



2015 Sustainability Report



Henkel at a glance 2015

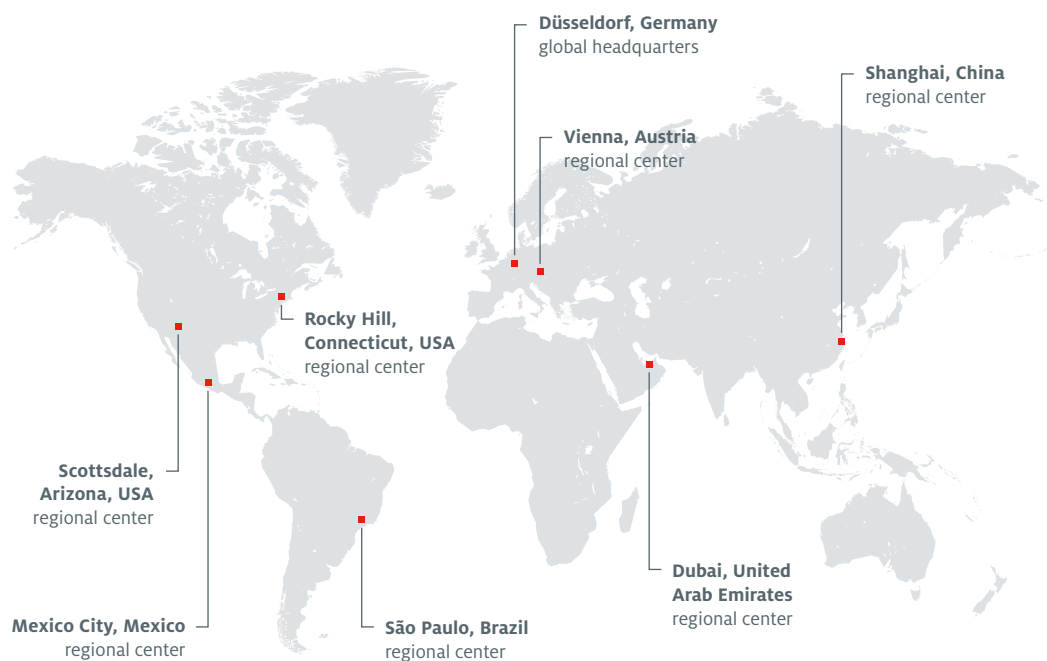
Contents

- 1 What we have achieved
- 2 Foreword
- 4 Sustainability strategy and management
- 12 Supply chain
- 22 Sustainability stewardship
- 26 Laundry & Home Care
- 32 Beauty Care
- 38 Adhesive Technologies
- 44 People
- 50 Social engagement
- 52 Stakeholder dialog
- 55 External ratings
- 56 Indicators
- 60 Our Sustainability Report
 - External assurance
 - Our communication platforms
- 61 Contacts, credits

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 55 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 65 to 75, and annualreport.henkel.com/economic-report

Our indicators

Economic indicators

	2014	2015
Sales in million euros	16,428	18,089
Adjusted ¹ operating profit (EBIT) in million euros	2,588	2,923
Adjusted ¹ return on sales (EBIT) in percent	15.8	16.2
Adjusted ¹ earnings per preferred share (EPS) in euros	4.38	4.88
Dividend per ordinary share in euros	1.29	1.45²
Dividend per preferred share in euros	1.31	1.47²

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

² Proposal to shareholders for the Annual General Meeting on April 11, 2016.

Environmental indicators

	2014	2015
Production sites	169	170
Production output in thousand metric tons	7,867	7,940
Energy consumption in thousand megawatt hours	2,219	2,288
Carbon dioxide emissions in thousand metric tons	649	667
Water consumption in thousand cubic meters	7,438	7,190
Waste for recycling and disposal in thousand metric tons	138	142

Employee indicators

	2014	2015
Employees ¹ (as of December 31)	49,750	49,450
Trainees in Germany	484	508
Proportion of female employees in percent	33.2	33.6
Average number of training days per employee	1.5	2.1
Participation in employee share program in percent	30.1	29.7
Occupational accidents per million hours worked	0.9	0.8

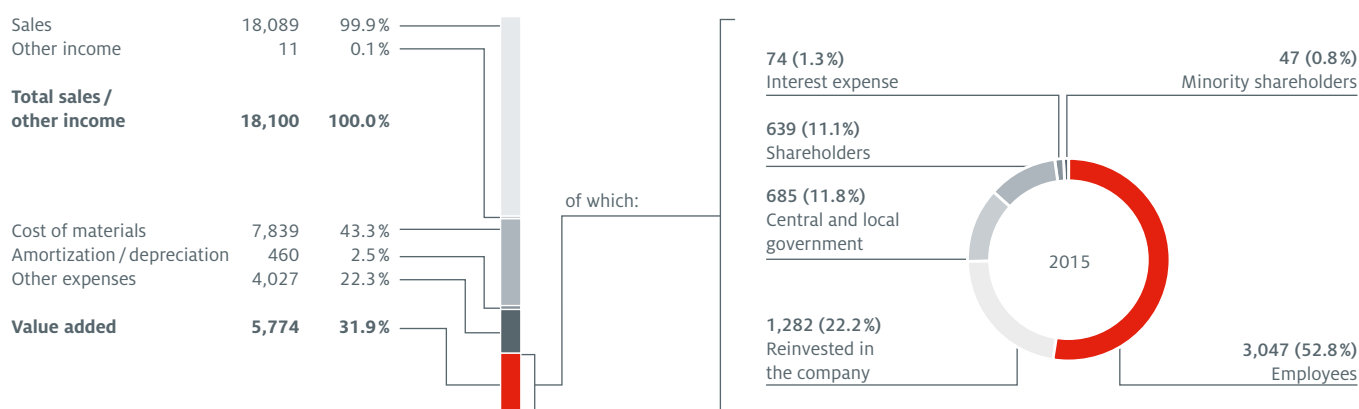
¹ Permanent staff excluding trainees. Figures have been rounded.

Social indicators

	2014	2015
Donations in million euros (financial and product donations, not counting paid time off from work)	8.2	8.3
Number of projects supported	2,265	3,431

Value added statement 2015

in million euros

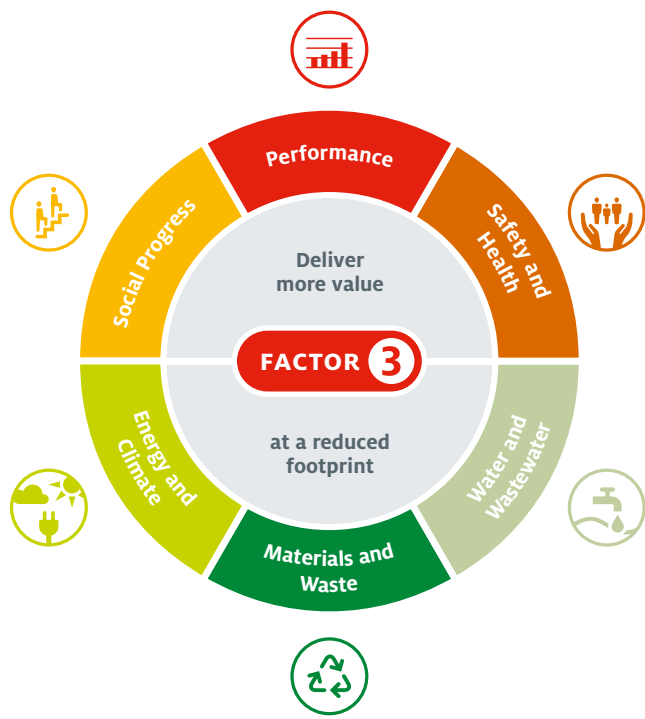


The value added statement shows that most of the generated sales flow back into the global economy. The largest share of the value added – 52.8 percent – went to our employees in the form of salary and pension benefits. Central and local government received 11.8 percent in the form of taxes; lenders

received 1.3 percent as interest payments. We paid 11.1 percent of the value added as dividends to shareholders. The value added remaining in the company is available for investments in future growth.

Our sustainability strategy

What are our sustainability aspirations?	We are committed to leadership in sustainability – this is one of our core corporate values. As pioneers in this field, we want to drive new solutions while developing our business responsibly and in an economically successful manner.
What strategy are we pursuing?	Our ambition is to achieve more with less. This means we create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced environmental footprint.
What targets have we set ourselves?	Our 20-year goal for 2030 is to triple the value we create for the footprint made by our operations, products and services. We summarize this ambition to become three times more efficient as FACTOR 3. In pursuing this goal, 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.



For 2020 we have set ourselves new interim targets (base year 2010):

+ 75 %	+ 22 %	+ 40 %	– 30 %	– 30 %	– 30 %
Overall efficiency	more net sales per ton of product	safer per million hours worked	less water per ton of product	less waste per ton of product	less energy / CO ₂ emissions per ton of product

How are we implementing our strategy?	To successfully implement our strategy and reach our targets, we rely on our products, cooperation with our partners, and the dedication of our people.		
	Our products	Our partners	Our people
	deliver more value at a reduced environmental footprint.	are key to driving sustainability along our value chain.	make the difference – with their commitment, skills and knowledge.

What we have achieved

To reach our long-term goal of becoming three times more efficient by 2030 ("Factor 3"), we had set ourselves concrete interim targets for the five-year period from 2011 to 2015, which we achieved. Here is the current status:

Our focal areas

+ 38 %

Overall efficiency

2015 target: + 30 %

+ 11 %

more net sales per ton of product

2015 target: + 10 %

+ 33 %

safer per million hours worked

2015 target: + 20 %

– 23 %

less water per ton of product

2015 target: – 15 %

– 17 %

less waste per ton of product

2015 target: – 15 %

– 18 %

less energy / CO₂ emissions per ton of product

2015 target: – 15 %

Our products

All products

are systematically assessed according to sustainability criteria throughout the Henkel innovation process.

More than 70,000

metric tons of CO₂ were avoided by using recycled PET in the packaging for our laundry and home care products.

165,000

is the number of product formulas for which Beauty Care has already calculated the carbon footprint.

Our partners

18 companies

are now members of the purchasing initiative "Together for Sustainability," tripling membership since 2011.

More than 2,000

audits and assessments have been performed by Henkel at its suppliers since 2012.

More than 2,200

participants have been able to communicate directly with Henkel experts during webinars offered on the Food Safe Packaging portal of Adhesive Technologies since 2013.

Our people

About 6,200

Henkel employees have been qualified as sustainability ambassadors so far.

Around 63,000

schoolchildren have been reached by sustainability ambassadors through our program.

More than 5 million

people around the world have been supported over the past five years by our social engagement activities.

Dear Friends of the Company,

2015 was an important milestone on the path toward Henkel's long-term sustainability goal, "Factor 3." By 2030, we want to triple the value we create for our customers and consumers, for the communities we operate in and for our company – compared to the environmental footprint of our operations, products and services.

We have made great progress in fully integrating sustainability into our business processes. We achieved our interim targets for the first five-year period: With an overall efficiency improvement of 38 percent for the period up to 2015, we are well on track toward our long-term goal. Now, we have defined our targets and ambitions for the next five years: We aim for an overall efficiency improvement of 75 percent by 2020 compared to 2010.

We have another reason to be proud – we have now published our 25th Sustainability Report. We published our first Environment Report ahead of the United Nations Conference on Environment and Development in Rio de Janeiro in 1992. That report reviewed the progress we had made and showed future challenges. Convinced that growth, economic success and environmental compatibility are not irreconcilable, we wanted to demonstrate our commitment to sustainable development.

Our approach to sustainability continued to evolve in the following years, becoming more systematic and addressing an increasing number of environmental and social challenges along our value chain. For Henkel – as well as many other businesses around the world – there is no question: Business has to be part of the solution and the sustainability agenda.

2015 was also an important year charting the road ahead on major global challenges: The United Nations agreed on the Agenda 2030 for Sustainable Development and its respective goals, and a global climate agreement was reached in Paris. This common understanding of the global priorities will facilitate cooperation and drive progress. With our proven track record in sustainability and our clear strategy, we will be supporting the achievement of these goals. Our commitment to leadership in sustainability is anchored firmly in our company values.

We continuously work to improve all products across our entire portfolio. This enables us to offer our customers and consumers more value and better performance at a smaller environmental footprint.

Cooperating closely with our customers and business partners in retail and industry, we are able to leverage our experience in order to optimize logistics, increase the efficiency of production processes, develop more sustainable products and foster sustainable consumption.

And it is our people who make the difference. Their understanding of sustainability and its relevance for their respective businesses and areas of responsibility is the foundation for our progress.



Kathrin Menges

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

We are convinced that sustainability is becoming increasingly important for our business success, supporting our growth, improving our cost efficiency and reducing risks. At the same time, it is only through sustainable business practices that we can maintain the basis for a livable society and a robust economy.

We would like to thank our employees, partners and customers for contributing to another successful year on our sustainability journey. We will build upon these achievements in 2016 and in the years to come.

A handwritten signature of Kathrin Menges in black ink, written in a cursive style.

Kathrin Menges

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



Kathrin Menges describes how Henkel continues to work toward sustainable development (video):
 sustainabilityreport.henkel.com/kathrin-menges-video



We want to anchor our understanding of sustainability more broadly across society. As part of our Sustainability Ambassador program, Henkel employees also conducted a lesson on sustainability with schoolchildren in Shanghai in 2015. We have now reached around 63,000 children in 43 countries through the program.

Sustainability strategy and management

We want to contribute so that, in 2050, nine billion people will be able to live well and within the resource limits of the planet.



Contributing to quality of life and reducing resource consumption

Through our sustainability strategy, we contribute both to sustainable development and to our company's economic success. We aim to pioneer new solutions while continuing to shape our business responsibly and increase our economic success. As the basis for our strategy, we have adopted the Vision 2050 of the World Business Council for Sustainable Development (WBCSD), whose aspiration is that, in 2050, nine billion people live well and within the resource limits of the planet. For Henkel, this means contributing to quality of life

by generating value while using less resources and causing less emissions. We see sustainability as a shared responsibility for all of society. Our intention is not only that we as a company create more value with a reduced environmental footprint. We also want to inspire others – for example, our suppliers, customers and consumers – to make their own contributions to sustainability.

This is also the intention behind the schools project included in our Sustainability Ambassador program. Our employees receive training so that they are able to explain the importance of sustainable behavior to others, including young children.



Kasper Rorsted
Chairman of the
Management Board

Henkel has now published its 25th Sustainability Report. Are you satisfied with what Henkel has achieved to date?

Yes, I am. And I am sure our employees share this view, as sustainability is important to us, and it is one of the five corporate values that guide our actions. In 1992, Henkel was one of the first German companies to publish an Environment Report, as it was called back then. But Henkel was already committed to sustainability long before that.

Has the significance of sustainability changed over the years?

Today, sustainability is more important than ever for our business success. Over the past decades, we have worked intensively on all the dimensions of sustainability. As a result, we succeeded in reaching our interim targets for the past five years. But there are still many challenges ahead. We must continue to set ourselves ambitious targets and work purposefully to achieve them. This includes anchoring sustainability even more firmly in our business operations. Each employee must be able to understand the relevance of sustainability to our business success – and convey this to customers, colleagues or business partners.

Is that the reason why you established the Sustainability Ambassador program in 2012?

Yes. Our ambassador program encourages our people to engage actively with the challenges of sustainable development. They then pass on that knowledge to others, including schoolchildren. I had the pleasure of experiencing myself just how excited and creative children can be in their approach to this topic. We need this kind of personal engagement to drive sustainable development on all levels in the future.

