

Sustainability means future viability



Dr. Ulrich Lehner (right)

Dr. Wolfgang Gawrisch (left)

This the tenth time that Henkel has presented its annual report on safety, health and the environment in parallel with its Annual Report. The term “sustainability” appears on the cover for the first time, and the report reveals how far our Company has progressed on the path to sustainable development. The emphasis is on products designed for sustainability. They offer greater customer benefit, bring ecological advances, and represent a step forward for society in general. The examples in this report show how Henkel creates competitive advantages with such products.

We aim to provide consumers with safe and easy-to-use branded products that simplify their daily lives. For our worldwide industrial customers, we develop products and systems individually tailored to their requirements. We see especially promising development opportunities for our customers, as well as ourselves, in the growing market for systems business. Henkel's role here is to offer complete problem solutions to its customers, thus enabling them to focus on their own core competencies.

Innovation is the key to sustainability. This is why Henkel also pioneers new routes in research. By acquiring equity in young technology and research companies, Henkel is able to develop new business activities and swiftly translate research findings into commercially viable products. SusTech is just one example of this (see page 3).

We will continue with the ongoing optimization of safety, health and environmental protection in our production facilities. The first round of SHE audits helped to eliminate weak points in our global production sites and to improve the overall situation. The follow-up audits have now started. Special attention is being paid to reducing the number of occupational accidents (see page 14).

We are convinced that focusing on sustainability will give the Company an even broader base for economic success. We will continue to report candidly about the objectives we have set ourselves, our progress toward achieving them, and new challenges we are confronting.

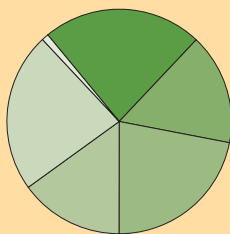
Dr. Ulrich Lehner, President and Chief Executive Officer

Dr. Wolfgang Gawrisch, Corporate Vice President Research/Technology

Henkel in brief

Sales by business sector

in million euro

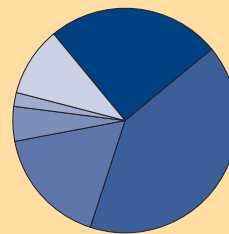


Adhesives	2,959	23%
Cosmetics/Toiletries	2,029	16%
Laundry & Home Care	2,835	22%
Hygiene/Surface Technologies	1,952	15%
Chemical Products (Cognis)	2,921	23%
Other	83	1%
Total sales	12,779	100%

Sales by region

by Group company location

in million euro



Germany	3,201	25%
Europe (other than Germany)	5,291	41%
North America	2,215	17%
Latin America	577	5%
Africa	216	2%
Asia/Australia	1,279	10%
Total sales	12,779	100%

Henkel is an internationally operating organization with a widely diversified product portfolio. The Company counts among the world's oldest and most successful brand manufacturers of home care and body care products. Decades of experience and leading market positions also characterize Henkel's business activities in adhesives, chemical and engineering specialty products for surface treatment, and hygiene products.

The Henkel Group has a presence in 77 countries. In 2000, Group sales amounted to 12.8 billion euro, of which 25 percent were generated in Germany and 75 percent outside of Germany. The parent company is Henkel KGaA. Henkel is one of the German companies with the most business activities abroad. Henkel has a total of almost 61,000 employees, 45,000 of them outside Germany, and 16,000 inside Germany. Düsseldorf-Holthausen is the Group's biggest production site and Group headquarters.

Henkel's **Adhesives** business sector operates worldwide, focusing on both brand-name and industrial products. In 2000, it again recorded a substantial increase in sales, further expanding its position as world market leader. Acquisitions considerably strengthened the position of Henkel adhesives in the electronics sector, especially telecommunications.

The **Cosmetics/Toiletries** business sector again outperformed the market at large in 2000. In Portugal, Denmark and Canada, Schwarzkopf & Henkel assumed direct responsibility for the hair salon business, while in Japan the Company acquired the hair cosmetics specialist Yamahatsu.

The **Laundry & Home Care** business sector achieved its highest growth in sales in ten years. A series of product innovations contributed to this. Henkel was especially successful in the detergent concentrates market, where a stronger focus on Megaperls and the roll-out of detergent tabs made the Company the market leader in the EU.

Industrial and Institutional Hygiene/Surface Technologies: Industrial and Institutional Hygiene – in the form of the European joint venture Henkel-Ecolab – and Surface Technologies performed well in 2000. Both of these systems businesses recorded further increases in market share and profitability.

The first year of business at **Cognis** (formerly the Chemical Products business sector) was extraordinarily successful. The young company has firmly established itself as a leading proponent of specialty chemistry. The company's focus on product groups offering particularly strong growth rates and high innovation potential has proven successful.

Steps on the route to sustainability

Research for sustainability

In its quest for innovations, Henkel is blazing new trails. Alongside its traditional cooperative links with universities, Henkel is also pursuing a policy of acquiring equity in carefully chosen startup and venture capital companies. A good example is the Darmstadt-based company SusTech, whose name is derived from sustainable technologies. Since August 2000, Henkel has been operating this research company jointly with the Technical University of Darmstadt (TU Darmstadt) and professors from a variety of disciplines.

SusTech develops sustainable products and processes based on nanotechnology. For example, its researchers are working on “switch-off” adhesive bonds that make it possible to separate even composite materials for recycling, and

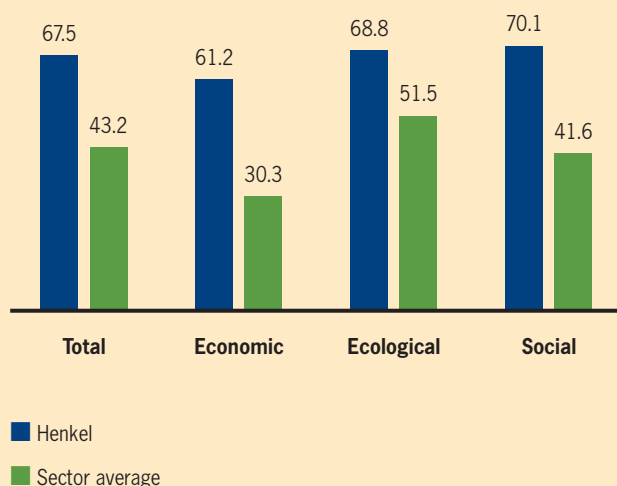
on soil-repelling surface coatings that lead to resource-conserving cleaning technologies. SusTech is an ideal vehicle for combining Henkel’s business competence with the scientific expertise and pioneering spirit of entrepreneurial researchers.

Henkel draws on external knowledge in this way to systematically utilize new market potential. The development of marketable innovative products that contribute to sustainability is thus accelerated. New, future-oriented jobs are created. The German Ministry of Education and Research (BMBF), convinced that the venture will contribute to sustainability, is providing substantial financial support for SusTech’s initial projects. ⓘ

The SusTech cooperation model

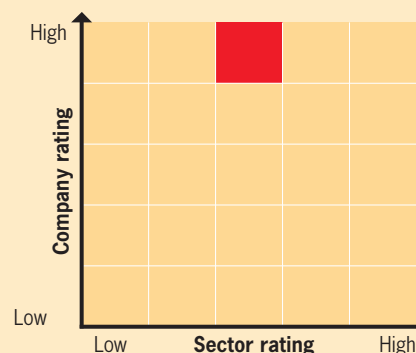


Henkel's SAM/Dow Jones sustainability rating in relation to the sector average all figures in %



Source: SAM/Dow Jones Sustainability Group Index

Henkel's Bank Sarasin sustainability profile



Source: Bank Sarasin

Sustainable investments

Alongside traditional forms of investment, Henkel shares are also listed in the portfolios of many environmental and sustainability funds. Only economically successful companies whose policies are aligned to ecological and social criteria are selected, on the basis of analyses by independent external rating agencies. In the year 2000, two leading institutes updated their assessments of Henkel. In September 2000, the inclusion of Henkel shares in the worldwide Dow Jones Sustainability Group Index was confirmed. The companies in this index are among the top ten percent in their sectors in terms of sustainability performance. Bank Sarasin has also updated Henkel's rating – from “above average” to “high,” the top grade. Henkel is classed as belonging to the chemicals and consumer goods industry, and its sector rating remained unchanged at “average.” Henkel publishes the institutes' rating profiles on the Internet. 



SARASIN

Global know-how

Globalized markets and the trend toward the information society make the knowledge and creativity of a company's staff a decisive success factor. Henkel's answer to this challenge is knowledge management.

Vital information gained from Henkel's business activities is systematically collected in databases and made accessible to a wide circle of Henkel employees. A maximum number of employees can thus draw on expert knowledge and experience in identifying and developing new market potentials.

Another aspect of knowledge management is the continuous training and development of Henkel employees. Along with traditional seminars and training courses, Henkel is making increasing use of online learning. A system has been installed on the Henkel intranet to enable employees to learn independently and to facilitate optimum seminar preparation and follow-up. In addition, Harvard-ManagerMentor can be accessed by management staff worldwide. This software enables them to pursue individual business management learning targets and translate them into practice.

know?how!
Henkel.Knowledge.Management.



Hans-Olaf Henkel (right), President of the Federation of German Industry, presents the first prize to Dr. Wolfgang Gawrisch, Corporate Vice President Research/Technology.

Other computer-aided and globally accessible learning technologies are being continuously added. In 2002, one fifth of the training programs Henkel offers will be accessible online in the Group.

Distinction

Henkel took first place in the “Environmentally oriented business management” category of the 1999/2000 environmental competition of the Federation of German Industry (BDI).

A determining factor for this award was the Henkel concept for introducing an integrated SHEQ Management System throughout the Group. Agreed in 1997, it is based on a binding standard for all Henkel companies and a worldwide audit system. At the presentation ceremony, Henkel was praised for its success in utilizing the achievements of environmentally compatible business management as a marketing instrument, thus demonstrating that economy, ecology and profitability need not be in conflict.

As a winner of the BDI competition, Henkel was also nominated for the European Union’s “Management for Sustainable Development Award.” Of the 24 candidates selected from European countries, Henkel placed among the top four, earning an “Honorable Mention” from EU Environment Commissioner, Margot Wallström. The jury

particularly honored the way in which Henkel – in an ongoing dialogue with environmental organizations and green investment funds – transparently translates the principles of sustainable development into economic success.

Avoiding risks

From 1997 to the end of 2000, SHE audits stretching over several days were carried out at 189 production sites. Except for a few recently acquired companies, all major Henkel sites have now been inspected by the SHE experts (see pages 24 to 31). In addition, follow-up audits at already inspected sites have begun. The auditors are using a new assessment method with which the translation into practice of the Henkel SHE standards can be systematically recorded and compared. This increases the transparency and comparability of SHE performance at different sites, at the same time creating a better basis for further optimization programs. ⓘ

Henkel and sustainability

Henkel's sustainability strategy has continuously evolved. The starting point was ensuring the ecological safety of its products and production. Today, worldwide management systems for safety, health, environment and quality are in place at Henkel, and the concept of sustainability is firmly anchored in its corporate policy.

Corporate policy and sustainability

To continue progressively aligning Henkel's activities to the principles of sustainability, the Company and its employees need orientation aids in the form of guidelines, principles and objectives. The globally binding elements of corporate policy and the related publications are shown below.



