



Sustainability Report 2011



Excellence is our Passion

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The Sustainability Report

Our Sustainability Report summarizes the key ecological and social developments in fiscal 2011. It covers all the Henkel companies included in the consolidated financial statements. The contents of the Report reflect the Henkel-relevant and material aspects of sustainable development. Together with the web-based Sustainability Report and the Annual Report, the print version makes up an integrated corporate reporting concept. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

In many places in this 2011 report, you will find references to further information in the Sustainability Report itself **SR**, the Annual Report **AR**, as well as the web-based Sustainability Report **W**.

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

W www.henkel.com/sr2011 | 5. To find this content, visit the page **W** www.henkel.com/sr2011. In the "Service" column at the right you will find the code search function. Simply enter the appropriate code there and you will be taken directly to the information you are looking for. In the Online Sustainability Report, you will also find a detailed index with links to the guidelines of the Global Reporting Initiative (GRI): **W** www.henkel.com/sr2011 | 1

Henkel at a glance

135

years of brand success

More than

47,000

employees

15.6

billion euros sales
in 2011

More than

120

nations represented
by our people

42%

of our sales generated in
the emerging markets

Some

30%

of our managers
are women

42%

of our sales generated
by our top 10 brands

We supported

2,343

social projects in 2011

Henkel around the world



Henkel operates worldwide with leading brands and technologies in three business sectors: Laundry & Home Care, Cosmetics/Toiletries and Adhesive Technologies. Founded in 1876, the company is headquartered in Düsseldorf, Germany. With production sites in 56 countries, we promote economic development as a local employer, purchaser and investor. More information on our business performance and key indicators per region:

AR Pages 53 to 59 and **W** www.henkel.com/sr2011 | 2

Our sustainability strategy at a glance

Our value We are committed to **leadership** in sustainability.

Our definition

- **Sustainability:** “In 2050, 9 billion people live well and within the resource limits of the planet.” We have adopted this definition from the Vision 2050 of the World Business Council for Sustainable Development (WBCSD).
- **Leadership:** We pioneer new solutions to sustainability challenges while continuing to shape our business responsibly and increase our economic success on the basis of a long-term goal, clear five-year targets, and strategic principles.

Our strategy **Achieving more with less:** We create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced ecological footprint.

Our instruments for implementing the strategy

- **20-year goal for 2030:** 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.”
- **5-year targets for 2015:** With our 20-year goal in mind, we have set concrete interim targets for our focal areas (see graphic). Overall, we aim to increase our efficiency by 30 percent by the end of 2015 – that is, an improvement of five to six percent per year.
- **Six focal areas:** 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. We group these into two dimensions: “more value” and “reduced footprint.”
- **Three strategic principles:** To successfully implement our strategy and drive sustainability in our business processes, we have defined three strategic principles – products, partners, and people.

Factor **3**

Our focal areas and our targets for 2015

More value



Economic indicators

	2010	2011
Sales in million euros	15,092	15,605
Adjusted ¹ operating profit (EBIT) in million euros	1,862	2,029
Adjusted return on sales (EBIT) in percent	12.3	13.0
Adjusted earnings per preferred share (EPS) in euros	2.82	3.14
Research and development expenditure in million euros	391	410
Dividend per ordinary share in euros	0.70	0.78 ²
Dividend per preferred share in euros	0.72	0.80 ²

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

² Proposal to shareholders for the Annual General Meeting on April 16, 2012.

Ecological indicators

	2010	2011
Production sites	182	180
Production output in thousand metric tons	7,481	7,550
Energy consumption in thousand megawatt hours	2,440	2,220
Carbon dioxide emissions in thousand metric tons	714	652
Water consumption in thousand cubic meters	8,688	7,921
Waste for recycling and disposal in thousand metric tons	155	145

Employee indicators

	2010	2011
Employees ¹ (as of December 31)	47,854	47,265
Trainees in Germany	487	483
Proportion of female employees in percent	32.1	32.5
Average number of training days per employee	2	2
Participation in employee share program in percent	29.3	31.3
Occupational accidents per million hours worked	1.2	1.1

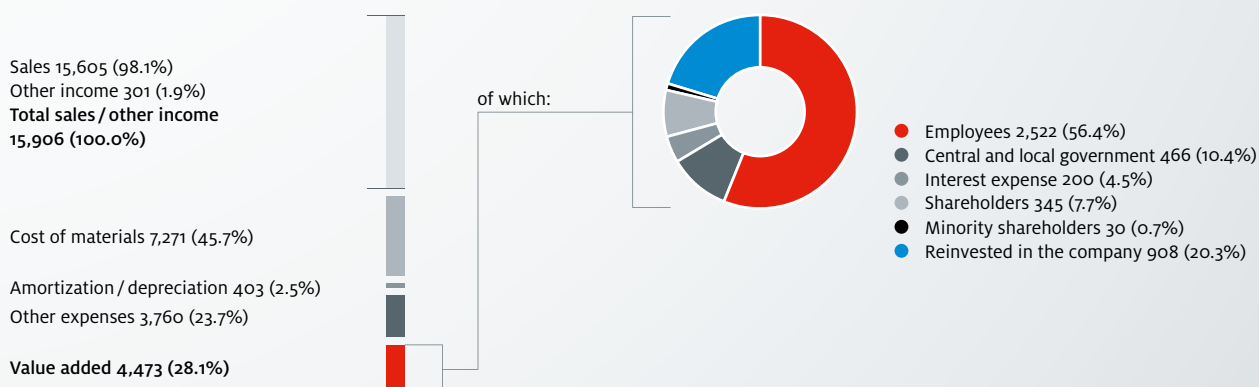
¹ Basis: permanent staff excluding trainees.

Social indicators

	2010	2011
Donations in million euros (financial and product donations, not counting paid time off from work)	6.1	6.0
Number of projects supported	2,493	2,343

Value added statement 2011

in million euros





Kasper Rorsted
Chairman of the Management Board

**“Achieving more
with less.”**

Dear Friends of the Company,

“Committed to leadership in sustainability” is one of our five values at Henkel that guide our actions, strategies and behavior. We take a long-term, entrepreneurial approach toward all elements of sustainability, aiming not just to comply with existing standards but also to set new ones. Our commitment and progress have been widely recognized in many independent assessments.

We believe that sustainability will be more important than ever before to develop our business successfully. By 2050, global population is expected to climb to 9 billion. This growth will go hand in hand with the changing consumption patterns of a growing, more affluent middle class in emerging markets. At the same time, natural resources such as fossil fuels and water, which are already stretched, will be even more limited.

In this report we introduce our new Sustainability Strategy 2030. At the heart of this strategy is the simple but challenging ambition to triple our efficiency. That means either delivering three times more value with the same environmental footprint or reducing the footprint to one third while providing the same value. Achieving more with less is the way to reach that target. This requires us to pioneer new solutions, adjust our strategies and challenge the way we run our businesses and operations.

In order to move our business toward this ambitious 20-year goal, we have also defined concrete five-year targets for our focal areas. Over the next five years, we want to achieve an efficiency improvement of 30 percent. We will focus on our own operations first, but our aim is to address the entire footprint throughout the life cycle of our products.

I am convinced that leadership in sustainability will be a key for our success in the future. Customers, partners, consumers, NGOs and governments are increasingly focusing on how we conduct our business.

Leadership in sustainability is a competitive advantage and an asset for us as a company. It will help shape our business in the future, and enable us to combine excellent business performance with a long-term perspective and responsibility.

I am pleased that we are ready to move Henkel to the next level with a clear strategy and a clear objective: We are committed to leadership in sustainability by achieving more with less.

A handwritten signature of Kasper Rorsted in dark ink.

Kasper Rorsted
Chairman of the Management Board

Sustainability strategy and management

Sustainability milestones at Henkel:

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Our corporate value as the foundation

Commitment to leadership in sustainability is one of our core corporate values. Maintaining a balance between economic success, protection of the environment, and social responsibility has been fundamental to our corporate culture for decades.

As sustainability leaders, we aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increase our economic success. This ambition encompasses all of our company's activities – along the entire value chain. It is underpinned by our more than 47,000 employees around the world, who have firmly embraced the principles of sustainable development in their daily work and think and act accordingly.

Sustainability Strategy 2030: Achieving more with less

We are facing immense challenges: The global human footprint is already greater today than the planet's resources can bear. By the year 2050, the world's population is expected to grow to 9 billion. The accompanying acceleration in global economic activity will lead to rising consumption and resource depletion. Competition for the available resources will thus intensify in the coming decades. Since sacrificing quality of life and consumption is not a realistic solution in our view, we have adopted the Vision 2050 of the World Business Council for Sustainable Develop-

ment (WBCSD) as the basis for our strategy: "In 2050, 9 billion people live well and within the resource limits of the planet." For us as a company, this means helping people to live well by generating value while using less resources and causing less emissions.

This is the idea at the heart of our new sustainability strategy: Achieving more with less. We want to create more value – for our customers and consumers, for the communities we operate in, and for our company – while reducing our ecological footprint at the same time. To accomplish this, we need innovations, products and technologies that can enhance quality of life while using less resources. Building on our decades of experience in sustainable development, we aim to work together with our suppliers, customers, and consumers to develop viable solutions for the future. By doing so, we will be contributing both to sustainable development and to our company's economic success.

Our goal for 2030: Triple our efficiency

Over the next 20 years, we want to triple the value we create through our business operations in relation to their ecological footprint. To achieve this long-term goal, we will have to significantly improve our efficiency and reduce the environmental footprint made by our products and services. We call this ambition of becoming three times more efficient "Factor 3." One way to achieve this is to triple the value we create while leaving the footprint at the same level. Or we can reduce the ecological footprint to one third of today's level, achieving our "Factor 3" improvement in efficiency by delivering the same value.

Our interim targets for 2015

To reach this ambitious 20-year goal, we will have to improve our efficiency by an average of 5 to 6 percent each year. We have set concrete 5-year targets for our focal areas (see table on  Page 5). By 2015, we intend to improve the



Our goal is to become three times more efficient by 2030. We call this "Factor 3." That means tripling the value we create through our business activities in relation to the ecological footprint made by our products and services.



Our Sustainability Council, whose members are drawn from all areas of the company, pictured here with Management Board Chairman Kasper Rorsted (center). The Council steers the development and implementation of our global sustainability strategy. From the left: Dr. Andreas Bruns, Bertrand Conquéret, Dr. Peter Florenz, Dirk-Stephan Koedijk, Carsten Tilger, Kathrin Menges (Chair), Alain Bauwens, Prof. Dr. Thomas Müller-Kirschbaum, Tina Müller, Dr. Thomas Förster, Enric Holzbacher, Prof. Dr. Ramón Bacardit.

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relationship between the value we create and our ecological footprint by 30 percent overall.

Our contributions in six focal areas

We concentrate our activities on six focal areas that reflect the 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. With our new strategy, we have added a sixth focal area to the previous five, namely that of "Performance." This reflects not only our aims as a company, but also our core value contribution to society. At the same time, we have subdivided the focal areas into two dimensions: "more value" and "reduced footprint." A group of three focal areas is assigned to each of these dimensions, representing either the value we want to deliver to our customers, shareholders and our company, or the areas in which we want to reduce our ecological footprint.

Our approach for sustainable business processes

In order to successfully establish our strategy and reach our goals, both of these dimensions must be ever-present in the minds and day-to-day actions of our more than 47,000 employees and mirrored in our business processes. We have defined three strategic principles to achieve this: products, partners, and people.

Our products deliver more value for our customers and consumers. We achieve this through innovative solutions and education, and through products that offer better performance with a smaller footprint, thus saving resources and reducing other negative environmental impacts.

Our six focal areas



We have grouped all of our sustainability activities into six focal areas. In all of these areas, we want to deliver more value – at a reduced footprint – in all business sectors and with all products. www.henkel.com/sr2011 | 5

Our strategic principles



Our products

deliver more value at a reduced ecological footprint. Example: The hair styling product got2b Powder'ful not only gives hair more volume, but also has a 90 percent smaller ecological footprint (see [SR](#) Page 24).



Our partners

are key to driving sustainability along our value chains. Example: Together with universities, we are developing new adhesives for renewable energy sources and electro-mobility (see [SR](#) Page 28).



Our people

make the difference through their dedication, skills and knowledge. Example: Our researchers develop products that can save resources during use (see [SR](#) Page 20).

Our partners are key to driving sustainability along our value chains and in all areas of business and life. We support them with our products and expertise. At the same time, we help our customers and consumers to reduce their own environmental footprint. To do this, we collaborate with selected suppliers, so that they can supply us with raw materials that have an improved ecological footprint.

Our people make the difference – through their dedication, skills and knowledge. They make

their own contributions to sustainable development, in day-to-day business and in their local communities. They interface with our customers and consumers, make innovation possible, develop successful strategies, and give our company its unique identity.

From the idea to the strategy

The Sustainability Strategy 2030 was developed in a multi-stage process by the Sustainability Council and a strategy team representing all areas of the company. Internal workshops, discussions with international experts, and an intensive dialogue with top-level managers and the Management Board ensured a comprehensive analysis of the competitive environment, global trends, and internal and external best practices. At the same time, the process strengthened our common understanding of the central challenges of the future (see [SR](#) Page 38).

Sustainable consumption: A shared task

An important objective of our strategy is fostering sustainable, resource-conserving consumption. Our products are the key here. They are used daily in millions of households and industrial processes. We thus concentrate on developing

“In the Sustainability Council, we steer the implementation of our sustainability strategy and overarching projects.”



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

products that enable the efficient use of resources such as energy and water. Through targeted communication we also try to promote a responsible attitude when using the products. This is especially important as the ecological footprint of many of our products largely depends on their being used correctly.

Besides providing appropriate products, our collaboration with retailers also plays an important role, as does our dialogue with politicians and non-governmental organizations. To raise awareness for this topic among the various

stakeholders, we engage proactively at national and international levels – at conferences and through our involvement in initiatives and associations, such as the WBCSD, the Consumer Goods Forum, and the Sustainability Consortium. International retail groups like REWE, Carrefour, Tesco and Walmart are important partners for Henkel on the road to more sustainable consumption. They offer excellent platforms for informing consumers about more sustainable products and encouraging them to use them in an environmentally responsible way.

Sustainability targets on the road to “Factor 3”



Performance:

- At least 10 percent more sales (net external sales) per production unit by 2015 (base year 2010).



Social Progress:

- Continuous training and professional development of all employees as appropriate to their tasks.
- Annual increase of up to two percent in the proportion of female managers (see **SR** Pages 33 and 34).



Safety and Health:

- Long-term occupational safety objective: zero accidents.
- A further 20 percent reduction in the worldwide accident rate by 2015 (base year 2010).
- 50 percent reduction in solvents used in consumer adhesives by 2020 (base year 2010).



Energy and Climate:

- A further 15 percent reduction in energy consumption – and the associated carbon dioxide emissions – per production unit by 2015 (base year 2010).
- Regular checks of our production sites to determine whether the use of renewable energy sources is ecologically and economically worthwhile.