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 developing our business responsibly and increase our economic success. This ambition encompasses all of our company's activities along the entire value chain.

Increasing business relevance

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

Achieving more with less

Our strategy is based on the Vision 2050 of the WBCSD. For us as a company, this means contributing to quality of life by generating value while using less resources and causing less emissions. 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 all our employees and mirrored in our business processes. We rely here on the contributions made by our products and



The Sustainability Council (from the left): Dr. Nicolas Weber, 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. They represent the business units and all corporate functions responsible for putting our sustainability strategy into operational action. The Council steers the development and implementation of our global sustainability strategy.

technologies, collaboration with our partners, and the commitment of our people.

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 goal, our “Factor 3,” 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 had therefore set interim targets for our

focal areas for the five years from 2011 to 2015. With improvements of 18 percent in energy efficiency, 23 percent in water use, 17 percent in waste volume, 33 percent in occupational safety, and 11 percent in sales, we reached these targets. By the end of 2015, we had thus improved the relationship between the value we create and our environmental footprint by 38 percent overall.

On the road to our long-term goal of “Factor 3,” we intend to improve our performance in these areas still further over the coming years. To do this, we have defined new interim targets: By 2020, we want to further reduce the direct and indirect carbon dioxide emissions from our production sites, our water use and our waste volume, in each case by 30 percent per ton of product relative to the base year 2010. We want to improve our occupational safety performance by 40 percent and our sales by 22 percent per ton of product.



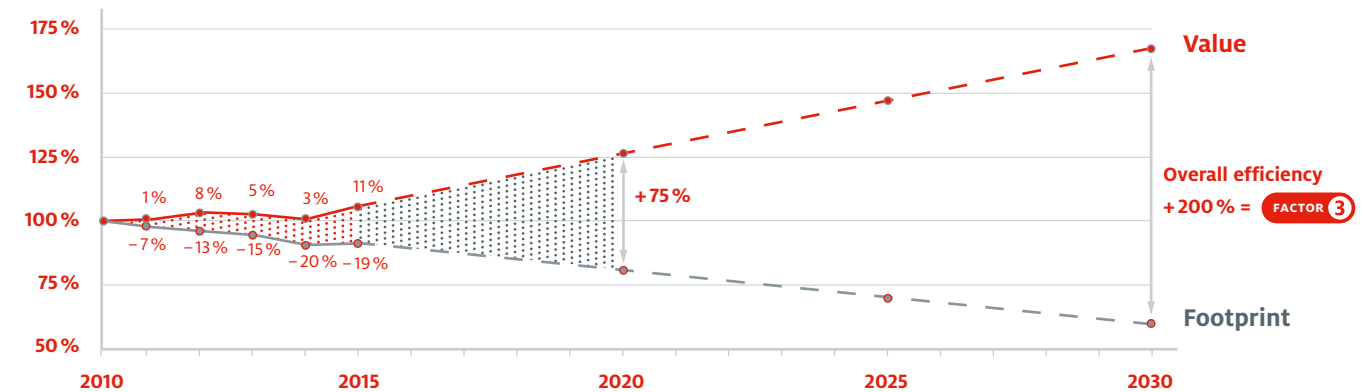
Sustainability at Henkel: a clear strategy with ambitious goals (video):

www.henkel.com/sustainability-video

What we want to achieve by 2030

To reach our goal of becoming three times more efficient by 2030, we will have to improve our efficiency by an average of 5 to 6 percent each year. For the five years from 2011 to 2015, we had set ourselves concrete interim targets aiming to increase efficiency by 30 percent. We achieved these targets. With our 20-year goal in mind, we have set new interim targets for our focal areas for 2020.

Index*



Our medium-term targets for 2020 (base year: 2010)

Through these new interim targets, we intend to improve the relationship between the value we create and our environmental footprint by 75 percent overall (relative to the base year 2010) by the end of 2020.



How we implement our strategy

To successfully implement our strategy and drive sustainability along our value chain, we rely on our products, our partners, and our people. In a comprehensive process, we assessed our footprint and impacts, identified the options for improvement, and defined the main areas for action for the period up to 2020. Here are some examples:

Our products

- Each new product must continue to make **a contribution to sustainability**.
- We intend to **enhance the transparency on the substances used in our products** and their safety on a global scale.
- We want to **reduce the volume of packaging** relative to net sales by **20 percent**.

Our partners

- Together with our partners, we want to improve workplace conditions for **one million employees** in our supply chain.
- We want to help our customers and consumers to save **50 million metric tons of CO₂**.
- We want to educate **300 million consumers** about recycling options and inspire them to participate.

Our people

- We want to mobilize **all of our employees** to continue working to advance sustainability.
- Through our social engagement activities, we want to contribute to the quality of life of **10 million people**.
- We want to reach **200,000 children** with our education initiatives.

Our reporting and steering systems

Our company first published an Environment Report in 1992. It reviewed our achievements, product improvements, and the progress made in the area of environmental protection at our production sites. Henkel subsequently began preparing an annual report on the company's major sustainability activities.

In 2015, we collected data on 170 sites, representing 100 percent of our global production volume. To assess our footprint along the entire value chain, we use representative life cycle analyses that cover around 70 percent of our sales across all product categories. We also assess data on the raw ingredients and packaging materials we use and the transport operations. 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 chain.

In 2015, our work was mainly concentrated on improving the data basis for the raw ingredients and packaging materials we use; updating the emissions factors for the energy usage figures for our sites worldwide; and further developing our computing models for logistics emissions.

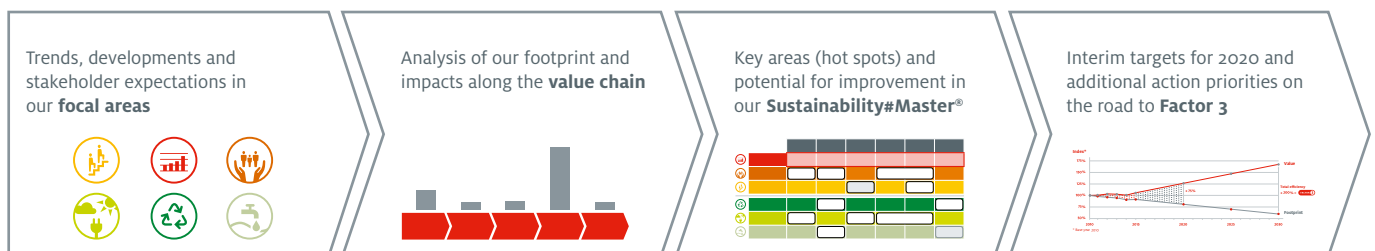
Measuring, assessing and managing progress

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

The various instruments are summarized in the Henkel Sustainability#Master® (see page 23). Its core element is a matrix that can be used to assess changes in both the "Value" and the "Footprint" dimensions. We use the results to develop innovations with improved sustainability performance. Only by considering the entire life cycle can we ensure that the action taken will improve the overall sustainability profile of our products.

In line with our ambition that each new product must make a contribution to sustainability, we assess our products systematically throughout our innovation process (see page 22). 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.

Process applied to define our targets for 2020



Development of our targets and action priorities

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



You will find an overview of our targets here:
sustainabilityreport.henkel.com/targets



Corporate governance

We provide comprehensive information on corporate governance and compliance, and the remuneration report of the Management Board, in our Annual Report, pages 31 to 51, and on the internet: annualreport.henkel.com/governance

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 globally binding behavioral rules which are specified in a series of codes and corporate standards. These apply to all employees worldwide, in all business areas and cultural spheres in which we operate.

The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption. Further corporate standards address specific topics such as compliance with competition and antitrust laws; safety, health, environment and social standards; human rights; as well as public affairs. The codes and corporate standards also provide the basis for implementing the United Nations Global Compact, which Henkel joined as early as 2003.

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 specially adapted training courses. 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.

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 2015, we trained more than 12,000 employees around the world in face-to-face 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 10,400 managers across the globe must participate twice a year in our mandatory Compliance eLearning program, which addresses many different compliance topics. The main emphasis in 2015 was on antitrust law and data security.

Zero tolerance for violations of regulations

Improper conduct is never in Henkel's interest. The Management Board and senior management circles at Henkel all subscribe to this fundamental principle. Improper conduct undermines fair competition and damages our trustworthiness and reputation. Our employees attach great importance to a correct and ethically impeccable business environment. We react forcefully to violations of laws, codes and standards. Where necessary, we initiate appropriate disciplinary measures. In 2015, 12 employees received written warnings, and 42 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:

sustainabilityreport.henkel.com/compliance

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 2015, we conducted 78 audits around the world. In the course of the audits, a total of 2,127 corrective actions were agreed upon. The main emphasis in 2015 was on the following areas: sales and distribution (following the issue of a new corporate standard for this area); finance processes in the shared services; local human resources management; compliance at toll manufacturers and subcontractors; and processes relating to safety, health and environment (SHE).

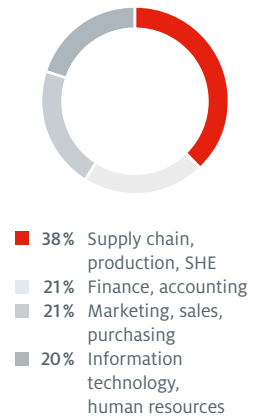
Compliance with the SHE Standards was audited at 117 sites, resulting in the initiation of 478 optimization measures. Maintenance of our Social Standards and our Diversity & Inclusion Policy was examined in 21 audits.

All audit results are included in the Corporate Audit department's annual report to the Henkel Management Board and the Audit Committee of the Supervisory Board. In addition to the regular audits, we also conducted six reviews of internal monitoring systems, mainly for newly acquired entities. These begin with self-assessments by the reviewed Henkel companies, which are then elaborated in more detail with the help of local auditors.

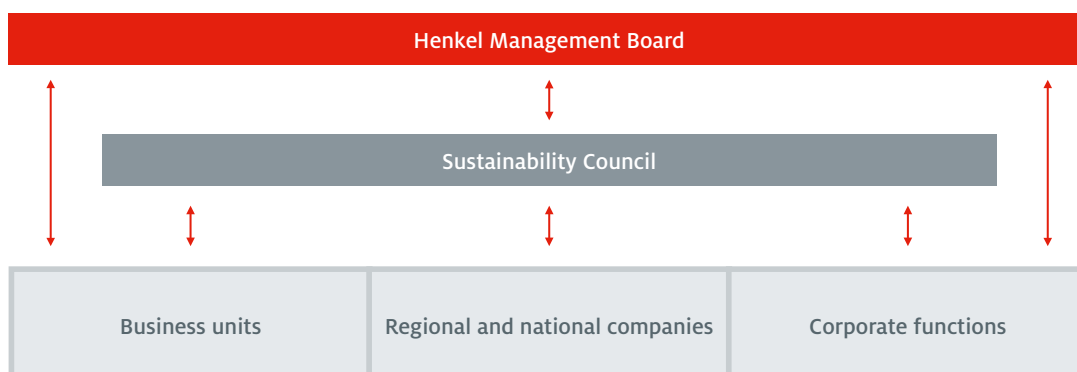
We also trained 1,289 employees on aspects of compliance, risk management, and internal monitoring in seminars and during our audits in 2015.

Main focus of audits in 2015

Percentage distribution of the 2015 Henkel audit program



Our organization for sustainability



Chaired by a Management Board member and reflecting all areas of the company, the Sustainability Council steers our sustainability activities as a central decision-making body. The business units are responsible for putting our sustainability strategy into operational action. The regional and national companies steer implementation in their respective regions. The corporate functions are responsible for ensuring implementation of our sustainability strategy in their areas.



Every minute, the plant in Wassertrüdingen in Germany fills up to 350 bottles of shower gel from the Fa body care brand. Diana Rathgeb, a deputy shift supervisor who is also responsible for the line, checks the product and packaging quality. Thanks to the highly efficient cleaning method applied between filling operations, this line saves more than 90 percent wastewater per cleaning cycle.

Supply chain

A look back at our targets for the five-year period from 2011 to 2015 shows that the continuous improvements made and the simplification of our purchasing, production and logistics processes have put us in a good position to become three times more efficient by 2030.



Achieving more with less

We have merged the production, logistics and purchasing activities for all of our business units into a single global supply chain organization. We are working to continuously improve efficiency in all areas while maintaining the high quality of our products.

The production site in Wassertrüdingen, Germany, produces around one-fifth of the products in the Beauty Care portfolio and serves the entire European market – up to 3.3 million units are filled here every day. Since cleaning of the filling lines is a main generator of wastewater, we use steam instead of hot water to clean and disinfect the equipment. This has enabled us to reduce the wastewater vol-

ume per cleaning cycle by more than 90 percent, thus avoiding around 850 cubic meters of wastewater per line every year. Another sustainability example is the bundling of single product bottles with film wrapping. This is normally done by shrink wrapping under the application of heat. A new machine now achieves the same effect by mechanically stretching the film, which saves up to 70,000 kilowatt hours of electric power per year.

By implementing many such measures, this site has been able to reduce its wastewater footprint by more than 65 percent and its electricity consumption by more than 50 percent per production unit from 2005 to 2015. All of this contributes to achieving our “Factor 3” goal.



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

Henkel has launched its global supply chain organization under the name of ONE!GSC Horizon. How can this change contribute to more sustainability?

Establishing a unified global supply chain is one of our most important strategic projects. It involves a fundamental realignment of our production, logistics and purchasing processes across all business units and functions. The new organization will help us to standardize and harmonize our processes worldwide. It will increase our competitiveness – through faster workflows, better flow of information, more transparency, and greater efficiency overall. This increase in efficiency also plays a key role in reaching our sustainability goals.

Where do you see additional potential for improving efficiency and sustainability in production?

In 2015, we again introduced many measures that reduce the environmental footprint of our production operations and boost our efficiency. We strive constantly at our production sites to use even less energy and water and decrease our waste volume, all while still maintaining high quality and continuously improving occupational safety. And we are succeeding: We reached all of the targets we had set ourselves for 2015 in these areas.

Standardization of processes also plays a central role in Henkel's purchasing organization.

That's correct. In our purchasing initiative "Together for Sustainability," or Tfs, the main objective is to harmonize and simplify increasingly complex, global supplier management processes – not only for the member companies, but also for our shared suppliers. The membership of Tfs has already tripled since the initiative was launched in 2011. That shows that the idea works.

Purchasing and supplier management

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 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 also consider their performance in regard to safety, health, environment, social standards and fair business practices. This is based on our globally applicable 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. Our corporate purchasing standards apply worldwide as well, and we supplemented these with a Sustainable Sourcing Policy in 2015.

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. The BME code has already been translated into 12 languages.

Initiatives for greater sustainability

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

At the heart of the initiative is the idea: “An audit for one is an audit for all.” Suppliers only have to undergo one assessment or one audit. These are conducted by independent experts. An internet platform is then used to make the results available to all members of the initiative for information and approval. Since 2014, TfS has a new legal identity:

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

The TfS grew once again in 2015 and the number of members has tripled from the original six to 18. Last year, the first companies from the USA joined the initiative. Global expansion of the assessment and audit program, driven in part by supplier conferences in Shanghai and São Paulo, was again a main focus of activities in 2015. In addition, the initiative was singled out for mention by the Ethical Corporation: TfS was “highly commended” in the category “Best Supplier Engagement.”

Henkel is also a member of AIM-PROGRESS, a forum of companies in the consumer goods industry. Like the TfS initiative, AIM-PROGRESS encourages member companies to share experiences and utilize synergies. A common CSR platform is to be set up for this purpose.

