

Sustainability Report 2006



Henkel

A Brand like a friend

Sustainability performance

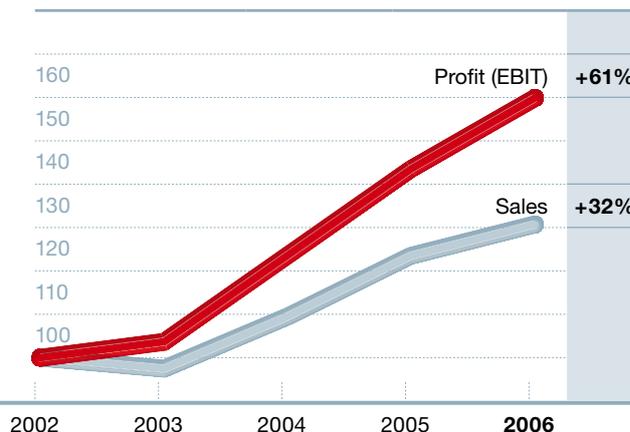
Sustainability performance from 2002 to 2006

Environmental indicators per metric ton of output*

Occupational accidents	-72%	↓
Heavy metals	-59%	↓
Waste	-30%	↓
Energy	-27%	↓
Sulfur dioxide	-26%	↓
Carbon dioxide	-21%	↓
Wastewater load	-18%	↓
Water	-8%	↓
Volatile organic compounds	14%	↑

Business performance from 2002 to 2006

Percent; index 2002



*Occupational accidents per million hours worked

Foreword	1
Henkel in brief	2
Sales 2006	2
Value added statement 2006	3
Values and management	4
Suppliers and other business partners	7
Dialogue	8
Sustainable products and resource efficiency	12
Raw materials	16
Brands and technologies	18
Production and logistics	26
Environmental indicators of the production sites	32

Employees and jobs	34
Employees worldwide	35
Employees by region	35
Managers	35
Occupational safety and health	39
Occupational accidents per million hours worked	39
Serious occupational accidents	39
Social commitment	41
Social projects, "Make an Impact on Tomorrow"	42
External ratings	46
Contacts and credits	47



Further information on the Internet

The Internet site www.henkel.com/sustainability contains current news and background information, and all reports published since 1992 can be downloaded. A GRI Index provides cross-references to the reporting elements and indicators of the

Global Reporting Initiative (GRI) in this Sustainability Report and this year's Annual Report and on the Internet. More detailed versions of the experts' statements included in this report can also be found on the Internet. The symbol used at many points in this report indicates that more specific information can be found on the Internet.

Making sustainability happen together



Prof. Dr. Ulrich Lehner (left) and Dr. Wolfgang Gawrisch

Satisfying the needs of a continuously growing world population, while ensuring the availability of water, energy, and other resources, is a major concern to the world's governments. And the recent sharp increases in energy and raw materials prices have made us all aware, from our own personal experience, of just how critical the issue of resources has become all over the world.

Sustainable development is a global challenge. Yet it can only be achieved if each and every one of us does his best to promote sustainability and social responsibility at a local level. This naturally holds true for Henkel as well. And this is why, as stated in our Values, we are dedicated to sustainability. What we mean by this, in concrete terms, is conducting our business activities responsibly – throughout the value chain, worldwide – so that we can contribute to society with our brands and

technologies, helping to make our world a better place to live in, today and in the future.

We are well aware that a commitment such as this has to be a permanent one. We have a long and proud tradition of corporate responsibility. Building on this, we have steadily and sustainably expanded the scope of our social responsibility in a constantly changing world. And we will continue to do so in the future.

By choosing to buy Henkel products, customers and consumers show that they acknowledge and appreciate the efforts that Henkel makes to achieve sustainability. However, sustainability and social responsibility cannot be left solely to the endeavors of individual persons or companies. We must all play our part – every employee and every member of society. Only if we all act responsibly will we be able to achieve true sustainability.

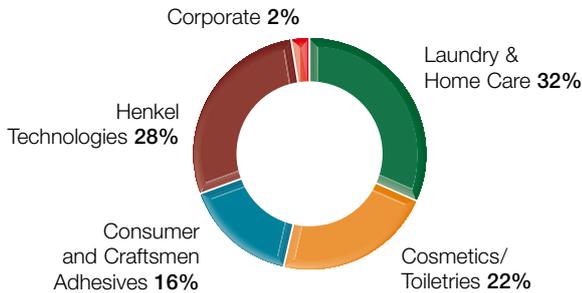
Prof. Dr. Ulrich Lehner
Chairman of the Management Board
of Henkel KGaA

Dr. Wolfgang Gawrisch
Chief Technology Officer (CTO), Research/Technology
Chairman of the Sustainability Council

Henkel in brief

Sales in 2006 by business sector

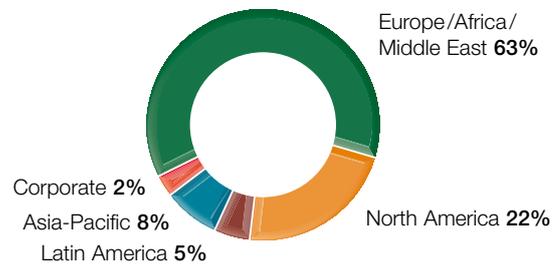
in million euros



Total sales 12,740 (100%)

Sales in 2006 by region

by location of companies/in million euros



Total sales 12,740 (100%)

Company overview

With our brands and technologies, we operate in three strategic business areas: Home Care, Personal Care, and Adhesives, Sealants and Surface Treatment.

On the operative level, the business areas are organized into four business sectors:

► Laundry and Home Care

We market a broad selection of heavy-duty and specialty laundry detergents and household cleaners. The premium brands include Persil, Somat, Purex, Dixan, Vernel, Mir, Pril, Bref, Spee and Weisser Riese. Henkel holds leading market positions worldwide in this area.

► Cosmetics/Toiletries

The range includes hair cosmetic, body and skin care, and oral hygiene products. Schwarzkopf, Dial, Fa, Igora, Taft, Palette, Gliss Kur, Right Guard, Schauma, Diadermine and Theramed are the top international brands. We hold leading market positions around the world with these brands.

► Consumer and Craftsmen Adhesives

The widely varied product range includes home decoration, adhesive and correction products for the construction industry, home and office. With brands such as Pattex, Pritt, Ceresit, Loctite, Metylan, Sista, Thomsit, Duck, Tangit and Rubson, we are the world leader in this segment.

► Henkel Technologies

Henkel's industrial and structural adhesives, sealants, and surface treatments, marketed under the Loctite, Teroson, Liofol, P3, Technomelt, Adhesin, Bonderite and Hysol brands, create globally recognized system solutions. Henkel Technologies is the global market leader in this sector.

In 2006, our total sales amounted to 12.740 billion euros. 80 percent of our 52,292 employees were employed outside Germany. In all three business areas, our four business sectors enjoy leading positions, which are being expanded further. Key elements in our long-term business strategy are the profitable North American market and the growth markets of Eastern Europe, Africa, the Middle East, Asia-Pacific, and Latin America. These growth markets accounted for 31 percent of sales in 2006.

Quality from Henkel

People in more than 125 countries around the world trust in brands and technologies from Henkel. "Quality from Henkel" stands for high product performance and convenience. This promise of quality also applies to the ecological compatibility of our products, their all-encompassing safety for consumers, as well as core corporate values such as customer orientation, human resources development, and sustainability. A key factor in our approach is to operate responsibly throughout the value chain.

Focus on innovation

In view of the fact that markets and consumer wishes are changing at an increasingly faster pace, we assure our long-term corporate success with innovative brands and technologies. In fiscal 2006 alone, we spent 340 million euros on research and development. We currently employ about 2,800 researchers and product developers worldwide. Our aim is to increase the share of sales we generate with new products from 25 to 30 percent over a three-year period.

To drive forward our culture of innovation, we launched a three-year innovation campaign in 2006. We established a central database, into which all employees can enter suggestions for innovations. The response has already been impressive, with about 71,000 new ideas submitted by the end of February 2007. One in five of these is directly implementable or has been recommended for further evaluation.

Contribution to regional development

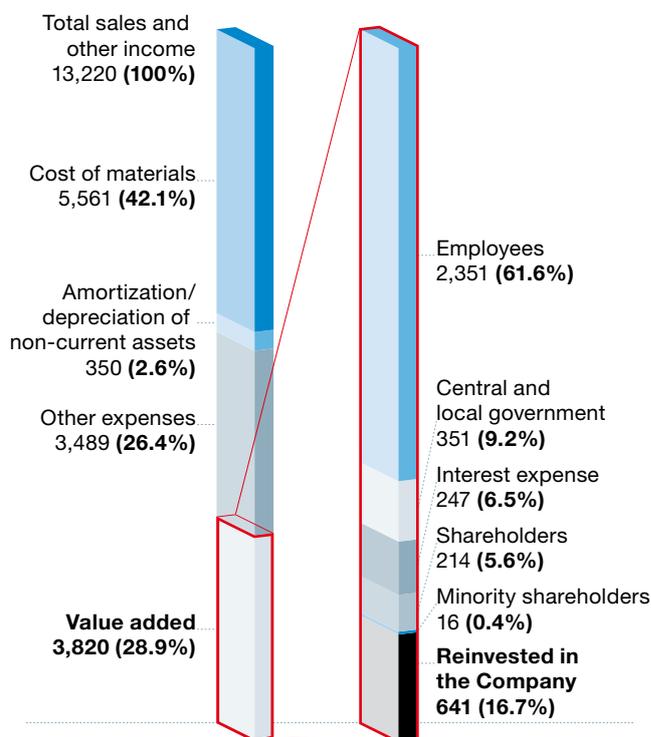
Emerging and developing countries, in particular, expect multinationals such as Henkel to contribute to their economic development. The transfer of knowledge and technologies plays a key role here. We therefore support this transfer worldwide by training our employees and customers, by applying modern management methods, by consistently reviewing our product portfolio, and by introducing safer, more efficient and resource-conserving products and production processes.

Added value for society

Henkel's economic contribution is revealed by its value added statement. Most of the value added – 61.6 percent – went to the employees. Central and local government received 9.2 percent in the form of taxes, and lenders received 6.5 percent in the

Value added statement 2006

in million euros/percent



form of interest. 5.6 percent went to shareholders as dividends. The shareholders also profited from the gratifying rise in the share price in 2006: 31.2 percent for preferred shares and 25 percent for ordinary shares.

The non-appropriated value added is available for investment and therefore for financing the future growth of the Company.



"By contributing to innovation, transferring knowledge and technology, creating environmentally compatible products, and making better use of non-renewable resources, companies can make a very significant contribution to resolving global challenges."

Prof. Alejandro Sosa,
Executive Director, Global
Environment Management Initiative,
Mexico-City, Mexico,
www.gemi.org.mx

Values and management

Focus on sustainability

Sustainability stands for future viability. Henkel aligns its business practices to the principles of sustainability because it believes that this is the key to achieving sales and profits in a socially responsible manner. This philosophy applies to all of the Company's activities.

By aligning our conduct and our business activities to the principles of sustainable development, we can reinforce and expand our competitiveness in the global marketplace. Trust in Henkel and its brands gives the Company entrepreneurial freedom and fosters business success. By managing risks systematically, we can take early action to avoid

potential risks and take full advantage of opportunities. Efficient and safe processes not only contribute to environmental protection and occupational health and safety, but also cut costs and resource consumption.

With effective and safe products and technologies that unite customer benefit and ecological progress, we are able to position ourselves favorably in the market. Responsible business practices strengthen our employees' motivation and their identification with the Company. Our sustainability strategy thus assures that the Company will continue to increase in value long-term.

Systematically embedded

Our sustainability strategy is systematically embedded in the Company through corporate requirements, efficient management systems, and an organization structure with clearly defined responsibilities. The interplay of globally uniform standards, Company-wide control instruments, and regional action programs is key to these efforts. Achievements and advances can thus be recorded and – where improvements are possible and necessary – programs can be optimally aligned to the respective social challenges and priorities.

Behavioral rules based on values

In all business areas and cultures in which Henkel operates, its Vision and the ten Values derived from it provide guidance for the behavior and actions of all Henkel employees. Henkel's Vision and Values form the basis for a series of behavioral rules which Henkel has specified in a number of codes.

The Code of Conduct is designed to help Henkel employees when faced with ethical or legal issues; the Code of Teamwork and Leadership provides guidance for the conduct of managerial staff and employees; and the Code of Corporate Sustainability defines the principles and expectations of sustainable business practices and corporate social responsibility at Henkel. 

Together, the Codes are the basis for Henkel's implementation of the United Nations' Global Compact initiative. 

Clearly communicated requirements

Henkel operates in a variety of markets and regions with diverse legal systems, social standards and customs. Attitudes toward granting and accepting incentives, gifts and favors, for example, vary widely from region to region. Many Henkel employees work in countries where, according to studies such as those carried out by Transparency International, there is a high risk of corruption.

In 2000, Henkel therefore established a Code of Conduct, which helps employees worldwide to respond correctly and appropriately when faced

Vision and Values

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



We are customer driven.



We develop superior brands and technologies.



We aspire to excellence in quality.



We strive for innovation.



We embrace change.



We are successful because of our people.



We are committed to shareholder value.



We are dedicated to sustainability and corporate social responsibility.



We communicate openly and actively.



We preserve the tradition of an open family company.

with ethical or legal issues, and in their strategic decision-making processes. We revised our Code of Conduct in 2004 to reflect the continuously changing legal and economic environment in which a global company operates. More detailed and precise requirements provide clear guidelines for dealings with or relating to customers, colleagues, shareholders, competitors, the environment and society. Henkel strictly rejects all forms of corruption. The Code therefore clearly forbids Henkel employees from offering, granting or accepting inducements.

We introduced the revised Code of Conduct throughout the Company in 2005. It is binding for all employees. The Code has been translated into a number of languages, and the staff members responsible for human resources and communications in the different countries have developed appropriate training and communications activities. In addition, the managers and specialists in the Human Resources departments or the Corporate Internal Audit department can provide advice in case of doubt.

Standards for sustainability

The Code of Corporate Sustainability is given concrete form by internal standards. The standards are based on the existing requirements for safety,

health and the environment (SHE standards), and supplement them with societal aspects of corporate responsibility.

Beginning in early 2006, we have expanded the extensively revised SHE standards and the Company-wide purchasing guidelines to include social standards. We have integrated 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 relevant guidelines of the International Labor Organization (ILO).