Water and Wastewater:

- A further 15 percent reduction in water consumption per production unit by 2015 (base year 2010).
- Increase in the proportion of readily biodegradable ingredients in soaps, shower gels and shampoos to 90 percent by 2012.



Materials and Waste:

- A further 15 percent reduction in the waste footprint per production unit by 2015 (base year 2010).
- Ensuring that the entire volume of palm oil and palm kernel oil that is used as the basis for raw materials in our products is covered by certificates from the Roundtable on Sustainable Palm Oil (RSPO) by 2015.
- Development of packaging with the smallest possible ecological footprint (see **SR** Page 19).



Overarching goals for all our focal areas:

- All new products contribute to sustainable development in at least one focal area.
- Establishing a recognized measuring system in order to assess the contributions our products make along the value chain and to quantify the progress achieved in our product categories.
- All strategic suppliers conform to our standards of corporate ethics.
- Annual increase in the percentage of suppliers audited according to our sustainability criteria.

Management and standards

Globally uniform standards

From our Vision and Values, we have formulated globally binding behavioral rules which are specified in a series of codes and standards. These apply to all employees in all business areas and cultures in which we operate.

The Code of Conduct contains general corporate principles and behavioral rules. It is supplemented by guidelines on how to handle situations involving business-related conflicts of interest and gifts. The Code of Teamwork and Leadership provides guidance for the conduct of managerial and non-managerial staff at all levels. The Code of Corporate Sustainability describes our principles in regard to sustainable business practices. It is given concrete form by standards for safety, health and the environment, purchasing standards, and social standards. The Corporate Standard of Public Affairs provides guidance on conduct for employees whose work may involve governmental or regulatory affairs. In 2011, we introduced a new standard, our Social Media Policy. It informs employees about the opportunities and the risks of using new media and offers advice on how to use these responsibly.

Corporate governance

We provide comprehensive information on corporate governance and compliance, as well as the remuneration report of the Management Board, in our Annual Report and on the internet.

AR Pages 29 to 44.

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The codes and standards are also the basis for Henkel's implementation of the United Nations Global Compact initiative.

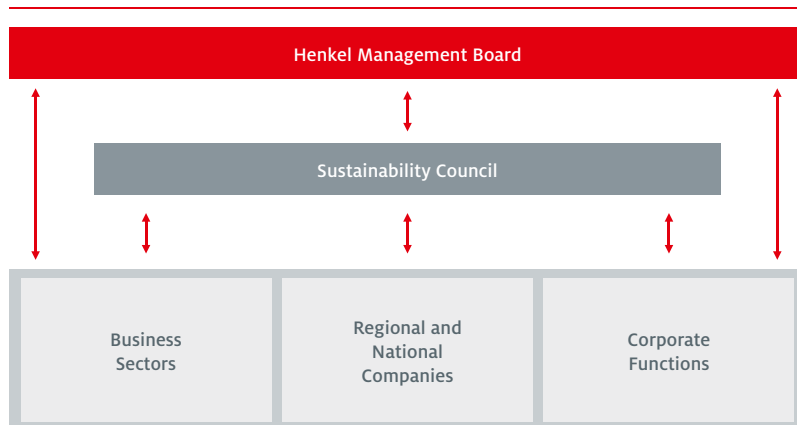
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Clearly defined responsibilities

Our codes and standards are supported by integrated management systems and an organizational structure with clearly defined responsibilities. The Henkel Management Board bears overall responsibility for our sustainability strategy. The Sustainability Council, whose members are drawn from all areas of the company, steers our sustainability activities.

The Chief Compliance Officer steers the application and further development of our codes and standards. He also monitors the implementation of internal and external requirements. In so doing, he is supported by our interdisciplinary Compliance and Risk Committee, the Corporate Internal Audit department, and by some 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 – for example, through training courses designed to take local challenges into account. The Chief Compliance Officer reports infringements, as well as the measures taken to deal with them, directly to the Chairman of the Management Board.

Organization for sustainability



The Sustainability Council, as a central decision-making body, steers Henkel's global sustainability activities. Its members represent the business sectors and all corporate functions.

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Focus on communication and training

Since we operate on a global scale, our employees are confronted with 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. Henkel resolutely opposes infringement of laws and standards, and rejects dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday work situations, our compliance training focuses on courses and communication measures. Compliance issues are addressed in seminars, employee newspapers, and special newsletters. In addition, another

eleven compliance training courses were held in 2011. These took place in Bridgewater (New Jersey, USA), Budapest (Hungary), Düsseldorf (Germany), Moscow (Russia), Shanghai (China), Singapore and Vienna (Austria).

Compliance as a management task

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. Only if our managers are seen to act in an ethically and legally impeccable manner can compliance become a guiding principle for the actions of all employees. For this reason, we have made our Compliance e-Learning program a mandatory requirement for our 9,000 managers. In 2011, almost 100 percent of them had completed the course.

Results of our audit program

We carry out regular audits at our production and administration sites and, increasingly, at our subcontractors and logistics centers to verify compliance with our codes and standards. The audits are a key instrument for identifying risks and potential improvements. In 2011, we conducted 62 audits (see graphic at right). In the course of the audits, a total of 1,586 corrective actions were agreed upon in order to make Henkel's operations even better, more efficient and safer. A main focus in 2011 was on purchasing and on the interfaces between our affiliated companies and our shared service centers.

We audited the safety, health and environment (SHE) standards at 35 sites and subsequently initiated 256 optimization measures. These included the mandatory labeling of raw materials and other materials, storage procedures, and rapid access to escape doors.

Maintenance of our Social Standards and our Diversity & Inclusion Policy was an integral part of the audits carried out at 18 sites in China, the Czech Republic, France, India, Indonesia, Iran, the Philippines, Saudi Arabia, South Africa, South Korea, Thailand, and the USA.

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.

Antitrust infringements in the laundry detergents market

Henkel is involved in proceedings being conducted by several European antitrust authorities. These relate to antitrust infringements dating back more than ten years in some cases. Where Henkel itself detected infringements in the course of its own audits, these were reported immediately to the competent authorities. In all of the proceedings, Henkel has actively cooperated with the authorities concerned.

In response to these incidents, we have already instituted far-reaching measures over the past years to investigate antitrust infringements and to prevent their occurrence in the future. In 2007, for example, we merged the previously decentralized departments into one central compliance organization with global responsibility. At the same time, our internal reporting and complaints channels were augmented by a compliance hotline, which was set up to enable employees to report infringements of our codes and standards. It is run by an independent external provider and is currently available in 73 countries.

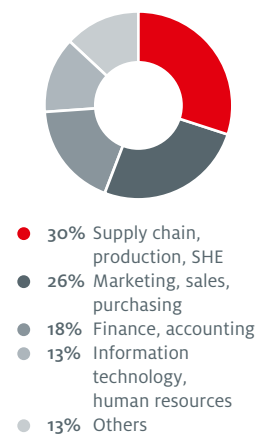
In our internal audits, we have placed greater emphasis on the topic of compliance and expanded the training program accordingly – particularly for the areas of marketing and sales, where antitrust law is of special relevance. In 2011, we again trained some 800 employees in seminars on this subject.

Zero tolerance for violations of regulations

Improper conduct is never in Henkel's interest. It undermines fair competition and damages our trustworthiness and reputation. Not least, 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 2011, 18 employees received written warnings, and 62 contracts were terminated.

Main focus of audits in 2011

Percentage distribution of the 2011 Henkel audit program



Purchasing and supplier management

What we expect from our suppliers and other business partners

We expect our suppliers to conform to our standards of corporate ethics. These are based on our globally applicable corporate purchasing standards and the safety, health and environment standards that we formulated as early as 1997, thus demonstrating even at that time our commitment to assuming responsibility across the entire supply chain. In selecting and developing our suppliers and other business partners, we therefore consider their performance in regard to sustainability.

Worldwide purchasing markets

Our supplier base currently includes suppliers and other business partners from about 125 countries. Approximately 75 percent of our purchasing volume comes from countries that belong to the Organization for Economic Cooperation and Development (OECD). We are, however, increasingly opening up new purchasing markets in states that are not OECD members. We place the same demands on suppliers from these

countries. Our suppliers are assessed in a comprehensive process that covers sustainability performance and risks as well as key commercial and operating indicators.

Supplier code

The cross-sector Code of Conduct of the German Association of Materials Management, Purchasing and Logistics (BME) is our globally valid supplier code. Henkel signed on to the BME initiative in 2009, as it is based on the ten principles of the United Nations Global Compact and can therefore be used internationally. The BME code serves as the basis for contractual relationships with our strategic suppliers. This means that they have either recognized the cross-sector BME code – and hence the principles of the Global Compact – or produced their own comparable code of conduct.

Responsible supply chain process

In line with our new sustainability strategy of “achieving more with less,” we have introduced an updated, five-step Responsible Supply Chain Process. This focuses on two main challenges. Steps 1 to 3 are designed to ensure that all of our suppliers comply with our defined sustainability standards. Through steps 4 and 5, we aim to purposefully work with our strategic suppliers to improve sustainability standards in our supply chain – for example, through knowledge transfer and continued education about process optimization, resource efficiency, and environmental and social standards.

Step 1: Risk assessment

In 2011, Henkel further developed its 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,



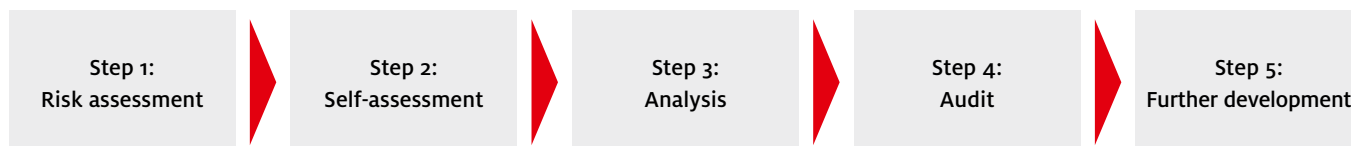
Henkel is a signatory to the cross-sector Code of Conduct of the German Association of Materials Management, Purchasing and Logistics (BME). www.bme.de

“Through targeted collaboration with our suppliers, we aim to help improve sustainability standards throughout our supply chain.”



Karl-Heinz Ott
Purchasing manager with global responsibility for sustainability.

Responsible Supply Chain Process



and the legal environment. We also appraise a second dimension, that of risk value chains. These are industries and sectors that we consider to potentially represent a specific risk for our company. By considering risk countries in conjunction with hot topics, Henkel has identified those of its purchasing markets that pose the highest risks and initiated appropriate measures (see bottom right).

Step 2: Self-assessment

We continue to pursue a strategy of supplier self-assessment on the basis of questionnaires. These underline our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anti-corruption. In 2011, the emphasis was on the renewed assessment of strategically important suppliers, such as suppliers of key raw materials and packaging materials, as well as business partners in telecommunications and technical materials.

Step 3: Analysis

Based on our own risk assessments and the suppliers' self-assessments, we classify suppliers according to a "traffic light" system. "Red" (non-compliant) leads to prompt termination of the supplier relationship. In the case of "yellow," the areas where improvement is needed are identified and the suppliers are audited.

Step 4: Audit

The systematic expansion of the audit program for suppliers will be the main focus of our work in the coming years. With this in view, we also actively participate in cross-sectoral initiatives with the aim of improving the transparency and efficiency of supplier audits and helping to establish common cross-company standards – for example, by encouraging the sharing of existing audit results.

Step 5: Further development

Through targeted collaboration with our suppliers, we contribute to improving sustainability standards throughout the supply chain. Examples include training programs and joint projects on process optimization, resource efficiency, and environmental and social standards. In a pilot project, we have begun to include strategic raw materials suppliers in our reporting system to record the relevant environmental data. By sharing our knowledge regarding data metrics and quality, we aim to improve the data basis along our value chains in the long term.

On the whole, the strategic suppliers and other business partners that were assessed in 2011 satisfied our standards of corporate ethics. We terminated two supplier relationships, one because of inadequate environmental standards, the other due to socially unethical practices.

Early warning system for risk markets



One example of a risk market is the purchasing of raw materials for soldering pastes and similar products for the electronics industry. These contain metals – mainly silver, copper and tin – to make them electrically conductive. In some countries, the mining of cassiterite (the main source of tin) is often associated with military conflicts and human rights violations. In 2011, we again reviewed our direct suppliers of metals and requested them to supply documentary evidence that they did not purchase or process metals from critical regions. In the USA and other countries, we are collaborating closely with electronics industry associations to define an official auditing process for metals suppliers.

Another example is the purchasing of advertising giveaways, which are often manufactured by third-party suppliers in low-wage countries. To ensure compliance with our sustainability standards in this area as well, we analyze the profiles of the relevant suppliers before awarding any contracts for such goods.



Acting together for energy efficiency

In Henkel's laundry detergent factory in Ratibor, Poland, our employees have submitted a regular stream of suggestions for improvements over the past five years. This commitment to always seeking a better way to run our operations has helped to substantially reduce the energy needed to produce laundry detergents and washing active substances.

Helena Buks (right)
Team leader in packaging.
Marcin Szarek
Shift foreman in laundry
detergent manufacturing.

23%

energy savings per production unit over the past five years, achieved through better processes, heat recovery, improvements in laundry detergent formulations, and other measures.



Helena Buks is a packaging team leader who has contributed an especially large number of ideas: "In the past few years I've handed in a lot suggestions for improvements because I think it is important to work as efficiently as possible. I'm delighted that many of them have actually been put into practice."

She and her colleagues have concentrated mainly on the spray tower, which is used to produce powder laundry detergents. This manufacturing process consumes more energy than any other at the site. There were three key aspects to consider: safety, efficiency and production flexibility. By making better use of resources, improving powder detergent formulations, optimizing energy utilization when drying the powder products, and recovering waste heat, the site has succeeded in reducing the energy consumption per

production unit by 23 percent over the past five years.

In December 2011, the excellent work of our employees was confirmed by external auditors in line with the new energy management standard ISO 50001. The Ratibor plant is the first Henkel production site worldwide to obtain certification to this standard. Ratibor's achievement also illustrates how we strive to produce our laundry detergents and household cleaners in a resource-efficient way.

The factory in Ratibor has been part of Henkel in Poland for more than twenty years. It produces powder detergents and washing active substances for the European market. The site's energy efficiency has been continuously increased ever since it was acquired.



RATIBOR
POLAND

DÜSSELDORF
GERMANY

SCOTTSDALE
ARIZONA, USA

SHANGHAI
CHINA

BOULOGNE-BILLANCOURT, PARIS
FRANCE

DÜSSELDORF
GERMANY

Production and logistics

Clear targets for our production operations

Henkel has production sites in 56 countries. Continuously improving our processes and site structures, while simultaneously reducing energy, water and materials consumption and environmental impacts, is an important part of our promise of quality. Keeping our 20-year goal of “Factor 3” in mind, we have set concrete interim targets for our production sites. By 2015, we aim to reduce our ecological footprint by another 15 percent per production unit in each of the focal areas Energy and Climate, Water and Wastewater, and Materials and Waste. Overall, our efforts should translate into a 30 percent efficiency improvement over the next five years – that is, 5 to 6 percent per year.

