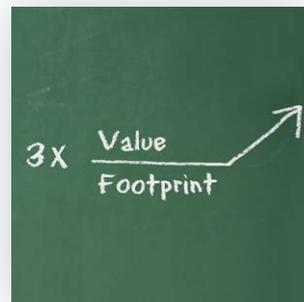


# Sustainability Report 2014



## Our sustainability strategy at a glance

<b>Our value</b>	We are committed to <b>leadership</b> in <b>sustainability</b> .
<b>Our strategy</b>	<b>Achieving more with less:</b> We create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced environmental footprint.
<b>Our goal and implementation</b>	<p><b>20-year goal for 2030:</b> Triple the value we create for the footprint made by our operations, products and services. We summarize this ambition to become three times more efficient as “Factor 3.”</p> <p><b>5-year targets for 2015:</b> With our 20-year goal in mind, we have set concrete interim targets for our focal areas (see graphic below).</p> <p><b>Six focal areas:</b> 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.</p> <p><b>Three strategic principles:</b> To successfully implement our strategy, we have defined three strategic principles:</p> <ul style="list-style-type: none"> <li><i>Our products</i> deliver more value at a reduced environmental footprint.</li> <li><i>Our partners</i> are key to driving sustainability along our value chain.</li> <li><i>Our people</i> make the difference – with their commitment, skills and knowledge.</li> </ul>

Factor **3**

## Our focal areas and targets for the five-year period from 2011 to 2015

### More value



### Reduced footprint



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

## Dear Friends of the Company,

We are committed to leadership in sustainability. This is both our ambition and one of our core corporate values. To us, it is not only a responsibility, but also an opportunity to continuously improve and to strengthen our competitiveness.

Our actions are rooted in our strategy of achieving more with less. By 2030, we want to increase our efficiency by "Factor 3." To reach this ambitious goal, we have defined concrete interim targets for the period up to the end of 2015. By the end of 2014, we had already met four of these targets ahead of schedule.

Our employees play a key role in achieving these successes. One example is our Sustainability Ambassador program: Since its launch in July 2012, more than 3,800 employees around the world have become ambassadors and explored the challenges of sustainable development. They pass on their knowledge to colleagues, suppliers, customers and students. Through a specially designed program, they have been able to reach around 36,000 schoolchildren in 37 countries.

Many of our employees gain valuable insights through regular contact with stakeholders. In 2014, we also interviewed stakeholders in important markets to learn about their expectations regarding sustainable business models. The findings will help us take our strategy and stakeholder engagement forward.

Our achievements in sustainability were recognized once again in 2014 with leading positions in various national and international sustainability ratings and indices.

Although we have already made considerable progress in decoupling growth from resource use, there are still many challenges ahead. However, with our clear strategy and ambitious goals, we are well equipped to meet these challenges and will continue to shape a sustainable future.

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



How Henkel continues to work toward sustainable development: an interview with Kathrin Menges.

# Henkel at a glance 2014

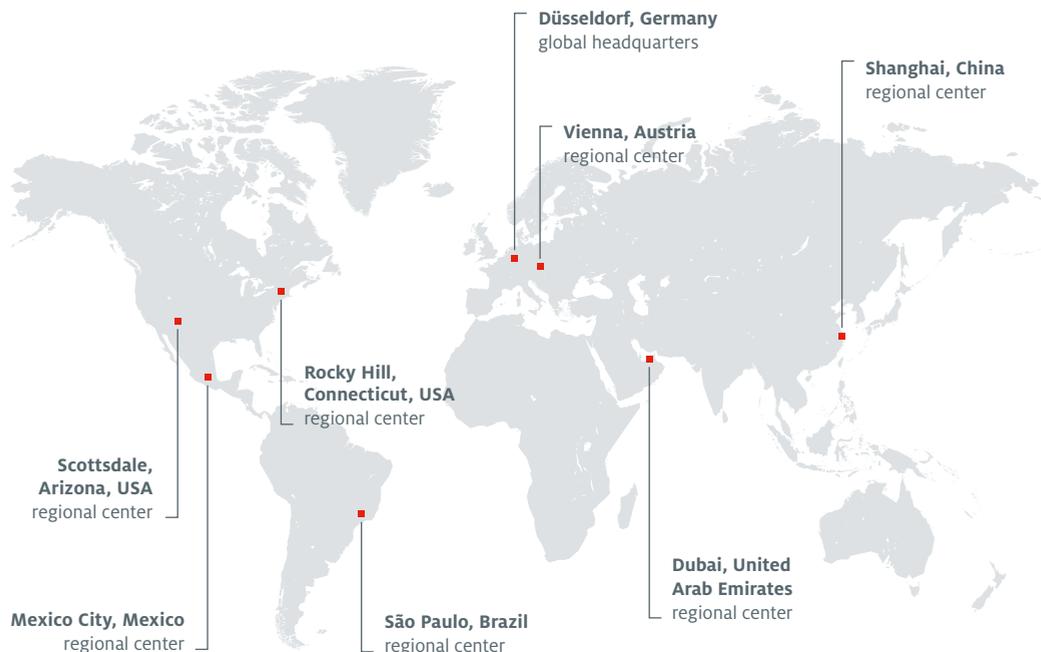
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## Highlights



## Henkel around the world: regional centers



Henkel operates worldwide with leading brands and technologies in three business units: Laundry & Home Care, Beauty Care and Adhesive Technologies. Founded in 1876, the company is headquartered in Düsseldorf, Germany. With production sites in 54 countries, we promote economic development as a

local employer, purchaser and investor. More information on our business performance and key indicators per region: Annual Report, pages 63 to 69, and [www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 1

## Our indicators

### Economic indicators

	2013	2014
Sales in million euros	16,355	16,428
Adjusted <sup>1</sup> operating profit (EBIT) in million euros	2,516	2,588
Adjusted <sup>1</sup> return on sales (EBIT) in percent	15.4	15.8
Adjusted <sup>1</sup> earnings per preferred share (EPS) in euros	4.07	4.38
Dividend per ordinary share in euros	1.20	1.29 <sup>2</sup>
Dividend per preferred share in euros	1.22	1.31 <sup>2</sup>

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

<sup>2</sup> Proposal to shareholders for the Annual General Meeting on April 13, 2015.

### Environmental indicators

	2013	2014
Production sites	164	169
Production output in thousand metric tons	7,690	7,867
Energy consumption in thousand megawatt hours	2,165	2,094
Carbon dioxide emissions in thousand metric tons	655	641
Water consumption in thousand cubic meters	7,881	7,615
Waste for recycling and disposal in thousand metric tons	155	137

### Employee indicators

	2013	2014
Employees <sup>1</sup> (as of December 31)	46,850	49,750
Trainees in Germany	487	484
Proportion of female employees in percent	32.9	33.2
Average number of training days per employee	2	1.5
Participation in employee share program in percent	31.9	30.1
Occupational accidents per million hours worked	0.7	0.9

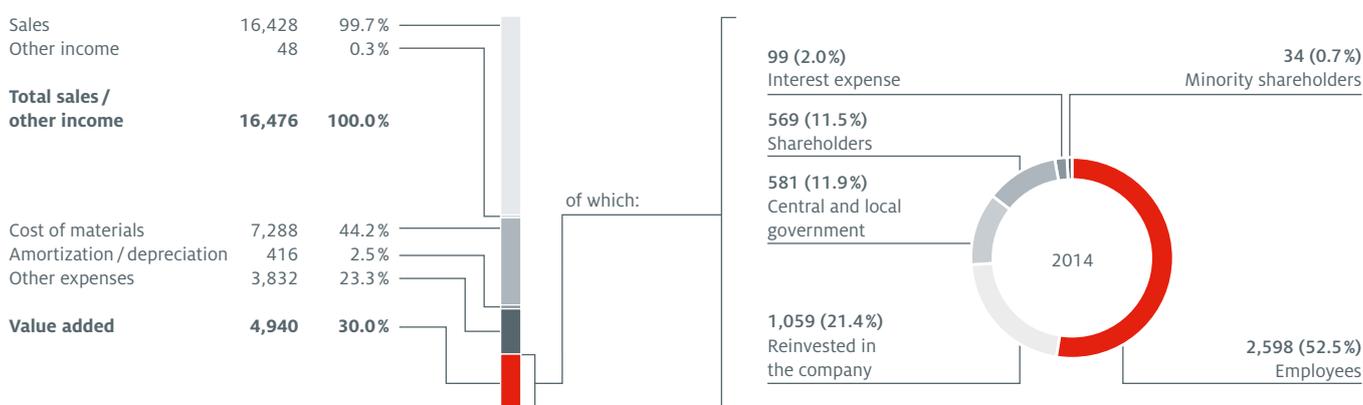
<sup>1</sup> Permanent staff excluding trainees. Figures have been rounded.

### Social indicators

	2013	2014
Donations in million euros (financial and product donations, not counting paid time off from work)	7.9	8.2
Number of projects supported	2,422	2,265

## Value added statement 2014

in million euros



The value added statement shows that most of the generated sales flow back into the global economy. The largest share – 52.5 percent – went to our employees in the form of salary and pension benefits. Central and local government received

11.9 percent in the form of taxes; lenders received 2.0 percent as interest payments. We paid 11.5 percent of sales as dividends to shareholders. The value added remaining in the company is available for investments in future growth.

# Sustainability strategy and management

Our long-term perspective and the anchoring of sustainability in our core business are the key foundations for achieving our goal: triple our efficiency by 2030.

## Our ambition

Commitment to leadership in sustainability is one of our core corporate values. Through our sustainability strategy, we contribute both to sustainable development and to our company's economic success. As sustainability leaders, we aim to pioneer new solutions while continuing to shape our business responsibly and increase our economic success. This ambition encompasses all of our company's activities – along the entire value chain.



Sustainability at Henkel:  
A clear strategy with ambitious targets (video).

## Increasing business relevance

We are convinced that sustainability will become increasingly important for our business success in the future. By the year 2050, the world's population is expected to grow to 9 billion. The accompanying acceleration in global economic activity will lead to rising consumption and resource depletion. The effect of increasing pressure on available resources is becoming more noticeable around the world.



**“With a clear strategy and engaged employees, we aim to develop our business responsibly for long-term success. Our achievements show that we are on the right track.”**

**Kasper Rorsted,**  
Chairman of the Management Board

## Achieving more with less

Our strategy is based on the Vision 2050 of the World Business Council for Sustainable Development (WBCSD): “In 2050, 9 billion people live well and within the resource limits of the planet.” For us as a company, this means helping people to live well by generating value while using less resources and causing less emissions. This is the idea at the heart of our sustainability strategy: achieving more with less. We want to create more value – for our customers and consumers, for the communities we operate in, and for our company – while reducing our environmental footprint at the same time.

## Focal areas and strategic principles

We concentrate our activities on six focal areas that summarize the main challenges of sustainable development as they relate to our operations. In each of these focal areas, we drive progress along the entire value chain through our products and technologies. We have subdivided the focal areas into two dimensions: “more value” and “reduced footprint.” In order to successfully establish our strategy and reach our goals, both of these dimensions must be ever-present in the minds and day-to-day actions of our 49,750 employees and mirrored in our business processes. We have defined three strategic principles to achieve this: products, partners and people.

[www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 2



The Sustainability Council (from the left): Michael Olosky, Thomas Gerd Kühn, Dr. Andreas Bruns, Bertrand Conquéret, Dr. Thomas Förster, Prof. Dr. Thomas Müller-Kirschbaum, Kathrin Menges (Chair), Carsten Tilger, Dr. Peter Florenz, Marie-Eve Schröder, Georg Baratta-Dragono and Nicolas Krauss. The Sustainability Council steers the development and implementation of our global sustainability strategy. More details on page 6 and [www.henkel.com/sr2014](http://www.henkel.com/sr2014) 13

**Our ambitious goal for 2030**

If we are to live in harmony with our limited resources in 2050, we must become five times more efficient. By 2030, therefore, we want to triple the value we create through our business operations in relation to the environmental footprint of our products and services by comparison with the base year 2010. We can achieve this ambition of becoming three times more efficient in different ways: We can triple the value we create while leaving the footprint at the same level. Or we can reduce the environmental footprint to one third of today’s level while delivering the same value.

**Interim targets on the road to “Factor 3”**

To reach our goal by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. We have therefore set concrete interim targets for our focal areas for the five years from 2011 to 2015. For the period up to the end of 2015, we thus intend to improve the relationship between the value we create and our environmental footprint by 30 percent overall.

By the end of 2014, we had achieved significant progress in four areas. With improvements of 20 percent in energy efficiency, 19 percent in water

use, 18 percent in waste volume (22 percent excluding construction and demolition waste) and 25 percent in occupational safety, we had already reached our 2015 targets ahead of schedule in these specific areas. While aiming to improve our performance once again in 2015, we are working on defining new interim targets on the road to achieving our long-term “Factor 3” goal.

**Our management and reporting systems**

Our company first published an Environment Report in 1992. It reviewed our achievements and progress in the area of environmental protection at our production sites and outlined product improvements. Henkel subsequently began preparing an annual report on the company’s major sustainability activities. In 2014, we collected data on 163 sites, representing 99 percent of our global production volume. Representative life cycle analyses cover around 70 percent of our sales across all product categories, and in our innovation process we systematically assess the contributions that our products make to sustainability. 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 toward our 20-year goal for 2030 across the entire company and our value chains.



Six focal areas summarize the main challenges of sustainable development as they relate to our operations.