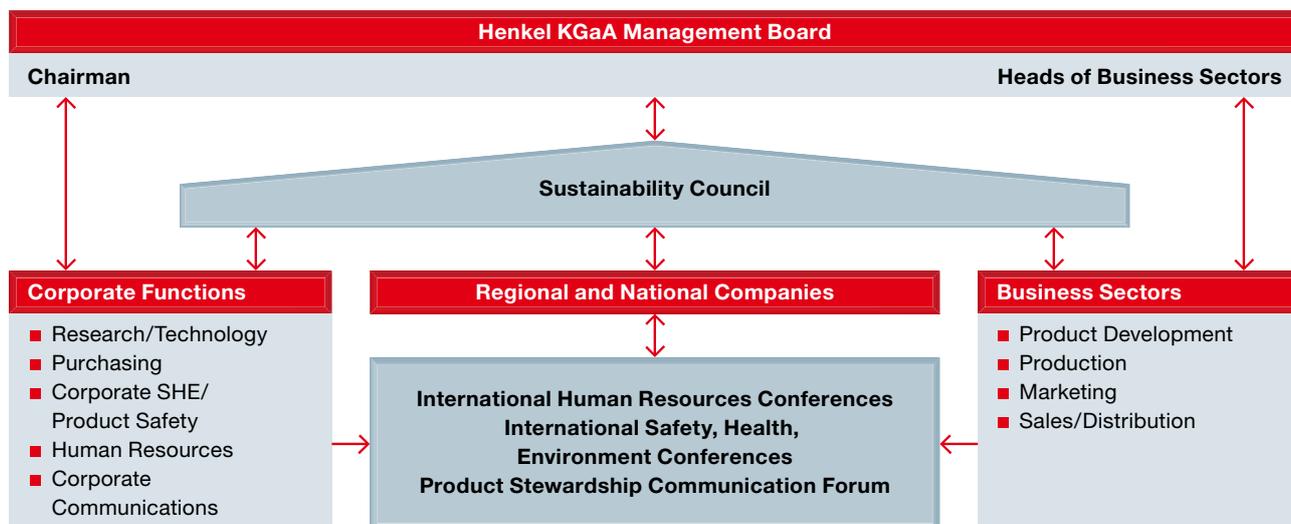
In developing the standards, one major focus was dealings with suppliers and business partners. The business sectors supplement the corporate standards with business-specific quality requirements.



“Due to three major challenges – the large population, shortage of resources and environmental pollution – pursuing economically, socially and environmentally sustainable development is the only solution.”

Prof. Dr. Peng Sizhen,
 Director of Centre for Environmentally Sound Technology Transfer,
 The Administrative Centre for China's Agenda 21, Beijing, China,
 www.acca21.org.cn

Organization for sustainability



The Henkel Management Board bears overall responsibility for sustainability policy and aligns the Company's business policy to the opportunities for and requirements of sustainable development. The Sustainability Council, whose members are drawn from all areas of the Company, steers the global activities in collaboration with the operative business sectors, the regional and national companies, and the corporate functions. ⁽ⁱ⁾

Integrated in the management systems

We have defined the requirements deriving from Henkel's business processes in integrated management systems, which we have adapted to suit the specific circumstances of individual sites. In doing so, we have taken account of differences in production methods and types of products manufactured, as well as national and administrative regulations.

To ensure the Company-wide implementation of the SHE standards, we carry out regular SHE audits at all production sites. These audits are a key element of risk management and document the progress achieved in implementing the integrated management systems throughout Henkel.

For the first time, we asked all production sites to carry out a self-assessment in regard to safety, environmental protection, and occupational health and safety. With the help of a detailed questionnaire, the sites reported on the implementation

of the standards. This makes it possible to draw up an overview of the strengths and weaknesses of the sites worldwide, so that actions can be initiated. On the basis of the audits and the self-assessments, the operative business sectors have defined ambitious targets and binding measures at all levels, in order to press ahead with further improvements.

Corporate Governance at Henkel

The controlling company of Henkel is Henkel KGaA, headquartered in Düsseldorf. Responsible corporate management and controlling, aimed at a long-term increase in shareholder value, has always been a part of our identity. Taking into account the special aspects specific to its legal form and articles of association, Henkel KGaA complies with the main recommendations ("shall" provisions) of the German Corporate Governance Code, with one exception. We do not list the individual shareholdings of members of the Henkel family on the Supervisory Board or on the Shareholders' Committee. The full wording of the declaration of compliance can be found on the Internet.

The remuneration report on pages 22 to 27 of Henkel's 2006 Annual Report explains the main components of the compensation system for the Management Board, Supervisory Board, and the Shareholders' Committee of Henkel KGaA and indicates the level of the remunerations paid. 

Suppliers and other business partners

We expect the conduct of our suppliers and other business partners to conform to our standards of corporate ethics. We consider their performance in regard to sustainability and corporate social responsibility when entering into business relationships. These assessments are based on our corporate purchasing guidelines. Uniform criteria express these requirements in concrete terms. They cover safety, health, the environment, quality, human rights, employee standards, and anti-corruption policies.

Early acceptance of responsibility

On the basis of our Safety, Health and Environment standards (SHE standards), which were formulated in 1997, our purchasing departments and operative business sectors have implemented processes for assessing how their suppliers and other business partners operate in the fields of safety, health and the environment. Audits are carried out as appropriate, according to the products and services supplied, the region and the relationship to the suppliers and other business partners. If suppliers or other business partners do not meet the standards, we come to an agreement with them on improvement measures and, if necessary, carry out follow-up audits. About 20 percent of our purchasing volume is now accounted for by suppliers and other business partners whose production sites have been audited by Henkel.

Efficient structures

We purchase raw materials, products and services from suppliers and other business partners in some 140 countries. Almost 90 percent of the total purchasing volume comes from member countries of the Organization for Economic Cooperation and Development (OECD). In the year 2006, our activities were focused mainly on optimizing the structures and processes of our global purchasing organization. As part of this project, we are also standardizing the regional purchasing and assessment systems worldwide.

Questionnaire and assessment

In an initial pilot phase, we tested the questionnaire developed for European suppliers and other business partners in 2005 and revised it in 2006. As an integral part of our international supplier management, the questionnaire is a tool with which we communicate our expectations to suppliers and other business partners. The knowledge gained during the pilot phase and in a number of regional projects for assessing and approving suppliers and other business partners has been integrated in a comprehensive concept that we will be implementing in 2007. Our aim is to assess 80% of our global purchasing volume of 5.6 billion euros for raw materials, consumables and auxiliary materials,



“Businesses have to manage their operational responsibilities well, throughout the entire supply chain, in order to maintain their capability to operate in the market.”

Prof. Dr. Marco Frey,
Centre for Research on
Energy and Environmental
Economics, Milan, Italy,
www.unibocconi.it



In a climate of steadily growing awareness of sustainable development, Henkel India and the Institute of Management Technology (IMT) have established the “Centre for Excellence in Environment Management” in Gaziabad. In October 2006, they jointly organized the “Developing Green Competitiveness for Sustainable Development” conference in New Delhi.



Sustainability, Korean style: In September 2006, a delegation of South Korean sustainability experts visited Henkel in Düsseldorf to learn about Henkel’s sustainability management program. The Company’s Sustainability Report attracted considerable interest.

as well as packaging and finished products, on the basis of the questionnaire by the end of 2007. Any necessary improvement measures and audits will then be agreed with the parties concerned.

Dialogue with all stakeholders

Viable and permanent solutions to the challenges of sustainable development can only be found through a dialogue with all social groups. To be able to assess the interests of the different stakeholders and evaluate them in relation to one another on a case-by-case basis, Henkel continuously seeks a dialogue with stakeholders at the local, regional and international levels.

They include employees, shareholders, customers, consumers, suppliers, neighbors, government authorities, politicians, associations, non-governmental organizations (NGOs), scientists, and the general public. We communicate openly and actively, even when we have made mistakes.

Looking ahead

We regard the dialogue with our stakeholders as an opportunity to identify the requirements of our various markets early and define key areas for our

activities. This dialogue not only strengthens communication and understanding between Henkel and its stakeholders, but simultaneously makes an important contribution to the Company’s risk management.

Target group relevance

We use a large number of communication instruments to satisfy the specific information needs of our stakeholders. We communicate detailed information and background material on the subject of sustainability through the Sustainability Report, the Internet and the intranet. Current events are published through press releases, consumer information channels or the employee newspaper.

Direct

Nothing can replace direct contact. It serves as a basis for exchanges and mutual understanding and offers us an opportunity to explain our activities. In 2006, we therefore again organized a number of events to promote dialogue. These ranged from open house days and discussion round tables with interest groups to participation in international initiatives.

Overview of sustainability communication

	Em- ployees	Financial market	Sup- pliers	Cus- tomers	Con- sumers	NGOs	Politi- cians/ Govt. au- thorities	Media	Scien- tists	Neigh- bors
Annual Report	●	●	●	●	●	●	●	●	●	●
Sustainability Report	●	●	●	●	●	●	●	●	●	●
www.henkel.com/sustainability	●	●	●	●	●	●	●	●	●	●
Press releases	●	●	●	●	●	●	●	●	●	●
Consumer information channels	●	●	●	●	●	●	●	●	●	●
Employee information channels	●									
Intranet Sustainability portal	●									
Direct dialogue	●	●	●	●	●	●	●	●	●	●
Open house days	●	●	●	●	●	●	●	●	●	●
Roadshows for investors	●	●	●	●	●	●	●	●	●	●
Sustainability ratings	●	●	●	●	●	●	●	●	●	●
Specialist publications	●	●	●	●	●	●	●	●	●	●

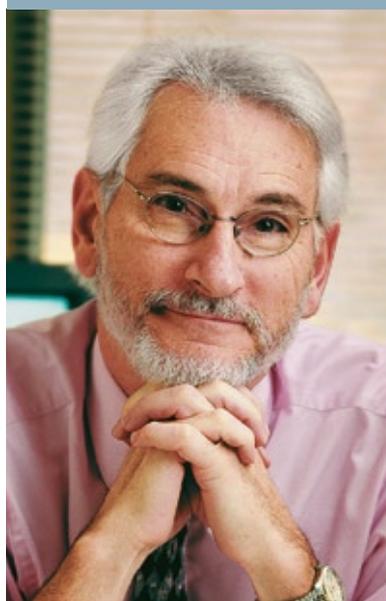
● Main target groups ● Further target groups

As in previous years, we supported Germany’s nationwide “Action Day – Sustainable Washing” with information stands and consumer brochures. In May 2006, to intensify the local dialogue in Spain and to communicate Henkel’s Vision and Values more widely, Henkel Ibérica invited the members of the UNAE, an organization which primarily protects the interests of homemakers, to an open house day at the Barcelona site. About 300 people took advantage of this opportunity to find out about the latest product developments in all of the business sectors.

In September 2006, Henkel specialists met with representatives of the North Rhine-Westphalian “Eine-Welt-Netz” [One World Net] educational policy program. During this one-day event, sustainable development aims for Henkel and society as a whole were discussed.

At roadshows and other events in Frankfurt am Main, London and Paris, and in telephone conferences, we conducted lively discussions with sustainability investors and analysts.

We engage in discussions with sustainability experts on national and international levels with the aim of accessing new ideas for our Company and sharing our experience with others. Key topics have included product and raw materials safety, implementation of chemicals policy in the European Union, occupational health and safety, management systems, sustainability reporting, and cause-related marketing (linking marketing with donations for a good cause).



“Expectations and mandates with respect to non-financial information will intensify, reaching well beyond environmental issues to encompass social, economic and governance aspects of the company.”

Dr. Allen White,
Vice President and Member of the Board of Directors, Tellus Institute, Boston, Massachusetts, USA, www.tellus.org

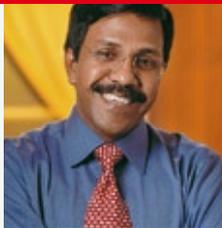
Scientific

Henkel encourages scientific debate on sustainability throughout the world. Workshops and university seminars provide insights into the application of the principles of sustainability in practice. In Germany, for example, environmental science students of the Distance Learning University of Hagen and of Lüneburg University were invited to a workshop dealing with case studies on the use of renewable raw materials and balanced scorecards.

With students of the University of Düsseldorf, we have discussed the influence of non-governmental organizations and their significance for Henkel.

In India, together with the Institute of Management Technology (IMT), we have established a Centre for Excellence in Environment Management. This will provide a platform for cooperation between the business and scientific communities to promote awareness and acceptance of environmentally compatible business practices.

Dialogue with sustainability experts



Henrique B. Cavalcanti
President of FUNATURA, Brasilia, Brazil

Prof. Dr. P.D. Jose
Institute of Management, Bangalore, India

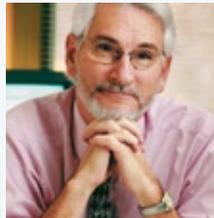
Prof. Dr. Peng Sizhen
Director, Center for Environmentally Sound Technology Transfer, Beijing, China



Prof. Dr. Marco Frey
Centre for Research on Energy and Environmental Economics, Milan, Italy

Dr. Mikhail Kozeltsev
Russian Regional Environmental Center (RREC), Moscow, Russia

Prof. Alejandro Sosa
Director, Global Environment Management Initiative (GEMI), Mexico City, Mexico



Christian Hochfeld
Deputy Director, Öko-Institut e.V. (Institute for Applied Ecology), Berlin Office, Germany

Prof. Dr. István Láng
Member of the Hungarian Academy of Sciences, Budapest, Hungary

Dr. Allen White
Vice President and Member of the Board of Directors, Tellus Institute, Boston, Massachusetts, USA

Exchanges with internationally recognized sustainability experts play a special role in Henkel's dialogue with its stakeholders. For its 2004 and 2005 Sustainability Reports, we asked experts from Brazil, China, Germany, Hungary, India, Italy, Mexico, Russia, and the USA to describe the challenges and priorities they see in their countries and regions. We chose these experts on the basis of their knowledge of the challenges their countries face and their experience in corporate sustainability management.

In the meantime, the experts in Italy and Mexico have continued their dialogue with the local Henkel managers. We were thus able to compare our views of the challenges with those of the experts. And the experts were able to gain greater insight into the Company's activities and ideas. This dialogue helps us to adjust our alignment to sustainable development and social responsibility to reflect external expectations in the different regions, and to find the right answers – especially when it comes to developing appropriate solutions at the local level.

Dialogue results

Collectively, the experts' contributions present a balanced picture of the key issues in emerging economies and industrialized countries. It is clear that, while many of the challenges of sustainable development are similar everywhere, priorities and perspectives differ widely from region to region. Emerging economies, in particular, expect multi-nationals to contribute to the development of their countries. In industrialized countries, in contrast, maintaining competitiveness is increasingly becoming a key challenge. The table presents the results of our dialogue with the experts in condensed form

and gives concrete examples of the varied expectations. The full versions of the experts' statements can be found on the Internet. [①](#)

Based on the results of the dialogue, we have developed our Sustainability Report still further. The new reporting structure directly reflects the key areas identified in the dialogue and indicates the Company's responses to the different regional and global challenges. This approach is intended to emphasize how seriously we take our corporate responsibilities and contribute to sustainable development.

Key areas	Expectations in industrialized countries	Expectations in emerging economies
Economic development	<ul style="list-style-type: none"> ▶ Remain competitive and offer development opportunities to emerging economies 	<ul style="list-style-type: none"> ▶ Contribute to the country's development, especially in structurally weak regions
Values and management	<ul style="list-style-type: none"> ▶ Promote the adoption of high environmental and social standards throughout the value chain, especially among suppliers ▶ Create transparency regarding economic, ecological and social aspects of corporate activities, especially in emerging economies ▶ Support for human rights 	<ul style="list-style-type: none"> ▶ Act ethically and legally ▶ Establish high environmental and social standards, and set an example for suppliers and competitors ▶ Help to build management competencies and institutions
Employees and jobs	<ul style="list-style-type: none"> ▶ Promote job security through employee training and development ▶ Proactively address challenges like equality of opportunity and population aging 	<ul style="list-style-type: none"> ▶ Create jobs and train employees ▶ Ensure occupational safety and health protection ▶ Promote and raise employee awareness of environmental protection
Products and marketing	<ul style="list-style-type: none"> ▶ Ensure product safety ▶ Offer quality products at fair prices ▶ Promote sustainable consumption through ethically and ecologically sound products, and by informing consumers and raising their awareness 	<ul style="list-style-type: none"> ▶ Develop and market quality products for those at the bottom of the affluence pyramid ▶ Ensure that products are safe and environmentally compatible ▶ Consider the cultural and social context
Resource efficiency and climate protection	<ul style="list-style-type: none"> ▶ Stronger focus on products: Dematerialization of the economy by moving from product- to service-oriented business models ▶ Help to reduce greenhouse gas emissions 	<ul style="list-style-type: none"> ▶ Transfer know-how and modern energy- and resource-conserving technologies ▶ Satisfy growing consumer needs with products that use limited resources efficiently
Social commitment	<ul style="list-style-type: none"> ▶ Work toward meeting the United Nations' Millennium Development Goals ▶ Help to solve social problems, also by encouraging employee volunteering 	<ul style="list-style-type: none"> ▶ Support and promote, in particular, disadvantaged children and young people ▶ Raise public awareness of environmental protection ▶ Promote education and research for sustainable development

Sustainable products and resource efficiency

Focus on sustainability

Acting responsibly throughout the value chain – from research and development to the production and logistics of our brands and technologies – is pivotal to the way we conduct our business.

