



# Sustainability Report 2012



## Our sustainability strategy at a glance

<b>Our value</b>	We are committed to <b>leadership in sustainability</b> .
<b>Our definition</b>	<b>Sustainability:</b> “In 2050, about 9 billion people live well and within the resource limits of the planet.”* <b>Leadership:</b> We pioneer new solutions to sustainability challenges while continuing to shape our business responsibly and increase our economic success on the basis of a long-term goal, clear targets for the years 2011 to 2015, and strategic principles.
<b>Our strategy</b>	<b>Achieving more with less:</b> We create more value for our customers and consumers, for the communities we operate in, and for our company – at a reduced ecological footprint.
<b>Our instruments for implementing the strategy</b>	<b>20-year goal for 2030:</b> Triple the value we create for the footprint made by our operations, products and services. We summarize this ambition to become three times more efficient as “Factor 3.” <b>5-year targets for 2015:</b> With our 20-year goal in mind, we have set concrete interim targets for our focal areas (see graphic). <b>Six focal areas:</b> We concentrate our activities along the value chain on six focal areas that reflect the challenges of sustainable development as they relate to our operations. <b>Three strategic principles:</b> To successfully implement our strategy, we have defined three strategic principles: <b>products, partners, and people</b> .

Factor **3**

\* Vision 2050 of the World Business Council for Sustainable Development (WBCSD).

### Our focal areas and our 5-year targets for 2015



## Henkel at a glance 2012

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### The Sustainability Report

Our Sustainability Report summarizes the key ecological and social developments in fiscal 2012. It covers all the Henkel companies included in the consolidated financial statements. The contents of the Report reflect the Henkel-relevant and material aspects of sustainable development. Together with the web-based Sustainability Report and the Annual Report, the print version makes up an integrated corporate reporting concept. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

In many places in this 2012 report, you will find references to further information in the Sustainability Report itself, the Annual Report, as well as the web-based Sustainability Report.

Some of the references to online content are provided with a code number, as shown here: [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 5. To find this content, visit the page [www.henkel.com/sr2012](http://www.henkel.com/sr2012). In the "Service" column at the right you will find the code search function. Simply enter the appropriate code there and you will be taken directly to the information you are looking for. In the Online Sustainability Report, you will also find a detailed index with links to the guidelines of the Global Reporting Initiative (GRI): [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 1

### Highlights

**136**

years of brand success

Around  
**47,000**

employees

**16.5 billion euros**

sales in 2012

More than  
**120**

nations represented by our people

**43 %**

of our sales generated in the emerging markets

Around  
**31 %**

of our managers are women

**44 %**

of our sales generated by our top 10 brands

We supported  
**2,339**

social projects in 2012

Around  
**6,000**

measures were developed in 670 Action Plan meetings

### Henkel around the world: Regional Centers



Henkel operates worldwide with leading brands and technologies in three business sectors: Laundry & Home Care, Beauty Care and Adhesive Technologies. Founded in 1876, the company is headquartered in Düsseldorf, Germany. With production sites in 54 countries, we promote economic development as a local employer, purchaser and investor. More information on our business performance and key indicators per region: Annual Report, Pages 56 to 62, and [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 2

## Our indicators

### Economic indicators

	2011	2012
Sales in million euros	15,605	16,510
Adjusted <sup>1</sup> operating profit (EBIT) in million euros	2,029	2,335
Adjusted return on sales (EBIT) in percent	13.0	14.1
Adjusted earnings per preferred share (EPS) in euros	3.14	3.70
Research and development expenditure in million euros	410	408
Dividend per ordinary share in euros	0.78 <sup>2</sup>	0.93 <sup>2</sup>
Dividend per preferred share in euros	0.80 <sup>2</sup>	0.95 <sup>2</sup>

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

<sup>2</sup> Proposal to shareholders for the Annual General Meeting on April 15, 2013.