Worldwide optimization programs

In pursuing our strategy of “achieving more with less,” our business sectors set up their own optimization programs, as the various production processes involved in making products such as household cleaners, skin creams or tiling adhesives suggest fundamentally different approaches for improvements.

The Laundry & Home Care business sector, for example, set itself the goal of introducing sustainability scorecards at all of its 29 production sites by the middle of 2012. These scorecards define and measure how resource consumption can be reduced still further in production. The measures defined may focus on different areas, such as reducing water consumption or the waste footprint, depending on the region, the product mix, and the infrastructure.

One overarching topic for all sites in the Laundry & Home Care business sector is energy efficiency. Here we are working to develop energy concepts that will make it possible to take a global approach. The core aim is to replace existing processes by alternative ones that consume less energy. Current examples include projects to minimize tower powders – one of the most energy-intensive process steps in the production of powder detergents.

Regarding the use of renewable energies, our activities target three different areas in order to ensure the efficient supply of energy: solar energy, energy from biogas, and combined heat and power generation in our own plants.

At our eight Cosmetics sites, we successfully carried forward our Total Productive Management Plus optimization program in 2011. This program, which has already been in place for five years, is designed to identify losses in the various production processes and the supply chain, so that we can continuously increase added value. The principle of involving all employees, encouraging them to keep challenging what they have already achieved, constantly think outside the box, and work on new solutions, has contributed significantly to the success of the program. To allow us to judge how our improved performance compares with that of our competitors and with our own best-practice goal, our Cosmetics factory in Wassertrüdingen took part in an external competition in 2011. Among the approximately 90 European production sites from different industries participating in this contest, the Henkel Cosmetics factory was declared the “Factory of the Year” in the category “Excellent Resource Efficiency.” This recognition shows how successful our program is, not least with respect to the competitiveness of our sites.

2010 to 2015 target:

–15%

energy, water and waste per production unit.

“Plants and sites that have a clear attitude toward being sustainable tend to perform better – and more sustainably.”



Yulanda Sun

Responsible in the Asia-Pacific region for safety, health, environment and quality (SHEQ) in the Adhesive Technologies business sector.

Regarding the production of our Adhesives, Sealants and Surface Treatments, we continued to consolidate our worldwide production network in 2011 and have reduced the number of sites by six to 143. Key aspects of our production planning are production in the geographical vicinity of our customers, as well as economies of scale and the resulting optimized utilization of resources.

In 2011, as a result of all our worldwide programs, 67 percent of our sites were able to reduce their water consumption, 61 percent their energy consumption, and 50 percent their waste footprint.

Globally applicable standards and management systems

Our worldwide efficiency programs are based on globally uniform standards for safety, health, environment (SHE) and integrated management systems. The SHE Standards and our Social Standards apply to all sites. We ensure compliance

with these standards at the production level through our internal audit program (see **SR** Page 7). This is supplemented by a clearly defined process comprising communication measures and training courses. In addition, we regularly conduct environmental and safety training sessions at all sites. Here, the employees are trained on topics such as protective equipment, fire protection, warehousing, and first aid – often by external specialists as well. Leadership behavior at the local level plays a key role in Henkel's successful focus on sustainability and the implementation of our standards. For this reason, we have developed a special training program for our site managers (see **SR** Page 14).

We have our environmental management systems at the individual sites externally certified, if this yields competitive advantages. At the end of 2011, about 70 percent of the production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

Worldwide: Selected examples of contributions to resource efficiency in 2011

Examples from other sites:

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Focal areas	Measures
	Bogotá (Colombia), and Binh Duong (Vietnam): Under the Total Productive Management Plus program, all of our Cosmetics plants implemented numerous further optimization measures in 2011. Two sites were especially successful here: The plant in Colombia was able to lower its energy and water consumption by 29 percent and 15 percent, respectively. In the factory in Vietnam, the measures resulted in a reduction of 18 percent in energy consumption, 14 percent in water consumption, and 33 percent in the waste footprint.
	
	
	Shanghai and Yantai (China), Chennai (India), Kruševac (Serbia), Ciechanów (Poland), Ebensee (Austria), Mezzago (Italy), Monterrey (Mexico), and Oak Creek (Wisconsin, USA): Targeted analysis and elimination of non-process-relevant water losses. This resulted in an overall reduction of over 60 percent in the water consumption of the various sites.
	Shah Alam (Malaysia) and Ain Temouch (Algeria): Process improvements and quality enhancing measures led to a significant decrease in rejects, faulty batches, and complaints. As a result, the waste footprint of the sites was reduced by 24 percent and 14 percent, respectively.
	Vienna (Austria): The laundry detergents site is making increasing use of cogenerated heat and power to boost its efficiency. With a combined heat and power unit and a steam boiler, the site is able to cover one-third of its annual electricity needs. Catalytic converters installed downstream also reduce emissions to a minimum.
	Bien Hoa City (Vietnam): Energy consumption at the site has been cut by 19 percent – mainly due to the installation of a transparent roof for the production shop, thus making it possible to use natural daylight.

Closer collaboration with subcontractors

Third-party manufacturing constitutes an integral part of our production strategy and is used flexibly for our products and markets. For example, we may 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. In other circumstances, the use of external partners helps to optimize our production and logistics network and to increase resource efficiency. Currently, we source about 10 percent additional annual production volume from toll and contract manufacturers.

Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements. We monitor the implementation of our standards through audits by our Corporate Internal Audit department and, increasingly, by specialized third-party service providers. We aim to establish long-term collaborations with our toll and contract manufacturers in order to achieve the best possible results. In the future, we will also be including them in our environmental data recording systems. In an initial pilot project conducted in 2011, we defined the parameters for energy, water, wastewater and waste together with selected subcontractors of our Adhesive Technologies and Cosmetics/Toiletries businesses and recorded the respective data.

Occupational incidents in 2011

In 2011, one serious incident occurred at a Henkel site. At one of our hotmelt adhesive production plants in South Carolina, USA, a fire broke out in one of the mixing units. The local fire department was, however, able to quickly bring the fire under control. Two operators had to be treated for burns at the local hospital. The plant was shut down for several days for root cause analysis. A team of independent experts confirmed that the fire was triggered by an electrostatic charge from filling solid materials to the mixer, causing a combustible dust cloud. As corrective measures, we installed modified filling equipment and new controls. Also, a new, stricter procedure was launched to improve process safety at our world-wide hotmelt plants and prevent similar incidents in the future.

Climate protection

Climate change is one of the greatest challenges of our time. In its sustainability strategy, Henkel has therefore defined "Energy and Climate" as one of its six focal areas and assigned a clear efficiency target to this area: a further reduction of 15 percent in energy consumption per production unit by 2015. We will thus continue to help achieve climate protection goals in all of the countries in which we operate.



At our Ratibor production site, we are continuously reducing energy consumption and the related carbon emissions (see **SR** Page 10).

The underlying approach of our strategy is that reduction is always better than offsetting. As a basic principle, we begin by exploring all options for reducing energy consumption and the related carbon emissions, in order to avoid generating climate-damaging gases in the first place. It is only after we have exhausted all those possibilities that we consider the use of green electricity or carbon offsetting certificates. Nevertheless, we check whether and where the use of renewable energy sources is economically worthwhile for us and can make an additional contribution to climate protection.

We also look closely at the development, transport and storage of our products, as well as at our business trips and office buildings, to find ways to achieve an across-the-board improvement in our operational carbon footprint.

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Georisks at our sites

The increasing frequency of natural disasters has prompted an intensified discussion of the georisks for industrial enterprises. Examples from 2011 include the major earthquakes in New Zealand and Japan, the economic consequences of which have also affected Henkel sites.

The analysis of production risks is a key aspect of our corporate risk management activities. This applies both to existing sites and to new investment projects. During our site inspections, we also assess possible georisks resulting from local geographical factors. These include location in areas where earthquakes or floods are likely to occur. However, our risk analyses also focus increasingly on the availability of water in a region and on geographical changes brought about by climate change.

Occupational safety

Long-term objective: Zero accidents

Occupational safety has the highest priority at Henkel. We strive to continuously improve occupational health and safety measures to ensure a safe work environment for our employees. Our long-term objective of “zero accidents” remains unchanged, because every occupational accident is one too many. We had set ourselves an interim target of reducing our accident rate by 20 percent by 2012. Thanks to the great dedication of our employees, we were able to meet this target early. Between 2007 and 2010, occupational accidents had already fallen by 29 percent. Based on the achieved improvements, we have set a further interim target: to reduce the number of occupational accidents at Henkel by another 20 percent by 2015.

2010 to 2015 target:

+20%

safer per million hours worked

Focus on behavior-based safety training

To achieve our goal, we insist on strict compliance with our Safety, Health and Environment

Standards (SHE). Implementation of these standards is regularly monitored by independent auditors from our Corporate Internal Audit department (see **SR** Page 7). To avoid occupational accidents, we give high priority to special training programs designed to raise awareness among all employees, especially in production but also in administration. Training sessions are therefore regularly held at all sites.

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Successful implementation of our sustainability strategy and our SHE standards hinges on leadership behavior at the local level. This is why we place particular emphasis on training site managers to detect hazards early and avoid accidents. The program content ranges from risk assessment and warehousing procedures to emergency management and management systems. We also conduct training sessions for the staff of contractors working at our sites. Our comprehensive approach to occupational safety has proved effective: 84 percent of our worldwide production sites were accident-free in 2011.

SHE training for site managers



We hold regular training courses for our site managers around the world in order to familiarize them with our safety, health and environment standards (SHE Standards). The purpose of the training program is to ensure compliance with these standards at all sites. The program covers both theory and practice, and exposes the attendees to real-life situations. “The SHE training seminar provides an excellent platform for swapping first-hand experience. It enabled me to discuss with my international colleagues matters relating to our safety standards and our responsibilities in this field,” said Abdul Rahman (photo), Head of Liquid Detergent Production in Saudi Arabia, who participated in this seminar in October 2011.



Since the program was launched, we have held 13 three-day seminars and trained more than 250 of our site managers from Asia, Africa, Europe, and North and South America on SHE topics. By now, 80 percent of our current site managers have completed such courses. In 2011, four seminars were held in the USA, Germany, Brazil and India, with a total of more than 70 participants.

Fatal occupational accidents

As a result of our intensive commitment to occupational safety, the number of accidents at Henkel again sank to a very low level in 2011, by comparison with international figures.

Unfortunately, despite all of our efforts, two fatal occupational accidents occurred in 2011. A Henkel employee died as a result of an electric shock while performing maintenance work on an immersion pump. A defective cable had caused the casing to carry live current. An employee of an external company suffered fatal injuries while working at one of our sites. He was struck by a towing cable which tore loose during installation of a wastewater pipe.

In response to the electrical accident, we immediately initiated additional inspections of all electrical equipment at our production sites. The accident involving the contractor’s employee shows how important it is to conduct behavior-based safety training for all persons working at a site.

Logistics and transport

Logistics planning for different products

Our logistics planning is tailored to the nature of the final products to be transported. For relatively bulky products, we reduce the transport mileage and the resulting environmental burden by maintaining regional production sites. This applies especially to our laundry detergents and household cleaners, and to some cosmetics and adhesives. More compact products with a low specific weight make fewer demands on transport, so we produce them centrally in large quantities wherever possible. Our instant adhesives, for example, are produced at just a few sites worldwide.

Variety of initiatives to reduce emissions

Throughout Henkel, we are working to optimize our logistics structures and concepts in order to reduce our transport emissions. The location of warehouses and distribution centers should minimize the distance between our sites and our customers. Wherever possible, we combine transports between individual sites and to central warehouses in order to reduce transport mileage across the entire Group. In doing so, we also cooperate with retail partners and suppliers of similar products to increase truck capacity utilization. In Europe and the USA, in particular, we are increasing the proportion of intermodal transport routes with the aim of switching more and more routes from road to rail. We consider logistics as early as the product development stage. Concentrates and lighter packages reduce transport weight and hence carbon emissions. Concrete measures to reduce our transport and logistics emissions can be found on the internet:

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Requirements on our logistics partners

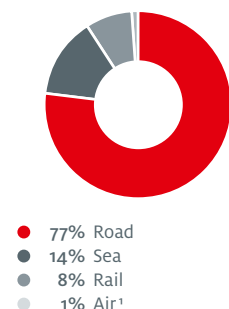
Worldwide, more than 90 percent of the transport of our products from the production site to the warehouse, and from the warehouse to the customer, is now carried out by external logistics companies. When selecting our transport partners, we consider their efficiency and environmental performance. Since 2010, our purchasing departments have been incorporating corresponding criteria in their inquiry processes and invitations to tender for logistics services. These include the

definition of energy-saving targets, measures for modernizing vehicle fleets, and investments in programs for optimizing routes and determining emissions.

“Factor 3”: Intensifying data collection

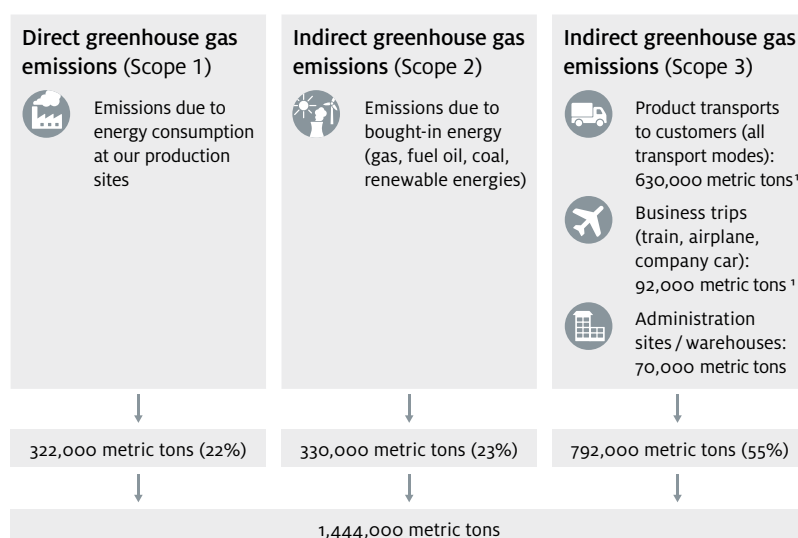
Our worldwide environmental data systems for our production operations have already been in place for many years. Some time ago we began setting up a similar data collection system in order to record our logistics emissions more precisely as well. This system is being improved year by year. It determines the global transport volume (in ton-kilometers) per transport mode. With the help of emission factors, we then use these figures to calculate our transport emissions. The establishment of measuring systems along our entire value chain will be a major focus of our activities in the coming years – also with a view to achieving transparency in documenting our progress toward reaching our “Factor 3” goal. To accomplish this, we collaborate intensively with our partners, especially with suppliers, toll and contract manufacturers, and our customers.

Product transports per transport mode



¹ Air freight is not one of our standard shipping methods. It is only used when our customers require extra-fast delivery.

