

Henkel Sustainability Report 2017

GRI Index



GRI Index

We prepared our Sustainability Report in alignment with the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines. The following GRI index indicates how our reporting meets GRI standards. The required information is available on the indicated pages of the Sustainability Report and in the audited parts of the Annual Report. Where an indicator is not completely covered by the disclosures, we have included the relevant data directly in the index or have labeled the gaps as "omissions." Henkel transparently reports all information and data that are ascertainable and relevant from a management perspective.

For the disclosures marked with "✓," KPMG AG Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement. The  independent assurance report by KPMG Wirtschaftsprüfungsgesellschaft can be found in the scope and reference framework (pp. 154 – 156) in the Sustainability Report 2017.

General Standard Disclosures

Strategy and analysis

G4-1 Statement from the most senior decision-maker of the organization

Sustainability Report 2017, (p. 3), Foreword

Annual Report 2017, (pp. 3 – 5), Foreword

G4-2 Description of key impacts, risks, and opportunities

Sustainability Report 2017, (pp. 11 – 12), Our strategy

Annual Report 2017, (pp. 28 – 29), Management Board / Sustainability

Annual Report 2017, (p. 63), Management Board / Sustainability strategy

Annual Report 2017, (pp. 96 – 103), Risk and opportunities report

Organizational profile

G4-3 Name of the organization

Sustainability Report 2017, (p. 157)

Annual Report 2017, (rear cover)

Henkel AG & Co. KGaA

G4-4 Primary brands, products, and services

Sustainability Report 2017, (p. 5), Henkel overview / About Henkel / Brands and businesses

Annual Report 2017, (pp. 72 – 77), Business units

G4-5 Location of the organization's headquarters

Sustainability Report 2017, (p. 157)

Annual Report 2017, (rear cover)

Henkel AG & Co. KGaA

Henkelstraße 67

40589 Düsseldorf

Germany

G4-6 Countries where the organization has significant operations

Sustainability Report 2017, (p. 7), Henkel overview/Our value chain

G4-7 Nature of ownership and legal form

Sustainability Report 2017, (p. 157)

Annual Report 2017, (p. 35), Corporate governance

G4-8 Markets served

Sustainability Report 2017, (p. 5), Henkel overview/About Henkel

G4-9 Scale of the organization

Sustainability Report 2017, (p. 5), Henkel overview/About Henkel

Annual Report 2017, (p. 30), Shares and bonds

Annual Report 2017, (pp. 32 – 33), Shares and bonds/International shareholder structure/Employee share program/
Henkel bonds

Annual Report 2017, (pp. 78 – 81), Economic report/Net assets and financial position

The quantity of products provided amounts to 10.34 million tons, 90 percent of which are produced in our own facilities. The remaining 10 percent are produced by contract manufacturers.

G4-10 Total number of employees

Sustainability Report 2017, (p. 5), Henkel overview/About Henkel

Annual Report 2017, (pp. 82 – 83), Economic report/Employees

**G4-11 Percentage of total employees covered by collective bargaining agreements**

Sustainability Report 2017, (p. 146), Indicators/Employee indicators

**G4-12 Organization's supply chain**

Sustainability Report 2017, (pp. 31 – 38), Purchasing and supplier management

Annual Report 2017, (pp. 84 – 85), Economic report/Procurement

G4-13 Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain

Sustainability Report 2017, (p. 5), Henkel overview / About Henkel

Annual Report 2017, (pp. 78–81), Economic report / Net assets and financial position

G4-14 Precautionary approach

Sustainability Report 2017, (pp. 11–22), Our strategy

Sustainability Report 2017, (pp. 56–80), Sustainability stewardship

Sustainability Report 2017, (pp. 66–69), Product safety

Annual Report 2017, (pp. 96–103), Risk and opportunities report

G4-15 Externally developed economic, environmental and social charters, principles, or other initiatives

Sustainability Report 2017, (pp. 37–38), Purchasing and supplier management / Initiatives for greater sustainability

Sustainability Report 2017, (p. 64), Sustainability stewardship / Product carbon footprint

Sustainability Report 2017, (pp. 133–134), Stakeholder dialog / Associations and international initiatives

G4-16 Memberships of associations

Sustainability Report 2017, (pp. 37–38), Purchasing and supplier management / Initiatives for greater sustainability

Sustainability Report 2017, (p. 64), Sustainability stewardship / Product carbon footprint

Sustainability Report 2017, (pp. 133–134), Stakeholder dialog / Associations and international initiatives

Our description of initiatives, industry associations and other organizations in the chapters “Purchasing and supplier management,” “Laundry & Home Care” and “Stakeholder dialog” of our report lists the most important examples in the context of sustainability. In addition, our global and regional units are involved in local initiatives and networks.