### Ecological indicators

	2011	2012
Production sites	180	171
Production output in thousand metric tons	7,550	7,587
Energy consumption in thousand megawatt hours	2,220	2,197
Carbon dioxide emissions in thousand metric tons	652	651
Water consumption in thousand cubic meters	7,921	7,734
Waste for recycling and disposal in thousand metric tons	145	138

### Employee indicators

	2011	2012
Employees <sup>1</sup> (as of December 31)	47,265	46,610
Trainees in Germany	483	489
Proportion of female employees in percent	32.5	32.6
Average number of training days per employee	2	2
Participation in employee share program in percent	31.3	28.4
Occupational accidents per million hours worked	1.1	1.0

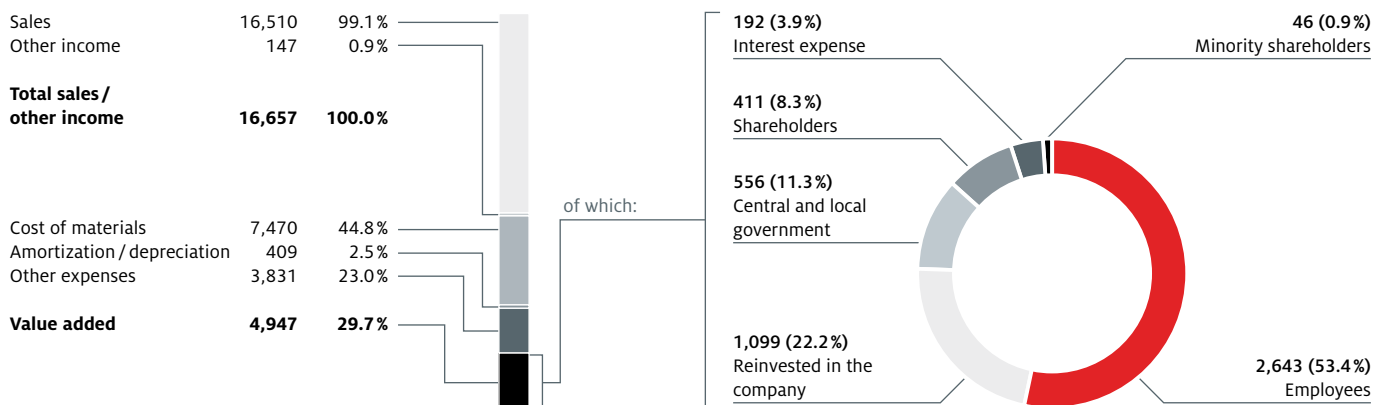
<sup>1</sup> Basis: permanent staff excluding trainees.

### Social indicators

	2011	2012
Donations in million euros (financial and product donations, not counting paid time off from work)	6.0	7.3
Number of projects supported	2,343	2,339

### Value added statement 2012

in million euros





*Dear Friends of the Company,*

“We are committed to leadership in sustainability.” This is one of Henkel’s five corporate values and the basis upon which we developed our sustainability strategy for 2030. Our ambition is to achieve more with less and to triple our efficiency in the next 20 years. Our first step in moving toward this target will be to improve our resource efficiency by around 30 percent by the year 2015.

We presented our strategy to the public in 2012. Working closely with our employees, we conducted 670 workshops across the globe in which we defined around 6,000 practical measures for its implementation.

Our employees now have a clear understanding of what we want to achieve in the medium and long term. Our partners have a high regard for our goals and our long-term road map, as well as Henkel’s leading position in sustainability which has been repeatedly confirmed over the years in numerous independent international ratings. For example, Henkel has been included in the FTSE4Good index for twelve years. In 2012, we were listed as the leader in our sector in the Dow Jones Sustainability Index for the sixth year in a row and, for the fifth consecutive time, Henkel has been named one of the World’s Most Ethical Companies.

Despite all the progress we have made, we are well aware that we still have a long way to go. In view of the increasing demand on limited natural resources, we must continue to improve while reconciling short-term requirements with long-term objectives. We are convinced that we can succeed in doing so only if we continue to embed sustainability in our business operations and in our daily actions.

In moving ahead, we will focus on involving our employees even more deeply in our sustainability activities, intensifying our collaboration with our partners along the value chain, and further improving our evaluation, steering and communication tools.

We are committed to leadership in sustainability on the basis of a well-defined long-term strategy and a clear objective: Achieving more with less.

*Kathrin Menges*

**Kathrin Menges**

Executive Vice President Human Resources and Chair of Henkel’s Sustainability Council

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Henkel’s Sustainability Council

# Sustainability strategy and management

## Our ambition

Commitment to leadership in sustainability is one of our core corporate values. Through our sustainability strategy we contribute both to sustainable development and to our company's economic success.