Overall picture: Our operational carbon footprint in 2011



Henkel's own carbon dioxide emissions are primarily caused by energy generation and consumption. Other carbon 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.

¹ Difference versus 2010 due to refinement of data collection and calculation systems.

Sustainability stewardship

Innovation management

Product innovations play an essential role if we are to decouple quality of life from resource consumption. This is why one of the strategic principles for implementing our sustainability strategy is: “our products.” They should offer customers and consumers more value and better performance while having a smaller ecological footprint. For us, this is not a question of developing individual “green” products where only the ecological profile has been improved. Our aim is to continuously improve all products across our entire portfolio, taking every aspect into account. This requires a high degree of innovativeness. In 2011, Henkel employed about 2,700 people in research and development and invested 410 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, our focal areas have been anchored in the Henkel innovation process since 2008 (see graphic at bottom).

Improvement based on life cycle analyses

With the help of life cycle analyses and the knowledge acquired during our many years of work on sustainability, we assess where the greatest environmental impact will occur in the different product categories. We then use the results to develop suitable improvement measures. Only

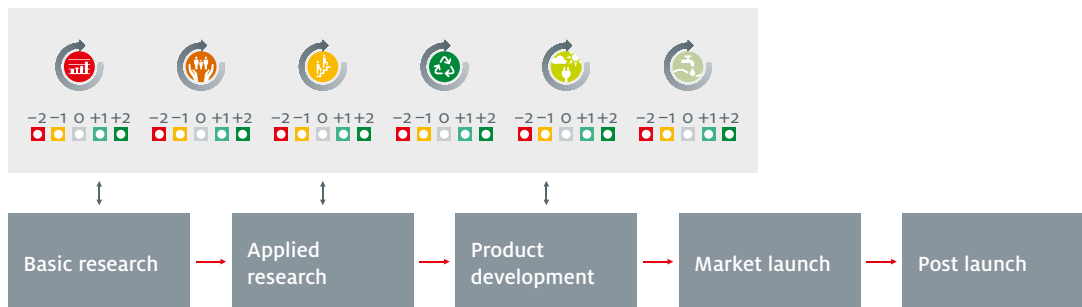
by considering the entire life cycle can we ensure that the action taken will improve the overall sustainability profile of our products.

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To further develop and simplify the analysis methods – including those for determining the carbon and water footprint of products – we work with external partners. For example, we take an active part in the Sustainability Consortium and the Measurement Group of the Consumer Goods Forum. Since the beginning of 2011, we have also been involved in a project run by the EU Commission to establish standardized methods for calculating the ecological footprint of organizations and products. A case study of Somat 10 was selected for the “Products” category.

To operationalize the topic of sustainability for our product developers in their daily work, we have developed various instruments that come together in the Henkel Sustainability#Master. At the heart of this is a matrix in which the hot spots are plotted per product category (see graphic at right). This makes it possible to compare the sustainability performance of two products or processes and to show very clearly where performance has improved or has worsened. In 2011, we used the Sustainability#Master in pilot projects, including one focusing on communication with our retail partners.

Sustainability evaluation in the Henkel innovation process



The Henkel focal areas have been systematically anchored in our innovation process since 2008. This means that at a given point our researchers must demonstrate the specific advantages of their project in regard to product performance, added value for customers and consumers, and social criteria (“more value”). They also have to show how it contributes to using less resources (“reduced footprint”). The Henkel Sustainability#Master (see graphic at right) is one of the tools they use to assess the different contributions. This is how we work toward our goal of achieving more with less.

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. Our experts assess the ingredients according to the latest scientific findings and concrete safety data. In addition to considering the basic hazard potential of a substance, our safety assessments focus especially on the actual concentration in the specific formulation and the conditions of use. The use of substances with certain dangerous properties is precluded for specific applications from the very start. In other cases, we work to further improve health compatibility by developing alternative ingredients. One example of this is the switch from solvent-based to water-based formulations for our consumer and contact adhesives.

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As a matter of principle, Henkel does not use animal testing, unless this is stipulated by legal regulations and no alternative test methods are available for obtaining the necessary safety data. In order to replace these tests as well, Henkel has been carrying out successful research since

Development of alternative test methods

The goal of replacing animal testing of ingredients by alternative test methods is of paramount importance for us. Developed by Henkel, the full thickness skin model pictured here can be used to systematically assess the effects of substances on the skin tissue.



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the early 1980s for the purpose of developing alternative test methods. Many questions regarding the skin compatibility of ingredients can now be investigated with the help of in vitro tests. In vitro tests, such as Henkel's full skin model, have been developed over the past decades in collaboration with external partners as alternatives to animal testing and have been officially accepted for product safety testing.

Henkel Sustainability#Master – hot spots in the liquid laundry detergent category

		Raw materials	Production	Logistics	Retailing	Use	Disposal
Value	 Performance					Hot spot	
	 Safety and Health						
	 Social Progress					Hot spot	
Footprint	 Materials and Waste	Hot spot					Hot spot
	 Energy and Climate			Hot spot		Hot spot	
	 Water and Wastewater					Hot spot	

Henkel's Sustainability#Master includes a tool for evaluating the sustainability of a product category in regard to our value chains and our six focal areas. This illustration shows an example of the hot spots along the product life cycle of a liquid laundry detergent. Hot spots are fields in which the environmental impacts are the greatest. At the same time, they are the ones with the greatest potential for delivering more value to our customers and consumers. The fields in the "footprint" dimension reflect the results of life cycle analyses, empirical data, and the assessments of external experts. Where appropriate, we have these assessments validated through discussion with stakeholders. Our researchers use the results to continuously improve our products.

Responsible use of raw materials

Henkel is committed to responsible management of raw materials, and especially the conservation of natural resources and biodiversity. We have used ingredients based on renewable raw materials for many years to optimize the overall characteristics of our products, wherever this is compatible with ecological, economic and social considerations. Renewable raw materials are already key ingredients in many of our products, such as soaps, shampoos, glue sticks, and wall-papering adhesives.

The importance of taking a responsible attitude toward the use of plant-based ingredients becomes evident when one considers palm oil and palm kernel oil. About 30 percent of the surfactants (washing active substances) in our laundry detergents and household cleaners are derived from raw materials such as palm kernel oil. To combat the problems associated with the cultivation of the oil palm around the world, we have participated in the Roundtable on Sustainable Palm Oil (RSPO) since 2003. Since early 2011, we have also been an initiator and steering committee member of the "Forum on Sustainable Palm Oil" (Germany, Austria, Switzerland). The goal of this initiative – a collaborative effort of both manufacturers and retailers – is to promote sustainable palm oil worldwide. Its work is

The World Wide Fund For Nature (WWF) rated Henkel among the top performers in its international Palm Oil Buyers' Scorecard 2011, awarding the company the highest possible score (nine out of nine points).

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Commitment to biodiversity and forest protection



Henkel is one of the signatories to a resolution passed by the Consumer Goods Forum to fight global deforestation and protect biodiversity. The participating companies have committed to take individual and concerted action to stop global deforestation by 2020. For us, this relates especially to raw materials and other input materials, such as palm oil, palm kernel oil, and paper.

www.theconsumergoodsforum.com

based on the standards defined by the RSPO, which it intends to refine and amplify.

Progress made and targets for palm oil and palm kernel oil

In 2008, we became the first company worldwide to purchase RSPO certificates – for the products of our Terra brand. As a result, palm kernel oil from sustainably managed plantations was integrated into the supply chain for surfactants for the first time. Since 2010, the small amounts of palm oil and palm kernel oil that are used as direct

Examples of sustainability in our packaging development



Schauma – optimized bottle structure

We strive to decrease the amount of material used in our product packaging as far as possible without compromising the quality and stability of the packaging. By optimizing the structure of the bottles for our Schauma shampoo, we save more than 60 metric tons of plastic per year.



Terra – bottle made of 100 percent recycled material

We intend to steadily increase the proportion of recycled materials used. The PET bottles for our laundry detergents and household cleaners contain 25 percent recycle on average. With the bottles for the dishwashing liquid, glass and bathroom cleaners in the Terra line, we have gone a step further: The PET material used is 100 percent recycled.



Pritt Ecomfort roller

We regularly investigate possible uses of new packaging materials such as bioplastics. The Pritt Ecomfort roller is the world's first correction roller with a housing consisting almost 90 percent of a plastic made from plants. For this innovation, Pritt was awarded third place in the Biomaterial Prize 2010.

inputs for our products have been covered by such certificates as well. In 2012, the Laundry & Home Care business sector plans to purchase RSPO certificates for its entire range of laundry detergents and household cleaners worldwide.

Our target for 2015 is to have all of the palm oil and palm kernel oil supplied as raw materials for direct and indirect use in the products of all our business sectors covered throughout by RSPO certificates for sustainably cultivated palm oil. In parallel, we maintain a continuous dialogue with our raw materials suppliers to encourage them to switch their production processes to sustainable palm oil and palm kernel oil as soon as possible.

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Packaging – protecting goods, avoiding waste

Our goal of achieving more with less also applies to our packaging development activities. The packagings of our consumer products fulfill many different functions: They ensure the hygiene and intactness of the products, protect them during transport and storage, and enable easy dispensing and use. In addition, the packaging must provide sufficient space for the necessary consumer information. For cosmetic products in particular, but also increasingly for laundry detergents and adhesives, the packaging design and its shelf appeal play an important role in purchasing decisions. Our packaging developers therefore work constantly to design smart packages that combine all these various aspects while using the least possible amount of material, so as to minimize the volume of packaging waste for consumers.

New packaging objectives

Throughout the company, we follow three basic principles – prevention, reduction, recycling. In order to extend our leadership in sustainability to our packaging development as well, we defined comprehensive targets in 2011 for the coming years (see table). We will continue to focus on reducing the volume of packaging and the amount of material used. This includes developing product concentrates and refill packs for consumers. For our industrial customers, we offer multi-use systems wherever possible in the form of re-usable transport containers, pallets, and secondary packaging.

Goals for reducing the packaging footprint for consumer products

- Avoidance of packaging waste by developing packaging solutions that perform better while using the least possible material.
- Use of 100 recyclable packaging materials by 2015 – for markets with regional collection and recycling systems.
- By 2015, use of 100 percent recycled paper and board materials or – where necessary – use of fresh fibers sourced 100 percent from sustainably managed forests.
- Continuous appraisal of the ecological and economic feasibility of using bioplastics based on renewable raw materials that do not compete with the food industry.
- Monitoring developments in biodegradable plastics; active search for suitable materials and potential uses.
- Where technically feasible, complete elimination of PVC as a packaging material by 2015. We only use PVC materials in a few exceptional cases today. They account for less than one percent of our worldwide packaging expenditures.

Where technically feasible, we intend to increase the proportion of recycled and recyclable materials across our entire portfolio. To do this, we will concentrate on materials for which public recycling systems exist in the respective markets, and on providing appropriate information for consumers. When using paper and carton packages made from fresh fibers, we work closely with our suppliers to ensure that the wood fibers come from sustainably managed sources. Obtaining such materials continues to pose a challenge in many cases due to the limited regional availability of recycled or certified paper products.

We believe that new packaging materials, such as bioplastics, will become increasingly important in the future, and therefore regularly look for potential ways of using them.

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Global Packaging Project

Since 2010, Henkel has participated in the Global Packaging Project (GPP) of the Consumer Goods Forum. The aim of the project is to develop standardized evaluation processes and indicators, with which packaging solutions can be analyzed with regard to their economic, ecological and social impacts. In 2011, the GPP developed a new tool called packCheck. This is a simple web-based application which allows packaging developers to check in just a few steps how a planned packaging innovation or modification measures up to the indicators defined by the GPP.

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Henkel's packaging footprint 2011¹



- 47% Plastics
- 42% Paper and board
- 10% Metal
- 1% Glass

¹ Approximately 505,000 metric tons (estimate based on expenditures for packaging materials).



More dishwashing power – using less energy

Our Somat 10 dishwashing tablets are a perfect example of a product innovation that couples better performance with a smaller ecological footprint. Henkel researchers developed this new generation of automatic dishwashing tablets that delivers full cleaning power even in short and low-temperature dishwasher cycles.

Thomas Eiting

Head of automatic dishwasher tablet development.



Dr. Thomas Eiting, a chemist in the household cleaners research department in Düsseldorf, works with an interdisciplinary team to find ways of producing even better automatic dishwashing detergents. Since dishwashers consume a great deal of energy, it makes ecological sense to use short and low-temperature programs.

A special challenge for the Henkel team was to improve the cleaning power of Somat specifically in these energy-saving programs. Somat 10 now also delivers excellent cleaning results in a program lasting just 30 minutes. The Somat 10 tablets dissolve twice as fast as, for example, their Somat 9 predecessors. This improvement has significantly boosted dishwashing performance in short and low-temperature cycles.

“By making the Somat 10 tablets dissolve more easily, we succeeded in getting them to release the ingredients faster so that they have more time to act on food residues and do a better job,” explains Eiting.

With this sustainability profile, the product illustrates how we go about achieving more with less. If all the Somat users in Germany selected only short and low-temperature cycles, they could save as much electricity as the total annual consumption of 100,000 households.

“Our innovation does a lot for the environment and resource conservation while delivering more value to consumers,” says Eiting proudly.

 www.somat.de



Thomas Eiting and his colleagues Britta Strauß (left) and Silke Menke check the cleaning performance of Somat 10 in the automatic dishwashing test laboratory.



RATIBOR
POLAND

DÜSSELDORF
GERMANY

SCOTTSDALE
ARIZONA, USA

SHANGHAI
CHINA

BOULOGNE-BILLANCOURT, PARIS
FRANCE

DÜSSELDORF
GERMANY

Laundry & Home Care

Sustainability as a driver for innovation

Our consumers rightly expect products to satisfy the criteria of quality, environmental compatibility, and social responsibility in equal measure. And this is also our aim. Our brands combine excellent performance with responsibility toward people and the environment. We view this combination as the central driver for innovations and the basis for our future competitiveness.

The principle is applied as early as the product development stage. Each new product must make a contribution in at least one of our six focal areas. To make the advances we have achieved transparent and quantifiable, we have worked together with the Center on Sustainable Consumption and Production (CSCP) in Wuppertal, Germany, to develop appropriate assessment models, which come together in the Henkel Sustainability#Master. At the heart of this tool is an evaluation of economic, ecological and social criteria throughout the value chain of a product (see [SR](#) Pages 16 and 17).

Efficient products for sustainable consumption

We have set ourselves the goal of promoting sustainable consumption. Our products are the key here, because our brands are used daily in millions of households. We thus concentrate on developing products that enable consumers to use resources efficiently.