## Sustainability targets on the road to “Factor 3” (as of December 31, 2014, relative to base year 2010)

**Factor 3**

With the Henkel Sustainability Strategy 2030, we already defined more than 6,000 actions and targets at the end of 2011. In order to reach our ambitious goal of “Factor 3” by 2030, we distilled these

measures into concrete interim targets to be achieved in our focal areas by the end of 2015. You will find a selection of these targets and their statuses here:

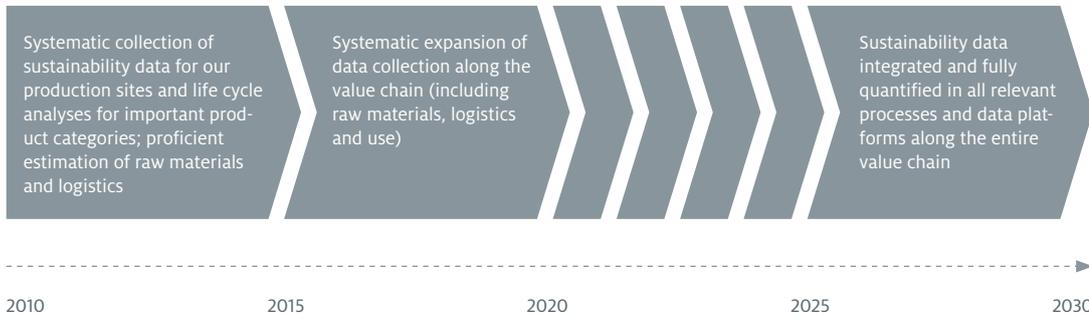
Focal area	Targets	Status
	<b>Performance</b> <ul style="list-style-type: none"> <li>At least 10 percent more sales per production unit.</li> </ul>	●
	<b>Social Progress</b> <ul style="list-style-type: none"> <li>Continuous training and professional development of all employees as appropriate to their tasks.</li> <li>Annual increase of one to two percentage points in the proportion of female managers (see page 36).</li> </ul>	● ●
	<b>Health and Safety</b> <ul style="list-style-type: none"> <li>A 20-percent reduction in the worldwide accident rate.</li> <li>A 50-percent reduction in solvents used in consumer adhesives by 2020.</li> </ul>	● ●
	<b>Energy and Climate</b> <ul style="list-style-type: none"> <li>A 15-percent reduction in energy consumption – and the associated CO<sub>2</sub> emissions – per production unit by 2015.</li> <li>Regular checks of our production sites to determine whether the use of renewable energy sources is environmentally and economically worthwhile.</li> </ul>	● ●
	<b>Water and Wastewater</b> <ul style="list-style-type: none"> <li>A 15-percent reduction in water consumption per production unit.</li> </ul>	●
	<b>Materials and Waste</b> <ul style="list-style-type: none"> <li>A 15-percent reduction in the waste footprint per production unit.</li> <li>Ensuring that the entire volume of palm oil and palm kernel oil used directly or indirectly in the form of raw materials in our products is covered by certificates from the Roundtable on Sustainable Palm Oil (RSPO).*</li> <li>New target: Ensuring “zero net deforestation” for the palm oil and palm kernel oil used in our products by doing the following: Converting to mass balance palm and palm kernel oil; working with our partners to establish full traceability; and increasing the supply of sustainable oil available on the market by a volume equal to Henkel’s demand by 2020.</li> </ul>	● –* ●
	<b>Overarching goals for all our focal areas</b> <ul style="list-style-type: none"> <li>All new products contribute to sustainable development in at least one focal area.</li> <li>Establishing a recognized measuring system in order to assess the contributions our products make along the value chain and to quantify the progress achieved in our product categories.</li> </ul>	● ●

\* Replaced by new target

● Achieved / Progressing as planned ● Stronger focus needed ● Not achieved

## Analysis of our influence along the value chain

From measuring our own production through to comprehensive quantification



### Measuring, assessing and managing progress

Henkel is developing 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. The various instruments are summarized in the Henkel Sustainability#Master® (see page 19). At the heart of this evaluation system is a matrix that can be used to assess changes in the “Value” and “Footprint” dimensions.

We use the results to develop measures for improvement and innovations with improved sustainability performance. Only by considering the entire life cycle can we ensure that the actions taken will improve the overall sustainability profile of our products. We also use this tool in a variety of different ways to engage in dialog with retail partners, nongovernmental organizations, research institutions and other stakeholders (see also pages 40 to 42).

### Further development of our methods and systems

In 2014, our work mainly concentrated on further developing our measurement methods in the focal areas of “Materials and Waste” and “Water and Wastewater.” In order to be able to better appraise and manage our influence across the entire value chain, we assessed our raw materials portfolio and the use phase of around 120 product categories in our three business units. These two phases are of a

determining nature across all of our portfolio. Regarding water and carbon dioxide, more than 80 percent of the footprint is generated during the use of our products.

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.

### International cooperation

We are working with selected partners to further develop and standardize the accounting methods used for the environmental footprint of our business activities, and for the value created for our customers, consumers, and the communities in which we operate. For example, we participate in the Sustainability Consortium, the Consumer Goods Forum and the World Business Council for Sustainable Development (WBCSD).

In a joint project with the International Council of Chemical Associations (ICCA) and the WBCSD, we developed guidelines for measuring and communicating how greenhouse gases can be avoided in value chains. We are also participating in the current EU Commission’s “Product Environmental Footprint” project coordinated by the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.) (see also page 42).

### Corporate governance

We provide comprehensive information on corporate governance, compliance, and the remuneration report of the Management Board, in the Annual Report, pages 29 to 49, and on the internet:

[www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 4

### Organization and management

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.

#### Globally uniform standards

From our Vision and Values, we have formulated 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. Further corporate standards – including our Code of Corporate Sustainability – address specific topics such as compliance with competition and antitrust laws; safety, health, environment and social standards; human rights; as well as public affairs. The codes and corporate standards also provide the basis for implementing the United Nations Global Compact initiative, which Henkel joined as early as 2003. [www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 6

### Our Compliance organization

Our Compliance organization has global responsibility for all preventive and reactive measures. It is supported by integrated management systems and an organizational structure with clearly defined responsibilities.

The 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 training courses tailored to take local challenges into account.

The 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 to report infringements of our Code of Conduct, internal standards, or applicable laws. It is run by an independent external provider and is available in 76 countries.

### Our organization for sustainability

Chaired by a Management Board member and reflecting all areas of the company, the Sustainability Council steers our global sustainability activities as a central decision-making body. Its members represent the business units and corporate functions responsible for putting our sustainability strategy into operational action.

[www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 5



### Focus on communication and training

Since we operate on a global scale, our employees find themselves in 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 such surroundings, the same applies 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 work situations, we focus on regular training courses and communication measures. In 2014, we trained more than 12,000 employees around the world in seminars on compliance topics.

Our managers play a key role in 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 around 10,450 managers across the globe must participate twice a year in our mandatory Compliance eLearning program, which addresses many different compliance topics. The main emphasis is on anticorruption and 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 2014, 20 employees received written warnings, and 26 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. As a result, our global Compliance Management System was audited by external auditors in 2013 based on the IDW PS 980 auditing standard with respect to the appropriateness, implementation and effectiveness of the compliance processes in the areas of competition law and anticorruption. A complete description of the Compliance Management Systems in place at Henkel can be found on the internet. [www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 7

### Results of our audit programs

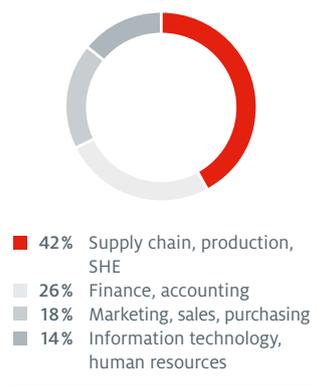
The Head of the Corporate Audit department reports directly to the Chairman of the Management Board. We carry out regular audits based on our risk-based audit planning at our production and administration sites, and at our subcontractors and in logistics centers, to verify compliance with our codes and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

In 2014, we conducted 65 audits around the world. In the course of the audits, a total of 2,131 corrective actions were agreed upon. The main emphases in 2014 were on processes in purchasing and in the shared services, local human resources management, the supply chain, and on our Safety, Health and Environment (SHE) Standards.

Compliance with the SHE Standards was audited at 93 sites, resulting in the initiation of 480 optimization measures. Maintenance of our Social Standards and our Diversity & Inclusion Policy was integrated into the audits carried out at 17 sites in different parts of the world. 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 audits, we increasingly carry out reviews of our internal monitoring systems (in three countries in 2014). These consist of self-assessments by the reviewed Henkel companies. Also in 2014, in seminars and during our audits, we trained 569 employees on aspects of compliance, risk management and internal monitoring.

**Main focus of audits in 2014**  
Percentage distribution of the 2014 Henkel audit program



# Purchasing and supplier management

Together with our partners, we assume our responsibility along the entire value chain, jointly developing innovative solutions and setting new standards.



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

[www.bme.de](http://www.bme.de)

## Worldwide purchasing markets

Henkel currently has suppliers and other business partners from around 130 countries. More than 70 percent of our purchasing volume comes from countries that belong to the Organization for Economic Cooperation and Development (OECD). However, we are also increasingly opening up new purchasing markets in countries that are not OECD members. We place the same exacting demands on suppliers worldwide. Our suppliers are assessed in a comprehensive process that covers sustainability performance and risks as well as key commercial and operating indicators.

## What we expect from our business partners

We expect our suppliers and business partners to conduct themselves in a manner consistent with our sustainability requirements. In selecting and developing our suppliers and other business partners, we consider their performance in regard to sustainability. This is based on our globally applicable corporate purchasing standards and the Safety, Health and Environment (SHE) Standards that we formulated as early as 1997, thereby demonstrating even then our commitment to assuming responsibility along the entire value chain.



“The initiative ‘Together for Sustainability’ is becoming a benchmark for systematic and efficient supplier assessment.”

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

## 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 internationally. The BME code 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.

## Responsible Supply Chain Process

In line with our sustainability strategy, we intend to achieve more with less. To do this, we have introduced an updated, five-step Responsible Supply Chain Process. 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. This process is performed both at the beginning of our relationship with a supplier and as a regular check of our existing suppliers.



## Working together for a more sustainable supply chain

In October 2014, the initiative “Together for Sustainability” held its first supplier conference in Shanghai.

In 2011, Henkel and five other companies in the chemical industry established an initiative entitled “Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains” (TfS). The Initiative’s aim is to harmonize the increasingly complex supply chain management processes and to optimize the dialog among worldwide business partners.

In 2014, the Initiative turned its focus on emerging markets, particularly those in

Asia. A first suppliers meeting took place in Shanghai in October with an attendance of more than 400.

At the event, Chinese suppliers were informed about the Initiative with the aim of establishing a common understanding regarding the challenges that exist in chemical industry supply chains. The intention is to actively involve suppliers in sustainability assessment processes and audits. At the heart of the Initiative is the

idea “An audit for one is an audit for all.”

In the future, suppliers will only have to undergo one assessment or one audit. An internet platform is then used to make the results available to all members of the Initiative for information and approval. By the end of 2014, the number of members in the Initiative had doubled to 12.

At the first conference held in Shanghai by the “Together for Sustainability” Initiative (TfS), Henkel purchaser Joanne Corry had the opportunity to inform her suppliers Li Bo (left) and Ruan Jinsong from Suzhou Boke personally about TfS.

**1,100** audits and assessments

were carried out under the “Together for Sustainability” Initiative at our suppliers in 2014. Henkel works regularly with independent experts here.

**90%**

of the suppliers who underwent a repeat audit had improved their sustainability performance.

**91%**

of the suppliers who participated in a “Together for Sustainability” survey in 2014 rated the conducted audits positively. This shows that the Initiative brings benefits to both sides.

## Responsible Supply Chain Process



### Step 1: 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 of human rights, corruption, and the legal environment.

We also appraise a second dimension, that of risk value chains. These are industries and sectors that we consider to potentially represent a specific risk for our company. This is how Henkel identifies risk countries, value chains and, therefore, purchasing markets that score high in terms of hot topics.

### Step 2: Assessment

We use supplier self-assessments based on questionnaires and also have assessments performed by independent experts. Both of these cover our expectations in the areas of safety, health, environment; quality; human rights; employee standards; and anticorruption. Around 1,100 assessments were performed in 2014.

### Step 3: Analysis

Based on the risk assessments and assessments, we classify suppliers according to a “traffic light” system. A “red” score always leads to an audit. In the case of a “yellow” score, the areas where improvement is needed are identified and the supplier is audited if necessary.

### Step 4: Audit

Henkel works with independent audit companies to audit compliance with defined standards. 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 prompt 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. We conducted a total of 141 audits in 2014.

### Step 5: Further development

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 on process optimization, resource efficiency, and environmental and social standards. On the whole, all of the strategic suppliers and other business partners that were assessed in 2014 satisfied our expectations. We terminated one supplier relationship because of socially unethical practices.

The sustainability performance of suppliers and other business partners is also a core element at Henkel’s annual “Supplier Relationship Events.” In 2014, an agreement was reached with all strategic suppliers on targets for disclosure of their carbon and water footprint. The targets and annual progress are recorded in a kind of roadmap, thus creating greater transparency in the supply chain. In addition to this, Henkel has been honoring particularly innovative and sustainable solutions by its suppliers since 2008.

### Early warning system for risk markets

One example of a risk market is the purchasing 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 often associated with military conflicts and human rights violations. In recent years, we have repeatedly reviewed our direct suppliers of metals and requested them to supply documentary evidence that they do not obtain or process metals from critical regions. Henkel is also a member of the Conflict-Free Sourcing Initiative (cfsi), which was founded by members of the global electronics industry. Its aim is to ensure conflict-free supply chains for minerals. To this end, the cfsi organizes independent audits by third parties, which are conducted according to the stringent requirements of the electronics industry.

### Initiatives for greater sustainability

The initiative “Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains” (TfS) is based on the principles of the United Nations Global Compact and the Responsible Care

Initiative of the International Council of Chemical Associations (ICCA). Its aim is to harmonize the increasingly complex supply chain management processes 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 effort, not only among the member companies but with all of our shared suppliers. In 2014, the Initiative grew again, and the number of members doubled to 12.

On December 1, 2014, the TfS also changed its legal status. 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.

In addition, Henkel is a member of AIM-PROGRESS, a forum of companies in the consumer goods industry. One main objective of AIM-PROGRESS is to provide a common platform to promote effective cooperation on matters relating to supplier management.

-  [www.tfs-initiative.com](http://www.tfs-initiative.com)
-  [www.aim-progress.com](http://www.aim-progress.com)
-  [www.bme.de](http://www.bme.de)



Like the “Together for Sustainability” Initiative, AIM-PROGRESS encourages member companies to share experiences and utilize synergies. The forum for consumer goods companies also seeks to develop and promote the use of shared evaluation methods to determine CSR performance along the value chain.

The screenshot shows the website for Together for Sustainability. At the top, there is a navigation menu with links for 'Who we are', 'How we proceed', 'Training & Downloads', 'Events', and 'Contact'. Below the navigation is a large image of hands shaking, with a text overlay that reads: 'WELCOME TO "TOGETHER FOR SUSTAINABILITY" THE EUROPEAN INITIATIVE FOR SUSTAINABLE SUPPLY CHAINS'. Below this, the text states: 'TfS AIMS TO BUILD THE INDUSTRY'S STANDARD FOR SUSTAINABLE SUPPLY CHAINS'. A sub-section titled 'To enhance sustainability within the supply chain, leading chemical companies joined forces in the Together for Sustainability (TfS) initiative.' is followed by a description: 'TfS aims at developing and implementing a global supplier engagement program that assesses and improves sustainability sourcing practices, including ecological and social aspects. Technically, suppliers now only have to complete one form instead of multiple questionnaires. Additionally, buyers can access the information through a shared platform.' Below this text is a process flow diagram with four green hexagonal boxes: 1. 'Join forces to create standards for sustainable supply chains' leading to 'Engage beyond own operations'; 2. 'Share sustainability assessments and audit results' leading to 'Efficient web-based database for buyers'; 3. 'Raise awareness and initiate continuous improvement' leading to 'Support suppliers in making progress'; 4. 'Exchange and promote best practices' leading to 'Interactive platform for members'.



### Shared internet platform for partners

At [www.tfs-initiative.com](http://www.tfs-initiative.com), suppliers and potential partners from the chemical industry can learn more about the “Together for Sustainability” Initiative. Besides general information and notes on current events, the site also offers online training modules on the audits and assessments.

# Production and logistics

We are working toward our goal of becoming three times more efficient by 2030 by continuously improving and simplifying production and logistical processes.

## Clear targets for our production sites

Henkel operates 169 production sites worldwide. We work continuously at all of these sites to reduce energy and water use and waste generation while upholding our promise of quality and safety. We have set concrete targets for our production sites to help steer progress toward our long-term “Factor 3” goal. By the end of 2015, we aim to reduce our energy and water use and waste volume by 15 percent per production unit and reduce our worldwide accident rate by 20 percent (base year: 2010).

In 2014, we achieved all four of these targets ahead of schedule. Energy use per production unit has improved by 20 percent, water use per production unit by 19 percent and waste volume per production unit by 18 percent (22 percent without construction and demolition waste) versus 2010. We also improved our worldwide occupational accident rate by 25 percent compared with the 2010 baseline.

