

# Sustainability Report 2008

Corporate Social Responsibility at Henkel



# Henkel

*Brand Like a friend*

Driving Change

# Henkel in brief

## Sustainability performance from 2004 to 2008

### Environmental indicators per metric ton of output\*

Wastewater load (COD emissions)	-4%	↘
Carbon dioxide (CO <sub>2</sub> )	-6%	↘
Energy	-11%	↘
Volatile organic compounds (VOC)**	-24%	↘
Heavy metals	-29%	↘
Waste	-30%	↘
Water	-35%	↘
Sulfur dioxide (SO <sub>2</sub> )	-41%	↘
Occupational accidents***	-63%	↘

\* Environmental indicators, including the National Starch businesses (since April 2008)

\*\* Volatile organic compounds, excluding the National Starch businesses

\*\*\* Occupational accidents per million hours worked

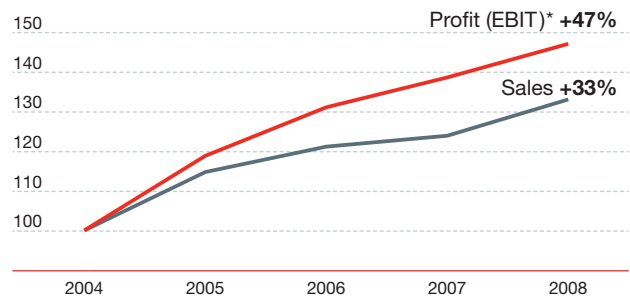
## Company overview

With our brands and technologies, we operate in three strategic business areas: Laundry & Home Care, Cosmetics/Toiletries, Adhesive Technologies. 82 percent of our more than 55,000 employees are employed outside Germany.

In 2008, our total sales amounted to 14,131 million euros. Sales rose by 8.1 percent, above all through the acquisition of the National Starch businesses as well as organic growth. At 779 million euros, operating profit (EBIT) lay significantly below the prior-year level of 1,344 million euros. This decrease is attributable to

## Business performance from 2004 to 2008

### Percent; index 2004

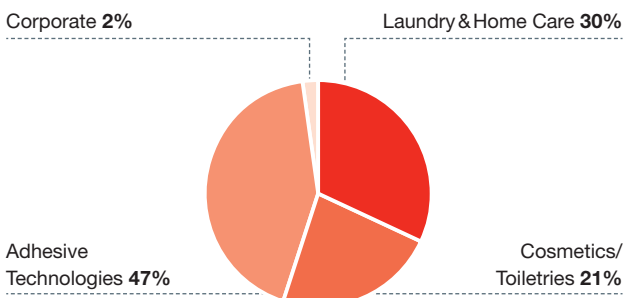


\*2008: operating profit (EBIT) after adjusting for one-time expenditures and gains as well as restructuring costs

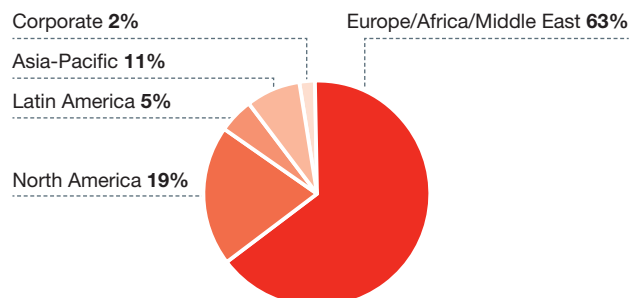
restructuring costs and one-time expenditures associated with our efficiency-increasing program, Global Excellence, and the integration of the National Starch businesses. The adjusted operating profit ("adjusted EBIT") rose by 6.6 percent to 1,460 million euros. This figure is net of 35 million euros deducted in respect of amortization of intangible assets arising from the acquisition of the National Starch businesses. Before this deduction, the adjusted EBIT rose 9.1 percent to 1,495 million euros

AR pages 36 and 38. [www.henkel.com](http://www.henkel.com)

## Sales by business sector



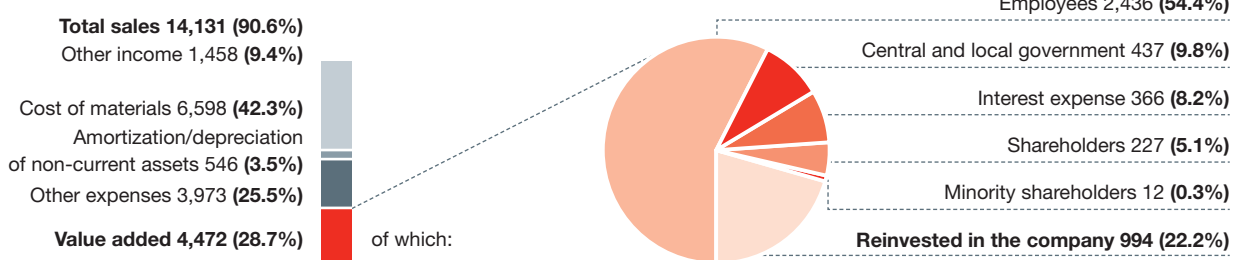
## Sales by region<sup>1)</sup>



<sup>1)</sup> Including Corporate; for reconciliation with Henkel Group  
Corporate = sales and services not assignable to the individual business sectors

## Value added statement 2008

### In million euros



# Contents

## Scope of this report

In 1992, Henkel published its first Environment Report. It was subsequently developed and refined, evolving into the Sustainability Report. This is published annually and complements our Annual Report by covering ecological and social themes. Additional information on corporate social responsibility (CSR) can be found at [www.henkel.com/sustainability](http://www.henkel.com/sustainability) and in other Henkel publications **SR** page 37.

The contents of the Report reflect the relevant and material challenges of sustainable development which we address in our business activities. The selected themes include the results of our continuous dialogue with a large circle of stakeholders. Especially close consideration was given to the dialogue with international sustainability experts, the requirements of the European Chemical Industry Council (CEFIC), the criteria of various finance- and sustainability-oriented rating agencies, and the guidelines of the Global Reporting Initiative (GRI). A detailed GRI index, with links, can be found on the Internet. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) →2

The Sustainability Report covers all the companies included in the consolidated financial statements, including direct participations and the National Starch businesses acquired in 2008. The examples included have been selected on the basis of their innovativeness, their relevance, and the representative way in which they reflect the work of the Company. The production-related environmental indicators were determined using data from production sites in 57 countries. They account for more than 95 percent of the Company's worldwide production. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 98 percent of Henkel employees. Henkel openly reports on serious operational incidents, should any have occurred in the reporting period, and the measures taken in response.

The reporting period is fiscal 2008. As a sign of how important sustainability is for our business, we are presenting the Henkel Annual Report and the Sustainability Report simultaneously at the press conference for this reporting period on February 25, 2009.

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## Further information

In many places in the Sustainability Report 2008, you will find references to other pages in the Sustainability Report, to the Annual Report, as well as links to further information on the Internet.

On our Internet site, at [www.henkel.com/sr2008](http://www.henkel.com/sr2008), you will find the page "Further Links Report 2008." All of the references are listed there with the appropriate reference number. This allows you to access the required information with just a single click. Additionally, our Internet site offers all of the Environment Reports and Sustainability Reports that have been published since 1992, which are also available as downloads.

**AR** Annual Report

**SR** Sustainability Report

**www** Internet

# We are driving change



*Dear Readers,*

For more than 130 years, Henkel has worked toward achieving sustainable development. Sustainability is part of our DNA. Through our brands and technologies, and as an employer, we work to meet the needs of people today without compromising the development opportunities of future generations. We express the essence of this ambition as “quality and responsibility.”

We conduct our business in a sustainable and socially responsible manner throughout the entire value chain. This has helped us to build an excellent reputation as a company and to attain leading market positions worldwide. We want to maintain this lead and to expand it in the markets we serve.

In challenging economic times, it is more important than ever to understand that sustainable development is an opportunity. Developing sustainably also involves going through a process of change. Implementing change is not always easy, yet in order to fulfill our responsibility for the company as a whole, we must act with the future in mind.

Every day, millions of customers and consumers around the world choose Henkel brands and Henkel quality. Our products and technologies are our core contribution to society. Through them, we support climate protection, resource conservation, and social progress.

We are convinced that our continued focus on sustainability will help grow the long-term value of our company. All new products from Henkel contribute to sustainable development in at least one of our focal areas: energy and climate, water and wastewater, materials and waste, health and safety, and social progress.



We will continue to strive for sustainable development throughout our company – on a global scale. Each of our more than 55,000 employees around the world bears responsibility for this effort within his or her sphere of influence, and each employee makes a vital contribution to the attainment of our three strategic priorities: achieving our full business potential, focusing more on our customers, and strengthening our global team.

Our goal is to drive change toward sustainability, working hand in hand with our industrial customers, our retailers and our consumers – worldwide, today and tomorrow.

Kasper Rorsted  
Chairman of the Management Board

# Sustainability Council



Our Sustainability Council, whose members are drawn from all areas of the Company, is a global decision-making body which steers our worldwide sustainability activities. The members are (from left to right): Dirk-Stephan Koedijk, Dr. Andreas Bruns, Rolf Schlue, Ernst Primosch, Kasper Rorsted, Christian-André Weinberger, Prof. Dr. Thomas Müller-Kirschbaum, Tina Müller, Dr. Thomas Förster, Dr. Attilio Gatti, Prof. Dr. Ramón Bacardit  pages 6 and 7.  [www.henkel.com/sr2008](http://www.henkel.com/sr2008) →3

Our activities in 2008 were mainly aimed at the continued implementation of sustainability in our operating businesses and in customer- and consumer-relevant concepts. We have systematically anchored our focal areas in our Company-wide standardized innovation process, because we know that we can only fulfill our commitment if our focal areas are integrated into our innovation process from the very beginning. All new products contribute to sustainable development in at least one focal area.

The visible results of our work in 2008 include the launch of the new household cleaners brand Terra Activ, the first cosmetic products to carry the ECOCERT label, and the Environment Award of the Federation of German Industries (BDI) for our metal pretreatment product Bonderite NT.

Our sustainability management as a whole was also recognized externally in 2008: In December, at the first ever German Sustainability Congress, the award for being Germany's "Most Sustainable Brand" went to Henkel.

Taking fiscal 2008 as a whole, the increases in the prices of energy and raw materials reinforce our determination to continue to pursue our Company-wide sustainability targets for reductions in water consumption, energy consumption, and waste by 2012. All of our

business sectors have launched projects for attaining these targets. Achievement of the targets will pose a particular challenge to the sites that already operate highly efficiently due to the use of modern technologies. The skills and creativity of our employees will play a major role here. The worldwide restructuring program and the integration of the National Starch businesses have also presented our employees and our companies with major challenges.

This Sustainability Report covers the main developments in 2008. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

We are taking numerous initiatives in 2009 to further expand our sustainability leadership. In particular, we will be concentrating on the areas of water, education, and sustainable consumption. We wish to inform our customers and consumers even more effectively in the future about the added value resulting from the combination of quality and responsibility. One of the top priorities will be continued improvement in transparency throughout the supply and value chains.

# Our strategy for sustainability

## Focal areas

Through our business activities and our products, we make important contributions to sustainable development:



**Energy and climate**

» We utilize energy resources more efficiently, and hence protect the climate.



**Water and wastewater**

» We conserve the globally available water resources.



**Materials and waste**

» We utilize the available raw materials more efficiently and avoid waste.



**Health and safety**

» We help to achieve a safe and healthy environment for our customers, consumers, employees and neighbors.



**Social progress**

» We support social progress for our employees, customers and consumers, and all countries in which we operate.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 4

In our corporate values, we declare our dedication to sustainability and corporate social responsibility. For us, the decisive factor is **how** we generate our sales and profits, and that we always act responsibly throughout the value chain. This fundamental attitude is firmly anchored in our corporate history and therefore in our philosophy in word and action. It has helped us to build an excellent reputation as a company and to attain leading market positions worldwide.

We systematically focus all our activities throughout the value chain on the challenges of sustainable development as they relate to our operations. We have grouped these sustainability challenges in five overarching focal areas. At the heart of all our actions are our Vision &

Values. With our business activities and our products, we want to contribute to each of these five focal areas. This is why we develop new, smarter products, in which top performance is combined with responsibility toward people and the environment. It is also the reason why, in line with our commitment, all new products contribute to sustainable development in at least one of these focal areas. We work closely with our customers and with consumers in order to help them to understand and appreciate the added value of these innovations.

As long ago as the 1980s, in our “Principles and Objectives of Environmental Protection and Safety,” we committed to promoting occupational health and safety, conserving resources, and reducing emissions. Since

## Our philosophy in word and action

The need to balance economy, ecology and social responsibility has always been a top priority at Henkel. This fundamental attitude has been part of our DNA ever since the company was founded in 1876:

» **1876** Fritz Henkel founds the company Henkel & Cie in Aachen. Its first product is a heavy-duty, “universal” washing powder.

» **1878** The company is relocated from Aachen to Düsseldorf.

» **1907** Birth of Persil, the first self-acting detergent.

» **1911** The first company housing is built in Düsseldorf.

» **1917** Employees elect the first workers’ council.

» **1934** Systematic accident prevention cuts the number of accidents per 100 employees from 10 in 1927 to just 4.

» **1940** Establishment of a children’s daycare center at the Düsseldorf site.

» **1953** Start of research on the biodegradability of detergents.

» **1969** Launch of the solvent-free Pritt glue stick.

» **1971** Establishment of Central Environmental and Consumer Protection department.

» **1980** Launch of water-soluble and therefore recyclable hotmelts for bookbinding, packaging and labeling.

then, we have continuously updated these aims at the corporate and site level, achieving major improvements. In the ten years from 1998 to 2007 alone, we have reduced occupational accidents by 86 percent, water consumption by 48 percent, energy consumption by 40 percent, and waste generation by 37 percent. Thanks

to the savings in energy consumption, we have also been able to reduce the associated carbon dioxide emissions by 33 percent.

On the basis of the progress achieved up to 2007, we have defined Company-wide targets for the next five years, i.e. until 2012:

## Targets

**-15%**

A further 15 percent **reduction in energy consumption** per metric ton of output by 2012 – and in the associated carbon dioxide emissions (base year 2007).

**-10%**

A further 10 percent **reduction in water consumption** per metric ton of output by 2012 (base year 2007).

**-10%**

A further 10 percent **reduction in the amount of waste** generated per metric ton of output by 2012 (base year 2007).

**-20%**

Long-term objective: **Zero occupational accidents**. Interim target: A further reduction of 20 percent by 2012 (base year 2007).