Innovation is the key to sustainability. Consistent alignment to the needs of customers and consumers, combined with early consideration of sustainability aspects in our research strategy, give us a technical lead and competitive advantages.

The requirements of sustainability and corporate social responsibility are incorporated into our

research and product development activities from the very start. During research and development, we make sure that our products and technologies are safe when used as intended and will have no negative impacts on health and the environment. Our specialists analyze the possible risks of new products throughout their life cycle. This enables Henkel to meet the expectations and needs of customers and consumers through innovative products and technologies.

Objectives	Status
Development of a sustainability check for new product categories in the Laundry & Home Care business sector	A list of criteria has been drawn up, and its implementation is currently being tested.
Systematic assessment of the environmental compatibility of the raw materials used in cosmetic products	Assessments are already available for substances used in major quantities and are considered in product assessments; the assessment system is now being systematically expanded to cover all existing and new substances.
Continuous further development of skin models for testing efficacy so that consumer benefit can be increased	Innovative face care products have been successfully launched. Example: Diadermine Wrinkle Expert.
Continuous optimization of the entire range of products in line with safety, health and environment considerations	Permanent objective; see pages 18 to 25.
Further development of test methods that make no use of animals	Participation in joint programs with other companies, so that new test methods can be more effectively researched and established; see pages 14 and 15.
Preparation for the European Union's new Registration, Evaluation and Authorization of Chemicals (REACH) system	See pages 14 and 15.

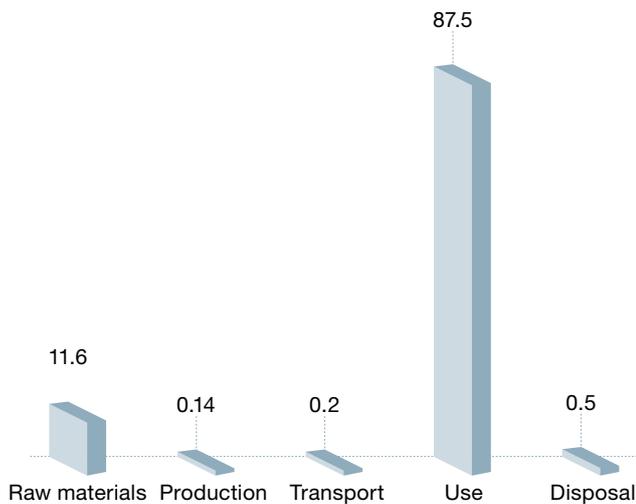
Focus on the product life cycle

We continuously improve the safety and environmental compatibility of our products in all phases of their life cycle: research and development, raw materials, production, logistics, use and disposal. Improvement measures should be applied, in particular, at the points where the consequences for the environment are especially relevant and improvements can be realized efficiently. To identify them, our experts systematically analyze and as-

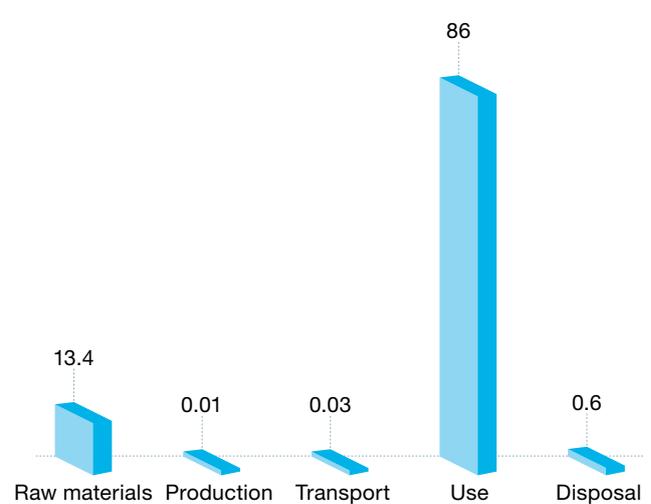
sess the life cycle of the products. In doing so, they draw on their experience and knowledge of the production methods, applications and uses, and disposal of our products, and conduct life cycle assessments. The life cycle analysis of automatic dishwashing detergents, for example, clearly shows that the main impact on the environment occurs during the use phase. One of the key tasks of the product developers is, therefore, to improve the effectiveness of the detergents at lower temperatures and with smaller volumes of water. Somat 7 is an example of an innovation in this area (see page 19).

Life cycle analysis of an automatic dishwashing detergent

Energy consumption (percent)



Water consumption (percent)



Joint task

Henkel participates in joint programs with other companies, because sustainable development can only be achieved by concerted action. Two projects initiated by the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.) were of particular importance in 2006. One of them was the “Laundry Sustainability Project,” and the other was the “Save Energy and Water” project concerning energy-efficient automatic dishwashing in the European Union, Norway, Iceland and Switzerland. ⁽ⁱ⁾

Henkel also continues to pursue the aims of the A.I.S.E. Charter for Sustainable Cleaning. In March 2005, after passing the required audit, Henkel was the first company to sign the Charter. The goal of the Charter is to promote and demonstrate the implementation of sustainable practices in the development, production, use and disposal of detergents and cleaners, i.e. throughout the life cycle of the products. ⁽ⁱ⁾



Product safety: Implementation at Henkel

The first-class quality of Henkel’s products means more than convenience and high product performance. It includes all-encompassing product safety and ecological compatibility. Customers and consumers can be certain that Henkel products and technologies are safe when used as intended and have been thoroughly tested to ensure their compatibility with health and the environment. The potential risks of new products are systematically analyzed early, during research and development. ⁽ⁱ⁾



“We view initiatives to encourage sustainable consumption in the markets of the European Union and other industrial nations as having great potential for raising the awareness of consumers and being successful with sustainable goods and services.”

Christian Hochfeld,
Deputy Director, Öko-Institut e.V.
(Institute for Applied Ecology),
Berlin office,
www.oeko.de

To begin with, our experts investigate whether the product's ingredients could pose a hazard to people or the environment. They then determine the extent to which people and the environment are exposed to the substance. This is because, in most cases, harmful effects do not occur unless a substance is present in a certain quantity and concentration. Only when the results of the two assessment steps are put together in an overall risk assessment is it possible to state whether a product can be used safely. The formulated product is also subjected to an assessment in which the properties of its individual ingredients, their concentration in the product, and the conditions of use of the product are judged.

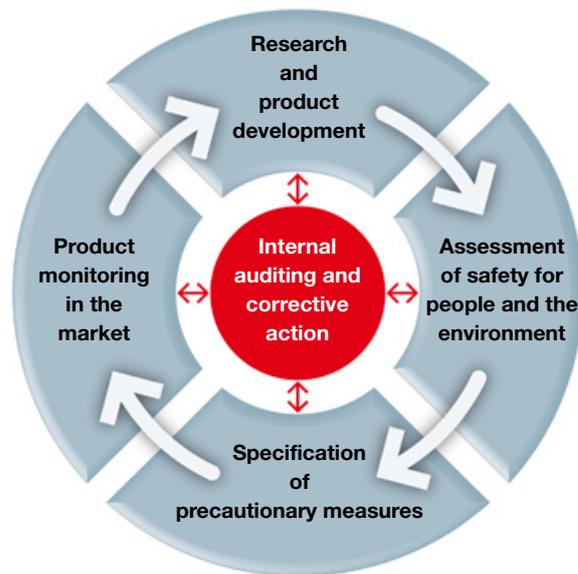
The use of substances with certain hazardous properties is absolutely prohibited from the outset for some applications. For example, substances with proven carcinogenic, teratogenic or mutagenic properties may not be used in consumer products. Other substances are subject to strict conditions and constraints imposed by Henkel itself.

Product developers and product safety experts monitor Henkel's products continuously in the market for the purpose of accumulating experience to be fed into the assessments, and to ensure that the products on the market are safe. New scientific insights, unexpected impurities in raw materials, or other production-related problems may necessitate a renewed product assessment or modifications to the precautionary and protective measures.

Development of alternatives to animal testing

In 2006, we consolidated our skin and hair research, the development of test systems that do not make use of live animals, and dermatological studies in our biological research company Phenion. The purpose of the new competence center is to research interactions between substances and the human skin. Through the knowledge it gains, Phenion supports the development of innovative Henkel

Implementation within the Company



Corporate Product Safety defines requirements and procedures and carries out regular audits to verify compliance. The business sectors are responsible for the implementation of product safety.

products and drives forward the development of alternatives to animal testing.

Among other methods, Phenion uses a human skin model that it developed itself as a basis for devising new in vitro test methods (tests carried out in a test tube). Through worldwide cooperation with leading research groups, Phenion also acts as an industrial reference center for the implementation of alternative test methods. ⁽ⁱ⁾

European partnership for alternatives to animal testing

In late 2005, the European Commission and a number of industrial companies founded the European Partnership for Alternative Approaches to Animal Testing (EPAA). The objective of the partnership is to promote the development of alternatives to animal testing. Henkel participates actively in the partnership, together with its research company Phenion. On December 18, 2006, the EPAA published its first annual report. ⁽ⁱ⁾

Requirements of the EU's policy on chemicals

Henkel supports the basic idea of the European Commission's new REACH Regulation concerning the registration, evaluation, authorization and restriction of chemicals. The adoption of the regulation by the EU environment ministers in December 2006 brought an end to several years of debate about the reform of the European chemicals policy. REACH will come into force on June 1, 2007.

As a user of chemical substances, Henkel already has strict assessment processes in place. Where necessary, these will now be amended to cover the future requirements. However, Henkel is also an importer and manufacturer of chemicals which, under the provisions of REACH, will have to be registered.

In all areas of the Company that are affected, work groups are carrying out the preparations necessary to efficiently implement the measures required by REACH within the given time frame. This work includes communication with our raw materials suppliers and with the customers who buy our technical products, as well as the pre-registration of raw materials.

The REACH implementation specifications are not yet available. To help ensure that these specifications are formulated pragmatically, Henkel is actively participating in developing appropriate proposals at the European level. The focus here is on making it possible to use efficient methods for assessing products on the basis of the assessments of their individual ingredients. ⓘ

Contribution to climate protection

Climate change is a complex environmental problem and is one of the major challenges of our age. We therefore take the reduction of worldwide greenhouse gas emissions very seriously. As a manufacturer of short-lived consumer products, as well as industrial products and technologies, our activities

Recognition for developing alternative energies



With tailor-made high-tech adhesives and sealants, Henkel made it possible for Solar Integrated to manufacture flexible and extremely lightweight solar roofs. In November 2006, the successful collaboration was honored with the European Environmental Press Award at the Pollutec environment exhibition in Lyon, France.

are not very energy- or greenhouse-gas-intensive. Most energy is consumed, and therefore most carbon dioxide is emitted, during the use of our products, as shown by the life cycle analysis of automatic dishwashing detergents, for example (see page 13).

We therefore concentrate on developing products and technologies that are energy efficient. With our know-how of tailor-made adhesives and sealants and surface treatments, we can play a role in the development of new, cleaner sources of energy such as fuel cells or flexible and lightweight solar cells. We thus make an important contribution to the development of alternatives to fossil fuels.

At our sites, we increase the energy efficiency of our own production processes and cut carbon dioxide emissions. For example, we use renewable resources and cogeneration in the power plant at our Düsseldorf site.

Our worldwide activities have enabled us to reduce our energy consumption by 27 percent over the past five years. Through the associated reduction in carbon dioxide emissions, we help to protect the climate. ⓘ

Raw materials

Focus on sustainability

We have used ingredients based on renewable raw materials for many years to optimize the overall characteristics of our products, wherever this is compatible with ecological, economic and social considerations. Renewable raw materials are key ingredients in the formulations of laundry detergents, shower gels, glue sticks, wallpaper pastes,

and packaging adhesives. Other ingredients are based on non-renewable and mineral raw material sources.

We expect our suppliers of raw materials to conduct themselves in a manner that conforms to our corporate ethics. Purchasing is based on our Company-wide purchasing guidelines.

Objectives

Development of high-performance ingredients based on renewable raw materials for the purpose of reducing long-term dependency on ingredients obtained from mineral oil

Status

Long-term objective; various research projects, also with external partners

Raw materials with a future

One of the key objectives of our research and development is to find substitutes for ingredients that are based on mineral oil. Raw materials from renewable sources are being sought for this purpose. Starch- and cellulose-based raw materials are examples of ecologically and economically interesting alternatives. This is because they are available from numerous sources, such as corn, potatoes, cotton, and bast plants, and because their utilization reduces dependency on mineral oil, which is a finite and increasingly expensive resource. We and our partners therefore conduct intensive research into alternatives.

Renewable raw materials

Renewable raw materials are historically one of the major sources of raw materials for detergents and household cleaners. Soap – which has traditionally been used to wash laundry as well as for personal

hygiene – has been made for centuries from vegetable or animal oils and fats. Today most detergents and household cleaners consist of a large number of ingredients, each with its own special function.

Most bulk ingredients of detergents and household cleaners are inorganic and cannot be replaced by ingredients based on renewable raw materials. Surfactants are a special case. They consist of a lipophilic – fat-loving – part, which is obtained from vegetable or mineral oils, and a hydrophilic – water-loving – part, which is usually based on mineral oil or is inorganic. Surfactants which consist only of renewable raw materials, such as the alkyl polyglycosides (APG), are the exception.

To achieve the best possible washing performance, we use a mixture of different surfactants. In more than half of them, the lipophilic part is based on renewable raw materials – a result of Henkel's many years of experience with ingredients based on renewable oils and fats such as palm kernel oil, which can only be used for industrial purposes. The proportion of renewable raw materials in surfactants for detergents and household cleaners is about 35 percent. The other 65 percent are accounted for by inorganic and mineral-oil-based ingredients.



Starch-based styling products

In the cosmetics sector, natural raw materials are used in all product groups. Soaps, shower gels, and skin care products are all largely based on them. Our shampoos contain about 45 percent renewable raw materials relative to their dry weight. The use of ingredients obtained from renewable raw materials is also on the rise in styling products. For example, thickener systems derived from mineral oils (polyacrylates) are being replaced by starch- and cellulose-based systems. Renewable raw materials make up one third of our new hair styling cream, Osis Buff.

Natural adhesion

Renewable raw materials such as starch, cellulose, dextrans and proteins are used in many consumer and craftsmen adhesives and in industrial adhesives for a large range of applications. For example, we utilize renewable raw materials in glue sticks, wallpaper pastes, and packaging adhesives. Bottle labeling adhesives contain as much as 45 percent. In the year 2000, we switched our Pritt Stick to a formulation based on renewable raw materials, which now account for 90 percent of its dry weight.