## Worldwide optimization programs

We have developed optimization programs that identify best operating practices and promote continuous improvement across our entire production network. Our business units develop both general and specific optimization programs for their locations, as the various production processes involved in making products such as household cleaners, skin creams or tile adhesives allow different approaches to improvements.

The Adhesive Technologies business unit is using a combination of lean production principles, workshops and structured problem-solving techniques to create customer value. Through Value Stream Mapping (VSM) workshops, we identify inefficiencies (e.g., waiting times or excess production) and develop corresponding improvement projects, which often have sustainability benefits. In 2014, the business unit also launched sustainability workshops focused on energy, water and waste and will extend them gradually to major production sites. We also began training Supply Chain and Operations managers on an eight-step methodology used to improve processes and eliminate waste, so that they can drive efficiency within their own areas of responsibility.

The Laundry & Home Care business unit uses its Manufacturing Excellence Program to monitor best practices in the areas of sustainability and efficiency. Standardized scorecards are used to define targets and track continuous improvement measures for each site on a quarterly basis. Moreover, a global internet-based energy measurement system enables us to track our energy use in real time. In 2014, the business unit implemented energy recovery and efficiency programs that will lead to carbon dioxide savings of 20,000 metric tons per year. In recognition of these efforts, the Econique



## Operational excellence through lean production

Employees in Seabrook, New Hampshire, USA, developed a comprehensive plan to eliminate waste, beginning with a Value Stream Mapping workshop in 2014. The roadmap is essential to optimizing processes and achieving operational excellence. Johnny Tong (right), Vice President Operations & Supply Chain Adhesive Technologies in North America, explains our lean production philosophy to Harvard Professor Dr. Ananth Raman.





## Sustainable production in Mexico

Project Xina will double the capacity and reduce the environmental impact of our largest detergent production site in Latin America.

Jordi Cruz (left), SHEQ Latin America Manager, and Jose Luis Romero Mejia, Sulfonation Operator, examine the new heat recovery system's contribution to more efficient production in Toluca, Mexico.

Project Xina, a 27 million euro expansion project named for a volcano near our Toluca production site, will double the production area, modernize technologies, and make logistics more efficient. Several upgrades were completed in 2014 and are already reducing the plant's environmental footprint. For example, a new heat recovery system was installed to save energy. The new system uses waste heat from our sulfonation plant to preheat the air for spray-drying powder detergents.

We also introduced a two-step reverse osmosis process to reduce wastewater from our liquid detergent production and increase the yield of recycled water. With the first measures in place, annual energy consumption has decreased by 13 percent per ton of product, water consumption has decreased by 14 percent per ton of product, and waste generation has decreased by 19 percent per ton of product. The expansion has taken place without disrupting ongoing production and without a single lost-time accident in 2014.

Additional efficiency gains are expected once all measures are fully implemented in 2015.

Once the project is complete, Toluca will be Henkel's largest detergent production site outside of Düsseldorf and will enable us to produce powder and liquid detergents efficiently for the fast-growing Latin American market. The modern factory will also serve as a sustainability and safety benchmark for our entire group.



More examples of efficiency at our Toluca production site.

**169** production sites

belonging to our three business units around the world are the foundation for our strong presence both in mature and emerging markets. Of these sites, five are located in Mexico.

**€27 m**

is the sum we are investing to expand production areas, modernize technologies and make logistics more efficient at our laundry detergent production site in Toluca, Mexico.

**0** lost-time accidents

is the record for the expansion of our laundry detergent site in Toluca in 2014. 89 percent of our worldwide production sites were accident-free last year.

Network presented the business unit with the 2014 Energy Masters Award.

The Beauty Care business unit continues using its Total Productive Management Plus program to identify optimization potential and implement continuous improvement measures. The business unit also introduced a state-of-the-art software system in Europe to monitor its performance in real time and steer processes more effectively. The system will be rolled out further in 2015. Finally, Beauty Care focuses on sharing best operating practices across its production network. The goal is to encourage sites to continue improving in all

areas of sustainability by developing improvement plans specific to their needs.

In 2015, we will begin rolling out the Henkel Production System (HPS), a new continuous improvement program on a common platform, across all three business units. HPS will enable us to better leverage best practices across business units, standardize processes and harmonize production processes further.

More examples of resource efficiency from other production sites:

 [www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 8

**Worldwide: Selected examples of contributions to resource efficiency in 2014**

Focal areas	Measures
	Ankara, Turkey By installing a new heat recovery system, the laundry detergent production site was able to optimize its spray-drying process and cut its annual energy use by five percent in 2014.
	Lomazzo, Italy The laundry detergent production site began reusing water from its wastewater treatment plant to dissolve additives and to wash centrifuges. This has made it possible to reduce water use by more than 6,000 cubic meters per year.
	Sfax, Tunisia The cosmetics plant added a pre-mixing and heating phase to its production process. Preheating materials has enabled the plant to reduce its total mixing time, save energy and cut costs.
	West Hazelton, Pennsylvania, United States The cosmetics plant installed active skylights to reduce energy consumption and illuminate production areas with natural light. The system uses a satellite controller to track the position of the sun and an array of mirrors to ensure proper lighting, even in winter months.
	Seven Hills, New South Wales, Australia The adhesives plant began using a high-pressure cleaner to sterilize its seven tanks. By using this technique instead of boiling water to generate steam daily, the factory reduced its process wastewater by 50 percent.
	Adhesives plants in Balakleya, Vyshgorod and Mykolayiv, Ukraine, modernized their sand drying lines in 2014. The upgrades have reduced annual energy consumption by approximately 4 million kilowatt hours and related carbon dioxide emissions by 800 metric tons.

### Standards and management systems

Our worldwide optimization programs are based on globally uniform standards for safety, health, environment (SHE) and integrated management systems. 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.

Our employees' behavior plays a key role in implementing these corporate standards. Therefore, 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 2014, 90 percent of our production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems. 93 percent of our production volume is covered by the ISO 9001 quality management standard and 24 percent is covered by the ISO 50001 energy management standard. Furthermore, 83 percent came from sites certified to the OHSAS 18001 standard for occupational health and safety management systems.

### Collaboration with subcontractors

Third-party manufacturing is an integral part of our production strategy. For example, we sometimes use toll and contract manufacturers when entering new markets or introducing new products and technologies. In these cases, the corresponding production volume is often still small.

The use of external partners also helps to optimize our production and logistics network and to increase resource efficiency. Currently, we source about 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. We aim to establish long-term collaborations with our toll and contract manufacturers. This also includes adding them to our environmental data recording systems.

We have been collecting data on energy, water, wastewater and waste parameters for selected toll and contract manufacturers since 2011. Our Beauty Care business unit collected environmental and production data for 70 percent of its external production volume during 2014 and plans to extend data coverage further in 2015. Our Adhesive Technologies business unit began collecting safety and environmental data from toll and contract manufacturers in 2014.

Furthermore, to ensure compliance with our standards and promote continuous improvement, our Adhesive Technologies business unit extended "Together for Sustainability" audits to contract manufacturers and traded good suppliers worldwide for the first time. We also established minimum audit requirements that all contract manufacturers and traded good suppliers are expected to meet.



### Resource-efficient cosmetics production

In 2014, our cosmetics production site in Maribor, Slovenia, installed a new system that reuses process water for cleaning purposes. By collecting the process water in tanks and warming it through heat-recovery measures, we save up to 7,000 cubic meters of fresh water and 200,000 kilowatt hours of energy per year. Pictured: Technician Romana Florjančič and Project Manager Srečko Habjanič.



An overview of ISO certifications for our Adhesive Technologies business unit is available on the Adhesive Technologies webpage.

## Occupational safety

### Our objective: zero accidents

Occupational health and safety is one of our highest priorities. We remain focused on our long-term objective of “zero accidents.” With this objective in mind, we work to continuously improve our health and safety performance. Our interim goal is to reduce our worldwide occupational accident rate by 20 percent by the end of 2015 (baseline 2010).

### Behavior-based safety training

We insist on strict compliance with our Safety, Health and Environment (SHE) Standards. Therefore, training sessions are held regularly at all sites to create employee awareness and avoid accidents. We also conduct training sessions for the staff of contractors working at our sites.

The Laundry & Home Care business unit held training sessions for all of its production management employees. The business unit also introduced a standard safety-training template for visitors and contractors in 2014. The Beauty Care

business unit trained employees on health and safety as part of its optimization program Total Productive Management Plus.

In 2014, the Adhesive Technologies business unit introduced safety workshops based on a train-the-trainer approach to eliminate at-risk behaviors and further establish safety as a core value.

### Status

In 2014, we recorded 0.9 occupational accidents per million hours worked. That is an improvement of 25 percent relative to the base year 2010 and means that we already achieved our 2015 target one year ahead of schedule.

Despite our focus on health and safety, an employee in Port Said, Egypt, was fatally injured in 2014 as a result of an electrical shock. To prevent similar accidents from occurring in the future, Henkel has instructed relevant production sites to perform a detailed analysis on the handling of electrical equipment.



### Putting theory into practice at Safety Days

More than 1,000 Adhesive Technologies employees participated in Safety Day activities at many production sites in 2014. Attendees refreshed their knowledge of safe operating practices and potential safety risks through hands-on demonstrations. Paul Kirsch (right), Corporate Senior Vice President Supply Chain & Operations Adhesive Technologies, extinguishes a fire as part of a Safety Day demonstration in Düsseldorf.



# Logistics and transport

## Logistics planning

Production and logistics planning depends on the products being transported. For bulkier products, we reduce transport mileage and environmental impact by operating regional production sites. Compact products make fewer demands on transport, so we produce them centrally whenever possible. Meanwhile, many industrial adhesives are produced close to customers' production sites.

## Emissions reduction initiatives

We optimize our logistics operations in order to reduce transport emissions. We position warehouses and distribution centers to minimize the distance between our sites and our customers. Wherever possible, we combine shipments between individual sites and warehouses.

In 2014, Laundry & Home Care replaced four distribution centers with a high-bay storage facility in Düsseldorf in order to reduce transport mileage and energy needs. The new central warehouse is situated directly next to production, thus eliminating supply shipments and cutting the ton-kilometers traveled to customers by 20 percent. Laundry & Home Care also worked with suppliers to upgrade transportation vehicles to more efficient emissions standards.

Beauty Care is working with retailers and suppliers to reduce carbon dioxide emissions. In France, for example, Beauty Care launched a pilot project with customers to deliver products on cardboard pallets instead of wood pallets.

Adhesive Technologies is consolidating customer deliveries in Western Europe to reduce the number of truckloads shipped as well as carbon dioxide emissions. In 2015, our Electronics business will begin replacing Styrofoam coolers used to transport heat-sensitive products with reusable, thermal containers. The new containers reduce the carbon footprint by 75 percent and waste per container by 95 percent.

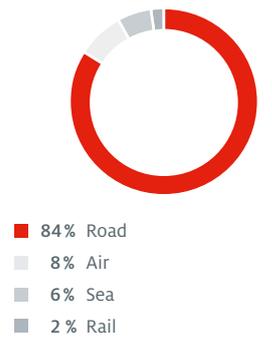
## Road safety

Adhesive Technologies launched the "Go Safe with Henkel" road safety campaign to curb traffic-related accidents in India. The campaign raises awareness of safe driving and encourages Henkel's logistics partners to follow strict guidelines on driving practices, vehicle conditions and safety equipment. The campaign will be rolled out in other countries in 2015.

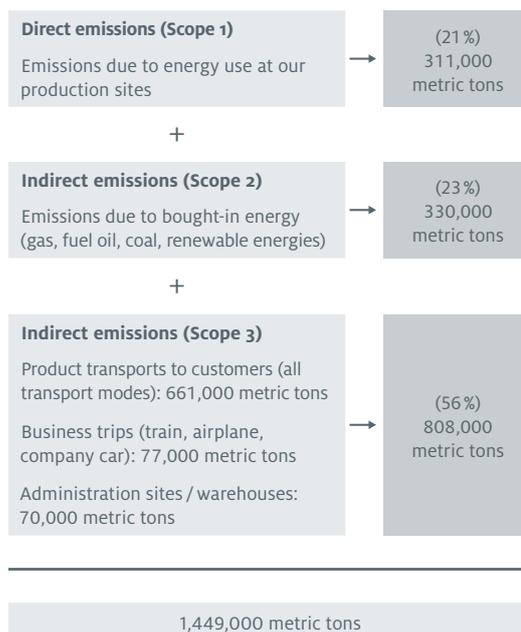
## Requirements on logistics partners

We take efficiency as well as environmental and safety performance into account when choosing our transport partners. Relevant criteria have been a part of our request for proposal process and tenders for the purchase of logistics services since 2010. These include energy-saving targets, measures for modernizing vehicle fleets, and investments in programs that optimize routes and record emissions. Additional measures to improve the impacts of logistics and transport: [www.henkel.com/sr2014](http://www.henkel.com/sr2014)

Product transports per transport mode in 2014



## Overall picture: our operational carbon footprint in 2014



Henkel's own CO<sub>2</sub> emissions are primarily caused by energy generation and consumption. Other CO<sub>2</sub> emission sources are not relevant for our business operations. The same applies to emissions of other greenhouse gases. They account for less than one percent of the Scope 1 and Scope 2 emissions. Scope 3 emissions, especially those associated with raw materials and product use, are calculated at the product level.

# Sustainability stewardship

We develop products that offer more value – and have a smaller environmental footprint. Each new product is therefore expected to make a contribution to sustainability.

## Sustainable innovations

If we are to decouple increased quality of life from resource use, product innovations will play an essential role. “Our products” is therefore one of the strategic principles for implementing our sustainability strategy. They should offer customers and consumers more value and better performance while having a smaller environmental footprint.

For us, this is not a question of developing individual “green” products where only the environmental profile has been improved. Our aim is to continuously improve all products across our entire portfolio, taking every aspect into account. A high degree of innovativeness is very important in achieving this. In 2014, Henkel employed around 2,650 people in research and development and invested 413 million euros in these activities. In order to steer product development in line with

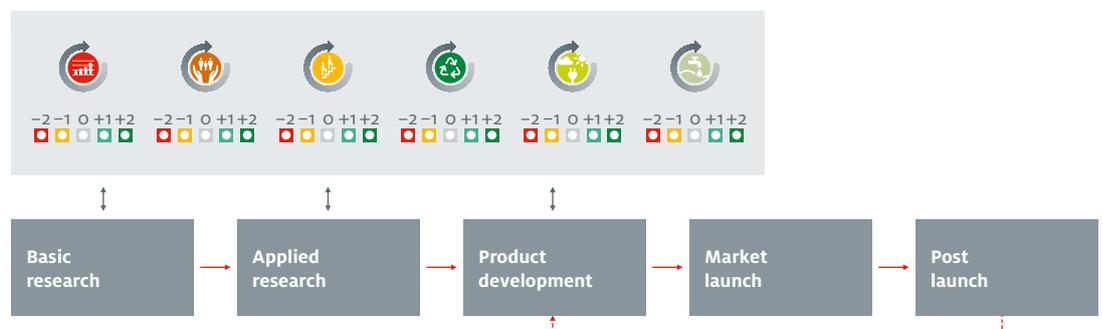
our sustainability strategy from the outset, our focal areas have been anchored in the Henkel innovation process since 2008.