In 2015, the geographical scope of the TfS initiative was widened once again, particularly in emerging markets. The shared challenges of supply chains in Brazil were discussed at a supplier meeting with more than 300 participants in São Paulo. From the left: Lucilene De Moraes of Oxiteno with Fernanda Escarim, Bertrand Conquéret and Ricardo Filho of Henkel Purchasing.



“Together for Sustainability” – a purchasing initiative of the chemical industry (video):

 www.henkel.com/tfs

Responsible Supply Chain Process

The results of our assessments and audits from the Tfs initiative are a core element of our 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.

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

Step 2: Assessment

We use supplier self-assessments based on questionnaires and have them examined as Tfs assessments by the independent experts EcoVadis. These cover our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anticorruption.

Step 3: Analysis

Based on the risk assessments and the suppliers' self-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 the defined standards in Tfs audits. Our audits include on-site inspections, e.g., at production sites, and discussions with local employees. Follow-up measures after an audit ensure that suppliers implement the corrective actions that have been specified. Repeated serious non-compliance leads to 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.

In 2015, we conducted a total of 687 assessments and audits. In the case of repeat audits, 78 percent of the suppliers audited had improved their sustainability performance. Overall, we did not receive any notification throughout 2015 of an infringement by any of our strategic suppliers which would have given cause for terminating our relationship with that supplier.

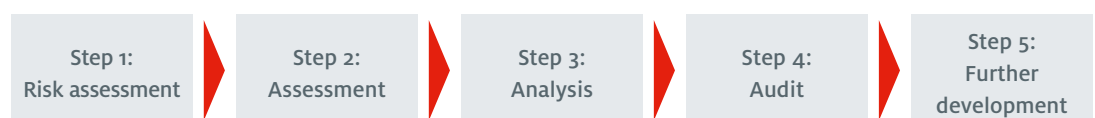
Step 5: Further development

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability standards. We strive to initiate positive changes throughout the value chain, through training programs and joint projects. Our target for 2020 is to work with our partners to improve the working conditions for one million people employed in our supply chains.

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

Responsible Supply Chain Process





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 purchase or process metals from critical regions. Henkel is also a member of the Conflict-Free Sourcing Initiative, which was founded by members of the global electronics industry. Its aim is to ensure conflict-free supply chains for minerals.

Honoring our suppliers

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

The Laundry & Home Care business unit awarded the biotechnology company Novozymes in 2015 for the development of new, powerful enzymes as the basis for a new generation of innovative formulations. They are used, for example, in the

laundry detergents of our Persil ProClean brand in the USA and have been designed specifically to meet the needs of the local market.

The Beauty Care business unit recognized Ball Aerocan in 2015 for the joint development of the ReAl can. The technology makes it possible to use recycled aluminum and has been applied to make cans for the deodorant sprays of our Fa, Souplesse and Neutromed brands

The Adhesive Technologies business unit presented its 2015 sustainability award to Covestro Deutschland AG (formerly Bayer MaterialScience), a supplier of polyurethane technologies. Covestro was recognized for its development of raw materials for our wood adhesives that will allow us to further expand our business in sustainable wood engineering.

Henkel presents annual awards to its suppliers in various categories, including sustainability. The sustainability award of Adhesive Technologies for 2015 went to Covestro. Pictured at the awards ceremony (from the left): Thomas Holenia of Henkel, Harald Wolf, Michael Hellemann Soerensen and Dr. Karsten Danielmeier of Covestro and Paul Kirsch, Henkel.

Production

New targets for our production operations

Henkel operates 170 production sites worldwide. We work continuously at all of these sites to reduce our environmental footprint while maintaining high quality and safety standards. We have set concrete targets for our production sites to help steer progress toward our long-term “Factor 3” goal. By the end of 2015, we aimed 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). We achieved each of these four targets: Relative to 2010, we have cut our energy use by 18 percent, water use by 23 percent, and waste volume by 17 percent. Our worldwide accident rate has dropped by 33 percent versus 2010.

As the next step on the road to our long-term goal of “Factor 3,” we have set new interim targets. By 2020, we want to further reduce the direct and indirect CO₂ emissions from our production sites, our water use and our waste volume, in each case by 30 percent per production unit relative to the base year 2010. We have also defined additional priorities for our programs: increasing the amount of renewable energies we use, lowering CO₂ emissions during the transport of our products, cutting the volume of waste for landfill, and a stronger focus on saving water in regions where water is in short supply.

Worldwide optimization programs

Aiming to continuously improve our entire production network, we have begun to introduce the Henkel Production System (HPS). Through this Group-wide optimization program, we want to systematically identify and eliminate inefficiencies of all kinds along our value chain, such as waiting times, excess production or defects, in order to generate more value for our customers and our shareholders. To this end, we have set standards for all three business units on the harmonization of production workflows. HPS is based on lean principles and on engaging all employees to ensure that they can implement the new standards effectively while saving on resources. During the

transition to HPS, our business units will continue to initiate specific programs for their locations.

The Adhesive Technologies business unit continues to rely on a combination of lean production principles, workshops and structured problem-solving techniques. Through Value Stream Mapping workshops, we identify inefficiencies and their causes in order to develop corresponding improvement projects, which often have a positive impact on the sustainability of our processes. In addition to the sustainability workshops introduced in 2014, sustainability scorecards were developed in 2015 to enable better project and investment steering on a quarterly basis.

The Laundry & Home Care business unit is expanding the use of digital technologies in the supply chain. Systematic improvements have been achieved in the areas of safety, environmental protection, and quality through a variety of installed modules. Cameras check the quality of product labels and the accuracy of label positioning as it takes place during the filling process. Sensors monitor work areas near moving machinery parts to make sure that employees will not be put in danger. Consumption data are recorded in real time and continuously evaluated. All of this ensures that our processes run smoothly and efficiently.

In order to continuously improve its workflows, the Beauty Care business unit makes use of the potential offered by digital solutions, among other things. For its Total Productive Management Plus optimization program that has been in place since 2007, a global web-based tool was introduced in 2015 to automate the monthly recording of standardized production and sustainability indicators. This enables real-time performance monitoring and more effective process steering. The expandable modular software system will be rolled out to all sites during 2016.

Standards and management systems

Globally uniform standards for safety, health, environment (SHE) and integrated management systems provide the basis for our worldwide



Examples of resource efficiency at production sites around the world:
sustainabilityreport.henkel.com/efficiency



optimization programs. The SHE Standards and our Social Standards apply to all sites. Our management systems ensure that these standards are implemented consistently across our global production network. Since our employees' behavior plays a key role in this respect, we conduct regular environmental and safety training sessions on a variety of topics at all sites.

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

We have our management systems externally certified at the site level wherever this is expected and recognized by our partners in the respective markets. At the end of 2015, around 95 percent of our production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems. 96 percent of our production volume is covered by the ISO 9001 quality management standard and 56 percent is covered by the ISO 50001 energy management standard. Furthermore, around 94 percent of our production volume 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 around 10 percent additional annual production volume from toll and contract manufacturers.

Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements. We monitor them using audits carried out by our own staff and, increasingly, by specialized third-party service providers. We aim to establish long-term collaborations with our toll and contract manufacturers. This also includes adding them to our environmental data recording systems.

The labeling machines for liquid products in the Laundry & Home Care facilities are equipped with advanced technology for seamless quality control: A label camera scans the front and back labels of each bottle produced to verify the accuracy of labeling. Guido Dames, line technician in Düsseldorf, regularly checks and optimizes the system settings.

Occupational safety

Our objective: zero accidents

Occupational safety is one of our highest priorities. We remain focused on our long-term objective of “zero accidents.” Our new interim target is to reduce our worldwide occupational accident rate by 40 percent by the end of 2020 (base year 2010). With this objective in mind, we are working continuously to improve our occupational safety levels through awareness-raising training events; investments to enhance technical safety; and by monitoring the strict compliance with our Safety, Health and Environment (SHE) Standards.

Focus on safety training

Regular training sessions are held at all sites to raise employees’ awareness and enable them to develop safety-conscious behavior. We also conduct training sessions for the staff of contractors working at our sites.

The Laundry & Home Care business unit trained its employees using various methods, including seminars by external experts, and by defining global focal topics every two months, on which the sites then conducted a series of events.

In addition to the regular safety training sessions, the Beauty Care business unit introduced a new

program in Tunisia that is based on recognizing and honoring employees who exhibit outstanding safety-consciousness.

The Adhesive Technologies business unit is focusing more strongly on positive dialog on safety in day-to-day work situations. The focus here is on mutual encouragement to develop a safety culture and constructive feedback on unsafe behaviors.

2015 status

In 2015, we recorded 0.8 occupational accidents per million hours worked. That is an improvement of 33 percent relative to the base year 2010 and means that we exceeded our 2015 target of 20 percent.

Despite our continuous focus on health and safety, an employee in Lianyungang, China, suffered a fatal accident in a warehouse. An employee of an external contractor was fatally injured during construction work in our factory in Perm, Russia. These accidents show that we must intensify our global safety training efforts still further.

In addition, we also mourn the passing of an employee who died in the Germanwings plane crash in France during a business trip.

Staying safe at work:
The Safety Day at Adhesive Technologies in 2015 centered on culture-based safety: remaining alert and pointing out potential hazards to colleagues. Here, Walter Gondek (center) of Engineering Process Safety explains how to secure electrical drives using multiple hasps.



Logistics and transport

IT solutions for logistics planning

With the new Transport Management System ONE!TMS, we have introduced a Group-wide IT solution for more efficient handling of our transport planning across all business units and countries. Higher space utilization and optimized routes decrease the transport mileage, reduce fuel consumption and thus diminish CO₂ output. In 2015, ONE!TMS was implemented at sites in the Benelux countries, Spain, Slovenia, China and Taiwan.

To demonstrate our progress, it is especially important to systematically record the CO₂ emissions of our logistics operations. In 2015, we prepared our systems prior to introducing a new instrument, EcoTransIT World, which determines the environmental impact of transports by all transport modes on the basis of the DIN EN 16258 standard. This system will be implemented as of 2016.

Emissions reduction initiatives

In line with our global Supply Chain organization, we have developed programs to reduce emissions that use synergy potentials across business units. Our Laundry & Home Care and Beauty Care units, for example, have established a mega warehouse concept in North America, where a few main distribution centers store products until the required quantities are due for on-time delivery to regional warehouses and retailers. This saves 320,000 kilometers in transports and around 380 metric tons of CO₂ each year. In another initiative, the two business units began hiring pallets instead of buying them, which resulted in more efficient collection and improved handling of damaged pallets. Laundry & Home Care has rolled out this concept across Europe and is thus avoiding another 480 metric tons of CO₂ and 900 metric tons of waste wood every year. Adhesive Technologies is reducing emissions by optimizing express and airfreight services. The resulting improvements along the value chain will save around 1,500 metric tons of CO₂ annually as of 2016. Overall, we intend to reduce our logistics emissions by around 5 percent over the next five years.

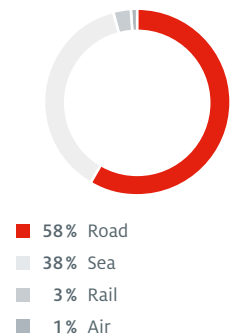
Road safety

The Adhesive Technologies business unit has initiated a global road safety campaign for its field sales staff. A range of interactive eLearning modules was developed to raise awareness for safe driving. Accessible worldwide, it was used by nearly 1,000 employees in 2015. In safety-related team discussions, field sales managers personally convey the importance of this topic to their teams as well. The global training portfolio also includes practical road safety training sessions where needed.

Requirements on our logistics partners

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

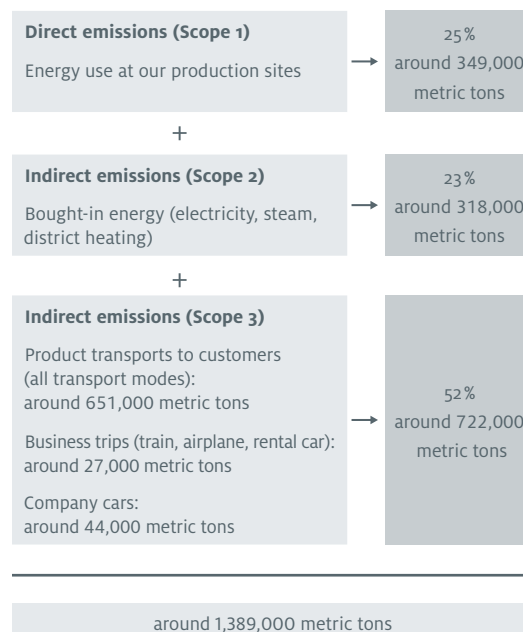
Product transports per transport mode in 2015



Further measures aimed at reducing our transport and logistics emissions:

[sustainabilityreport.henkel.com/emissions](https://www.henkel.com/sustainabilityreport)

Overall picture: our operational carbon footprint in 2015



Henkel's own CO₂ emissions are primarily caused by energy generation and consumption. Other CO₂ emission sources are not relevant for our business operations. The same applies to emissions of other greenhouse gases. They account for less than one percent of the Scope 1 and Scope 2 emissions. Scope 3 emissions, especially those associated with raw materials and product use, are calculated at the product level.

Sustainability stewardship

We want each of our products to make a contribution to sustainability – that means they must offer more value at a reduced environmental footprint.

Sustainable innovations

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

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 2015, Henkel employed around 2,800 people in research and development and invested 478 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, criteria for assessing sustainability have been systematically anchored in the Henkel innovation process since 2008. The focus is on innovations that will

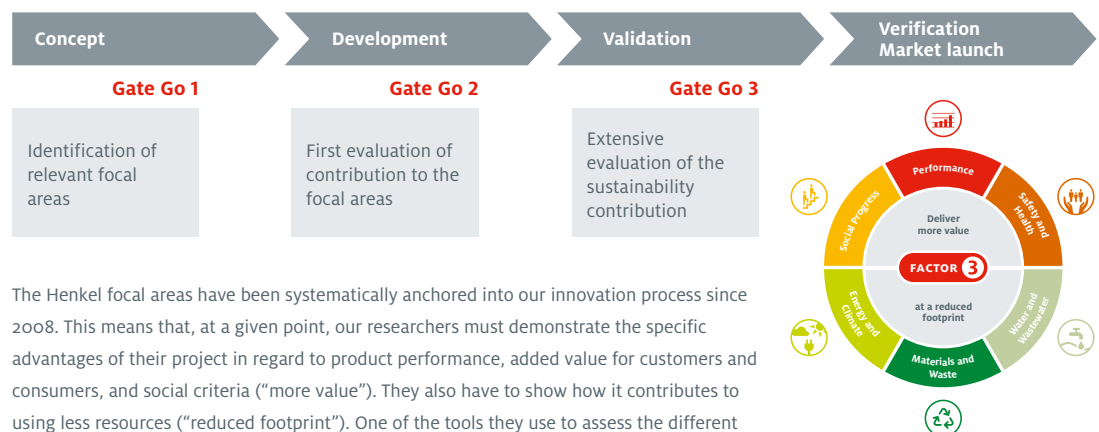
help our customers and consumers to reduce their energy use and thereby their own carbon footprint.

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 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)

Sustainability evaluation in the Henkel innovation process



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

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 outer packaging		e.g., less plastic
	Energy and Climate			e.g., reduced emissions		e.g., reduced dosage	
	Water and Wastewater					e.g., lower water requirement	
	Footprint						

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 the value chain and on our six focal areas. The goal is to increase the value of the product and simultaneously reduce its environmental footprint. Hot spots can be identified for every product category on the basis of scientific measurement methods. These are the fields

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



The Henkel Sustainability#Master® (video):
[sustainabilityreport.henkel.com/master](#)



Information on Henkel's activities in developing alternatives to animal testing:

www.henkel.com/alternative-test-methods

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.