## Also central to our commitment are:

» All new **products** contribute to sustainable development in at least one focal area.

» All **employees** receive training and continuing education to ensure that they are appropriately qualified for their tasks.

» All of our strategic **suppliers** satisfy our expectations with regard to corporate ethics.

» **1986** Launch of Persil phosphate-free.  
 » **1987** Conversion of all Schwarzkopf production lines in Germany to CFC-free aerosols.  
 » **1991** As one of the first industrial companies in Germany to do so, Henkel endorses the Business Charter for Sustainable Development.  
 » **1993** First hair colorant based exclusively on vegetable raw materials: Poly Nature Color.

» **1995** Publication of the revised “Principles and Objectives of Environmental Protection and Safety.”  
 » **1996** First solvent-free flooring adhesive: Thomsit T450 Futura.  
 » **1997** Introduction of integrated management systems and corporate Safety Health and Environment (SHE) standards; start of worldwide SHE audits.  
 » **1998** Start of support for MIT employee engagement.

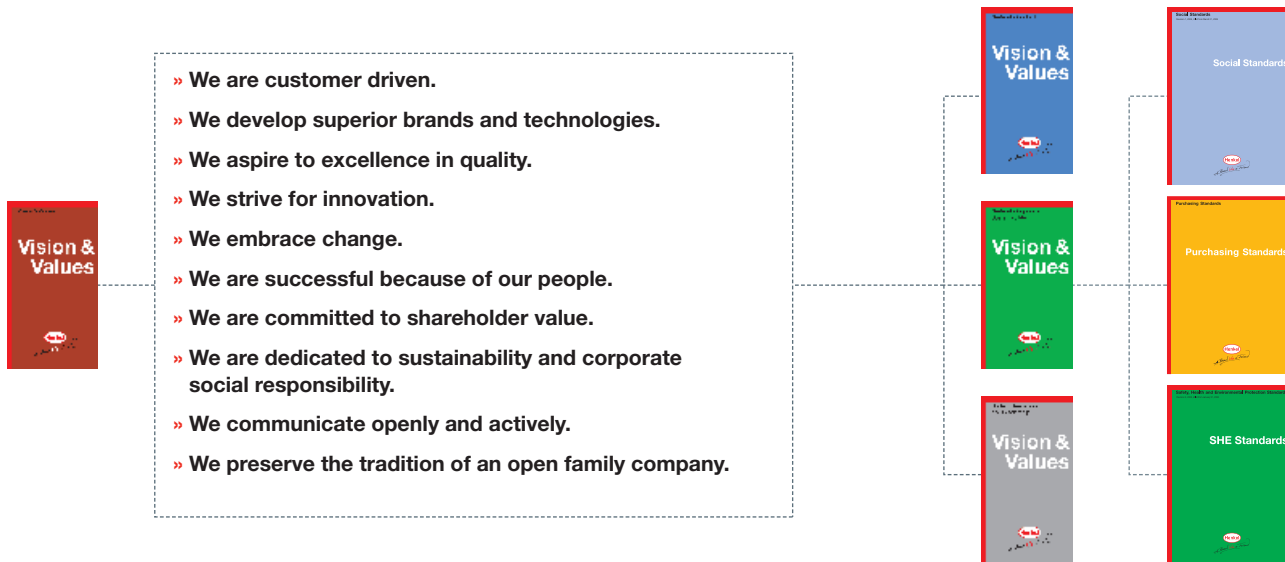
» **2001** Support for 125 MIT children’s projects in 53 countries to mark Henkel’s 125th anniversary.  
 » **2003** Henkel joins the United Nations Global Compact.  
 » **2006** SHE Standards expanded to include corporate purchasing guidelines and social standards.  
 » **2008** Start of the global “Quality & Responsibility” initiative of the Laundry & Home Care business sector.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 5

# Values and management

## Vision, values, codes and standards

Henkel is a leader with brands and technologies that make people's lives easier, better and more beautiful.



[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 6

- » Globally valid codes and standards
- » Company-wide implementation of compliance activities
- » Audits to check conformity with behavioral rules

### Worldwide codes and standards

From our Vision and our ten Corporate Values, we have formulated globally binding behavioral rules which are specified in a series of codes. In all business areas and cultures in which we operate, they provide guidance for the behavior and actions of our more than 55,000 employees. The Code of Conduct contains general corporate principles and behavioral rules and helps employees to respond correctly and appropriately when faced with ethical and legal issues. The Code of Teamwork and Leadership provides guidance for the conduct of managerial and non-managerial staff at all levels.

The Code of Corporate Sustainability describes our principles and expectations of sustainable business practices and corporate social responsibility. It is given concrete form by Company-wide standards. Besides the standards for safety, health and environment, they include social standards and purchasing standards. In

these we have integrated central requirements derived from the Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD), the Social Accountability Standard (SA 8000), and the guidelines of the International Labor Organization (ILO).

Together, the codes and standards are the basis for Henkel's implementation of the United Nations Global Compact initiative. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 7

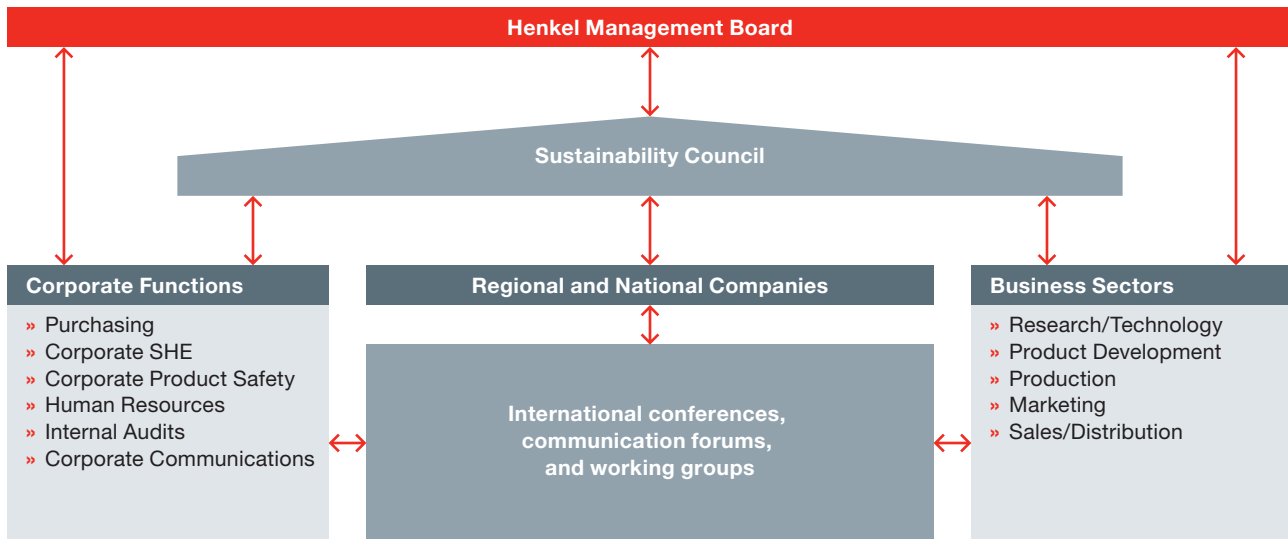
### Clearly defined responsibilities

Our globally applicable codes and standards are backed up by integrated management systems and an organization structure with clearly defined responsibilities. The Henkel Management Board bears overall responsibility for our sustainability policy. Led by the Chairman of the Management Board, the Sustainability Council, whose members are drawn from all areas of the Company, steers our global sustainability activities [SR](#) pages 3 and 7.

In 2007, Henkel merged previously decentralized compliance functions and appointed a Chief Compliance Officer. He steers compliance activities on the corporate level and helps the Company to apply and continuously develop its codes and standards. In addition, he monitors



## Organization for sustainability



[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 8

and reports on the implementation of and compliance with external and internal requirements. He is assisted by the Internal Audit department, which also reports directly to him.

In 2008, the Chief Compliance Officer continued to expand his worldwide organization, so that responsibility for compliance is now also clearly defined at the national level. Locally appointed compliance officers ensure that information flows smoothly, and that requirements are acted on and implemented. They also organize training courses aligned to regional challenges.

### Clearly communicated requirements

Henkel operates in a variety of markets and regions with diverse legal systems, social standards and customs. To establish a uniform understanding of our corporate values and behavioral rules among our employees, the staff members responsible for human resources and communications in the different countries have developed appropriate training and communication activities. In the USA, for example, all new employees must participate in an interactive online training course on the Code of Conduct. Regular seminars organized by the Corporate Internal Audit department familiarize our top

managers worldwide with Henkel's corporate standards. In addition, articles in employee newspapers explain in detail the behavioral rules and their significance for the Company. Newsletters for special target groups make a further contribution to knowledge transfer. In 2008, training focused mainly on safety, environment and health matters [SR page 21](#), as well as on antitrust laws and on fighting corruption.

Last year, more than 3,000 employees in all regions where Henkel operates received training in antitrust legislation. Furthermore, we have incorporated the subject of compliance in all seminars of the Henkel Global Academy and in our management seminars, as well as in the official welcoming seminar for new managers.

### Corporate Governance

Taking into account the special aspects specific to its legal form and articles of association, Henkel AG & Co. KGaA complies with the main recommendations of the German Corporate Governance Code, with three exceptions. We publish further information, such as the details of the declaration of compliance and the remuneration report, in our Annual Report and on the Internet [AR pages 18 to 29](#).

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 9

### Concrete instructions to supplement the Code of Conduct

In November 2008, the Henkel Management Board approved detailed guidelines to supplement the Code of Conduct. These guidelines provide instructions for our employees on how to handle situations involving business-related conflicts of interest, gifts, and individual invitations. They underline the strict ban on all forms of bribery and other undesirable business practices. The guidelines were distributed to all Henkel employees worldwide. They are intended to provide concrete assistance and reliable instructions for making decisions, especially in everyday situations.

### Zero tolerance for violations of regulations

Henkel's interests can never be served by actions that violate rules and regulations. We carry out regular audits to ensure that our standards are implemented at our production and administration sites, and, increasingly, we also audit our subcontractors and logistics centers. The audits are a key instrument for identifying risks and potential improvements and play a crucial role in the transfer of knowledge.

In the course of audits by the Corporate Internal Audit department, some 1,800 individual actions were agreed in 2008 with employees in Accounting, Purchasing, Sales/Distribution, Marketing, Information Technology and Production, in order to make processes and work-

flows even safer and more efficient. Audits focusing specifically on safety, health and environment were carried out at 21 sites, and 266 binding corrective actions were initiated. Implementation of the agreed actions and the widespread communication of examples of best practice are steered and monitored by our auditors. In addition to the audits, the results of specific surveys – e.g. concerning “especially dangerous processes in Production” – highlight areas requiring improvement measures and programs.

Since 2007, our reporting and complaints channels have been augmented by a compliance hotline, which was set up to enable employees to report major infringements of our codes and standards. It is run by an independent external provider. In particular, it should be used when incidents cannot be cleared up directly with the employee concerned or a supervisor. Regular evaluations show, however, that the established internal reporting channels and direct contact points in the Company are used much more frequently than the hotline.

Infringements of our codes and standards are thoroughly investigated. Depending on their nature and gravity, there may be far-reaching disciplinary consequences for the individuals concerned. In 2008, besides written warnings, there were 36 dismissals for serious misconduct.



### Social standards at Henkel

Since 1994, we have committed ourselves, in our mission and corporate principles, to incorporating social values in a responsible manner in our corporate policy. We clearly emphasized our support for the protection of human rights when we introduced our Code of Conduct in 2000 and when we joined the United Nations Global Compact in 2003. Our Social Standards, which we published in 2006, express in concrete terms what we stand for.

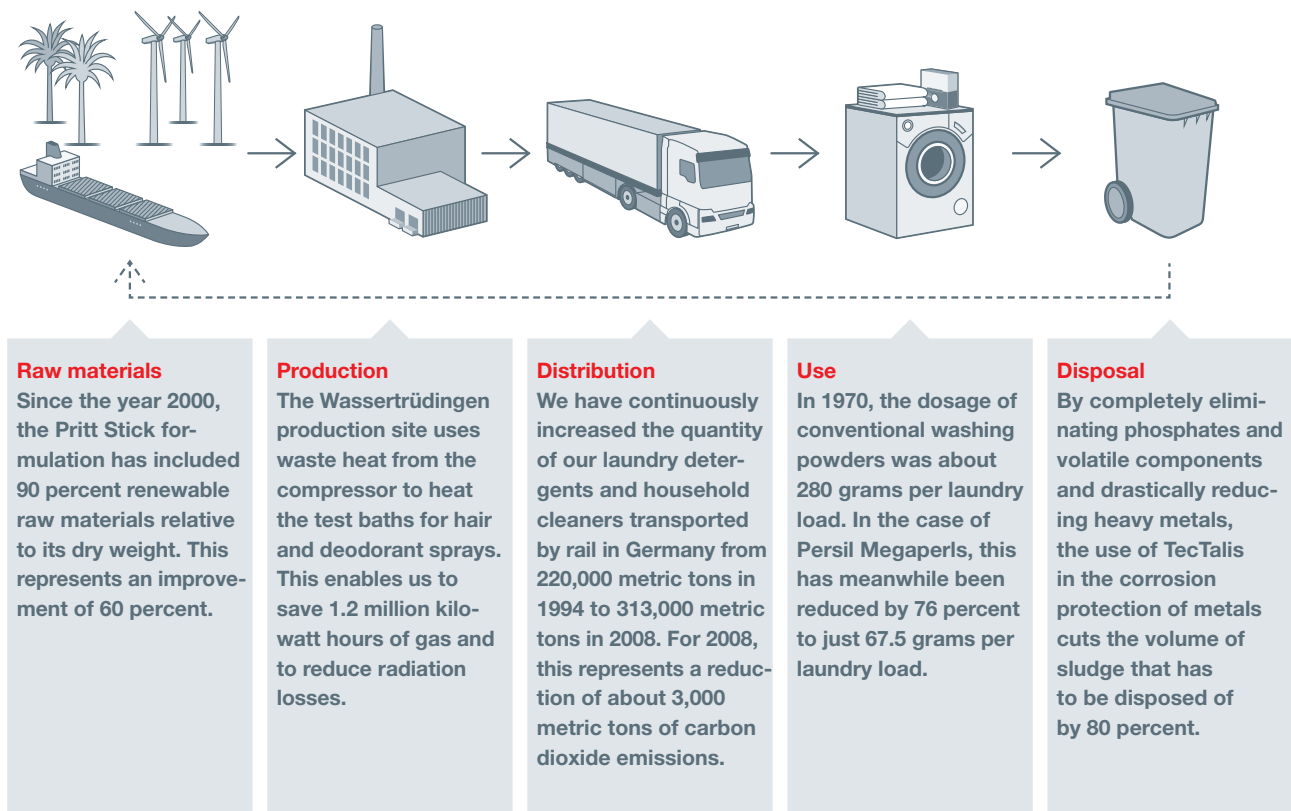
In 2008, we discussed local challenges in relation to our Social Standards with our general managers and human resources officers in selected emerging and industrial countries. It became clear that national legislation on minimum social standards has progressed considerably, especially in the emerging countries. Many requirements of our Social Standards, such as the number of working hours per week,

are now regulated by law. Other requirements, such as freedom of association, personnel development and equal opportunities are anchored in our corporate culture by numerous human resources instruments. For example, the interests of about 75 percent of our employees are represented by works councils, independent trade unions, or similar bodies. In countries in which no employee representation is provided for or has been established, a dialogue with our employees serves as a voluntary and informal instrument for ensuring an open exchange of views.