Dialogue for sustainable harvesting of palm oil

The Round Table for Sustainable Palm Oil (RSPO) was launched in 2004 by all stakeholders as a worldwide initiative. We support the aim of the RSPO



to develop new solutions for sustainable harvesting and use of palm oil throughout the value chain.

In 2006, the key theme of the dialogue was the development of ways to trace the chain of custody of sustainably harvested palm oil from the plantation to the industrial end user. Henkel uses – indirectly, via its raw materials suppliers – less than 0.2 percent of the world's palm oil and palm kernel oil as a raw material. Nevertheless, we see it as our duty to contribute our experience and specialist knowledge to the joint search for feasible solutions.

Biological and degradable

Bioplastics are in many ways more environmentally compatible than conventional plastics. They cut the consumption of mineral oil, and in most cases they are largely biodegradable under ideal conditions. In view of the increasing mineral oil prices and the associated higher production costs, these packaging materials could also offer attractive economic advantages in the long term. We therefore regularly test options for using bioplastics as packaging materials. Unfortunately, none of them has yet satisfied the high demands we make on our packaging materials. We will continue to follow developments in this sector and actively seek suitable materials and applications. ⓘ

Brands and technologies

Focus on sustainability

Consumers and customers expect excellent performance and convenience, as well as comprehensive product safety and environmental compatibility, from our brands and technologies. Henkel's brands and technologies make important contributions to health and hygiene, to extending the service life of durable goods, and to more efficient use of resources.

High-performance detergents clean fabrics gently and thoroughly, even at low washing temperatures. Adhesives and sealants protect buildings against dampness, heat and cold. Innovative system solutions offer industrial customers environmental protection benefits and significant savings in the costs of energy, water and waste. Surface treatments protect products against corrosion and prolong their service life.

Globally standardized approval processes ensure that our products are environmentally compatible. Our detergents, household cleaners, cosmetics and toiletries, which end up in wastewater after use, are designed so that they will not have an excessive impact on surface waters. Wastewater generated during the use of industrial chemical products sometimes has to be treated to remove pollutants before it is discharged into the sewage system.

Product innovations and systematic reviews of our product portfolio help to reduce the environmental burdens associated with the product use phase even further and to achieve still greater improvements in health protection.

Objectives	Status
European rollout of the TheoPrax Internet portal, to provide background information about laundering, dishwashing and cleaning to professionals and interested members of the public	A project plan was drawn up. The business sectors are working on coordinating and collecting the content.
Continuous innovation focusing on greater convenience, better performance, and lower dosages of detergents and household cleaners	See pages 19 and 20.
Replacement of parquet flooring adhesives with a high solvent content by low-emission alternatives, thereby contributing to environmental and health protection	Two parquet flooring adhesives on an innovative silane basis – Thomsit P 685 and Thomsit P 690 – have replaced almost 30 percent of the solvent-based parquet adhesives in Germany. Thomsit P 690 was launched in other European countries and is making good progress.
Expansion of the market for very lightweight and economical tile adhesives, and technology transfer to other product categories, thereby contributing to resource efficiency	Launch of a tile adhesive which offers 30 percent more coverage and 90 percent less dust relative to conventional products; see pages 21 and 22.
Elimination of lead-containing soldering pastes in the electronics industry, thereby contributing to environmental protection	Sales of lead-free soldering pastes increased from 5 percent in 2004 to more than 61 percent in the final quarter of 2006.
Elimination of nickel from rinse water in car body pretreatment in the automotive industry, thereby helping to protect water resources	IonGard technology has been developed to eliminate further pollutants and to allow operation with closed water circuits.
Development of ultrapure, long-life adhesives and sealants for fuel cells, thereby contributing to the development of clean energy sources	The first products are being sold for fuel cells in cars and stationary applications. Development of the next product generation with an even longer service life.
Development of innovative lightweight composite materials for the aircraft industry to cut fuel consumption	Potential customers are continuing to test the technologies developed by Henkel.
Development of tailor-made system solutions for technologies that make use of renewable resources, thereby contributing to the development of clean energy sources	Sealants for wind turbines and cleaners for rotor blade molds have been successfully established in the market.
New objective: Development of a nanoceramic coating process as an alternative to iron phosphating in the automotive industry by the end of 2008	Intensive development in collaboration with partners.



Sustainable laundering throughout Europe

Conserving natural resources is also the goal of a number of other initiatives of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). In the course of these, the performance of Henkel laundry detergents has been continuously improved in Western Europe while progressively reducing the necessary dosages and washing temperatures. Since 2006, Henkel has been involved in the “Laundry Sustainability Project” of the A.I.S.E. in the EU New Member States and Candidate Countries in Central and Eastern Europe, and in a number of neighboring countries, with the aim of contributing toward resource-conserving laundry practices there, too. The objective of the project is to reduce the consumption of chemicals, packaging and energy during production and transport as well as the use phase.

As part of the “Laundry Sustainability Project,” the participating manufacturers commit to putting on the market modern and efficient compact powder detergents to replace traditional heavy-duty detergents. Newly reformulated laundry detergents from Henkel have made it possible to reduce the necessary dosage per wash cycle in Central and Eastern Europe by one third (from 150 to 100 grams). To help consumers become accustomed to the lower dosage amounts, an appropriately graduated scoop is enclosed in each package of powder detergent.

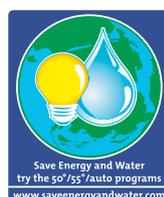


The compact powder detergents can be recognized by the EuroCompact logo on the pack. 

Somat 7 with low-temperature activator

Our innovative Somat 7 sets new standards of efficiency and energy saving in automatic dishwashing. Somat 7 offers consumers outstanding cleaning performance, even when used with water- and energy-saving programs. With the help of a low-temperature activator, dishes become sparkling clean at just 40 degrees Celsius. The new detergent booster with washing active enzymes removes stubborn stains, such as egg and sauce residues, so that they can be rinsed off at only 40 degrees Celsius. The bleaching agents completely remove even tea stains. When used in programs at 40 degrees Celsius, Somat 7 can save up to 20 percent of the energy required with comparable programs at 50 to 55 degrees Celsius. This not only benefits the environment, but also reduces electricity consumption and, as a result, electricity costs.

We are not alone in pursuing these objectives. Since 2006, we have supported the “Save Energy and Water” initiative of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.) with our automatic dishwashing detergents. The goal of this initiative is to persuade consumers in all EU Member States, as well as in Norway, Iceland and Switzerland, to save energy and water when they use their automatic dishwash-



ers. Corresponding logos on automatic dishwashing detergents and information on the Internet encourage consumers to select more energy-efficient programs. 



Full washing power with smaller dosages

We have also worked intensively on the eco-efficiency of our liquid laundry detergent products in the USA. The liquid detergent Purex has been optimized and reformulated into a concentrate which now delivers the same cleaning performance as conventional liquid detergents with just half the dosage. As concentrated detergents constitute a new product category in the USA, the acceptance of different package sizes was evaluated in 2006 in numerous consumer tests. Using a phased approach, Purex Ultra Concentrate will be launched throughout the United States in 2007.

The new product will help to save resources and reduce the burden on the environment in many respects. The lower dosage of the liquid laundry detergent and the resultant lower product volume mean that less water is consumed during the detergent's production. Furthermore, we need 40 percent less packaging material. This also has a positive effect on transportation, distribution and storage. Far fewer trips will have to be made, saving up to 6.5 million liters of diesel fuel per year, equivalent to about 17,000 metric tons of carbon dioxide emissions. Retailers can utilize shelf and warehouse space more efficiently. Finally, consumers benefit from the smaller bottle as well, as Purex Ultra Concentrate is easier to carry, handle and store.

Radiant white

A key factor in Henkel's worldwide success is the adaptation of its products to the regionally specific wishes and needs of consumers. In many North African countries, for example, white garments are traditionally worn, so consumers judge the whiteness of freshly washed laundry very critically.

To satisfy this demand, the laundry detergents Nadhif in Tunisia and Isis in Algeria contain special ingredients to give the laundry a radiantly white appearance. When the garments are then hung in the sun to dry, the ingredients in Nadhif and Isis continue their work, combating stains and enhancing whiteness. As a result, the laundry is not only radiantly white, but does not need to be washed as frequently, thus conserving valuable water.

In Mexico, where laundry is also often hung in the sun to dry, these ingredients have been included just as successfully in the 1-2-3 detergent brand.

Fa Soft Foam Soap

Care and skin compatibility are a high priority in soaps. Formulations with the same pH as the skin, which do not dry out the hands, are favored.

Gentle cleansing is provided by the new care formulation and innovative dispensing method of Fa Soft Foam Soaps. A pump, especially designed for Henkel, generates a mild, creamy foam at the moment the soap leaves the bottle. This pre-foaming has a number of benefits. It reduces the amount of



water and product needed to wash the hands, as no water is required to generate the foam. Moreover, the microfine foam achieves the same cleaning performance as conventional liquid soaps, but with a lower proportion of washing active substances (surfactants). This makes Fa Soft Foam especially mild and skin-compatible. The low-surfactant formulation is also especially sound from an ecological standpoint.

Intensive hair care

Henkel has used renewable ingredients in its products for many years. Natural care substances in hair products, for example, help to regulate the moisture content of the hair. In two new lines of hair care products, Schauma has succeeded in incorporating, for the first time, an active ingredient that was previously used primarily for skin care:

- ▶ The new Schauma Yoghurt & Aloe Vera line of care products uses natural ingredients to protect the hair from becoming too dry. Even if this is not visible to the naked eye, healthy hair contains about 30 percent water. Yogurt and aloe vera are well known for their moisturizing properties. In addition, restorative vitamins regenerate and strengthen the hair.
- ▶ The Schauma Repair formulations with shea butter and coconut extract also use nature's active ingredients. Shea butter's high content of care-giving fats and vitamins makes it an eminently suitable ingredient for hair cosmetics. The effective

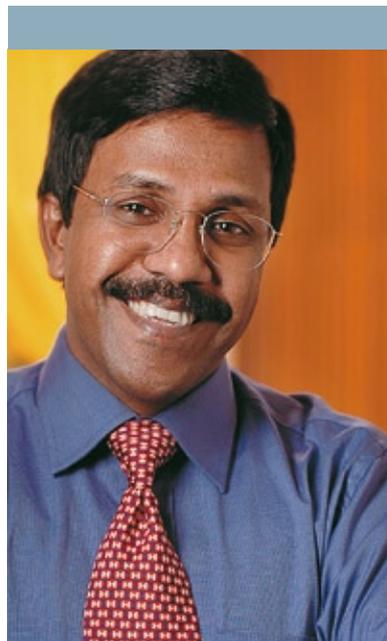


combination of shea butter and coconut extracts repairs damaged hair from the inside and simultaneously smoothes the hair surface, making the hair easier to comb.

No more dust

When craftsmen and DIYers opened, poured and mixed tile adhesives, they often used to find themselves surrounded by a cloud of cement dust. This sometimes resulted in annoying coughing, skin irritations, and dust in the eyes.

In the newly developed Ceresit microgranular tile adhesive "Highly Flexible," the dust particles are bonded together in fine microgranules. This means up to 90 percent less dust compared with conventional tile adhesives. This not only spares the user's health, but results in far less dust in the work environment and neighboring areas.



"Henkel must proactively seek to create newer competitive advantages from a new class of products and services which empower, increase access, and improve the quality of life of Henkel's customers living in economically lesser-developed nations of the world."

Prof. Dr. P.D. Jose,
Corporate Strategy and Policy Area,
Indian Institute of Management
Bangalore, India,
www.iimb.ernet.in



Another advantage is the 30 percent higher coverage per kilogram of adhesive. 18 kilograms of Ceresit “Highly Flexible” microgranular tile adhesive can cover an area that would otherwise require 25 kilograms. Moreover, far less effort is needed to apply the new tile adhesive.

Abundant strength – without solvents

In the U.S. construction market, increasingly stringent regulations restrict the use of solvents in building materials. Growing numbers of consumers are also calling for greater use of environmentally sound materials, that pose no risk to health, in the house building sector. Up to now, however, the industry has been faced with the problem that solvent-free construction and assembly adhesives could not satisfy the requirements of the market.

Henkel has now established the first high-performance, water-based assembly adhesive in the North American market. The instant adhesion of Loctite PowerGrab is, moreover, nine times higher than that of conventional assembly adhesives. The low-odor adhesive can also be cleaned up with water. Measured by market unit sales, the use of Loctite PowerGrab instead of conventional, solvent-based assembly adhesives reduced the level of emissions released in adhesive construction work by 430 tons in 2006.



At the Ceresit training center in Stąporków, Poland, craftsmen learn optimal techniques for applying construction products.

Training for craftsmen in Central and Eastern Europe

For our building materials specialists, quality does not stop with the development and sale of high-performance products. Henkel also wants to help craftsmen to use these products as effectively as possible.

In many countries, there is still no uniform system for training craftsmen, so there are often deficits in their technical background knowledge. This is why we offer training courses all around the world. In Central and Eastern Europe, for example, we are building vocational and advanced training centers for craftsmen throughout the entire region. In the Ukraine and Russia, Henkel Ceresit has already established more than 27 Engineering Technological Centers. Over 30 more are to be created by the end of 2007. At the centers, craftsmen learn how to use Ceresit construction products as efficiently as possible, especially when installing heat insulating systems to façades. In cooperation with the Ukrainian Ministry of Education, Henkel construction professionals are also helping to train the next generation of craftsmen at state vocational schools. New quality standards are thus being established step by step.

As part of the close cooperation between Ceresit and craftsmen and construction experts, we attach great importance to an open dialogue. Informed feedback from users helps us to improve our products still further and is a source of new ideas.



Saving energy in the home



On average, almost 22 percent of the heat in a house is lost through windows and doors. This is often

due to inadequately sealed joints and connections to the adjoining masonry. In contrast, well insulated windows and doors keep the heat inside the rooms longer, thereby helping to lower energy consumption and heating costs. With the Windows Technology Quality System (WINTeQ System), we have developed a range of products under the Teroson brand name for sealing the joints of wood, plastic and metal windows and doors. These products help to considerably reduce energy losses from the home.

As a comprehensive approach to preventing heat losses, WINTeQ provides modular individual solutions for each problem. In addition to flexible insulating foams and sealants for joints and cavities, it offers compressed foam sealing strips and vapor-permeable sealing films for the outside of windows, as well as vapor-impermeable sealing films for the inside. Heat bridges and drafts are thus efficiently avoided, while buildings are simultaneously protected against dampness and mold. The heat that escapes through windows and doors, whether in old buildings or new, is reduced to a minimum.

WINTeQ helps craftsmen and construction professionals in Germany, for example, to satisfy the demanding requirements of the Energy Saving Ordinance. In 2006, the system was also launched

in the USA. With the help of products adapted to North American construction methods, WINTeQ will help to cut energy consumption and thus greenhouse gas emissions in this region as well.

Vapors reduced to a minimum

Books, kitchen cabinet facings, dishwashing sponges, and fixtures in mobile homes are all held together by reactive polyurethane hotmelts. These adhesives offer many advantages, as they contain no solvents, act quickly, form very strong bonds, and are resistant to heat. They do have one drawback, however: The vapors released when they are used can be a risk to health if the specified protective measures are not taken.