Code of Conduct and Business Ethics

The Company intends to achieve the following objectives:

- Competitive advantages through sustainable products
- Efficient and safe processes
- Responsible and motivated employees

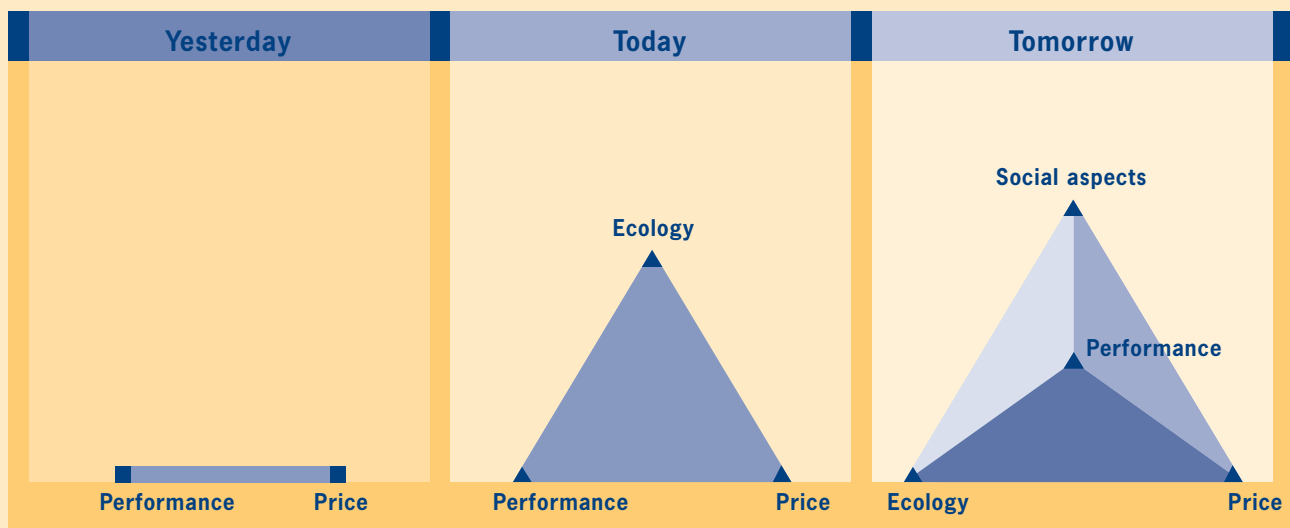
Innovative products

Henkel's strategy is to secure market advantages with high-performance, safe, and environmentally compatible products. One such example is modern detergents and household cleaners, which are easy to use and help to conserve resources and reduce the burden on the environment. Henkel is a pioneer in solvent-free adhesives and is number 1 worldwide in this market. A high degree of innovative dynamism is a precondition for the success of this product strategy. Henkel achieves this through its knowledge of customer needs, its targeted research activities and alliances, and the creativity of its employees.

Staff commitment

Employees who are happy in their place of work develop a high level of inventiveness and are prepared to take responsibility. Henkel believes in a culture of trust, mutual respect and open-mindedness. This is the spirit embodied in the Guidelines for Teamwork and Leadership. Flat hierarchies, a decentralized organization, and technical and personal qualifications are key elements in the development of human resources. Henkel is proud of its employees and therefore also supports their personal commitment to the community.

Focus on sustainability



Efficient management

To achieve continuous improvement in safety, health, environmental protection and quality, Henkel has introduced an integrated management system. Core elements are globally uniform standards for all Henkel companies. These standards cover the entire life cycle of products, from raw materials through product development and production to disposal after use. The integrated management system optimizes business processes and ensures that resources are used efficiently. It is complemented by a Code of Conduct, binding for all Henkel employees, in which Henkel defines the ground rules for its business practices.

Milestones of sustainability orientation at Henkel

1959

Introduction of regular ecological quality checks for detergents and household cleaners

1971

Setting up of the central department for environmental and consumer protection

1976

Management Principles
(Since 1996: Guidelines for Teamwork and Leadership)

1982

Principles of Environmental and Consumer Protection
(Since 1995: Principles and Objectives of Environmental Protection and Safety)

1991

Signing of the Business Charter for Sustainable Development

1994

Corporate strategy: Competitive advantages through eco leadership

1997

Introduction of integrated management systems and start of worldwide safety, health and environmental audits

2000

Code of Conduct and Business Ethics

Organizing for sustainability

In order to satisfy the current requirements for sustainable development, Henkel has reshaped its organizational structures and refocused its resources. A new Sustainability Council steers Group-wide implementation through all Henkel companies around the world.

Management

The Henkel Management Board bears overall responsibility for sustainability matters. It aligns its business policy to the opportunities and requirements of sustainable development. The heads of the business sectors are responsible for implementing this policy in the Henkel companies assigned to them.

Sustainability Council

In the year 2000, the SHE Coordination Circle (see SHE Report 1998) became a Sustainability Council, which has been granted a wider field of responsibility. As a global steering committee it formulates decision proposals on behalf of the Management Board and monitors their implementation. Chaired by the head of the Research/Technology division, its members include international product and production executives from all business sectors and central departments such as Corporate SHEQ, Biology/Product Safety, and Corporate Communications. They have now been joined by Human Resources and Finance representatives.

Business sectors

Human Resources and SHEQ officers are appointed in the business sectors in a hierarchy ranging from Group to regional to local level. They formulate sustainability strategies in the organizations for which they are responsible. Together with the operative business units, they adapt these strategies as appropriate for the sites and cultural circumstances. They report on the progress of implementation.

Research/Technology

Corporate Research/Technology is Henkel's competence center for innovation. It supports the business sectors as they align their product policies to sustainability. In addition, this management sector steers investments in startups and participation in venture capital companies in order to give the Henkel Group access to innovative technologies and developing completely new business activities.

Corporate SHEQ (Safety, Health, Environment, Quality)

Corporate SHEQ is Henkel's central coordination unit for sustainability matters. Via corporate standards and audit programs, it steers the implementation of integrated management systems. The SHEQ experts identify potential improvements, monitor their implementation, and provide information about best-practice approaches. Working

Organization structure for sustainability



together with Corporate Communications, Investor Relations, and Human Resources, they are responsible for communicating sustainability information and maintaining a dialogue with stakeholders.

Biology/Product Safety

The Biology/Product safety unit advises and supports developers and applications engineers with regard to product-related SHE policies. As a central competence center for product stewardship, it evaluates the ecological and toxicological aspects of raw materials and products. It supports the business sectors in providing customer service and gives advice on how to implement environmental and consumer protection requirements.

Human Resources (HR)

The central organization unit Corporate Human Resources (HR) advises and supports Henkel Group companies in questions relating to personnel and benefits policy. It promotes the creation of a culture of trust and works to achieve a permanent change in employee attitudes and conduct. Henkel's corporate business ethics and rules of conduct help to harmonize its business practices with the economic and social priorities of the local environment.

Product Stewardship Communication Forum

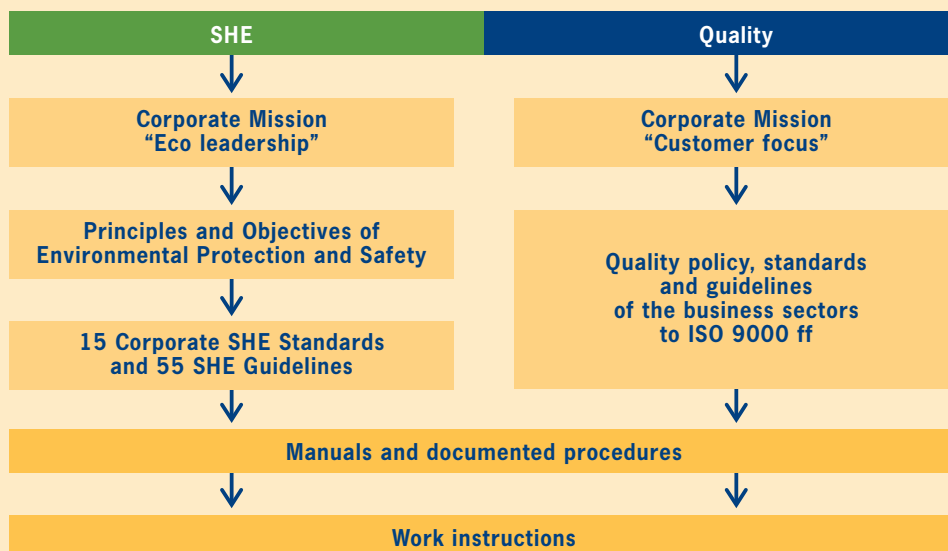
In this forum, product developers and applications engineers regularly meet with the experts of the Biology/Product Safety unit to discuss, assess, and share information about all aspects of product stewardship. These include new scientific findings, experience gained in the field, changes in legal requirements, and current issues. The focus is always on the relevance for Henkel products in relation to their entire life cycle.

International HR and SHE conferences

International conferences are an important platform for the continuous development of Henkel's sustainability policy. They are organized by Corporate SHEQ and Human Resources for staff members who are responsible for policy implementation. The purpose of the conferences is to coordinate and implement new strategies within the Henkel Group and to promote the exchange of experience between Henkel companies.

Integrated management

Group-wide management system for safety, health, environment, and quality



Integrated management systems

Efficient management systems are an important instrument for aligning companies to sustainability. Henkel uses integrated management systems as a central coordination instrument.

Henkel has established integrated management systems for safety, health, environmental protection and quality. They have been designed to comply with the quality requirements of ISO 9000 ff. The basis of safety, health and environmental management at Henkel is formed by 15 Corporate SHE standards. ⓘ These are reinforced by 55 supplementary guidelines. Implementation of these standards and guidelines is mandatory for all Henkel Group companies.

Site-specific implementation

The integrated management system must be adapted to the site-specific business processes. Differences in production methods and types of products have to be taken into account, as well as national and local rules and regulations.

Process-oriented structure

The documented procedures and work instructions of the integrated management system contain all relevant requirements. This gives employees clear guidelines and certainty in their daily work. The structure and application of the management system are aligned to the business processes. Employees gain insight into the processes upstream and downstream of their own workplaces. This is a helpful precondition for identifying and realizing potential improvements in business processes.

Utilizing advantages to the full

Various Henkel companies have taken the integrated management systems still further and applied them to other areas. At Thompson-Siegel GmbH in Düsseldorf, for example, aspects relating to

- Business objectives
- Site development
- Employee advancement
- Safety, health, environment
- Quality

are planned, steered and controlled by a single source as part of the strategic objective planning process. The company has thus completed yet another step on the way to putting sustainable development into practice.

Code of Conduct



High standards of conduct

Henkel applies the highest standards to the way it conducts its business relationships. As a globally active company, Henkel is aware of the importance of ensuring that its business practices are compatible not only with the economic and social priorities of the local environment in which it operates but also with its own corporate rules of conduct. The Company has therefore defined a Code of Conduct ⓘ, with which all employees must comply. The code applies to all Henkel companies and is intended to ensure that decisions are not influenced by personal conflicts of interest and can withstand public review. Henkel is aware that the Company's good reputation among shareholders, employees, business partners and the community is crucial to its long-term continuity and profitability.

Fostering a culture of trust

Henkel encourages a culture of trust, respect and open-mindedness. The Company expects its employees to conduct themselves in their day-to-day business at the highest standard of honesty and integrity.

New approaches to sustainability

The integrated management system contains guidelines on how to achieve sustainability targets in the fields of safety, health, environment and quality. They relate mainly to the ecological and economic responsibility of the Company. The Code of Conduct contains a number of socially relevant aspects derived from corporate policy. They include the following principles.

- **Henkel complies with the law and the rules and values of society**

Compliance with applicable legislation and respect for social values and human rights are central to all business activities.

- **Henkel respects individual diversity**

Henkel expects its employees to treat others respectfully in their work environment. Any type of harassment, regardless of intent, direct or indirect, physical or verbal, is prohibited and will not be tolerated.

- **Henkel challenges, develops and rewards its employees**

Employees and applicants for employment are evaluated on a non-discriminatory basis. We hire, compensate and develop our employees exclusively on the basis of their qualifications and performance.

- **Henkel is fair in competition**

Henkel does not seek to gain any advantage through unfair offers, comparisons or favors. Granting or accepting any form of personal advantage is strictly prohibited.

- **Henkel avoids conflicts of interest**

Any business involving relatives and former employees is not allowed. In case of a potential conflict of interest, an employee must refer the decision to his or her superior.

Social responsibility

As an international company, Henkel accepts its responsibility to society.

It meets the consequent demands on its business practices with the help of its corporate integrated management systems and Code of Conduct.

Henkel addresses social issues in many countries and cultures. It does so in the conviction that the old division between the state and the private sector – with the former responsible for social matters and the latter for the market – is steadily changing. Henkel is firmly convinced that solutions which are jointly reached on a basis of partnership will benefit all concerned.

New approaches: The MIT initiative

Henkel is exploring new ways of practicing social responsibility. Alongside traditional donations to aid organizations, cultural activities, and scientific institutions, Henkel is reinforcing its social commitment by supporting employee initiatives. The initiative “Make an Impact on Tomorrow” (MIT) was launched in this spirit in 1998.

MIT supports the volunteer work of Henkel employees, especially in social, cultural and ecological projects. With this initiative, the Company wants to give a clear signal that it welcomes and supports personal commitment on the part of its employees. What is more, it follows their advice and utilizes their competence and knowledge to assess local needs. This enables financial resources to be employed even more effectively and transparently. A total of 270 volunteer projects have now been supported in this way. They range from setting up an Internet café for senior citizens to providing help to families in Belarus who were displaced in the wake of the Chernobyl disaster. 

The initiative was launched in Düsseldorf, but, in view of the thoroughly positive results so far, it is now being extended to embrace the whole Group. Networks and a central database will ensure an efficient exchange of experience within the Group.