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

We are facing immense challenges: By the year 2050, the world's population is expected to grow to 9 billion. The accompanying acceleration in

global economic activity will lead to rising consumption and resource depletion. Competition for the available resources will thus intensify in the coming decades.

## Achieving more with less

Our strategy is based on the Vision 2050 of the World Business Council for Sustainable Development (WBCSD): "In 2050, 9 billion people live well and within the resource limits of the planet." For us as a company, this means helping people to live well by generating value while using less resources and causing less emissions.

This is the idea at the heart of our sustainability strategy: Achieving more with less. We want to create more value – for our customers and consumers, for the communities we operate in, and for our company – while reducing our ecological footprint at the same time. To accomplish this, we need innovations, products and technologies

## Our goal for 2030: Triple our efficiency

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





The Sustainability Council (from the left): Dr. Peter Florenz, Thomas Gerd Kühn, Dr. Andreas Bruns, Bertrand Conquéret, Klaus Keutmann, Carsten Tilger, Kathrin Menges (Chair), Prof. Dr. Thomas Müller-Kirschbaum, Georg Baratta, Marie-Eve Schröder, Dr. Thomas Förster, Enric Holzbacher, Prof. Dr. Ramón Bacardit. The Council steers the development and implementation of our global sustainability strategy. More details on Page 6 and: [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 3

that can enhance quality of life while using less input materials.

### Our ambitious targets for 2030

Our understanding of the Vision 2050 is that we must become five times more efficient by the year 2050. By 2030, therefore, we want to triple the value we create through our business operations in relation to their ecological footprint. To achieve this long-term goal, we will have to significantly improve our efficiency and reduce the environmental footprint made by our products and services.

We summarize this ambition to become three times more efficient as “Factor 3.” One way to achieve this is to triple the value we create while leaving the footprint at the same level. Or we can reduce the ecological footprint to one third of today’s level, achieving our “Factor 3” improvement in efficiency by delivering the same value.

To reach our ambitious goal by 2030 we will have to improve our efficiency by an average of 5 to 6 percent each year. For the period from 2011 to 2015, we thus intend to improve the relationship between the value we create and our ecological footprint by 30 percent overall.

### Focal areas and strategic principles

We concentrate our activities on six focal areas that summarize the challenges of sustainable development as they relate to our operations. In each of these focal areas, we drive progress along the entire value chain through our products and technologies. We have subdivided the focal areas into two dimensions: “more value” and “reduced footprint.” In order to successfully establish our strategy and reach our goals, both of these dimensions must be ever-present in the minds and day-to-day actions of our around 47,000 employees and mirrored in our business processes. We have defined three strategic principles to achieve this: products, partners, and people.

“Our ambition is to achieve more with less. We see this long-term strategy as a core success factor and as a competitive advantage. It strengthens our relationships with customers, drives innovation, and inspires our employees.”



**Kasper Rorsted**  
Chairman of the  
Management Board

## Working together for a sustainable world

Dr. Pete He, a sustainability manager at Henkel North America, presented the sustainability strategy in August 2012 at an event organized jointly by Henkel and Walmart Mexico and Central America. The “Henkel Sustainability Week” provided an excellent opportunity to discuss future joint projects with our customer.



### Internal anchoring of our strategy

In order to communicate and explain our sustainability strategy to all employees, we rolled out the strategy worldwide in 2012. Sustainability can only become an integral part of people’s daily work if all employees understand the underlying principles and have the opportunity to make their own contributions.

At the core of the internal communication drive were the Action Plan meetings. Managers at all hierarchical levels got together with their teams to develop a sustainability action plan for their own particular area, in which they defined both short-term and long-term measures for achieving the sustainability targets on the road to “Factor 3.” The workshops served a two-fold purpose: to communicate the fundamental principles behind our sustainability strategy and to systematically record the contribution that each team would be making to achieve our sustainability targets. In 2012, 670 Action Plan meetings were held and generated around 6,000 proposed measures.

In addition to this, all other communication channels were also used to familiarize employees with our strategy. These included classic materials such as employee newspapers, brochures and presentations, as well as meetings with experts,

poster campaigns, a strong online presence, and a range of special seminars.