To improve occupational health and safety when hotmelts are used, we have created an alternative. The new Purmelt MicroEmission hotmelt reduces vapor emissions during processing to a minimum. Compared with conventional polyurethane hotmelts, Purmelt MicroEmission 90 releases 90 percent less vapor, and therefore does not have to be labeled as hazardous.

Purmelt MicroEmission thus makes a major contribution to improving occupational health and safety in plants where adhesives are processed. This is confirmed by workers' compensation funds and other independent bodies, such as the Fraunhofer Institute for Manufacturing and Advanced Materials.



In December 2006, Henkel Italy was awarded the Federchimica Product Stewardship Award in the category “large enterprises” for its Cleanox LF Technology. The new technology significantly reduces the quantity of hazardous substances utilized in industrial pickling processes for stainless steel. This greatly enhances occupational safety and sets new health, safety and environmental standards in the steel industry.

Chemicals Management

The transition from product- to service-oriented business models is gaining in importance at Henkel. Expertise, service, and technical know-how increasingly complement the sale of material goods.

One example is Henkel’s Chemicals Management concept in the USA. Over and above the sale of our products, we offer customers an integrated system which covers all production-related aspects of the use of chemicals. A team of 115 Henkel experts in Nashville, Tennessee, supports customers regarding the choice, processing and disposal of chemicals. 80 of them function as mobile consultants who provide direct, on-site assistance to companies nationwide.

Henkel’s professional and technical expertise in dealing with chemicals helps customers to improve their processes, cut their costs, and protect the environment. For example, Henkel has introduced new quality checks at some customers’ sites which help to reduce resource consumption and error margins during production. Programs are devised and implemented jointly to ensure the correct disposal of chemicals and compliance with environmental regulations.



Preserving values with Loctite

Plant and machinery represent considerable financial investments. Downtimes in production due to malfunctions or other disturbances usually entail costly consequences. The long-term conservation of production equipment is therefore of utmost importance. Loctite products make a significant contribution toward keeping the equipment in good condition and avoiding risks.

In the case of a U.S. steel company, Loctite products helped to considerably shorten the downtime of an industrial pump and reduce costs. During a routine inspection, the company found severe signs of wear in the body of a cooling tower pump. The calculated time for repair and corrective maintenance would have been five weeks.

With the aid of Loctite, however, the damage was repaired within a few hours. First, dirt was removed from the pump housing with Loctite Cleaner & Degreaser. Loctite Fixmaster Superior Metal was then applied to offset the unevenness caused by abrasion. Finally, the ceramic coating Loctite Nordbak was applied to the pump housing to create a surface with little friction and protect the pump from future abrasion.



Clean and efficient protection against corrosion

In close cooperation with partners and the automotive industry, Henkel is developing an alternative to zinc phosphating, which for decades has been the standard method for inhibiting corrosion of the sheet metal used for car bodies and providing a suitable substrate for surface coatings.

With Bonderite NT, we have already established a qualitatively, ecologically and economically superior alternative to iron phosphating. The nanoceramic coating method is used, for example, in the production of refrigerators, office furniture, supermarket shelves, and agricultural machinery. **i**

Now we are developing a solution that will enable us to offer these benefits to the automotive industry as well. The goal is to satisfy the extremely demanding requirements for car bodies and for the new method to be in use in the first car production lines within two years. The new technology is to offer the best possible protection against corrosion. In comparison with zinc phosphating, the new method should also significantly reduce energy consumption and – by drastically cutting the amount of heavy metals – the cost of wastewater treatment and disposal.



Protecting the product and avoiding waste

The packaging of our branded consumer products becomes household waste after use. Throughout the Company, therefore, we follow three principles – prevention, reduction, recycling. We work together closely with our suppliers and customers to reduce packaging volumes at all stages. Returnable packaging systems in the form of reusable transport containers and secondary packaging, for example, are available for industrial customers. Transport packaging is designed so that pallets and containers can be packed as efficiently as possible in terms of volume and weight.

Furthermore, intelligent packaging design reduces the volume of packaging waste for consumers. Packaging developers strive continuously to use less material without compromising quality and stability. Even small steps can produce major results here. In the USA, most of the folding boxes used to package Dial bar soaps were replaced by paper wrappers in 2006. In Germany, for example, we have been able to halve the volume of our packaging material since the 1980s. We also work to progressively increase the proportion of our packaging that can be recycled. We use materials for which public recycling systems exist so that our customers can recycle packaging more easily.

Production and logistics

Focus on sustainability

Henkel has production sites in 52 countries. By improving existing plants, processes and structures and developing new ones, we continuously increase the safety and efficiency of these sites while reducing their resource consumption and their impact on the environment. We also foster our employees' development. Computer-aided simulation programs help with the efficient configuration and control of individual plants and extensive production and logistics structures. Additionally, we contribute to technical and social progress through the worldwide transfer of knowledge and technology between the sites.

To ensure the Company-wide implementation of our standards for safety, health and the environment (SHE standards), we carry out regular audits at all production sites. In 2006, the internal audit program covered 22 sites around the world, with special emphasis on India and China. Over the past

three years, there has been a significant improvement in the audit results. The auditors found a far higher level of SHE-compliance at the individual sites, and concluded that no urgent action was needed at any of the audited sites.

For the first time, we asked all production sites to carry out an additional self-assessment in regard to safety, environmental protection, and occupational health. The response rate was more than 98 percent. To achieve continuous improvements, we define ambitious objectives and binding measures at all levels on the basis of the audit results. Furthermore, we have our management systems externally certified, if this yields competitive advantages. At the end of 2006, about 55 percent of the production volume came from sites certified to the international ISO 14001 environmental management standard.

Objectives	Status
Resource conservation and environmental protection through implementation of the latest production technology	Permanent objective: See examples on pages 26 to 31.
Worldwide certification of environmental management systems of the Laundry & Home Care business sector to international standards	22 sites certified in Europe, South America and Asia; other sites preparing for certification.
Worldwide certification of environmental management systems of the Henkel Technologies business sector to international standards	66 production sites certified worldwide; other sites preparing for certification.
Worldwide certification of environmental management systems of the Consumer and Craftsmen Adhesives business sector to international standards	15 production sites certified worldwide; other sites preparing for certification.

More efficient production and logistics structures in Europe

Through organic growth and acquisitions, the production structures of the Consumer and Craftsmen Adhesives business sector in Europe became highly complex. In the past, the emphasis has been on measures aimed at improving the efficiency of the

individual sites rather than that of the system as a whole. We have now analyzed the production of sealants and assembly adhesives throughout Europe with the aim of reducing complexity in purchasing, production and distribution.

With the help of a computer-aided simulation program, we have optimized the entire system of suppliers, products, packaging, production sites,

warehousing and logistics – for example, by harmonizing products and formulations. The sites now form a production network. By organizing the production sites into competence centers, we have significantly increased our competitiveness on the basis of market proximity, know-how, and product groups.

In Hannover, for example, we produce joint sealants. We now transport these jointing compounds in tank trucks instead of disposable steel drums. This saves us about 160,000 euros in raw material costs each year. Furthermore, less waste is generated, and cleaning costs are lower. The introduction of these tank truck transports at sites in Spain and Great Britain is scheduled for 2007. 

Great Britain: Integration of a newly acquired site

At Henkel's Newark site in Great Britain, 55 employees produce water-based and hotmelt adhesives for Great Britain and Ireland. The Company purchased the site in 2005. Prior to its acquisition, our experts conducted a study of the site and drew up a plan to minimize the risks to safety, health and the environment. We then initiated a comprehensive modernization program.

Thanks to the excellent teamwork between local, regional and corporate management, along with the efficient utilization of synergistic effects, clear successes were soon apparent – and were confirmed by internal and external audits. Optimization of the maintenance systems, for example, resulted in increased operational efficiency. Contact with the local authorities was also considerably improved. In 2006, there were no occupational accidents resulting in lost days of work. Furthermore, the site was certified to the BRC/IOP industrial hygiene standard and the process for certification of the occupational health and safety management system was launched.

Be proactive, save energy

Helfen Sie mit:
Energie sparen



„Wir wirtschaften nachhaltig und gesellschaftlich verantwortlich.“



Saving energy: With the help of the employees at the Düsseldorf site, energy consumption is to be cut by ten percent in 2007. A campaign has been launched under the slogan “Light out, heat down.” Corresponding posters have been put up at the entrances of all buildings.

Worldwide: Contributions to energy efficiency and climate protection

Over the years, Henkel has developed and implemented effective energy-saving measures. In the period from 2002 to 2006 alone, we were able to cut our energy consumption per metric ton of product by 27 percent and the associated emissions of carbon dioxide by 21 percent. The energy management team in Düsseldorf invited their specialist colleagues from all other sites in Germany to an “energy summit” with the aim of jointly seeking further ways of reducing costs and energy consumption.

Some examples of successful projects are described below:

► Germany, Düsseldorf: Efficient production of Liofol

Since 2002, we have been able to more than halve the energy costs for the production of one metric ton of adhesive by modifying plants, using cooling tower water instead of cooling plants, and introducing a number of other measures.

Karaikal, India

A new wastewater treatment plant and optimization of the laundry detergents production plant (photo) have made it possible to reduce carbon dioxide emissions by 25 percent and water consumption by some eight percent. Henkel thereby makes an exemplary contribution to sustainable development in India.

► **Austria, Vienna: More efficient generation of compressed air**

By using waste heat and a compressed air control system with optimized consumption, we have succeeded in cutting carbon dioxide emissions by 574 metric tons. The annual savings amount to about 327,000 euros.

► **India, Karaikal: Reduced energy consumption**

One of the energy-intensive stages in the production of powder detergents is spray drying in towers. We therefore use a very low proportion of spray dried raw materials in our detergents. At the Karaikal site in India, we have reduced gas consumption and the associated carbon dioxide emissions by 25 percent per metric ton of product.

► **Hungary, Körösladány: More efficient steam generation**

By renewing the steam and water generation systems, we have been able to reduce the associated carbon dioxide emissions by 15 percent. In addition, savings of around 100,000 euros per year were achieved by modernizing the infrastructure and optimizing the building heating system.

India: Saving water

At the Karaikal site in India, we produce dishwashing detergents, glass cleaners, and laundry detergents, whose manufacturing processes and formulations require a lot of water. To save water, we have modified two processes at the site. Firstly, the residual solids in the wastewater from the production process are now separated out and dewatered in a new filtration system. The reclaimed process water is then fed back into the production process. Secondly, a new treatment plant has been installed to reduce the organic load in the wastewater from sanitation facilities. The treated wastewater can now be used instead of well water for the cooling tower and for watering the greenery. The annual savings amount to about eight percent.

Ireland: Energy savings and monitoring

At Henkel's Tallaght site close to Dublin, 395 employees produce instant adhesives and high performance sealants, among other products. To identify potentials for energy savings, Henkel Ireland conducted a comprehensive energy audit.

With the help of a monitoring system, we were able to identify the main energy consumers and the root causes of high consumption. We then initiated an energy management plan based on these results. Savings were achieved by various means, such as optimizing the hot water system and eliminating leaks in the compressed air system. Numerous training and communication projects raised employee awareness of energy saving. As a result, we cut total energy consumption by 12 percent despite an increase in the production volume. This translates into annual savings of about 97,000 euros.

Other sites in Ireland will follow the example of Tallaght and are preparing for an energy audit in 2007.

More logic in logistics

With our Optimization of Transport and Warehouses (OTTAWA) project, we aim to reduce the complexity in the transportation and storage of Henkel's finished products, so that we can be sure that they always reach the customer by the most efficient route. Centrally coordinated purchasing of logistics services, as well as the greatest possible consolidation of laundry detergent and cosmetics warehouses, should help to achieve further synergistic effects.

Transport alliances

Intelligent transport functions best in networks, with partners. We therefore prefer to work with transport companies that already cooperate with other transport companies. We also make use of opportunities to transport our products together with those of providers of similar products, as the consignees are often identical. In Germany, for example, we arrange the distribution of our cosmetic products in cooperation with other leading manufacturers of consumer goods.

In France, too, we have consolidated our retail distribution logistics with those of two other manufacturers of consumer goods. As a result, truck capacity utilization is now 100 percent rather than the former 75 percent. The number of trucks needed and the number of transport kilometers traveled will fall by 20 percent as a result.

Warehouses merged

The Laundry & Home Care business sector intends to organize its supply chain even more efficiently in the future and to achieve further cuts in the cost of warehousing. By early 2008, the supply chain logistics between production and warehousing will be simplified by merging our eight warehouses in Germany to create three large regional warehouses

in Düsseldorf, Genthin and a site in Southern Germany. The regional warehouses will then be supplied mainly by rail.

In Austria, too, a new central warehouse has been established at the production site in Vienna. From here, we supply laundry detergents and dishwashing products directly to customers in the Czech Republic, Slovakia and Slovenia, and detergents, household cleaners and cosmetics to customers in Austria. Delivering our products from a central warehouse, rather than via national warehouses, reduces the annual trucking mileage by some 200,000 kilometers. This is equivalent to about 70,000 liters of diesel fuel per year.

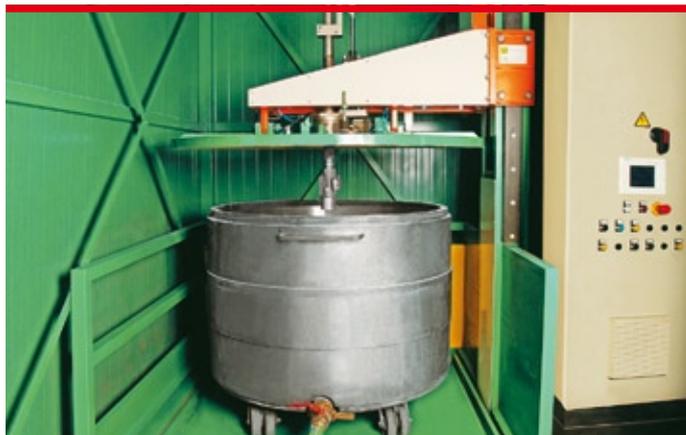
Germany: Less steel

In Heidelberg, Henkel mainly produces adhesives and sealants, anti-corrosion products, and high-viscosity polyurethane adhesives. These products are usually stored in steel drums before being transferred to cartridges with the help of a hydraulic press. Because a hydraulic plunger was pressed into the steel drums at high pressure, the drums always expanded by a few millimeters, making them unsuitable for further use. The drums were enclosed by a sleeve, which was locked with a stirrup clamp. The clamp, however, was not strong enough to prevent the drum from being distorted. The drums are now secured in the sleeve by massive screws clamps



“The fight against climate change will assume increasing importance in the coming decades. Positive trends in environmental protection should be secured by introducing advanced environmental management practices.”

Dr. Mikhail Kozeltsev,
Executive Director, Russian
Regional Environmental Center
(RREC), Moscow, Russia,
www.rusrec.ru



Mixing vessels at the Cerano production site in Italy are now cleaned with high-pressure water instead of solvents.

which allow no free play, so the drums can be reused up to six times. This saves us 6,500 drums per year, corresponding to 120 metric tons of steel. And since fewer used drums have to be discarded, disposal costs are also lower.

Italy: Efficient vessel cleaning

The Cerano production site in Italy supplies adhesives and sealants exclusively to Henkel sites for further processing. Cleanliness is critical to the production of silicone products, but a thin film of silicone often remains on the walls of the mixing vessels after they have been emptied. To ensure that the next production batch would not be contaminated, employees had the laborious task of cleaning the vessel manually with brushes and solvents.