Social responsibility at Henkel		
Business practices	Employee initiatives	External involvement
Code of Conduct, internal standards, and management systems	Promoting the volunteering spirit among Henkel employees	Support for ecological, cultural and social projects by Henkel

Future-oriented

"125 years. focus:future" is the motto for 2001, Henkel's 125th year. The Company's anniversary festivities are therefore also focused on the future. As part of the MIT initiative, 125 children's projects  have been launched in 53 countries. The Company is contributing up to 12,500 euro each to support initiatives in which Henkel employees are involved on a voluntary basis. Other anniversary activities with a forward looking character are the topping up of two Henkel foundations which promote education and science, as well as a global employee share purchase plan.

U.N. International Year of Volunteers

The United Nations General Assembly has declared the year 2001 to be the "International Year of Volunteers." The number of active volunteers – 22 million in Germany alone – indicates the important role of volunteer work in our society. And not just in Germany. Employees all over the world are involved in Henkel's 125 children's projects. The Company supports their commitment, and in this way it can be sure that help is received where it is really needed. Against the backdrop of the International Year of Volunteers, experts regard this as an exemplary initiative.

External involvement

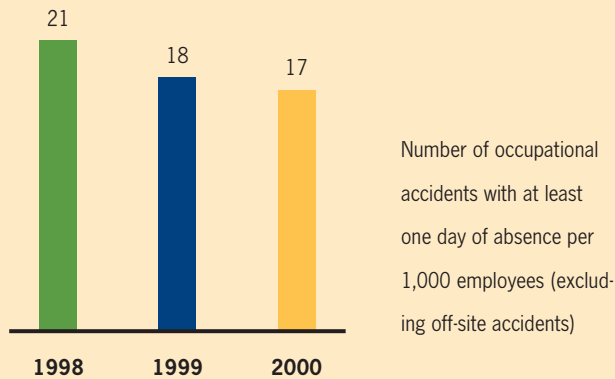
Henkel companies all over the world support kindergartens, schools, self-help groups, and social institutions in their local communities. Cultural activities and universi-

ties are also assisted. Henkel spends several million euro each year for charitable purposes. The following list contains just a few examples of the many ongoing Henkel initiatives. 

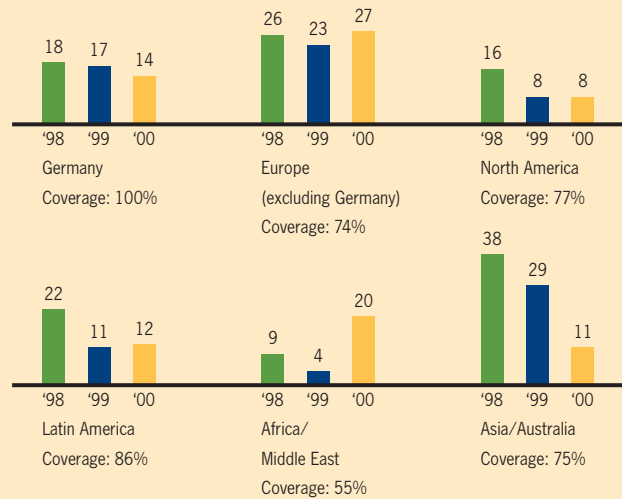
Country	City	Projects
Brazil	São Paulo	Endowment of a national environmental award (in cooperation with the Culture Ministry) Vocational training programs for unemployed young people
China	Guilin	Building the Henkel Dufeng Hope School
Germany	Düsseldorf, Genthin	Setting up Internet classrooms in schools (as part of the German business sector's D21 initiative) Initiative for regional marketing of organic agricultural products
Jamaica	Kingston	Continuous support of the local children's home
Netherlands	Nieuwegein	Support for "CliniClowns" in children's hospitals
Austria	Vienna	Donations of cash and products for people living in the former war zone in Kosovo
Thailand	Bangkok	Initiative to build three schools in economically underdeveloped regions
Turkey	Cayirova, Izmir	Help for earthquake zones (in cooperation with the aid organization, Care)
USA	Kankakee	Employees renovate the houses of neighbors in need ("Christmas in April" initiative)

Occupational accidents in the Henkel Group

Coverage: 80% of all employees



Occupational accidents by region



Occupational accidents

Henkel set itself the target of reducing the number of occupational accidents in the Group by 25 percent by the year 2005 (base year 2000). Systematic collection and analysis of all accident data plays a vital role here.

Henkel applies the criteria defined by the international chemical association ICCA. All accidents involving a Henkel employee which result in at least one day of absence from work are recorded. Accidents that occur off-site – for example, on the way to work – are not included.

The accident figures are shown for the entire Henkel Group and for the individual regions. In the year 2000, the accident data collection system covered 80 percent of the total workforce (1999: 64 percent). The major expansion of the system's coverage in the Africa/Middle East and Asia/Australia regions (1999: 21 and 12 percent respectively) is one reason for the fluctuations shown for these regions.

Henkel Group	1998	1999	2000
Fatal occupational accidents	1	0	2
<i>Coverage: All production sites</i>			
Serious occupational accidents	58	40	47
<i>More than 50 days absence from work</i>			
<i>Of these:</i>			
a) Accidents during typical production activities	27	13	17
b) Accidents while walking or moving around (stumbling, twisted ankle, etc.)	31	27	30
<i>Number of sites covered</i>	<i>88</i>	<i>107</i>	<i>127</i>

Two fatal occupational accidents

In the year 2000, there were two fatal occupational accidents. An explosion occurred while a drum of acrylic acid was being heated at the Cognis plant in Kitatone (Japan). The temperature in the designated heating chamber was too high. One employee was so badly injured that immediate emergency action could not save him, and he died at the site of the accident. In response to this tragic accident, all Henkel Group employees who have to work with acrylic acid were again instructed in detail about the safe handling of this substance. In addition, Cognis organized regional conferences for all plant managers and safety officers for

Site	Significant operational incident	Measures initiated
Düsseldorf, Germany April 6, 2000	While a tanker truck was being filled with fatty acid methyl ester, product escaped through a defective seal. Some of the liquid sprayed over the site boundary and soiled a neighboring grass strip and several automobiles. Under the EU system of classification of dangerous substances, fatty acid methyl ester is not dangerous to either health or the environment.	The Plant Fire Department immediately soaked up the liquid with absorbent material. The neighbors were informed about the incident, and the vehicles were cleaned. The grass strip was restored after replacing some of the soil. Additional checks were introduced to identify faulty seals more quickly.
Porta Westfalica, Germany September 7, 2000	A short circuit in a wastewater treatment plant caused a fire in a production bay one night. The plant was suitable for unsupervised continuous operation.	The municipal fire department quickly extinguished the fire. While the fire was being extinguished, the neighboring highway was closed to traffic. A safety concept (e.g. with automatic fire detectors) is being developed for the unsupervised operation of the new treatment plant. The plant will be switched off at night until a safety system is in place.
Düsseldorf, Germany October 26, 2000	An overheated conveyor belt caused a fire in a filling plant for surfactants.	The Plant Fire Department quickly extinguished the fire. The plant is again in operation. The measures taken include the installation of temperature sensors, which will automatically switch off the conveyor belt if it overheats.

the purpose of raising still further the level of occupational health and plant safety in production.

In August 2000, an employee fell from the roof of a production bay while he was inspecting building work at the detergent plant in the French city of Reims and suffered fatal injuries.

The official investigation found that the site's stipulated safety measures had not been observed. As a result, the relevant managers were again made aware of their special responsibility, and employees were urgently reminded that they must always take all prescribed safety precautions.

Targeted improvement programs

In the year 2001, a corporate accident database will be set up, in which all Henkel companies will enter precisely defined information about occupational accidents, operational incidents, and distribution incidents. The data will be systematically analyzed and will form the basis for targeted improvement and training measures.

Distribution incidents

In the year 2000, there were no distribution incidents resulting in serious personal injury or lasting environmental damage due to the accidental release of Henkel products.

Significant operational incidents

Henkel categorizes an incident as "significant" if its consequences include at least one of the following:

- fatalities or serious injuries,
- endangerment of the neighborhood or environment,
- tangible losses of more than 100,000 euro,
- a high level of public reaction.

In the year 2000, Henkel registered three operational incidents with a tangible loss level that warranted being categorized as "significant." Neither the neighborhood nor the environment were endangered. The appropriate authorities were immediately informed.

Complaints from neighbors	1999	2000
(Complaints attributable to Henkel)		
<i>Number of sites covered</i>	<i>107</i>	<i>127</i>
Sites that received complaints	22	21
Sites that received more than 5 complaints	4	4
Number of complaints	88	82
Of these, due to		
– odor	52	43
– noise	29	33
– dust	7	6
Improvement measures initiated	76	55
Cause already eliminated	34	42

External certification

Facility audits by independent auditors are an important instrument for ensuring compliance with SHE requirements and thus for reducing risks. SHE audits by independent Henkel experts are a key instrument in this context. In addition, Henkel Group companies in all regions of the world also have their environmental management systems certified to international standards by accredited external verifiers, if this yields competitive advantages in the market. By the end of 2000, 41 major production sites had been certified under the Eco-Management and Audit Scheme (EMAS) of the European Union and/or to the international ISO 14001 standard. These sites account for 46 percent of Henkel's total production. Furthermore, two of the four business sectors and Cognis have adopted the long-term objective of achieving certification of all their production sites.

Production sites certified to international standards		
Belgium	Henkel Belgium, Herent	■
	Henkel-Ecolab, Tessenderlo	■
Brazil	Cognis Brasil, Jacarei	■
	Henkel Loctite Adesivos, Itapevi	■
	Henkel Loctite Adesivos, Jacarei	■
	Henkel Surface Technologies Brasil, Diadema	■
China	Henkel Chemicals, Guangzhou	■
Denmark	Henkel-Ecolab, Valby	■
France	Henkel-Ecolab, Châlons-en-Champagne	■
	Henkel France, Châlons-en-Champagne	■
	Henkel France, Reims	■
Germany	Cognis Deutschland – Grünau, Illertissen	■ ■
	Cognis Deutschland – Neynaber, Loxstedt	■ ■
	Cognis Deutschland – Stalo, Lohne	■
	Henkel Bautechnik, Unna	■ ■
	Henkel Fragrance Center, Krefeld	■ ■
	Henkel, Düsseldorf-Holthausen*	■
	Henkel Genthin, Genthin	■
	Henkel Oberflächentechnik, Herborn-Schönbach	■ ■
	Henkel Teroson, Heidelberg	■
	Kepec Chemische Fabrik, Siegburg	■
	Lang Apparatebau GmbH, Siegsdorf	■
	Thompson-Siegel, Düsseldorf-Flingern	■
Great Britain	Henkel Consumer Adhesives, Winsford	■
Hungary	Henkel Magyarország, Vác	■
India	Henkel SPIC India, Karaikal	■
Ireland	Cognis Ireland, Cork	■
	Henkel-Ecolab, Bray	■
	Loctite Ireland, Ballyfermot	■
	Loctite Ireland, Tallaght	■
Italy	Henkel S.p.A. Divisione Surface Technologies, Caleppio di Settala	■
Netherlands	Henkel-Ecolab, Nieuwegein	■
Poland	Henkel Polska, Racibórz	■
Puerto Rico	Loctite Puerto Rico, Sabana Grande	■
Slovenia	Henkel-Ecolab, Maribor/Studenci	■
Spain	Cognis Ibérica, Barcelona/Zona Franca	■ ■
	Cognis Ibérica, Terrassa	■
	Henkel Adhesivos, Santa Perpétua	■
	Henkel Ibérica, La Coruña	■
	Henkel Ibérica, Montornés	■
Sweden	Henkel Surface Technologies Nordic, Mölndal	■ ■

*) The largest production facility of Cognis Deutschland GmbH occupies part of the site

■ ISO 14001

■ EMAS (EU Eco-Management and Audit Scheme)

Innovative products for the future

Innovative products

Innovation is the key to sustainability. Henkel aims to produce safe, ecologically compatible, and easy-to-use products for its customers through efficient production methods and intelligent service. This section gives an overview – for each business sector – of exemplary new developments in the market.

Systematic approach

Aligning product policy to sustainability requires a systematic approach. This means that measures intended to improve SHE performance must be concentrated on the parts of a product's life cycle where the greatest progress can be made. Detailed life cycle assessment data and substance evaluations provide the necessary basic information. However, sustainable products must also offer customers noticeable additional benefits, such as better performance or superior dispensing. Generally speaking, most consumers are not prepared to pay more or change their

habits just because a product or a service is more environmentally compatible. In aligning their product policies to sustainability, therefore, the business sectors give due consideration to the key specific aspects of SHE as well as customer requirements. (See "Focus on sustainability" on p 18 ff.)