There are still major cultural differences in the perception of equality, e.g. with regard to traditional views of male and female roles, or the inclusion of minorities. These differences are addressed in our globally applicable standards.

# Sustainability stewardship

## Improvements throughout the value chain



- » Lifecycle approach
- » Alternatives to animal testing methods
- » Suppliers assessed to ensure compliance with sustainability criteria

### Focus on sustainability

Acting responsibly throughout the value chain is pivotal to the way we conduct our business. Our experts therefore analyze and assess the entire life cycle of our products. Our aim is to continuously improve the safety and environmental compatibility of our products in all phases of the value chain – from the raw materials through production, distribution and use to disposal – by considering all these factors as early as the development stage [SR see illustration](#). [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 10

Henkel has a range of instruments for assessing a product. For example, we draw on our long experience with life cycle analyses to determine what environmental impacts occur, and to what extent, in which phase of a product's life. Improvement measures can then be

applied where they are most needed and can be most efficiently implemented. Suitable actions can be taken, for example, to improve the resource efficiency of our own processes [SR pages 20 to 23](#). If the greatest impact occurs in the use phase, we optimize our products by reducing the amount of energy and water needed to use them, by using renewable raw materials, or by improving their biodegradability [SR pages 14 to 19](#).

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 11

### Product safety – extensive assessment and good advice

Our industrial and retail customers, as well as craftsmen and consumers, can be certain that Henkel products and technologies are safe when used as intended. The compatibility of the raw materials with health and the environment is assessed extensively during the research and development phase. The properties of the individual and combined ingredients are assessed, as are the concentration in the product and its uses. The use

of substances with certain hazardous properties is prohibited from the outset for some applications. Henkel optimizes the necessary precautionary and protection measures associated with a product, taking account of whether the product is to be used by professionals or consumers. If a product is used incorrectly despite these precautions, customers and consumers can contact Henkel for advice, for example by calling service or emergency hotlines. In addition, Henkel's product developers and product safety experts continuously analyze questions from customers and consumers in order to consistently assure the safety of our products.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 12

### EU chemicals regulation REACH

On June 1, 2007, the REACH Regulation came into force. REACH regulates the registration, evaluation, authorization and restriction of chemicals in the European Union (EU). For the purposes of the REACH Regulation, Henkel is primarily a downstream user of chemicals. However, Henkel is also an importer and producer of chemicals in Europe. As such, Henkel has pre-registered all produced or imported chemicals with the European Chemicals Agency (ECHA) in Helsinki, Finland, for all Henkel companies in Europe.

Henkel toxicologists and ecotoxicologists who are involved in the substance registration procedure participate in the appropriate Substance Information Exchange Forums. The purpose of the forums is to foster

the exchange of already available information and data on the safety of chemical substances between all companies that wish to have these substances registered. This is intended to avoid unnecessary and costly testing of substances. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 13

### Globally harmonized labeling of chemicals

On January 20, 2009, the new EU Regulation on the Classification, Labeling and Packaging of Substances and Mixtures came into force. It largely replaces the existing European legislation by the Globally Harmonized System of Classification and Labeling of Chemicals (GHS). The aim of the GHS is the global harmonization of regulations for greater safety in international trade and in the handling of chemicals and chemical products.

After New Zealand and Japan, the European Union (EU) is the first major economic region to integrate the GHS systematically into its legislation. As a globally operating company, Henkel welcomes this. Henkel experts have been observing the development of the GHS from its very beginning. In particular, we have advocated the meaningful application of the new labeling obligations to consumer products in the area of laundry detergents and household cleaners. In the EU, the hazard and precautionary labeling of chemicals will be adjusted to the new regulation by 2010 and that of chemical products by 2015. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 14

### Alternatives to animal testing

Henkel places a high priority on developing test methods that do not involve the use of animals, and making these methods generally available. We have been working on the development of alternatives to animal testing since the 1980s. For this purpose, we engage in collaborative projects in an international network comprising external partners from industry, regulatory authorities, and research establishments. We are developing new alternative test methods with the help of our full thickness skin model, which involves no animal testing. We use this full thickness skin model to assure the performance and quality of our finished products, e.g. to test the compatibility of our cosmetics products. One result of the use of the non-animal in-vitro tests (tests carried out in a test tube) developed so far has been the inclusion of a range of new cell and tissue culture systems in laboratory practice. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 15



*Non-animal test methods: Developed by Henkel, this full thickness skin model can be used to systematically assess the effects of substances on the skin tissue.*

# Suppliers and other business partners

## What we expect from our suppliers

We steer our worldwide purchasing on the basis of defined management processes and a Company-wide purchasing strategy. To survive in highly volatile markets, global transparency, speed and decisiveness are crucial. Throughout the world, we concentrate on strategic purchasing rather than short-term, tactical purchases. We expect our suppliers to satisfy our standards of corporate ethics. In our selection procedures, we therefore consider their performance in regard to corporate social responsibility.

We acknowledged our responsibility throughout the value chain as long ago as 1997, when we formulated our corporate Safety, Health and Environment standards. Based on these standards, our corporate purchasing departments and operating business sectors have established processes for assessing our suppliers.

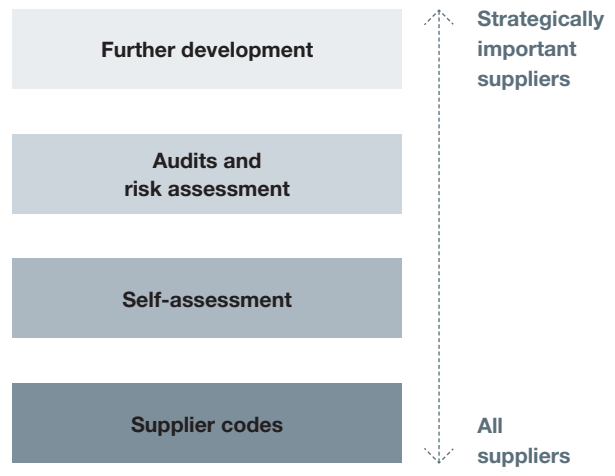
## Status of supplier assessment and key areas for the future

Since 2007, we have been assessing our worldwide suppliers and other business partners systematically in terms of uniform sustainability criteria. We have surveyed our suppliers and other business partners on the topics of safety, health, environment, quality, human rights, employee standards, and anti-corruption, while communicating our expectations at the same time. As the survey turned out to be more difficult than expected, we failed to achieve our aim of assessing 80 percent of our global purchasing volume of 5.7 billion euros in 2007. We therefore continued the survey in 2008 and have so far assessed 70 percent of our suppliers and other business partners for raw materials and packagings.

While 38 percent of the suppliers and other business partners satisfy our sustainability criteria, we have agreed improvement measures concerning individual criteria with a further 60 percent. We found that two percent pursued unacceptable business practices and have therefore initiated the termination of our business relationship with these suppliers.

From 2009, we intend to focus to a greater extent on opening up new purchasing markets outside the OECD member states. This will not affect the demands we make on our suppliers and other business partners. To

## Supplier assessment instruments



communicate our expectations with regard to sustainable business practices to new business partners in these markets, we will be introducing a Henkel supplier code in 2009, as a basis for all contractual relationships. In 2008, we already created sector-specific questionnaires to pursue our supplier assessments still further. Moreover, we aim to increase the percentage of our purchasing volume sourced from audited suppliers year by year until 2012. We provide special support to strategically important suppliers, helping them to develop further. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 16

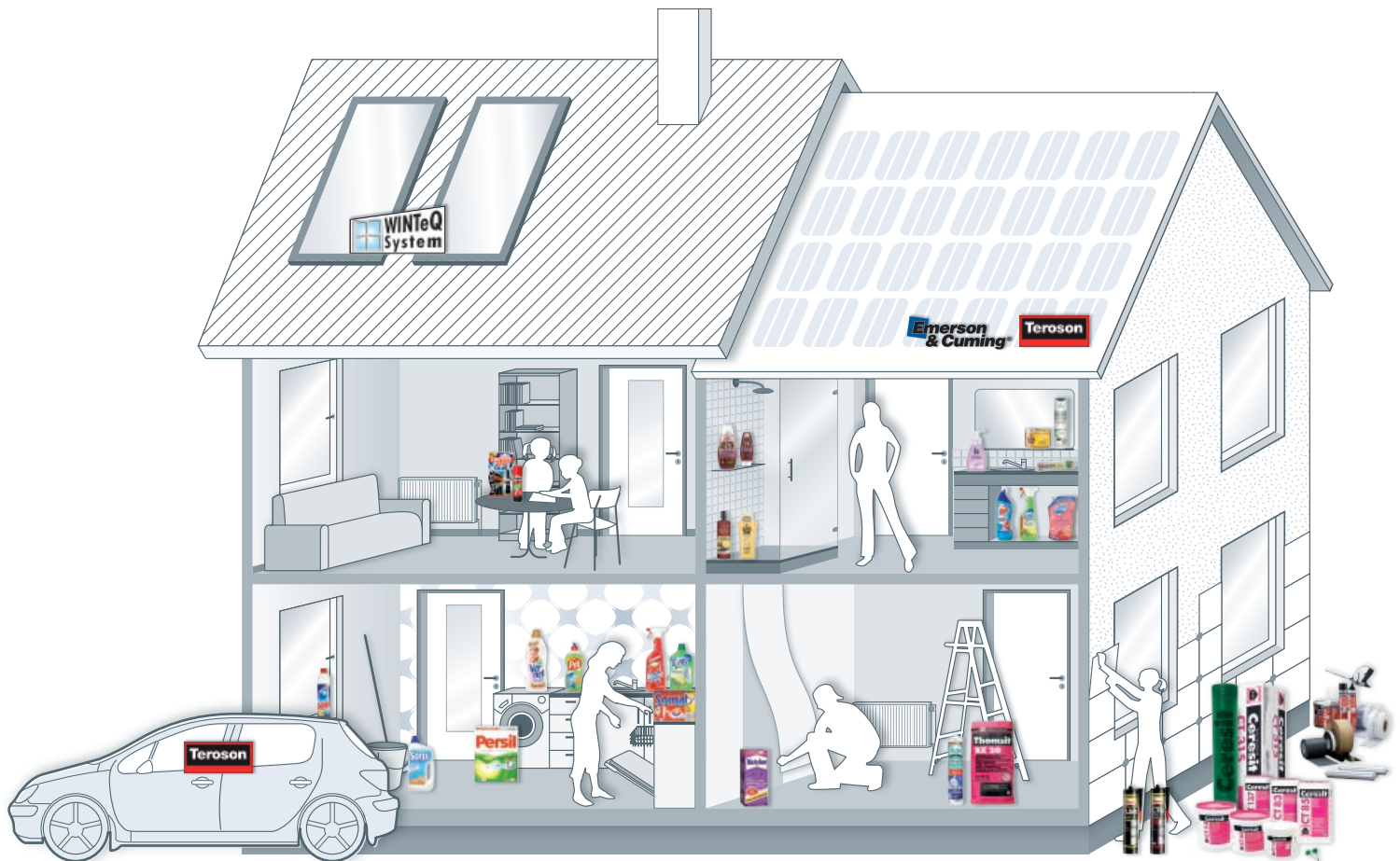


### Pioneer in palm kernel oil certificates

To exercise our responsibility even at the early stage of purchasing of raw materials, we take part in initiatives such as the Round Table for Sustainable Palm Oil (RSPO). This organization promotes the sustainable production of palm oil and is an advocate of a certification and marketing model for palm oil from sustainable cultivation. We were the first company in the world to purchase palm kernel oil certificates, for five products of our new Terra Activ household cleaners brand. We are therefore the first company to help to ensure that palm kernel oil from sustainably cultivated palm trees enters the supply chain for the production of surfactants

[SR](#) page 15. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 17

# Sustainable brands and technologies



The “Henkel House” shows examples where Henkel brand products provide superb performance around the clock – in the home, for craftsmen and DIY activities, and in the office – while saving energy and conserving resources at the same time. In addition, our adhesive and sealant systems and surface treatment products contribute to sustainable development in numerous industries, such as the automotive, packaging, aerospace, electronics, metal, and solar energy sectors.

- » Sustainability as a driver of product innovation
- » Laundry and home care products:  
With “Quality & Responsibility”
- » Cosmetic products: Natural and renewable raw materials
- » Adhesives and sealants: Ecologically sound and health-compatible

## Products that deliver added value


Each day, millions of customers and consumers around the world choose the brands and technologies with Quality and Responsibility from Henkel. Our products therefore have great potential to make positive contributions toward solving social challenges such as climate change, resource conservation, and hygiene. In line with our commitment, all new products contribute to sustainable development in at least one of our five focal areas **SR** see page 4. This is why we concentrate on researching

and developing innovative and smart solutions that offer significant added value and combine top performance with responsibility toward people and the environment. For example, they enable customers and consumers to make more efficient use of valuable resources such as energy and water. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 18

## Sustainability as a driver of innovation and growth

Innovations are the basis for our economic success and for sustainable development. This requires a high degree of innovativeness. In 2008, Henkel employed about 2,900 people and invested 429 million euros<sup>1)</sup> in research and development. Our system of innovation management draws on information received from a variety of sources, including international trend and market analyses and knowledge resulting from our direct dialogue with customers, consumers and external experts. The results

<sup>1)</sup> Including restructuring costs of 52 million euros

of product life cycle analyses show where impacts on people and the environment are particularly relevant and offer appropriate starting points for improvements  pages 49 and 50. Sustainability checks in our innovation processes integrate the knowledge we have gained through many years of work on sustainability, and also help us to identify and utilize new trends. The development of innovations is stimulated not only by the desire to continuously improve quality and performance but also by the search for ecological and social progress, which we see as an important driver of economic growth and a generator of competitive advantages in the market.