In 2017, Henkel did not provide substantive funding beyond routine membership dues.

Identified material aspects and boundaries

G4-17 Entities included in the organization's consolidated financial statements

Sustainability Report 2017, (p. 140), Indicators

Annual Report 2017, (pp. 59–60), Fundamental principles of the Group / Operational activities

G4-18 Defining the report contents

Sustainability Report 2017, (p. 16), Our strategy / Steering and reporting

Sustainability Report 2017, (p. 137), Identification of material issues

G4-19 Material aspects

Sustainability Report 2017, (p. 137), Identification of material issues

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G4-20 Aspect Boundary within the organization

Sustainability Report 2017, (p. 137), Identification of material issues



When identifying our material aspects and topics, we also defined where – within and outside our organization – our most significant aspects have an impact. That way we described the boundaries of our material aspects. Impacts are generated where our activities and products significantly influence the environment and society, as well as where external challenges affect our business.

G4-21 Aspect Boundary outside the organization

Sustainability Report 2017, (p. 137), Identification of material issues



cf. G4-20

G4-22 Effect of any restatements of information provided in previous reports

This is the third year for which we are reporting according to the GRI G4 standard. Our material aspects and GRI index are aligned accordingly.



G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries

General reporting boundaries have not changed. Environmental and social indicators are based on the principle of management control. There were no significant changes in our basis data from 2010. Therefore, no modifications were necessary.



Stakeholder engagement**G4-24 Stakeholder groups engaged by the organization**

Sustainability Report 2017, (p. 131), Stakeholder dialog/ Aims of dialog



Our key stakeholder groups are:

- Customers
 - Consumers
 - Suppliers
 - Employees
 - Shareholders
 - Local communities
 - Government authorities
 - Associations
 - Nongovernmental organizations
 - Politicians
 - Academia
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G4-25 Identification and selection of stakeholders

Sustainability Report 2017, (p. 130), Stakeholder dialog / Aims of dialog



For Henkel, everyone who is either directly or indirectly interested in our company or who influences our company is a stakeholder, whether a group or an individual. We are open to exchange with all of our stakeholders, and discuss specific questions in a direct dialog with relevant stakeholders.

G4-26 Approach to stakeholder engagement

Sustainability Report 2017, (pp. 130 – 137), Stakeholder dialog

Sustainability Report 2017, (p. 37), Purchasing and supplier management

**G4-27 Key topics and concerns that have been raised through stakeholder engagement**

Sustainability Report 2017, (pp. 129 – 136), Stakeholder dialog

Sustainability Report 2017, (p. 37), Purchasing and supplier management

**Report profile****G4-28 Reporting period**

This report covers the period from January 1 to December 31, 2017.

G4-29 Date of most recent previous report

The most recent previous sustainability report was published on February 23, 2017.

G4-30 Reporting cycle

Sustainability Report 2017, (p. 60), Sustainability stewardship / Sustainability measurement

The reporting cycle is annual.

G4-31 Contact point for questions

Sustainability Report 2017, (p. 142), Contacts

G4-32 GRI index

Sustainability Report 2017, (p. 137), Scope and reference framework / Global Reporting Index

Our 2017 Sustainability Report applies the core option of the GRI G4 guidelines.

G4-33 Assurance

Sustainability Report 2017, (p. 4), Separate non-financial statement

Sustainability Report 2017, (pp. 154 – 156), Scope and reference framework / Independent assurance report

External assurance of the sustainability report was initiated by the Sustainability Council. The outcome of the assurance engagement will be reported to the Sustainability Council.

Governance

G4-34 Governance structure

Sustainability Report 2017, (pp. 24 – 25), Management / Organization for sustainability

Sustainability Report 2017, (p. 60), Sustainability stewardship / Sustainability measurement

Annual Report 2017, (pp. 35 – 46), Corporate governance

Annual Report 2017, (pp. 59 – 60), Fundamental principles of the Group / Operational activities

Annual Report 2017, (p. 63), Fundamental principles of the Group / Sustainability strategy

Ethics and integrity

G4-56 Values, principles, standards and norms of behavior

Sustainability Report 2017, (p. 8), Henkel overview / Sustainability at Henkel

Sustainability Report 2017, (pp. 11 – 21), Our strategy

Sustainability Report 2017, (p. 30), Management / Human rights and social standards

Annual Report 2017, (p. 63), Fundamental principles of the Group / Sustainability strategy

Specific standard disclosures

Aspect: Materials & waste

G4-DMA Disclosures on management approach

Sustainability Report 2017, (p. 15), Our strategy / Tangible progress

Sustainability Report 2017, (p. 43), Production / Driving efficiency

Annual Report 2017, (pp. 84 – 85), Economic report / Procurement



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. This way, we want to replace fossil-fuel-based ingredients in particular.