Integrated product development

At Henkel, this strategy is carried out through close cooperation between the business sectors and Corporate Research. A risk assessment is carried out for each new product and process. It is updated as soon as relevant new SHE data become available.

Forward looking: Systems business

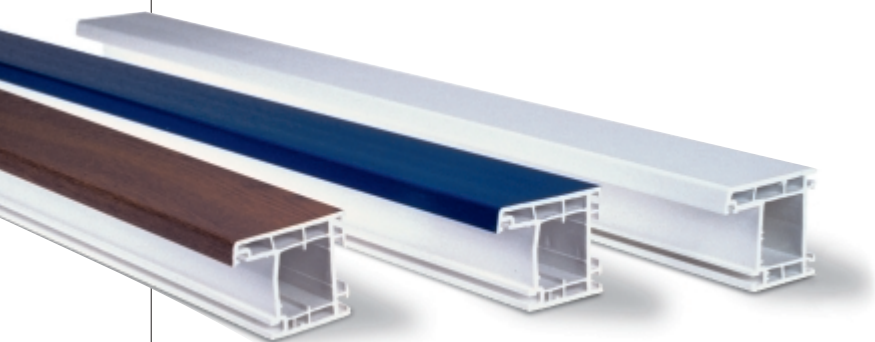
System solutions play a key role in Henkel's industrial business. In cooperation with customers and plant manufacturers, Henkel offers innovative problem solutions that go far beyond the "simple" sale of products. They range from plant planning to running of the processes on site. In this way, Henkel secures long-term access to new markets and customers. 

Adhesives

Focus on sustainability

Henkel is the number one in the global adhesives market and also sees itself in a leading technological and ecological position. The Pritt stick, for example, which is still highly popular today, was more than just an innovative product when it was launched worldwide in the late 1960s. It is based almost entirely on renewable raw materials and heralded the departure from solvent-based adhesive formulations. The solvents they emitted used to be the main environmental pollutants associated with adhesives. Even today, they are of a significant health protection concern. Henkel took the lead in promoting the development of solvent-free adhesives. Solvent-free products are now available for almost all applications.

To safeguard the business sector's growth potential, Henkel's adhesives researchers have their eyes on future market requirements. Adhesives whose bonding power can be "switched off," for example. If they succeed, it will even be possible to separate composite materials for recycling. The problem of labels on returnable bottles has already been solved. No matter how firmly they adhere to the bottle, in cleaning baths they relinquish their hold quickly, leaving no residues.



Systematically solved

There is an increasing demand for decoratively wrapped plastic window frames. In Europe alone, colored or textured PVC film is bonded to more than 15 million windows each year. Up to the present, this task could not be achieved without the use of chlorinated solvents. As a result, around 2,400 metric tons of polluting dichloromethane are released into the environment each year. Now, however, Henkel Dorus has launched a solvent-free wrapping system for PVC window profiles, consisting of the hotmelt adhesive Purmelt QR 5300 and the aqueous activator ND 195. It is not only more environmentally compatible, but also speeds up the manufacturing process. This innovation was made possible by intensive cooperation between Henkel Dorus and selected customers, machine manufacturers, and the Technical University of Dresden.

Clever dispenser

Winning new customers with clever innovations and increasing sales in a stable market: Market leader Henkel Loctite has succeeded in this with its new Loctite Control dispensing system. Ergonomically-shaped dispensing buttons on the side of the bottle enable the cyanoacrylate adhesive to be applied accurately and safely. The user can alternate between single drops and continuous application. The new Lift & Lock safety closure makes the product even safer for consumers. And there are environmental advantages: The packaging uses 40 percent less plastic than its predecessor. Reason enough for the Loctite Control system to win the year 2000 Fritz Henkel Award for Innovation. The market also recognizes this successful contribution to sustainability. The new development helped boost sales by almost 50 percent.

Cosmetics/Toiletries

Focus on sustainability

When the experts of the Cosmetics/Toiletries business sector develop a new product it has to be effective, of course, but it must also satisfy two other key criteria: It must be safe to use, and it may not present any risk to the user's health. After all, all of this sector's products are applied directly to the skin or hair. The product developers strive for good skin compatibility and avoid possible side effects by carefully selecting raw materials. Good, well-tolerated cosmetics are essential for generating long-term consumer trust in the performance and quality of Henkel products.

Only ingredients which offer good compatibility are chosen for Henkel cosmetic preparations. During their development, all products are subjected to an extensive testing program, which is continuously updated in line with the latest technical insights. It includes dermatological studies and in vitro tests. The latter involve tests on cell cultures, which make animal experiments unnecessary. Since the early 1980s, Henkel has worked on its own and together with independent institutes to develop, use and optimize alternative test methods. The further development of test methods that do not involve live animals will continue to be an important objective of this business sector.



Push-button foam

Practical, pleasant and effective. This description fits the new care product for facial cleansing which Schwarzkopf & Henkel has launched on the European market for the Diadermine and Aok ranges. It comes in an absolutely novel package, which makes no use of propellant gas. At the push of a button, the pump valve delivers the delicate foam. The ingenious formulation makes it possible for highly skin-compatible active substances to be incorporated into the foam. It is therefore especially mild, but packed with cleansing power.

Upgrade for an evergreen

With annual sales amounting to around 80 million bars, hand soaps are an important product group for Schwarzkopf & Henkel. The formulations and production processes have now been subjected to a two-year study – with excellent results. The quality of the soaps has been improved and their production costs cut. The soap bars now contain alkyl polyglycoside (APG), a washing active substance that is especially well tolerated by the skin and is made exclusively from vegetable raw materials. Talcum improves the soaps' application properties. And the environment benefits from a 10 percent reduction in energy consumption and the smaller volume of wastewater generated during the production process.

Laundry & Home Care

Focus on sustainability

In 1953, the Henkel Ecology department began to collect data on the fate of detergent ingredients in the environment, a basic requirement for preventive environmental protection. Today, product life cycle assessments are fundamental to ensuring the environmental compatibility of all Henkel detergents. In many cases, production methods have been changed so that no wastewater is generated.

Much more is needed, however, to take a leading position in the hotly contested detergents and household cleaners market. One of Henkel's success strategies is the use of specifically tailored regional brands. Henkel operates

a Group-wide formulation system to guard against the possibility of its detergents posing any risk to health or the environment anywhere in the world. Only tested, approved raw materials and formulations that have been cleared by Headquarters in Düsseldorf may be used.

Another element of market success is responsiveness to customers' needs. Perfume-free Persil Sensitiv is one example of this. It was developed especially for allergy sufferers and people with sensitive skin. With its detergents in tablet form, Henkel is pursuing a new and recognized concept which unites easy handling with exact dispensing.



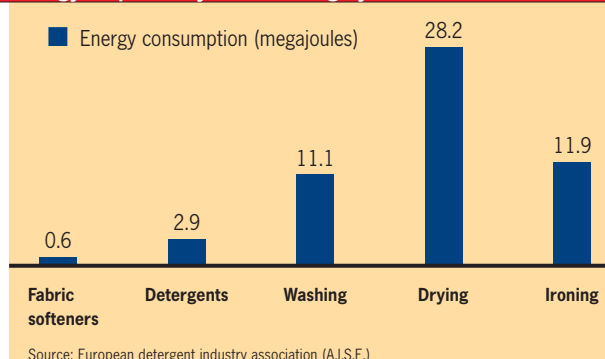
Soft & clean

Fabric softeners impart a pleasant feel to fabrics, but were long criticized due to the additional environmental burden with which they have been associated. A new life cycle assessment of the "washing system" has now shown that this is not the case. Henkel and other leading producers cooperated in a work group set up by the European detergent industry association (A.I.S.E.). Their calculations show that the fabric softeners' smoothing effect on the fibers considerably reduces the energy needed to dry and iron the fabrics. One example is the new Vernel Soft & Easy. Due to the smaller volume of residual water, the drying time is 3 to 8 minutes shorter, depending on the machine setting. The smooth fibers can also be ironed with less effort and more quickly. Last but not least, the superior color and fiber protection keeps textiles looking good longer.

Joint commitment

The Laundry & Home Care business sector has long been dedicated to the continuous improvement of environmental protection. Furthermore, Henkel and other producers in the European detergent industry association A.I.S.E. have jointly undertaken to achieve quantified environmental targets. Two central requirements are a 10% reduction in laundry detergent consumption and packaging materials by the end of 2001. Whether powdered, liquid or solid, Henkel is accordingly optimizing all marketed forms of its detergents. The development of Megaperls and Tabs, with the resulting savings in the consumption of raw materials, was a step in the right direction (see Environment Report 1994/SHE Report 1998). But washing powders, which are still popular, are also being continuously improved. Since active agents are more concentrated and the amount of fillers has been reduced, powder can be used more sparingly. In comparison with 1996, 20 percent less detergent is needed. At the same time, the amount of packaging has been reduced.

Energy required by the washing system



Industrial and Institutional Hygiene (Henkel-Ecolab)

Focus on sustainability

The customers of Henkel-Ecolab include the departments responsible for hygiene in catering establishments/professional kitchens, hotels, hospitals, laundries and food processing plants. The company strives to satisfy and bind its own customers by providing them with individually designed, tailor-made systems. Henkel-Ecolab systems comprise products, equipment and, onsite technical advice, together with safety training for the responsible personnel. Henkel-Ecolab also advises customers in all matters relating to the complex environmental and safety regulations.

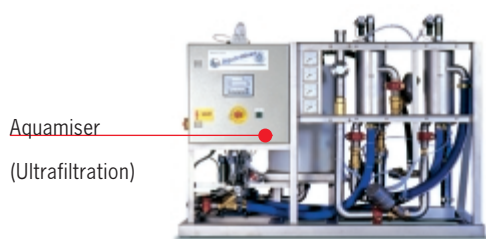
The health of many people depends on the hygiene performance of the cleaning professionals. They, in turn, rely on Henkel-Ecolab's professional knowledge and systems to enable them to fulfill their responsibilities. They use Henkel-Ecolab dispensing systems to protect their personnel, e.g. cleaning teams, against health risks.

As a result of Henkel-Ecolab's close contacts with users, new processes are often developed at a customer's own site. The project goal is usually to cut down on the energy, water, and cleaning chemicals used. In many cases, the wastewater situation has to be improved. Henkel-Ecolab thus continuously acquires new customers and new business.



Hero(ic) system

Ten industrial laundries in Europe are using up to 80 percent less water and a lot less energy than they did just a few years ago. They have leased the H.E.R.O. (Henkel-Ecolab Reverse Osmosis) system launched in 1998 by Henkel-Ecolab and a Dutch equipment manufacturer. The system uses specifically formulated, environmentally compatible detergents and auxiliaries from Henkel-Ecolab. A totally new aspect is the online system support, which offers customers continuous and forward-looking service.



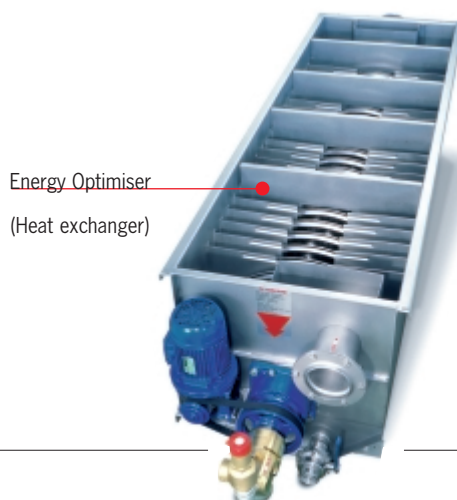
Younger brothers

The success of H.E.R.O. inspired the Henkel engineers. In the year 2000, they added two "younger brothers" to this system, for other hygiene applications (e.g., work clothing such as overalls) and for small and medium-sized companies. The Aquamiser saves water, while the Energy Optimiser makes the process more energy-efficient. Both systems come with the appropriate detergents, of course. This opened up a successful new field of business for Henkel-Ecolab. More than 80 systems had been installed by the end of the year.

Always right

In many bistros, restaurants and senior citizens' residences, the amount of dishwashing detergent used is often simply guessed at. This can result in poor hygiene or an unnecessary burden on the environment. Paste X-Press is changing this state of affairs – and enjoying a huge market success.

The new Henkel-Ecolab cartridge system automatically dispenses the correct amount when the machine is started. What is the correct amount? The Henkel-Ecolab service technician calculates it on the basis of the customer's requirements and sets the Paste X-Press accordingly on site.



Surface Technologies

Focus on sustainability

In the chemical treatment of metal surfaces, workpieces are prepared for specific processing steps such as forming, bonding or painting. Conventional products often contain substances that endanger human beings and the environment, e.g. chromium, nickel or nitrite. One of the main objectives of Henkel Surface Technologies is to develop and market alternative products and processes that are free from these pollutants.