Current examples of energy-efficient products are Somat 10 and our low-temperature laundry detergents. Persil Megaperls and Purex Cold Water are two such laundry detergents that deliver their full cleaning power even at low wash temperatures. Energy savings of up to 40 percent can be achieved simply by reducing the washing temperature by 10 degrees – from 40 to 30 degrees Celsius, for instance. Mega-Caps – our newly introduced form of liquid laundry detergent concentrates – are examples of an efficient use of materials. Besides developing better products and solutions, we want to make it easier for consumers to make responsible purchasing decisions. Through targeted

communication, we point out the advantages of our products and encourage resource-efficient use – for example, by means of our laundry calculator on the internet:

www.persil.de/external/waschrechner

Persil Mega-Caps: Self-dissolving film capsules with liquid laundry detergent concentrate



Under our Persil, Le Chat and Dixan brands, Henkel has launched an innovative product on the European liquid laundry detergents market: Mega-Caps – water-soluble film capsules containing a liquid laundry detergent concentrate. The pre-portioned doses are not only especially



user-friendly, but also effectively prevent overdosage. The liquid laundry detergent is encapsulated in a thin film that is 100 percent water-soluble. In direct contact with the laundry in the washing machine, the capsules provide full washing power even at low temperatures. In Germany, the washing capsules are packaged in a flexible stand-up pouch. This requires less plastic material than conventional bottles.

www.persil.de

“We are constantly searching for new opportunities to develop better products, leaner supply chains, and stronger partnerships with our customers and consumers.”



Pete He

Responsible for sustainability in the Laundry & Home Care business sector in the USA.

Further development of the European A.I.S.E. Charter for Sustainable Cleaning



Since July 2011, Henkel has been using the new A.I.S.E. Charter logo in its product communication.



www.cleanright.eu

In 2005, Henkel became the first company to fulfill the criteria of the A.I.S.E. Charter for Sustainable Cleaning. All companies that sign the Charter pledge to continuously improve their processes and to report annually on their economic, ecological and social advances, using defined indicators. More than 150 companies have now joined this initiative. Together, these indicators now reflect more than 85 percent of the European tonnage of laundry and home care products.

The A.I.S.E. Charter was revised in 2010, and a new dimension was introduced specifically for products. It is now possible to show that a product was not only manufactured by a company with sustainable business practices, but itself has a progressive sustainability profile. Four criteria are of particular importance here: the environmental safety of the ingredients; resource efficiency with regard to dosage and packaging materials; washing performance at low temperatures; and consumer information. Only products that satisfy all of the defined requirements can communicate this to consumers on the packaging by

means of a new A.I.S.E. Charter logo introduced in July 2011. Our laundry detergents are among them.

Worldwide: Continuous improvements

We also continue to develop the sustainability profile of our products in all other markets and regions in which we operate. In the USA, for example, we extensively redesigned the bath and bowl cleaner of our Soft Scrub brand in 2011. The new formula contains a sugar-based surfactant. 70 percent of the active ingredients are derived from renewable raw materials. A "cold" manufacturing process ensures that less energy is consumed during production. We also changed the packaging material, which is now recyclable.

As a result, this Soft Scrub product has been certified and was included in 2011 in the Design for the Environment program of the U.S. Environment Protection Agency (EPA). Other examples include our laundry detergents Vash, Pak and Persil in the Middle East, which we switched to phosphate-free formulas in 2011. In addition, we constantly look for new packaging solutions to reduce the volume of packaging waste for consumers (see **SR** Page 19).

Better meeting customer expectations of "green" products



In developing the Terra line, our main aim was to produce a range of products that combined outstanding product performance with an especially high degree of environmental compatibility. The target group was defined as the LOHAS (Lifestyle of Health and Sustainability) – consumers who expect high quality and place great emphasis on ecological aspects.

Within a short time, we were able to raise awareness of the brand among this target group and generate a very positive response. At the same time, the product line was not as successful as expected in all segments. A main reason for this is that the ecological benefit was not always clear enough to many consumers to convince them to buy Terra. We used this experience to optimize the marketing strategy for the Terra line. Among other things, we rephrased the statements concerning the ingredients, more clearly empha-

sizing the differentiating feature of our use of "renewable raw materials derived from plants instead of petroleum." Surveys have shown that these measures have now led to greater consumer acceptance.

Experiences like these help us to better understand what consumers expect from "green" products and to use these insights to further develop our brands. We thus considered it important to take a new approach regarding the Terra packages. Since the end of 2011, the bottles for Terra dish-washing liquid, bathroom and glass cleaners have been made of 100 percent recycled PET material.



See **SR** Page 18 and www.terra-henkel.de

Responsible management of raw materials

Henkel has been using ingredients based on renewable raw materials for decades. In 2011, about 30 percent of the washing active substances (surfactants) in our laundry detergents and household cleaners were derived from renewable raw materials. This is clearly above the average in the laundry and home care industry as a whole. We are aware of our responsibility regarding the purchase and use of these raw materials. Since many ingredients in our products are obtained from vegetable raw materials such as palm kernel oil, we engage in activities to improve the cultivation conditions in the producing countries and to establish new marketing models for palm oil from sustainably managed plantations.

For our laundry detergents and household cleaners, we plan to have the palm oil and palm kernel oil supplied as raw materials for direct and indirect use in our products covered 100 percent by RSPO certificates for sustainably cultivated palm oil before the end of 2012. The Laundry & Home Care business will thus achieve the Henkel target ahead of schedule (see [SR](#) Page 18).

Adaptation to local consumer needs

With our laundry and home care products, we make important contributions in all of our markets to hygiene and health in the home. A key priority is the adaptation of our products to local consumer needs and local conditions. In many markets in Southern Europe and the Middle East, for example, we also offer laundry detergents containing special antibacterial agents. The same applies to household cleaners that we have launched on the North African and Latin American markets. One example is our DAC Disinfectant brand: These cleaners deliver outstanding cleaning results and prevent new bacterial growth for 24 hours.

The relaunch of the DAC products in 2011 was accompanied by an extensive communication campaign. TV commercials, promotions in stores, and communication through social media channels were all designed to raise consumer awareness of the importance of hygiene, see www.dac-home.com. Furthermore, we ensure that the active ingredients used not only deliver

Brand engagement: “El Balad Baladna” – This Country is Our Country



Week after week at the end of 2010, the people in Egypt went onto the streets to demonstrate for more democracy and freedom. In February 2011, a revolution finally ousted the old regime. The demonstrations left their mark on Cairo's streets. This was the starting point for a project sponsored by Henkel: “Working together for a new Egypt.” To clean up Cairo, volunteers – including Henkel employees – worked their way through the streets of Cairo, scrubbing the sidewalks and removing graffiti from the city's walls. Through Facebook and Twitter, people were also able to propose new cities to the Henkel cleaning team and vote on where it should go next.



www.facebook.com/elbaladbaladna

excellent hygiene performance, but are also health-compatible. For example, we pay special attention to the needs of allergy sufferers and people with sensitive skin. Seven Henkel laundry detergents have already been acclaimed as especially skin-compatible and allergy-friendly by the European Centre for Allergy Research Foundation (ECARF).

Research for the laundry detergent of the future

Since 2011, we have been engaging in joint research with the Max Planck Institute for Carbon Research on the use of biomass for laundry detergents. The aim of this collaboration is to develop washing-active substances derived from renewable raw materials such as wood and plant fibers that would otherwise be treated as waste. The Institute conducts the basic research on the catalytic splitting of biomass, while Henkel performs application tests to investigate the suitability of the developed substances for use in laundry detergents. This cooperation illustrates our endeavors to replace petroleum-based ingredients.



The Soft Scrub bath and bowl cleaner in the USA was included in the Design for the Environment program of the U.S. Environmental Protection Agency (EPA) in recognition of its recyclable packaging.

www.softscrub.com



More volume – with 90 percent less input

The innovative hair styling product got2b Powder'ful not only gives hair more volume, but also has a 90 percent smaller ecological footprint due to its exclusive powder formulation.

Kathy Alaama

Head of Hair Styling in Cosmetics/Toiletries in the USA, advising a customer.



Dr. Rolf Bayersdörfer, developer of the hair styling product got2b Powder'ful, explains to his international marketing colleagues Vildan Onpeker Cerci (right) and Christian Melcher how the styling powder works.

Thanks to this ingenious formulation and its “pepper-shaker” packaging, got2b Powder'ful achieves its remarkable volumizing effects directly on dry hair. Unlike mousse styling products in aerosol cans, got2b Powder'ful contains no volatile organic compounds, and it is produced using only some 10 percent of the input materials needed for a mousse. Its low weight generates still more benefits all along the logistics chain, reducing the carbon footprint by about 90 percent overall.

Kathy Alaama, a vice president in our Cosmetics/Toiletries business in the USA who is responsible for marketing got2b (as it is spelled there), says: “We introduced got2b Powder'ful in the USA in February 2011 at the launch event to celebrate the brand's tenth anniversary. Since then, it has become the top-selling styling powder in the U.S. hair-styling market (source: IRI FDMx market shares, excluding Walmart).

got2b Powder'ful is sold through our usual mass retail channels and promoted on the internet. YouTube videos show consumers just how easy and effective the product truly is.”

This unusual innovation was developed by a Henkel team at the Cosmetics/Toiletries business sector's research and development center in Hamburg, Germany. got2b Powder'ful has been on the market in Europe and the USA since 2011. Alaama comments: “Powder'ful impresses people by combining performance with low resource consumption. Consumers appreciate its superb quality and ease of use. Close collaboration between our research and development team and their colleagues in international and local marketing played a large part in making this product such a success.”



www.got2b.com

www.youtube.com/user/got2bUSA



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CHINA

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Cosmetics/Toiletries

Our contribution to beauty and well-being

Hygiene and beauty are fundamental human needs and are important for a sense of personal well-being. Our cosmetics and toiletries, which are used daily by millions of people worldwide, make a valuable contribution to this.

The success of our cosmetics and toiletries owes much to our insistence on offering consumer-relevant products with high levels of efficacy and compatibility. The safety and performance of our products are always demonstrated on the basis of scientific findings. At the heart of our innovation process is our endeavor to achieve an ever better understanding of the needs of our consumers in different regions. This includes the trend toward environmentally aware and health conscious lifestyles.

The development of sustainable products offers us many opportunities for innovation. We constantly seek formulations that will be more effective and more compatible, yet more efficient – achieving better performance while using less raw and packaging materials. This also means providing products with especially long-lasting action and products which reduce the consumption of water and energy during their production and use.

Product and consumer safety

Only cosmetic products that are well tolerated and safe to use can win the long-term trust of our consumers. Health compatibility is therefore a top priority for us from the earliest stage of product development. All cosmetic products and their individual ingredients are subjected to an extensive program of assessment and evaluation in order to ensure their compatibility (see  Page 17). This includes consideration of the needs of people with allergies or sensitive skin. All the care products of our Diadermine brand have by now been certified by the European Centre for Allergy Research Foundation (ECARF) and thus satisfy the highest demands for skin compatibility. We are also increasingly applying our expertise in skin compatibility to other

product categories. In 2011, for example, we introduced two products for people with sensitive scalps: Taft Sensitive hair spray and styling mousse.

Extra safety through professional advice and training

Comprehensive advice for consumers goes hand in hand with product safety. An advice hotline has therefore been set up in every country in which our products are sold, so that consumers can be provided competently and quickly with reliable information about product properties or ingredients. In Europe alone, this results in

Dial Naturals



The soaps and body washes of the Dial Naturals line in the USA have been optimized in regard to both their skin compatibility and their biodegradability. 94 percent of their ingredients are derived from renewable raw materials, and they are readily biodegradable. The formulas have been revised to make them even more effective and skin-compatible. The products contain mild preservatives. All of these properties make the Dial Naturals products especially suitable for people with sensitive skin. The product properties have been tested and confirmed by an independent research institute.



 www.dialsoap.com

“When developing the formulas for new hair care products, my team and I always keep the six Henkel focal areas in mind.”



Dr. Elisabeth Poppe
Responsible for international research and development of hair care products.

about 180,000 consumer contacts each year. Most queries are about the effects our products achieve and how to use them. All product-related feedback is documented in our quality assurance system and channeled into our ongoing product development processes.



www.about-cosmetics.com

On the internet – for example, at www.about-cosmetics.com, under the heading of “Safe Coloring for you” – we provide help for our consumers regarding the proper and safe use of hair colorants. Here we explain what they need to remember before, during and after coloring their hair. In a video, we take them step by step through the skin sensitivity test that must be performed before every hair coloring application and also say when a hair coloring product should not be used. We give answers to frequently asked questions on this site as well, providing information about allergy risks, for example, and product safety in general. We also support our professional hairdressing customers with training courses and information. Through the inter-

national Schwarzkopf Academy (ASK), we offer an advanced vocational training program to support our hairdressers in various ways, including instruction on the proper use of our products. www.schwarzkopf-professional.com

Our alignment to sustainability also includes the obligation to advertise responsibly. We ensure that our advertising claims are based on proven properties of the products and scientific data on product performance, and that the information we make available is clear and readily understandable for consumers.

Systematic assessment of our products

We assess the environmental impact of our products throughout their life cycle in order to systematically improve our complete product portfolio. In an initial step, we have calculated the carbon footprint for our various cosmetic products. This covers all the climate-relevant greenhouse gas emissions along the value chain

Applying the insights gained from life cycle analyses



Choosing a Schauma shampoo to represent the shampoo product category, we already calculated its product carbon footprint in 2009 as part of the Product Carbon Footprint (PCF) project in Germany. The results showed that 94 percent of the carbon footprint occurs during the use phase, when water is heated for washing the hair. It is therefore consumers who have the greatest influence on the amount of energy consumed. In order to give our consumers an idea of the environmental impact their behavior can have when doing such everyday things as showering or washing their hair, we have developed a resource calculator (see box at right).

We are working continuously to reduce the remaining percentage. Among the biggest factors influencing this part of the carbon footprint are the formulations of our cosmetics products. Our new shampoo platform formula, for example, stands out for its innovative combination of washing active substances (surfactants). By reducing the overall proportion of washing active substances

while delivering the same product performance, this formula fulfills our aim of improving resource efficiency. Depending on the specific shampoo variety, the new platform formula has a carbon footprint that is between 8 and 21 percent smaller than its predecessor. Considering the annual tonnage in the year 2011, this results in a reduction of about 2,500 metric tons in carbon dioxide emissions.



www.schauma.de
www.pcf-project.de



of a product – that is, from purchasing the raw materials to manufacture and use to disposal.

The results allow us to define areas for improvement per category. For example, the manufacture of aluminum cans for our hair sprays and deodorants is relatively energy-intensive. We therefore investigate whether alternative materials, such as recycled aluminum or packaging steel, could reduce the carbon footprint in these categories.

Often, it is during the use phase of our products' life cycle that the most energy is consumed – for example, when taking a shower or washing the hair. We develop tools to educate consumers about this.

Overall improvement in eco-performance

In addition to energy consumption, other sustainability factors frequently play a key role when it comes to improving our products overall. These might be the compatibility of the ingredients, the origin of the renewable ingredients, biodegradability, or packaging.

Over a period of many years, we have thus formulated those of our products that pass into wastewater after use for optimal biodegradability. In 2011, the proportion of readily biodegradable ingredients in our soaps, shampoos and shower gels was 80 percent. By the end of 2012, we aim to increase this figure to 90 percent.