Wherever possible, questions regarding the skin compatibility of ingredients are now also investigated with the help of in vitro tests. In vitro tests, such as the skin model (technical name: epidermis model), have been developed by Henkel over the past decades in collaboration with external partners and submitted for acceptance as alternatives to animal testing to the European validation agency.

By mid-2016, 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 to make it possible for the skin models, which are as large as a 1-cent coin, to be used to research other issues regarding the safety of chemicals.

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.

Palm and palm kernel oil

We are aware of our responsibility regarding the purchase and use of ingredients based on renew-

Examples of sustainability in our packaging development



100 percent recycled

In 2015, Henkel introduced polyethylene terephthalate (PET) bottles from the Eco-Bottle series, which are made from 100-percent recycled PET materials. These bottles also fulfilled all of the required optical and mechanical specifications. As a result, up to 500 metric tons of new PET goods can be saved each year.



25 percent less aluminum

As part of our continuous packaging optimization efforts, we have developed an improved conditioner sachet for our hair coloring products. By reducing the thickness of the foil material, we have been able to reduce the amount of aluminum contained in the packaging by 25 percent. This made it possible to reduce the weight per sachet by 5 percent and the CO₂ footprint by 25 percent.



New design for Loctite SF 7850

Redesigning of the primary packaging of the Loctite SF 7850 hand cleanser has made it possible to save 24 percent CO₂ and 18 percent weight per bottle. The new design of the 3-liter bottle (on the left; previous on the right) not only contributes to a more sustainable packaging solution, but also helps to save costs.

able 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. At the same time, we are working with our partners 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. Henkel will thus be making even more targeted efforts to help smallholders and local initiatives in the producing countries.

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. Working with our suppliers, we have succeeded in ensuring that to date around 40 percent of the oil is certified according to the mass-balance model (i.e., a controlled mix of sustainable and conventional oil). This exceeds our 2015 target to ensure that at least one-third of the oil was certified according to this model. Furthermore, we intend to increase our purchases of mass-balance-certified oils so that they cover 100 percent of our demand by 2020. By purchasing mass-balance oil, we can contribute more effectively to ensuring that physical sustainable oil enters our value chain. In 2015, Henkel successfully completed the first Roundtable of Sustainable Palm Oil audit of its purchasing operations.

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 that this oil is being cultivated sustainably. For the raw materials that contain palm or palm kernel oil and for which we worked with our partners in 2015 to

establish traceability, we have achieved a traceability rate of between 67 and 94 percent.

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 together 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 and focus more strongly on other regions, such as Indonesia.

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.

In defining our targets for 2020, we also set targets for packaging. These include a reduction in packaging weight of 20 percent per sales unit as well as increasing the proportion of recycled PET (polyethylene terephthalate) in bottles and recycled aluminum in cans. Additionally, we want to reach more than 300 million consumers through more targeted information on recycling.



Our contribution to the sustainable cultivation of palm oil:

www.henkel.com/palm-oil



Targets to reduce packaging footprint for consumer products:

sustainabilityreport.henkel.com/packaging

Henkel packaging footprint 2015¹



■ 47% Paper
■ 43% Plastic
■ 9% Metal
■ 1% Glass

¹ Around 594,000 metric tons (estimate based on expenditures for packaging materials).



Collaboration with our partners is an important element of our strategy. At our Laundry & Home Care Global Experience Center, Dr. Nadine Bluhm, Research and Development at Henkel, and Dr. Roland Ettl, Key Account Manager at BASF, present the advantages of the bleaching catalyst that the two companies developed jointly.

Laundry & Home Care

Together with our partners, we are working to make products that will conserve resources even better, offer improved ease of use, and satisfy the criteria of quality, environmental compatibility and social responsibility in equal measure.



Working together to conserve resources

Our consumers' expectations mirror our own ambition: We want our products to satisfy the criteria of quality, environmental compatibility and social responsibility. This is because we view this trio as the driver for innovations and the basis for our future competitiveness. Laundry & Home Care's research and development strategy 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; partnering with others plays an important role here.

Over the course of a long-standing research cooperation, researchers from BASF and Henkel have jointly developed ingredients for a new generation of premium laundry detergents. They help to remove stubborn stains at significantly lower washing temperatures than is possible with conventional laundry detergents. This new technology is incorporated in the product Persil ColdZyme. If, for example, all Persil ColdZyme wash loads of colored laundry and synthetic textiles were to be washed at 30 instead of 40 degrees Celsius, this would have the potential to avoid around 500,000 metric tons of CO₂ every year. This volume would be equivalent to the annual energy demand of 325,000 European households.



Bruno Piacenza
Executive Vice President
Laundry & Home Care

How important are innovations for the success of your business unit?

Our ambition – to create innovations that deliver more value for consumers, retailers, our own company and society as a whole – is a key pillar of our success. With an innovation rate of over 45 percent, we see ourselves as innovation leaders, opening up new markets and differentiating ourselves from our competition. Our products not only have to deliver first-class performance. They must also always make a measurable contribution to more sustainability.

How do you generate new ideas for sustainable innovations?

This is rooted in close interaction between our research and development and marketing teams. They consider the entire value chain while developing more powerful products that conserve resources even better. We promote this through our innovation culture and have anchored this approach in our innovation process. Another factor is cooperation with our partners. With BASF, for instance, we conducted a joint project to develop new active ingredients for our premium laundry detergents – for even better cleaning performance at low temperatures.

What influence do consumers have on the sustainability performance of your products?

As a company, we can develop and produce these more sustainable products, but 80 percent of their environmental footprint arises during use. So consumers can make a significant contribution to sustainability, for example by selecting a low washing temperature. This is why we try to influence consumers' behavior through appropriate communication activities. Our retail partners play an important role here, as they are also in direct contact with consumers.

Focus on the use phase

Another important objective 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 80 percent of the environmental footprint of our products is generated during their use. This is why we concentrate on developing products that enable the efficient use of resources such as energy and water.

By using targeted information for consumers, we work to promote responsible-minded behavior while using our products. Through specific communication appropriate for the target group, including on the internet, we point out the advantages of our products while encouraging resource-efficient use. One example of this is our Persil resource calculator for laundry.

We also work hand in hand with our retail partners to advocate sustainable consumption. The Carrefour supermarket chain, for example, teamed up with Henkel employees in November 2015 to inform consumers in the Middle East about sustainable lifestyles as well as laundry and home care products.

Innovations for laundry and home care products of the future

The innovation rate at the Laundry & Home Care business unit lies at more than 45 percent. In other words, the business unit generates more than 45 percent of its sales with products that have been on the market for less than three years. Moreover, Henkel has been using ingredients based on renewable raw materials for decades. In 2015, around 25 percent of the organic ingredients in our laundry detergents and household cleaners were derived from renewable raw materials. In addition, by comparison with the previous year, we were able to reduce the carbon footprint of our annual raw material input by 6 percent relative to total sales.

In its innovation management, Laundry & Home Care is focusing increasingly on collaborative research and open innovation, harnessing the capabilities of external innovation partners such as universities, research institutes, suppliers and customers. In order to understand precisely what

customers and consumers need and develop first-class innovations, collaboration often begins before the actual product development phase does.

As one example of this, Henkel is collaborating with the Rhenish-Westphalian Technical University (RWTH) in Aachen, Germany, to research and develop the laundry and home care products of the future. The new cooperation concept is called “Henkel Innovation Campus for Advanced Sustainable Technologies” – or HICAST, for short. Here, chemists and biotechnologists are working in interdisciplinary teams on breakthrough innovations.

In cooperation with its strategic partner Novozymes, Henkel has succeeded in developing new, powerful enzymes as the basis for a new generation of innovative formulations. These also laid the foundation for the successful introduction of our premium laundry detergents under the Persil ProClean brand in the USA. Specifically tailored to the needs of the market there, the patent-pending high-performance formulas develop their full cleaning action even at low temperatures. This

performance is also delivered by our Persil Power-Mix Caps. These pre-dosed powder-gel capsules unite for the first time the product benefits of a concentrated gel with the whitening-power technology of a powder. This protects laundry especially well against graying.

Many of our laundry detergent products can be used even at low temperatures – with first-class performance – and thus help to reduce CO₂ emissions. If, for example, all machine washes with Henkel products for colored laundry and synthetic textiles were to be washed at 30 instead of 40 degrees Celsius, this would have the potential to avoid around two million metric tons of CO₂ every year. This corresponds to the amount of CO₂ taken up every year by more than 40 million trees.

Redyeing instead of rebuying

Under the Dylan brand, we offer textile dyes for dyeing fabrics or reviving their color when washing them either in the machine or by hand.



Thanks to Dylan, fabrics can be dyed or their colors revived very easily at home.

Henkel Sustainability#Master® – Colour Catcher in comparison with competitor products

In the laundry aids category, we introduced color run prevention sheets under the Colour Catcher brand in 2015 following the acquisition of the Spotless Group. These sheets offer anti-transfer protection when washing mixed color wash loads. Fabrics with different colors that

used to have to be washed separately can now be washed together in one machine load. On average, each sheet eliminates one wash cycle. In terms of environmental footprint, this means above all savings in the areas of energy, water, and materials and waste. The

Colour Catcher sheets are made of cellulose. They are FSC-certified and can be composted after use. The matrix shows all the hot spots in this product category. These are the fields with the greatest relevance for sustainability.

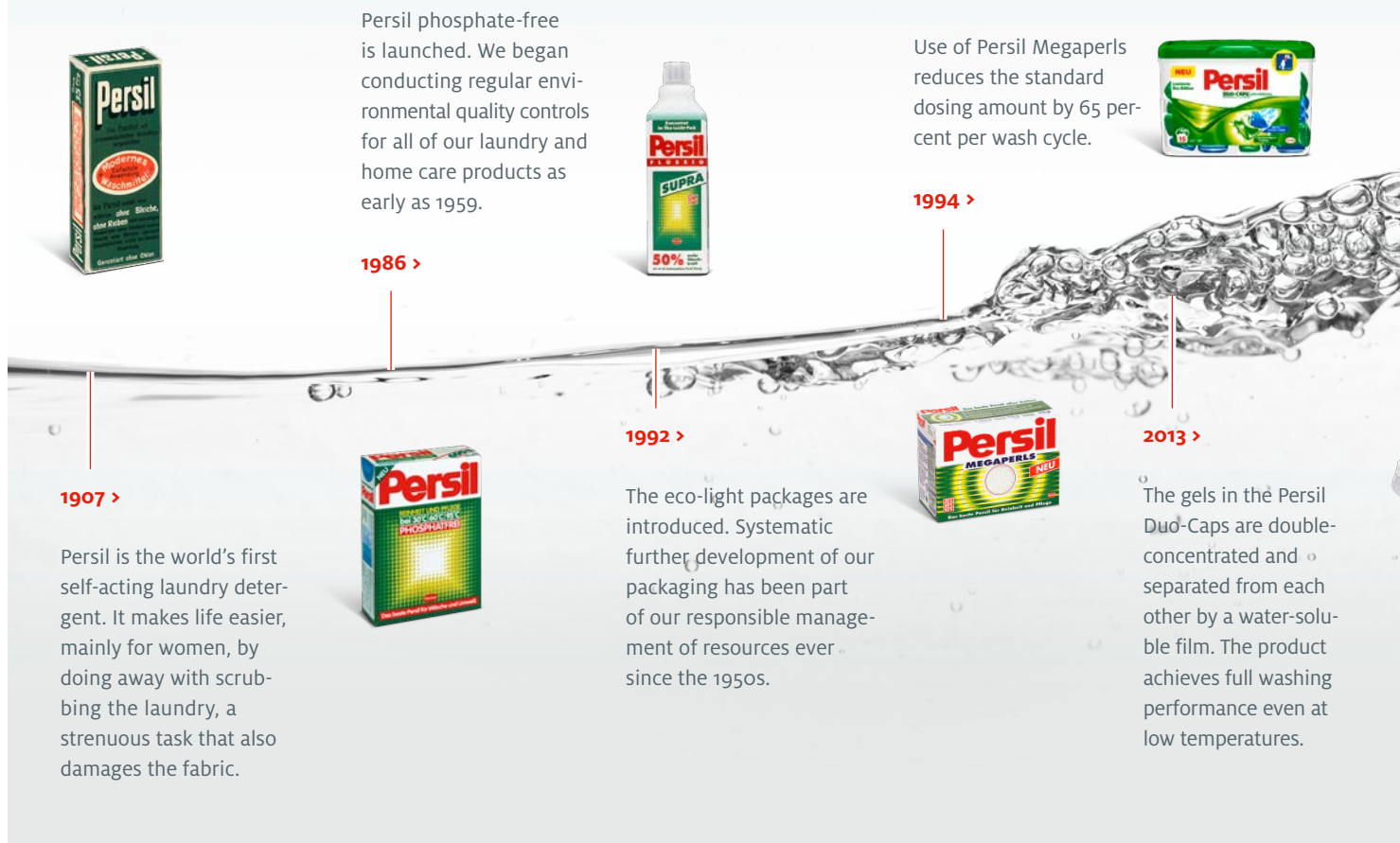
Value		Raw materials	Production	Logistics	Retailing	Use	Disposal
	Performance						
	Health and Safety						
	Social Progress					Saves time due to less wash loads	
	Materials and Waste	100 % natural fibers, FSC-certified					Biodegradable and recyclable
	Energy and Climate					Less energy due to less wash loads	
	Water and Wastewater					Less water due to less wash loads	
Footprint							

Significant improvement



Persil – the revolution in the laundry detergent market

From its introduction as the first self-acting laundry detergent to its major advances in dosing, packaging, and reducing energy consumption, our Persil brand has been a leader in sustainability since 1907.



A powerful dye technology makes it possible to give fabrics a completely new look quickly and easily. Dylon thus helps to prolong the life cycle of fabrics while reducing their footprint. The sustainability benefit lies primarily in reducing the use of water. More than 85 percent of this is accounted for by the water-intensive farming of cotton, above all for irrigation of the cotton fields. Dyeing a pair of jeans with Dylon uses at least 100 times less water than is needed to produce a new pair. That means annual savings of a total of 80 billion liters of water, or the equivalent of the amount of drinking water consumed per person each year by up to 3.9 million people in typical cotton-growing regions.

Efficient insect repellent

Some insects, such as mosquitoes, are not simply a nuisance; they can also transmit dangerous diseases. The acquisition of the research laboratory for insect control in Barcelona, Spain, in 2014 further expanded the technological expertise of the Laundry & Home Care business unit in the domain of insect repellents. With ZenSect anti-mosquito sticks, our researchers have achieved a first by developing a highly effective mosquito repellent for the European market that is based on a completely new principle. The active agent is derived from natural ingredients and mimics the action of



crop plants. It acts on the sensory centers of the insects and suppresses their urge to bite.

A.I.S.E. Charter

Since 2005, when Henkel became the first company to fulfill the criteria of the A.I.S.E. Charter for Sustainable Cleaning, 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. In the laundry detergents category, for example, four criteria are of particular importance: environmental safety of the ingredients; resource efficiency with regard to dosage and packaging materials; washing performance at low temperatures; and consumer information. Products that satisfy all of the defined requirements may communicate this to consumers on their packaging by means of a new A.I.S.E. Charter logo introduced in 2011. Our liquid and powder laundry detergents, fabric softeners, automatic dishwashing products, all-purpose cleaners and special spray cleaning products are now all qualified to bear the logo. Criteria for hand dishwashing liquids and toilet cleaners were additionally finalized in 2015.