Since early 2006, the complete cleaning process has been performed automatically. Solvents are no longer used, and the vessels are cleaned in less than 25 minutes using water at high pressure. Water and silicone residuals are continuously extracted from the bottom of the vessel and conducted through a filter to a tank. The filtered waste water can be used again several times before being discharged. All residuals are now removed without the help of solvents, the cleaning process is faster, the burden on the environment has been reduced, and a higher level of safety and health is assured.

Europe: Sale instead of disposal

Whether raw materials or packaging, finished products or equipment – Henkel sends all left-over stocks for which the Company has no use to a virtual surplus goods marketplace, where they are sold to interested external parties. The range of items extends from raw materials to intermediate products and unneeded production machinery. This saves us disposal and warehousing costs, and the money earned covers part of the production and purchase costs of these left-over stocks. By returning surplus materials to the recoverable materials cycle, Henkel makes a significant contribution to avoiding waste and conserving resources.

USA: Clever solutions – recycling of solvents

Since December 2006, emissions of volatile organic compounds (VOCs) in the USA have been substantially limited by a new Environmental Protection Agency (EPA) regulation. This regulation, which requires companies throughout the USA to reduce untreated VOC emissions by at least 75 percent, directly affects the Henkel sites in Buffalo, New York, Carol Stream, Illinois, and Mentor, Ohio. An international team, working in close cooperation with regulatory authorities, not only succeeded in complying with the regulations on time, but also achieved a 90-percent reduction in these emissions. Instead of utilizing the energy-intensive standard approach of burning off the solvent vapors, we installed a two-stage condensing system that feeds the vapors back into the production process. This enables us to conserve resources and cut costs as well.

Countries with production sites



Detailed site portraits on the Internet 

France: Water pollution caused by an operational incident

Nemours, France: On November 12, 2006, fabric softener was swept into a nearby stream along with rainwater and caused an increase in the level of organic substances in the stream. Henkel reacted immediately, and the polluted water was pumped out and treated.

This operational incident occurred when the site's outdoor pipes and valves were given their routine maintenance before the winter to protect them against damage from freezing. Before the maintenance was carried out, a leaking pump had allowed fabric softener to escape into the retention basin of the outdoor fabric softener tank, where

it had not been noticed. During the maintenance work, the automatic valve of the retention basin was accidentally opened, so that the fabric softener flowed into the site's rainwater collection basin, from which it was automatically discharged into the stream.

By mid 2007, an automatic monitoring system will be installed to check the rainwater before it is discharged into the stream. In the interim, the retention tank is being subjected to regular visual checks. The automatic valve has already been replaced by a pump.

Environmental indicators of the production sites

Transparency

Throughout the Company, we use indicators to identify potential improvements, steer actions, and monitor target achievement. They are also important as a compact and transparent means of informing the public of progress and performance. They are based on the environmental indicators of the European Chemical Industry Council.

In the Sustainability Report 2006, Henkel focuses more strongly on the publication of globally relevant core indicators. Emissions of nitrogen oxides and dust and the consumption of chlorinated hydrocarbons are less relevant for us as global control variables and will therefore only be published on the Internet. ⁽ⁱ⁾

On the Internet, a GRI index also refers to the reporting elements and indicators of the Global Reporting Initiative (GRI). ⁽ⁱ⁾

► A worldwide picture

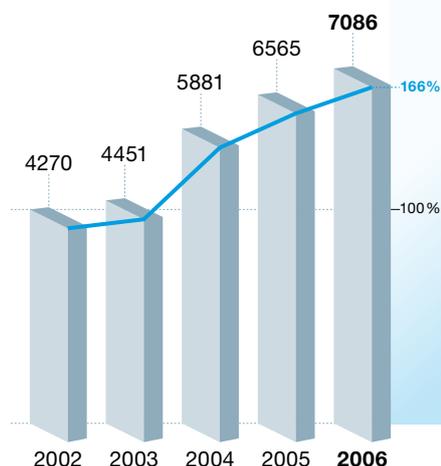
The production-related data were determined at 162 Henkel sites in 52 countries. These sites were selected on the basis of criteria that include their production volumes, the quantities and types of emissions, and the resources consumed. They account for more than 95 percent of the Company's worldwide production.

► A comparable basis

Henkel is growing, as is the number of sites contributing data to the environmental indicators – from 117 in 2002 to 162 in 2006. As growth does not occur at a uniform rate, there are jumps in the figures. To simplify interpretation of the figures, the graphs also show the progress of the indicators as an index relative to the volume of production (per metric ton of product). The base for these index curves is the year 2002 (= 100 percent).

Production volumes

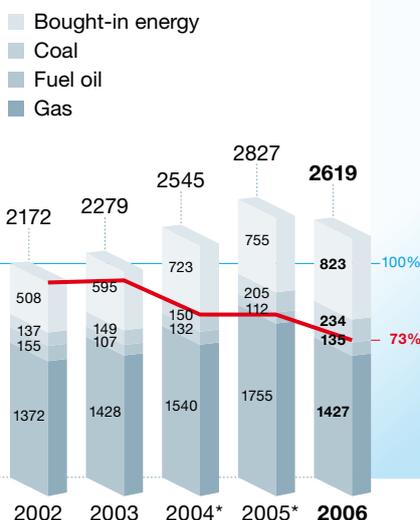
In thousand metric tons



The production volume rose by some 20 percent in the year 2004 as a result of acquisitions, particularly of Dial and Sovereign Specialty Chemicals.

Energy consumption

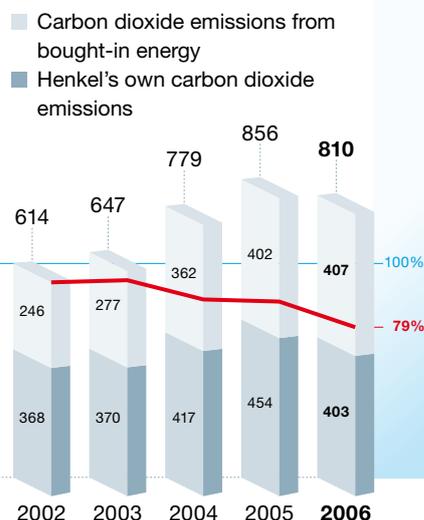
In thousand megawatt hours



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

Carbon dioxide emissions

In thousand metric tons



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.

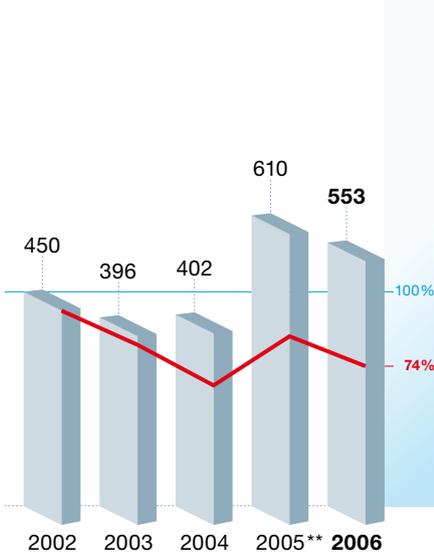


The index curve on the graphs shows the progress of the indicators relative to the volume of production (per metric ton of product). The base for the index curve is the year 2002 (=100 percent).

* In the course of data validation, errors were identified in the collection of data at individual sites. The data have been corrected retroactively.

Sulfur dioxide emissions

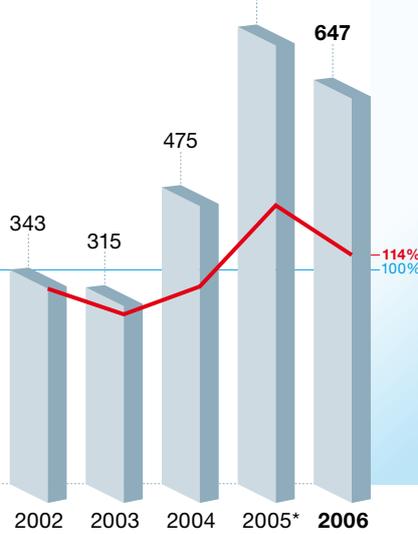
In metric tons



** Sulfur dioxide emissions rose due to changes in the fuel mix at certain sites.

Emissions of volatile organic compounds

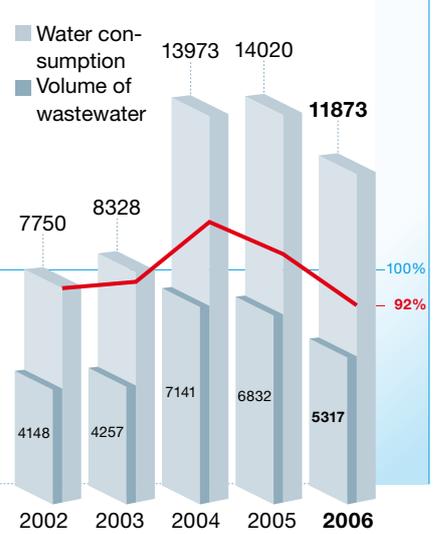
In metric tons



The rise in the years 2004 and 2005 is primarily due to acquisitions. In 2006, measures were already being implemented to reduce emissions of volatile organic compounds.

Water consumption and volume of wastewater

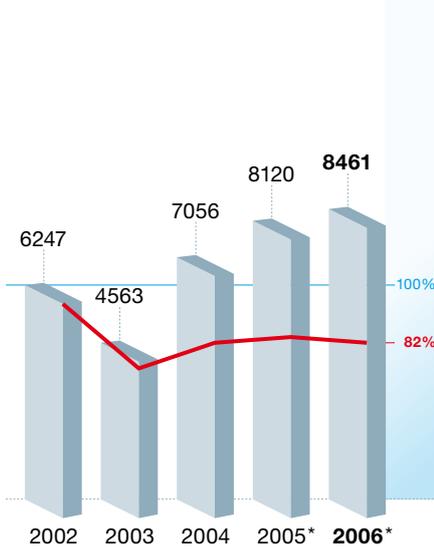
In thousand cubic meters



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

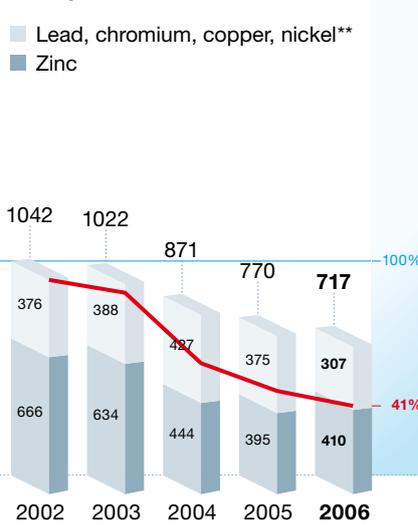
In metric tons



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

Emissions of heavy metals to wastewater

In kilograms



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.

Waste for recycling and disposal

In thousand metric tons



"Hazardous waste for disposal" includes all kinds of waste that are classified as hazardous under the laws of the respective countries and the hazardous wastes listed in the Basel Convention of 1989. Because individual countries continue to extend their list of hazardous wastes, it is possible for the volume of hazardous waste to increase without any change having occurred in the waste situation at Henkel.

The index curve on the graphs shows the progress of the indicators relative to the volume of production (per metric ton of product). The base for the index curve is the year 2002 (=100 percent).

* In the course of data validation, errors were identified in the collection of data at individual sites. The data have been corrected retroactively.

Employees and jobs

Focus on sustainability

As an internationally operating company, we rely on well qualified, flexible, and highly motivated employees, whose experience, talents and skills reflect the diversity of our markets and customers.

We consistently foster our employees' development and link their personal commitment to the Company's success. We do this through target-oriented management, performance-related remuneration, regular assessments, and continuous learning.

Our corporate culture and positive work climate, together with our employees' motivation, contrib-

ute decisively to our corporate success. 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 occupational health and safety. Specially designed programs promote good health and ensure our employees' long-term capacity to work.

Objectives	Status
New objective: Positioning Henkel as an employer of choice for high-potential students	
Long-term objective: Continuous improvement of corporate culture through regular and systematic employee surveys. The goal is to be among the best 25 percent of companies	See page 37.
New objective: Harmonization of worldwide human resources information systems and personnel data by 2010	
New objective: Promotion of diversity within the Company. The experience and abilities of our employees should reflect the diversity of our markets and customers. This includes increasing the percentage of women in management positions and assuring appropriate representation of the various nationalities and age groups in the workforce	See pages 34 to 36.
Long-term objective: Zero occupational accidents. New medium-term target, by the end of 2010: 50-percent reduction	2.0 occupational accidents per one million hours worked (base year 2005: 3.0 occupational accidents).

Diversity makes us strong

Diversity within the Company is one of Henkel's ingredients for success. It is a source of creative, innovative and economic strength. We therefore further each employee's abilities and appreciate their individual characters and special qualities as valuable to the company. This appreciation is embodied in our Code of Conduct and the Code of Teamwork & Leadership.

We want people of different origins and ages, and with a variety of individual abilities, to work together effectively and happily at our Company. Diversity is therefore an important component of our corporate culture. We strive to identify and eliminate barriers that limit individual development perspectives. In 2006, on the basis of our "diversity cockpit," we formulated a variety of objectives and programs to promote even greater diversity at Henkel. This cockpit shows a trio of diversity factors – age, gender and internationality – in Henkel's worldwide management structure.

Urban Award goes to Henkel CEE

In November 2006, in Vienna, Austria, Henkel Central Eastern Europe (CEE) was presented with the “Urban Award” in the “large-scale businesses” category. This award recognizes companies that have demonstrated intercultural competence by successfully implementing gender mainstreaming policies and diversity management. *i*

Our human resources policy measures in Central and Eastern Europe range from flexible work time models and the promotion of diversity in the Company to the international Henkel CEE Academy that organizes employee seminars and workshops in ten languages.

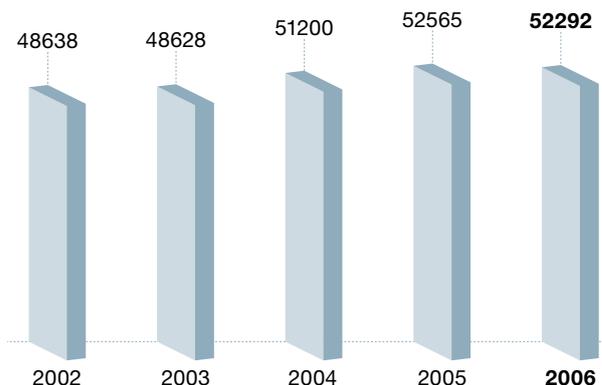
USA: Diversity program

The Dial Corporation, which joined Henkel in March 2004, supports a core human resources development program which promotes awareness and sensitivity in the workplace. All new employees are expected to complete this program within their first year with the Company. In 2006, 127 new employees attended workshops designed to increase their attentiveness and sensitivity to other cultures, ethnic backgrounds, religions, and ways of thinking. On the basis of these principles, we intend to roll out this program, suitably adapted to reflect local conditions, for all new Henkel employees in the USA in 2007.

Dial has also established a customized leadership development program for women and members of minorities who have the potential and readiness to advance to higher levels of leadership. The program gives the participants a better understanding of their strengths and weaknesses and helps them to further develop their skills with the support of a coach, a mentor, and the other participants. The initial results are very promising; after two years, about 70 percent of the participants had improved their management qualifications.