We have developed numerous communications instruments for making the added value of these innovations transparent to our industrial and retail customers. For example, the Value Calculator for industrial products shows how much time, energy and labor can be saved by using a product from Henkel. And the Laundry & Home Care business sector uses the “Henkel Sustainability#Master” to determine the sustainability performance of new products and processes on the basis of various questions and parameters. Improvements can thus be identified and used in the marketing of new products or the development of logistical and packaging strategies. We also offer special brochures and presentation materials, as well as courses and seminars for our salespeople, and carry out joint activities with our industrial and retail customers.

## Strategies for growth markets

Emerging and developing countries have become the main drivers of economic development today. In 2008, the growth regions of Eastern Europe, Asia (excluding Japan), the Middle East, Africa and Latin America already accounted for 37 percent of Henkel’s sales. We intend to increase this figure to 45 percent by 2012. Here in particular, the question of the social added value of products takes on greater significance.

For us, products aligned to the needs of consumers in the lower income brackets not only have enormous economic potential but also make a positive social contribution in terms of, for example, domestic hygiene and therefore health. In order to do justice to the differing needs throughout the world, we pursue different strategies according to individual market situations. Where there are globally uniform customer expectations, we offer globally uniform products. This applies in particular to our industrial business. Where the income levels, infrastructure or cultural needs of consumers differ, we adapt our products to local conditions, in order to make our performance and our quality accessible to the broadest possible group of people.

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### Pilot projects to measure product carbon footprints

In order to measure the contribution of products to climate protection, experiments are being carried out worldwide to measure product carbon footprints. This involves determining all climate-relevant greenhouse gas emissions throughout the value chain of a product – from the purchase of the raw materials through production and use to disposal.

Until now there has been no internationally harmonized method for determining the carbon footprint of a product. We are therefore participating in pilot projects in Germany and the USA. In Germany we are working with partners in research, industry, the retail trade and non-governmental organizations to drive forward the development of a reliable and internationally harmonized method of determining



carbon footprints. Building on this, possible forms of meaningful product information for consumers on the subject of climate change are being discussed, as the involvement of consumers will be vital if we wish to make significant progress in climate protection.

A key area of our research in cooperation with Arizona State University in Phoenix, Arizona (USA), is the environmental impact of laundry washing, taking into consideration the special conditions in American households. The scientific findings reveal how consumers can contribute to conserving resources through the use of efficient washing machines, dryers and laundry detergents, as well as by changing their laundry washing habits.

# Laundry & Home Care

## Strategic focus on sustainability

Our laundry detergents and household cleaners must deliver the best possible performance allied with the greatest possible environmental compatibility. This basic principle is one that we have lived for more than 130 years. Since the beginning of 2007 – within our strategy of “Performance based on Sustainability” – we have focused our efforts on pairing the performance of our brands with responsibility toward people and the environment. We regard the combination of quality and responsibility as a powerful engine for innovation, driving forward the development of smart solutions and products. This is where we demonstrate our leadership and position ourselves for the future in a difficult economic climate.

## Different starting points

Viewed over their total life cycle, many of our products require the most energy when they are being used by consumers. Our products save energy during use, thereby making an important contribution to climate protection. We work continuously to improve our laundry detergents and household cleaners, which already achieve their very good cleaning performance with low dosages and at low temperatures. The inclusion of high-performance ingredients in our Somat 7 automatic dishwashing detergent enables first-class results to be obtained at just 40 degrees Celsius. Dishwashing programs that run at 40 degrees Celsius consume up to 20 percent less energy than comparable programs that require temperatures of



### Top cleaning performance at just 20 degrees Celsius

We have again significantly improved the performance of our European premium laundry detergents Persil, Le Chat, Dixan and Wipp. The new formulations remove more than 20 types of stain, including lipstick and coffee, more efficiently at just 20 degrees Celsius. In comparison with laundry washing programs at 30 degrees Celsius, washing at 20 degrees Celsius can cut the energy consumption of washing machines by up to 40 percent.



### Excellent eco-performance

Purex Natural Elements was the first leading detergent brand to be included in the “Design for the Environment” program of the American Environmental Protection Agency (EPA). The program recognizes consumer products that are particularly compatible with the environment and human health. Purex Natural Elements concentrates achieve a consistently high washing performance with just half of the traditional dosage.

[www.epa.gov/dfe](http://www.epa.gov/dfe)



### All-around efficiency

Fourfold concentration of the Vernel Max fabric softener concentrates we market in Turkey has allowed the traditional dosage to be reduced by more than 75 percent, from 110 to 24 milliliters, while providing the same excellent softening effect and fragrance. The product can now be packed in a 1-liter rather than a 4-liter bottle, thus saving material and water during production, and increasing logistical efficiency.



### Saving valuable water

In Tunisia, the adjustment of the formulation of Nadhif Semi-Automatic to the needs of semi-automatic washing machines prevents excessive foaming and enables the foam formed during washing to be rinsed out more easily – with the same powerful cleaning performance. This eliminates the need for an additional rinse and saves valuable water.



### Working together to conserve resources

In 2008, within the framework of a “Laundry Sustainability Project” of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.), we also switched to efficient compact washing powders in Turkey. Thanks to the compact formulations, consumers can reduce the standard dosage per laundry cycle by one third, from 150 to 100 grams.





50 or 55 degrees Celsius. The basis for this is the pioneering work in enzyme research we have been pursuing since the 1970s.

To contribute to the efficient use of materials, we improve product packaging and use recyclable materials. We offer consumers dispensing aids, refill products and concentrates. In this way, we reduce the consumption of raw materials and packaging and cut the number of transport journeys. In addition, we make extensive use of renewable raw materials. About 35 percent of the surfactants (washing active substances) in our laundry detergents and household cleaners are based on renewable raw materials. This is already well above the average in the laundry detergent and household cleaner industry.

Since laundry detergents and household cleaners are discharged with wastewater from the washing process, we also work to continuously improve their environmental compatibility. To do so, we draw on the knowledge acquired during our many years of experience. We have been setting new standards in our sector since the 1960s, for example by introducing phosphate-free laundry detergents and developing biodegradability test methods. The implementation of our “Performance based on Sustainability” strategy includes the development of products to satisfy local consumer needs and the engagement of our brands to promote charitable causes **SR** page 32.



Christian-André Weinberger, Corporate Senior Vice President Laundry & Home Care, in front of the “Quality & Responsibility” poster. This promise has been translated into over 20 languages.

### “Quality & Responsibility”

With our promise of “Quality & Responsibility” on all of our laundry detergents and household cleaners, we aim to make it easier for consumers to reach a conscientious purchasing decision. Thanks to the added value that the combination of quality and responsibility offers, they can purchase better product performance and greater sustainability at the same time. Our products enable everyone to help to save energy and water. Through consumer information and telephone lines, the Internet, special promotions, advertising campaigns, and our involvement in international initiatives, we encourage consumers to use laundry detergents and household cleaners responsibly. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 20



### Extending our innovation leadership

We intend to extend our leadership in the area of sustainability. For each product category we have redefined how we translate our understanding of sustainability into consumer-relevant product concepts. In 2008, our most important innovation in this regard was the launch of our new Terra Activ brand in five household cleaner categories. Combining excellent performance with greatest responsibility toward people and the environment, the products set new quality standards on the market. An average of 85 percent of the ingredients are based on renewable raw materials. And the performance of our five household cleaners has been confirmed by the quality mark of SGS Institut Fresenius. For the development work, we drew on the know-how acquired during our more than 130 years of research and development. The technology potential we have developed with Terra Activ will be gradually incorporated in our other product ranges.

In addition, we use our position of leadership to drive forward the development of new trade instruments. For example, we were the first company worldwide to purchase palm kernel oil certificates, which we obtained for Terra Activ. We are thus ensuring that, for the first time, palm kernel oil from sustainably cultivated plantations can enter the supply chain for the production of surfactants. We believe that the establishment of the supporting Book & Claim system offers significant potential for generating incentives for the sustainable cultivation of palm oil **SR** page 11. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 21



# Cosmetics/Toiletries

## Strategic focus on sustainability

Consumer-relevance, efficacy and excellent compatibility are the main prerequisites for the long-term success of our cosmetics and toiletries. In addition, ecological and social criteria are playing an ever more important role in influencing consumers' purchasing decisions.

While our development work stands for innovation leadership, we also support the trend toward an environment- and health-conscious lifestyle. Our developers make active use of product life cycle analyses. This

enables us to develop products that link innovative ideas with contributions to our focal areas. Regarding the fundamental value contribution of our cosmetics business, we view this to be the maintenance and improvement of consumers' sense of well-being.

## Natural and renewable raw materials

We are stepping up our efforts to achieve product performance by using natural active ingredients and fragrances – for example, through the care properties



### Combining performance and naturalness

Our Essensity brand is setting new standards in the professional hairdressing sector through its deliberate combination of performance and naturalness. In all products, we have consistently replaced synthetic ingredients with natural ones wherever this was possible without compromising on product performance. The formulations contain no artificial fragrances, silicones, paraffin oils, mineral oils or parabens. The biodegradability of the ingredients has also been enhanced. We are also using Essensity to help support reforestation projects in rainforest areas.



### Natural effectiveness

Vademecum Bio toothpaste ensures naturally healthy teeth and gums. It consists to 99 percent of natural-based ingredients, which our researchers selected in accordance with the criteria of the independent certification organization ECOCERT. These include green tea from controlled organic cultivation. What makes the Vademecum Bio formulation special is that – in contrast to traditional toothpastes – it contains no synthetic flavors or sweeteners. This is why Vademecum Bio was given the ECOCERT label. It tells consumers that the ingredients have been specially selected and are obtained from crops that are cultivated in an environmentally compatible manner.



### Excellent tradition

In France, our liquid soaps Le Chat Bio Apricot and Le Chat Bio Fig also carry the ECOCERT logo. Le Chat, a traditional soap brand which has been marketed since 1853, launched these two products in response to growing consumer demand for natural, independently certified products. Both of them satisfy extremely strict ecological criteria throughout the value chain and contain, in accordance with the ECOCERT criteria, 99 percent natural-based ingredients. They make no use of synthetic colorants or fragrances.



### Smart refill packaging

The Eco-Smart pouch refills for our Dial liquid soaps in the U.S. market contain about 67 percent less plastic than conventional refill bottles. This not only reduces consumers' packaging waste, but also significantly decreases the amount of energy needed to produce them. The production process for the refill pouches is much more energy-efficient than the bottle production process. Moreover, the empty refill pouches can be transported much more compactly, so that 85 percent less fuel is required to deliver them to the production site.



of shea butter and yogurt or the soothing effect of aloe vera. At the same time, we contribute to the conservation of resources by using renewable raw materials in our formulations. More than two-thirds of the ingredients of the product formulations of our soaps, shampoos and shower gels are now based on renewable raw materials. We are also committed to considering ecological and social aspects when we purchase renewable raw materials. We increasingly use ingredients from controlled organic crops in our formulations. Furthermore, when we purchase ingredients, we seek opportunities of cooperating with suppliers and local stakeholders who support fair trade with the countries of origin.

### Safe to use

All cosmetic products and their individual ingredients are subjected to an extensive program of assessment and evaluation in order to ensure their compatibility with human health and the environment.

We employ non-animal in-vitro test methods (tests carried out in a test tube) and dermatological studies to assess the compatibility of our finished cosmetic products. We have been developing alternative test methods since the early 1980s to make it possible to replace the animal tests that are legally prescribed for some ingre-

dients. In recent years, for example, in-vitro tests for determining skin absorption and skin compatibility have been successfully introduced **SR** pages 9 and 10.

### And unproblematic after use

After a product has been used, its environmental compatibility is manifested in two dimensions – in the biodegradability of the ingredients and in the recyclability of the packaging.

Those of our products that pass into wastewater after use are formulated for optimal biodegradability. We aim to achieve further improvement, and have set ourselves the target of raising the proportion of readily biodegradable ingredients in our soaps, shampoos and shower gels from the current 65 percent to 80 percent by 2012.

To reduce consumers' packaging waste, we strive continuously to decrease the amount of material used in our product packaging as far as possible without compromising the quality and stability of the packaging. We are also still seeking suitable bioplastics that satisfy our high demands on packaging materials.

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### Innovation leadership with certified sustainability claim

Last year, we significantly increased the proportion of our cosmetic products that have a high sustainability profile. We increasingly formulate our products in this segment so that they contain no synthetic colorant or perfume ingredients, polyethylene glycols, or mineral-oil-based paraffin oils. The natural content of selected products undergoes an especially stringent external certification process and is confirmed by various independent bodies, such as the certification organization ECOCERT. In its certification process, ECOCERT not only checks the ingredients used, but also audits the entire production process, including the certification of the production sites according to specific requirements. Our first products to carry the ECOCERT label are Vademecum

Bio toothpaste and Le Chat Bio Apricot and Le Chat Bio Fig liquid soaps. They satisfy the strictest of ecological criteria throughout the value chain.

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# Adhesive Technologies

## Strategic focus on sustainability

We are global leaders in adhesives and sealants – technologically, ecologically, and in terms of health compatibility. Our adhesives, sealants and surface treatment products serve many different markets, such as the automotive, electronics, aerospace and metal industries, durable goods manufacturing, maintenance and repair, and the packaging industry. They help to create and retain value in industrial applications and construction projects, in work done by professional craftsmen and

DIYers, as well as in the home, in schools, and in the office. Adhesives, sealants and surface treatments can be used to repair items of daily use, protect buildings against cold and dampness, make flexible solar cells, and manufacture products that are longer-lasting, lighter, and more efficient.

Our innovative products and technologies – including those added through the acquisition of the National Starch businesses – combine economic benefits for customers and consumers with responsibility toward people



### Three problems – one solution for windows and walls



Buildings lose heat, especially through windows, doors and façades. As the only supplier worldwide, we now market two certified insulation systems – WINTeQ window sealing and insulation and Ceresit façade insulation – for the three key problems of energy loss, humidity and noise. The concept is rounded out by an energy saving calculator, a range of training courses, and an Internet site.

[www.henkel321.com](http://www.henkel321.com)



### Henkel redefines the metal pretreatment process



Effective, economically attractive and environmentally sound – TecTalis is Henkel's innovative new technology for protecting metals against corrosion. It replaces the conventional zinc phosphating pretreatment method in the automotive and durable goods industries, cutting process costs and significantly reducing both the burden on the environment and energy consumption.