As a global market leader, Henkel Surface Technologies offers individually tailored system solutions, discusses the specific problems with its customers, and jointly develops new processes with them. Examples include nickel- and nitrite-free processes for inhibiting corrosion and improving

the adhesion of paint to steel, and chrome-free processes for the surface treatment of aluminum.

Work is often carried out in a team context together with plant manufacturers and metal and paint suppliers. Everyone benefits from this teamwork:

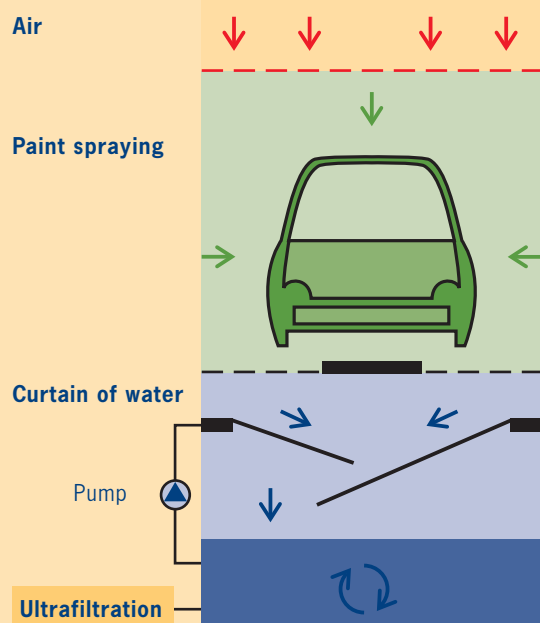
- Customers, who increase occupational safety for their employees, improve environmental protection, and cut costs.
- Henkel Surface Technologies, which gains new processes that help it to keep ahead of its rivals and continue to expand its worldwide market and technology leadership.
- The consumer, who is offered more durable products due to better surface protection.

Spick-and-span

When car bodies are sprayed, around one third of the paint misses its target. Using an American method, this residual paint is recovered by flushing it out of the spray booth with the help of organic solvents. Henkel-AWARE Technologies has developed the StayClean process and, together with Ford, brought it to market. Instead of organic solvents, it uses biodegradable, environmentally compatible polymers and surfactants. This reduces the burden on the

environment while also saving between five and ten percent of the paint. Almost all of the resulting paint coatings are free of flaws, so there is no need for wearisome and costly touch-ups. The paint shop remains clean longer, and solvent-containing wastes are no longer generated. This is made possible by the products developed by Henkel-AWARE Technologies and the service provided by the experts who look after the installations. Ford already utilizes these benefits on a wide front; since the spring of 2001 all of Ford's European production sites have been converted to the new method. Other automobile manufacturers have also expressed great interest.

The StayClean process



Gaining ground worldwide

Conventional pickling baths for high-grade steel contain nitric acid, release harmful gases, and pollute wastewater with nitrates. Henkel Surface Technologies has developed Cleanox, a pickling agent that does not contain nitric acid – and has established itself securely in the market in recent years. Last year alone, sales increased by around 30 percent. Customers in six European countries, the USA and Japan have already converted their production lines to this environmentally compatible procedure and are benefiting from the improved occupational safety and wastewater situation. In the next few years, Henkel intends to establish the method in Southeast Asia, South Africa, and Latin America.

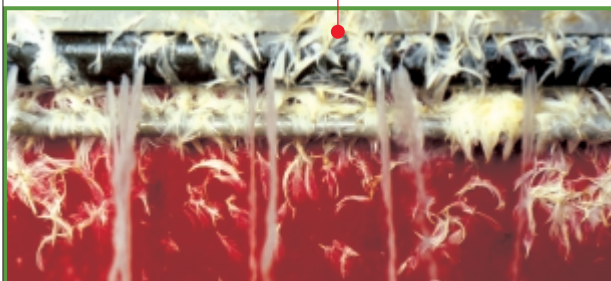
Chemical Products (Cognis)

Focus on sustainability

Renewable vegetable raw materials are a major resource for Cognis, amounting to one million metric tons each year. Renewable raw materials are produced by cycles of nature, and do not interfere with the global carbon dioxide balance. Moreover, they make an excellent starting point for readily biodegradable and skin-compatible products. Cognis customers benefit from them in numerous ways. They also profit from the know-how, service, and market-relevant product concepts and system solutions that Cognis provides.

Oleochemical competence, innovativeness, and “a finger on the pulse of the market” characterize sustainability and business success at Cognis. Examples include the new Cognis process for the production of special cosmetic base materials from vegetable oils and the beta-carotene obtained from algae, which meets more than three-quarters of the world market's demand for natural beta-carotene.

Raw down is washed in a wastewater-free closed circuit process developed by Cognis.



Feather-light ecology

Lots of fresh water is needed to wash raw down. Accordingly, a lot of wastewater is discharged into the environment. Cognis, Corporate Biology/Product Safety and a feather washing company have jointly developed a wastewater-free, closed-circuit procedure to protect the environment and save costs. The used washing water is biologically purified and recycled. The process relies on very mild Cognis products, tuned to the biology of the water purification system. Water consumption can be cut by up to 80 percent. This helps Cognis customers to achieve savings on wastewater charges. Cognis anticipates considerable demand for this new technique and is already working to adapt the process to other sectors.



Safer for children

The small colored oil lamps in many households exert an almost magical force of attraction on many children. Serious and even lethal cases of poisoning are not uncommon, as toddlers in particular try to drink or lick their contents. Cognis product developers therefore decided, together with experts from Henkel's Biology/Product Safety, to come up with alternatives to the traditional, petrochemical-based, lamp oils.

After extensive research and in vitro studies, they found a suitable substance among the thousands of vegetable-based Cognis products. This long-chain fatty acid ester has a much lower risk potential. Sales of the alternative raw material to lamp oil manufacturers in Europe began in the fall of 2000. The resounding sales success presents Cognis with a new challenge: expanding its production capacity for the ester.

Responsible in all regions

of the World

Henkel sites all over the world are working to achieve continuous improvement in safety and the protection of health and the environment. The following chapter gives a region-by-region overview of the major production sites of the Henkel Group. The results of the SHE audits are presented for each region. Selected examples from various sites show how advances in SHE management enable Henkel companies to achieve economic and social targets as well, thus contributing to sustainable development in their regions.

Systematic site information

Henkel publishes key SHE management data collected from 167 production sites around the world (see maps of regions on pages 25-31). 23 more sites are covered than in the previous year. Two sites have closed down, and another two have merged. The tables contain information about:

- Participation in the collection of Group data (*)
- Certification to ISO 14001 and/or EMAS ■
- SHE audits ■ carried out
- Publication of site objectives ■.

This makes it possible to recognize at a glance the progress made in implementing important SHE management instruments. Since late 2000, the Company has gone one step further by publishing additional site information on the Internet. In a pilot project, portraits of 77 production sites around the world have been published for the first time. ⓘ These portraits contain general information on each site, as well as detailed SHE information. In addition, contact persons are named as direct sources for more information.

Acquisitions and divestments

Henkel's dynamic business development naturally involves the purchase of new companies and the sale of others. A comprehensive analysis and assessment of the SHE situation is an important element of such negotiations. Moreover, each new site is subjected to a thorough SHE audit within two years of its acquisition. These initial inspections are a central aspect of risk management in the Henkel Group. At the same time, they form a basis for the integration of the new companies into the corporate SHEQ management system.

Egypt		Morocco	
Port Said*	■ ■ ■	Casablanca*	■ ■
Iran		Saudi Arabia	
Teheran	■	Riad*	■ ■
Israel		South Africa	
Haifa*	■ ■ ■	Alberton-Alrode*	■ ■ ■
		Capetown	■
Kenya		Tunisia	
Nairobi*	■ ■	Mornag*	■ ■
Lebanon		Sfax	■
Beirut	■		

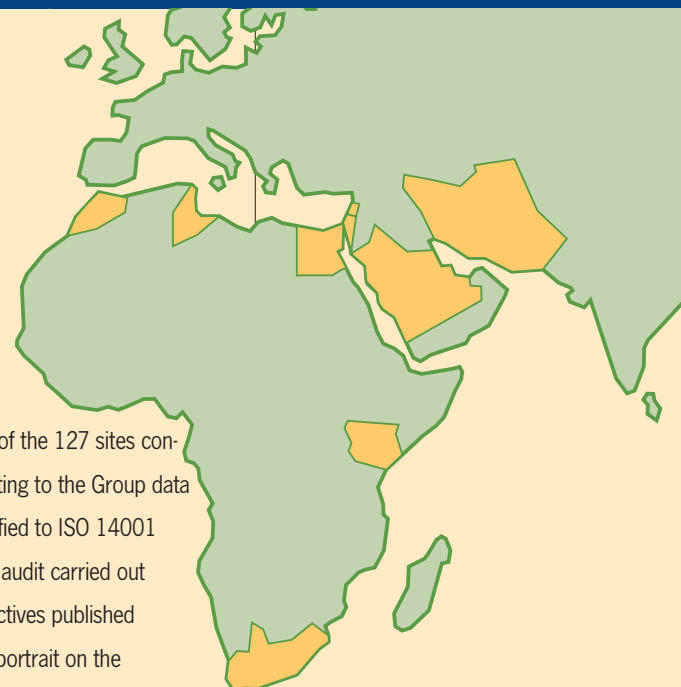
* One of the 127 sites contributing to the Group data

■ Certified to ISO 14001

■ SHE audit carried out

■ Objectives published

■ Site portrait on the Internet ⓘ



SHE audits

Seven sites in North Africa and the Middle East were included in the Henkel SHE audit program in 1999 and 2000. The SHE standard at these sites is lower than in the other regions of the Henkel Group. Medium-term improvement programs have therefore been developed. Two situations required action to be taken at short notice. In one plant, the supply of firefighting water was inadequate. The necessary upgrading work was commenced immediately. At another site which was recently acquired, solvents were being used in a plant that was unsuitable for this purpose. Production was immediately halted. The plant was appropriately modified before production was restarted.

Lebanon: What audits achieve

The Beirut site employs around 100 people to produce detergents and household cleaners. The first SHE audit in 1998 identified clear deficits in occupational safety. The accident rate was several times higher than the Henkel average. As a result, the site management, in close cooperation with production specialists and with the support of SHE experts from Headquarters in Düsseldorf, formulated a package of measures tailored to the site's needs.

The implementation of the package on site was accompanied by intensive coaching. Alongside analysis and elimination of accident risks, the measures were mainly aimed at raising employee awareness. The site's accident rate is now only slightly above the Henkel average.

Kenya: Eco-efficiency

Henkel Kenya Ltd. in Nairobi produces consumer and industrial adhesives for Kenya, Tanzania and Uganda. One of the most important raw materials for the production of water-based adhesives is dispersions, which are supplied in sealed plastic bags. In the past, some of this valuable raw material remained in the bags when they were emptied, and could therefore not be used for production. A new squeezing technique now enables the contents of the bags to be completely utilized, saving almost 3 metric tons of dispersions per year. The site has reduced its consumption of resources, as well as significantly cutting the amount of waste produced.

The Americas

SHE audits

SHE audits were carried out in 1999 and 2000 at 39 sites in the Americas, including 6 in Latin America. Most of the North American sites have now been audited twice. No major deviations from the Henkel requirements were identified. In Latin America, too, the auditors noted a high

to very high level of environmental and safety management. They identified significant room for improvement at one site, however, especially in regard to fire precautions. The necessary corrective action was initiated.

Brazil: Quality of life

Alongside accident prevention, the protection and promotion of employees' health are essential aspects of Henkel SHE standard number 5. Henkel Loctite in São Paulo has cooperated with an external institute to develop and implement a "Quality of Life" program for this purpose. Since 1999, its employees have been doing daily ergonomic exercises especially designed for their workplaces, under the guidance of doctors and trainers. All departments, from administration to production, are involved in the daily health program. Its success is quantifiable: The number of employees with work-related arm and back problems has fallen by more than 80%. The high standard of health and safety achieved has also been confirmed by external auditors: Henkel Loctite in São Paulo is the first Henkel company in America to be certified to the new occupational health and safety standard OHSAS 18001.

USA: Responsible Care

Cognis Corp. is committed to Responsible Care, the chemical industry's global initiative to continuously improve safety and the protection of health and the environment. Within the framework of this global initiative, national chemical industry associations develop implementation programs for their own countries. In the United

States, this includes a binding set of management system requirements and an external audit program (Management System Verification). In 1999, Cognis' headquarters and the site in Cincinnati, Ohio, successfully completed a Responsible Care audit. A uniquely American feature: Along with the external auditors, the audit team included SHE experts from other chemical companies, as well as neighbors and members of the Cognis-initiated Community Advisory Panel.