## Product and consumer safety

Our customers and consumers can be certain 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

## 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 consumers, 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® (see graphic at right).

incorporate the insights gained into the assessments. In addition to considering the basic hazard potential of a substance, our safety assessments focus especially on the actual concentration in the specific formulation and the conditions of use. The use of substances with certain (dangerous) properties is precluded for specific applications from the very start. In other cases, we work to further improve health compatibility by developing alternative ingredients.

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 there are serious reservations about the continued validity of the scientific data and findings regarding product safety, we either avoid using a substance altogether or restrict its use so that it meets our stringent safety criteria.

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

Henkel focal areas		Assessment along the entire value chain					
Value		Raw materials	Production	Logistics	Retailing	Use	Disposal
	Performance					e.g., improved product performance	
	Health and Safety						
	Social Progress					e.g., easier to use	
	Materials and Waste	e.g., less raw materials			e.g., less packaging		e.g., less plastic
	Energy and Climate		e.g., reduced emissions			e.g., reduced dosage	
	Water and Wastewater					e.g., lower water requirement	
<b>Footprint</b>							

The Henkel Sustainability#Master® compares the sustainability performance of products and processes.

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

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

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

### Innovations and alternative test methods

Henkel has been carrying out successful research since the early 1980s to develop new methods for testing the safety and compatibility of raw materials and products. 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.

Whenever 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 (technical name: epidermis model) have been developed over the past decades in collaboration with external partners and submitted for acceptance as alternatives to animal testing

to the “European Union Reference Laboratory for Alternatives to Animal Testing” (EURL ECVAM). By mid-2015, Henkel plans to make the results of this research freely accessible in an open source model and to make the method available free of charge to biologists and lab technicians, for instance, in trade journals. In pursuing this policy, Henkel is making a significant contribution to establishing the use of alternative methods around the globe. Our scientists are currently working with Fraunhofer researchers to make it possible to not only produce the skin model, which is as large as a 1-cent coin, individually in the laboratory but also in machines in the future. The process will be more efficient and allow larger quantities to be produced.

### Responsible use of 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.

### Examples of sustainability in our packaging development



#### Vernel Soft & Oils – innovative fabric softener

The highly concentrated formulation saves both water and material. With its transparent bottle, improved design and choice of label, this packaging type is also easier to recycle. The material of which the bottle is made already contains 25 percent recycled PET.



#### Thinner shrink film for wrapping pallets

In 2014, the Beauty Care business unit began switching to thinner pallet shrink wrap films in a pilot project at the Wassertrüdingen factory. Reducing the film thickness from 35 to 25 micrometers results in CO<sub>2</sub> savings of around 530 metric tons, which is equivalent to a 30-percent reduction.



#### Glue roller with up to 100 percent recycled material

In collaboration with Interseroh, Henkel has developed its first products incorporating recycled plastics. The housing of the Pritt Glue Roller and Pritt Correction Roller features a rear wall made of Procylen, a multi-award-winning synthetic material. It is made almost 100 percent from recycled plastics.

### Palm and palm kernel oil

We are aware of our responsibility regarding the purchase and use of ingredients based on renewable raw materials. We are therefore promoting sustainable palm oil production with our partners along the entire value chain. We have adopted the goal of ensuring “zero net deforestation by 2020.” This means that palm and palm kernel oil that we use should not contribute to deforestation of primary or secondary forests with significant ecological value. That includes peat lands and other areas with “high carbon stock.” We seek to drive physical progress in the palm and palm kernel oil supply chain, so as to prevent deforestation. In doing so, we have come to the conclusion that purchasing Book & Claim certificates only will not be sufficient to achieve this ambition.

Together with our partners, we are working to establish full traceability of palm and palm kernel oils used in ingredients for our products, such as surfactants, by 2020. We aim to ensure that all palm and palm kernel oil that we purchase is being cultivated sustainably. An additional goal is to increase the supply of sustainable oil available on the market by a volume equal to Henkel’s demand in 2020.

We are working toward these goals by:

1. Converting to the Mass Balance system for palm and palm kernel oil: The vast majority of the palm and palm kernel oil in our products is used indirectly through ingredients based on these oils. We are working with our suppliers to ensure that at least one third of it is mass-balance-certified (i.e., a controlled mix of sustainable and conventional oil) in 2015. Furthermore, we intend to increase our purchases of mass-balance-certified oils so that they cover 100 percent of our demand by 2020. This replaces our previous commitment to cover all product ranges with Book & Claim certificates for sustainable palm and palm kernel oil by 2015. By purchasing mass-balance oil (rather than palm and palm kernel oil certificates), we can contribute more effectively to ensuring that physical sustainable oil enters our value chain.

2. Improving traceability: We are establishing pilot projects to trace palm and palm kernel oil that we use back to the plantations in order to ensure the oil that we use is being cultivated sustainably.

3. Supporting plantations and smallholders: We are providing targeted support to plantations and smallholders in palm-growing countries to promote sustainable farming practices, improve livelihoods and ensure that sufficient volumes of sustainable oil are available on the market. In 2013, Henkel joined forces with the development organization Solidaridad and other partners to start a three-year program in Honduras designed to improve the livelihood of 7,500 smallholders and 5,000 workers. We aim to increase our targeted support for smallholders in the future.

### Smart packaging solutions

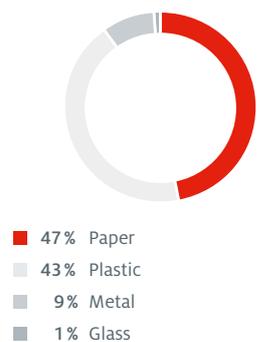
The packaging for our consumer products fulfills many different functions: It ensures the hygiene and intactness of the products, protects them from external influences, provides space for necessary consumer information and often plays an important role in the purchasing decision through attractive packaging 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 specified these in more detail in 2011 and defined comprehensive targets for the end of 2015.

- [www.rspo.org](http://www.rspo.org)
- [www.henkel.com/positions](http://www.henkel.com/positions)
- [www.henkel.com/developing-alternatives-to-animal-testing](http://www.henkel.com/developing-alternatives-to-animal-testing)

Targets to reduce packaging footprint for consumer products:  
[www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 11

#### Henkel packaging footprint 2014<sup>1</sup>



<sup>1</sup> Around 540,000 metric tons (estimate based on expenditures for packaging materials).

# Laundry & Home Care

Close collaboration with our partners is a key element of our strategy – on the road to ever-more sustainable products and sustainable consumption.

## Meeting consumer needs sustainably

Our consumers expect products to satisfy the criteria of quality, environmental compatibility and social responsibility in equal measure. These expectations mirror our own ambition. We view this combination as the driver for innovations and the basis for our future competitiveness. Laundry & Home Care's research and development strategy therefore unites innovation and sustainability to provide resource-efficient technologies and products. Each new product must make a contribution to sustainability in at least one of our six focal areas: performance; social progress; safety and health; energy and climate; water and wastewater; and materials and waste. Through increasing use of "smart" raw materials, we are continuously optimizing the carbon footprint of the materials we use.



With the Persil resource calculator, we point out the advantages of our products and encourage resource efficiency when using them.

communication, we also try to promote responsible use of the products. We use communication appropriate for the target group, including on the internet, to point out the advantages of our products. We also encourage resource-efficient use, for example by means of our Persil resource calculator for laundry.

Our retailers are important partners for Henkel on the road to more sustainable consumption. They provide platforms for informing consumers about more sustainable products and how to use them in an environmentally responsible way. In 2014, we intensified our cooperation with Walmart, for example. We are working more closely together on sustainable solutions for packaging development and more efficient logistics.

## Developing laundry detergents of the future

The Laundry & Home Care business unit generates more than 45 percent of its sales with products that have been on the market for less than three years. At the beginning of any product development project, the sustainability improvements are already charted out for each later innovation. In order to expand this leading position still further, Laundry & Home Care places great importance on collaborative research and open innovation, harnessing the capabilities of external innovation partners such as universities, research institutes, suppliers and customers. Through early and extensive involvement of these innovation partners, the aim is to satisfy customer wishes for improved product performance, optimal convenience and maximal efficiency while also providing enhanced sustainability at the same time.

## Focus on the use phase

An important objective of our strategy is fostering sustainable, resource-conserving consumption. Our products are the key here. They are used daily in millions of households and often require water and energy. As much as 70 percent of the environmental footprint of our products is generated during their use. We thus concentrate on developing products that enable the efficient use of resources such as energy and water. Through targeted consumer



“Our innovations combine a clear sustainability profile with more value for our consumers.”

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



## Together for greater sustainability HICAST – industry meets university

In collaboration with the Rhenish-Westphalian Technical University (RWTH) in Aachen, Germany, Henkel is working to research and develop the laundry and home care products of the future.

The aim of this cooperation is to develop products that are even more resource efficient and perform better than ever before. The new cooperation concept is called “Henkel Innovation Campus for Advanced Sustainable Technologies” – or HICAST, for short.

Henkel is investing several million euros in this interdisciplinary collaboration with

four professors from the fields of chemistry and biotechnology. The scope is to investigate new and sustainable basic raw materials and develop completely new active substances. This includes new enzymes. Powerful enzymes boost the cleaning performance of laundry detergents, automatic dishwashing detergents, and, most recently, hand dishwashing

liquids, particularly at low temperatures. Often, they can reduce the need for classic ingredients such as surfactants. This makes it possible to achieve significant cuts in energy and resource use.

The Innovation Campus is an example of the wide-ranging, intensive collaboration that Henkel engages in with external partners.

University scientists Professor Dr. Ulrich Schwaneberg and Dr. Ljubica Vojcic (right) from the RWTH Aachen are researching enzymes of the future together with Henkel biotechnologist Dr. Daniela Herbst. Powerful enzymes have recently also been incorporated into hand dishwashing liquids such as Pril.



Dr. Michael Dreja, Research and Development at Laundry & Home Care, explains the background of the research cooperation with RWTH Aachen.

**100%**

of the surfactants used in our laundry and home care products are readily biodegradable. Henkel began conducting experiments to research the biodegradability of surfactants as far back as the 1950s.

More than **10,000**

metric tons of carbon emissions are saved every year in the production of our hand dishwashing liquid Pril. We owe this to powerful enzymes and the steps we take to optimize product formulas.

More than **30**

is how many collaborative programs Laundry & Home Care is working on with universities and research institutes around the world. These include renowned establishments such as the Max Planck Society, the Fraunhofer Society and Columbia University in New York, USA.



The enzyme technology used in Pril Kraft-Gel removes starch residues even more effectively and sustainably when washing dishes by hand.

One important contribution to sustainability in the laundry detergents business is the result of a long-standing research cooperation with BASF. Researchers from BASF and Henkel have jointly developed ingredients for a new generation of premium laundry detergents. These unique ingredients offer advantages in two key sustainability dimensions: performance and energy. They help to remove stubborn stains at significantly lower washing temperatures than is possible with conventional laundry detergents. Consumers therefore obtain first-class cleaning results while using less energy. This new technology is incorporated in the product Persil Kalt Aktiv.

Another example of an energy-efficient product innovation in laundry detergents is Persil Duo-Caps. This product combines the brightness formula with a powerful active stain remover and achieves full washing performance even at low temperatures. The pre-portioned doses are easy to use and prevent overdosing.

### Powerful cleaning performance helps save energy

The Laundry & Home Care business unit also makes use of innovations from other industries, such as food and beverages, food processing, pharmaceuticals, and textiles, in order to make its products even more effective and efficient. In formulating its automatic dishwashing detergents Somat Gold and Somat 10, for example, Henkel uses a substance that

was originally developed in the pharmaceuticals industry to allow tablets to dissolve rapidly. This ingredient ensures that the Somat Gold and Somat 10 tabs dissolve more rapidly than in predecessor products and are thus excellently suited for use in the low-temperature cycles of automatic dishwashers. This innovation not only delivers first-class product performance, as the active substances are released more quickly, but also reduces energy use – to the benefit of consumers.

Henkel has worked with Novozymes to develop powerful enzymes incorporated in its Pril hand dishwashing liquid to ensure fast and effective removal of rice, pasta and other starch-based residues. Thanks to these enzymes and extensive measures to optimize the product formula, Henkel is reducing the use of surfactants and lowering its carbon emissions by more than 10,000 metric tons per year. This is equivalent to the volume of carbon dioxide that would be absorbed annually by a forested area three times the size of Central Park in New York.

### A.I.S.E. Charter for Sustainable Cleaning

In 2005, Henkel became the first company to fulfill the criteria of the Charter for Sustainable Cleaning of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). Since then, more than 200 other companies have committed to the Charter. All companies that sign the Charter pledge to continuously improve their processes and to report annually on their economic, environmental and social advances, using defined indicators.

As part of its further development, the A.I.S.E. Charter was expanded in 2010 to include the key dimension of products. Since then, it has 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 (ASP). 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.



### Purex Power Shot – prevents overdosing

Innovative auto-dosing technology prevents excessive dosing of this liquid laundry detergent. Its highly concentrated formula also saves resources such as water and energy. The liquid detergent delivers full cleaning power even at low temperatures and thus also helps to save energy in the use phase.



Products that satisfy all of the defined requirements may communicate this to consumers on their packaging by means of the A.I.S.E. Charter logo introduced in 2011. Initially, our liquid and powder laundry detergents, fabric softeners and automatic dishwashing products qualified to bear the logo. Now, in a second stage, our all-purpose cleaners and special spray cleaning products (glass, window, bath, kitchen) are also entitled to carry the ASP logo.

In 2014, A.I.S.E. launched the European campaign “I prefer 30°” with the help of Henkel and other partners. The goal of the campaign is to encourage consumers to use lower temperatures when washing laundry. On the website [www.iprefer30.eu](http://www.iprefer30.eu), consumers can read more about which textiles are especially suited for washing at 30 degrees Celsius and pick up tips on laundering in general.

Since 2014, Henkel has also been supporting the Europe-wide A.I.S.E. education initiative “Keep

Caps from Kids.” A video and a website – available in all EU languages – tells viewers why it is so important to keep liquid detergent capsules out of the reach of children. The [www.keepcapsfromkids.eu](http://www.keepcapsfromkids.eu) site also provides tips on how to use liquid laundry detergent capsules safely. This online education campaign supplements the voluntary initiative “A.I.S.E. Product Stewardship Programme for Liquid Laundry Detergent Capsules” that the laundry detergent industry in Europe launched at the end of 2012. For example, the safety pictogram “Keep away from children” devised by A.I.S.E. is printed on the packaging of liquid laundry detergent capsules from all manufacturers who, like Henkel, are partners in supporting the product stewardship program.

-  [www.iprefer30.eu](http://www.iprefer30.eu)
-  [www.keepcapsfromkids.eu](http://www.keepcapsfromkids.eu)



A.I.S.E., the International Association for Soaps, Detergents and Maintenance Products, is an important partner of Henkel for targeted communication with consumers on sustainability matters.

### Henkel Sustainability#Master® – Somat Gold in comparison with Somat 10

The innovative multi-functional technology incorporated in the Somat 10 and Somat Gold tabs provides impressively powerful cleaning performance and easy handling. In the “Footprint” dimension, the good solubility is the main factor determining the highly effective performance in dishwashing cycles

at temperatures as low as 40 degrees Celsius. Consumers can save significant amounts of energy compared with similar cycles at higher temperatures. Somat Gold also offers even more effective cleaning power, which eliminates the need for long pre-soaking of dishes and so saves even

more water and energy. If all Somat users skipped the pre-soak phase, they could save as much electricity as the total annual consumption of 360,000 households. The matrix shows all the hot spots for this product category. These are the fields with the greatest relevance for sustainability.