### New adhesive for wind turbines

With Macroplast UK 8340, we are the first company to have developed a certified polyurethane adhesive for wind turbine construction that complies with the guidelines for bonding rotor blades. Manufacturers of wind turbines profit from the new technology through optimized processes, greater productivity and lower costs.



### The world's first flexible instant adhesive

Loctite Ultrageel super glue forms instant, high strength, water-resistant bonds between wood, metal, plastics, rubber and leather surfaces and is therefore suitable for both indoor and outdoor use. The product's flexibility is based on microscopic particles of rubber. The fast and reliable repair of durable goods extends their life and conserves resources.



### Top standards for flexible food package safety

The safety of flexible packages is a top priority in the food and packaging industry. The systems used must not only protect foods from external influences, but also exclude contamination from hazardous substances in the packaging materials themselves. Fourth-generation Liofol laminating adhesives enable an unprecedented standard of safety through their exceptionally fast curing.

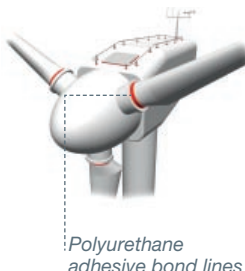


### Lower melting temperatures for packaging adhesives

Through the acquisition of the National Starch businesses, Henkel has been able to further expand its leading role in the packaging adhesives sector. Traditionally, packaging hotmelts have had to be applied at 160 to 180 degrees Celsius, but our Cool-Melt Ultra can be used at just 100 degrees Celsius. Our customers therefore profit from much lower energy costs.

**Ceresit**

**WINTeQ System**



**Liofol**  
Always one step ahead.



and the environment. In many cases, we can help to reduce energy and water consumption and waste disposal costs by optimizing products and processes. Our systems solutions are based on our knowledge of customers' processes and are often generated by working as a team with customers, equipment manufacturers, and raw materials suppliers. This knowledge enables us to quantify the benefits our innovations bring and to demonstrate this transparently to our customers, for example with our Value Calculator. We thus help to optimize entire process chains.

### Different ways to achieve improvements

Product innovations and thorough reviews of our product portfolio help us to improve the performance of our products and technologies, to make processes more efficient, to reduce application-related environmental burdens still further, and to achieve further improvements in health compatibility. For many years, for example, we have pursued a policy of steadily replacing heavy metals and solvents with high-performing alternatives that make it possible to offer water-based and ultraviolet-crosslinking technologies and hotmelt adhesives. Where difficulties are encountered due to technical requirements or market conditions, we seek alternative solutions and develop longer-term replacement programs.

To optimize product characteristics, our adhesives developers also make use of renewable resources. An internationally familiar example is the Pritt Glue Stick,



*Henkel's Bonderite NT is a nanoceramic pretreatment for metal surfaces which not only offers better quality, but is also ecologically and economically superior to traditional iron phosphating. In June 2008, Prof. Dr. Ramón Bacardit (second from right), Corporate Senior Vice President Adhesive Technologies Research, accepted the Environment Award of the Federation of German Industries (BDI) for this product.*

which is now formulated almost completely on the basis of renewable raw materials. Henkel has a long tradition of using renewables. As early as the 1920s, we produced starch-based adhesives and decorator's glue and wallpaper paste based on potato flour. For decades, cellulose has also been an important raw material, from which we obtain, for example, methyl cellulose for wallpaper paste.

Throughout the world, our tailor-made adhesives, sealants and surface treatments bring Henkel expertise to the development of new, clean sources of energy, such as fuel cells and flexible, lightweight solar cells.



### Innovative engineering adhesives

The next generation of aircraft, such as the Airbus A350 or the Boeing 787 Dreamliner, will contain about 50 percent fiber composites. Up to now, the uncured fiber composites had to be stored at below-zero temperatures and then thawed before they could be processed. Thanks to our new Epsilon technology, fiber composites can now be stored at room temperature. This simplifies processing, reduces the amount of rejected material, and cuts the energy consumption during aircraft manufacturing. Additional advantages are the greater thermal resistance, stability and toughness of the materials. Approval procedures are currently in progress at all major aircraft manufacturers.

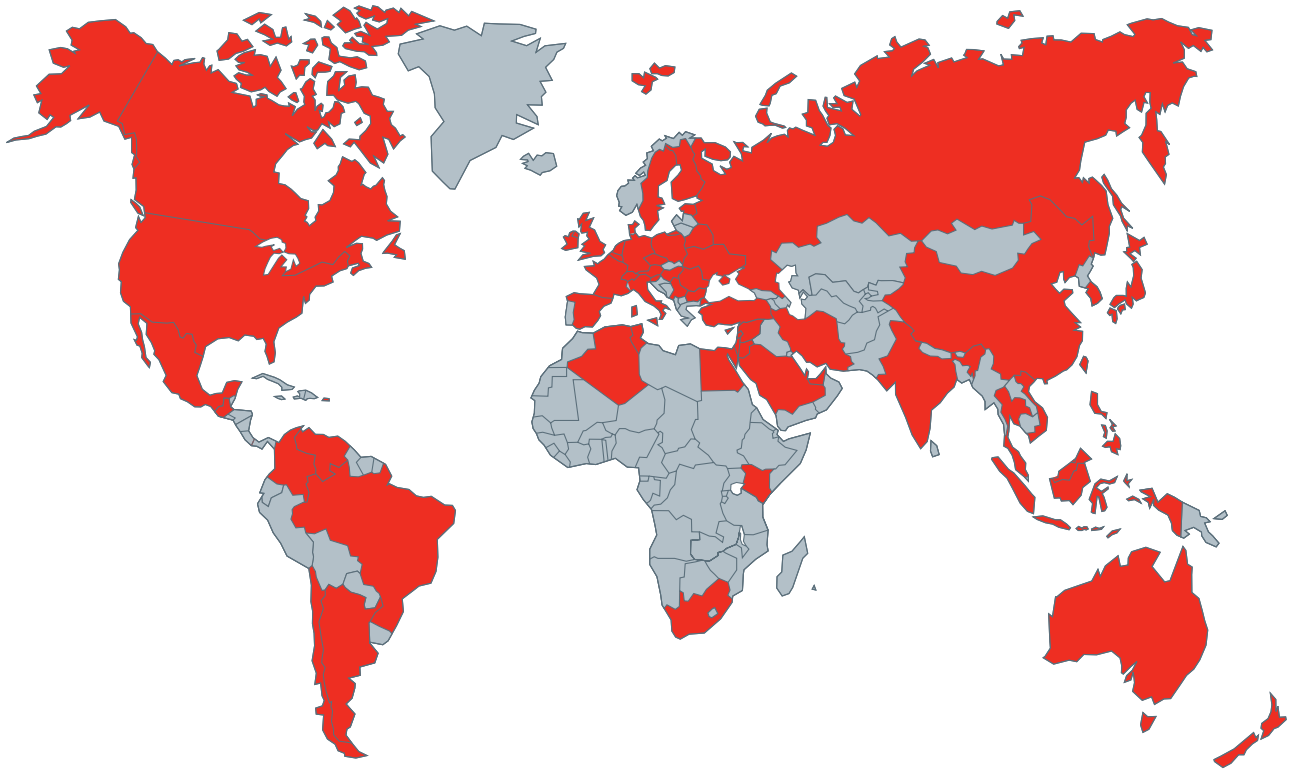
Compared weight for weight, modern fiber composites are ten times stronger than a steel or aluminum wire. This enables the engineers to increase the strength of parts while reducing their weight. And lighter aircraft consume less fuel.

[www.henkepsilonresin.com](http://www.henkepsilonresin.com)



# Production and logistics

## Production sites in 57 countries



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- » Optimization processes: Steered Company-wide, adapted locally
- » Worldwide contributions to resource-efficiency
- » Savings through smart logistics planning

### Efficient production as part of our promise of quality

Henkel operates production sites in 57 countries. We also have administration, research and marketing sites, warehouses, and logistics centers in many countries. As a local employer and contractor, we stimulate the economic development of many regions. Efficient and modern production sites are a prerequisite for the production of high-quality branded products. The continuous improvement of our processes and structures, as well as the reduction of resource consumption and environmental burdens, are an important part of our promise of quality. This includes the worldwide transfer of knowledge and new technologies.

### Company-wide steering instruments and regional action programs

Comprehensive analyses and simulations are the basis for Company-wide programs that increase productivity, quality and safety, while simultaneously reducing resource consumption, waste, and maintenance costs. The diversity of our products makes varying demands on our production processes. For example, fundamentally different processes are needed to make tile adhesives, household cleaners, and skin creams, and these processes also differ widely in terms of their water and energy consumption. The experience and activities of our individual plants are therefore channeled into the Company-wide efficiency programs. In fact, process-specific ideas and the creativity of employees often make major contributions to the achievement of our objectives. Whenever a measure has proved successful, we introduce it at sites where similar processes are used.

The interplay of Company-wide steering instruments and local action programs enables us to align optimization projects to local processes and address regional challenges. In 2008, we implemented numerous projects for improving resource efficiency at our sites <sup>SR</sup> see table below. We were thus able to improve our performance on important sustainability indicators even further during the reporting period <sup>SR</sup> see inside cover. Our savings in energy consumption played a key role in cushioning the impact of higher energy prices on our operating result. Furthermore, through the associated reduction in carbon dioxide emissions we are helping the countries in which we operate to come closer to achieving their climate protection targets.

### Knowledge and technology transfer

Through the transfer of knowledge and technology among our sites, we assure the global use of safe, efficient and resource-conserving production processes. This goes hand in hand with the introduction of modern management methods and professional development and qualification programs for our employees. Leadership











behavior as well as training of staff and raising their awareness all play key roles in Henkel's successful focus on sustainability.

Since 2007, we have therefore given high priority to a special training program on Safety, Health and Environment (SHE) Leadership. The program content ranges from risk assessment to emergency management and management systems. So far we have carried out eight three-day SHE Leadership seminars, which were attended by a total of more than 140 site and production managers from Asia, Africa, Europe, and the Americas. These seminars also promote an exchange of experience.

### Worldwide standards

Our safety, health and environment standards (SHE Standards) and our Social Standards apply to all of our sites worldwide. We carry out regular audits to ensure that our standards are properly implemented <sup>SR</sup> page 7. The audits are a key instrument for identifying risks and potential improvements, and play a crucial role in the worldwide transfer of knowledge. To gain an integrated view of our regions, we are steadily expanding our audits

### Worldwide contributions to increasing resource-efficiency

Focal area	Contribution
	» <b>Pune, India</b> Optimization of the adhesives production process through installation of a new extruder unit for mixing adhesives. Result: Reduction of 30 percent in the plant's energy consumption.
	» <b>Yantai, China</b> Various campaigns to motivate employees to help to save energy at the site, such as by setting maximum and minimum temperatures for air conditioners. Result: Reduction of 7 percent in energy consumption.
	» <b>Chonburi, Thailand</b> Extensive measures for increasing efficiency, including an improvement in the capacity utilization of mixing plants for cosmetics production. Result: Reduction of 28 percent in energy consumption.
	» <b>Maribor, Slovenia</b> Extensive measures to reduce the consumption of energy and water. Result: Reduction of energy consumption by 9 percent and water consumption by 13 percent.
	» <b>Montornès, Spain</b> A new technique enables washing powder ingredients to be mixed without the addition of water. The detergent therefore no longer needs to be dried in the spray tower. Result: Cut of 20 percent in gas consumption and 23 percent in water consumption.
	» <b>Norrköping, Sweden</b> Implementation of numerous optimization projects in all areas of adhesives production. Result: Reductions of 8 percent in electricity consumption, 22 percent in water consumption, and 14 percent in waste.
	» <b>St. Louis, Missouri, USA</b> Switch of laundry detergent production to concentrates. Result: Reduction of 33 percent in water consumption and 29 percent in waste at the site.
	» <b>Woodruff, South Carolina, USA</b> Redesigned shipping carton for industrial packaging adhesives. Result: Reduction of 27 percent in outside packaging material.
	» <b>Mixco, Guatemala</b> Optimization of the production process in the washing powder production plant. Result: Cut of 11 percent in energy consumption in the spray tower.
	» <b>Bogotá, Colombia</b> Extensive optimization of the cleaning process and the wastewater treatment plant in the cosmetics production facility. Result: Reduction of 22 percent in the volume of wastewater and a cut of 53 percent in waste.

to cover subcontractors and logistics centers as well. Since 2006, all production sites also carry out self-assessments in the areas of safety, environmental protection, and occupational health and safety.

We have our environmental management systems at the individual sites externally certified, if this yields competitive advantages. At the end of 2008, about 54 percent of the production volume came from sites certified to the international ISO 14001 environmental management standard. About 62 percent of the production volume came from sites certified to international quality management standards.

### Assuring Henkel standards after acquisitions

Immediately after purchasing the National Starch businesses in April 2008, we established an intensive dialogue between those responsible for environmental protection and occupational health and safety at both organizations. Besides the integration of the National Starch sites into the Henkel data processing systems, the topics discussed included, above all, a comparison of Henkel's existing SHE standards, reporting and management systems with those of National Starch.

On the basis of this comparison, each newly acquired site assessed its own performances in the areas of environmental protection and occupational health and

safety. The results clearly showed that there is a high level of correlation between the standards and systems. It was therefore possible to incorporate the new sites into a uniform reporting system in 2008. Only in certain areas were measures needed to ensure compliance with Henkel standards. At the same time, areas were identified in which Henkel can learn from existing procedures in the National Starch organization.

### Logistics planning: An equation with many variables

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

In addition to this, our distribution network has to satisfy a number of different demands. It must make our products available to our customers at the right time in the right quantities in the right place. As part of our

### Operational incidents in 2008

**Brazil:** In March 2008, at our site in Boituva, about two cubic meters of a mixture of water and solvent overflowed from the containment system, ran into the site's rainwater drainage system, and emerged on land outside the site. We immediately informed the environmental authorities and took all necessary action to minimize the consequences outside the Henkel premises. As the Henkel emergency team reacted at once in a professional manner and cleaned up the area, the local authorities did not impose a fine. A final analysis of the soil and groundwater showed no further pollution of the affected area. A root cause analysis showed that a failure in the system for monitoring the addition of the solvent caused first a vessel and then the containment system to overflow. The plant was repaired, and a list of preventive actions was drawn up to improve the safety of this and similar processes, and to avoid the occurrence of such incidents in the future.