Renewable raw materials are already key ingredients in many of our products, such as soaps, shampoos, glue sticks and wallpapering adhesives. In addition, we are working on increasing the percentage of ingredients based on renewable raw materials – wherever this is possible and reasonable. Regarding the use of palm (kernel) oil in our products, please check the aspect “Renewable palm (kernel) oil.”

Waste prevention is also a decisive factor in resource preservation. By 2020, we want to reduce our waste volume by 30 percent per ton of product relative to the base year 2010. In order to continually improve our production network, we began implementing the “Henkel Production System” (HPS) in 2015. This company-wide optimization program systematically identifies and eliminates all kinds of inefficiency along our value chain – such as time lost for maintenance, overproduction, or quality defects. This drives progress toward our goal of becoming 75 percent more

efficient by 2020. In order to reduce the packaging waste that our customers and consumers generate we develop innovative packaging formats.

Our Sustainability Council regularly reviews the Key Performance Indicators from our global network of production sites to ensure progress is being made toward our “factor 3” efficiency goal. This includes data related to material consumption and waste volumes – as this topic forms one of our specific and measurable focal area targets. Furthermore, we submit details about the effectiveness of our approach to managing materials and waste, as well as other sustainability topics, as part of our participation in leading ratings that form the basis of sustainability indices such as the Dow Jones Sustainability Index, as well as the STOXX ESG Leaders Index, and the FTSE4Good.

Topic: Materials consumption and renewable raw materials

G4-EN1 Materials used by weight or volume

Sustainability Report 2017, (p. 50), Logistics and transport/Our holistic approach
Annual Report 2017, (pp. 84 – 85), Economic report/Procurement

Omissions:

No disclosures on total weight or volume of materials that are used to produce and package primary products by renewable and non-renewable materials used but disclosure on percentage of renewable raw materials in key product categories.

Topic: Packaging and waste, recycling

G4-EN23 Total weight of waste by type and disposal method

Sustainability Report 2017, (pp. 142 – 146), Indicators/Environmental indicators
Sustainability Report 2017, (p. 146), Indicators/Environmental indicators/Waste



Aspect: Energy & climate

G4-DMA Disclosures on management approach

Sustainability Report 2017, (pp. 9 – 10), Henkel overview/Overview of our sustainability strategy/Overview
Sustainability Report 2017, (pp. 11 – 22), Our strategy
Sustainability Report 2017, (pp. 23 – 30), Management
Sustainability Report 2017, (pp. 43 – 44), Production/Worldwide optimization programs
Sustainability Report 2017, (p. 50), Logistics and transport/Our holistic approach



The economic, ecological and social consequences of climate change will increasingly give rise to challenges for corporations. Consequently, they are significantly involved in the process of finding and devising efficient solutions. To achieve our efficiency goal “Factor 3” by 2030, we set the interim target to reduce our energy use by 30 percent per ton of product by 2020. The Henkel approach is to first utilize all opportunities for reducing energy consumption and corresponding CO₂ emissions in order to prevent greenhouse gas emissions from the outset. In addition to optimizing production processes we focus on creating a competitive edge by developing energy-efficient products and technologies. CO₂ compensation is not currently part of our strategy for reducing CO₂ emissions.

We aim to reduce the carbon footprint of our production by 75 percent by 2030. We also want to continually improve our energy efficiency and draw 100 percent of the electricity we use from renewable sources. Our interim target for this goal is to achieve 40 percent coverage by 2020.

Our Sustainability Council regularly reviews the Key Performance Indicators from our global network of production sites to ensure progress is being made toward our “factor 3” efficiency goal. This includes data related to energy consumption and CO₂ emissions. Furthermore, the results of benchmarking as well as sustainability ratings provide us with additional input to assess the effectiveness of our approach.

Omissions:

No disclosures on any country, regional, or industry regulations and policies for emissions.

G4-EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change

Sustainability Report 2017, (pp. 9 – 10), Henkel overview / Overview of our sustainability strategy / Overview

Sustainability Report 2017, (pp. 11 – 21), Our strategy

Sustainability Report 2017, (pp. 43 – 44), Production / Worldwide optimization programs

Sustainability Report 2017, (p. 50), Logistics and transport / Our holistic approach

Omissions:

No disclosures on the costs of specific actions taken to manage the risk or opportunity.