Value	Raw materials	Production	Logistics	Retailing	Use	Disposal
 Performance			More efficient loading		Cleaning performance	
 Health and Safety						
 Social Progress					Recommended short programs	
 Materials and Waste	Less petrochemical raw materials	Reduced packaging		Secondary packaging	Reduced dosage	
 Energy and Climate	More targeted raw materials selection		Reduced emissions		Heated water for pre-soaking	
 Water and Wastewater					Water used for pre-soaking	Eutrophication potential

**Footprint**    Significant improvement



# Beauty Care

To ensure that each innovation makes a contribution to sustainability, Beauty Care reinforces its sustainability management with new steering instruments, communication channels and partnerships.

## Innovation leadership for sustainability

Our innovative power is a key prerequisite in achieving our goal of sustainable development. This goes beyond the resource-efficient manufacture of our products. Sustainability targets are systematically integrated in each phase of the product life cycle and range from the choice of raw materials to innovative ways of addressing consumers regarding how to use the products. We grasp the opportunities offered by electronic media and, in line with our sustainability strategy, we develop solutions that create more value for our customers and consumers, and for our company, while reducing our environmental footprint at the same time.



The interactive resource calculator provided by Dial gives consumers an opportunity to find out online how energy use varies depending on the temperature of the water and the time spent in the shower.

## Comprehensive product stewardship

In order to anchor sustainability in the innovation process, we need integrated systems that supply information in a user-friendly format that saves time and costs. With a range of new steering instruments, Beauty Care has automated the calculation of the environmental footprint of formulas and packaging and systematically integrated this into its development process. Thanks to intelligent interlinking of databases, these tools allow product developers to measure and control the effects on the ultimate environmental footprint of a product even at the early stage of selecting the raw materials.



“Linking digital media with innovative products creates new opportunities to promote sustainable consumption.”

Hans Van Bylen, Executive Vice President  
Beauty Care

Our strategic partners in the supply chain make an important contribution to this endeavor as well. Joint programs to define the requirements on the environmental data of the raw materials supplied help us to apply these steering systems worldwide.

In addition to continuously improving the environmental compatibility of our products through the use of readily biodegradable raw materials, we also continuously reduce the level of wastewater pollution by our production sites. In our Viersen-Dülken plant in Germany, which produces hair-coloring products, we have introduced an intelligent bio-monitoring system which uses chemical and biological analyses to assure the environmental safety of the neighboring surface waters.

The holistic approach of thinking in product life cycles is supported by innovative digital solutions for efficient steering of the sustainability performance of our products and processes.

## Promoting sustainable lifestyles

Achieving a better quality of life and well-being for as many people as possible within the limits of our planet's resources is a universal social and political goal. Besides providing personal hygiene for the skin, hair and teeth, cosmetic products also contribute greatly to the emotional aspects of quality of life. They help people to look well-groomed, emphasize their personal style and strengthen their self-esteem. Our cosmetics and personal care products, which are used daily by millions of people worldwide, make a valuable contribution in this respect. Consequently, we link our ambition to enhance the quality of life with the will to promote sustainable lifestyles.



## Digital interaction with consumers for sustainable consumption

Through creative ways of addressing consumers, we join forces with our retail partners to promote awareness for sustainable lifestyles.

The behavior of consumers when using our cosmetic products has a decisive effect on their environmental footprint: More than 90 percent of the energy and water used during the life cycle of a rinse-off product is accounted for in the use phase.

In order to raise awareness of this fact and point out ways of using resources responsibly in everyday life, Beauty Care organized an international video competition on a web-based platform. Creative talents

from all over the world were invited to submit a 60-second video with original and entertaining ideas for motivating people to conserve resources when taking a shower. The jury selected five winners from the more than 90 videos entered.

The vast diversity of humorous ideas and their realization speaks volumes for the appeal of creative communication using digital media. Reaching a broad public, it enthruses countless people for sustainable lifestyles.

In numerous collaborative efforts, we make use of the communication channels of our retail partners to embed the videos there. We see the retail industry as an important communication platform for addressing consumers directly through online media. We plan to continue driving sustainable consumption in the future by using new digital communication approaches together with our partners.

Product developer Dr. Qian-Yi Li (left) exchanges views with Dr. Nils Daecke and Saskia Schmaus, experts in digital communication and marketing at Beauty Care, about the creative videos that were generated by a web-based competition to promote more sustainable behavior when taking a shower.



Creative videos encourage people to use water more responsibly when showering.

**160,000**

is the number of product formulas for which we have already systematically determined the carbon footprint – thanks to smart interlinking of raw materials databases and environmental data provided by our suppliers.

More **90%**

of the energy and water used over the life cycle of our rinse-off products is accounted for in the use phase. Our objective is therefore to encourage consumers to use our products more sustainably.

**180,000**

consumers in Europe call Beauty Care hotlines for advice every year. The employees answering the calls give quick, competent and reliable responses on product properties or ingredients. Consumers are also welcome to use our social media channels.



### Ecocare-Award for Taft Volume Powder

Marion Trappen and Dr. Joachim Kremer accepted the award from the *Lebensmittel Praxis* retail magazine on behalf of Beauty Care. The innovative formula of the styling powder results in a 90-percent smaller carbon footprint compared with foam-based products. The packaging uses neither gas propellant nor resource-intensive aluminum.



### Care series Diadermine N°110

The product line Diadermine N°110, introduced to mark the 110th anniversary of the facial care brand, combines excellent efficacy and compatibility with a reduced environmental footprint. The body oil can be manufactured without heating the ingredients, so that the production process uses less energy, which significantly reduces the carbon footprint. Only plant-based oils are used. Through smart combination of 11 multi-functional active ingredients, the entire care series provides perceptible anti-aging effects. All skin-care products of the Diadermine brand have also been recognized by the European Centre for Allergy Research Foundation (ECARF) for their especially good skin compatibility and particularly low allergenic potential.

From life-cycle analyses, we know that our consumers influence the carbon footprint of our products to a very large extent. This is especially true of products that are rinsed off or washed away after use, mainly because of the energy required to heat the water. We use the creative potential of digital media to motivate our consumers to act in a sustainable manner and develop new ways of addressing and communicating with them. By doing so, we aim to enhance the attraction of sustainable lifestyles.

One example of this is the videos made during an international online competition, calling on consumers in creative and entertaining ways to conserve resources when taking a shower. With our resource calculator, consumers can find out online just how much their behavior can affect water use, the environmental footprint, and the cost of showering, bathing, drying their hair, brushing their teeth and washing their hands.

Together with our retail partners, we use the formats described to engage with consumers and make extensive use of digital media. We focus specifically on the communication channels of greatest relevance to consumers and adapt the style of communication to the needs of the different consumer groups we target. This allows us to strengthen awareness of sustainable consumption behavior.



The product line Diadermine N°110 combines excellent efficacy and certified compatibility, even for people with sensitive skin, all with a reduced environmental footprint.

### Taft Power Hair Lacquer

We continue to improve our existing assortments as well, as part of our commitment to sustainable development. To cite one example, a new formula was developed for the Power Hair Lacquer under the Taft styling brand, which delivers the same performance with 15 percent less styling active ingredients than its predecessor. We also use this innovative technology in other brands, which has helped us to cut carbon emissions by 800 metric tons every year.

### Advice for consumers and hairdressers

Comprehensive advice for consumers goes hand in hand with product safety. Advice hotlines have therefore been set up in most countries where our products are sold so that consumers can receive competent, quick and reliable information about product properties or ingredients. Consumers can also use our social media channels. In Europe alone, this results in around 180,000 consumer contacts each year. Product-related feedback is documented in our quality assurance system and channeled into our ongoing product development processes.

We also support our customers in the Hair Salon business with in-person product training courses and web-based seminars. Through the international Schwarzkopf Academy (ASK), we offer an advanced vocational training program that assists

hairdressers in a variety of ways in their own continuing professional development, as well as coaching them in the proper use of our products.

**Brand engagement**

The Beauty Care business unit promotes social progress through a series of social initiatives. Enabling young people from SOS Children's Villages to learn basic hairdressing techniques is the goal of the "Shaping Futures" initiative that Schwarzkopf Professional launched in November 2010. Since then, 200 hairdressers and employees of Schwarzkopf Professional have volunteered their time to train more than 800 young people in the SOS Children's Villages run by this charitable organization in 19 countries. Jobs have been arranged for more than half of the students trained. In 2014, courses were held for the first time in the Philippines, Jordan, Poland, Croatia and Ukraine.

For the ninth year running, Schwarzkopf has been a sponsoring partner to children's aid projects in Germany organized by the "Tribute to Bambi" foundation. In 2014, support was provided to various charities, including TABEA e.V., an organization that helps children and families to come to terms with loss and overcome crises following the death of a family member.

Beauty Care has supported the international "look good feel better" program since 2006. To help raise the self-esteem of women undergoing cancer therapy and give them strength to meet the challenges they face, the DKMS LIFE patient care program offers free cosmetic seminars. For the sixth year in succession, Schwarzkopf is a main sponsor of the Charity Ladies' Lunch, the proceeds of which go to fund this program.

-  [www.schauma.com](http://www.schauma.com)
-  [www.schwarzkopf-professional.com](http://www.schwarzkopf-professional.com)
-  [www.lookgoodfeelbetter.org](http://www.lookgoodfeelbetter.org)



Schwarzkopf Professional's educational initiative "Shaping Futures" enables young people from SOS Children's Villages to acquire basic training in hairdressing techniques. Since the beginning of 2010, more than 800 youths from 19 countries have participated in the training courses.

**Henkel Sustainability#Master® – Gliss Kur Ultimate Repair Shampoo in comparison with the predecessor product**

The Henkel Sustainability#Master® reveals the sustainability profile of the new Gliss Kur Ultimate Repair Shampoo. A new platform formula was developed for this product. By optimizing the surfactant combination, the carbon footprint has

been reduced by 15 percent. The formula contains 5 percent more renewable ingredients. The share of readily biodegradable substances has been increased by 10 percent. At the same time, the product performance has been improved in aspects

of high relevance to consumers, with 15 percent better wet combability, and 38 percent better repairing of split ends. The matrix shows all the hot spots for this product category; these are the fields with the greatest relevance for sustainability.

Value	Raw materials	Production	Logistics	Retailing	Use	Disposal
 Performance					Improved wet combing	
 Health and Safety						
 Social Progress						
 Materials and Waste	Renewable ingredients	Less surfactants used	Less waste from pallet utilization			Biodegradable ingredients
 Energy and Climate	Formulation with less CO <sub>2</sub>		Less energy for pallet utilization		Heating of water	
 Water and Wastewater						Less ingredients in waste water

**Footprint**    Significant improvement



# Adhesive Technologies

Sustainability and innovation are inseparably linked. Together, these two elements drive our commitment to providing leading solutions that create more value for our customers.

## Leading solution provider

Henkel is a leading solution provider for adhesives, sealants and functional coatings worldwide. The Adhesive Technologies business unit is constantly extending this position: We create more value for customers and consumers everywhere in the world by driving powerful innovations and developing leading technologies – with sustainability as an integral part of our product development processes.

Adhesive Technologies experts partner with customers around the world and are often involved as early as the design stage. We share our in-depth industrial expertise to help our customers increase their resource efficiency and make their manufacturing processes and final products more sustainable. Our comprehensive portfolio of advanced technologies reduces energy consumption and carbon dioxide emissions in the manufacture and use of many objects that touch our lives every day: from packaging and cell phones, through to automobiles and aircraft.



## Sustainability drives innovation

As a global leader across these diverse markets, Henkel is in a strong position to adapt its solutions for application in new areas. Our innovative Electro Ceramic Coating technologies (ECC) are one strong example of this approach. ECC is used to protect automotive engine components against wear and corrosion and enables car manufacturers to use

lighter metals that cut fuel consumption and emissions in their vehicles. This same technology has now been successfully adapted to apply a protective coating to the magnesium chassis on consumer electronic devices. Our product Bonderite MgC supports customers in the electronics industry by simplifying their coating processes, reducing waste by cutting reject percentages, and eliminating the need to use coatings based on heavy metals, such as nickel and chromium, which are less environmentally compatible.

## A proactive approach

We are committed to actively leading the way forward for sustainability across our industries, and collaboration with strategic suppliers is a key success factor for us. It opens up opportunities to meet our customers' needs through joint innovation. Adhesive Technologies recognizes outstanding supplier performance with three annual awards in the categories of innovation, performance and sustainability that underscore our commitment to driving quality and sustainability along the entire value chain.

Alongside this, we take a proactive approach to reducing our products' environmental footprint at every stage of the product life cycle. From early in 2015, all of our 50- and 250-milliliter red bottles for anaerobic Loctite products in Europe will be made using a renewable-based material, for example. This will save almost 1,000 metric tons of carbon dioxide equivalent per year.

“We work closely with our customers and partners to provide leading sustainable solutions.”

Jan-Dirk Auris, Executive Vice President  
Adhesive Technologies

## Innovating together for sustainable solutions

Our 90-year history of developing innovative solutions enables us to support our customers with both expertise and a comprehensive technology



## Leading the way for food-safe packaging

As a technology and innovation leader, Henkel drives the food packaging industry forward with its comprehensive solution portfolio and expertise in safety and sustainability.

Fatima Martins, analytical chemist, and her colleague Dr. Eric Strittmatter develop customized solutions for food-safe packaging at the Henkel research site in Bridgewater, New Jersey, USA.

Packaging safety is a key topic in the food industry, and a large number of food packages contain Henkel adhesives. The Adhesive Technologies business unit provides customers like Nestlé with innovative solutions that deliver product quality while also ensuring packaging safety.

We develop tailor-made adhesives for our customers' specific products and processes. From labelling through to carton

sealing, flexible laminate packaging and much more, we offer technologies that ensure consumer safety and support resource efficiency in use. Experts from Henkel play a central role in increasing the safety of food packaging through working together with legislative organizations. Our knowledge platform, the Food Safe Packaging Portal, raises awareness and makes expertise available to food safety officers, quality managers, packaging

developers and other stakeholders in this industry. Customers value us as a trusted partner, and rely on our expertise to protect their brands by providing adhesives that meet the highest requirements for quality, safety and compliance. Our global network of experts works together with industry-leading customers from as early as the design stage.



Henkel's Food Safe Packaging Portal supports customers with everything they need to know about food safety and food packaging.

**19** whitepapers

from Henkel experts can be found on the Food Safe Packaging Portal. They offer detailed technical insights into topics ranging from migration and testing through to food contact legislation and risk minimization.

**300** representatives

from stakeholder groups and experts from across industries attended six Food Safe Packaging Forum events around the world in 2014. The events serve as a platform for knowledge sharing and open exchange.