**Poland:** In August 2008, there was a major fire at our central warehouse for cosmetics and adhesives in Posen. The building and many of the finished products and advertising materials stored there were destroyed. Thanks to the well-trained response of our employees, everyone in the building was able to exit safely. The warehouse had actually been inspected by the local fire protection authorities the day before the fire, and no deficiencies had been identified. The fire most probably started in an office area that belongs to the warehouse but is not leased by Henkel. The professional reactions of our employees confirmed the relevance of our safety, health and environment (SHE) training courses, which we intend to intensify.



“Optimization of Transport and Warehouses” project, we work continuously on the development of efficient and environmentally compatible logistics concepts. One of the criteria for selecting our logistics partners is the energy efficiency of their vehicle fleets. We participate in the pan-European “Efficient Consumer Response” initiative in order to identify potential improvements in our cooperation with our retail partners.

 [www.ecrnet.org](http://www.ecrnet.org)

### Logistics as part of our operational carbon footprint

In order to achieve a comprehensive improvement in our operational carbon footprint, we strive continuously to improve and complete the database of our production and logistics emissions. We established comprehensive management systems for our production operations many years ago. These cover both our own carbon dioxide emissions and the emissions resulting from the generation of energy bought from third parties  *page 24*.

Measurement of the carbon dioxide emissions associated with logistics, the transport of our products or with business trips is far more difficult, however, as the

system boundaries, basic data, methods and procedures are much less well defined. For example, the fuel consumption of each truck, its capacity utilization, and each traveled kilometer must be known exactly in order to calculate the transport emissions.

Estimates for 2008, based on average values, emission factors, and secondary data from existing life cycle databases, indicate that the annual carbon dioxide emissions attributable to the transport of our products are of the order of 500,000 metric tons. For business trips we estimate a figure of about 150,000 metric tons per year. Both of these values are for Henkel worldwide without the National Starch businesses. We are looking closely at the development, transport and storage of our products, as well as business trips and company cars, in a determined effort to find ways to achieve an across-the-board improvement in our operational carbon footprint

 *see table below.*



### Different starting points for overall improvement

Area	Action
Logistics structures	<ul style="list-style-type: none"> <li>» Continuation of the Eco-Logistics concept launched in Germany in 1994 with the aim of switching the transport of products from road to rail.</li> <li>» 2009: Start of deliveries to our central cosmetics warehouse in Monheim near Düsseldorf by rail. Reduction of transport mileage from about 1.25 million road kilometers to about 125,000 rail kilometers, thus reducing carbon dioxide emissions by 5,200 metric tons per year.</li> </ul>
Synergies/ Cooperation	<ul style="list-style-type: none"> <li>» Centrally coordinated logistics purchasing and, where possible, grouping of transport consignments carried between individual sites. Example in USA and Europe: Increase in shipment weight and therefore in truck capacity utilization by grouping the transport quantities of neighboring Henkel sites with those of newly acquired sites of National Starch.</li> <li>» Expansion of transport cooperations with other companies to avoid empty transports.</li> </ul>
Product optimization	<ul style="list-style-type: none"> <li>» Product optimization in terms of weight and volume, provided this is possible without compromising the performance and stability of the packaging. Example: Switch of U.S. liquid laundry detergent brand Purex to a concentrate. Result: Avoidance of about 17,000 metric tons of carbon dioxide emissions from transport operations per year thanks to reduced product volume.</li> <li>» Step by step relocation of packing material production to the actual sites.</li> </ul>
Business trips	<ul style="list-style-type: none"> <li>» Guidelines for replacing business and airline travel by video and telephone conferencing. Example: In the last three years alone, the duration of our worldwide teleconferencing has increased ten-fold. This has gone hand in hand with a considerable saving in carbon dioxide emissions.</li> </ul>
Company cars	<ul style="list-style-type: none"> <li>» 2008: Specifications for reference vehicles and establishment of criteria for the purchasing of new cars.</li> <li>» Test of alternative fuel concepts in different regions: Bioethanol in Sweden, hybrid engines in Japan.</li> </ul>

# Environmental indicators

## Transparency

Throughout the Group, we use indicators to identify potential improvements, steer programs, and monitor target achievement. Indicators are also important as a compact and transparent means of informing the public of progress and performance.

Our indicators are based on the environmental indicators of the European Chemical Industry Council. In the Sustainability Report, we focus on the publication of globally relevant core indicators. Control values that are less relevant for us are published on the Internet only. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 26

## A worldwide picture

The production-related data were determined at 226 Henkel sites in 57 countries, including the National Starch sites acquired in 2008. These sites represent more than 95 percent of our worldwide production in 2008. The data are validated centrally for year-end reporting and also verified locally within the framework of our international audit program [SR page 8](#). Any differences in data discovered or reported at a later date are corrected retroactively in our reporting system.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 27

## A comparable basis

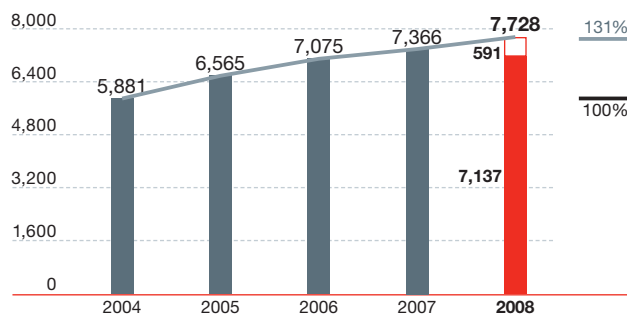
Henkel is growing, as is the number of sites contributing data to the environmental indicators – from 141 in 2004 to 226 in 2008. As growth does not occur at a uniform rate, there are jumps in the figures. The indicators of the National Starch sites have been integrated into the reporting system since these businesses were acquired in April 2008. The National Starch figures for 2008 are shown separately, in order to highlight the influence of this acquisition on our environmental indicators.

The index curve on the graphs shows the progress of the specific environmental indicators relative to the volume of production (per metric ton of output). The base for these index curves is the year 2004 (= 100 percent).

To simplify interpretation of the figures, the share of the acquired National Starch sites for the year 2008 is shown as a white bar.

## Production volumes

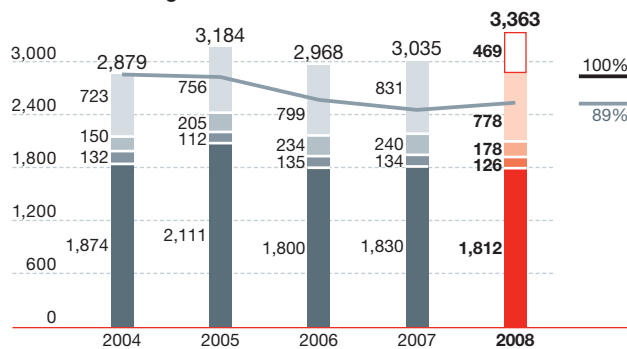
In thousand metric tons



The production volume rose by some 5 percent in the year 2008 as a result of acquisitions, particularly of the National Starch businesses.

## Energy consumption

In thousand megawatt hours

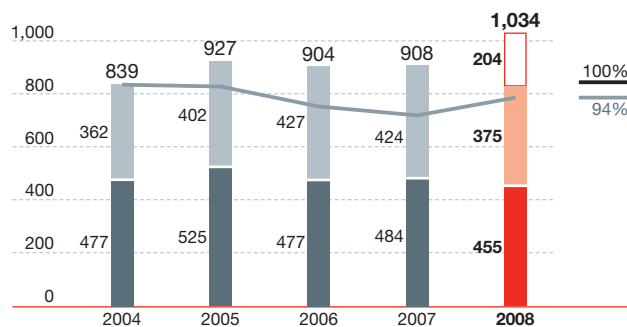


Legend: Bought-in energy (light blue), Fuel oil (orange), Coal (dark blue), Gas (red)

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

## Carbon dioxide emissions

In thousand metric tons

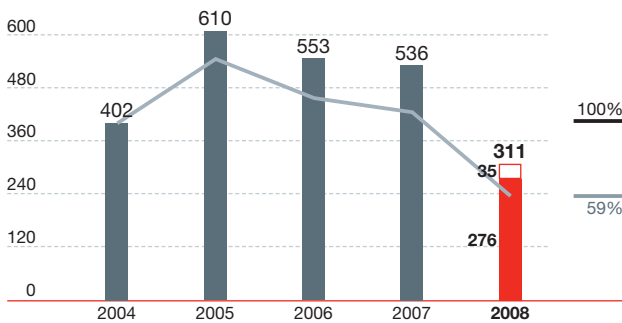


Legend: Carbon dioxide emissions from bought-in energy (light blue), Henkel's own carbon dioxide emissions (red)

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

### Sulfur dioxide emissions

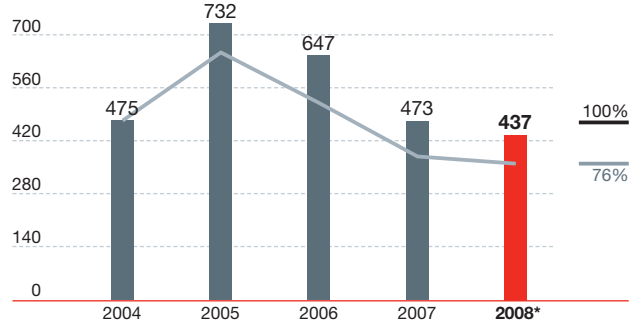
In metric tons



Sulfur dioxide emissions are decreasing due to changes in the fuel mix at certain sites.

### Emissions of volatile organic compounds

In metric tons

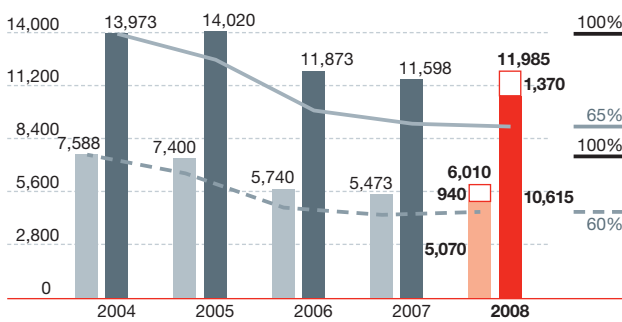


The rise in 2004 and 2005 is primarily due to acquisitions. In 2007 and 2008, additional measures were implemented to reduce emissions of volatile organic compounds.

\*The figures for volatile organic compounds do not include the National Starch businesses.

### Water consumption and volume of wastewater

In thousand cubic meters

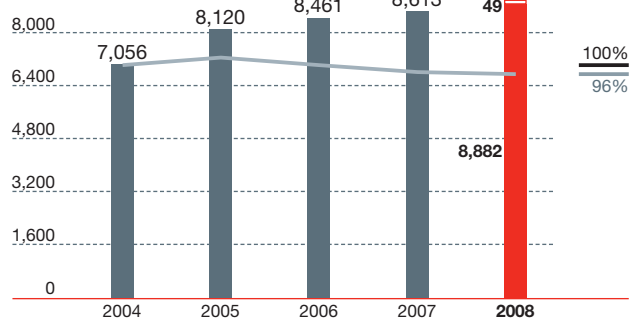


■ Water consumption ■ Volume of wastewater

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.

### COD emissions to surface waters

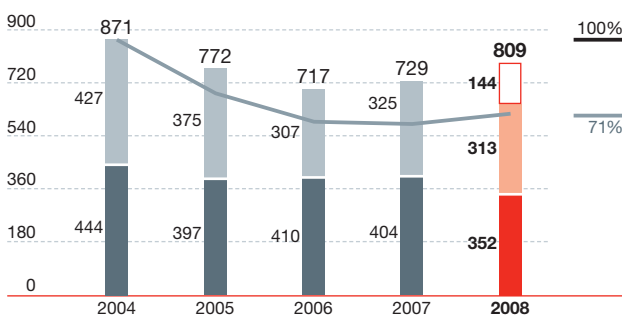
In metric tons



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

### Emissions of heavy metals to wastewater

In kilograms



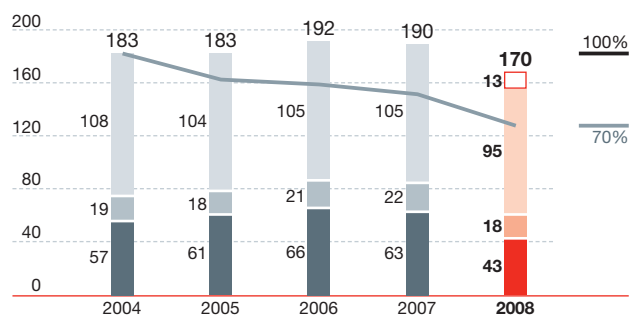
■ Lead, chromium, copper, nickel\* ■ Zinc

As zinc is usually less harmful than other heavy metals in terms of its effects on the environment, the zinc load is shown separately.

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

### Waste for recycling and disposal

In thousand metric tons



■ Waste for recycling ■ Hazardous waste for disposal ■ Waste for disposal

"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 at Henkel.

# Employees and jobs



On September 1, 2008, 117 young men and women started their training at Henkel in Düsseldorf. Our photo shows the welcoming ceremony. All in all, 511 trainees received instruction in more than 20 vocations in Germany last year.

- » **Strengthening our global team**
- » **Promoting diversity and inclusion**
- » **Objective: Zero occupational accidents**

## Focus on sustainability

Strengthening our global team is one of our three strategic priorities. The skills and performance of our employees are key factors for ensuring the future success of our Company. We therefore encourage and develop our employees from 110 countries so that they can achieve their full potential, and we link personal commitment to the Company's success. Target-oriented management, performance-related remuneration, regular assessments, and continuous learning create the conditions for this. We continuously foster the development of employees at different management levels in accordance with the growing demands they face.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 28

Our corporate culture plays a key role in motivating our employees and ensuring a positive work climate. It is based on employees who think and act independently. We recognize our obligation to respect the personal dignity and guard the privacy rights of all of our employees, and to apply the principles of equality and fairness. Both of these elements are embodied as essential behavioral rules in our Code of Conduct.

A top priority at Henkel is the health and safety of all employees. We strive to continuously improve occu-

pational health and safety. Specially designed programs promote good health and ensure our employees' long-term capacity to work.