Topic: Energy efficiency in production

G4-EN3 Energy consumption within the organization

Sustainability Report 2017, (pp. 143 – 145), Indicators / Environmental indicators

Sustainability Report 2017, (p. 144), Indicators / Environmental indicators / Energy consumption



G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

In 2017, Henkel didn’t receive any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

Topic: CO₂ reduction and CO₂ footprint

G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

Sustainability Report 2017, (pp. 143 – 144), Indicators / Environmental indicators (Scope 1)

Sustainability Report 2017, (pp. 143 – 145), Indicators / Environmental indicators



Scope 1 CO₂ emissions from direct energy combustion (coal, gas, oil) are determined by applying the emission factors specifically provided by Öko-Institut e.V. to Henkel and which are based on RAINS 7.52.

G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)

Sustainability Report 2017, (pp. 143 – 145), Indicators/Environmental indicators



Scope 2 CO₂ emissions from purchased energy (electricity, steam and district heating) are determined using the location-based and the market-based method (dual reporting).

For the Scope 2 location-based method, the latest available emission factors from the International Energy Agency (IEA) are applied in each reporting period.

For the Scope 2 market-based method, Henkel assesses purchased renewable energy against internal quality criteria and applies CO₂ emission factors of zero for these amounts of energy. Determination of market-based Scope 2 emissions is going to be further refined. As we purchase energy from renewable sources at some Henkel sites, we recorded an emissions value of 352 thousand metric tons in 2017.

Emissions from other greenhouse gases than CO₂ account for less than 1 percent of our Scope 1 and 2 emissions and thus are not deemed relevant for our business.

G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

Sustainability Report 2017, (pp. 143 – 145), Indicators/Environmental indicators



All significant carbon dioxide and other greenhouse gas emissions for Henkel's upstream and downstream activities are included in the calculation of Scope 3 greenhouse gas emissions. These are expressed as CO₂ equivalents, with our assumptions on the Global Warming Potential being derived from recognized standards and scientific studies. Further methodological information on our key Scope 3 categories is given below.

Purchased goods and services: This particularly includes emissions from purchased chemicals and packaging materials. Emissions calculations are always based on the purchased quantities of the chemicals and/or packaging materials. There are specific emission factors to be applied for around 5,000 individual chemicals. Emission factors from sources such as EcoInvent (e.g. for paper, board, plastics, glass and aluminum) have also been used; the factors are partly based on lifecycle considerations.

Transportation and distribution: Emissions from the transportation of packaging materials and chemicals to our sites are calculated based on an assumed transportation distance and an average global emission factor (estimated as the average of the emissions from the trucks transports of our products to our customers).

Business travel: Rail and air travel is included, as well as business trips made by automobile. Emissions are calculated based on distances and using standard factors from DEFRA.

Waste generated in operations: This includes all production waste according to its particular disposal method, and wastewater. It is calculated based on current DEFRA factors for the individual types of waste. The corresponding calculation of emissions from wastewater disposal is based on the wastewater volumes and a modeled emission factor based on a weighting of the chemical oxygen demand (COD) originating from Henkel products.

Transportation and distribution: Emissions from the transportation of our products to customers (downstream transportation and distribution) are calculated based on the EcoTransIT Initiative (EWI) methodology for calculating transportation-related CO₂ emissions. This does not include emissions from points of sale.

Use of sold products: Emissions arising from the use of our products are calculated based on quantities of product sold and assumptions on energy consumption per product application. For products that solely use electrical energy in their application, we use the latest IEA emission factors consistent with our own emissions from the use of electricity (Scope 2). For products that use hot water in their application, we use a global energy mix and DEFRA standard factors. Emissions from aerosol products result from the amount of greenhouse gases released and their Global Warming Potential values. Assumptions on the energy consumption per application for Beauty Care and Laundry & Home Care products are derived mainly from publicly available studies by industry associations. In-house studies are available for Adhesive Technologies products.

End-of-life treatment of sold products: Emissions from the disposal of our products result from the disposal of product packaging and from solid material waste resulting from product usage. The corresponding emissions are calculated from the total quantity of waste and the corresponding latest DEFRA emission factors. The emissions arising from wastewater treatment are also calculated from the total volume of wastewater and the corresponding emission factor, which is used in the calculation weighted by the COD originating from Henkel products.

G4-EN19 Reduction of greenhouse gas (GHG) emissions

Sustainability Report 2017, (p. 20), Our strategy / Maximize impact



The use of some of our products enables emissions to be reduced. The reduction in emissions resulting from the use of these products is calculated based on the product quantities sold in the reporting period and the amounts of energy saved per product application (for Beauty Care and Laundry & Home Care) and per saved product quantity (Adhesive Technologies), reported in CO₂ equivalent.