Employees worldwide

As of December 31, 2006



Employees by region

	2005	2006	in %
Germany (including apprentices*)	10,688	10,454	20.0%
Europe (excl. Germany)	17,553	17,673	33.8%
Africa/Middle East	5,490	5,672	10.8%
North America	7,271	6,651	12.7%
Latin America	4,208	4,297	8.3%
Asia-Pacific	7,355	7,545	14.4%
Henkel	52,565	52,292	100%

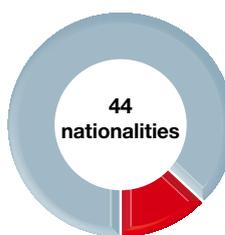
At the end of 2006, Henkel had 52,292 employees. The number of employees decreased by 273 in the course of the year. Worldwide, 9,100 employees hold managerial positions. The share of women in management is 24.6 percent.

* In Germany, a total of 167 young people started an apprenticeship at Henkel in 2006. That is 15 percent more than the previous year. All in all, 473 apprentices are now learning 26 different occupations.

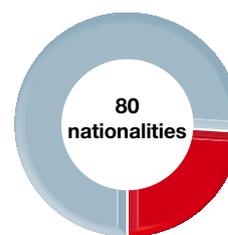
Managers

Top managers*
764 employees
Average age: 47.4

Total managers
9,100 employees
Average age: 42.2



12.3% women



24.6% women

In total, about 6,550 non-German managers from 79 countries were working for Henkel at the end of 2006.

* Management Board, Operating Management, Management Circles I and IIA worldwide

India: More diversity among new employees

In collaboration with ANAND, a manufacturer of automotive components and systems, Henkel Teroson operates a joint venture company in India which is a partner of the SNS Foundation. Among its other activities, the SNS Foundation works to alleviate poverty and to promote equal opportunities. With the help of the SNS Foundation, the recruitment of employees at the three sites of the joint venture has been adapted to the local circumstances. The aim is to ensure that different regional population groups and women are appropriately represented. The Chennai site has made particularly good progress. At present, 40 percent of its engineers are women.

Balancing family and career

Henkel supports its employees in their efforts to coordinate their dedication to their careers and their plans for their private lives. The Family and Career working group develops objectives and solutions for the Company’s German sites. Special attention is given to providing day care for children under 3 years of age. In 2006, the number of day care places at the Düsseldorf site was more than tripled, to a total of 26. In addition, the external “Family Service” bureau and Henkel’s “Social Services” help employees in Germany to locate day care facilities for their children or for other family members who require care and attention. They can also put employees in touch with specialist personnel and, if necessary, provide advice.

Germany’s Federal Minister for Family Affairs, Dr. Ursula von der Leyen, has appointed Kasper Rorsted, Vice Chairman of the Management Board of Henkel KGaA, to be North Rhine-Westphalia’s ambassador for the “Success Factor Family” corporate social responsibility program. Further top managers have been chosen to represent the other 15 federal states.

In Austria, Henkel cooperates with the “Employee Service” company to offer its employees comprehensive advice and support in regard to conflict mediation, health, pregnancy and family matters. In Spain, together with service provider “Más Vida Red” (More Life Net), Henkel is establishing a program at its sites offering a variety of courses and services on the theme of family and career.

Leading by example: Leadership program at Henkel

Managers with the personality to motivate a team of employees are a key factor in the success of our Company. Henkel uses a range of tools and methods to identify and foster the potential of future managers. The Code of Teamwork and Leadership defines the general framework within which managers should operate and gives them clear guidelines for decision-making. The “Management Competencies Assessment” (MCA) serves to promote professional development. In the “Leadership Dialogue,” managers with supervisory duties receive direct feedback regarding their leadership performance from the members of their teams.

Through the “Triple Two” concept, junior managers are prepared for the demands of higher management by being given at least two different tasks in two business sectors and in two countries.

Drivers of corporate success



PHAROS | evaluation system



In November 2006, Henkel was presented with the Initiative Award for Occupational Training and Continuing Education for its PHAROS | evaluation system. The Otto Wolff Foundation, the Association of German Chambers of Industry and Commerce (DIHK) and the *Wirtschaftswoche* business newspaper, jointly bestow the award each year to recognize exemplary initiatives to enhance the quality and attractiveness of in-company training. Following the system's success in Germany, Henkel rolled it out in Austria and all of Central and Eastern Europe in 2006.

New assessment and development discussions for non-managerial employees

Henkel has improved its instruments for advancing non-managerial employees at its Düsseldorf site and has introduced a new assessment and development system. In contrast to the previously used system, the employees are not only assessed by their supervisors simply on the basis of their performance to date but, in a confidential discussion, agree on concrete measures for their future personal and professional development. These may include training at the workplace, seminars, and added responsibilities, as well as preparation for future tasks and demands.

This enables employees to recognize what is expected of them, what their strengths and weaknesses are, and where they can improve. The indi-

vidual measures are documented in written form and are reviewed at suitable intervals. The new advancement instrument was devised along the lines of the "Management Competencies Assessment" (MCA) for assessing managerial staff. 

Corporate culture under scrutiny

In the fall of 2006, we carried out our third global management survey since 2001 using the Denison organizational culture indicators. Through regular and systematic surveys of our corporate culture and action programs based on the results of these surveys, we aim to achieve long-term improvements in the foundations for growth, profitability, innovation, and employee satisfaction. The fact that the response rate went up again – by another 5 percentage points, to 85 percent – demonstrates how important our managers find the survey and the measures derived from it. The results showed that there have been clear improvements in all four areas – adaptability, vision and strategy, consistency of values, and employee involvement. Factors that have contributed to this include a better understanding of our corporate strategy at the lower management level and an extremely positive rating of cooperation, team-orientation and consistency.



"The thinking and behavior of people, as well as the development of their knowledge, can make the most important difference in creating a sustainable society."

Prof. Dr. István Láng,
Member of the Hungarian
Academy of Sciences,
Former Member of the World
Commission on Environment
and Development,
Budapest, Hungary,
www.mta.hu

Brazil: Highly ranked employer

In 2006, Henkel Brazil was included for the first time in the nationwide ranking of the 150 best companies to work for. The ranking is based on an employee survey and its evaluation by an independent jury, which is formed by journalists of the respected Brazilian business magazines *Exame* and *Você S/A*. This ranking helps Henkel Brazil to further position itself as employer of choice in the region.

Communicating sustainability

We convey our understanding of sustainability and social responsibility to our employees by means of numerous internal communication instruments. In management systems, our vision, values, codes and standards are detailed in concrete work instructions. In training and continuing education, we explain how sustainability is translated into everyday practice at Henkel. Environmental protection weeks for apprentices, orientation events and programs for new employees, and regularly scheduled training programs are designed to embed the idea of sustainability in the consciousness of all employees. In addition, topical issues and developments are discussed in the employee newspaper *Henkel-Life* and in the intranet news of *Henkel-Life ONLINE*.

Well positioned for the future

To assure its long-term competitiveness and to cut costs, Henkel regularly adjusts to structural changes in the market. The restructuring program announced in early 2005 was carried out according to plan. About 3,000 jobs were shed in Europe and North America by the end of 2006. Employee representative bodies were involved in the determination and implementation of the reorganization measures at an early stage, with the aim of finding socially reconcilable solutions and avoiding dismissals due to corporate restructuring.

Restructuring in Great Britain

When reorganization becomes necessary, we inform our employees and work with them to develop mutually acceptable solutions. The restructuring of three sites in Great Britain illustrates how productive the dialogue between management and employees can be. In 2006, in view of their geographical proximity, three production sites were consolidated into one, in Hemel Hempstead, to improve plant and technology utilization. In intensive preliminary meetings, the 105 employees affected worked closely with the management team to develop solutions for the necessary relocations. The measures implemented included transfer payments and flexible working hours, as well as welcome packages and site visits. A newly created company mini-bus shuttle, car-sharing system, and allowances for increased travel costs eased the burden of additional commuting. Full relocation services were also organized if requested by individual employees.

The implemented measures strengthened our image as a responsible and caring employer in the region. Employee motivation and goodwill were maintained despite the changes. Due to the success of this collaborative and integrated approach, we intend to use this project as a guide for future reorganization projects at Henkel.

Occupational health and safety

Long-term goal: Zero accidents

Henkel launched a Company-wide program in the year 2000 with the long-term objective of achieving “zero accidents.” The first interim target was a 45-percent decrease by 2005. In fact, we achieved a reduction of 67 percent, putting us well ahead of schedule. The next interim target is to halve the number of accidents again by 2010, relative to the base year 2005.

To facilitate this, we intend to integrate newly acquired companies more rapidly into our corporate structure (see the example of Newark on page 27) and to further expand training and support measures at all Henkel sites. All Henkel companies supplement the requirements for occupational health and safety and technical measures by carrying out activities that reinforce their employees’ awareness of occupational health and safety and help them to act accordingly. Due consideration is given to site-specific conditions and employee needs.

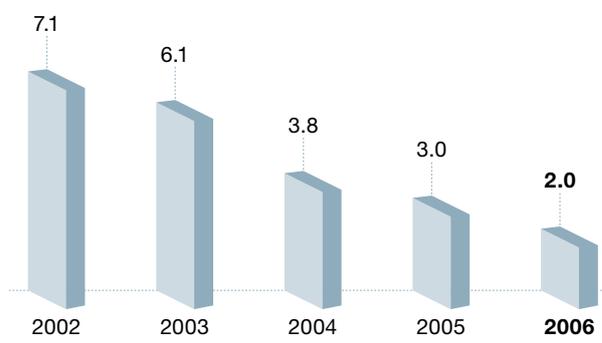
Worldwide management training for plant managers

Through a special training program, we intend to coach all plant managers around the world in managerial approaches to safety, health and environment concerns. The course content ranges from risk analysis and managing emergencies to the regional stakeholder dialogue. This fosters better networking between the sites and provides an ideal opportunity to share examples of best practice from the various regions. The first courses were held in Barcelona, Spain, and Istanbul, Turkey, during 2006. In 2007, we intend to hold courses in all Henkel regions.

Painting competition on the subject of safety

The Henkel Technologies business sector organized a painting competition in the summer of 2006 centering around “Safety at Work” and invited children

Occupational accidents per one million hours worked
At least one day lost*



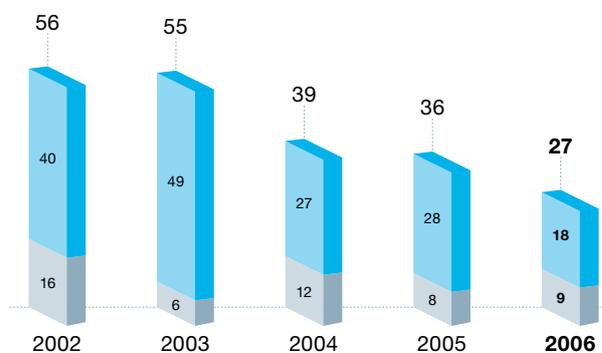
* Excluding commuting accidents

95 percent of Henkel employees were covered (excluding employees of contractors).

Serious occupational accidents

More than 50 days lost

- Accidents during typical production activities
- Accidents while walking or moving around (e.g. stumbling)



In 2002, a standardized worldwide reporting system was introduced to gather data on serious accidents.

In 2006, no fatal occupational accidents were suffered by Henkel employees or employees of contractors carrying out work for a Henkel company. ⓘ



2007 wall calendar on the subject of safety at work

More safety for employees of contractors

Considerable efforts are still needed to raise occupational health and safety awareness among contractors and their employees who work at our sites. The basis for this is providing information to the companies and their employees about our safety and health requirements, and monitoring to ensure compliance with these requirements. In addition, we are involving contractors' employees to a greater extent in existing training courses and addressing them through targeted measures. In order to evaluate the success of these measures, we include contractors' employees in our reporting system for accidents that result in days of work lost.

of all employees worldwide to submit their visions of safety at work. The twelve best pictures were featured in a wall calendar for the year 2007, which was distributed to all employees. The painting competition and many accompanying activities at the individual sites intensified the dialogue on safety and further increased the safety awareness of all employees. The calendar will be an ever-present reminder that will reinforce our culture of safety in 2007.

Activities to raise awareness of occupational safety

Place	Activity
Brazil Diadema, Itapevi, Jacareí	Comprehensive health promotion program. Employees are encouraged to perform daily gymnastic exercises designed in part to help prevent work-related accidents and illnesses.
China Changchun	100 days of safety activities: Comprehensive safety training for all employees, as well as intensive annual instruction sessions, some presented by manufacturers of personal protection equipment.
China Guangzhou	A safety quiz with attractive prizes was organized for production and warehouse employees.
China Shanghai, headquarters	Bilingual safety handbook (Chinese/English) for all persons involved in the construction of the new China Technology Center.
Italy Caleppio di Settala, Casarile, Cerano, Ferentino, Lomazzo, Parma, Zingonia	Comprehensive presentations, films, training courses and discussions on all management levels.
Spain Abrera, La Coruña, Malgrat, Montornés, San Adrián, Santa Perpétua, Alcalá de Guadaíra	Safety awareness training: Different training courses are offered each year, based on current examples. Photos of safety deficits and potential causes of accidents are presented and discussed.
Thailand Bang Pakong	Contractors' employees are shown an introductory video with comprehensive safety advice before they start work.

Social commitment

Focus on sustainability

Henkel recognizes its responsibility to society and reflects this in its business practices. Our social commitment is firmly embedded in our corporate values and in our corporate history. It is based on the conviction that solutions which are jointly reached on a basis of partnership will benefit all concerned.

We have grouped all of our social involvement programs – international corporate citizenship activities that go beyond our business undertakings – under the Henkel Smile umbrella. With this program, we promote and support social, educational, scientific, cultural, leisure, sports, health and environmental projects. Alongside material contributions, an important role is played by the people who also devote their enthusiasm, understanding, willingness to help, and personal commitment to their project ideas.

The effect is, without exception, positive; for society as a whole, as significant contributions are made toward achieving the Millennium Development Goals of the United Nations; for regions and communities, as employees at Henkel sites address local challenges and provide targeted support where it is needed; and for the employees and pensioners, whose bonds are strengthened through this shared commitment.

In addition, we have linked our sponsoring activities more closely to our social commitment and have persuaded numerous sponsoring partners to join us in supporting social projects. These partnerships will be expanded even further in the future.

Objectives	Status
New objective: Encouraging greater acceptance of responsibility by Henkel's business partners	
New objective: Greater support to be provided through Henkel Smile for communities in structurally weak regions where Henkel sites are located	

Under the umbrella of Henkel Smile, our worldwide commitment is channeled through four independent modules for implementing project ideas and initiatives. In 2006, a total of six million euros was provided for support measures.

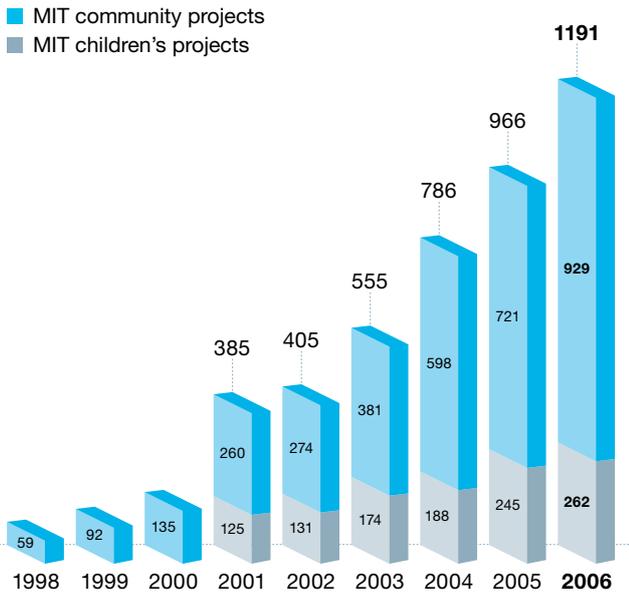
Community Involvement

With our community involvement concept, we support projects that are individually aligned to local needs in the regions where our sites are located. Structurally weak regions, in particular, are to be given greater support in future, to promote projects that help people to help themselves.