Canada: Closing the loop

In Etobicoke, Canada, some 90 employees of Henkel Surface Technologies produce chemicals for the surface treatment of metals and plastic. Reusable containers are employed to ship the products. The Surface Technologies environment and logistics experts have developed a new concept for product recovery prior to the cleaning of the returned containers. The production wash water, and the product contained in it, are also now being collected and subsequently reused in the manufacturing processes. Both initiatives enable recycling of valuable products. They contribute to resource conservation and help to reduce wastes by more than 20 metric tons a month.

ArgentinaAvellaneda*  **Brazil**Diadema/
São Paulo*    Itapevi/
São Paulo*    Jacarei*   **Canada**Brampton,
Ontario*   Etobicoke,
Ontario*   Toronto, Ontario*  **Chile**Santiago de
Chile*   **Colombia**Santafé de
Bogotá **Jamaica**Kingston* **Mexico**Ecátpec de
Morelos*   **Puerto Rico**Sabana Grande*   **Venezuela**Guacara/
Caracas* **USA**Aurora, Illinois*   Avon, Ohio* Brooklyn,
New York*  Calhoun,
Georgia*   Charlotte,
North Carolina*  Cincinnati, Ohio*  Denver,
Colorado*   Des Plaines,
Illinois*  Elgin North,
Illinois*  Elgin South,
Illinois*  Fremont,
California*   Hayward,
California*  Hoboken,
New Jersey* Jackson,
Tennessee*   Kankakee,
Illinois* Lewisville,
Texas*  Livonia,
Michigan*   Lock Haven,
Pennsylvania* Mauldin,
South Carolina* Oak Creek,
Wisconsin*   Solon, Ohio St. Louis,
Missouri*   Tucker, Georgia*  Warren,
Michigan*   Warrensville
Heights, Ohio*   Wayne,
New Jersey*   

* One of the 127 sites contributing to the Group data

 Certified to ISO 14001 SHE audit carried out Objectives published Site portrait on the Internet 

SHE audits

In view of the region's growing importance, Henkel considerably stepped up its audit activities in Asia in 1999 and 2000. SHE audits were carried out at 22 sites. The results varied widely. Some sites were internationally exemplary, while corrective action was clearly needed at others. At one production plant, for example, safety deficits in the handling of flammable liquids had to be remedied. Technical environmental protection generally corresponded to Henkel's requirements. In contrast, SHE organization was not always at the required level. With the support of the new integrated management systems, however, clear improvements have been achieved here since 1998.

China: Cleaner air

After the site in Guilin, Henkel Detergents China Ltd. has now modernized its steam generating capacity in Tianjin. The boilers are now fired by "clean" natural gas rather than sulfur-containing coal. As a result, 146 metric tons of sulfur dioxide and 11.5 metric tons of dust are no longer emitted to the atmosphere. Use of the new fuel and a more efficient combustion technology has cut carbon dioxide emissions by almost 60 percent. The authorities in Tianjin and the environmental agency welcome Henkel's contribution to reducing atmospheric pollution and hope that other large companies will be encouraged to follow its example. The Chinese detergents experts are already working toward their next target: The steam generation boilers at the Siping site are also being converted from coal to natural gas.

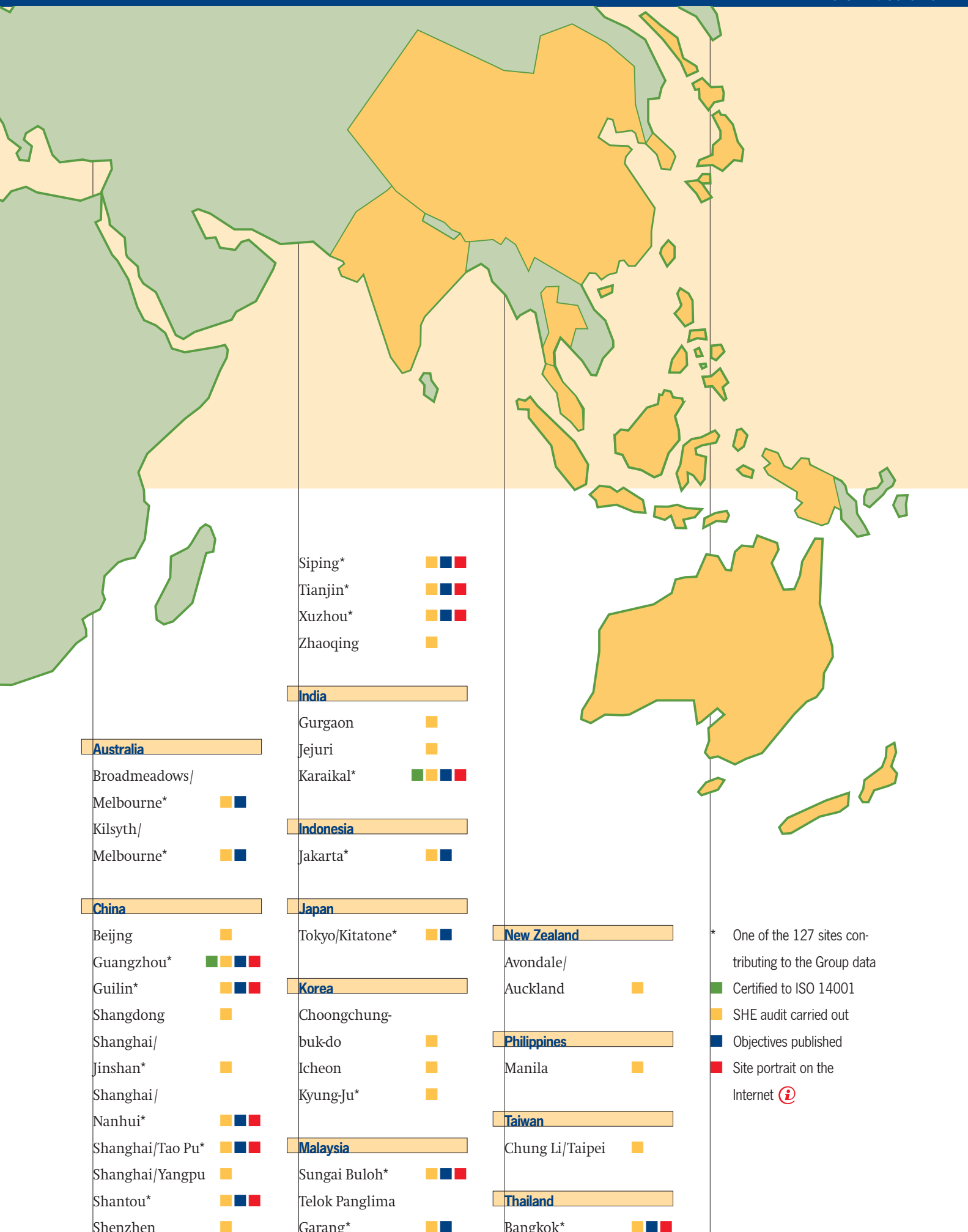
Asia/Australia: Know-how transfer

Know-how transfer in the field of safety and health protection has been a central topic in Asia. SHEQ managers, auditors, and safety engineers from the Chinese detergents and cosmetics sites met in Tianjin for an 8-day regional conference. Cognis invited all SHEQ professionals in the Asia/Australia region to a 3-day conference in Kuala Lumpur. The effects of an initiative launched by company physicians in

Düsseldorf were also felt. They developed an industrial medicine program to analyze the strengths and weaknesses of health protection and to formulate improvement measures. Almost 20 sites in China, Indonesia, Malaysia and Thailand have been visited by now and given health protection support on site.

India: Community outreach

With its 250 employees, the detergents joint venture Henkel SPIC India in Karaikal is one of the largest employers in this rural region. The plant management has therefore been carrying out projects to promote the region's structural development for some time now. Small farmers, for example, can take advantage of free soil tests, seeds, and training in new farming methods. The agricultural experts from Henkel's joint-venture partner, SPIC, also participate in these projects. In addition, schools and students in the surrounding communities are given special support. As a result, the Karaikal plant has become well known throughout the region, which is a significant advantage in attracting suitable employees.



SHE audits

Independent Henkel auditors inspected a total of 46 European production sites in 1999 and 2000. The audits documented a high SHE standard overall. Certain potential organizational improvements were identified. In some cases, for example, safety in warehouses was improved by systematically separating dangerous substances. At one

plant in eastern Europe, the auditors found that the safety awareness and protective equipment of the employees did not satisfy Henkel requirements. Funds were immediately made available to correct the situation. A training program has since been put in place to raise employee awareness of safety matters.

Europe: Cutting water consumption

Cutting water consumption and avoiding the production of wastewater were at the heart of SHE activities at the European sites. The Düsseldorf-Holthausen site alone saves 360,000 cubic meters of water per year thanks to optimized circulation in the cooling towers of its power plant. Many other sites achieved significant reductions in the amount of water used in production and thus also in the amount of wastewater generated. The French detergents site in Reims halved its wastewater relative to 1998, and a 20% drop in water consumption was recorded at the adhesives site in Châlons-en-Champagne. Significant improvements in the water and wastewater situation were also achieved in Izmir, La Coruña and Genthin. These savings are reflected in the total figures for Europe. Although production has increased by more than one third since 1995, water consumption has been reduced by 10 percent, and the volume of wastewater has even gone down by 20 percent.

Great Britain: In the lead

Minimizing risks and improving the management of occupational health and safety are the strategic objectives of the management team at Henkel Consumer Adhesives (UK) in Winsford. The site was one of the first companies in the UK to receive the British Standards Institution's certifi-

cation to the new Occupational Health and Safety Assessment Specification OHSAS 18001. The site had already achieved certification to ISO 9002 (quality) and ISO 14001 (environment). Henkel Consumer Adhesives (UK) in Winsford is thus the first company in the Henkel Group to have had all aspects of its integrated management system certified by external auditors.

Germany: Fit for the future in Heidelberg

Promotion of health has a high priority at Henkel-Teroson. The targeted policy followed by the company's management focuses on taking preventive measures and changing employees habits. In 1999, the in-house health program "Fit for the Future" was launched. The members of the "Fit for the Future" project team cooperate with a variety of external initiatives in order to put the many creative ideas into practice. Together with the Heidelberg Initiative for Healthy Work and the German Cancer Research Center, for example, the "Quit and Win" competition was started to help smokers kick the habit. Almost one in five employees of Henkel Teroson have participated in the campaign, which is based on a cooperation program of the World Health Organization.

AustriaVienna* **Belgium**Herent* Tessenderlo* **Denmark**Valby* **Finland**Helsinki Riihimäki* Vantaa* **France**Bischheim Boussens* 

Châlons-en-

Champagne* Cosne-sur-Loire* Lièpvre* Louviers* Meaux* Nemours* Ponthierry* Reims* **Germany**Bopfingen 

Düsseldorf-

Flingern* 

Düsseldorf-

Holthausen* Genthin* Hannover* Heidelberg* Heidenau 

Herborn-

Schönbach* Illertissen* Krefeld Lohne Loxstedt* Magdeburg* Neesen Sankt Augustin Siegburg* Siegsdorf Unna Viersen-Dülken Wassertrüdingen* **Great Britain**Belvedere* Slough* Winsford* **Greece**Athen/Kifissia Athen/Metamorfofi Mandras* **Hungary**Körösladány* Szolnok* Vác* **Ireland**Ballyfermot* Bray Cork* Tallaght* **Italy**

Caleppio di

Settala* 

Campo di

Bisenzio Casarile Cerano Ferentino* Fino Mornasco* Lomazzo* Parma Rozzano* 

Zingonia/

Bergamo* **Luxembourg**Foetz* **Netherlands**Nieuwegein* Ravenstein* **Poland**Ciechanow Racibórz* Staporków* Wrząca **Portugal**Alverca* **Russia**Engels* Tosno* **Slovakia**Nové Mesto* **Slovenia**Maribor/Melje* 

Maribor/

Studenci* **Spain**

Barcelona/

Zona Franca* La Coruña* Malgrat* Montornés* San Adrián* Santa Perpétua* 

Sevilla/ Alcalá

de Guadaira* Terrassa 

Torrejon*

SwedenGöteborg Mölnådal* **Switzerland**Erlinsbach **Turkey**Cayirova* Izmir* **Ukraine**Kiew 

* One of the 127 sites contributing to the Group data

 Certified to ISO 14001 and/or EMAS SHE audit carried out Objectives published Site portrait on theInternet 

Environmental data

The improvement of safety, health and environmental protection should be comprehensible to and assessable by both internal and external observers.