Brand engagement: Henkel does its part for society



Through our brands and our employees, we engage in charitable projects all over the world. Our Cosmetics/Toiletries business sector, for example, has been supporting the international "Look Good...Feel Better" program as a partner company since 2006. Under the umbrella of this initiative, and working with non-profit associations like the German "DKMS Life" or the "Schweizer Verein für Frauen nach Brustkrebs" (Swiss association for life after breast cancer), it offers free cosmetics seminars for female cancer patients. Schwarzkopf Professional has also been partnering with hairdressers in the "Shaping Futures" initiative to provide training for young people in SOS Children's Villages.



Look Good...Feel Better.



www.lookgoodfeelbetter.org

www.schwarzkopf-professional.com/social-initiative

In the case of washing active substances – surfactants – the amount of readily biodegradable substances even exceeds 90 percent. When using ingredients based on renewable raw materials, we pay close attention to their origin and the cultivation and production conditions. In our packaging as well, we optimize material usage and carefully consider the types of materials employed (see **SR** Pages 18 and 19).

The resource calculator for energy-conscious consumer behavior



Consumers have a decisive influence on how much energy is consumed and how much carbon is emitted whenever they step into the shower. The interactive resource calculator provided by Dial and Schauma gives every consumer an opportunity to find out online how energy consumption varies depending on the temperature of the water and the time spent in the shower. Consumers can thus quickly see how they themselves can influence the carbon footprint of a product.



www.dialsoap.com

www.schauma.de



New energy for a sustainable future

Renewable energy from the wind and sun will become increasingly important in the coming years. The automotive industry is investing in alternative energy sources, such as new battery technologies, to ensure environmentally sustainable mobility in the future. Henkel offers tailor-made adhesives, sealants and surface treatments to help achieve this goal.

Kate Yeo, manager in the Adhesive Technologies business sector and responsible for new energy drives for electric vehicles in the Asia-Pacific region.

Professor Ma Jianxin, researcher in hydrogen fuel cells at Tongji University in Shanghai, China.

Kate Yeo, a manager in the Adhesive Technologies business sector, is working with a team of colleagues from Henkel Research and Development to engineer innovative adhesives, sealants and coating solutions for new energy vehicles. Together with international scientists, including professors from Tongji University in Shanghai, China, they are investigating the future of environmentally sustainable electromobility.

Henkel is also developing solutions for the next generation of solar cells, wind turbines, batteries and fuel cells. For the latest battery and fuel cell modules, the company has advanced technologies, such as electrically conductive coatings for battery cells, adhesives that act as spacers, thermally or electrically conductive adhesives, and protective coatings and sealants to keep out moisture.

“New energy vehicles are excellent opportunities to extend Henkel’s innovative capabilities to a market space that never existed before. I am proud to be working with our team on the cars of the future,” says Yeo.

www.henkelna.com/energystorage



Kate Yeo (left) and Dr. Zhang Jingfen from Henkel discussing electric vehicles in the EV Zone in Shanghai, China.



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Adhesive Technologies

Global leaders through innovation, performance and sustainability

Our products are used in many different markets, such as the automotive, electronics, aerospace, metal and packaging industries, in systems to capture renewable energies, and for maintenance, repair and overhaul. They can make industrially manufactured goods more durable, lighter and more efficient. Our adhesive solutions enable professional craftsmen and DIYers to protect buildings against cold and dampness, for example, or to repair items of daily use, while our adhesives know-how is much appreciated in the home, in schools, and in offices. The key consideration, however, is always that of combining economic benefits for our customers with responsibility toward people and the environment.

More value for our customers and our company

Throughout the world, our adhesives, sealants and surface treatments are known for their high quality and make us global market leaders – technologically, ecologically, and in terms of health compatibility. We achieve this through innovative products and processes which offer better performance, health and safety at work and consumer protection, with the least possible use of resources and less negative impacts on the environment. To do so, we work with strong partners, including raw materials suppliers, machine manufacturers and manufacturing companies from all sectors of industry. By cooperating efficiently, we are able to find innovative solutions together.

Our customers are always at the center of what we do. We continuously optimize our products to deliver more value to them and help them achieve their own sustainability goals. Often, our solutions combine economic benefits with progress in the areas of environmental protection, occupational health and safety, and consumer protection.

We have developed numerous tools to demonstrate these benefits transparently to our

customers. One of these is the Value Calculator. It can be used to compare a new product or process step by step with an existing one. All process costs can be visualized clearly alongside each other, making it possible to identify savings potential in terms of maintenance effort and expenditure. The factors considered include energy, water and raw materials usage, and the costs for disposal. This makes it possible to show at a glance where process improvements can be achieved at our customers, as well as the resulting time and cost savings. We are now using the Value Calculator for some 20 brands and product categories, such as Loctite, Bonderite, Technomelt, Liofol and Mirafoil.

Improvement based on life cycle analyses

As the global leader in adhesives, we are aware of our responsibility and want to demonstrate our progress in sustainability in a transparent manner. We fulfill this goal by consistently reviewing and optimizing our product portfolio. Our extensive experience, in particular with the use of life cycle analyses, helps us to identify suitable starting points for improvements. Here we consider not only the composition and production of our own products, but also the applications in which they will be used and the production processes at our customers.

PURmelt

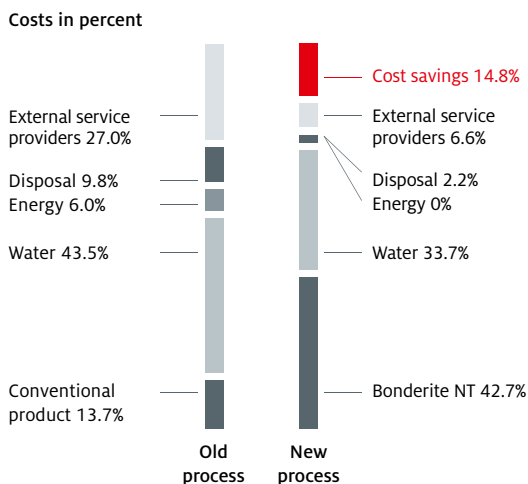
With its lower application temperature of less than 100 degrees Celsius, the new non-hazardous polyurethane hotmelt adhesive Purmelt MicroEmission Cool 3400 for perfect binding of books and brochures helps to reduce energy consumption.

“Sustainability has been a constant focus of our work for many years when it comes to developing adhesive technologies.”



Amélie Vidal-Simi
Head of Consumer and Craftsmen
Adhesives, France.

Value Calculator: Example – Bonderite NT



This illustration gives an example of how the new process with Bonderite NT can cut the total costs by about 15 percent – despite higher expenditure for the product itself.

Life cycle analyses also help us to identify potentials for achieving our sustainability goals for 2030 and to document our progress. We have thus grouped our products into some 50 categories in which we are determining the ecological footprint across the entire value chain – from raw material sourcing and production to use at the customer and waste disposal.

Safety as a top priority

The health and safety of our customers and consumers and their surroundings is a top priority for us. This is why we are working all around the world to set new standards with our products by focusing on areas such as the health compatibility of contact adhesives and threadlockers.

With our Loctite brand, for example, we are the only producer to offer a complete portfolio of anaerobic threadlocking adhesives and sealants that do not have to be labeled with any hazard symbols. We thus deliver a significant plus in added value to our customers, as this first complete range of anaerobic products actively supports companies in their efforts to promote health and safety at work.

Another important issue for us is the use of solvents in adhesives for consumers and craftsmen. These are often the subject of controversy in public debate because of their possible negative impact on health and the environment.



The threadlocking adhesives of the Loctite brand do not need to be labeled with any hazard symbols.

Our approaches include searching for powerful alternatives to raw materials that are becoming ever scarcer and dialoguing with our customers to develop solutions that will enable them to modify and improve their own production processes.

More efficiency in wind power



Our Macroplast brand polyurethane adhesive helps to optimize the production of wind energy plants. With its accelerated cure speed, the Macroplast UK 1340 adhesive makes it possible to manufacture rotor blades more efficiently, as it not only satisfies the high mechanical demands, but also significantly reduces the duration and temperature of the curing phase. Among other things, the adhesive thus helps to reduce energy consumption.

 www.henkel.com/macroplast



Replacing solvent-based adhesives by alternative solvent-free systems has therefore been a goal of our researchers for many years. Taking the situation in 2010 as our baseline, we set ourselves the target of reducing the remaining amount of solvents in the consumer adhesives segment by half by 2020. One example is the solvent toluene, which we have replaced in all of our contact adhesives for consumers around the world. Where no alternative systems are yet available, we are working continuously on solutions using non-hazardous solvents as an intermediate step. Henkel Chile, for example, is replacing fossil solvents by more environmentally compatible ones, such as ethanol, in its “Cachaça” project. To make sure that alternatives will be available in time to shape a future without solvents, we are investing in the development of new basic technologies. Our research centers around even more powerful water-based systems, 100-percent systems like hotmelts, as well as completely new cross-linking mechanisms.

Partnering for sustainable product design

Sustainability requires knowledge-sharing and concerted action by all those involved along the entire value chain – from raw materials suppliers through to consumers. This is why we join forces with strong partners. Through efficient collaboration with them, we find new solutions for even better eco-compatibility and improved occupational health and safety and consumer protection. For example, thanks to close interaction between Henkel and Adidas, we were able to introduce innovative primers and adhesives that have not only improved the performance of many Adidas products, but also



“Invisible” innovations: Our first water-based polyurethane adhesive, Aquace W-01, is used to manufacture sports footwear. It reduces emissions of volatile substances during processing by up to 90 percent.

“Cachaça”: Ethanol as a solvent substitute



The “Cachaça” project involves a novel kind of technology developed by Henkel Chile. In this project, Henkel Chile is replacing the fossil solvents in products such as Agorex Parquet and Pritt Liquid Silicone with ethanol. This is derived from sugar cane – just like the well-known Cachaça alcoholic beverage after which the project was named. Ethanol is currently the most environmentally compatible organic solvent. Furthermore, the technology makes it possible to reduce raw material costs by 35 percent on average.

reduced their ecological footprint. By now, all manufacturers of athletic shoes are benefiting from our water-based adhesive solutions.

Advice, training and dialogue

Our understanding of quality does not stop with the development and sale of high-performance products. All around the world, we offer service and advice to our customers. By sharing our technical know-how and competence, our main aim is to help our customers to use our products efficiently and safely.

Our chemicals management concept in the USA, for example, helps them with the selection, processing and disposal of chemicals. In Central and Eastern Europe, Ceresit training centers teach craftsmen how best to use our building products. In many markets, such as China, the United Arab Emirates, Brazil and the USA, Henkel is also a member of the national Green Building Council. The aim of this multi-stakeholder platform is to raise awareness and promote the development of standards for sustainable building methods and products.

Another example is the Henkel ProControl system – a measuring unit that is installed directly in production lines. It allows our customers to precisely monitor their adhesive consumption rates. When using a product like our Technomelt Supra Cool 130 hotmelt adhesive for industrial packaging, this can show how it is possible to reduce the amount of adhesive applied by up to 50 percent.



New ideas for sustainability – a team effort

Together with their teams, top managers at Henkel develop different initiatives for implementing Henkel's new sustainability strategy – and record them in an action plan. This approach generates a common understanding among the team members and engages all employees in the development of concrete projects.

From the left: **Sylvie Nicol**, Head of Cosmetics/Toiletries, **Yves Gautier**, Head of Corporate Communications, **Allessandra Faccenda**, Head of Finance, and **Joachim Bolz**, President of Henkel France.

Establishing a clear strategy is just the beginning – the challenge is to implement it globally. Sustainability can only become an integral part of daily activities if all employees understand the underlying principles and have an opportunity to make their own contributions.

To begin the implementation of Henkel's new Sustainability Strategy 2030, some 3,000 team leaders around the world were requested to discuss the new strategy with their teams and to draw up a sustainability action plan for their own particular sphere of activity, one that precisely reflects the opportunities and challenges they see in their business. This is how we ensure that the strategy will be translated into concrete projects in every business sector, every function, and every region.

One of the first team meetings to set up an action plan for sustainability was held in Paris, France, in October 2011. "Our discussion centered around the question of 'What are we doing well today and what could we do better tomorrow?'" said Joachim Bolz, President of Henkel France, describing the way he and his management team had addressed the topic. Looking at each of the six focal areas, he and his colleagues considered how each one of them could deliver more value in the future while reducing their ecological footprint at the same time. At the end of the meeting, the participants committed to concrete measures that they could implement in the short term, as well as longer-term initiatives that would contribute to achieving Henkel's sustainability goals for 2030.



Sustainability Strategy 2030 action plan meeting:
Joachim Bolz (fourth from left), President of Henkel France, discusses the implementation of the new sustainability strategy with his management team and Henkel experts.

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GERMANY

Employees

“ONE Henkel – many different people”

As a globally operating company, Henkel employs people from more than 120 nations – 80 percent of our people work outside of Germany. This international character and diversity call for a shared vision and actively lived corporate values as elements that unite us worldwide. Through our vision and values, we aim to establish a winning culture at Henkel. This culture is shaped by people with an entrepreneurial spirit. It demands individual responsibility, rewards personal best performances, and is based on fairness and team spirit. Its foundations are always to be found in the behavioral rules established in our Code of Conduct – such as respect for the personal dignity and privacy rights of all employees and adherence to the principles of equality and fairness. We support the continuous development of a winning culture through our human resources management policies. These cover all human resources activities, from employee recruitment and staff retention to education and training programs, including topics such as diversity, performance assessment, compensation, and health management.

Anchoring the Sustainability Strategy 2030

To convey our new sustainability strategy, we deliberately chose a dialogue-oriented approach with action plan meetings (see left page). Joint discussion of the strategy helps to explain it, and encourages everyone involved to keep the entire value chain in mind when considering short- and long-term measures and to address any conflicting goals openly. Only if all employees know and understand the principles and challenges of sustainability will they become a guideline to behavior and decision-making. Every top manager around the world was requested to hold an action plan meeting with the people in his or her immediate team by the end of 2011. This process is scheduled to be completed for the lower management levels as well by mid-2012. In addition to the action plan meetings, we are also integrating the topic of sustainability to a greater extent in other existing training programs and seminars.

Diversity as a competitive advantage

We value the diversity of our people as an important asset for our company. We are convinced that the different cultures and competencies of our employees help us to better understand our markets and to ensure long-term business success. We thus aim for the experience, skills and talents of our people to reflect the diversity of our markets. We want the best teams – regardless of age, gender and nationality. When we appoint someone to a position, the only criteria that matter to us are competence, potential and performance, and not the filling of quotas. Our focus is therefore on identifying and eliminating barriers that could restrict individual development opportunities. As early as June 2009, the Henkel Management Board approved our Global Diversity & Inclusion Policy. The corresponding department, which was created in 2007, reports directly to our Executive Vice President Human Resources.