## Competing for the brightest talents

In view of the demographic development in Europe and the worldwide growing competition for qualified employees, it is becoming increasingly important to ensure that Henkel positions itself as an attractive employer. This includes seeking out talented students around the world, addressing them on a personal basis, and forging close bonds with them as early as possible. By offering challenging internships, and through the "Career Track" student recruitment program, we aim to establish intensive contacts with university graduates. One such example is the Henkel Innovation Challenge, a competition which is open to students in all disciplines in eleven European countries. It offers us the opportunity of becoming acquainted with highly qualified, motivated and talented students. [www.henkelchallenge.com](http://www.henkelchallenge.com)

## Talent management

Regular employee assessments are an essential prerequisite for the further development and motivation of our employees. Since 1998, we have been using the Management Competencies Assessment worldwide as a tool for judging the performance of our managerial staff. We also use an appropriately adapted assessment and development system for our non-managerial employees.



*At a festive gala in Berlin, Germany, organized by VICTRESS Initiative e.V., Henkel received the Corporate VICTRESS Award. Tina Müller, Corporate Senior Vice President of the Hair/Skin/Oral strategic business units in the Cosmetics/Toiletries business sector, accepted the award on behalf of Henkel. This award has been presented by the Initiative since 2005 to companies whose corporate policy demonstrates affirmative support for women and the family. The jury, made up of representatives from business, politics and the public, was impressed above all by Henkel's consistent support for family-friendly measures.*

In confidential meetings between employee and supervisor, development potentials are identified and training measures defined on the basis of the individual's strengths and weaknesses. Managers have to ensure that employees are assigned challenging tasks, while also supporting them through ongoing training measures and coaching, to further their continuous development.

In 2008, we set up a Development Round Table for the purpose of identifying talent, and for the systematic employee development and career planning of our management personnel. In each organization unit, teams of managers hold round table discussions to plan the further development of the employees who report directly to them. We started with the top management levels in 2008, and in 2009 the process will be widened to cover all management personnel worldwide.

### Continuing professional development

The systematic development and encouragement of our employees' skills and abilities is vital to Henkel's success. Ongoing training is available to all employees in the form of seminars, workshops, eLearning and modules for targeted professional development. We have developed new material, taking account of diversity and inclusion aspects, for local and global management seminars. This material will be a fixed part of our training courses from 2009.

To disseminate practical experience and theoretical knowledge at the highest level, we have cooperated since the early 1990s with external partners and leading international schools of business. In 1997, we established the Henkel Global Academy for our management personnel. An average of 420 managers attend the Academy each year.

In 2008, the Association of German Chambers of Industry and Commerce (DIHK) recognized the concept of language-integrated communication training developed by Henkel. Our employees can use this when necessary to learn a new language or improve their language skills.

### Diversity and inclusion

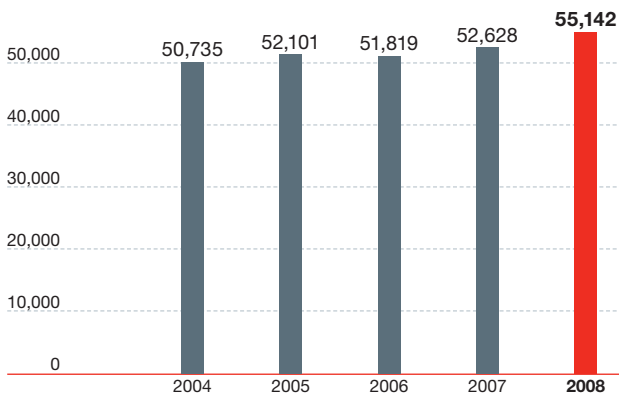
Diversity is an important component of our corporate culture. Henkel's internationality is reflected in our workforce structure. We are convinced that the different cultures and competencies of our employees help us to understand our markets better and to ensure our long-term success. We want to have the best teams – irrespective of the age, gender and nationality of their members. We select our employees on the basis of competence and potential, rather than to satisfy quotas.

Social changes such as the aging population of western industrialized states and the associated shortage of prospective young recruits present the Company with major new challenges. In cooperation with RWTH Aachen University in Germany, we have developed a "demography radar," with which we can simulate the age structure of our global workforce under given conditions. Using the information gained in this way, we can take action in human resources management at an early stage to better enable us to meet the challenges of demographic developments.

In 2008, we developed and implemented fundamental measures for a global diversity and inclusion strategy. Among other aspects, we expect recruitment practices to be aligned so that the final three candidates being considered for any job reflect diversity in terms of age, gender and nationality.

### Employees worldwide

As of December 31\*



\* Prior-year figures restated; base: permanent employees, excluding trainees

We can only utilize the skills and abilities of our employees to maximum effect if we help them to master the challenges of combining career and family. We are therefore planning to make it even easier for employees to take advantage of flexible working hours, part-time work, and home offices – when this is economically feasible, and taking due account of individual circumstances. We believe that this will strengthen our employees’ bonds to the Company. Flexible working hours have long been established at many of our sites. In 2008, we also introduced flexible working time models at our Russian sites in Moscow and St. Petersburg.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 29

### Employees by region

As of December 31*	2007	2008	in %
Europe/Africa/Middle East	33,687	33,485	60.7%
North America	6,438	7,360	13.4%
Latin America	4,268	4,293	7.8%
Asia-Pacific	8,235	10,004	18.1%
<b>Henkel</b>	<b>52,628</b>	<b>55,142</b>	<b>100%</b>

\* Prior-year figures restated; base: permanent employees, excluding trainees

### Successful integration

With the purchase of the National Starch adhesives businesses, we faced the challenge of integrating about 6,000 employees in 40 countries on six continents as quickly as possible. In the lead-up to “day one” – April 3, 2008 – we compared the corporate cultures of National Starch and Henkel and interviewed around 1,000 employees at both companies. The corporate cultures showed many more similarities than dissimilarities. Only the organization model and the decision-making processes differed. Following an analysis of the newly acquired businesses and the introduction of a modified organization structure, we were able to rapidly create a basis for joint development by the end of the second quarter of 2008.

It was found that both companies also use similar instruments and philosophies in their human resources systems. Already, just one year after the merger of the businesses, harmonization of the personnel systems has facilitated many synergies in human resources management. Furthermore, the human resources data and payroll accounting systems will be harmonized in the first half of 2009.

### Managers

As of December 31

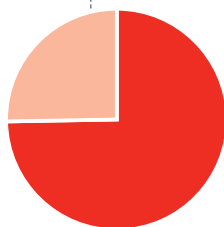
**Total managers**  
9,711 employees  
Average age: **42.6**

**Top managers\***  
795 employees  
Average age: **47.1**

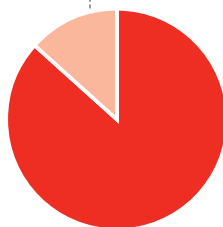
**77 nationalities**

**44 nationalities**

Proportion of women **26.4%**



Proportion of women **13.7%**



\* Management Board, Corporate Senior Vice Presidents, Management Circles I and IIA worldwide.

## Global Excellence efficiency enhancement program

Far-reaching long-term changes were already visible in our most important markets in 2007. In response to the changed market demands, we formulated a comprehensive efficiency enhancement program at an early stage, with the aim of optimizing structures and processes to make Henkel even more competitive. In February 2008, we announced that the Global Excellence restructuring program would result in a reduction of about 3,000 jobs worldwide, across all regions and business sectors. The restructuring also involves closing certain sites. All human resources measures are being implemented in a socially responsible manner with a view to minimizing the risks and hardships facing the employees concerned. Natural attrition and early retirement always take priority. We are also actively supporting employees in their search for new positions, by recommending them to other companies or by putting them in touch with external advisors. The employee representative bodies are informed at an early stage before each decision, and their recommendations are taken into consideration whenever possible.



Henkel has received the “Move Europe-Partner Excellence 2008” certificate of the European Network for Workplace Health Promotion for its commitment to workplace health management, especially in the fields of healthy diet, smoking prevention, mental health, and health-promoting physical activity.

Targeted programs promoting good health, including a wide range of preventive measures, are available to all Henkel employees. Move Europe is an initiative of the European Network for Workplace Health Promotion (ENWHP), and is a campaign for the improvement of lifestyle-related workplace health promotion in Europe.

[www.enwhp.org](http://www.enwhp.org)

## Examples of the restructuring program

The largest German project is the plan to concentrate laundry detergent production in Düsseldorf. Our detergent plant in Genthin, where 240 people are currently employed, will therefore close in late 2009. The expansion of liquid detergent production in Düsseldorf will create 90 new jobs, which will be offered to the Genthin employees. In view of the significance of the Genthin site for Henkel and the region, we conducted intensive talks with all concerned parties – also with regard to alternative solutions. However, the high manufacturing and transport costs, in particular, made the relocation of production necessary. Düsseldorf is a central location, from which we can serve all important Western European markets. Together with the state of Saxony-Anhalt, Henkel is continuing to conduct an intensive search for investors who can find an alternative use for the Genthin site. Along with our social partners, we are now focusing on

finding new jobs for the Genthin employees, whether with Henkel or with other employers. We are providing appropriate coaching for these employees to help them with their job applications.

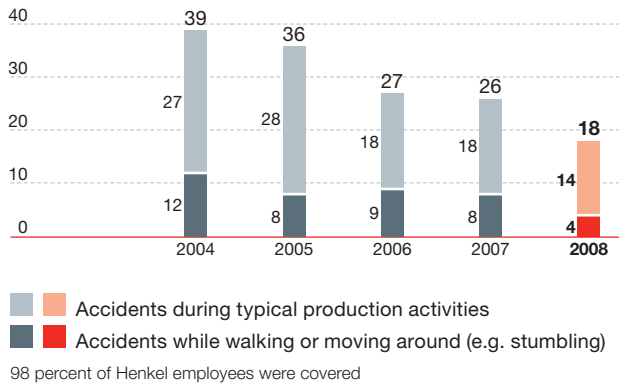
In 2009, to utilize plant capacity more efficiently, the production site at Malgrat, Spain, will be merged with the site in Montornès, 50 kilometers away. In intensive preparatory discussions, the employee representatives and the site managers developed solutions for the necessary relocation. Malgrat employees who have been offered a new job in Montornès will be able to take advantage of a daily travel service. Henkel has offered compensation in line with their number of years of service to employees for whom no work could be found in Montornès. An early retirement scheme has also been put in place.

# Occupational health and safety

**Occupational accidents per million hours worked**  
At least one day lost (excluding commuting accidents)



**Serious occupational accidents**  
More than 50 days lost



As early as the year 2000, we underlined the high priority of occupational health and safety throughout the Company by setting a target of zero accidents. Through training and support measures, we were already able to reduce the number of occupational accidents by 86 percent between 1998 and 2007. Complementing our Group-wide standards and programs, our plant managers are intensively involved in conducting regional and local initiatives and activities that enable them to take into account the specific circumstances and employee needs. The early identification of risks and the prevention of accidents play a key role here.

Building on the achieved improvements and taking 2007 as the base year, we have set ourselves a new interim target: to reduce occupational accidents by a further 20 percent by 2012. As far as possible, contractors who work at our sites will also be integrated into our system of recording days lost due to occupational accidents. In addition, we involve contractors' employees in our training courses. The courses are based on Henkel's health and safety requirements.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 30

## Unfortunate accidents involving fatalities

Our strong commitment to occupational safety is one of the main reasons why Henkel experienced no fatal accidents in 2006 and 2007. In 2008, a sales employee in Russia died in a traffic accident on his way to a customer. Two further Henkel employees and one employee of an

external company who was carrying out work for Henkel died in accidents that happened during working time, but were unrelated to their actual work. We report these accidents for reasons of transparency, as they fall to some extent under the OECD's definition of an occupational accident (OECD = Organization for Economic Cooperation and Development), or were reported in the local press:

- » On his way to a business meeting in Italy, a Henkel employee from Great Britain died when his motorcycle was involved in an accident in Germany. The use of a motorcycle is not in conformity with the Henkel guidelines for business travel, but was not expressly forbidden by our subsidiary.
- » An employee of an external company engaged to support Henkel's sales activities in Huixquilucan, Mexico, was fatally injured by falling doors in a DIY center. The accident occurred in a barred no-entry area and was totally unrelated to the work of the external company's employee.
- » A Henkel field sales employee attempted to prevent a theft outside our site at Xuzhou, Jiangsu, China, and was fatally injured by the thieves, although the emergency services were on the spot within five minutes. The culprits were subsequently caught.



# Social engagement



After the 2004 Indian Ocean tsunami, Henkel established a school for more than 90 boys and girls in Ranganathapuram, India. The boys are trained as carpenters, electricians, and other trades, and the girls are taught dressmaking and embroidery, but also how to use computers. All of the young people are also given a good general education. In 2008, training in eco-farming was started on the school grounds. Also in 2008, the school received official government approval as a training center.

- » **Henkel Smile: Three core elements for society**
- » **Millennium Development Goals:**
  - Our contributions
- » **10 years of MIT: Anniversary project**

## Henkel Smile

Social engagement plays an important role in our corporate culture. It has been a tradition throughout our history and is firmly anchored in our corporate values and reflected in our daily activities. Henkel Smile provides the umbrella for the company's corporate citizenship activities extending beyond direct business interests.

This is based on the conviction that solutions which are jointly reached on a basis of partnership will benefit all concerned. To achieve enduring progress, we focus on helping people to help themselves. Employees and retirees are the impetus of Henkel's worldwide corporate citizenship engagement. They are at the core of any Henkel Smile project, from selection, organization and management, to active participation.

[www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 31

We have structured our global activities around three core elements:

- » MIT (Make an Impact on Tomorrow) – Employee engagement,
- » HFI (Henkel Friendship Initiative e.V.) – Emergency fund,
- » Social Partnerships – Corporate and brand engagement.

We support activities in the areas of social needs, education and science, fitness and health, arts and culture, and the environment. Henkel Smile goes far beyond the sum of its three core elements, as they often mutually reinforce each other and generate synergies. An employee project in Kenya, for example, resulted in the engagement of the Schauma brand in cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO). And the HFI's emergency aid measures after the tsunami in the Indian Ocean in 2004 led to the development of numerous MIT projects. They are aimed specifically at rebuilding schools and infrastructure. In 2008, the total sum provided to support all Henkel Smile activities was some 7.5 million euros.

## Social progress in focus

In the year 2000, heads of state and government leaders from 189 countries agreed on eight development goals, known as the United Nations Millennium Development Goals. They are to be reached by 2015. Henkel also makes contributions to the attainment of these goals. As a clear signal, Henkel joined the United Nations Global Compact in 2003 <sup>SR</sup> see table below. [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

In all Henkel regions, our employees and retirees engage in activities that contribute to the attainment of the Millennium Development Goals. More than half of the projects of our employees and retirees are in

emerging and developing countries. Local partner organizations play an important role in carrying out the projects. The Millennium Development Goals of the United Nations are taken into account as early as the planning and budgeting phases of all project activities. Progress can therefore be measured and developments can be documented. In many cases, a Henkel Smile project may contribute to more than one Millennium Development Goal. The MIT projects concentrate on the eradication of extreme poverty, universal primary education, reducing child mortality, and fighting AIDS and other diseases.



