.0%
40 – 49	29.1%	28.2%	28.1%	27.9%	27.3%
50 – 65	18.7%	19.5%	20.5%	21.8%	22.8%

The age structure at Henkel reflects the diversity of our customers and markets and enables us to satisfy the differing needs of our consumers and markets.

Part-time employees (as of December 31)

in percent	2014	2015	2016	2017
Part-time contracts, global	3	3	3	3
Western Europe (including Germany)	8	9	9	9
Germany	11	11	11	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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	2013	2014	2015	2016	2017
Internal promotion (managers)	1,199	1,154	1,309	1,181	1,325
International job rotations	581	666	658	428	380
Trainees (Germany)	487	484	508	488	512
Average number of training days ¹	2	1.5	2.1	1.6	1.8

¹ 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	2013	2014	2015	2016	2017
Percentage worldwide	44	44	52	49	45
Percentage in the European Union (EU)	79	79	78	73	64¹

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

Employee share program (as of December 31)

in percent	2013	2014	2015	2016	2017
Participation rate	31.9	30.1	29.7	30.7	31.4

Around 11,600 employees in 54 countries purchased Henkel preferred shares under this program in 2017. At year-end, some 14,600 employees held a total of around 2.4 million preferred shares, representing approximately 1.4 percent of total preferred shares outstanding. The lock-up period for newly acquired shares is three years.

Social indicators**Social engagement**

	2013	2014	2015	2016	2017
Total number of projects supported	2,422	2,265	3,431	2,051	2,124
Number of people supported	1,147,483	1,358,108	1,506,525	1,223,598	1,268,791
Time off from work for employee-initiated projects (days)	51	284	121	335	204
Donations in thousand euros (financial and product donations, not counting time off)	7,937	8,238	8,316	7,814	8,037
Number of schoolchildren reached by our Sustainability Ambassadors	19,428	20,634	24,406	29,268 ^{1*}	42,799

¹ This figure has been adjusted based on subsequent reports.

The number of projects supported was above the prior-year level. Employee projects required fewer days off from work in 2017 than in the prior year. This is due to the fact that there were fewer large team-volunteering projects. Generally speaking, employees may request up to five days off from work per year for volunteer activities. Total donations were up versus the prior year.

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Percentage of projects supported per United Nations Development Goal

in percent	2017
SDG 1: No poverty	12.2
SDG 2: Zero hunger	2.1
SDG 3: Good health and well-being	28.9
SDG 4: Quality education	44.5
SDG 5: Gender equality	5.9
SDG 6: Clean water and sanitation	1.0
SDG 7: Affordable and clean energy	0.4
SDG 8: Decent work and economic growth	0.8
SDG 9: Industry, innovation and infrastructure	1.2
SDG 10: Reduced inequalities	0.2
SDG 11: Sustainable cities and communities	0.5
SDG 12: Responsible consumption and production	0.1
SDG 13: Climate action	0.1
SDG 14: Life below water	0.1
SDG 15: Life on land	0.4
SDG 16: Peace, justice and strong institutions	1.1
SDG 17: Partnerships for the goals	0.6

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. This year, we are reporting the contribution to the SDGs only. A list of the contributions to the MDGs from 2011 to 2016 can be found on page 133 in the 2016 Henkel Sustainability Report. The SDGs do not influence the type of projects proposed under our employee engagement program, but many of our corporate citizenship activities directly contribute to the SDGs.



Occupational safety

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Occupational accidents per million hours worked

At least one day lost
(excluding commuting
accidents)

	2013	2014	2015	2016	2017
Henkel employees	0.7	0.9	0.8	1.0	1.0

Employees of external
companies who work at
Henkel sites and are
directly contracted

0.5	0.8	1.0*	0.9	1.0
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Serious occupational accidents

More than
50 days lost

	2013	2014	2015	2016	2017
Accidents during typical production activities	8	12	13	13	10

Accidents while walking
or moving around (e.g.,
stumbling)

5	5	4	8* ¹	6
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¹ An accident that occurred in December 2016 subsequently exceeded the limit
of 50 days lost, and the event was added to this figure.

* We have corrected errors identified during our data verification.

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Explanatory information on the non-financial statement of Henkel AG & Co. KGaA according to Section 289b German Commercial Code

In addition to the aforementioned information regarding the Group in the separate non-financial statement, the following special aspects or key figures relating to Henkel AG & Co. KGaA are reproduced below.

Business activities

Henkel AG & Co. KGaA is operationally active in the three business units Adhesive Technologies, Beauty Care, and Laundry & Home Care as well as being the parent company of the Henkel Group.

As such, it is responsible for defining and pursuing Henkel's corporate objectives and also for the management, control, and monitoring of Group-wide activities, including risk management and the allocation of resources. As of year-end 2017, the number of people employed at Henkel AG & Co. KGaA was around 7,200 employees.

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

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

Key figures for Henkel AG & Co. KGaA

	2017
Production volume (in thousand metric tons)	812
Carbon dioxide emissions (in thousand metric tons)	120
Energy consumption (in thousand megawatt hours)	453
Waste (in thousand metric tons)	21
Water consumption (in thousand cubic meters)	1,619
Occupational accidents affecting Henkel employees (per million hours worked)	1.5
Headcount	7,204

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.