Since 2014, Henkel has been supporting the Europe-wide A.I.S.E. online education initiative "Keep Caps from Kids." A video and a website tell viewers why it is so important to keep liquid detergent capsules out of the reach of children. The www.keeppcapsfromkids.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." To add to this, Henkel has offered to make its own knowledge on how to manufacture caps with increased child safety available free of charge to the entire industry worldwide. This involves incorporating a bitter-tasting substance in the soluble film packaging. In the USA, Henkel supports the online education initiative launched in 2014 by the industry association American Cleaning Institute, "Take the pledge – be the key to a safe laundry room and routine," which can be found at www.cleaninginstitute.org/keypledge



With our Persil resource calculator for laundry, we point out the advantages of our products while encouraging resource-efficient use:

washingcalculator.henkeldigital.com



Sustainable packaging solutions are an important part of our strategy. From the left: Andrei Beketov from Purchasing, Barbara Grossman from Packaging Development, and Clémence Alberti from Body Care, discuss the advantages of the new aluminum deodorant can. The ultralight spray cans, manufactured from aluminum slugs (raw metal), contain 25 percent recycled aluminum.

Beauty Care

Collaboration along the entire value chain is crucial to the achievement of our sustainability goals – from the production of raw materials to the development of sustainable innovations and effective communication with consumers.



Working together on sustainable packaging innovations

At Henkel, we are always looking for ways to reduce the environmental footprint of our products. Our packaging development plays a key role in the context of product life cycles. Aiming to reduce waste, our developers are working on smart and sustainable packaging solutions.

To reduce our aluminum consumption and thus our energy use and carbon emissions, Beauty Care launched a pilot project with Ball Aerocan in the year 2013 to produce spray cans from 25-percent recycled aluminum. To date, this has helped Henkel lower CO₂ output by more than 4,500 metric tons.

The recycling process for aluminum requires much less energy than the elaborate extraction of primary aluminum from bauxite ore. In addition, optimization of the alloying elements in the aluminum makes the material more rigid. This makes it possible to reduce the amount of material needed per can. These two effects considerably reduce the carbon footprint per spray can. Since the 2014 market launch of these cans for the deodorant sprays of our Fa, Souplesse and Neutromed brands, more than 60 million units have been produced. In 2016, we want to further increase the annual number of cans made of recycled aluminum.



Hans Van Bylen
Executive Vice President
Beauty Care

What are challenges in relation to sustainability for Beauty Care?

All products must combine consumer appeal and high performance with sustainability. This is also our ambition within Beauty Care. This approach is integrated deeply in our innovation process – and one we consider to be a competitive advantage. Thanks to our passion for innovation combined with the concept of sustainable development anchored along the entire value chain, we have been able to continuously increase the sustainability contribution that our innovations offer. This enables us to deliver more value to our customers and consumers.

Your products are not only for consumers but also for professional hairdressers. What approach do you take with these key customers when addressing the topic of sustainability?

We support our hairdressing clients through our international Schwarzkopf Academy, with its extensive training opportunities that include a particular focus on sustainability. We offer an advanced vocational training program to support our hairdressers and coach them on the proper and sustainable use of our products.

Recycling is a key aspect of sustainability. What contribution can Beauty Care make here regarding packaging development?

One important project that we conducted in 2015 focused on increasing the share of recycled aluminum in spray cans. As a result of joint development efforts with a strategic supplier, we have succeeded in producing aerosol cans that contain 25 percent recycled aluminum. This initiative has allowed us to reduce the carbon footprint per aluminum can by more than 20 percent.

A leader in sustainable innovations

In order to reach our goal of sustainable development, we repeatedly scrutinize our conventional technologies and work on innovative solutions together with our suppliers and partners. These efforts span the entire value chain – from the extraction of raw materials to creative communication with consumers regarding product use. To implement this comprehensive approach, we systematically integrate our sustainability goals in every phase of the product life cycle. In line with our sustainability strategy, we create solutions that generate more value for our customers, consumers, and our company, while reducing our environmental footprint at the same time.

Holistic product stewardship

Sustainability is firmly anchored in our innovation process. This is ensured by integrated systems that provide information in a way that is user-friendly as well as time- and cost-efficient. We have, for example, systematically determined the carbon footprint for 165,000 product formulas already. Even in the early phase of raw material selection, the intelligent linking of databases permits our product developers to measure and control the effects that ingredients will have on the environmental product footprint. In this way, we purposefully promote the development of formulations with a smaller carbon footprint or with a higher share of readily biodegradable raw materials.

Environmental compatibility was also a guiding factor in our early decision to stop using solid microplastic particles (these are defined as particles from one micrometer to five millimeters) in the formulations of our cosmetic products. The plastic particles were used in certain rinse-off face care products. Even though cosmetic products account for only a very small percentage of any possible environmental impact, the new products we have launched in Europe since 2014 do not contain any solid microplastic particles. This means that we are ahead of the recommendation adopted in October 2015 by Cosmetics Europe (the European Personal Care Association) that solid microplastic particles should no longer be used in rinse-off cosmetic products from 2020 onwards. As of the beginning of 2016, all new Henkel

cosmetic products of this type will be formulated worldwide without solid microplastic particles.

Encouraging sustainable lifestyles

One of our goals is to achieve a better quality of life for as many people as possible within the limits of available resources. In addition to providing care for the hair, skin and teeth, our cosmetic products contribute primarily to the social and emotional aspects of quality of life. They help people to look well-groomed, emphasize their personal style and strengthen their self-esteem. Life-cycle analyses also show us that our consumers can influence the carbon footprint of our products to a very large extent as a result of their consumption behavior. More than 90 percent of the energy and water used with our rinse-off products is accounted for in the use phase. To raise our consumers' awareness of this, we make use of the potential of digital media.

For instance, our resource calculator allows consumers to find out online just how much their behavior can influence not only water use and the environmental footprint, but also the cost of bathing, showering, drying their hair, brushing their teeth and washing their hands. By providing this transparency, we aim to make sustainable lifestyles more attractive.

For communication with consumers to be as effective as possible, it is also important for consumers to be personally involved. As part of an international online competition, we called on creative talents all over the world to submit short videos with original and entertaining ideas for motivating people to conserve resources when taking a shower. The five winning videos have already been used in the communication channels of a large spectrum of retail partners in several countries. This not only illustrates the relevance of consumer involvement but also the close collaboration with our retail partners, who provide an important communication platform for addressing consumers directly.



Creative videos produced by consumers encourage people to use water responsibly when taking a shower:

www.henkel.com/and-action

Henkel Sustainability#Master® – Syoss Renew 7 in comparison with the predecessor product

The Henkel Sustainability#Master® reveals the sustainability profile of the new Syoss Renew 7 shampoo. The new platform formula developed for this product permits considerable ingredient savings versus its predecessor, along

with improved product performance. It contains 16 percent less surfactants and 60 percent less cationic polymers. At the same time, the formulation has 10 percent more renewable ingredients, enabling the carbon footprint to be

reduced by 18 percent overall. Product performance has also been improved, by 75 percent in regard to combability and by 80 percent with respect to repairing of split ends – highly relevant aspects for consumers.

Value		Raw materials	Production	Logistics	Retailing	Use	Disposal
	Performance				Strengthening the product category*	Improved split-end repair and combability	
	Health and Safety						
	Social Progress						
	Materials and Waste	Renewable ingredients					Less raw materials used
	Energy and Climate	Formulation with less CO ₂					
	Water and Wastewater						Biodegradable ingredients
Footprint							

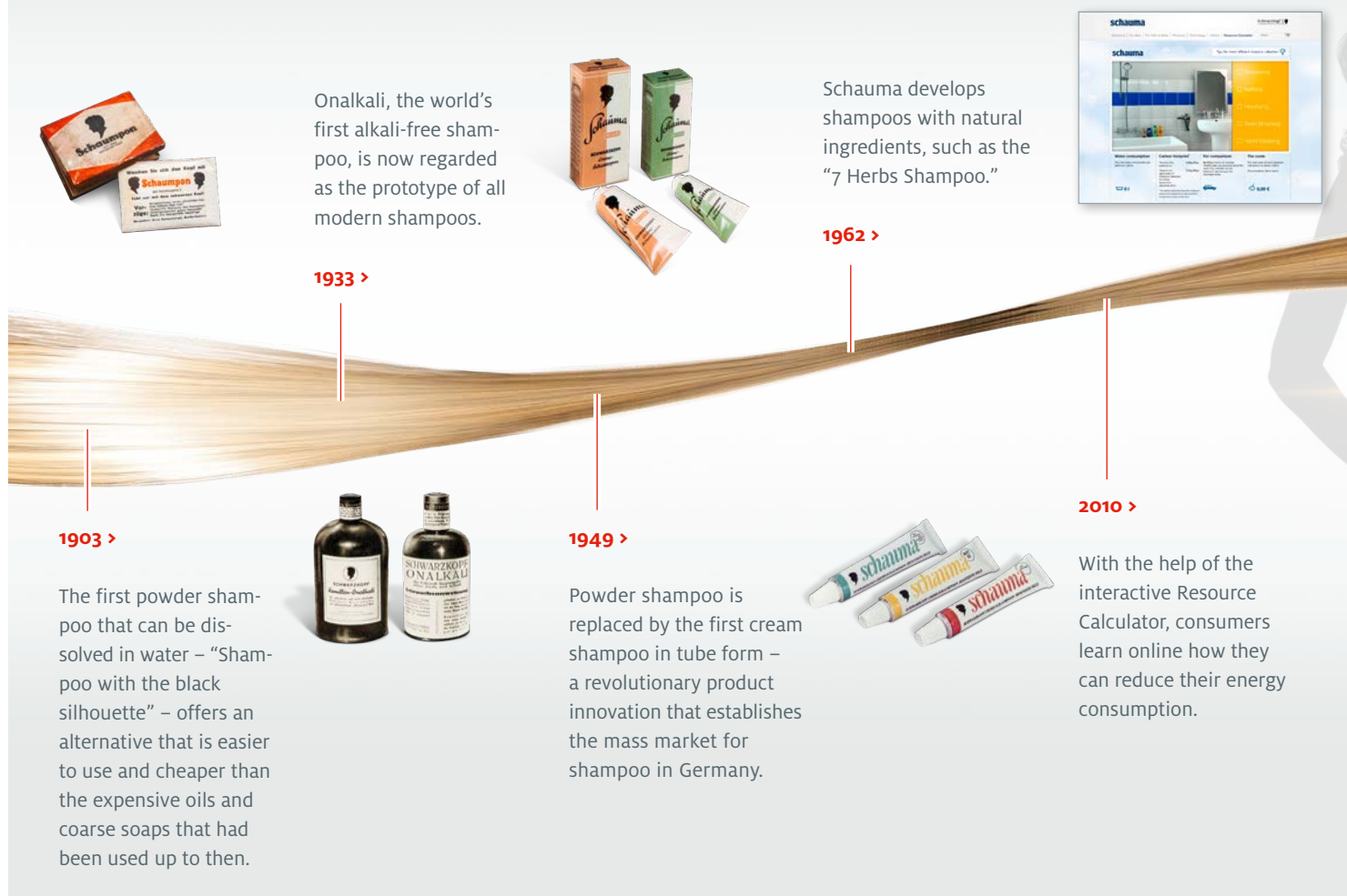
Significant improvement

* Professional product performance for consumers is a characteristic feature of the Syoss brand.



Schauma – a pioneer in modern hair care

From the development of the first water-soluble powder shampoo to innovations in ingredients, formulas and packaging, Schauma – as the embodiment of modern hair care – has stood for consumer convenience and the responsible use of resources since 1903.



Taft Ultimate Hairspray

As part of our commitment to sustainable development, we continuously improve our existing product portfolio. The new Taft Ultimate Hairspray has been formulated with a highly concentrated styling polymer. This means that the amount of product needed for hair styling can be applied with a much shorter spraying time. Less propellant gas and less alcohol are used each time. The result is that the amount of raw material input per application is reduced by 55 percent. In 2015, we achieved a savings potential of 1,500 metric tons of CO₂.

Dial in the USA

Studies show that washing one's hands regularly with soap provides an important basis for a healthy life. This is why our Dial brand in the USA supported the Global Handwashing Day for the second time. The idea is to increase awareness of the importance of hand washing as effective and low-cost protection from illness. In addition to this important social aspect, the Dial brand also considers the environment: The Dial Recycling Center shows consumers online which packaging materials are used for Dial products and where they can be recycled.

The share of readily biodegradable ingredients is increased to 90 percent.

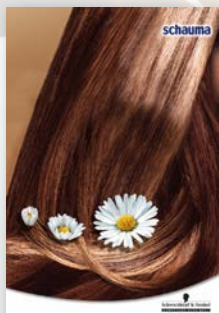
2012 >



2020 >

2015 >

Our researchers develop a new platform of formulations with a 20 percent lower carbon footprint.



Advice for consumers and hairdressers

Our comprehensive advice for consumers ensures safe product use. Advice hotlines provide competent, quick and reliable information about product properties or ingredients. They have been set up in most countries where our products are sold. Consumers can also use our social media channels. All told, there were some eight million consumer contacts worldwide in 2015. Product-related feedback is documented in our quality assurance system and channeled into our ongoing product development process.

We also support our customers in the Hair Salon business in the proper use of our products through in-person training courses and web-based seminars. In September 2015, sustainability topics for the hairdressing salon were added to the advanced vocational training program of the International Schwarzkopf Academy. 25,000 hairdressers have already been reached this way.

Brand engagement

Changing lives through the hairdressing trade – this is the idea of the “Shaping Futures” initiative that Schwarzkopf Professional launched in November 2010. In collaboration with the charitable organization SOS Children's Villages, hairdressers and members of the Schwarzkopf Professional staff make it possible for young people all over the world to obtain training in basic hairdressing techniques. Since the initiative was launched, 1,200 young people in 25 countries have been trained through the volunteer engagement of almost 250 hairdressers and employees. In its fifth year, Schwarzkopf Professional also brought “Shaping Futures” to Germany. In collaboration with vocational schools in Hamburg and Nuremberg, young refugees are to be given an opportunity to find out whether hairdressing could be a career for them.

For the 10th year running, Schwarzkopf is an official partner to the “Tribute to Bambi” foundation, which helps children in need. In 2015, the focus of the children's aid projects was also on the well-being of refugee children.

In collaboration with the non-profit organization The Rapunzel Project, Henkel supports cancer patients during chemotherapy through its US-American brand Kenra Professional. The unique Cold Cap technology has been designed to significantly diminish hair loss during chemotherapy. This initiative supplements the “look good feel better” international assistance program for cancer patients, which Beauty Care has been supporting since 2006.



The Rapunzel Project promotes the Cold Cap technology, in which a plastic gel cap cooled to minus 30 degrees Celsius freezes the hair roots. This means that patients lose less hair while undergoing chemotherapy.



More performance with a reduced footprint: Morey employees Chris Murphy (right) and Demetria Wright along with Brian Betti of Henkel examine a circuit board before the application of Loctite GC 10. The use of Loctite GC 10 has improved Morey's production yields by more than 15 percent.

Adhesive Technologies

Our powerful innovations and leading technologies create more value for our customers. Sustainability is an integral part of both our innovation and product development processes.