Focus on fostering female employees

Across the company, we focus our activities on three dimensions: internationality, gender and age/experience. In 2011, the main emphasis was on fostering women in management positions. Over the past few years, we have already increased the share of women in managerial positions to some 30 percent – an average growth rate of one percentage point per year. Henkel holds a

More than

47,000

employees from over 120 nations work together in Henkel's global team.

German Diversity Award

Henkel, McKinsey & Company and the “WirtschaftsWoche” business weekly presented the German Diversity Award in 2011 for the first time. The award is supported by “Charta der Vielfalt” (Diversity Charter), an initiative whose aim is to promote diversity in business enterprises. It is conferred on employers, individuals and innovative projects in recognition of the successful way they use diversity and diversity management to promote a diversity culture in corporate Germany.

 www.diversity-preis.de

Diversity

Deutscher Diversity Preis

Highlights in 2011: Diversity at Henkel

- We have appointed two new diversity ambassadors for the Africa/Middle East region. The global network now comprises 16 such ambassadors.
- Further expansion of our global mentoring program to support the transfer of knowledge between experienced senior managers and their junior colleagues (mentors and mentees).
- The Women's Networking Day was held for the third time in 2011 – this time also with lively participation by male managers.
- In November 2011, Henkel signed the French Diversity Charter.
- In June 2011, Henkel was honored with the "Equality in the Company" award in Spain. This distinction is conferred on companies that act in an exemplary manner to promote equal opportunities for women and men.

leading position among DAX 30 companies in this respect. In the coming years, we intend to expand this lead and increase the proportion of female managers at all levels – at an average rate of two percentage points per year throughout the Group. We have committed to this goal in a joint declaration issued by the DAX 30 companies. Measures to achieve this aim begin at the recruitment stage, where we pay special attention to achieving gender balance. This objective is also pursued in our mentoring programs by focusing particularly on developing our female managers.

Family-career balance

Long-term career planning ensures a balance between a person's career and family life. Job rotations to other countries are scheduled for the early stages in our managers' careers. In addition, job-sharing models, part-time jobs, working from home, and the comprehensive use of mobile communication devices create a great deal of flexibility. By offering these opportunities, we are also emphasizing that it is performance rather than classic presence that we value.

Key training categories in 2011



- 26% Communication and languages
- 26% Safety, health, environment and quality
- 16% Management and leadership competence
- 16% Business administration
- 9% Chemistry and engineering
- 6% Information technology
- 1% Others

Talent management

We assess our managerial employees in annual Development Round Tables. The reviews are based on uniform principles and clearly defined management competencies. Supervisors discuss the performance and potential of all the staff members in a particular business sector. The results are communicated to the employees in person-to-person feedback meetings, and development measures are then agreed upon

jointly as appropriate for each individual. To support our supervisors in the area of talent management, we have developed extensive e-Learning tools consisting of several modules to ensure standardization of our processes and transparency in their execution. In 2011, we also revised the concept and methods used in our international development and assessment center for managers in order to better reflect the broadening requirements that our managerial staff must meet. For our non-managerial employees, we use locally adapted assessment and development systems.

Continuous investment in training and education

In highly competitive international marketplaces, the quality of our global team plays a decisive role. This is why we invest continuously in enhancing the skills of our people. All Henkel employees spend an average of two days per year participating in courses to foster their professional and personal development. The range of topics covered stretches from management seminars and language courses to safety, compliance and environment training, and also includes special workshops on subjects like financial reporting according to international standards. In addition to traditional personal-presence training sessions, our employees also have the opportunity to use the online modules offered on our internal learning portal.

To ensure consistently high quality levels for our seminars, we developed a new framework in 2011, encompassing 33 global core training programs. These will be further developed in terms of content and introduced over the course of 2012.

Performance-based compensation

A fair compensation strategy in line with market practices is a fundamental component of our corporate culture. Its goal is to cover the varying needs of employees worldwide and to ensure competitiveness in the local markets. For us, it is self-evident that this system makes no systematic differences in compensation for male and female employees.

To reward personal engagement and individual contributions to our company's business perfor-

mance, the salaries of all managerial employees include success-related components. In 2011, we improved this system still further. Individual performance now plays a much larger part in determining the level of a manager's annual bonus. While the compensation for managers takes a global approach, the incentive systems for our non-managerial employees are based on cultural and local factors. Bonus systems differ depending on the region, for example, and whether an employee works in sales, research or production. Some 65 percent of our non-managerial employees now share in Henkel's business success through performance-based compensation components.

Performance is always assessed in the context of our corporate vision and values. Individual target agreements also include sustainability aspects, such as reducing energy and water consumption or accident rates, if these fall within the sphere of influence of the employee concerned and have a clear bearing on business performance. In their Target Dialogue meeting, each employee must confirm compliance with all applicable legal regulations and the Henkel standards.

Health and growing workloads

We promote the health and performance capability of our employees through targeted programs and other precautions. These include preventive measures to avoid risks in the workplace that could result in long-term illnesses and the inability to work. Individual sites design their health programs to focus on different factors,

“Promoting and maintaining the health of our employees is an important element of our sustainability strategy.”



Dr. Toni Reifferscheid
Head of Corporate Health Services

depending on local requirements. In 2011, we launched our first worldwide health survey to record the local organization of medical services and the many different kinds of health services offered. We are using the results of this survey to improve our programs still further.

As our world becomes more complex and dynamic, and demands on each individual grow, programs revolving around psychological health are becoming more and more important. In many countries, programs are now in place which offer all employees an opportunity to obtain advice on time, stress and conflict management. Other initiatives focus on more flexible working hours, to improve the balance between work and free time for our employees and to reduce workplace-related stress.

More information on leadership, development and health:

 www.henkel.com/sr2011 | 21

Human rights and social standards



As long ago as 1994, we declared in our corporate mission that we “respect the social values and standards of the countries where we operate.” We clearly emphasized our support for the protection of human rights 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, 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 presentations, training and e-Learning modules, we ensure that our social standards are firmly anchored throughout the company. We place special emphasis on training the managing directors and human resources officers of our companies in each country, so that they can act as “local ambassadors” in raising awareness of the importance of our social standards. Compliance with our Social Standards is verified as part of our company-wide audit program.  www.henkel.com/sr2011 | 22



Big experiments for little researchers

Henkel's Forscherwelt (Researchers' World) is a place where children can make big discoveries – with their natural curiosity, wanting to know how and why things work. Henkel set up this child-focused facility in Düsseldorf in 2011, in a dedicated laboratory with a floor space of about 300 square meters. In 2012, the program will also include one-week projects on sustainability.

From the left: **Lara** (9), **Lukas** (9),
Mieke (10), **Valentin** (7).



The initiative "Deutschland – Land der Ideen" (Germany – Land of Ideas) honored the Forscherwelt in 2012 as one of "365 Landmarks in the Land of Ideas."

 www.land-der-ideen.de/en



Dr. Ute Krupp
Sustainability manager and Head of the
Forscherwelt.

The idea behind the Forscherwelt at Henkel is to take children on scientific adventures, showing them how much fun research can be. Since the beginning of 2012, the Forscherwelt – whose patron is Dr. Simone Bagel-Trah, Chair of the Shareholders' Committee and Supervisory Board of Henkel – has been open to elementary schools in Düsseldorf and its surroundings. Henkel supplies the equipment and materials for the laboratory, which was specially designed for children. The students are guided through the experiments by their teachers. To help the teachers prepare, Henkel offers them separate training sessions in the Forscherwelt.

Initially, the Forscherwelt was used by children of Henkel employees during the 2011 spring, summer and fall vacations. Project leader Dr. Ute Krupp relates: "The kids were able to ask Henkel experts whatever they wanted to know and find

out what their parents' working world is like. They became truly excited about science, far more than we would ever have expected."

The Forscherwelt is unlike any classic school laboratory. Its fixtures and fittings and the teaching concept were designed specifically with young children in mind. In the Forscherwelt, children also learn that scientists don't just do experiments in the lab, but also share their knowledge and experience with other scientists.

"Children are naturally hungry to explore and learn new things. Through our initiative, we want to spark their interest for the sciences at an early age. And in the summer of 2012, we will be launching our own research week all about sustainability," says Dr. Krupp.

 www.henkel-forscherwelt.de



RATIBOR
POLAND

DÜSSELDORF
GERMANY

SCOTTSDALE
ARIZONA, USA

SHANGHAI
CHINA

BOULOGNE-BILLANCOURT, PARIS
FRANCE

DÜSSELDORF
GERMANY

Social engagement

We get involved

Social engagement – or corporate citizenship – has always been an integral part of our sense of responsibility as a company. This is a tradition that dates back to our founder, Fritz Henkel, and is firmly embedded in our corporate values. Together with employees and retirees, customers, consumers and non-profit organizations, we are involved all over the world. We have structured our activities around three core elements: supporting employee volunteering; corporate and brand engagement for the common good; and emergency aid. Our donations in 2011 totaled some 6 million euros.

Employee volunteering

We support the social volunteering activities of our employees and retirees in many different ways. Our commitment here centers around the Make an Impact on Tomorrow (MIT) initiative, which has been supported in Germany since 1998. By now, we devote some 53 percent of our funds to MIT projects. We support activities in the areas of social needs, education and science, fitness and health, culture, and ecology. Employees and retirees who do volunteer work in their free time may obtain funding for their project of up to 10,000 euros, product donations, or up to five days paid time off from work. Professional advice from staff in the donations department is also available at any time to employees and retirees.

Social partnerships

As part of our corporate engagement, we enter into social partnerships in the communities around the world where Henkel is located to support social initiatives and public institutions. These include sports clubs, hospitals, kindergartens, schools and universities, charity organizations, and cultural events. We do not support political parties.

Our business sectors and our brands also sponsor non-profit projects – often together with partners. Examples of this engagement by our brands

are Persil's "Futurino" project, Schwarzkopf Professional's "Shaping Futures" initiative, and Metylan's sponsoring of vocational training for painters and decorators.

Emergency aid

When natural disasters occur, we respond with immediate aid – provided unbureaucratically through the Fritz Henkel Foundation – wherever it is needed in the world. After the 2011 catastrophe in Japan, for example, we immediately sent product and financial donations to help our employees and other disaster victims in the region. Similarly, directly after the devastating floods in Thailand, we provided financial aid for our employees and other people in need. In providing this assistance, we take care to ensure that 100 percent of all donations are passed on to the persons affected. www.henkel.com/sr2011 | 23

www.henkel.com/corporate-citizenship

Helping people to help themselves

Volunteering for India: Dr. Reimar Heucher, head of hotmelt adhesives and water-based dispersions in the Adhesive Technologies business sector, is a board member of the charity Verein Deutsch-Indische-Kinderhilfe e.V. (Indo-German Help for Children). Once a year, he travels to India to learn how the sponsored projects have progressed. In Germany, he does volunteer work for the charity's projects, which especially support needy children and young people, helping them to help themselves. Henkel

provided a total of 10,000 euros in 2011 to fund several of Heucher's Indo-German Help for Children projects and granted him two days paid time off from work. This is one of many examples of how we support the volunteer work of our employees around the world.

www.deutsch-indische-kinderhilfe.de



Stakeholder dialogue

Aims of the dialogue

Social acceptance and understanding of entrepreneurial actions are an essential prerequisite for developing viable solutions for a sustainable future. Dialoguing with social groups is therefore an important element of Henkel's sustainability strategy. We continuously seek and maintain a dialogue with all relevant stakeholders, including customers, consumers, suppliers, employees, shareholders, local communities, government authorities, associations and NGOs, as well as politicians and academia.

This dialogue shows us which aspects of sustainable development are of particular interest to individual stakeholder groups. The earlier and the more intensively we engage with the views of our stakeholders regarding future social challenges, the better and the more quickly we will be able to take these into account in our planning and our actions. This open exchange also offers a basis for mutual understanding and an opportunity to attain social acceptance of our entrepreneurial decisions. At the same time, it is a source of new ideas for the company and allows us to identify potential risks at an early stage.

The stakeholder dialogue thus makes an important contribution to our innovation management and risk management and forms the basis for the further development of our sustainability strategy and reporting.

Identification of key issues

Society and business enterprises alike are facing many different global challenges. In order to filter out which topics are relevant to our business activities, we analyze the sustainability challenges using a variety of tools and processes and assess their significance for the company (see chart below). In doing so, we dialogue continuously with sustainability-focused institutions, international rating agencies and analysts, and academia. We also consider the assessment criteria of various financial and sustainability-oriented indexes and the guidelines of the Global Reporting Initiative (GRI).

As a result of this continuous process, we have defined six focal areas for driving sustainable development worldwide through our products and our business activities. A concurrent goal is that of aligning our company to meet emerging sustainability demands and adjusting our business policies to reflect them as early as possible.

Identification of key topics for our sustainability management and reporting

External challenges	Processes / instruments	Results / relevant topics		
Population growth Rising consumption Scarcity of resources Degradation and depletion of eco-systems Climate change Increasing regulatory controls ...	Trend and market analyses Dialogue with experts Strategy development Reporting and ratings Risk management ...	Business performance Quality Reliability Convenience Eco-efficiency ...	Occupational health and safety Plant safety Product safety REACH Animal testing Responsible product labeling Hygiene ...	Fair business practices Employee development Fair working conditions Human rights Diversity Supplier relationships Corporate volunteering ...
		Resource consumption Renewable raw materials Sustainable palm oil Packaging and waste Bioplastics Recycling Biodiversity ...	Operational energy efficiency Renewable energies Energy-efficient products Transport and logistics CO ₂ mitigation Carbon footprint ...	Scarcity of water Water consumption in production Wastewater and wastewater disposal Biodegradability Water footprint ...

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



A step on the road to developing our new sustainability strategy: At a workshop held at the end of 2010, sustainability experts exchanged views with Management Board Chairman Kasper Rorsted and members of the Henkel Sustainability Council.



Kathrin Menges, Executive Vice President Human Resources, presented Henkel's updated sustainability strategy at the German Sustainability Conference in Düsseldorf in November 2011.



Enric Holzbacher (second from left), member of the Sustainability Council for the Adhesive Technologies business sector, discussed the challenges and opportunities of Germany's energy turnaround at the 2011 annual conference of the Carbon Disclosure Project.

Dialogue with international experts

We consider it especially important to meet and exchange views with sustainability experts from different fields. Since 2005, we have been inviting experts from various parts of the world to collaborate with Henkel in further developing our strategy. We choose these experts on the basis of their knowledge of the challenges their countries face and their experience in corporate sustainability management. This dialogue helps us to adjust our activities to reflect external expectations in the different regions and to develop the most appropriate solutions in each particular context. www.henkel.com/sr2011 | 24

Development of the new sustainability strategy

In developing our new sustainability strategy, we pursued our existing dialogue with five selected experts from Germany, Switzerland, the USA and India. At the end of 2010, these specialists met with members of the Henkel Sustainability Council in a workshop held at our headquarters in Düsseldorf to discuss current trends in sustainable development, to evaluate their impact on business and our markets, and to identify concrete options for action.