The reduced emissions in each case are calculated in terms of reference values for similar applications. To calculate the reduced emissions, applications of the products that enable reduced emissions are compared with the reference values in individual examples; in doing so, the same emission factors are used as a basis as in the calculation of the Scope 3 emissions in the 'Use of sold products' category (see G4 – EN 17).

G4-EN20 Emissions of ozone-depleting substances (ODS)

Sustainability Report 2017, (pp. 143 – 145), Indicators / Environmental indicators

Dichlorofluoroethane is used in a very limited number of our thermal insulation foam products and industrial metal cleaning sprays.

G4-EN21 NO_x, SO_x, and other significant air emissions

Sustainability Report 2017, (pp. 143 – 145), Indicators / Environmental indicators



(for emissions of volatile organic compounds)

G4-EN27 Extent of impact mitigation of environmental impacts of products and services

Sustainability Report 2017, (pp. 39 – 48), Production
 Sustainability Report 2017, (pp. 49 – 54), Logistics and transport
 Sustainability Report 2017, (pp. 56 – 80), Sustainability stewardship
 Sustainability Report 2017, (pp. 81 – 88), Adhesive Technologies
 Sustainability Report 2017, (pp. 89 – 95), Beauty Care
 Sustainability Report 2017, (pp. 96 – 102), Laundry & Home Care

G4-EN32 Percentage of new suppliers that were screened using environmental criteria

Sustainability Report 2017, (pp. 31 – 38), Purchasing and supplier management

- What we expect from our business partners
- Binding supplier code
- Honoring our suppliers
- Sustainable Sourcing Process
- Early warning system for risk markets

Annual Report 2017, (pp. 84 – 85), Economic report/Procurement

In selecting our suppliers and business partners, we also consider their performance in regard to sustainability and environmental criteria. This is based on our globally applicable corporate purchasing standards we defined in 1997 for the first time, our Safety, Health and Environment (SHE) Standards and our Sustainable Sourcing Policy, which we developed in 2015.

Topic: Transport and logistics**G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)**

Sustainability Report 2017, (pp. 143 – 146), Indicators/Environmental indicators



See CO₂ reduction and CO₂ footprint, G4-EN17.

G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

Sustainability Report 2017, (pp. 49 – 55), Logistics and transport

Aspect: Water & wastewater**G4-DMA Disclosures on management approach**

Sustainability Report 2017, (p. 14), Our strategy/Our focal areas
 Sustainability Report 2017, (pp. 14 – 15), Our strategy/Tangible progress
 Sustainability Report 2017, (p. 40), Production/Ambitions for our production operations
 Sustainability Report 2017, (p. 136), Identification of material issues



The Earth's water resources are unequally distributed and are threatened by increasing pollution and overuse. For us, therefore, reducing water consumption during the production and use of our products is an important aim. On the way to our 2030 efficiency goal "Factor 3" we set the interim target to use 30 percent less water per unit produced by 2020 – relative to the base year 2010. In order to identify suitable approaches for achieving improvements in this area as well, we participate in efforts to develop methods for water footprinting.

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.

Our Sustainability Council regularly reviews the Key Performance Indicators from our global network of production sites to ensure progress is being made toward our "factor 3" efficiency goal. This includes data related to water consumption and wastewater volumes. Furthermore, the results of benchmarking as well as sustainability ratings provide us with additional input to assess the effectiveness of our approach.

G4-EN8 Total water withdrawal by source

Sustainability Report 2017, (pp. 143–145), Indicators/Environmental indicators
 Sustainability Report 2017, (pp. 144–145), Indicators/Environmental indicators / Water



Omissions:

No breakdown of water withdrawal by source.

G4-EN22 Total water discharge by quality and destination

Sustainability Report 2017, (pp. 143–145), Indicators/Environmental indicators
 Sustainability Report 2017, (pp. 144–145), Indicators/Environmental indicators / Water



Omissions:

No breakdown of water discharge destination, treatment method and planned and unplanned discharges.

G4-EN24 Total number and volume of significant spills

Sustainability Report 2017, (p. 151), Indicators/Operational incidents and environmental violations

In 2017, there were no significant environmental incidents.

Aspect: Health & safety**G4-DMA Disclosures on management approach**

Sustainability Report 2017, (pp. 9 – 10), Henkel overview / Overview of our sustainability strategy / Overview
 Sustainability Report 2017, (pp. 27 – 28), Management / Codes and standards / Management systems / Compliance
 Sustainability Report 2017, (p. 32), Purchasing and supplier management / What we expect from our business partners
 Sustainability Report 2017, (pp. 64 – 67), Sustainability stewardship / Product safety
 Sustainability Report 2017, (pp. 104 – 105), People / Strengthening our global team
 Sustainability Report 2017, (pp. 115 – 116), People / Employee representation
 Sustainability Report 2017, (pp. 117 – 119), People / Health and vitality
 Sustainability Report 2017, (pp. 120 – 122), People / Occupational safety
 Sustainability Report 2017, (p. 136), Identification of material issues

The health and safety of our employees are top priorities for us. Protecting and promoting health helps individual employees keep in good health and thus also improve quality and productivity. Health protection and health promotion are driven ahead at Henkel through a holistic health management program, for which our Health Procedure sets global minimum standards. This includes medical assistance as required, designing of health-promoting working environments, and targeted programs to promote and maintain health.