A strong partner

Henkel is the leading solution provider for adhesives, sealants and functional coatings worldwide. Our comprehensive technology portfolio allows experts from our Adhesive Technologies business unit to develop customized solutions together with our customers around the world.

One example of this is our long-standing partnership with the Morey Corporation, an electronics manufacturer based in the USA. Our experts work closely with Morey to develop solutions to the challenges of the ongoing demand for smaller electronic devices with increased functionality.

Our teams are involved as early as the design stage, sharing deep industry knowledge and providing insights into material requirements. Morey uses more than 15 Henkel technologies that enable it to simplify its supply chain, optimize performance and drive sustainability.

One of these technologies is our innovative temperature-stable solder paste, Loctite GC 10. It is the first-ever solder paste that can be stored at up to 26.5 degrees Celsius for as long as one year, and at up to 40 degrees Celsius for one month. This cuts energy consumption and reduces waste by eliminating the need to transport or store solder pastes in refrigerated conditions.



Jan-Dirk Auris
Executive Vice President
Adhesive Technologies

Henkel is the global market leader in adhesives. However, it is often not easy to recognize where these products are applied.

With our comprehensive technology portfolio, our Adhesives business is the leading solution provider worldwide. We act as a partner and source of expertise for our customers, and we are active in a large variety of markets. These include the packaging, metals, automotive and electronics industries, as well as aerospace applications. Our products are included in many things where one might not automatically expect to find them – from packaging, books, cell phones and furniture through to shoes, cars and airplanes.

And how do adhesives help make these more sustainable?

Our aim is to develop innovative solutions that deliver in terms of both performance and resource efficiency. Our adhesives help to save energy by making cars and aircraft lighter, as well as by insulating buildings better. We also play a part in making production processes more efficient. Our Loctite GC 10 solder paste is an example of this: It not only creates substantial value for ourselves and our customers – it also generates significant benefits in terms of energy use, thereby contributing to resource efficiency.

What potential do you see in the development of sustainable products and technologies in your business unit?

We see sustainability as a megatrend that will accelerate the development and use of new adhesive technologies, for example in areas such as the automotive industry. Our Bonderite brand already enables our automotive customers to achieve major cuts in waste volume and energy use in their manufacturing operations. It is only by introducing innovations like these that we can continue to meet our customers' requirements in the future.

Customized technologies

We drive powerful innovations and develop leading technologies to create more value for customers and consumers everywhere in the world, with sustainability as an integral part of our innovation and product development processes. Our innovations help reduce energy and water consumption, drive down carbon dioxide emissions and improve health and safety in the manufacture and use of objects that touch our lives every day: from automobiles and aircraft through to packaging and cell phones.

Our broad technology portfolio places us in a strong position to adapt our solutions to meet the needs of customers across diverse markets and industries. Our experts worked together with Ford to customize our Bonderite M-NT two-step process: a metal pre-treatment system that acts as a base for applying paint and protects against corrosion. Our customized technology replaces traditional zinc phosphating processes, which require laborious treatment of contaminated wastewater and disposal of sewage sludge containing phosphorus. It makes it possible for Ford to cut waste and reduce energy consumption in its processes and is suitable for use on vehicle chassis containing up to 100-percent aluminum. This opens up new possibilities for increasing the amount of lightweight metals used, reducing overall vehicle weight and cutting vehicle emissions.

We actively support customers by adapting our technologies for new applications across industries. This same Bonderite process has also been adapted to provide designer garden furniture with long-lasting protection. Fermob, a France-based manufacturer, has recently switched to using our innovative coating technology. Close collaboration with Fermob allows us to understand its specific processes and requirements, and our experts are able to leverage our uniquely broad range of technologies to develop solutions that deliver outstanding performance and improved sustainability.

New possibilities through innovation

Technologies from Henkel make it possible for customers to explore innovative new designs and sustainable applications. Our Loctite Purbond adhesives for bonding wood support the use of renewable materials in construction projects worldwide. Our products are used in the new Arctic observatory in Spitsbergen, Norway, which is part of a global network for researching climate change. The building uses cross-laminated timber (CLT), a wood construction product made by our partner Stora Enso, a global provider to the wood and construction industries. It is made of three or more layers of wood glued together using Henkel adhesives, and offers a positive CO₂ balance and excellent durability.

Our technologies also enable Bilfinger, a leading engineering and services group, to extend the lifetime of its clients' steel pipelines in the oil and gas industry by up to 20 years. Experts from Henkel

worked with the customer to conduct collaborative innovation activities. This led to the refinement of Henkel's advanced technologies for repairing pipes that transport gas, water, crude oil and wastewater, which reduces the need to manufacture and install replacement pipes. Our Loctite Composite Repair System has the potential for application in over 11,000 petrochemical plants and 9,000 offshore platforms worldwide.

Strong focus on safety

Health and safety is a key concern for our customers: As a global leader, we actively drive standards worldwide by removing critical ingredients from our products. Tangit Rapid, our new solvent-free adhesive for bonding pressure pipes made of polyvinyl chloride (PVC-U/C), such as those for drinking water, is a key example of this approach. It is the first ever solvent-free adhesive for use on drinking water pipes and offers improved reliability.



Tangit Rapid is the first-ever solvent-free pipe adhesive for bonding pressure pipes made of PVC-U/C material that fulfill the European Standards EN 14814 and EN ISO 15493. Its unique formulation not only meets increasingly demanding chemical regulations, but has also received approval for use in drinking water pipes in several countries.

Henkel Sustainability#Master® – Loctite GC 10 temperature-stable solder paste in comparison with industry standard process

The Henkel Sustainability#Master® below assesses Loctite GC 10 based on our value chain and six sustainability focal areas. Our innovative temperature-stable solder paste creates the electrical connection between the printed circuit board and

the semiconductor components. Its game-changing formula allows it to be stored at room temperature: This removes the need for air freight and eliminates the requirement to refrigerate the solder paste during logistics and

storage. In addition, its wider process window and easier handling leads to fewer end-of-line defects. The matrix covers all product category hot spots.

Value		Raw materials	Production	Logistics	Industrial processing	Service / Use	Disposal
	Performance			Longer shelf life, no need for air freight	Fewer end-of-line defects		
	Health and Safety						
	Social Progress						
	Materials and Waste			Less packaging	Less solder paste waste	Extends product life of devices	Lead reduced to trace amounts
	Energy and Climate			Eliminates refrigerated transport	Eliminates refrigerated storage		
	Water and Wastewater						

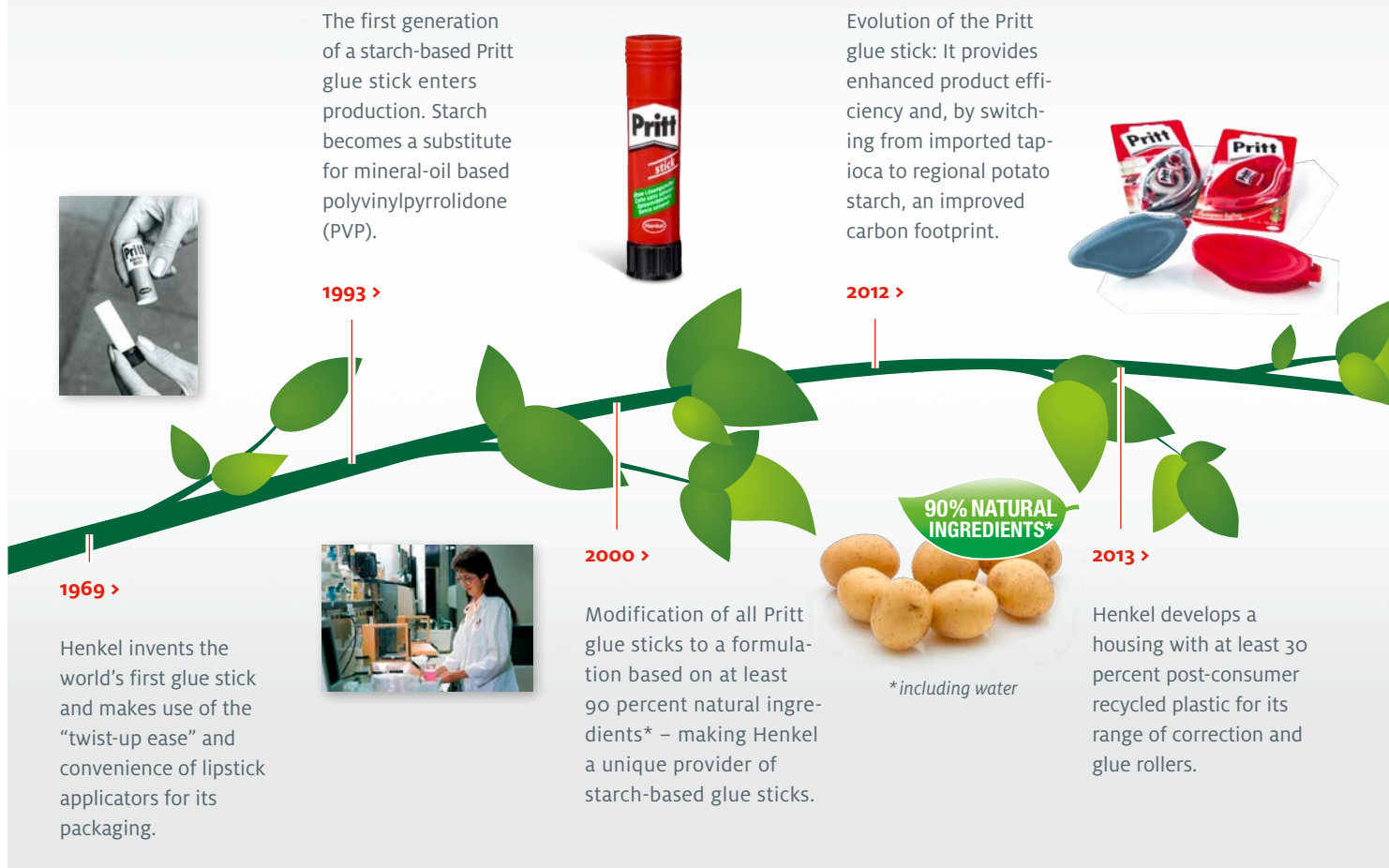
Footprint

Significant improvement



Pritt – improved gluing power with a smaller carbon footprint

Ever since it was launched in 1969, our Pritt brand has been distinguished by its outstanding ease of use and its environmental compatibility. We have continuously implemented improvements in ingredients, housing and packaging and have thus been able to keep reducing the carbon footprint.



ity for professional craftsmen while also delivering best-in-class curing time and bond strength.

Our completely biostable Bonderite lubricant technologies also support our customers in ensuring the safety of their employees and processes by eliminating the need for storing and applying biocides. Rexam – a leading global beverage can maker – uses these technologies as well as a range of other solutions from Henkel to increase resource efficiency in its processes and improve safety in its plants, helping the business to meet its ambitious sustainability targets. Rexam presented Henkel with its Excellence in Supply

Award in 2015. Throughout our long partnership with Rexam, we have received several awards that recognize reliability, quality and cost-effectiveness throughout value chain.

Collaboration along the entire value chain

Our experts are also a strong partner in joint-engineering projects for customers like FCA US LLC, a subsidiary of Fiat Chrysler Automobiles N.V. A combined team of experts from both companies developed a new technology for sealing welded seams on its vehicle chassis. This eliminates

In addition to the popular Pritt glue stick, Pritt introduces a full range of decorative color glue sticks that are solvent free and also based on its unique starch formulation.



2014 >

2020 >

2015 >

90% NATURAL INGREDIENTS*

An innovative online campaign from Pritt themed around sustainability invites children, parents and teachers to dive into the exciting world of natural-based gluing.

*including water

excess emissions that traditional sealants produce during the paint-shop oven phase. This solution, marketed under our Teroson brand, also avoids chemicals currently under discussion and helps reduce vehicle weight. In recognition of this partnership, Henkel was presented with FCA US's award for product-related environmental protection in 2015.

Working together with key suppliers is also an important element of our strategy. We recognize outstanding supplier performance with three annual awards in the categories of innovation, performance and sustainability. In 2015, we presented

our supplier award for sustainability to Covestro Deutschland AG, formerly known as Bayer Material-Science, a supplier of polyurethane technologies. Covestro develops materials that enable us to extend our business in adhesives for sustainable wood engineering. It is also working together with our innovation teams to develop bio-based technologies to support a range of innovative adhesives.

Advice, training and dialog

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

Our experts provide stakeholders from the food and packaging industry with insights into the current legislation and developments relating to food safety. Our Food Safe Packaging knowledge platform offers white papers, webinars, and videos in a range of languages. Henkel's experts help ensure producers are able to offer the highest possible level of safety in their food packaging. Our commitment to sharing knowledge by interacting and collaborating with partners along the entire value chain is central to this approach.

A creative new online campaign themed around sustainability invites children, parents and teachers to learn more about the famous Pritt glue stick in a fun and interactive way. Our Pritt glue sticks contain 90 percent natural ingredients – water, potato starch and sugar – and are manufactured without solvents and PVCs. This is not only environmentally compatible; it also means these products are harmless in the hands of children.



Living diversity in Reghaïa, Algeria: As part of the “Diversity Weeks,” many employees spent a day demonstrating their jobs to one another – here Farah El Mezouar, sales representative at Adhesive Technologies, and Meziane Mohamed, production employee at Laundry & Home Care. This made it possible for them to get to know other business units and better understand other areas of responsibility.

People

The commitment, abilities and experience of our employees build the basis for our international business success. Essential prerequisites for this are appreciation and further development of our employees.



Our diversity is our strength

As a globally operating company, Henkel employs people from 125 nations in more than 75 countries. More than 80 percent of them work outside of Germany. Our goal is to create an inspiring, challenging and attractive workplace, where a shared vision and actively lived corporate values serve as a unifying element and a foundation for orientation worldwide. The diversity of our employees and their individual differences, whether regarding their cultural origins, gender, generation, religious orientation or differing values, abilities and experiences, is essential to our strength and innovative capabilities. We promote individual

development worldwide through numerous measures, such as training courses, workshops, and a new, comprehensive eLearning platform.

Our 2015 Diversity & Inclusion campaign was designed to further strengthen the understanding of diversity and respectful behavior at Henkel. Selected employees from all regions demonstrated how they initiate change processes and interact respectfully with one another. In 2015, our Diversity Weeks took place for the third time in a row, with numerous activities and events all over the world, making it possible to personally experience the company's diversity and to emotionally involve employees through their engagement.



Kathrin Menges
Executive Vice President
Human Resources and
Infrastructure Services

What value do you think sustainability can bring to human resources management?

At Henkel, we consider sustainability to be an opportunity, especially in a world that is constantly changing. Our actively lived corporate values help us to meet the challenges we face. Our managers in particular are asked to internalize the significance of sustainability and set an example through their behavior. This topic is indeed becoming more and more important in connection with employee retention and satisfaction – as well as for attractiveness as an employer.

How do you manage to establish this common understanding not only among your managers, but also among all of Henkel's employees?

I am convinced that we need to integrate sustainability in the professional and personal development of our employees – also in the context of their day-to-day work. A good example is our Sustainability Ambassador program. Here we enable our employees to convey the importance of this topic to others, such as schoolchildren. This program includes various initiatives. For instance, we encourage our employees to develop an environmentally conscious approach to their day-to-day professional work, by doing things as simple as saving energy or printing documents only when necessary.

Diversity is a hot topic all over the world today. What is Henkel's approach to this?