Systematically integrated dialogue

Our more than 47,000 employees around the world are called upon to assume responsibility in their daily working environment and to base their decisions and projects on the principles of sustainable development. Dialoguing with stakeholders is therefore an essential aspect of each employee's job. In this way, we ensure that

local and regional challenges are discussed by the appropriate experts in our company and the stakeholder groups involved. We develop strategies and solutions at the very place where they will be assessed and put into practice. The channels, topics, duration and intensity of the dialogue are aligned to the individual stakeholder groups and their specific issues.

In 2011, Henkel employees in many countries again met with politicians, businesspeople, scientists and scholars, and members of the general public to engage in a dialogue with them. Over the course of the year, Henkel took part in more than 150 sustainability events in 29 countries.

www.henkel.com/sr2011 | 25

Participation in international initiatives

On local, national and international levels, Henkel participates in a wide variety of projects, topical initiatives, and symposia, to make active contributions in the shared task of shaping sustainable development. This also includes engagement in policy-making workgroups and in industrial associations, such as the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum, and the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.).

Here we use our experience and leadership in sustainability to spur the debate on sustainable consumption. We are involved in several workgroups dealing with this topic. The Sustainable Consumption group of the WBCSD published initial results of its work in a report issued in November 2011.

More examples of our participation in international initiatives:

www.henkel.com/sr2011 | 26



www.wbcsd.org/publications-and-tools.aspx

Indicators

Creating transparency

The indicators we record throughout the Company offer transparency in many respects. They help us to identify potential improvements, steer programs, monitor target achievement, and inform the public about our performance and progress in compact form. We show the progress of each of our indicators over a five-year period; our social indicators were first included in 2008.

Environmental indicators for our production operations

The environmental indicators for our production operations are based on the indicators of the European Chemical Industry Council (CEFIC). In the Sustainability Report, we focus on the publication of our globally relevant core indicators. Other environmental parameters of less relevance for global steering purposes are reported on the internet only. The production-related data for 2011 were determined at 171 of 180 Henkel sites

in 56 countries. The data represent more than 95 percent of our worldwide production volume in 2011. They are validated centrally for year-end reporting and also verified locally within the framework of our international audit program (see **SR** Page 7). Any differences in data discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – as a result of acquisitions or site closures, for example – the number of sites contributing data changes accordingly: from 166 in 2007 to 171 in 2011. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

Employee indicators

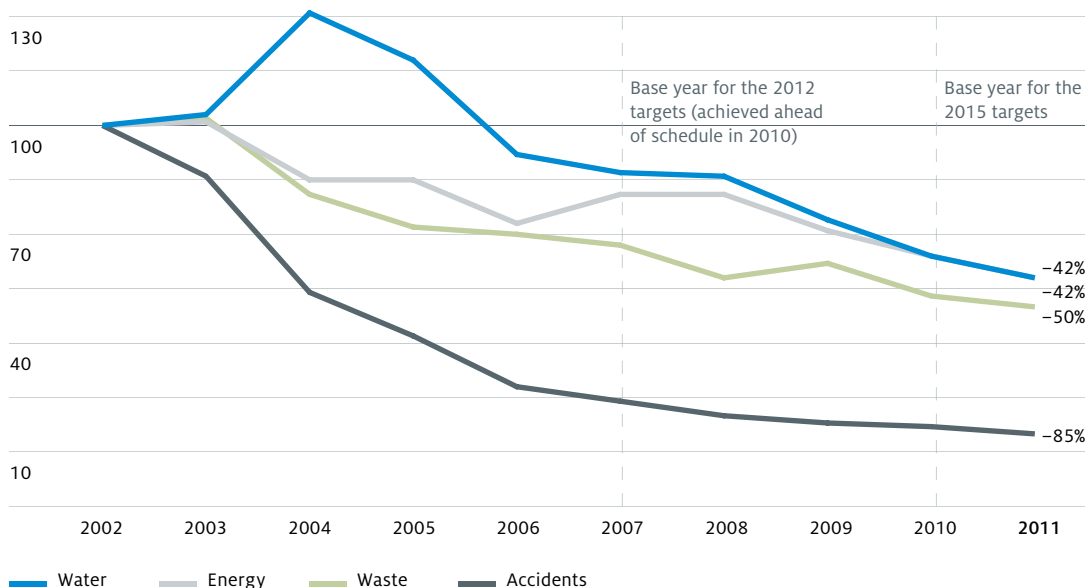
Occupational accidents are registered using a globally uniform reporting system; the coverage extends to 99 percent of Henkel employees. The published employee indicators also cover 99 percent of our employees.

We report on the progress of other environmental indicators, such as emissions of sulfur dioxide, nitrogen oxides and dust, on the internet:

www.henkel.com/sr2011 | 27

Long-term trend: Sustainability performance from 2002 to 2011

Environmental indicators per metric ton of output, occupational accidents per million hours worked; base year 2002



We have been working to increase the efficiency and safety of our production processes for decades. Our sustainability performance over the past ten years illustrates this very clearly. In all three business sectors, our optimization efforts focus on improving value creation and occupational health and safety in our production operations while reducing our ecological footprint. Building on the progress achieved, we aim to reduce our energy and water consumption, our waste footprint, and the accident rate still further (see **SR** Page 5).

Production volumes

In thousand metric tons

	2007	2008	2009	2010	2011
Production volumes	7,366	7,707	6,853	7,481	7,550
Index: Change from 2007 to 2011					+2%

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

Energy consumption

In thousand megawatt hours

	2007	2008	2009	2010	2011
Bought-in energy	831	902	758	794	666
Coal	240	178	115	119	119
Fuel oil	134	158	163	177	165
Gas	1,830	1,947	1,423	1,350	1,270
Total	3,035	3,185	2,459	2,440	2,220
Index: Change from 2007 to 2011					-29%

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



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 2007 (= 100 percent).

Carbon dioxide emissions

In thousand metric tons

	2007	2008	2009	2010	2011
Henkel's own carbon dioxide emissions	484	486	353	341	322
Carbon dioxide emissions from bought-in energy	424	445	362	373	330
Total	908	931	715	714	652
Index: Change from 2007 to 2011					-30%

Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities. The given values include carbon dioxide formed during the generation of bought-in energy at non-Henkel sites.



Emissions of volatile organic compounds

In metric tons

	2007	2008	2009	2010	2011
Emissions of volatile organic compounds	473	430	308	367	326
Index: Change from 2007 to 2011					-33%

Since 2007, additional measures have been implemented to reduce emissions of volatile organic compounds. The rise in 2010 is due to the increase in production volume and shifts in the production portfolio.



Water consumption and volume of wastewater

In thousand cubic meters

	2007	2008	2009	2010	2011
Water consumption	11,598	12,041	9,174	8,688	7,921
Volume of wastewater	5,473	6,010	4,578	4,045	3,664
Index: Change from 2007 to 2011					
Water consumption					-33%
Volume of wastewater					-35%

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

	2007	2008	2009	2010	2011
COD emissions to wastewater	8,613	9,142	7,628	7,714	6,570
Index: Change from 2007 to 2011					-26%

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



Emissions of heavy metals to wastewater

In kilograms

	2007	2008	2009	2010	2011
Zinc	404	482	512	423	454
Lead, chromium, copper, nickel ¹	325	431	450	381	292
Total	729	913	962	804	746
Index: Change from 2007 to 2011					0%

The rise in the years 2008 and 2009 is primarily due to the acquisition of the National Starch businesses in 2008.

¹ Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant in our production.



Waste for recycling and disposal

In thousand metric tons

	2007	2008	2009	2010	2011
Waste for recycling	105	103	107	91	89
Hazardous waste for disposal	22	20	11	16	15
Waste for disposal	63	51	47	48	41
Total	190	174	165	155	145
Index: Change from 2007 to 2011					-25%

"Hazardous waste for disposal" includes all kinds of waste that are classified as hazardous under the laws of the respective countries and the hazardous wastes listed in the Basel Convention of 1989.



Occupational safety



Index

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

The base for the index is the year 2007 (= 100 percent).

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)

	2007	2008	2009	2010	2011
Henkel employees	1.7	1.4	1.3	1.2	1.1
Employees of external companies who work at Henkel sites and are directly contracted	1.8	1.9	1.2	1.0	1.1
Index: Change from 2007 to 2011					-35%

99 percent of Henkel employees were covered.

Serious occupational accidents

More than 50 days lost

	2007	2008	2009	2010	2011
Accidents during typical production activities	18	14	13	14	11
Accidents while walking or moving around (e.g. stumbling)	8	4	9	7	7

99 percent of Henkel employees were covered.

Employee indicators



Employees (as of December 31)

	2008	2009	2010	2011
Henkel worldwide	55,142	49,262	47,854	47,265
Structure of workforce				
– Non-managerial employees	82.0%	80.0%	79.8%	79.9%
– Managers	16.6%	18.4%	18.6%	18.6%
– Top managers ¹	1.4%	1.6%	1.6%	1.5%
Employee fluctuation worldwide ²	5.7%	4.9%	4.6%	5.6%

¹ Management Board, Corporate Senior Vice Presidents, Management Circles I and IIa.

² Based on employee resignations.

At 47,265, the 2011 headcount was 1 percent below the prior-year level.

Employee retention instruments, talent management, and the diversity strategy contribute to a low employee fluctuation.

Age and seniority (as of December 31)

	2008	2009	2010	2011
Average seniority in years	9.8	11.0	10.3	10.2
Average age of employees	39.4	39.3	39.4	39.4
Age structure				
16–29	19.5%	18.7%	18.1%	18.3%
30–39	32.7%	34.2%	34.4%	34.6%
40–49	29.6%	29.7%	29.7%	29.4%
50–65	18.2%	17.4%	17.7%	17.7%

The average age of our employees has remained constant over the years. Retirements are continuously offset by the hiring of new young employees. We thus ensure 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)

	2008	2009	2010	2011
Henkel	109	116	119	125
Managers	77	82	82	91
At headquarters in Düsseldorf	51	48	50	53
Management Board	4	4	4	4

The internationality of our workforce reflects our business policy of filling local management positions with local employees, and ensuring that we have international teams at our corporate headquarters in Germany.

Percentage of women (as of December 31)

	2008	2009	2010	2011
Henkel	32.9%	31.8%	32.1%	32.5%
Managers	26.4%	27.4%	28.7%	29.5%
Top managers ¹	13.7%	16.4%	17.0%	18.6%

¹ Management Board, 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. This is a result of our consistently applied diversity strategy.

Part-time employees (as of December 31)

	2010	2011
Part-time contracts, global	4%	3%
Western Europe (including Germany)	8%	8%
Germany	10%	10%

Part-time work models are of relevance mainly in Western Europe and especially in Germany. 81 percent of all part-time contracts relate to employees in these regions. In emerging markets, such as Asia, Eastern Europe, the Middle East, and Latin America, there is significantly less demand for part-time work models.

Employees covered by collective agreements
(as of December 31)

	2008	2009	2010	2011
Percentage worldwide	44%	44%	44%	44%
Percentage in the European Union (EU)	79%	79%	79%	79%

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

Personnel development (as of December 31)

	2008	2009	2010	2011
Internal promotion (managers)	1,877	1,462	1,337	1,387
International job rotations	433	443	470	475
Trainees (Germany)	510	511	487	483
Average number of training days	2	2	2	2

On average, five employees per day were promoted in 2011. This demonstrates the dynamism of our company and the need for qualified young professionals. To conduct our global business successfully, international management experience is essential for our managers. The number of international job rotations is thus constantly increasing.

Employee share program (as of December 31)

	2008	2009	2010	2011
Percentage of employees owning Henkel shares	27.4%	28.4%	29.3%	31.3%

Employees from 54 countries purchased just under 3 million preferred shares in 2011. Some 31 percent of all employees own Henkel shares.

Social engagement (as of December 31)

	2008	2009	2010	2011
Total number of projects supported	2,476	2,155	2,493	2,343
Number of people supported	–	500,000	730,000	753,629
Time off from work for employee-initiated projects (days)	285	318	54	135
Donations in thousand euros (financial and product donations, not counting time off)	7,529	7,684	6,087	6,002
Financial donations for employee-initiated projects as a percentage of total donations	42%	55%	41%	53%

The number of projects and the volume of donations lie at about the same levels as the previous year. A more focused selection of projects resulted in a slight increase in the number of people supported. There was, however, a large increase in the number of days off from work compared to the year before. Generally speaking, employees may request as many as five days off from work per year. Half of all the financial donations were initiated by employees and retirees.

Percentage of employee projects per Millennium Development Goal (as of December 31)

	2009	2010	2011
1. Eradicate extreme poverty and hunger	21%	33%	30%
2. Achieve universal primary education for girls and boys alike	31%	47%	23%
3. Promote gender equality and empower women	10%	2%	2%
4. Reduce child mortality	6%	3%	14%
5. Improve maternal health	3%	1%	1%
6. Combat HIV/AIDS, malaria and other diseases	22%	7%	20%
7. Ensure environmental sustainability	6%	6%	9%
8. Develop a global partnership for development	1%	1%	1%

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

External ratings

Ratings and indexes 2011

Henkel's performance in sustainability impressed external experts again in 2011. At the same time, recognition at the regional level is gaining in

importance alongside the international ratings and rankings. More information on external ratings: www.henkel.com/sr2011 | 28



Sector leader for five years in a row

Zürich/New York: For the fifth time in succession, Henkel was listed in both the World and the Europe Indexes of the Dow Jones Sustainability Index as the sustainability leader in the Nondurable Household Products sector.



Included for 11 years running

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



Fourth successive listing

New York: Henkel was named among the "World's Most Ethical Companies" for the fourth time in succession.



Included since 2002

Paris: In 2011, as in previous years, Henkel was one of the 200 companies worldwide listed in the Pioneer class of the Ethibel Sustainability Index.



Listed for the first time

New York: Henkel was included for the first time in the Global 500 Green Companies ranking of the U.S. magazine Newsweek, where it took 165th place.



Listed since 2002

Milan: In 2011, Henkel was once again listed in various indexes of the ECPI sustainability rating agency. The ECPI Global Top 25 Ethical Equity index is one of those in which Henkel is named.



Named for the fourth time

Toronto: In 2012, Henkel has been named to the list of "100 most sustainable companies" for the fourth time in a row.



Listed for the second time

London: In the Tomorrow's Value Rating 2011, the agency Two Tomorrows and AccountAbility awarded Henkel the second-highest investment rating (AA).



Included for the second time

London: Henkel was included in the Carbon Disclosure Leadership Index for the second time. The company has been participating in the Carbon Disclosure Project since 2004.



Included for the first time

Riyadh: In 2011, Henkel was included for the first time in the Saudi Arabia Responsible Competitiveness Index, ranking at number five among all participants.



First appearance

Shanghai: In 2011, Henkel made its first appearance as one of the top companies in the Corporate Social Responsibility Ranking of the China Business News (CBN) media group.



Listed for the third time

Santa Fe: In December 2011, the business magazine Mundo Ejecutivo named Henkel to its list of the 50 most sustainable companies in Mexico for the third time.

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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