### Selected Henkel Smile projects as they relate to the eight United Nations Millennium Development Goals

Millennium Development Goals	Henkel Smile projects 2008
1. Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> <li>» <b>Peru:</b> In a daycare facility in Lima, children are looked after during the day and receive a hot meal each day</li> <li>» <b>Myanmar:</b> Provision of rice for six months for 50 orphans and disabled children</li> </ul>
2. Achieve universal primary education for boys and girls alike	<ul style="list-style-type: none"> <li>» <b>Vietnam:</b> Construction of a nursery school; provision of food and the chance of going to school for undernourished children in Ho Chi Minh City</li> <li>» <b>Uganda:</b> Continued support for Rushocka Parish boarding school for girls in Kabale, including school materials for 360 orphans and disabled children</li> <li>» <b>Turkey:</b> Education of street children in a home in Gaziantep</li> </ul>
3. Promote gender equality and empower women	<ul style="list-style-type: none"> <li>» <b>Guatemala:</b> Construction of a laboratory and computer room in a school in Verapaz to give 250 native Mayan girls a technical education and thus improve their job opportunities</li> <li>» <b>USA:</b> Accommodations and education for teenage girls who are in trouble, in Nashville, Tennessee</li> <li>» <b>India:</b> Support for an integrative center in Parivalaya, to give all-around care to children with special needs</li> </ul>
4. Reduce child mortality	<ul style="list-style-type: none"> <li>» <b>Nepal:</b> Annual medical care for children in schools, homes, and a hospital for orphans in Kathmandu by a mobile team of doctors</li> <li>» <b>Bulgaria:</b> Support for the children's hospital in Sofia with pulmonary inhalers and pulse monitors</li> <li>» <b>Turkey:</b> Provision of incubators for the care of premature babies in Mardin</li> </ul>
5. Improve maternal health	<ul style="list-style-type: none"> <li>» <b>Congo:</b> Support for two hospitals near Kinshasa by providing medications, in cooperation with "Arzneibrücke Ehingen-Kinshasa" (Ehingen-Kinshasa medicine bridge)</li> <li>» <b>China:</b> Screening and surgical operations in Lhasa to restore sight to over 300 mothers suffering from cataracts or glaucoma</li> </ul>
6. Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> <li>» <b>Chile:</b> Provision of medications, food, and repair materials for the Santa Clara foundation in Santiago de Chile for children infected with HIV/AIDS</li> <li>» <b>Thailand:</b> Care and medications for AIDS orphans in the Baan Gerda children's village in the province of Lopburi</li> </ul>
7. Ensure environmental sustainability	<ul style="list-style-type: none"> <li>» <b>Germany:</b> Project Futurino, initiated by the Persil brand, supports 156 educational projects on nature and environmental themes</li> <li>» <b>USA:</b> The Riverbend Environmental Education Center in Gladwyne, Pennsylvania, raises the awareness of city children for nature</li> </ul>
8. Develop a global partnership for development	<ul style="list-style-type: none"> <li>» <b>Kenya:</b> The Bethsatha children's hospital for AIDS orphans near the city of Kisumu was expanded and better equipped through the brand engagement of Schauma</li> <li>» <b>El Salvador:</b> Introduction of numerical controls for machine tools at the Santa Tecla public high school</li> </ul>



Through the Henkel Friendship Initiative e.V., Henkel has donated a total of 150,000 euros to support victims of the May 2008 earthquake in China. In close cooperation with the Henkel companies located in China, we also provide emergency and reconstruction aid through cash or product donations and MIT projects.



For the third year in succession, Henkel helped geography students from the University of Trier, Germany, who are working to improve the living conditions of slum dwellers in Nairobi. Henkel has financed the purchase of materials for school classes and the construction of sanitary facilities.

### Eleven years of employee engagement

Since 1998, Henkel's MIT Initiative has been supporting the volunteer work of its employees and retirees with in-kind, product and financial donations, paid time off from work, and specialist advice. In 2008, the number of MIT projects grew to over 7,000. More than 5,000 employees and retirees in more than 110 countries have been able to help hundreds of thousands of people worldwide through their engagement in MIT since 1998.

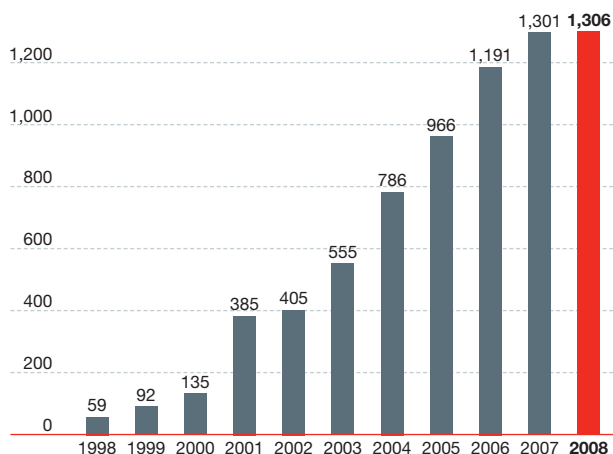
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The quality of MIT does not lie in the amount of financial support provided, but in the way the projects are implemented. The engagement of employees and retirees as volunteers, their emotional involvement and ideas, and, above all, the time they invest in their projects attest to the quality of the MIT projects. The employees and retirees are at the heart of MIT, and they form a vital link between the Company and the communities in which we operate. In this way, we ensure that the resources we provide are employed responsibly and transparently, where they are most urgently needed.

In May 2008, 120 employees and retirees from all around the world attended the annual Round Table in Düsseldorf, Germany, to mark the tenth anniversary of MIT. The Round Table gives employees and retirees an opportunity to share their experiences and develop MIT still further.

### Make an Impact on Tomorrow (MIT) projects

Number per year



On the occasion of MIT's tenth anniversary, Henkel provided an extraordinary subsidy of 100,000 euros to support a project in Guatemala. The project was selected from among 86 applications. It provides 120 families in a rural region with the help they need to help themselves. The support includes schooling for the children, access to clean water, the construction of a health center, and improvements in agricultural productivity. Henkel employees from Guatemala are implementing the project in a team together with local cooperation partner HELPS Changing Lives. The local MIT network in Guatemala and Henkel employees from other MIT networks are also involved in the project.

# Stakeholder dialogue



Henkel was an official sponsor of Expo 2008 in Zaragoza, Spain. The theme was “Water and Sustainable Development.” Our participation in the Expo underlined our commitment to protecting water resources. At a “brand parade” on Henkel Day, the visitors got acquainted with Henkel products that can help them to contribute to protecting water resources.

- » **Dialogue for viable solutions**
- » **Education for sustainable development**

## Open dialogue with all stakeholders

Viable solutions for sustainability can only be developed through a dialogue with all social groups – at the local, regional and international levels. We therefore continuously seek a dialogue with all stakeholders, including customers, consumers, suppliers, employees, shareholders, local communities, government authorities, associations, non-governmental organizations and scientists.

## Integrated, systematic dialogue

Although the issues associated with sustainability are global, regional priorities and perspectives differ widely. We have therefore integrated our dialogue with stakeholders into our functions, business sectors and regions. In this way, we ensure that challenges are discussed in a dialogue between our experts in the Company and the appropriate stakeholder groups. We develop strategies and solutions at the very place where they will be

assessed and put into practice. The instruments, themes, duration and intensity of the dialogue are aligned to the individual stakeholder groups and their specific issues.

This dialogue offers a basis for mutual understanding and is a source of new ideas for the Company. It enables us to identify the developments and challenges of our different markets at an early stage and thus make an important contribution to innovation management and risk management.

## Harmonized instruments

In international initiatives, we and our partners develop a variety of solutions, such as for the responsible purchasing of our raw materials and ingredients. The exchange of ideas with our industrial customers leads to the development of process improvements that make a decisive contribution to the conservation of resources. In a direct dialogue with consumers over consumer telephone lines and through action days and market research projects, we provide information, above all, about the resource-conserving use of our products, and



Since 2005, Henkel India has held an annual national competition for schools under the name Henkel Eco-petition. The winner is presented with the Henkel Enviro Care Award. In 2008, the subject of the competition was "Water." Six finalists from more than 2,000 competitors presented their ideas in a video conference to a jury of Henkel employees and non-governmental organizations. The first prize went to Siddharth Banerjee of the Father Angel School in New Delhi for his idea of keeping indoor plants in closed glass vessels to prevent water from evaporating.

at the same time receive significant feedback for our product developers. To anchor the idea of responsible business practices in the consciousness and daily activi-

ties of our employees worldwide, we develop training courses and online work modules on this topic and report on it on the intranet and in employee newspapers.

### Examples of our integrated dialogue approach – aligned to our stakeholders

Stakeholder	Theme
Employees	<ul style="list-style-type: none"> <li>» <b>India:</b> To draw attention to climate change, the employees at the Chennai site held a "Lights Out 88888 Campaign" on August 8, 2008, when they switched off the lights for 8 minutes at 8 o'clock.</li> <li>» <b>USA/Canada:</b> The quarterly newsletter "Going Green" informs Industrial Adhesives employees about customer-relevant sustainability themes and trends.</li> </ul>
Consumers and customers	<ul style="list-style-type: none"> <li>» <b>Italy:</b> In the "Differentiate yourself!" campaign, Henkel provided information in supermarkets in ten cities about sustainable consumption and waste prevention.</li> <li>» <b>Germany:</b> Henkel Packaging Forum: External and internal packaging specialists developed sustainable packaging solutions.</li> </ul>
Analysts and investors	<ul style="list-style-type: none"> <li>» <b>Germany:</b> Taking environmental, social and governance (ESG) aspects into account: Henkel employees discussed non-financial reports in the capital market with financial experts.</li> </ul>
Politicians, government authorities and non-governmental organizations	<ul style="list-style-type: none"> <li>» <b>Spain:</b> Employees from Research and Marketing discussed the subject of sustainable consumption with non-governmental organizations at the World Conservation Forum of the International Union for Conservation of Nature (IUCN).</li> </ul>
Scientists	<ul style="list-style-type: none"> <li>» <b>USA:</b> Henkel researchers have cooperated with Arizona State University since 2008 in producing life cycle analyses.</li> </ul>
General public and local communities	<ul style="list-style-type: none"> <li>» <b>New Zealand:</b> Henkel employees collected production waste for a "Trash to Fashion" event at schools to draw attention to the subject of recycling.</li> </ul>

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### Education for sustainable development

For Henkel, it is important to address sustainability even beyond its own sphere of influence. In 2008, we therefore initiated a large number of projects and campaigns, particularly dealing with the theme of "Education for sustainable development".

One example, from Germany, is the Internet portal "Save your Future" (currently German-language only, English version forthcoming). It enables young people to share their ideas on the subject of sustainability and organize joint actions and events.

[www.save-your-future.com](http://www.save-your-future.com)

In collaboration with the Universities of Rostock and Oldenburg in Germany, we have developed extensive materials as a resource for teaching chemistry in schools. They include simple and low-cost experiments on the subject of environmental awareness in relation to laundry washing. The materials are freely available on the Internet. The teaching materials are now being presented throughout Germany in training classes for teachers. They have already been translated into English, and other languages are planned, as is the international dissemination of the materials in cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO).

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# External ratings

Henkel's performance in sustainability and corporate social responsibility impressed external experts again in 2008. [www.henkel.com/sr2008](http://www.henkel.com/sr2008) → 35

## Ratings and indexes



**Zurich/New York:** In 2008, Henkel was again listed in the Dow Jones Sustainability Indexes DJSI World (worldwide) and DJSI STOXX (Europe) as the sustainability leader in the Nondurable Household Products sector.



**London:** For the eighth consecutive year, Henkel was included in the international FTSE4Good ethical index.



**Paris:** In 2008, as in previous years, Henkel was again one of the 200 companies worldwide listed in the Ethibel Sustainability Index, in the Pioneer class.

## ECPI E.Capital Partners Indices

**Milan:** Henkel was again included in the ECPI Ethical Index EURO and the ECPI Ethical Index GLOBAL. E. Capital Partners established the two ethical indexes in 1999.



SARASIN

**Basel:** In 2008, the Bank Sarasin again assessed our corporate sustainability performance as "high."

## Awards and rankings

**Frankfurt am Main:** The Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) – the professional association of financial analysts – and the business magazine *Wirtschaftswoche* present the annual ESG Award to the German company with the best performance in the fields of environment, social responsibility and corporate governance. In March 2008, Henkel was the winner in the category DAX (German Share Index) Businesses.



*On December 5, 2008, in Düsseldorf, at the first ever German Sustainability Congress, the award for being Germany's "Most Sustainable Brand" went to Henkel. One of the main factors for Henkel's selection was that the company had begun very early on to address the challenges of sustainability, developing a comprehensive CSR strategy. Kasper Rorsted (right), Chairman of the Henkel Management Board, and Dr. Friedrich Stara, Executive Vice President Laundry & Home Care, accepted the award on behalf of the Company.*

**Vienna:** For the third time, the Center for Corporate Citizenship Austria (CCC-A) assessed the commitment of the 100 largest companies in Austria to corporate social responsibility. In April 2008, Henkel Central Eastern Europe not only became the sector winner but also occupied first place in the overall rankings, with 82 out of 100 possible points.

**New York:** In June 2008, the Ethisphere Institute, New York, and *Forbes* business magazine included Henkel in their "World's Most Ethical Companies" ranking list. The companies in the list are assessed in the categories of corporate governance, innovation, executive leadership style, internal management systems, reputation management, and corporate citizenship.

## Sustainability reporting

In December 2008, the United Nations Global Compact recognized our Sustainability Report 2007 as an outstanding annual progress report. Of some 5,000 member companies who submit a report, only 240 were at that time included in the list of Notable Communications on Progress in implementing the ten principles of the Global Compact.

[www.unglobalcompact.org](http://www.unglobalcompact.org)

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## Further publications available as downloads on the Internet

Annual Report, Quarterly Reports, Vision & Values,

Code of Conduct, Code of Teamwork and Leadership,

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



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The collage on the cover of the Sustainability Report is a mosaic. It is composed of more than 300 portraits of Henkel employees as well as logos and photos of products of our top brands. We would like to thank all of the employees who agreed to let us take their picture.

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**Henkel**

*A Brand like a friend*