Diversity in day-to-day work situations and an appreciative corporate culture are of vital importance to us. Our company thrives on the individual differences of its employees. In 2015, we conducted a worldwide Diversity & Inclusion campaign to strengthen mutual respect and further foster collaboration.

Our human resources management

Our success as an internationally operating company in an extremely dynamic competitive environment is based on the achievements of a strong global team. The Code of Conduct provides a framework for how employees behave and act. It helps them to answer ethical and legal questions correctly and appropriately in their day-to-day work and in the course of strategic decision-making processes.

We value our employees and their contribution to the company's success. Our objective is an inclusive management culture that respects others and appreciates their individual differences. We strive to provide continuing further education for all of our employees as appropriate to their tasks. We want to create an environment in which all employees can develop and excel. High priority is given to focused further development of our managerial staff and to attracting new talents for Henkel.

Our job vacancies are filled based on competence, performance and potential. We aim to increase the share of women in the company at all levels all over the world, and we also systematically support the career development of women at all management levels. The share of women in the company was around 34 percent at the end of 2015. Through the measures we have conducted, we have also been able to increase the share of women in management positions from around 24 percent in 2005 to around 33 percent by the end of 2015.

Digitalization in human resources

As digitalization advances, the expectations of both existing and future employees are changing. Our response to this is a digitalization strategy that embraces new possibilities in human resources marketing as well as employee recruitment and development. Social media channels such as Facebook and LinkedIn are platforms that are especially well suited for engaging in a continuous dialog with potential candidates in a way that is appropriate for this target group. In addition, LinkedIn makes it possible to directly address candidates for filling specialized job vacancies.



Digital learning

Learning during day-to-day work and through job rotations plays a central role at Henkel. To implement these measures even more successfully, we have integrated formal learning to a greater extent in day-to-day work and made it available in digital form as needed. For this purpose, the contents of the Henkel Global Academy were combined in a central learning platform in 2015. The system now bundles all available training programs in a uniform format. General in-person training is complemented by more than 500 eLearning modules and around 500 videos and webinars. Business unit-specific seminars are also available there. The greater transparency and better presentation of these options facilitate individual selection and flexible use. The system also enables users to repeat partial sequences. The link with the Talent Management System reinforces our understanding of learning as an integral part of the job. The digital learning opportunities also reduce the need for travel and make printed materials unnecessary.

Educating for greater sustainability

One of our most important educational initiatives is the Henkel program for Sustainability Ambassadors, which was initiated in 2012 to inspire

employees to engage even more intensively with the topic of sustainability. Since then, Henkel has trained around 6,200 ambassadors in 74 countries. As part of their activities, the ambassadors work with elementary school children, to teach them about the responsible use of resources. We have now reached around 63,000 schoolchildren in 43 countries.

Added to the program in 2014 was the initiative “(Y)our move toward sustainability,” which encourages employees to put sustainability into practice in their day-to-day work, such as in regard to saving energy and eating healthily.

In 2015, another initiative was added to the program: In “Say yes! to the future,” Henkel sales representatives all over the world are being trained on all sustainability topics that apply to sales, going beyond the contents of the Sustainability Ambassador program. They then apply this knowledge in joint projects with our retail customers – in logistics, for example, or in promoting sustainable purchasing decisions. In addition to sales-relevant sustainability matters, the exchange of international best practice examples for retail collaborations is an important component of the training courses, in order to initiate new forms of cooperation.

A further initiative was added to the Sustainability Ambassador program in 2015: The new program, “Say yes! to the future,” specifically trains sales representatives in all business units to purposefully promote sustainability topics in dialog with retail clients. Here (from the left) Steffi Götzl, Eva Braem, Matthias Palm, Anja Jansen, Uta Steffen-Holderbaum and Andreas Scholten prepare for an appointment with clients.



Childcare options are important for achieving a balance between professional and private life. From the left: Jasmínka, Alisa and Ema let their imaginations run free while drawing at the new Henkel company daycare center in Bratislava, Slovakia.

Work-life flexibility

Henkel has supported flexible working models for years. Through numerous measures, appropriate basic conditions have been created that enable employees to individually meet the challenges of their professional and private lives. Here we attach great importance to performance rather than physical presence. This has a dual purpose: strengthening our employees' sense of responsibility for working independently and for the results of their work, and encouraging leadership based on trust throughout the company.

We have further developed this results-based culture continuously since the signing of our global "Work-Life Flexibility" charter in 2012. Uniting family and career often presents great challenges, especially to young parents, due to the necessary childcare. In Düsseldorf, Henkel offers 240 places in three company daycare centers to employees who return to their professions after their parental leave. In 2015, the first Henkel company daycare center outside of Germany was opened in Bratislava, Slovakia. Childcare places for 100 children from two years of age were created here. Henkel also offers various forms of childcare support to its employees in other countries.

Focus on talents

Qualified skilled personnel expect a simple and rapid job application procedure. This is why Henkel introduced an improved global application process in April 2015. This improvement is the result of one of the largest human resources management projects of the past two years, in which staff from all regions were involved. Based on the Lean Six Sigma methodology, responsibilities of the involved departments were redefined, and the user-friendliness of the IT systems was improved.

Developing a culture of leadership

The continuous expansion of our leadership culture is a key element of our corporate philosophy. In 2014 and 2015, top managers took part in a Harvard Business School program that Henkel had developed with that institution. The Henkel leadership principles are the basis of our development programs for top executives: Lead Myself, Lead Team, Lead Stakeholders, Lead Change and Lead Performance. The Lead Myself principle creates a starting point, because only people who can lead themselves can also lead others well. Leading oneself means internalizing the Henkel values as a guide to one's own actions, considering one's behavior and reflecting on one's leadership role, as well as motivating oneself and setting goals. One of our

objectives is to increase the share of managers from emerging markets, in order to illustrate the contribution these regions make to our success. In 2015, about 80 young employees from these regions with high potential for development participated in a special program.

Improved performance assessment

We attach great importance to the development of employees, which at Henkel is mainly the responsibility of their supervisors. In 2015, more than 1,300 employees were promoted within and into the management level. The individual development of our employees is decisive not only for their personal success, but also for that of the company. Based on this conviction, Henkel expanded its Talent Management System for all employees within the management levels and for non-managerial employees with high potential. Even more support is being given to lifelong learning and an active feedback culture. Employees are more closely involved in the development planning: The opportunity to proactively state one's career expectations gives an added dimension to discussions with supervisors. Furthermore, direct access to one's personal learning history and appropriate training options is made available through close linking to the optimized digital learning platform.

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 around 10,400 employees in managerial positions worldwide include success-related components. The annual individual performance assessment, which is always done in the context of our vision and our corporate values, has a significant influence on these bonus payments. This includes contributions to the Henkel sustainability strategy and targets, if they fall within the sphere of influence of the employee concerned and have a clear bearing on business performance. The incentive systems for

non-managerial employees take local requirements and existing collective agreements into account.

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 illnesses. The recently introduced Health Procedure describes the minimum global standards for health protection and health promotion. With our standardized programs for promoting a healthy lifestyle, we want to reach more than 90 percent of our employees worldwide in the future. In designing these programs, our sites determine different priorities based on local requirements. All Henkel sites worldwide report on four key figures each quarter: availability of first aiders and emergency medical care, the conducting of occupational health exams, and the occurrence of occupational illness.

Human rights and social standards

We are aware of and assume our responsibility to respect and support 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 we operate. 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.

Training categories in 2015



Social engagement

Employees, retirees, clients and partners work together with Henkel and the “Fritz Henkel Stiftung” foundation to support social projects around the world.

Our approach

Corporate citizenship has been an integral part of our corporate culture ever since our establishment by Fritz Henkel in 1876. The company's lasting and long-term commitment to social involvement that goes beyond direct business interests was especially evident in the creation of the “Fritz Henkel Stiftung” foundation in 2011. This engagement is supported by the four pillars of our corporate citizenship program: corporate volunteering, social partnerships, brand engagement and emergency aid. In 2015, in view of recent developments, we have also focused strongly on refugee aid. By 2020, we want to improve the quality of life of 10 million people through our social engagement.

Corporate volunteering

Since the initiative Make an Impact on Tomorrow (MIT) was launched in 1998, we have supported the volunteer work of Henkel employees and retirees in over 12,100 projects in more than 50 countries around the world. At the same time, more and more employees and retirees are coming together to carry out social projects of a larger scale. One example, which went into its second round in 2015, is the house-building project conducted

jointly with the charity organization Habitat for Humanity. Henkel employees demonstrated great social engagement in the course of this “building trip.” Within a week, they helped to build a new house for families in need in the Romanian city of Ploiești.

The situation of the thousands of refugees who are currently seeking safety and a better life also moves Henkel. The “Fritz Henkel Stiftung” foundation is supporting various projects throughout Europe in which employees are volunteering to help refugees: These range from engagement in refugee shelters to long-term and lasting support of integration projects, such as through learning partnerships or music lessons for children and youths. This volunteer work on the part of employees is supported by in-kind donations and financial funding, as well as time off from work of up to eight days per year.

With a fundraising campaign in the fall of 2015, Henkel employees in Germany made sure that children from needy families – including many refugees – have what they need for school.

Social partnerships

Supporting equal opportunity in education is a top priority. In 2015, we continued our partnership with the educational initiative Teach First Deutschland. In this program, university graduates in all fields work as fellows in schools with socially disadvantaged students. With the Light Up project in China, we are promoting the reading skills of Chinese children by donating books and writing materials.

Together with the non-profit organization United Way in Mumbai, Henkel has initiated the Lighting Lives project in India, which is developing solar



For an in-depth look at our social engagement projects, please see our annual magazine “Together”:
www.henkel.com/together2015

In October 2015, 20 employees volunteered for the “building trip” to Romania and put up a multi-family house for people in need. Here the colleagues are preparing the wall construction for the second floor.





power in rural regions. In the pilot phase, solar cells have already been installed in three villages in the Palghar district near Mumbai, bringing electricity to the homes of 150 people and to the schools attended by about 1,600 children. The project will be expanded to include other villages and public facilities.

Brand engagement

Henkel also provides support for many social projects through its brands. In the fasting month Ramadan in 2015, Henkel initiated the New Beginnings campaign in Saudi Arabia. For every bottle of Persil Abaya, a special laundry detergent for the traditional Muslim outer garment that is usually black, that was sold, a donation was made to the Saudi Arabian organization Al Bir. The campaign supports the Productive Families program, which helps women from low-income families to establish their own microenterprises.

In its fifth year, Schwarzkopf Professional brought the Shaping Futures initiative to Germany. In collaboration with vocational schools in Hamburg and Nuremberg, young refugees are given an opportunity to find out whether hairdressing could be a career for them. The goal is to establish a long-term and permanent educational program. The initiative began in 2010, in collaboration with

the charitable organization SOS Children's Villages. Up to now, 1,200 young people in 25 countries have been trained thanks to the volunteer work of almost 250 hairdressers and employees.

Together with Plan International, Henkel and the Pritt brand began a construction and educational project in 2015 in two schools in Brazil. The goal of the two-year project is to break through the cycle of poverty through improvements in the educational situation at two schools in the northeastern part of Brazil. In addition to renovation work and school equipment, the program includes additional measures to improve the quality of schooling – such as workshops for students and their parents.

Emergency aid

When emergency aid is needed after a natural disaster, Henkel provides quick and pragmatic assistance through the "Fritz Henkel Stiftung" foundation. In 2015, Henkel supported the reconstruction work following the humanitarian disaster caused by the earthquakes in Nepal. As a first step, the foundation provided the urgently needed emergency financial aid. Now it continues to support volunteer projects of Henkel employees who are assisting with the reconstruction work in the country.

Prospects of training: The key to successful integration for refugees in their new homeland is access to the local labor market. Through Schwarzkopf's Shaping Futures initiative, refugees like Robel from Eritrea (middle) get a glimpse into the hairdressing profession.

Stakeholder dialog

An open exchange of views with our stakeholders provides us with valuable knowledge on trends and risks. It helps us to align and implement our sustainability strategy responsibly.

Aims of dialog

Understanding the social demands that stakeholders of all kinds place on the company is a key component of our sustainability management. That is why we are open to dialog with all stakeholders, including our customers, consumers, suppliers, employees, shareholders, local communities, government authorities, associations and non-governmental organizations, as well as politicians and academia. We discuss concrete questions in a direct dialog with relevant stakeholders, in many multi-stakeholder initiatives, and on dialog platforms on sustainability topics. Numerous internal platforms provide feedback on the insights gained and on opinion formation.

In a comprehensive survey in 2014, we asked our stakeholders what topics have priority for them. Through this we learned how important the integration of sustainability in all of our activities and product life cycles is to our target groups. A second topic our stakeholder groups identified as vital is the targeted influence on consumers to lead more sustainable lifestyles and to use our products responsibly. The results of the survey were taken into account in 2015 in the further development of our strategy and our targets.

This regular dialog helps us not only to understand what our stakeholders think of our actions and expect of us in the future. It also enables us to recognize decisive trends and challenges in good time and to responsibly shape and implement future-oriented sustainability concepts. This is why we participate regularly in scientific and political discussions on future frameworks.

Open dialog helps us to understand which aspects of sustainable development are of interest to individual stakeholder groups. Timely consideration of the views of our stakeholders regarding future

environmental and social challenges helps us to set priorities and to adapt our plans and actions in a responsive manner. For instance, we recognized stakeholder concerns regarding the slow progress toward sustainable palm oil early on and considered these while revising our strategy.

Stakeholder dialog thus makes an important contribution to our innovation and risk management and helps us to continuously develop our sustainability strategy and reporting. At the same time, this exchange provides a basis for mutual understanding and an opportunity to achieve social acceptance of our entrepreneurial decisions.

Integrated dialog

All of our around 50,000 Henkel employees worldwide 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. Experts at our various company sites and in our different business areas engage in discussion with the relevant stakeholder groups on specific local and regional challenges. This enables us to develop strategies and solutions where they are assessed and put into practice.

In 2015, as in each year, Henkel employees met with politicians, scientists and scholars, businesspeople and members of the public.

At the fourth Global Footwear Sustainability Summit 2015 held in August in Shanghai, Robert Field-Marsham, Asia Marketing Director Industrial Adhesives, explained the sustainability challenges in the shoe industry and presented Henkel's sustainable adhesive solutions for shoe manufacturing.



With our new carbon footprint calculator, we approach our consumers directly and make it possible for each individual to estimate the personal footprint of their own lifestyle quickly and easily:

 footprintcalculator.henkel.com/en



The winners of the 2015 Green Talents competition, a program of the German Federal Ministry of Education and Research that has recognized young scientists internationally in the field of sustainable development every year since 2009, visited Henkel in Düsseldorf. They discussed the development of resource-efficient products with Henkel experts.

Henkel's Forscherwelt (Researcher's World) project, in which elementary school children learn in age-appropriate lessons how a scientist answers research questions with the help of experiments, was also further broadened internationally in 2015. At the beginning of the year, the project in Russia was expanded to include three new schools, in which more than 100 children took part in the lessons. In April, the first Forscherwelt outside of Moscow took place at the Henkel site in Engels. In Turkey, too, through the collaboration of Henkel colleagues with the local Society for Creative Children and the Turkish Chemical Society, we made it possible for children to participate in Forscherwelt programs.

At the Solutions COP21 exhibition, which offered concrete solutions for climate protection on the periphery of the UN Climate Change Conference in Paris, Henkel France presented the "Lavons Mieux" (better washing) program with its Le Chat Eco-Efficacité laundry detergent brand. The objective

of the program is to encourage consumers to act more sustainably when washing clothes. Prior to the UN Climate Change Conference in Paris, experts from WWF Germany, the utility company Stadtwerke Düsseldorf and Henkel also discussed climate change at the Düsseldorf site.