Henkel has set itself the goal of reaching over 90 percent of employees worldwide with each of its global health campaigns.

We operate efficient production plants which are safe for our employees, the communities we operate in, and the environment. We rely on globally uniform health and safety standards and remain focused on our long-term objective of “zero accidents.”

Our interim target is to reduce our worldwide occupational accident rate by 40 percent by the end of 2020 (base year 2010). In order to continuously increase the safety of our employees and plants, we develop new methods and improve existing ones. Effective occupational safety programs as well as regular safety training for our employees are important steps on the road to our overriding goal to make Henkel a zero-accident company.

As a manufacturer of consumer goods it is key for us to ensure that our products are safe for our customers and consumers when used as intended. 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.

Our Sustainability Council regularly reviews the Key Performance Indicators from our global network of sites to ensure progress is being made toward the goals that form our Sustainability Strategy. This includes data related to the health and safety of our employees including the number of accidents per hour worked across our workforce. Furthermore, the results of benchmarking as well as sustainability ratings provide us with additional input to assess the effectiveness of our approach.

Topic: Occupational health and safety**G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender**

Sustainability Report 2017, (p. 122), People / 2017 status

Sustainability Report 2017, (p. 146 – 147), Indicators / Employee indicator

Sustainability Report 2017, (p. 149), Indicators / Occupational safety

Omissions:

No breakdown by regions and gender. No disclosures on occupational diseases, lost days and absenteeism.

Aspect: Product safety and information, alternative test methods**G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement**

Sustainability Report 2017, (pp. 64 – 67), Sustainability stewardship / Product safety

All of our finished products are subjected to numerous assessments and tests to ensure a high level of safety during production, use and disposal (see DMA above).

Using representative life cycle assessments, we regularly evaluate the raw materials we use across all product categories. In selecting and using ingredients, we also follow controversial discussions in the general public about the safety of chemical ingredients in consumer products. These provide us with opportunities to continually conduct a critical review of the scientific basis of our assessments.

Henkel has been carrying out successful research since the 1980s to develop new methods for testing the safety and compatibility of raw materials and products. For example, 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. 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. The media and experts also regularly report on the increasing contamination of oceans with plastics and microplastics. Even though cosmetic products account for only a very small percentage of any possible environmental impact, our new cosmetic products introduced in Europe have not contained any solid microplastic particles (exfoliating plastic particles of five millimeters or less) since 2014. Since the beginning of 2016, all our new cosmetic products worldwide have been formulated without any such microplastic particles.

Aspect: Social progress

G4-DMA Disclosures on management approach



Sustainability Report 2017, (p. 9), Henkel overview / Overview of our sustainability strategy

Sustainability Report 2017, (p. 10), Henkel overview / Overview of our objectives

Sustainability Report 2017, (pp. 124 – 127), Social engagement

Sustainability Report 2017, (pp. 147 – 148), Indicators / Social indicators

As a local employer and business partner, we make an important contribution to the social progress of society as a whole: We create jobs with fair conditions of employment, provide ongoing training for our employees and customers, and value the diversity of our workforce. In selecting our suppliers, we also consider their performance in regard to sustainability, working conditions and human rights. Our product offers are aligned with local consumer needs and income levels to make the quality of our products accessible to the broadest possible group of people. We also foster the social involvement of our employees and support social projects worldwide together with the “Fritz Henkel Stiftung” foundation. In this way, we stimulate regional economic development, social equality and an improved standard of life worldwide.

Long-term, sustainable and fair relationships with our business partners are the basis of our business model. Adhering to and enforcing fair business practices are key priorities of our global compliance activities. The key guidance for this can be found in the Henkel Code of Conduct, which contains the most important principles and behavioral rules as well as concrete guidelines for dealing with potential conflicts of interest. An effective Henkel compliance organization has global responsibility for all preventive and reactive measures to enforce these principles.

Our Sustainability Council regularly reviews our activities that aim to drive social progress – as this topic forms one of the six focal area targets within our Sustainability Strategy. Furthermore, the results of benchmarking as well as sustainability ratings provide us with additional input to assess the effectiveness of our approach.