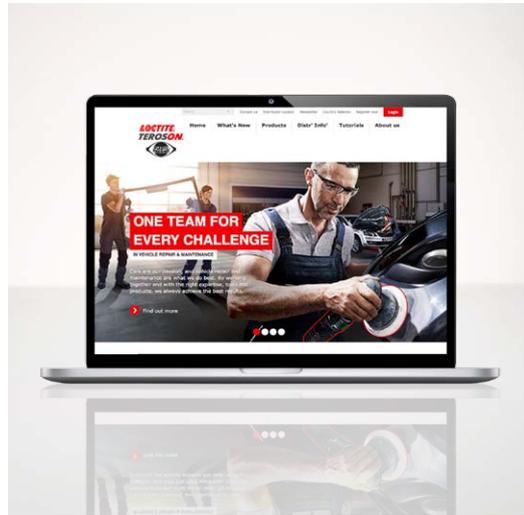
**815** participants

engaged in dialog with Henkel experts during 10 webinars hosted on the Portal in 2014. This interactive format provides an opportunity to gain further knowledge and gather new expertise on a range of key food-safe packaging issues.



## Car repair portal

Henkel's unique digital platforms support customers in the Vehicle Repair and Maintenance market. Mechanics and car lovers can gather product information and exchange tips for using Loctite products in the most effective and efficient way, with the lowest possible environmental footprint.



portfolio. We work closely with our customers to understand their specific processes, products and markets. This allows us to support them in achieving their own sustainability targets by developing tailor-made solutions that increase resource efficiency and reduce environmental footprint.

As an innovation and technology leader, we are in the position to analyze and respond to future trends. Together with Benteler SGL, a leading manufacturer of automotive components, Henkel has developed a composite-leaf spring that supports Volvo with the trend toward lightweight vehicles that consume less fuel and produce less emissions. The leaf spring is 4.5 kilograms lighter than a conventional part and is used in the new Volvo XC90, with plans for application in additional models.

Henkel experts work together with aircraft manufacturers around the world to develop processes and solutions for applying lightning-strike protection films. These technologies are designed for application on the external structure of modern aircraft with composite structures. The range of innovative solutions from our Loctite brand protects aircrafts against lightning strike and combines high surface quality with improved aerodynamic properties. This enables customers to significantly reduce overall aircraft weight, fuel consumption and emissions.

Experts from our Innovation Organization worked together with AB InBev at the production site for its brand Beck's in Bremen, Germany, to create Aquence XP. This is a new-generation labelling adhesive based on synthetic raw materials for returnable

bottles. The unique range of casein-free adhesives reduces material consumption, improves process efficiency, and enables Beck's to apply all labels, films and foils used in its plant with one all-rounder adhesive.

Henkel is also actively driving forward innovations for filtering water and air. Our leading solutions, under our Loctite and Technomelt brands, significantly reduce energy consumption during the manufacture of filters while reducing machine maintenance requirements and enabling faster cycle times. Our polyurethane technologies for water filters remove the need for a cooling stage, saving energy and water while reducing costs for our customers.

## Creating more value for the customer

Collaboration with equipment manufacturers is also key to our approach to creating more value for our customers. Together, we develop application systems that are optimized for our shared customers' processes. These systems enable customers to cut material waste, increase energy efficiency, and rely on outstanding quality that is specifically adapted to their needs.

Our partnership with machine manufacturers Homag Group and Cefla is one such example. Together, we have developed innovative processes for applying our adhesives and coatings in the furniture industry. As the trend toward urbanization changes the way people live, our solutions open up new design possibilities for innovative furniture that combines functionalities while using fewer resources. These solutions provide high quality throughout a longer product life. They also create more value for manufacturers and end-consumers by cutting resource consumption during the manufacturing process.

Henkel's leading solutions also enable customers in the electronics industry to create more innovative designs while making a significant contribution to sustainability. The easy-to-use encapsulating products under our Technomelt brand are just one example: These products protect components against moisture, dust, vibration and strain. Customers like Cavist Manufacturing, based in North America, have been able to simplify their assembly processes, remove the need to use chemicals to clean equip-



Our digital platform provides mechanics and car lovers with tips for using Henkel products sustainably.

ment and replace traditional liquid potting processes that released toxic fumes during application.

**Transparency through life-cycle assessments**

We are aware of our responsibility as a global leader in adhesives and demonstrate our progress in sustainability in a transparent manner. The expert knowledge of our research and development staff and the use of life-cycle assessments help us identify possibilities to improve our product portfolio. As well as the production of our solutions, we also take into account customer use and customer production processes. We use the Henkel Sustainability#Master® matrix (see page 19) to assess the sustainability of a product category based on our value chains and six focal areas.

**Advice, training and dialog**

Our understanding of quality does not end with the sale of high-performance products. We also

provide advice and service to our customers all over the world. This allows us to maintain a continuous dialog with our customers and train them in using our products and technologies safely and efficiently. We also take every opportunity to strengthen our customers' awareness of the issue of sustainability and demonstrate how our innovative solutions can help them reduce their footprint and increase resource efficiency.

The Henkel Customer Training Center in Vienna, for example, provides stakeholders from the construction industry with an opportunity to speak to Henkel experts about the optimal ways to use, apply and maintain our leading construction solutions. By interacting with customers in this way, we are able to make sure that the high-quality solutions we offer meet their exact requirements for sustainable construction. This supports our ongoing commitment to dialog and knowledge sharing, and gives potential and existing customers a space where they can acquire expert knowledge of sustainable practices and further strengthen their practical skills.



Pritt liquid glue is now based on a new formula that is even safer for children to use. Like the popular Pritt glue stick, the range of liquid glues is solvent-free and now also based on 90 percent natural ingredients – thanks to the use of starch.

**Henkel Sustainability#Master® – Bonderite Magnesium Coating process in comparison with industry standard process**

The Henkel Sustainability#Master® shows the sustainability profile of the Bonderite Magnesium Coating (MgC) process, an innovative Electro Ceramic Coating (ECC) technology used to apply protective coatings to magnesium alloys. Building on

success in the market for automotive body panels, Bonderite MgC is now being used in light-metal applications for consumer electronic devices. The sustainable technology decreases carbon footprint by simplifying customers' production pro-

cesses. It increases production output and cuts scrap while delivering excellent metal protection and paint adhesion, and preserving the desired metal look, touch and feel. The matrix covers all product category hot spots.

Value	Raw materials	Production	Logistics	Industrial processing	Service / Use	Disposal
Performance				Increased productivity	Increased durability	
Health and Safety				Solvent- and heavy-metal-free		
Social Progress				Eliminates manual buffing		
Materials and Waste				Less rejects		Easier recycling
Energy and Climate				Reduced energy consumption		
Water and Wastewater				100% water recycling		

**Footprint**    Significant improvement



# Our people

Our shared vision and actively practiced corporate values are the elements that unite us worldwide in our internationality and diversity. They also build the basis for our business success.

## Our human resources management

Henkel is a globally operating company with over 80 percent of its employees working outside of Germany. We employ people from over 120 nations in more than 75 countries. Our Code of Conduct establishes the framework for how employees behave and act. It defines detailed and precise requirements for interacting with customers, colleagues, shareholders, competitors and society.

Based on our vision and our corporate values, we introduced new Leadership Principles in 2012. These principles state what we expect from our managers and contribute to the positive development of our company. Furthermore, we have consistently integrated the principles into the performance evaluations.

We value our employees and their contribution to the company's success. We assess and promote them regardless of their nationality, gender and generation/professional experience. Our job vacancies are filled solely based on competence, performance and potential. In an appreciative corporate culture, it is vital to identify and eliminate potential prejudices that could restrict individual development opportunities. To assist our efforts in this respect, we introduced a global campaign in 2014 designed to raise awareness among our employees on the subject of Diversity & Inclusion (see page 37).



“Our diverse workforce and inclusive company culture are key factors for our global success.”

**Kathrin Menges**, Executive Vice President  
Human Resources and Infrastructure Services

## Attracting new talent

To achieve our strategic corporate goals, we need excellent managers, employees and teams. In order to strengthen our standing as a preferred employer, we have once again broadened the informational scope of our career website – with a special focus on emerging markets. We have also taken into account that applicants are becoming increasingly interested in sustainability and our performance in this area.

To inspire new colleagues right from the beginning, we launched our onboarding program “i4Henkel” worldwide in 2014. Since then, all new management employees have already participated in the program.

## Developing a culture of leadership

Nurturing leadership is important to Henkel and relevant on all levels of the organization. In this context, we initiated a weeklong digital exchange on leadership in cooperation with the Harvard School of Business. Employees in lower and middle management participated in a worldwide discussion with each other on our leadership principles. We also developed a new program in 2014 in collaboration with the Harvard School of Business. Our aim is to further prepare our top executives for the strategic challenges of a global environment.

In order to further develop our pipeline of strong leaders, we rolled out our EXCEED program in 2014. This nine-month program provides outstanding employees the opportunity to work directly with regional top management on business projects.



## Spreading the sustainability message

More than 3,800 Henkel employees have become Sustainability Ambassadors since the program's start in 2012.

If we want to achieve our goal of tripling the value that we create compared to the environmental footprint of our products and technologies by 2030, we need everyone to contribute. That is why we strive to give our employees a clear understanding of sustainability and enable them to convey the importance of sustainability to others. Our Sustainability Ambassador program was launched in 2012 to engage employ-

ees more deeply on the topic of sustainability. Since then, Henkel has trained more than 3,800 Sustainability Ambassadors – including all Management Board members – in 70 countries. Ambassadors are encouraged to visit elementary schools in order to explain the concept of sustainability by means of simple, everyday examples. Since the start of the program, the Sustainability Ambassa-

dors have educated about 36,000 children in 37 countries.

In 2014, we expanded the program with our (Y)OUR MOVE toward Sustainability campaign. Rolled out in all regions, the campaign encourages employees to contribute to a sustainable society in their everyday lives through simple tasks such as turning off lights and printing less.

Elisabetta Marangoni, Media and Digital Director for Laundry & Home Care in Italy, listens to a student at the Istituto Comprensivo Teodoro school in Milan, Italy. Marangoni is one of Henkel's 3,800 Sustainability Ambassadors worldwide.



Uta Steffen-Holderbaum, Director Sustainability Laundry & Home Care, explains the history of the Sustainability Ambassador program.

More than **3,800**

employees have become Sustainability Ambassadors since the program began in 2012. The program is one of Henkel's most important sustainability training initiatives within the last three years.

About **36,000**

schoolchildren have participated in sustainability workshops. Our ambassadors explain what sustainability means in day-to-day life and how everyone can make a difference.

**37** countries

around the world have now been reached through the Sustainability Ambassador program. We plan to roll out the program in further countries in order to reach as many children as possible.

### Diversity contributes to corporate success

Workplace diversity and an inclusive company culture are vital for our success worldwide. Our diversity is represented explicitly via diverse cultures, generations and gender and implicitly in individual skills, experience, attitudes, values and ways of thinking.

In 2014, we continued programs that allow our employees to realize their full potential. These include comprehensive diversity eLearning courses and training; individual workshops; unconscious bias awareness trainings; and global mentoring programs.

By systematically supporting female career development, we have continuously increased the share of women in management positions from a good 23 percent in 2004 to around 33 percent at the end of 2014.

### Work-life flexibility

Henkel recognizes the importance of work-life flexibility in enhancing performance, motivation and productivity on a sustainable basis. Flexible working models are important in the competition for the best talents. A trust-based approach with a focus on performance rather than physical presence is the way to create both excellent results and personal flexibility. By signing our global Charter of Work-Life Flexibility, the Henkel Management

Board and managers worldwide have shown their commitment to this way of working. Since its launch in 2012, Henkel has extended various flexible working models to all countries in compliance with local laws and further developed its culture based on results rather than presence.

### Continuous training and education

A diverse workforce and ever-shifting demands require individual methods of learning. Henkel encourages employees to develop their knowledge and skills according to their individual needs. Day-to-day learning in the workplace as well as job rotations have proven to be some of the most successful ways to engage in new knowledge and skills.

Giving employees an opportunity to gain intercultural experience by working in other countries continues to be a key component of personnel development. In 2014, more than 650 employees worldwide participated in job rotations.

We also provide our employees with training courses for professional and personal development. In addition, our constantly expanding online learning platform, eCademy, offers all employees a possibility for continuous learning. Interactive courses, videos and online information sources are available on demand and can easily be incorporated into individual working schedules.

### Performance-based compensation

Recognition of individual performance on the part of our employees through fair compensation in line with market practices is a fundamental component of our corporate culture. There is no systematic difference between the compensation received by male and female employees.

To reward personal performance, the salaries of about 10,450 managerial employees include success-related components. The annual individual performance assessment has a significant influence on these bonus payments. The incentive systems for our non-managerial employees take local requirements and existing collective agreements into account.



### Henkel Innovation Challenge

In the seventh Henkel Innovation Challenge (HIC) in spring 2014, 21 teams comprised of students from 30 different countries presented their innovative and sustainable ideas for the future. The international competition gives university students the chance to try out the role of creative business development manager and create a concept for a Henkel product or technology for 2050. Photo: Seul-ah Yang (left) from the Ewha Women's University und Han-byeol Jang, Seoul National University.





**Diversity & Inclusion campaign 2014**

Our 2014 global Diversity & Inclusion campaign supported our company's culture, where the appreciation of differences goes hand-in-hand with the way we interact with each other. The slogan "Inclusion starts with I" highlighted the importance of every single employee when it comes to inclusive behavior in the workplace. Italian artist Guido Daniele's paintings on fingers (left) were a powerful visual during the campaign and illustrated diversity at Henkel.

Regarding bonus payments, the assessment of employees' relevant performance is always done in the context of our vision and our corporate values. This includes contributions to our sustainability strategy and targets, if they fall within the sphere of influence of the employee concerned and have a clear bearing on business performance. Furthermore, in their annual target achievement meetings, each employee must confirm compliance with all applicable legal regulations and Henkel standards.

**Global health management**

We care about the health and performance capability of our employees. We offer targeted health and preventive programs to guard against workplace-related risks that might lead to long-term illnesses. In designing these programs, our sites determine different priorities based on local requirements. In order to better implement these programs, all Henkel sites worldwide report on four key figures each quarter: availability of first aiders and emergency medical care, the number of occupational health exams, and the occurrence of occupational illness.

**Human rights and social standards**

We are aware of and assume our responsibility to support and respect the protection of human rights within our sphere of influence. As long ago as 1994, we declared in our corporate mission that we respect the social values of the countries and cultural spheres in which Henkel operates. We underscored this when we introduced our Code of Conduct in 2000 and when we joined the United Nations Global Compact in 2003.

Our Social Standards, which we introduced in 2006, serve as a framework for decision-making within our sphere of influence, also in relation to human rights and fundamental labor rights. They are derived from the guidelines of the International Labor Organization (ILO), the Global Compact, the OECD Guidelines for Multinational Enterprises, and the Social Accountability Standard (SA 8000). Through in-person and eLearning training courses and "local ambassadors," we ensure that our social standards are firmly anchored. Compliance is verified on a regular basis as part of our Group-wide audit program.

- [www.henkel.com/careers](http://www.henkel.com/careers)
- [www.henkel.com/diversity-and-inclusion](http://www.henkel.com/diversity-and-inclusion)
- [www.henkel.com/our-employees](http://www.henkel.com/our-employees)

**Training categories in 2014**



- 31% Professional knowledge
- 29% Processes, technologies and tools
- 18% Soft skills and communication
- 14% Corporate and business unit-specific initiatives
- 8% Management and leadership competence

# Social engagement

Together with our employees, retirees, customers and consumers, Henkel and the “Fritz Henkel Stiftung” foundation support social projects around the world.