Corporate Volunteering – MIT Initiative

Through MIT (Make an Impact on Tomorrow), we support the involvement of our employees and pensioners in both community projects and MIT children's projects, which are specifically designed to meet the needs of children. Since its launch in 1998, the Initiative has supported 4,574 MIT projects in 105 countries, including some 1,125 children's projects.

Make an Impact on Tomorrow (MIT) social projects



Corporate Donations

Through Corporate Donations, our central donations management department, we support social initiatives and public institutions around the world. One of the main aims of our donations initiative is to invest in training and continuing education, and to make knowledge accessible.

Henkel Friendship Initiative

The Henkel Friendship Initiative, established in 2003, is a non-profit organization whose objective is to provide aid to people in need throughout the world in a fast and non-bureaucratic manner.

Henkel employee Kate Huffman (fifth from left), together with other volunteers in Arizona (USA), advises and supports the “lost boys” of the Sudanese civil war.



Particularly in the aftermath of natural disasters, the Initiative helps victims directly with financial and other aid and supports longer-term reconstruction measures.

Selected Henkel Smile projects

Social

The social challenges at the locations of the Henkel sites differ widely throughout the world. The spectrum ranges from a shortage of nursery schools to inadequate care for senior citizens and problems of racial and other forms of discrimination.

► **USA: New home for survivors of Sudanese civil war**

In Arizona, Henkel Smile supports the “Lost Boys” center, which offers a home and prospects for a new future to young refugees who have escaped the chaos of the civil war in Sudan.

► **Germany: A breath of fresh air for Alzheimer patients**

With Henkel’s financial support, a wooden house was built in the garden of a home for Alzheimer patients in Hilden, to serve as a meeting point for rest and relaxation outdoors. It is hoped that this setting will stimulate the home residents’ memories.

Education and science

Knowledge is one of society’s most valuable resources. To promote the conditions for an independent

Under the slogan “Gemeinsam Kindern Zukunft schenken” (Working together to give children a future), the Schauma brand, UNESCO, and Vitali (left) and Wladimir Klitschko support the construction of a school for the San children in Namibia.





After the official opening of the vocational training center in Pondicherry, India, in September, 2006, Dr. Reimar Heucher (sixth from left) and Archbishop Dr. Anthony Anandarayar visited the sewing workshop set up with the help of donations from Henkel Smile and the ice hockey club DEG.



On Sundays, they make music: five of about 60 boys and girls at the Assembléia de Deus Nipo-Brasileira, a religious institution which takes care of children from poor families in São Paulo, Brazil. Henkel employee Magda Morales has been doing volunteer work here for four years.

life, with equal rights, for as many people as possible, we support in particular the provision of training and continuing education at schools, as well as equal access to knowledge and educational opportunities for all.

► **Germany: Awards of grants and scholarships**

We award grants at various educational levels to help young people with their studies. The Hugo Henkel Award supports schools that focus mainly on teaching science. The Jost Henkel Foundation awards scholarships to talented students in the fields of economic, social, natural and engineering sciences, while other awards are available to university graduates who have performed outstandingly in natural and economic science disciplines.

► **India: Vocational training center in Pondicherry**

Thanks to a joint fund-raising campaign by Henkel Smile and the Düsseldorf ice hockey club DEG Metro Stars, a vocational training center has been built in the Indian coastal region of Pondicherry, which was badly hit by the Indian Ocean tsunami in December 2004.

► **Namibia: Integration through education**

The Schauma brand supports the UNESCO “Education for Children in Need” project to build a school for the children of the San, a people whose continued survival is endangered. Boxers Vitali and Wladimir Klitschko are UNESCO Ambassadors for

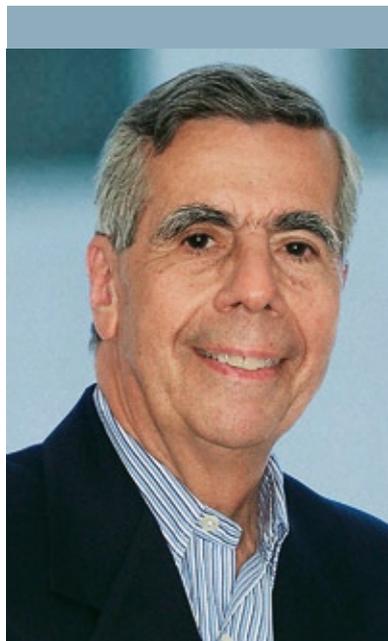
this project. The project provides the children with schooling. The goal is to help the San to become less marginalized, while still respecting their traditional culture.

Culture and leisure

Cultural and artistic leisure activities are a source of pleasure and creativity. Group leisure activities also promote social competence. This is why we support creativity through artistic development.

► **Brazil: Classical music lessons for disadvantaged children**

In a project of the religious Assembléia de Deus Nipo Brasileira, which takes care of children from

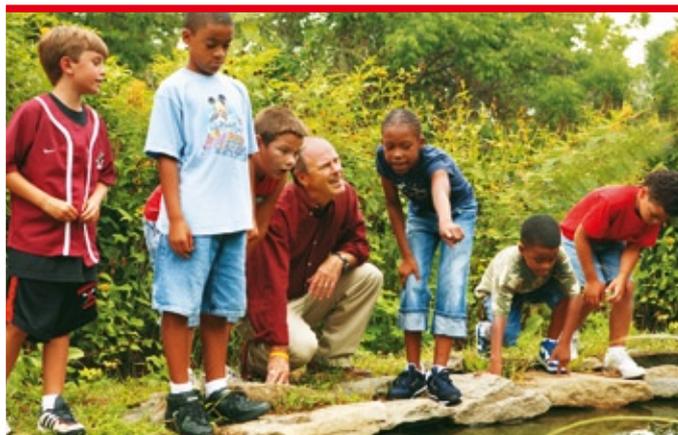


“In fulfilling its duties toward society, Henkel should develop a set of actions that contribute to the common good, while enhancing its corporate profile, for example through educational and sports initiatives.”

Henrique B. Cavalcanti,
President of FUNATURA,
Brasilia, Brazil,
www.funatura.org.br



Swimming lessons for autistic children: In South Korea, autistic children learn to swim with the help of their parents – and thus boost their self-confidence. Henkel employees work in this therapy program as helpers during the swimming lessons. Their regular meetings with them also help to foster the children's ability to interact with others.



School children experience nature and science: This is the goal of the MIT children's project of Bill Read, a Henkel employee based in Gulph Mills, Pennsylvania (USA). The project will enable 200 students at the Gotwals Elementary School to visit the Riverbend Environmental Education Center during the 2006/2007 school year (see also our cover). 

poor families, Henkel Smile supports employees who give the children lessons in classical music and help them to become familiar with a variety of instruments.

► **Italy: Musicals, drama and art**

In Scampia, a district in the city of Naples, we work with the non-profit, church-supported initiative "La Locomotiva" to regularly organize workshops for children and young people. Some 100 children participate in weekly workshops for musicals, drama or art that make it possible for them to discover their own talents.

Sports and health

Sports and health are closely related. Regular exercise counts as one of the most important activities for staying healthy. Worldwide, not everyone can afford medical care. We therefore assist projects aimed at providing comprehensive medical care. Projects that promote wellbeing by encouraging sports activities are also supported.

► **Nepal: Medical aid for more than 1,000 refugees**

For the seventh time, Henkel employees organized the transport of aid donations to a Tibetan refugee camp near Katmandu. A team of doctors and medi-

cal students provided medical care and supplied the refugees with medicines and hygiene articles.

Environment

Henkel has a long tradition of supporting environmental protection and environmental education. In many regions, we support projects aimed at preserving conservation areas or protecting threatened animal species.

► **Ghana: Support for sustainable agriculture**

Henkel is helping the Agricultural Rural Association (ARA) to build an agricultural training center, in which ecological methods of farming will be taught.

► **Hungary: Young environmental experts**

Together with cooperation partner "Valley of the Körös Rivers Nature Park Organization," Henkel Hungary has started a pilot environmental education project in three nursery schools. The teachers deal with a new environmental topic each month, such as observation of the weather and seasonal changes. The goal is to lay the foundations of environmental awareness while children are at nursery school age.

Contribution to global development goals

Through the non-profit projects of Henkel Smile, Henkel and its employees help to improve the quality of life of many people by improving their situation or simply making them happier. This commitment goes beyond these individual benefits, however, and achieves much more; it contributes toward addressing worldwide problems and chal-

lenges. In the year 2000, in its Millennium Development Goals, the United Nations identified the urgent social and political issues of the present and the future and formulated eight goals to be reached by 2015. Through Henkel Smile, Henkel makes many small contributions toward the achievement of these goals – especially in developing and emerging countries.

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

Millennium Development Goals	Henkel Smile projects (2006)
1. Eradicate extreme poverty and hunger	<p>Moldavia: Financial support for an orphanage in Falesti</p> <p>Cameroon: Improving medical care in Fongo Ndeng</p> <p>India: Building a children's village for orphans and children from broken families in Tirunelveli</p> <p>Dominican Republic: Building a new orphanage (Casa Santa Anna) in Babey Nuevo</p> <p>Argentina: Providing food and health aid for families below the poverty line in Buenos Aires</p>
2. Achieve universal primary education	<p>Nepal: New classrooms and a library for the Samudayik Vidya Mandir school in Mandir</p> <p>Bangladesh: Literacy campaign for children in the district of Mollahat</p> <p>Laos: Building a new school, complete with furniture and sanitary facilities, in Muang Phong</p> <p>Tanzania: Private school for teaching small groups to a high standard in Karagwe</p> <p>Romania: Help with homework for children from socially deprived families in Caransebes</p>
3. Promote gender equality and empower women	<p>Tanzania: Education and vocational training for girls in Rogorv</p> <p>Uganda: Furnishing a dormitory for a girls' boarding school in Kabale</p> <p>USA: Girl Scout project in San Francisco, California, to promote self-reliance</p> <p>USA: Project to help young girls in Detroit, Michigan, to plan their careers</p>
4. Reduce child mortality	<p>Ukraine: Equipping a hospital in Kiev with life-saving equipment for newborn babies with brain tumors</p> <p>Kenya: Provision of medications for children with lymph node cancer in Mkomani</p> <p>Germany: Acquisition of a microplate reader for the University Children's Hospital in Düsseldorf to help research children's infectious diseases</p> <p>Turkey: Acquisition of respirators for newborn babies in Gaziantep</p>
5. Improve maternal health	<p>Peru: Medical support for underage mothers and their children in Ventanilla, Lima</p> <p>South Africa: Help for mothers with disabled children in Pretoria</p> <p>Togo: Support for a mother and child center and AIDS station in Lomé</p>
6. Combat HIV/AIDS, malaria and other diseases	<p>Thailand: Medical care for HIV-infected orphans in Lopburi</p> <p>Rwanda: Reconstruction of a home for AIDS and war orphans in Kigali</p> <p>Tanzania: Construction of a school for AIDS orphans in Leguruki</p> <p>Malawi: Providing care for AIDS orphans and arranging for them to stay with relatives in Lilangwe</p>
7. Ensure environmental sustainability	<p>Niger: Construction of a well to supply drinking and irrigation water in Fouangbe/Sekrere</p> <p>Tanzania: Construction of a new well for a vocational training school in Mashi</p> <p>Hungary: Educational activities centering around environmental protection in Körösladány Nature Park</p>
8. Develop a global partnership for development	<p>Ghana: Summer camp for the renovation of a school in Agona Swedru and reforestation in Biakba</p> <p>Brazil: Acquisition of equipment and machines for the vocational training of young people in Passo Fundo</p> <p>South Korea: Support for a soccer team for children of Mongolian workers in Seoul</p> <p>Spain: International youth soccer tournament to promote cultural exchanges in Malgrat</p>

External ratings

Henkel's leading role in sustainable development and corporate social responsibility is confirmed by international awards and rankings, as well as by rating organizations and sustainability analysts. ⓘ

Ratings and indexes

 **Dow Jones Sustainability Indexes** Zürich/New York: In 2006, Henkel was again included in the European Dow Jones Sustainability Index DJSI STOXX as one of the leading companies in the Nondurable Household Products sector.

 **FTSE4Good Index Series** London: For the sixth consecutive year, Henkel was included in the international FTSE4Good ethical index, which was introduced in 2001 by the Financial Times and the London Stock Exchange.

 **INVERA Investment Ethics Research & Advisory AG** Zurich/Vienna: In September 2005, INVERA Investment Ethics Research & Advisory AG updated Henkel's rating to "ethically positive."

 **oekom research** Munich: In 2006, for the second time, Henkel was declared to be the top sustainability performer among manufacturers of consumer goods in the "Corporate Responsibility Rating" of oekom research AG.

 **ASPI** Paris: Henkel has been included in the Eurozone advanced sustainability performance index (ASPI) of the French rating agency VIGEO since 2001. Henkel's rating was updated in the fall of 2006.

 **Ethibel Sustainability Index Pioneer** Paris: Henkel was again included in the Ethibel Sustainability Index, which has now been renamed Ethibel Pioneer Index. This index, established in 2002, includes 200 companies on the basis of their outstanding commitment to sustainability.

Sustainability ranking



Henkel occupies second place in the 2007 Good Company Ranking. The *manager magazin*, Deloitte and Kirchhoff Consult analyzed and rated the social responsibility performance of 120 of Europe's leading companies. Dr. Friedrich Stara, Executive Vice President Laundry & Home Care at Henkel, accepted the award in Davos on January 25, 2007. ⓘ

Sustainability list



In 2007, as in the previous year, Henkel was included among the Global 100 Most Sustainable Corporations in the World. The companies on this list are selected from the Morgan Stanley Capital International World Index.

Sustainability reporting

In November 2006, SustainAbility published its biennial report entitled "Tomorrow's value." Produced in cooperation with the United Nations Environment Programme (UNEP) and the rating agency Standard and Poor's, this report ranks international sustainability reports in terms of their transparency and their disclosure of information relating to environmental, social, and corporate management. Henkel is number 42 among the 50 leaders and is the second best placed of the three German companies in the top 50.

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Henkel Sustainability Report

Henkel published its first environment report in 1992. Year by year, its coverage of safety, health, the environment and social commitment was expanded. Since the year 2000, it has appeared annually as the Sustainability Report. The current report, which complements the Annual Report, portrays our worldwide contributions to sustainable development during the 2006 reporting period. Since Henkel joined the Global Compact in 2003, the Sustainability Report has also served as the basis for the required annual progress report.

The brands referred to have been selected on the basis of their innovativeness, their relevance, and the way in which they reflect the work of the business sectors (see page 18). The production-related environmental indicators were determined using data from production sites in 52 countries. They account for more than 95 percent of the Company's worldwide production volume (see page 32). Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 95 percent of Henkel employees (see page 39). Henkel openly reports on serious operational incidents and the measures taken in response (see page 31).



Credits

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This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Henkel KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements.



Henkel

A Brand like a friend