Topic: Fair working conditions

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region



Sustainability Report 2017, (pp. 146 – 147), Indicators / Employee indicators

G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

Sustainability Report 2017, (pp. 109 – 110), People / Compensation and benefits / A remuneration system that rewards individual performance

Fundamentally, all occupational benefits also apply to part-time and fixed-term employees; it is only the employee shareholding program that has limitations for fixed-term employees.

G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

In Germany, rules on employee codetermination apply. Locations in other countries are included via the European Works Council. Notice periods correspond to legal requirements or exceed them. We comply with the applicable national or local notice periods and obligations.

G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

Sustainability Report 2017, (pp. 27–28), Management/Compliance

Omissions:

Grievances about labor practices filed through our formal compliance line are not recorded separately.

G4-HR3 Total number of incidents of discrimination and corrective actions taken

Sustainability Report 2017, (pp. 27–28), Management/Compliance

Omissions:

No breakdown of compliance-related incidents by type, therefore no specific disclosure on incidents of discrimination.

G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights

Henkel does not influence in any way employee decision making regarding joining a union or participating in collective bargaining. The Henkel Social Standards guarantee the right to exercise freedom of association and collective bargaining.

Topic: Employee development**G4-LA9 Average hours of training per year per employee by gender, and by employee category**

Sustainability Report 2017, (pp. 146–147), Indicators/Employee indicators



Omissions:

No breakdown by gender and employee category.

G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Sustainability Report 2017, (pp. 106–107), People/Life-long learning

G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

Sustainability Report 2017, (p. 106), People / Assessment and feedback



We assess the performance of our managerial employees and selected high-potential non-managerial employees (around 25.5 percent of our total workforce) in annual talent rounds, called Development Round Tables. Other non-managerial employees are assessed in confidential feedback meetings with their superiors. The frequency of these confidential feedback meetings differs depending on team or region.

Topic: Diversity**G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**Sustainability Report 2017, (pp. 146 – 147), Indicators / Employee indicators
Annual Report 2017, (pp. 12 – 13), Management Board

Topic: Purchasing and supplier management**G4-DMA Disclosures on management approach**

Sustainability Report 2017, (pp. 31 – 38), Purchasing and supplier management



Together with our partners, we want to promote sustainability along the entire value chain. Our sustainable supplier management processes address economic, social and environmental aspects. Environmental and social aspects are becoming increasingly important as they take their place alongside key commercial and operating indicators. 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 Environmental Protection (SHE) Standards that we formulated in 1997, demonstrating our commitment to assuming responsibility along the entire value chain. Our corporate purchasing standards apply worldwide, and we supplemented these with a Sustainable Sourcing Policy in 2015. Our aim is that 100 percent of our procurement spend is sourced in line with our Sustainable Sourcing Policy.

Topic: Supplier relationships

G4-LA14 Percentage of new suppliers that were screened using labor practices criteria

Sustainability Report 2017, (pp. 34 – 36), Purchasing and supplier management / Sustainable Sourcing Process



In selecting our suppliers and business partners we also consider their performance in regard to sustainability and working conditions. This is based on our globally applicable corporate purchasing standards, the Safety, Health and Environment (SHE) Standards that we formulated as early as 1997 as well as our new Sustainable Sourcing Policy from 2015.

G4-EN32 Percentage of new suppliers that were screened using environmental criteria

Sustainability Report 2017, (pp. 31 – 38), Purchasing and supplier management
Annual Report 2017, (pp. 84 – 85), Economic report / Procurement



In selecting our suppliers and business partners, we also consider their performance in regard to sustainability and environmental criteria. This is based on our globally applicable corporate purchasing standards we defined in 1997 for the first time, our Safety, Health and Environment (SHE) Standards and our Sustainable Sourcing Policy which we developed in 2015.

Topic: Human rights

G4-HR10 Percentage of new suppliers that were screened using human rights criteria

Sustainability Report 2017, (p. 30), Management / Human rights and social standards
Sustainability Report 2017, (pp. 31 – 38), Purchasing and supplier management



- What we expect from our business partners
- Binding supplier code
- Honoring our suppliers
- Sustainable Sourcing Process
- Early warning system for risk markets

In selecting our suppliers and business partners we also consider their performance in regard to human rights. This is based on our globally applicable corporate purchasing standards, the Safety, Health and Environment (SHE) Standards that we formulated as early as 1997 as well as our new Sustainable Sourcing Policy from 2015. Their implementation is verified through our audit program.

Topic: Corporate volunteering / Social engagement

G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs

Omissions:

No percentage disclosure.