## Our approach

Corporate citizenship has been an integral part of our culture ever since our establishment by Fritz Henkel in 1876. This is supported by the four pillars of our corporate citizenship program: corporate volunteering, social partnerships, brand engagement and emergency aid. The creation of the “Fritz Henkel Stiftung” foundation in 2011 underscores our commitment to social involvement that goes beyond direct business interests.



At Special Olympics Germany in Düsseldorf in May 2014, 52 Henkel employees supported some of the 4,800 athletes throughout the week-long event. Here, Henkel employee Kerstin Molinero Alvarez congratulates an athlete after his competition.

## Corporate volunteering

Since its launch in 1998, the Make an Impact on Tomorrow (MIT) initiative has supported the volunteer work of Henkel employees and retirees in over 11,500 projects in more than 50 countries around the world. These projects are as diverse as our company itself: From providing bicycle training for schoolchildren in India to helping with reforestation in Mexico, volunteers from Henkel were active in 37 countries in 592 MIT projects in 2014.

## Social partnerships

Supporting equal opportunity in education through social partnerships is a top priority for the foundation. In 2014, it continued its partnership with Teach First Deutschland, a program that supports university graduates who work as fellows in schools with socially disadvantaged students.

The mentoring project “Learning for a life without poverty for children” in South Korea supports socially disadvantaged children. Here the children have the opportunity to study for school and receive support in language education.

## Brand engagement

Henkel also provides support for many social projects via its brands. Through “Projekt Futurino,” Persil provided 150,000 euros in support of 54 developmental and educational projects Germany-wide in 2014. The projects aim to make children more aware of nature and the environment.

Together with SOS Children’s Villages and UNESCO, Schwarzkopf Professional expanded its “Shaping Futures” project to five additional countries in 2014. The project, which provides hairdressing training for disadvantaged young people, started courses in Croatia, Poland, Jordan, Ukraine and the Philippines.

In an effort to support the long-term urban revitalization of Belgrade, Henkel Serbia commissioned a mural for the side of a building for the third year in a row in 2014. Swiss artists Pablo Tongi and Christian Rebecchi used Ceresit Visage products to create the mural, which was unveiled during the Mikser Art Festival in 2014.

## Emergency aid

The foundation provides quick emergency aid after natural disasters around the world. In April 2014, it provided financial donations to the Salvation Army of Arkansas in the USA after tornados devastated parts of the state. After flooding in the Balkans in May and in Michigan in the USA in August 2014, Henkel organized product and monetary donations for the affected regions.

[www.henkel.com/corporate-citizenship](http://www.henkel.com/corporate-citizenship)

[www.fritz-henkel-stiftung.com](http://www.fritz-henkel-stiftung.com)



For an in-depth look at our social engagement projects, please see our annual magazine *Together*.



## Helping women get back to work

After winning a 50,000 euros grant as an MIT Anniversary Project in 2013, a team of Henkel employees helped several unemployed Polish women get back on the job market.

Losing a job doesn't just mean loss of income; it can also mean a loss of a feeling of self-worth and one's place in society. The first round of "On The Way To Work" ran from October 2013 through June 2014 and was designed to help 60 long-term unemployed Polish women to successfully come back on the job market.

Coordinated in cooperation with Henkel Polska and the Warsaw-based Fundacja Miejsce Kobiet (Women's Place Foundation),

the project was able to address both social and professional needs through several initiatives. During the course of the project, 21 women from Henkel Polska worked together with the participants to build supportive and empowering relationships. Dorota Strosznajder, the project's originator and leader from Henkel Polska, said the volunteers from Henkel acted as mentors and role models, sharing their own experiences.

The project has already seen its first successes. By October 2014, 27 women of the 60 involved had already found new jobs. Others are participating in recruitment processes or in additional vocational training in order to gain new skills to start new career paths. The second round of the project began in October 2014 with another group of 20 long-term unemployed women.

Henkel Poland Communications Director Dorota Strosznajder (middle) and her project partners Agnieszka Kramm (left) and Anna Jachimiak of the Fundacja Miejsce Kobiet (Women's Place Foundation) are leading the project for long-term unemployed women in Poland.



Dorota Strosznajder explains how Henkel helps long-term unemployed women get back on the job market.

**2,272** hours

of paid time off were given to Henkel employees in order to participate in team volunteering in 2014. With these hours, Henkel helped about 4,800 people worldwide.

**2,265** social projects

were supported by Henkel all over the world in 2014. The projects represented all four pillars of our corporate citizenship program and spanned the areas of social needs; education and science; health and fitness; arts and culture; and environmental issues.

**€ 8.2 m**

in financial donations were provided by Henkel and the "Fritz Henkel Stiftung" foundation in 2014. The donations helped more than one million people worldwide.

# Stakeholder dialog

We regularly exchange views with our stakeholders on the challenges of sustainable development and how to solve them. This promotes a mutual understanding while providing us with valuable insights.

## Aims of dialog

Stakeholder dialog is an integral part of Henkel's sustainability strategy. We continuously seek and maintain dialog with all relevant stakeholders, including customers, consumers, suppliers, employees, shareholders, local communities, government authorities, associations, nongovernmental organizations, politicians and academia.

In 2014, we conducted a systematic survey with stakeholders in key markets. It highlighted the fact that our target groups expect us to make sustainability an integral part of our business model. Other points of importance to these stakeholders were the consideration of social values and building partnerships with nongovernmental organizations.

We are active in a number of dialog platforms and initiatives on issues related to sustainability. This helps us gain a better understanding of trends and challenges. This also gives us the opportunity to develop trendsetting concepts and help shape

their realization. This is why it is a priority for us to participate in scientific and political discussions on future frameworks.

Open dialog helps us understand which aspects of sustainable development are of interest to individual stakeholder groups. When we engage our stakeholders in early and thorough conversations about future social challenges, we are able to consider these ideas in our plans and actions. This open exchange is the basis for mutual understanding and an opportunity to achieve social acceptance of our entrepreneurial decisions. At the same time, the dialog is a source of new ideas for the company and allows us to identify potential risks at an early stage.

Therefore, dialog makes an important contribution to our innovation and risk management while forming the basis for the further development of our sustainability strategy and reporting. It also allows us to share our knowledge and put it to use on a broader scale.



## Seventh German Sustainability Day

At the German Sustainability Day in 2014, experts from Henkel offered insights into our Sustainability strategy. Here, Christine Schneider (left), Sustainability Manager Laundry & Home Care, is in discussion with Christine Denstedt, Executive Expert from the REWE-Group.



## Integrated dialog

All Henkel employees are called upon to assume responsibility 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. This ensures that the appropriate experts in our company and relevant stakeholder groups can engage in discussion on specific local and regional challenges. We are thus able to develop strategies and solutions where they are assessed and put into practice. The instruments, topics, duration and intensity of the dialog are aligned to the individual stakeholder groups and their specific issues.



**Sustainability  
Made in Germany**

Henkel Greater China President Faruk Arig (right) was one of six representatives of German and Chinese companies at the Sustainability Made in Germany forum in Beijing. Here, the experts discussed sustainability issues and their effect on the future. Arig spoke about Henkel's perspective on how to drive sustainability effectively.

Over the course of the last year, Henkel employees worldwide met with politicians, scientists and scholars, businesspeople and members of the public. In 2014, Henkel took part in around 120 sustainability events in 20 countries. Some examples:

At the Global Green Economic Forum in Singapore, experts from around the world discussed ideas for viable solutions to challenges on the way to building a sustainable economy. Here, Daniel Rudolph, Henkel Singapore President, explained how being a leader in sustainability offers companies a competitive advantage with customers and investors as well as current and potential employees.

At the Beauty and Personal Care Products Sustainability Summit in the United States, retailers and key players in the beauty and personal care industry came together to discuss product sustainability. The goal was to prioritize the issues of greatest concern and potential opportunities for collaborative action. Dr. Pete He, Henkel Senior Research Fellow Laundry & Home Care, explained Henkel's approach to the responsible use of chemicals.

Experts discussed innovation and the relevance of sustainability for investors at the 2014 international

Corporate Social Responsibility conference at the Humboldt University in Berlin. Jean-Baptiste Santoul, Henkel France General Manager for Laundry & Home Care, explained the importance of credible incorporation and communication of sustainability in products. Renata Casaro, Henkel Head of Investor Relations, stressed the importance of sustainability to create value.

**Dialog with politicians and government authorities**

Policymakers and government authorities often seek out the expertise of companies in their political decision-making processes. Within this context, it is possible for us to describe how political considerations impact Henkel, our employees and business partners and for us to provide pertinent experience-based knowledge. Our worldwide "Representation of Interests in Public Affairs" standard provides clear guidance on conduct for this. We also openly provide information about our fields of interest and the scope of our work involving governmental or political affairs through our entry in the Transparency Register of the European Union.



We are active in a number of dialog platforms and initiatives on issues related to sustainability. Find out more about our key issues and stakeholders and our positions on complex questions.

The same applies when we collaborate with associations. Henkel participated, for example, in the Consumer Goods Forum (CGF), the Sustainability Consortium, the World Business Council for Sustainable Development (WBCSD) and the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.) in 2014 to further develop a common methodology for measuring the contribution that products make to sustainability along the value chain.

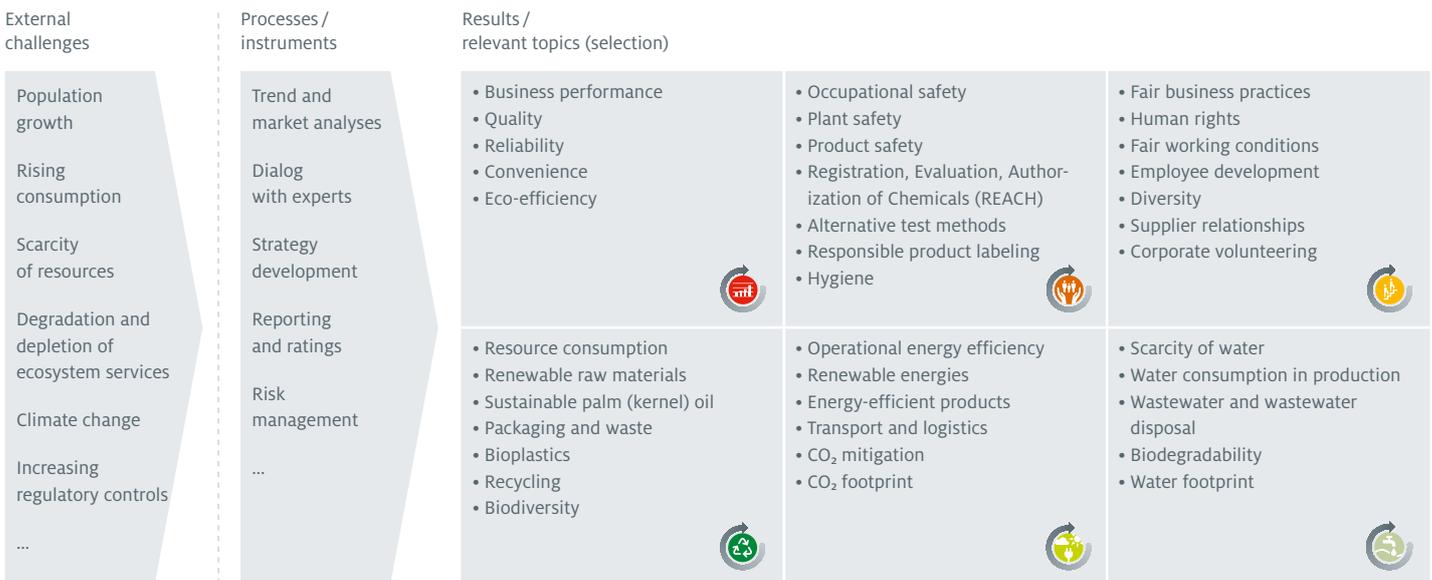
Henkel plays an active role in the European Commission's Single Market for Green Products initiative, which aims to establish standardized and transparent methods of calculating the environmental footprint of both organizations and products. Henkel has supported the A.I.S.E.'s application to the Product Environmental Footprint (PEF) pilot phase for household liquid laundry detergents that was accepted by the European Commission in 2013. Through the end of 2016, Henkel will carry on participating in the pilot project with the objective of developing accurate and meaningful environmental declarations for our product categories.

### Identification of key issues

Society and businesses alike are facing many different global challenges. In order to establish which topics are relevant to our business activities, we analyze sustainability challenges using a variety of instruments and processes and assess their significance for the company. In doing so, 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 for driving sustainable development worldwide through our products and business activities (see graphic).

-  [www.wbcd.org](http://www.wbcd.org)
-  [www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com)
-  [www.globalreporting.org](http://www.globalreporting.org)

## In dialog with stakeholders: identification of key topics for our sustainability management



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

# External ratings

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

## Ratings and indices 2014

Henkel's performance in sustainability impressed external experts again in 2014.

For more information on external ratings:

[www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 12



### Included in DJSI since 1999

**Zurich / New York:** Included in the Dow Jones Sustainability Indices since their launch in 1999, ranked eight times as industry leader.

### Included for 14 years running

**London:** Henkel has been included in the FTSE4Good ethical index for 14 consecutive years.

### Listed since 2002

**Paris:** In 2014, Henkel was once again listed in the Ethibel Excellence Europe and Excellence Global sustainability indices.



### Henkel included again

**Paris:** Based on a corporate rating by Vigeo, Henkel was again included in 2014 in the Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indices.



### Listed since 2010

**Hamburg:** In 2014, Henkel was again one of only 50 companies worldwide to be listed in the Global Challenges Index. This index was developed by the Börse Hanover and the sustainability strategy agency Oekom Research AG.



### Prime Status

**Munich:** Henkel was again recognized by Oekom Research with Prime Status. With the rating B, Henkel was among the best companies in the consumer goods sector.



### Listed for the fourth time

**Zurich:** In October 2014, STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices.



### Best in sector

**Frankfurt am Main:** In the Sustainalytics 2014 sustainability ratings in terms of the environmental, social and governance issues (ESG), Henkel is the world leader in Household & Personal Products compared with other companies in the sector.



### Listed in global ESG Indices

**New York:** Henkel is represented in the sustainability indices MSCI World ESG and MSCI Europe ESG. Companies listed in these indices exhibit strong opportunity and risk management based on environmental, social and governance topics.

# Indicators

The indicators we record throughout the company help us to identify potential improvements, steer programs and monitor target achievement.

## Creating transparency

The indicators we record throughout the company offer transparency. 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. We provide information on other environmental parameters on the internet.