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
2017	In January 2017, there was a product spillage on the site of our adhesives plant in Düsseldorf, Germany. During the production of an adhesive, an aqueous solvent was unintentionally added, triggering the curing process of the adhesive. The resulting adhesive foam activated the pressure relief system, overflowed out of the containment chamber and spilled onto a street within the site. The hardened foam was mechanically removed from the street surface. The incident did not cause any significant interruption to operations and there were no personal injuries or damage to the environment. Measures initiated: The design of the pressure relief system was examined and the alarm function was tested. A measuring device was installed that continuously monitors the solvent to make sure it is free of water.	There were no environmental violations in 2017.
2016	In December 2016, a fire in a production facility at our adhesives plant in Taizhou, China, resulted in property damage. The local fire service was quickly able to bring the fire under control. There was no damage to persons or the environment. The fire caused a temporary interruption to operations. Measures initiated: The inspections on the extent of the damage to the plant showed that the structures would have to be completely rebuilt in order to properly resume operations. As a result, the plant was closed on December 3, 2017. The affected employees were informed of this on November 3, 2017. All measures were conducted in accordance with the legal provisions in effect in China.	There were no environmental violations in 2016.
2015	There were no operational incidents in 2015.	There were no environmental violations in 2015.
2014	There were no operational incidents in 2014.	There were no environmental violations in 2014.
2013	There were no operational incidents in 2013.	There were no environmental violations in 2013.

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Global Reporting Index (GRI)

Henkel's Sustainability Report is orientated towards the principles and standard disclosures of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO₂ emissions of Henkel products, in combination with internal guidelines. Our [GRI index](#) provides links to the required information in our Annual Report and Sustainability Report.

UN Global Compact Index

Henkel has been a signatory to the UN Global Compact since 2003. The UN Global Compact supports companies to do business responsibly by aligning their strategies and operations with 10 Principles on human rights, labor, environment and anti-corruption. Each year, we create and communicate a [table](#) that provides links to information that can be found in our Sustainability Report – indicating our contributions to progress on each of the Global Compact's principles.

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) create a common understanding of how governments, civil society and businesses of all sizes and from all industries can join forces to drive progress toward ending poverty, ensuring prosperity, and protecting the planet. At Henkel, we are actively supporting the [achievement of the SDGs](#), and continuously review the targets and initiatives within our own sustainability approach to ensure they reflect the priorities set out by the 17 goals.



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Scope of report

In 1992, we published our first Environment Report, which we have consistently developed and refined into today's Sustainability Report. It has now been published annually for 27 years. Together with our Annual Report, it makes up an integrated corporate reporting concept.

This Sustainability Report covers the key ecological and social developments in fiscal 2017. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

The contents of this report reflect the Henkel-relevant and material challenges of sustainable development. The selected topics include the results of our continuous dialog with a large circle of stakeholders. Especially close consideration was given to the dialog with international sustainability experts, the criteria of various finance- and sustainability-oriented rating agencies, and [the guidelines of the Global Reporting Initiative \(GRI\)](#).

The production-related environmental indicators were determined using data from production sites in 57 countries. They account for 100 percent of the company's worldwide production volume. Henkel openly reports on serious occupational incidents, should any have occurred in the reporting period, and the measures taken in response. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 99 percent of Henkel employees. The published employee indicators cover 99 percent of our employees.

Reporting initiatives

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

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

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

Limited Assurance Report of the Independent Auditor regarding Sustainability Information¹

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To the Management Board of Henkel AG & Co. KGaA, Düsseldorf

We have performed an independent limited assurance engagement on selected disclosures on materiality and stakeholder dialogue, disclosures on management approaches of aspects on the focal areas (energy and climate, water and wastewater; materials and waste; health and safety; social progress; palm oil; purchasing and supplier management, product safety) as well as the performance indicators in relation to these focal areas, the operational carbon footprint along the value chain and selected case studies for avoided CO₂ emissions, published in the Henkel Sustainability Report 2017 (further "Report"), for the business year 2017, 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.com/sustainability>, with the following symbol: „✓“

Management's Responsibility

The legal representatives of the entity are responsible for the preparation of the Report in accordance with the reporting criteria. Henkel's Report is orientated towards the principles and standard disclosures of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO₂ emissions of Henkel products, in combination with internal guidelines (further: Reporting Criteria).

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

¹Our engagement applied to the German version of the Report 2017. This text is a translation of the Independent Assurance Report issued in German, 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 legal 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), both in accordance with the International Standard on Quality Control, published by International Auditing and Assurance Standards Board (IAASB).

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: „v“.

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 above mentioned sustainability information for the period from 1 January 2017 to 31 December 2017, has not been prepared, in all

material respects in accordance with the aforementioned Reporting Criteria. We do not, however, issue a separate conclusion for each sustainability disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore 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 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's sustainability performance in the reporting period
- 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 disclosures for management approaches and results as well as for carrying out internal control procedures and consolidating selected disclosures
- Evaluation of internal and external documentation
- 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

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of the sites in West Hazleton, Ennoree and Salisbury (all in the United States) and Holthausen (Germany)

- Evaluation of the overall presentation of the selected qualitative and quantitative disclosures in the scope of our assurance

As described on page 35 in the Report, in 2017 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.

Conclusion

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that the disclosures on sustainability information for the business year 2017 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.

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Düsseldorf, February 7, 2018

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