For this reason, Henkel publishes key environmental data and reports on progress and results each year.

Environmental data from 45 countries

Argentina	Hungary	Poland
Australia	India	Portugal
Austria	Indonesia	Puerto Rico
Belgium	Ireland	Russia
Brazil	Israel	Saudi Arabia
Canada	Italy	Slovakia
Chile	Jamaica	Slovenia
China	Japan	South Africa
Denmark	Kenya	Spain
Egypt	Korea	Sweden
Finland	Luxembourg	Thailand
France	Malaysia	Tunisia
Germany	Mexico	Turkey
Great Britain	Morocco	USA
Greece	Netherlands	Venezuela

Environmental data

The data published on pages 33 to 35 are based on the core indicators developed by the European Chemical Industry Council (CEPIC). 

They are determined at 127 Henkel Group production sites in 45 countries and are aggregated to obtain the Group data.

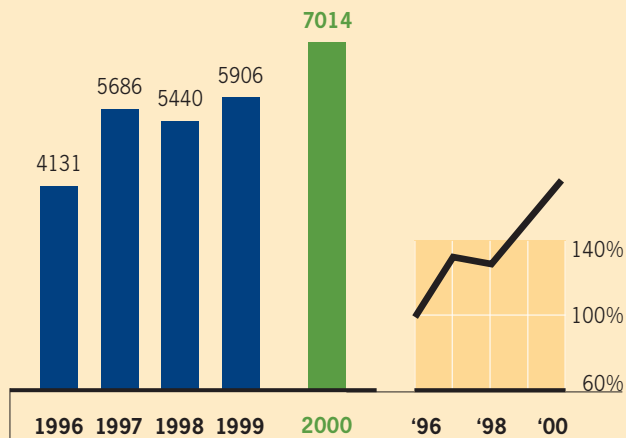
The 127 sites have been selected on the basis of their production volumes, the quantities and types of emissions, and the resources consumed. They account for 93 percent of the production of the entire Henkel Group.

Comparability

The Henkel Group is growing – as is the number of production sites contributing to the environmental data (from 31 in 1995 to 127 in 2000). As the rate of expansion is not uniform, there are some jumps in the figures from year to year. Each category of absolute emission and consumption values is, therefore, accompanied by a graph showing the relative development of the associated indicator as compared with the production volume (1996–2000: +70%) for the sites covered. This is intended to simplify assessment of the absolute figures.

Production volumes

in thousand metric tons

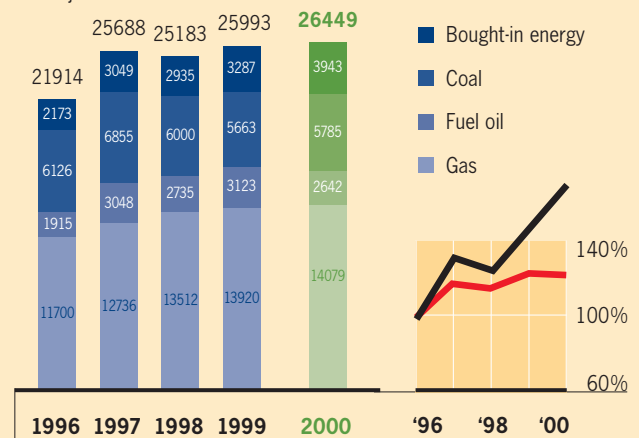


Production volumes of the Henkel Group sites that contribute to the Group's aggregated environmental data. (2000: 127 sites)

■ Production volume
Index: 1996 = 100%

Energy consumption

in terajoules

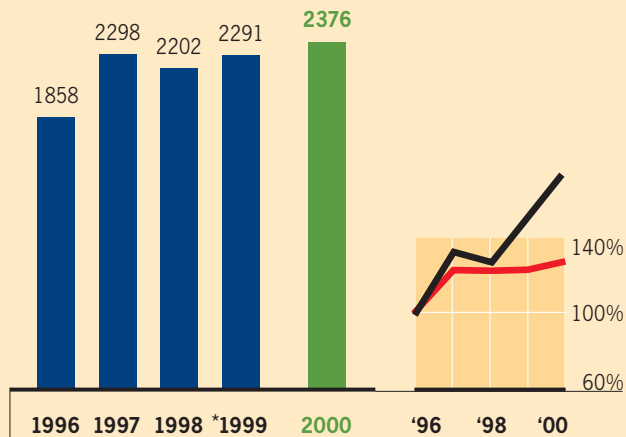


Bought-in energy is electricity, steam and district heating that is generated outside the sites.

■ Production volume
■ Energy consumption
Index: 1996 = 100%

Carbon dioxide emissions

in thousand metric tons



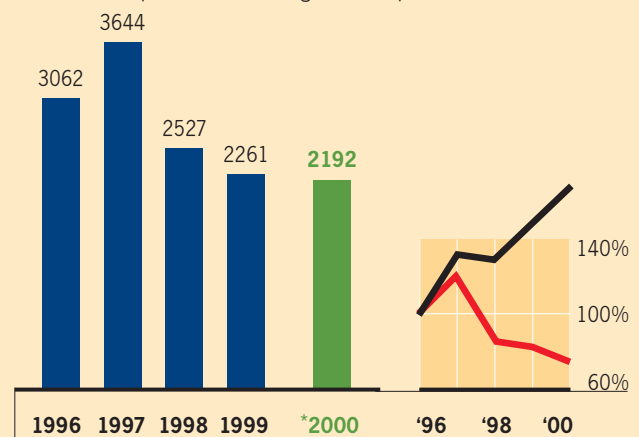
Energy generation accounts for almost all the carbon dioxide released by Henkel. The given values include carbon dioxide formed during the generation of bought-in, i.e., externally generated, energy at non-Henkel sites.

■ Production volume
■ Carbon dioxide emissions
Index: 1996 = 100%

* The 1999 value has been amended to rectify a faulty calculation concerning a large production site.

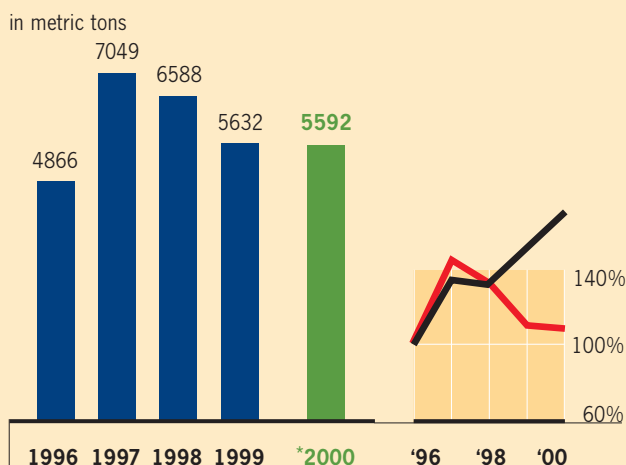
Nitrogen oxide emissions

in metric tons (calculated as nitrogen dioxide)



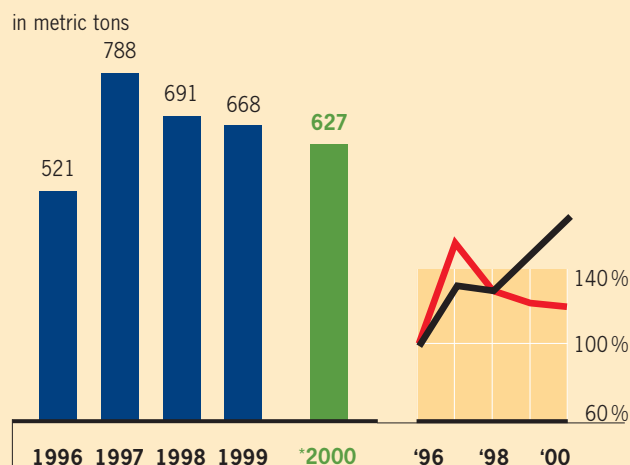
* Provisional value. At the time of going to press, not all data had been finally evaluated.

■ Production volume
■ Nitrogen oxide emissions
Index: 1996 = 100%

Sulfur dioxide emissions

*Provisional value. At the time of going to press, not all data had been finally evaluated.

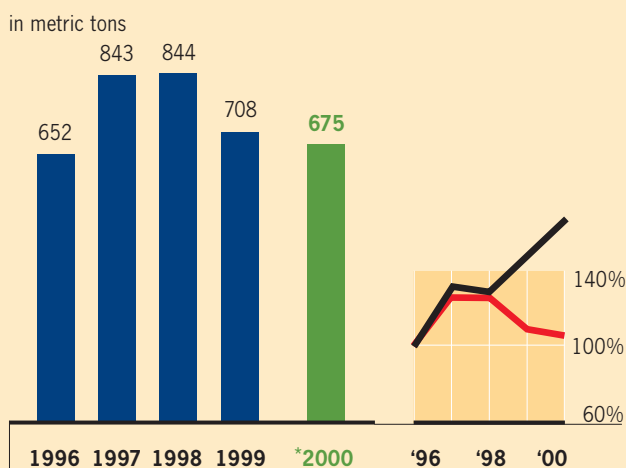
■ Production volume
■ Sulfur dioxide emissions
Index: 1996 = 100%

Dust emissions

The values include aerosols, as they are difficult to distinguish from dust with the available measuring technology.

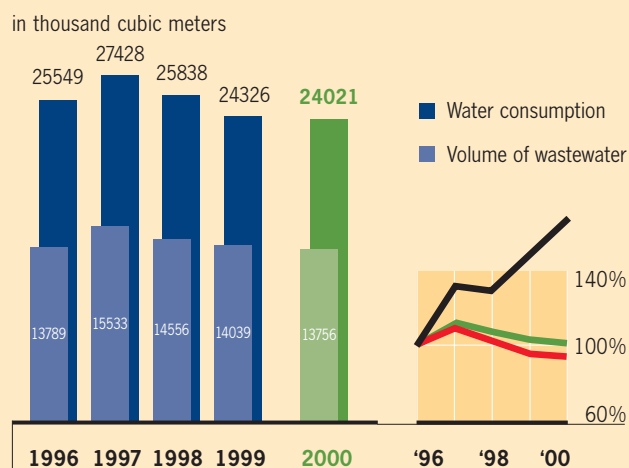
■ Production volume
■ Dust emissions
Index: 1996 = 100%

*Provisional value. At the time of going to press, not all data had been finally evaluated.

Emissions of volatile organic compounds

*Provisional value. At the time of going to press, not all data had been finally evaluated.

■ Production volume
■ Emissions of volatile organic compounds
Index: 1996 = 100%

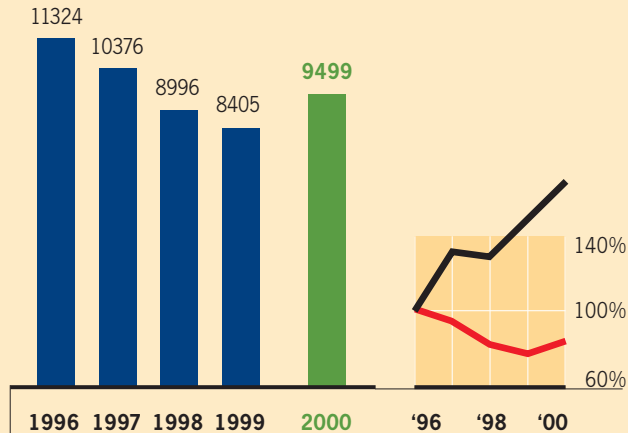
Water consumption and volume of wastewater

The values include all water, whether bought-in or extracted from Henkel's own sources. Most of this water is process water. Because water is lost by evaporation and water is contained in many products, the volume of wastewater is smaller than the volume of water consumed.

■ Production volume
■ Water consumption
■ Volume of wastewater
Index: 1996 = 100%

COD emissions into surface waters

in metric tons (indirect discharger included pro rata)



COD = Chemical oxygen demand.

Measure of the pollution of wastewater by organic substances.

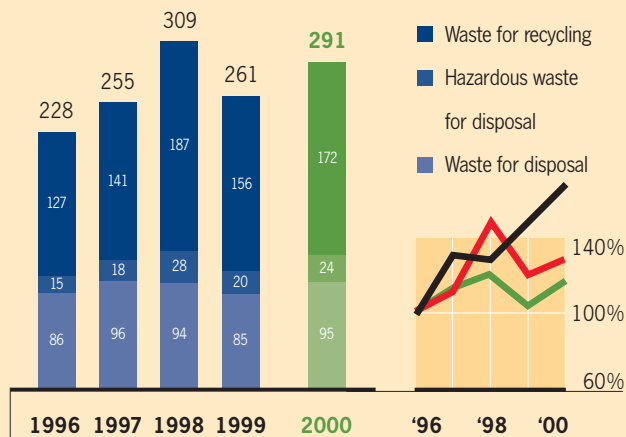
■ Production volume

■ COD emissions

Index: 1996 = 100%

Waste for recycling and disposal

in thousand metric tons



"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.