We report on the progress of other environmental indicators, such as emissions of sulfur dioxide, nitrogen oxides and dust, and the use of chlorinated hydrocarbons, on the internet: [www.henkel.com/sr2014](http://www.henkel.com/sr2014) | 13

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: from 193 in 2009 to 163 in 2014. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

## Environmental indicators for our production operations

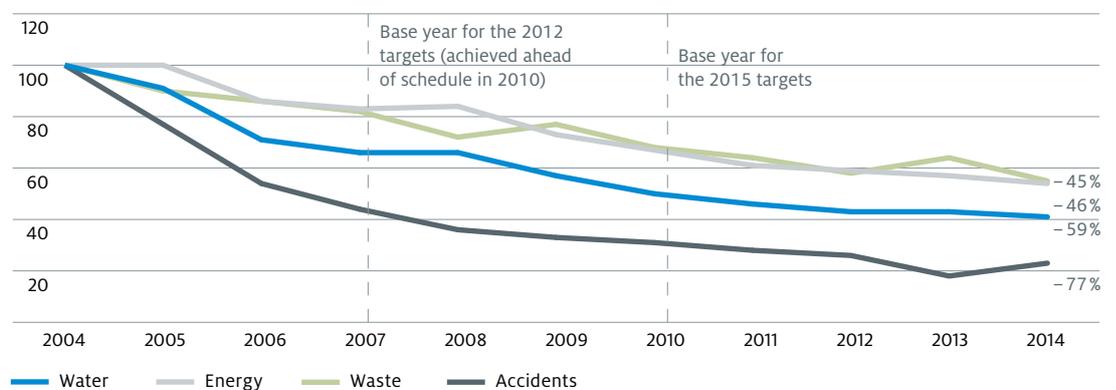
The production-related data for 2014 were determined at 163 of 169 Henkel sites in 54 countries. The data represent more than 99 percent of our production volume in 2014. They are validated centrally for year-end reporting and verified locally within the

## Employee indicators

Occupational accidents are registered using a globally uniform reporting system. 99 percent of Henkel employees are covered. The published employee indicators also cover 96 percent of our employees.

## Long-term trend: Sustainability performance from 2004 to 2014

Environmental indicators per metric ton of output, occupational accidents per million hours worked; base year 2004



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 (see page 4).

## Production volumes

In thousand metric tons	2010	2011	2012	2013	2014
Production volumes	7,432	7,498	7,574	7,690	7,867
<b>Index: Change from 2010 to 2014</b>					<b>+ 6%</b>

Due to the improved economic situation and increasing global demand, our production volumes have been rising again since 2010.

## Carbon dioxide emissions

In thousand metric tons	2010	2011	2012	2013	2014
Henkel's own carbon dioxide emissions	365	345	335	329	311
Carbon dioxide emissions from bought-in energy	382	333	339	326	330
<b>Total</b>	<b>746</b>	<b>678</b>	<b>674</b>	<b>655</b>	<b>641</b>
<b>Index: Change from 2010 to 2014</b>					<b>- 19%</b>

Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities. The values include carbon dioxide formed during the generation of bought-in energy at non-Henkel sites. During an update of our database, we identified an incorrect conversion factor and adjusted the data for 2010 through 2013 accordingly.

## Water consumption and volume of wastewater

In thousand cubic meters	2010	2011	2012	2013	2014
Water consumption	8,880	8,190	7,792	7,881	7,615
Volume of wastewater	4,162	3,792	3,465	3,282	3,093
<b>Index: Change from 2010 to 2014</b>					<b>- 19%</b>
					<b>- 30%</b>

Because water is lost by evaporation and water is contained in many of our products, the volume of wastewater is smaller than the volume of water consumed.

## Emissions of heavy metals to wastewater

In kilograms	2010	2011	2012	2013	2014
Zinc <sup>1</sup>	489	520	375	359	393
Lead, chromium, copper, nickel <sup>2</sup>	383	356	287	260	189
<b>Total</b>	<b>872</b>	<b>876</b>	<b>662</b>	<b>619</b>	<b>582</b>
<b>Index: Change from 2010 to 2014</b>					<b>- 37%</b>

<sup>1</sup> During our internal data verification, we identified emissions sources that had not been recorded previously. The data for 2010 through 2013 have been adjusted accordingly.

<sup>2</sup> Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant in our production.

## Energy consumption

In thousand megawatt hours	2010	2011	2012	2013	2014
Bought-in energy	802	670	664	648	650
Coal	119	119	112	114	96
Fuel oil	178	167	141	123	113
Gas	1,378	1,295	1,291	1,280	1,236
<b>Total</b>	<b>2,477</b>	<b>2,250</b>	<b>2,208</b>	<b>2,165</b>	<b>2,094</b>
<b>Index: Change from 2010 to 2014</b>					<b>- 20%</b>

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

## Emissions of volatile organic compounds

In metric tons	2010	2011	2012	2013	2014
Emissions of volatile organic compounds	374	336	336	312	310
<b>Index: Change from 2010 to 2014</b>					<b>- 22%</b>

Since 2008, additional measures have been implemented to reduce emissions of volatile organic compounds. The rise in 2010 is due to the increase in production volume and shifts in the production portfolio.

During our internal data verification, we identified emissions sources that had not been recorded previously. The data for 2010 through 2013 have been adjusted accordingly.

## COD emissions to wastewater

In metric tons	2010	2011	2012	2013	2014
COD emissions to wastewater	8,358	7,148	6,031	5,746	6,339
<b>Index: Change from 2010 to 2014</b>					<b>- 36%</b>

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

## Waste for recycling and disposal

In thousand metric tons	2010	2011	2012	2013	2014
Waste for recycling	94	93	82	88	69
Hazardous waste for disposal	15	15	15	18	18
Waste for disposal	49	45	41	50	50
<b>Total</b>	<b>158</b>	<b>152</b>	<b>138</b>	<b>155</b>	<b>137</b>
<b>Index: Change from 2010 to 2014</b>					<b>- 18%</b>

Share of construction waste

	2010	2011	2012	2013	2014
	16	13	13	28	20

## Environmental indicators

### Index

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 2010 (= 100 percent).

## Occupational safety



### Index

The index in the table shows the progress for occupational accidents in relation to hours worked (per million hours worked):

99 percent of Henkel employees were covered. The base for the index is the year 2010 (= 100 percent).

## Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)	2010	2011	2012	2013	2014
Henkel employees	1.2	1.1	1.0	0.7 <sup>1</sup>	0.9
Employees of external companies who work at Henkel sites and are directly contracted	1.0	1.1	0.8	0.5	0.8
<b>Index: Change from 2010 to 2014</b>					
				Henkel employees	-25%
				Employees of external companies	-20%

<sup>1</sup> The data for 2013 was corrected due to delayed reporting of two accidents.

## Serious occupational accidents

More than 50 days lost	2010	2011	2012	2013	2014
Accidents during typical production activities	14	11	7	8	12
Accidents while walking or moving around (e.g., stumbling)	7	7	6	5	5

## Employee indicators



### Employees (as of December 31)

	2010	2011	2012	2013	2014
Henkel worldwide <sup>1</sup>	47,850	47,250	46,600	46,850	49,750
Structure of workforce					
- Non-managerial employees	79.8%	79.9%	79.4%	78.7%	79.0%
- Managers	18.6%	18.6%	19.0%	19.8%	19.5%
- Top managers <sup>2</sup>	1.6%	1.5%	1.6%	1.5%	1.5%
Employee fluctuation worldwide <sup>3</sup>	4.6%	5.6%	5.8%	4.4%	4.3%

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

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

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

At 49,750, the 2014 headcount was 6.2 percent above the prior-year level. The increase was mainly due to acquisitions in 2014.

### Age and seniority (as of December 31)

	2010	2011	2012	2013	2014
Average seniority in years	10.3	10.2	10.4	10.3	10.2
Average age of employees	39.4	39.4	39.6	39.6	39.7
Age structure					
16-29	18.1%	18.3%	17.6%	17.8%	18.4%
30-39	34.4%	34.6%	34.5%	34.4%	33.8%
40-49	29.7%	29.4%	29.6%	29.1%	28.2%
50-65	17.7%	17.7%	18.3%	18.7%	19.5%

The average age of our employees has remained constant over the years. This ensures, in accordance with our diversity strategy, that Henkel's workforce is a good mix of experienced older employees and younger employees whose development we can foster.

### Nationalities (as of December 31)

	2010	2011	2012	2013	2014
Henkel	119	125	123	123	124
Managers	82	91	85	88	93
At headquarters in Düsseldorf	50	53	55	56	62

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)

	2010	2011	2012	2013	2014
Henkel	32.1%	32.5%	32.6%	32.9%	33.2%
Managers	28.7%	29.5%	30.5%	31.6%	32.5%
Top managers <sup>1</sup>	17.0%	18.6%	18.6%	19.8%	20.6%

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

Compared with international levels, the total percentage of female employees is good. This applies to managerial staff as well. It is a result of our consistently applied diversity strategy.

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

	2011	2012	2013	2014
Part-time contracts, global	3%	3%	3%	3%
Western Europe (including Germany)	8%	8%	8%	8%
Germany	10%	10%	10%	11%

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.

### Employees covered by collective agreements

(as of December 31)

	2010	2011	2012	2013	2014
Percentage worldwide	44%	44%	44%	44%	44%
Percentage in the European Union (EU)	79%	79%	79%	79%	79%

An intensive formal and informal dialog with employee representatives has a long tradition at Henkel, even in countries where employee representation has not been established.

### Social engagement

(as of December 31)

	2010	2011	2012	2013	2014
Total number of projects supported	2,493	2,343	2,339	2,422	2,265
Number of people supported	730,000	753,629	1,046,321	1,147,483	1,358,108
Time off from work for employee-initiated projects (days)	54	135	131	51	284
Donations in thousand euros (financial and product donations, not counting time off)	6,087	6,002	7,302	7,937	8,238

The number of projects supported lies slightly below the prior-year level. A more focused selection of projects resulted in an increase in the number of people supported. Employee projects required significantly more days off from work in 2014 than the prior year. This is due to the exceptional engagement of employees in team-volunteering projects. Generally speaking, employees may request up to five days off from work per year for volunteer activities. Total donations were slightly up versus the prior year.

### Personnel development (as of December 31)

	2010	2011	2012	2013	2014
Internal promotion (managers)	1,337	1,387	1,101	1,199	1,154
International job rotations	470	475	503	581	666
Trainees (Germany)	487	483	489	487	484
Average number of training days	2	2	2	2	1.5 <sup>1</sup>

<sup>1</sup> Within its comprehensive training concept, Henkel is increasing its focus on day-to-day learning, job rotations as well as on its online learning platform.

### Employee share program

(as of December 31)

	2010	2011	2012	2013	2014
Percentage of employees owning Henkel shares	29.3%	31.3%	28.4%	31.9%	30.1%

Around 11,500 employees in 54 countries purchased Henkel preferred shares under this program in 2014. At year-end, some 14,500 employees held a total of close to 3 million shares, representing approximately 1.6 percent of total preferred shares. The lock-up period for newly acquired ESP shares is three years.

### Percentage of projects supported per

Millennium Development Goal (as of December 31)

	2010	2011	2012	2013	2014
1. Eradicate extreme poverty and hunger	33%	30%	11%	13%	12%
2. Achieve universal primary education for girls and boys alike	47%	23%	39%	39%	42%
3. Promote gender equality and empower women	2%	2%	5%	4%	5%
4. Reduce child mortality	3%	14%	8%	8%	7%
5. Improve maternal health	1%	1%	3%	3%	3%
6. Combat HIV/AIDS, malaria and other diseases	7%	20%	3%	3%	3%
7. Ensure environmental sustainability	6%	9%	15%	15%	15%
8. Develop a global partnership for development	1%	1%	16%	15%	13%

By joining the Global Compact of the United Nations in 2003, Henkel made a commitment to help achieve the Millennium Development Goals. Through its social engagement, Henkel contributes directly to the attainment of these goals. Henkel does not influence the type of projects proposed under the employee engagement program. Nevertheless, the majority of these projects do indeed contribute to achieving these goals. [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

### Social indicators



## Our Sustainability Report

Our Sustainability Report summarizes the key environmental and social developments in fiscal 2014. The contents of the Report reflect the Henkel-relevant and material aspects of sustainable development.

Together with the web-based Sustainability Report and the Annual Report, the print version makes up an integrated corporate reporting concept. 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.

In many places in this 2014 report, you will find references to further information in the Sustainability Report itself, the Annual Report, as well as the web-based Sustainability Report.

Some of the references to online content are provided with a code number, as shown here:

 [www.henkel.com/sr2014](http://www.henkel.com/sr2014) |5

To find this content, visit the page  [www.henkel.com/sr2014](http://www.henkel.com/sr2014). In the “Service” column at the right you will find the code search function. Simply enter the appropriate code there and you will be taken directly to the information you are looking for. In the Online Sustainability Report, you will also find a detailed index with links to the guidelines of the Global Reporting Initiative (GRI):

 [www.henkel.com/sr2014](http://www.henkel.com/sr2014) |14

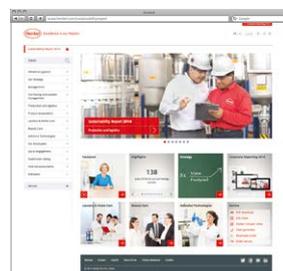
## Our communication portfolio

We continuously seek and maintain a dialog with all relevant stakeholders, using a variety of communication channels to do so.

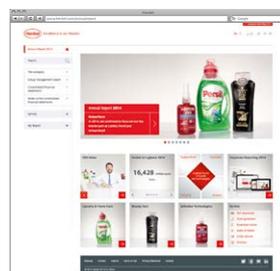
Our communication portfolio comprises not only the print version of the Sustainability Report and the Annual Report, but also the respective online versions, which can be accessed on the internet using a tablet or smartphone. These versions are included in the Henkel app.

On the internet, Henkel’s corporate website at [www.henkel.com](http://www.henkel.com) contains a dedicated section on sustainability providing current news as well as general background information.

Regarding social networks, we use channels such as Facebook and Twitter to post information on our sustainability activities. In 2014, we introduced a playlist all about sustainability topics on our YouTube channel.



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



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



The Henkel app is available for both iOS and Android:



Henkel in social media:



[www.facebook.com/henkel](http://www.facebook.com/henkel)  
[www.twitter.com/henkel](http://www.twitter.com/henkel)  
[www.youtube.com/henkel](http://www.youtube.com/henkel)



Online Sustainability Report



Online Annual Report



Henkel app iOS



Henkel app Android

# Contacts and further publications

## Contacts

We welcome any questions, suggestions or comments you may have regarding our Sustainability Report, our online reporting, or our sustainability orientation.

### Corporate Communications

Phone: +49 (0) 211-797-3533

Fax: +49 (0) 211-798-4040

E-mail: [corporate.communications@henkel.com](mailto:corporate.communications@henkel.com)

### Sustainability Management

Phone: +49 (0) 211-797-3680

Fax: +49 (0) 211-798-9393

E-mail: [sustainability@henkel.com](mailto:sustainability@henkel.com)

### Investor Relations

Phone: +49 (0) 211-797-1631

Fax: +49 (0) 211-798-2863

E-mail: [investor.relations@henkel.com](mailto:investor.relations@henkel.com)

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Corporate Communications:  
Uwe Bergmann, Yvonne Gottschlich, Ulla Hüppe, Mareike Klein,  
Brandi Schuster, Matt Shoesmith, Kyle Whitaker, Wolfgang Zengerling

### Design and typesetting

mpm Corporate Communication Solutions, Mainz

### Translation

ExperTeam®, Neuss: Alice Milne

## Further publications available as downloads on the internet

Our website offers access to all of the Environment Reports and Sustainability Reports we have published since 1992, which are also available as downloads. There you will also find our Annual Reports, Quarterly Reports, Vision and Values, Code of Conduct, Code of Corporate Sustainability, Leadership Principles, SHE Standards, Public Affairs Standard, Social Standards and our Corporate Citizenship Magazine "Together."



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

### Photos

Miriam Binner, Andrea Campagnolo, Guido Daniele, Tobias Ebert, Owen Gao, Steffen Hauser, Philipp Hympehdahl, Claudia Kempf, Nils Hendrik Müller, Sami Rahim, Wojciech Wójtowicz; Henkel

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