Henkel-specific indicator Total number of projects supported ✓
Sustainability Report 2017, (pp. 148–149), Indicators/Social indicators

Henkel-specific indicator Number of people supported ✓
Sustainability Report 2017, (pp. 148–149), Indicators/Social indicators

Henkel-specific indicator Time off from work for employee-initiated projects (days) ✓
Sustainability Report 2017, (pp. 148–149), Indicators/Social indicators

Henkel-specific indicator Boosting employee engagement ✓
Sustainability Report 2017, (pp. 17–18), Our strategy/Boost engagement

We aim to reach 20 million people through our employees' social engagement activities by 2020. Our Sustainability Ambassador program is one part of this. It was launched in 2012 to encourage our employees to engage even more strongly with the issue of sustainability. Since then, Henkel has trained more than 50,000 ambassadors worldwide.

Henkel's sustainability ambassadors are encouraged to visit schools to teach children about sustainable behavior in the home. This aims to help the next generation to understand how to use resources efficiently from an early age. At the same time, the children multiply the impact by imparting their knowledge and their enthusiasm to others around them. By the end of 2017, we had reached over 137,000 schoolchildren in 53 countries. We aim to reach more than 200,000 schoolchildren by 2020.

Topic: Fair business practices

G4-SO4 Communication and training on anti-corruption policies and procedures

Sustainability Report 2017, (pp. 27–28), Management/Compliance

Combating corruption is one of the key focal areas of our global compliance trainings: All Henkel managerial employees worldwide are obliged to complete a compliance training twice a year. In addition, new managerial employees have to complete a compliance onboarding training. Non-managerial employees participate in trainings depending on their operational areas, e.g. in purchasing or sales. All Henkel business partners worldwide receive information on our anti-corruption through our globally applicable corporate purchasing standards.

Omissions:

No percentage disclosure of employees that the organization's anti-corruption policies and procedures have been communicated to, by region and employee category.

G4-SO5 Confirmed incidents of corruption and actions taken

Sustainability Report 2017, (pp. 27 – 28), Management/Compliance

Omissions:

No breakdown of compliance-related incidents, therefore no disclosure of the total number and nature of confirmed incidents of corruption or of the number of confirmed incidents in which employees were dismissed or disciplined for corruption.

G4-So6 Total value of political contributions by country and recipient/beneficiary

Donations, whether direct or indirect, to political parties, campaigns, politicians, or candidates for a political office as well as for political campaigns and referendums are not permitted. And also, political activities by employees outside work are neither supported nor sponsored, directly or indirectly, by Henkel.

Aspect: Sustainable palm (kernel) oil

G4-DMA Disclosures on management approach

Sustainability Report 2017, (p. 21), Our strategy/ Create shared value

Sustainability Report 2017, (pp. 71 – 73), Sustainability stewardship/ Palm and palm kernel oil



Our purchase of palm-oil-related materials accounts for less than 0.2 percent of the palm oil and palm kernel oil produced worldwide. The majority of this is palm kernel oil, which forms the basis of the surfactants that we use in our detergent and cosmetic products. These materials are at the end of a long and often complex supply chain: For this reason, Henkel is committed to driving progress toward achieving sustainable practices across the palm oil industry – along the value chain. For example, our goals for 2020 include ensuring that these oils do not contribute to the deforestation of primary or secondary rainforests with significant ecological value – including peat lands and high carbon stock forests.

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

Cover 100 percent of our demand with Mass Balance certified oils: All palm and palm kernel oil used in our products should be derived from sustainably cultivated sources in line with the RSPO's Mass Balance model in 2020. To date, around 60 percent of the oil and derivatives used in our products have been certified according to this model.

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

Increase the supply of sustainable palm oil and palm kernel oil by a volume equal to Henkel's demand: We aim to increase the availability of sustainable palm oil and palm kernel oil on the market through collaborative projects that enable small farmers to certify their crops as sustainable, increase productivity and improve their livelihoods. By September 2016, we had already confirmed partnerships that increased the supply of sustainable palm oil and palm kernel oil on the global market by a volume equal to our total expected demand for these materials. Additional projects were added in 2017 and planned for the next few years.

The Henkel Sustainability Council is responsible for our palm oil strategy and verifies its progress on a regular basis.

Henkel-specific indicator Percentage of Mass Balanced certified palm (kernel) oil used in our products

Sustainability Report 2017, (pp. 71–73), Sustainability stewardship/Palm and palm kernel oil



With our suppliers we have succeeded in ensuring that around 60 percent of the oil is certified according to the Mass Balance model (i.e., a controlled mix of sustainable and conventional oil) to date.

In February 2017, our Global Supply Chain organization and additionally six of our production sites located in Western Europe were audited in line with the RSPO's supply chain certification standard, which promotes the use of sustainable palm oil along the entire value chain by fostering further transparency and open dialog.