Henkel Thailand and the Institute for the Promotion of Teaching Science and Technology (IPST) in Bangkok, which initiated a joint educational project to promote sustainability in schools in 2015, held a national Facebook competition entitled "Thailand's Most Sustainable Family." The aim of the competition was to motivate families to have a more sustainable lifestyle. The winning family had reduced their use of energy and water by more than 22 percent within two months.

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

Henkel Thailand and the Institute for the Promotion of Teaching Science and Technology (IPST) ran a contest on Facebook looking for "Thailand's Most Sustainable Family." Here the winning Chandarikanond family, with Dr. Pornpun Waitayangkul (second from left), President of the IPST, and Dr. Tim Petzinna, President of Henkel Thailand.

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. At the end of October 2015, the German Federal Government extended an invitation to a nationwide dialog on the further development of the national sustainability strategy. Around 500 representatives from the political world and from companies and associations, discussed how the global sustainability goals of the UN could be implemented at the national level. Kathrin Menges, Executive Vice President Human Resources and Chair of Henkel's Sustainability Council, opened the discussion session on the topic of sustainable corporate management.

Associations and international initiatives

Henkel participates in a large number of initiatives on the local, national and international level, so that it can play an active part in shaping sustain-

able development in collaboration and through a mutual exchange with other stakeholders.

This includes engagement in workgroups and in industrial associations, such as the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum (CGF), and the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). Here we make use of our experience and our role as a sustainability leader, for example when helping to shape the discussion regarding solution concepts for sustainable consumption along the value chain.

Under the leadership of our retail partner Walmart Central America, Henkel has come together with 18 other leading companies to create the Central American Sustainability Business Alliance. The goal of this alliance is to collaborate with suppliers, employees, customers and local communities to promote sustainability along the value chain, such as through inexpensive products that reduce water usage and CO₂ emissions.

Identification of key topics for our sustainability management and reporting



In order to establish which topics are relevant to our business activities and reporting, we analyze sustainability challenges using a variety of instruments and processes and assess their significance for the company and our stakeholders. In so doing, we engage in dialog with sustainability-focused institutions, international rating agencies and analysts, and academia. We also consider the assessment criteria of various financial and sustainability-oriented ratings and the guidelines of the Global Reporting Initiative (GRI). The results of this continuous process are structured on the basis of our six focal areas (see overview above), in which we aim to drive sustainable development worldwide along the value chain through our business activities.

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 2015

Henkel's performance in sustainability impressed external experts again in 2015.

For more information on external ratings:

 sustainabilityreport.henkel.com/external-assessments



Included for 15 years running

London: Henkel has been named in the FTSE4Good ethical index for 15 consecutive years.



Listed for the fifth time

Zurich: In October 2015, STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices.



Listed in global ESG indices

New York: Henkel is again 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.



Henkel included again

Paris: Based on a corporate rating by Vigeo, Henkel was again included in 2015 in the Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indices.



Listed since 2002

Paris: In 2015, Henkel was once again listed in the Ethibel Excellence Europe and Excellence Global sustainability indices.



Listed since 2007

Hamburg: In 2015, 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.



Best in sector

Frankfurt am Main: In the Sustainalytics 2015 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.



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.

World's Most Ethical Companies® Honoree 2015

Listed for the eighth time

New York: Henkel has been included in the list of the Ethisphere Institute's World's Most Ethical Companies for the eighth year in a row.

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

Indicators

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



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 (in German only):

sustainabilityreport.henkel.com/additional-indicators

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.

dated centrally for year-end reporting and verified locally within the framework of our internal audit program. Any differences discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – due to the start-up of new sites or closure of existing sites, for example – the number of sites contributing data changes accordingly. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

Environmental indicators for our production operations

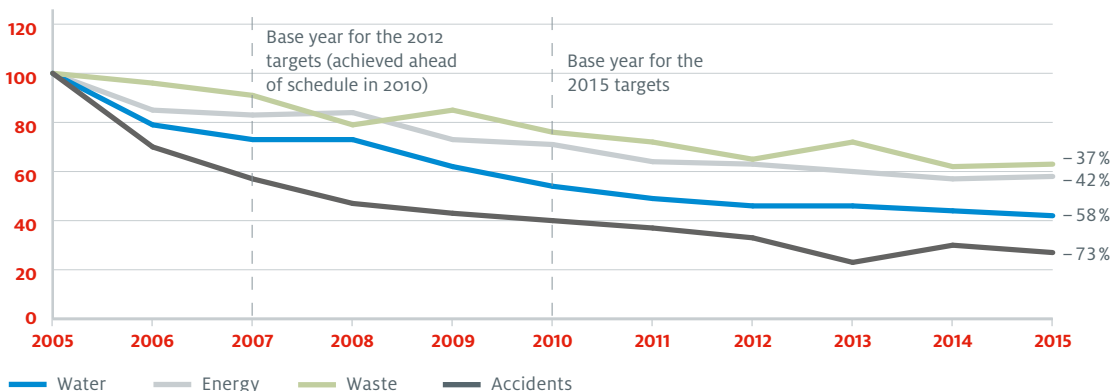
The production-related data for 2015 were determined at all 170 Henkel sites in 55 countries. Thus, the data represent 100 percent of our production volume. In 2011, the share was 95 percent; it was 99 percent from 2012 through 2014. They are vali-

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 99 percent of our employees.

Long-term trend: Sustainability performance from 2005 to 2015

Environmental indicators per metric ton of output, occupational accidents per million hours worked; base year 2005



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 8).

Production volumes

In thousand metric tons	2011	2012	2013	2014	2015
Production volumes	7,498	7,574	7,690	7,867	7,940
Index: Change from 2011 to 2015					+ 6%

Due to the improved economic situation and increasing global demand, our production volumes have been rising again since 2011.

Energy consumption

In thousand megawatt hours	2011	2012	2013	2014	2015
Bought-in energy	670	664	648	650	667
Coal	119	112	114	96	127
Fuel oil	167	141	123	113	119
Gas ¹	1,426	1,428	1,406	1,360	1,375
Total	2,382	2,345	2,291	2,219	2,288
Index: Change from 2011 to 2015					- 9%

¹ We have introduced regional factors for the calorific value of gas and have corrected the figures retroactively.

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

Carbon dioxide emissions

In thousand metric tons	2011	2012	2013	2014	2015
Henkel's own carbon dioxide emissions ¹	371	362	353	335	349
Carbon dioxide emissions from bought-in energy ¹	336	321	309	314	318
Total	706	682	662	649	667
Index: Change from 2011 to 2015					- 11%

¹ We have introduced regional factors for the calorific value of gas and are now using the most current factors for the respective reporting period to calculate the emissions from bought-in energy. The figures have been corrected retroactively.

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

Water consumption and volume of wastewater

In thousand cubic meters	2011	2012	2013	2014	2015
Water consumption ¹	7,954	7,502	7,642	7,438	7,190
Volume of wastewater ¹	3,560	3,177	3,084	3,004	2,990
Index: Change from 2011 to 2015					- 15%
					- 21%

¹ We have revised the definitions and have corrected the figures retroactively.

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.

COD emissions to wastewater

In metric tons	2011	2012	2013	2014*	2015
COD emissions to wastewater	7,148	6,031	5,746	7,530	6,500
Index: Change from 2011 to 2015					- 14%

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

Emissions of heavy metals to wastewater

In kilograms	2011	2012	2013	2014*	2015
Zinc	520	375	359	402	351
Lead, chromium, copper, nickel	356	287	260	183	246
Total	876	662	619	585	597
Index: Change from 2011 to 2015					- 36%

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

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 2011 (= 100 percent).

Waste for recycling and disposal

In thousand metric tons	2011	2012	2013	2014*	2015
Waste for recycling	93	82	88	70	86
Hazardous waste for disposal	15	16	18	17	14
Waste for disposal	45	42	51	51	41
Total	153	140	157	138	142
Index: Change from 2011 to 2015					- 13%
Share of construction waste*	14	14	30	21	33

Emissions of volatile organic compounds

In metric tons	2011	2012	2013	2014*	2015
Emissions of volatile organic compounds	336	336	312	317	328
Index: Change from 2011 to 2015					- 8%

* We have corrected errors identified during our data verification.

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 2011 (= 100 percent).

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)	2011	2012	2013	2014	2015
Henkel employees	1.1	1.0	0.7	0.9	0.8
Employees of external companies who work at Henkel sites and are directly contracted	1.1	0.8	0.5	0.8	0.9
Index: Change from 2011 to 2015					
Henkel employees					- 27%
Employees of external companies					- 18%

Serious occupational accidents

More than 50 days lost	2011	2012	2013	2014	2015
Accidents during typical production activities	11	7	8	12	13
Accidents while walking or moving around (e.g., stumbling)	7	6	5	5	4

Employee indicators



Employees (as of December 31)

	2011	2012	2013	2014	2015
Henkel worldwide ¹	47,250	46,600	46,850	49,750	49,450
Structure of workforce					
– Non-managerial employees	79.9%	79.4%	78.7%	79.0%	77.5%
– Managers	18.6%	19.0%	19.8%	19.5%	21.0%
– Top managers ²	1.5%	1.6%	1.5%	1.5%	1.5%
Employee fluctuation worldwide ³	5.6%	5.8%	4.4%	4.3%	4.5%

¹ Permanent staff excluding trainees, figures have been rounded.

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

³ Based on employee resignations.

At 49,450, the 2015 headcount was below the prior-year level. This was due mainly to synergies from acquisitions and adjustments in our business units.

Age and seniority (as of December 31)

	2011	2012	2013	2014	2015
Average seniority in years	10.2	10.4	10.3	10.2	10.3
Average age of employees	39.4	39.6	39.6	39.7	39.9
Age structure					
16 – 29	18.3%	17.6%	17.8%	18.4%	18.0%
30 – 39	34.6%	34.5%	34.4%	33.8%	33.4%
40 – 49	29.4%	29.6%	29.1%	28.2%	28.1%
50 – 65	17.7%	18.3%	18.7%	19.5%	20.5%

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)

	2011	2012	2013	2014	2015
Henkel	125	123	123	124	125
Managers	91	85	88	93	89
At headquarters in Düsseldorf	53	55	56	62	64

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)

	2011	2012	2013	2014	2015
Henkel	32.5%	32.6%	32.9%	33.2%	33.6%
Managers	29.5%	30.5%	31.6%	32.5% ¹	33.1%
Top managers ²	18.6%	18.6%	19.8%	20.6%	21.1%

¹ Without acquisitions in 2014.

² 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)

	2012	2013	2014	2015
Part-time contracts, global	3%	3%	3%	3%
Western Europe (including Germany)	8%	8%	8%	9%
Germany	10%	10%	11%	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.

Personnel development

	2011	2012	2013	2014	2015
Internal promotion (managers)	1,387	1,101	1,199	1,154	1,309
International job rotations	475	503	581	666	658
Trainees (Germany)	483	489	487	484	508
Average number of training days ¹	2	2	2	1.5	2.1

¹ Training comprises in-person seminars and eLearning modules. Since 2014, Henkel has been focusing more on on-the-job training and job rotations.

Employees covered by collective agreements

(as of December 31)

	2011	2012	2013	2014	2015
Percentage worldwide	44%	44%	44%	44%	52%
Percentage in the European Union (EU)	79%	79%	79%	79%	78%

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.

Employee share program

	2011	2012	2013	2014	2015
Percentage of employees owning Henkel shares	31.3%	28.4%	31.9%	30.1%	29.7%

Around 11,300 employees in 56 countries purchased Henkel preferred shares under this program in 2015. At year-end, some 14,500 employees held a total of close to 2.7 million shares, representing approximately 1.5 percent of total preferred shares. The lock-up period for newly acquired ESP shares is three years.

Social engagement

	2011	2012	2013	2014	2015
Total number of projects supported	2,343	2,339	2,422	2,265	3,431
Number of people supported	753,629	1,046,321	1,147,483	1,358,108	1,506,525
Time off from work for employee-initiated projects (days)	135	131	51	284	121
Donations in thousand euros (financial and product donations, not counting time off)	6,002	7,302	7,937	8,238	8,316

The number of projects supported was significantly higher than the prior-year level. This is due to intensive project work for refugee aid. This focus resulted in an increase in the number of people supported. Employee projects required significantly less days off from work in 2015 than the prior year. This is due to a smaller number of 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.

Percentage of projects supported per Millennium Development Goal

	2011	2012	2013	2014	2015
1. Eradicate extreme poverty and hunger	30%	11%	13%	12%	10%
2. Achieve universal primary education for girls and boys alike	23%	39%	39%	42%	43%
3. Promote gender equality and empower women	2%	5%	4%	5%	3%
4. Reduce child mortality	14%	8%	8%	7%	5%
5. Improve maternal health	1%	3%	3%	3%	3%
6. Combat HIV/AIDS, malaria and other diseases	20%	3%	3%	3%	3%
7. Ensure environmental sustainability	9%	15%	15%	15%	15%
8. Develop a global partnership for development	1%	16%	15%	13%	18%

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

Social indicators



Our Sustainability Report

Our Sustainability Report summarizes the key economic, environmental and social developments in fiscal 2015 and shows how we drive sustainability along the entire value chain. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

The process of identifying, validating and prioritizing the issues of relevance for our Report takes account of the material effects these have on activities, products and relations both inside and outside the company. It is based on the principles of completeness and inclusion of stakeholders. The results of this process are shown on page 54. The report covers the activities of all Henkel

companies around the world over which we have management control.

Together with the web-based Sustainability Report and the Annual Report, the print version makes up an integrated corporate reporting concept. In many places in this 2015 report, you will find references to further information in the Sustainability Report itself, the Annual Report, as well as the web-based Sustainability Report.

In the Online Sustainability Report, you will also find a detailed index with links to the guidelines of the Global Reporting Initiative (GRI):

 sustainabilityreport.henkel.com/gri-index

External assurance

For the materiality analysis and the stakeholder dialog, the management approach, the core aspects of our focal areas, and for the indicators shown on pages 56 to 59 for the reporting year 2015, the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft has conducted, for the first time, a limited assurance engagement based on the ISAE 3000 standard for such assurances.

As a member of the “Together for Sustainability” initiative, Henkel again had its sustainability management assessed in 2015 according to the criteria of the international rating platform EcoVadis. With the CSR rating in Gold issued in December 2015, we have attained the highest recognition level.

 sustainabilityreport.henkel.com/assurance

Our communication platforms

The online versions of the Henkel Sustainability Report and the Annual Report can be accessed on the internet using a tablet or smartphone. They are also included in the Henkel app. On the internet, Henkel's corporate website  www.henkel.com

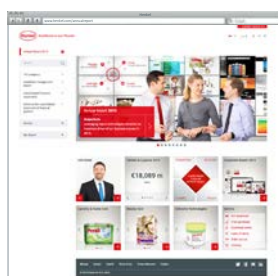
contains a dedicated section on sustainability, providing current news as well as general background information. Regarding social networks, we use channels such as Facebook and Twitter and have a sustainability playlist on YouTube.



Online Corporate Report
 corporatereport.henkel.com



www.henkel.com/sustainability



www.henkel.com/annualreport



The Henkel app is available for both iOS and Android:



Henkel in social media:



www.facebook.com/henkel
www.twitter.com/henkel
www.youtube.com/henkel

Contacts and further publications

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

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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 Financial 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

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25 years Sustainability Reports