Because individual countries continue to extend their list of hazardous wastes, it is possible for the volume of hazardous waste to increase without any change having occurred in the waste situation in the Henkel Group.

■ Production volume

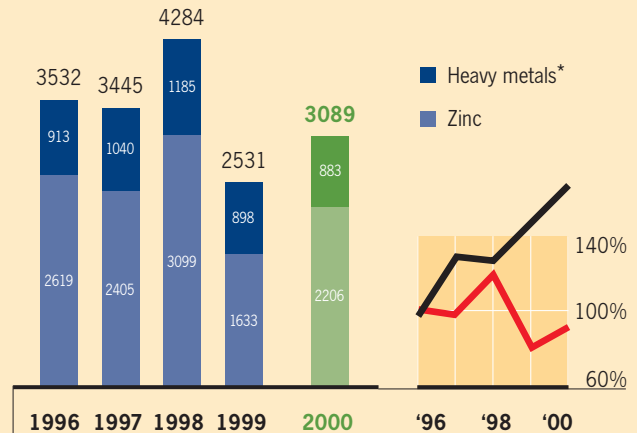
■ Recycling

■ Disposal

Index: 1996 = 100%

Emissions of heavy metals into surface waters

in kilograms (indirect discharger included pro rata)



Zinc is traditionally counted as a heavy metal. As zinc is usually less harmful than other heavy metals in terms of its effects on the environment, the zinc load is shown separately.

*Lead, chromium, copper, nickel; particularly hazardous heavy metals, such as mercury and cadmium, are not processed.

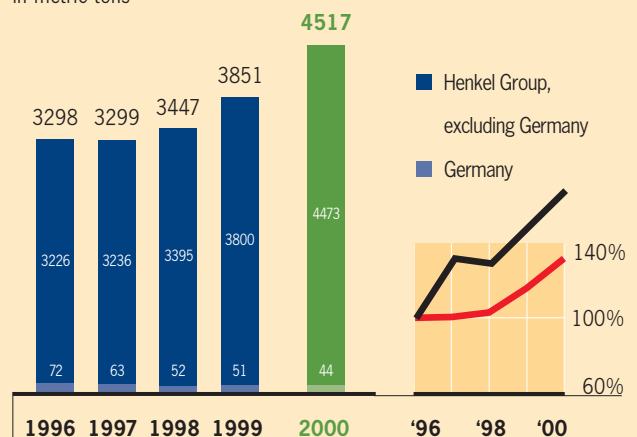
■ Production volume

■ Emissions of heavy metals

Index: 1996 = 100%

Consumption of chlorinated hydrocarbons

in metric tons



Methylene chloride, which is used in Great Britain in paint strippers, accounts for most of Henkel's consumption of chlorinated hydrocarbons.

■ Production volume

■ Chlorinated hydrocarbons

Index: 1996 = 100%

Ambitious *objectives* for the *future*

Ambitious objectives are an important instrument for progressively aligning companies to the demands of sustainable development. In this process, Henkel regularly defines objectives, checks that they are pursued, and reports on progress and results. These show how Henkel uses innovative problem solutions to help improve its own and its customers' performance in safety, health and environmental matters and at the same time to achieve competitive advantages.

Corporate objectives

Henkel's business portfolio is organized along business sector lines. It is, therefore, the business sectors that primarily define the Company's globally applicable environmental objectives. These objectives are listed on pages 37 and 38. Objectives that apply to all business sectors are listed as Group objectives.

Site objectives

More and more production sites are publishing site objectives of their own. In the year 2000, 105 of them did so. Henkel reports in detail on all of these objectives – and their implementation status – on the Internet. ⓘ In its printed Group report, the Company gives an account of the degree to which the sites have achieved these objectives, as follows.

63 of the more than 175 published site objectives were to be achieved in the year 2000. Of these, 60 percent were accomplished completely and on time. One quarter of the deadlines were extended by one year. Fifteen percent of the self-determined objectives were reached only partially or not at all. The reasons for this ranged from technical problems in implementation to changes in production programs.

Site objectives on the Internet

To make their evaluation transparent to outside observers, stated site objectives must be concrete and quantifiable. Henkel has defined the following achievement categories:

- Up to 50% = Not achieved
- 50 to 95% = Partially achieved
- More than 95% = Achieved or surpassed

The exact degree of achievement is published on the Internet. ⓘ

Objective	Status
Adhesives	
Group-wide certification of the environmental management system to international standards	5 sites certified in Europe and overseas; other sites preparing for certification
Permanent revision and consistent optimization of the entire range of products in line with SHE considerations	Permanent objective (for current product examples, see page 18)
Preferential use of renewable raw materials	OLEOLINK project: Studies of cross-linked oleochemical raw materials for adhesives and sealants; project scheduled for completion in 2002
Expansion of the market for solvent-free adhesive systems in the shoe manufacturing sector	Initial utilization by leading sports footwear manufacturers worldwide; further market potential through additional applications for solvent-free systems
Expansion of the market for solvent-free laminating and coating adhesives in cooperation with customers	Launch of solvent-free universal laminating adhesives strengthened leading competitive role
Cosmetics/Toiletries	
Use of renewable raw materials, preferably vegetable-based	Development of new emulsifier systems for cosmetic products on purely vegetable basis; incorporation in various skin care products is in progress
Further development of testing methods that make no use of animals	Alternative methods are already being used (e.g. for skin and eye compatibility); extension to other fields of testing and securing official acceptance
Laundry & Home Care	
Use of eco-performance indicators for complete evaluation of the environmental impacts of detergents throughout their life cycle	Implementation in production is complete; extension to product eco-performance assessment in 2001
Achievement of AISE targets by the end of 2001 (basis 1996) – 5% reduction in energy consumption per wash cycle – 10% reduction in the amount of detergent per wash cycle – 10% reduction in the amount of packaging per wash cycle	Development work within the planned time schedule
Industrial and Institutional Hygiene (Henkel-Ecolab)	
Long-term, Group-wide certification of the environmental management systems to the international ISO 14001 standard	The European headquarters and seven production sites are certified; preparations for certification in 2001 in progress in Italy, England and Greece
Reduction of wastewater pollution in customer plants in the food sector (breweries, dairies)	Successful launch of enzymatic cleanser for dairies (see SHE Report 1998, page 37); extension of systems business to ice-cream manufacturers
Water and energy management for laundries	Development of new business through resource-conserving system solutions (see page 21); high market potential

Objectives	Status
Surface Technologies	
Group-wide certification of the environmental management systems to the international ISO 14001 standard	7 sites certified worldwide; ongoing preparations for further certifications
Development and marketing of chrome-free conversion processes	Initial utilization by major European steel producer; new potential in the construction sector (industrial cladding/building facades)
Development and marketing of environmentally more compatible pickling processes for stainless steel	Successfully launched (see page 22)
Elimination of nickel from wash water from automobile pretreatment	Pilot plant installed for major automobile manufacturer; transfer to regular production operations planned for 2001
Development of biodegradable water treatment products	Launched in mining and power plant sectors; extension to corrosion protection in industrial water circuits in 2001
Chemical Products (Cognis)	
Group-wide certification of the environmental management systems	7 sites certified in Europe and Latin America; certification of all production sites to obtain a world certificate by end of 2002
Development and active marketing of APEO-free emulsifiers for polymerization	Initiation of the switch to new APEO-free emulsifiers in the polymerization industry; encouraged in part by wider official acceptance of APEO alternatives for use with food products (FDA approval)
Biodegradable distillates and cleansing oils for the printing ink industry	More products have been successfully launched in Europe; widening of the market by successive changeover in the printing ink industry
Development of matrix resins based on renewable raw materials for composites made from natural-fiber-reinforced plastic	Development work has been transferred to production; start of series production in spring 2001
Checking of textile auxiliaries that, under the voluntary assessment program of the German trade association TEGE-WA, belong to the highest wastewater-relevance category (WRC 3); replacement of the substances responsible for this classification with substances belonging to WRC 1 or 2	Testing and replacement of the most important substances has been completed; more than 97% of the marketed products belong to water-relevance category 1 or 2
Development of new types of products for the agriculture and forestry sector and landscape management, so that the amounts of fertilizers and pesticides used can be reduced	Products launched in Europe; intensive further development in Asia and America
Development and marketing of water-based concrete-protection and anti-corrosion coating systems	Launch of first products; continuous expansion in this business field through replacement of solvent-based systems
Group objectives	
SHE audits at 41 more sites by the end of 2000	SHE audits carried out at 42 sites; ongoing program of audits (45 sites in 2001)
25% reduction in occupational accidents by 2005	Basis 2000:17 occupational accidents per 1000 employees

Communication: Open dialogue

Alignment to sustainability lives from a dialogue with the stakeholders. The Company uses both traditional and new communication channels and actively seeks to engage in a dialogue with customers, specialist organizations, and the public.

The changing face of communications

The media landscape is in a state of flux. Electronic communications are gaining in significance, also at Henkel. The Company uses the Internet to publish developments on an ongoing basis.

In March, 2000, Henkel set up its own sustainability site on the Internet. It can be reached from the Henkel homepage under www.henkel.com/sustainability. Going beyond traditional print publications, the Internet site is more up-to-date and offers systematic background information as well as the opportunity to download publications or engage in an online dialogue. The printed sustainability report serves as an annual statement of account, comparable to the Annual Report with a management report and year-end data.

Site communication: Advancing worldwide

On the Internet and in printed form, Henkel is strengthening site communication. Site portraits on the Internet provide information about major production sites and give an overview of how Henkel companies are distributed over the various regions of the world.

Publications in the local language support the sites in their dialogue with the public and specialist organizations in the community. Nine sites publish annual environmental statements under the European Union's Eco-Management and Audit Scheme (see table on page 16). Another 14 (in 11 countries) have produced their own site SHE reports for the first time. 

Major national companies are also following this path. In the year 2000, Henkel Italia, one the biggest Henkel companies in Europe, published a first environmental report of its own, containing detailed information on all its production sites.



Prizes and awards

Country	Company	Prizes and awards
Egypt	Henkel Detergents, Port Said	Commended by environmental agency as exemplary in the region
Germany	Cognis Deutschland, Düsseldorf	German Chemical Society's prize for conservation of resources
Great Britain	Henkel Consumer Adhesives, Winsford	Environmental partnership prize for suppliers of B&Q; first prize in national "Investor in People" competition
India	Henkel SPIC India, Karaikal	Regional government's occupational safety award
Spain	Henkel Ibérica, Montornés	European occupational safety award
USA	Dexter, Seabrook, New Hampshire	Charter member of EPA's National Environmental Achievement Track program
	Loctite Corporation, Warrensville Heights, Ohio; Manco Inc., Avon, Ohio	Regional attractive employer award
International	Henkel Group	First prize for "Environmentally Oriented Business Management" from the Federation of German Industry; EU Commission award for sustainable development

Henkel as a neighbor: Open door appreciated

Nothing can replace direct contact with neighbors. Getting to know their worries and concerns and explaining the company's activities to them are at the heart of mutual understanding and good neighborly relations. In 2000, 16 Henkel sites held open house days.

Five sites, mainly in the USA and Canada, have set up Community Advisory Panels, in which Henkel representatives and interested citizens engage in regular discussions and exchange information about current developments. Many suggestions for improvements and joint projects originated in these panels.

Open house days in the year 2000

Itapevi/São Paulo, Brazil	Telok Panglima Garang,
Jacarei, Brazil	Malaysia
Port Said, Egypt	Ecátpec de Morelos, Mexico
Louviers, France	Engels, Russia
Hannover, Germany	Tosno, Russia
Körösladány, Hungary	Maribor/Melje, Slovenia
Vác, Hungary	Avon, Ohio, USA
Lomazzo, Italy	Warrensville Heights, Ohio,
Nairobi, Kenya	USA

Dialogue with investors

Henkel conducts an intensive dialogue with investors and financial analysts. Many of them favor companies that practice sustainable development with the objective of achieving an enduring enhancement of shareholder value. The leading provider of information for institutional investors, Euromoney PLC, London, has therefore joined forces with Dow Jones and Sustainable Asset Management to create a forum named Sustainable Business Investor Europe. Henkel was involved from the very start. In a specially requested case study, the President and Chief Executive Officer explained the connection between sustainability and corporate success. ⓘ