### Teaming up for sustainable consumption

An important objective of our strategy is fostering sustainable, resource-conserving consumption. Our products are the key here. They are used daily in millions of households and industrial processes. We thus concentrate on developing products that enable the efficient use of resources such as energy and water.

Through targeted communication we also strive to promote a responsible attitude when using the products. This is especially important as the ecological footprint of many of our products largely depends on their being used correctly.

Besides providing appropriate products, our collaboration with retailers also plays an important role. Retail groups are important partners for Henkel on the road to more sustainable consumption. They offer excellent platforms for informing consumers about more sustainable products and encouraging them to use these products in an environmentally responsible way. In 2012, Henkel launched a number of joint activities with retailers. For example, we organized a sustainability week together with Walmart Mexico and Central America in










August 2012 (see opposite page). The aim of this was to share experiences in sustainable development. To ensure the greatest possible transfer of knowledge, the week at Henkel in Mexico was accompanied by an environmental education campaign.

Education plays a central role for Henkel in this context. In an educational partnership with the German drugstore chain dm (see Page 38), young employees from both enterprises attended a “learning by doing” workshop where they designed their own approaches to find out about

the sustainability of various products. Armed with this knowledge, they then conducted in-store experiments to demonstrate to consumers how the correct use of products can save energy.

The Rewe Dialogue Forum held in Germany in August 2012 also focused on how manufacturers and their retail partners can best communicate with consumers to encourage them to use products responsibly.

**Sustainability targets on the road to “Factor 3”**

Focal area	Targets	Status
	<p><b>Performance</b></p> <ul style="list-style-type: none"> <li>At least 10 percent more sales per production unit by 2015 (base year 2010).</li> </ul>	●
	<p><b>Social Progress</b></p> <ul style="list-style-type: none"> <li>Continuous training and professional development of all employees as appropriate to their tasks.</li> <li>Annual increase of one to two percentage points in the proportion of female managers (see Pages 35 and 36).</li> </ul>	● ●
	<p><b>Health and Safety</b></p> <ul style="list-style-type: none"> <li>A 20 percent reduction in the worldwide accident rate by 2015 (base year 2010).</li> <li>50 percent reduction in solvents used in consumer adhesives by 2020 (base year 2010).</li> </ul>	● ●
	<p><b>Energy and Climate</b></p> <ul style="list-style-type: none"> <li>A 15 percent reduction in energy consumption – and the associated CO<sub>2</sub> emissions – per production unit by 2015 (base year 2010).</li> <li>Regular checks of our production sites to determine whether the use of renewable energy sources is ecologically and economically worthwhile.</li> </ul>	● ●
	<p><b>Water and Wastewater</b></p> <ul style="list-style-type: none"> <li>15 percent less water used per production unit by 2015 (base year 2010).</li> <li>Increase in the proportion of readily biodegradable ingredients in soaps, shower gels and shampoos to 90 percent by 2012.</li> </ul>	● ●
	<p><b>Materials and Waste</b></p> <ul style="list-style-type: none"> <li>A 15 percent reduction in the waste footprint per production unit by 2015 (base year 2010).</li> <li>Ensuring that the entire volume of palm oil and palm kernel oil used in the form of raw materials in our products is covered by certificates from the Roundtable on Sustainable Palm Oil (RSPO) by 2015.</li> </ul>	● ●
	<p><b>Overarching goals for all our focal areas</b></p> <ul style="list-style-type: none"> <li>All new products contribute to sustainable development in at least one focal area.</li> <li>Establishing a recognized measuring system in order to assess the contributions our products make along the value chain and to quantify the progress achieved in our product categories.</li> </ul>	● ●

**Organization and management**

The Henkel Management Board bears overall responsibility for our sustainability strategy and for our compliance organization.

Chaired by a Management Board member and reflecting all areas of the company, the Sustainability Council steers our global sustainability activities as a central decision-making body. Its members represent the business sectors and all corporate functions responsible for putting our sustainability strategy into operational action.

The Compliance organization at Henkel ensures compliance with legal regulations and internal guidelines.

**Globally uniform standards**

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

The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption. Further corporate standards address specific topics such as compliance with competition and antitrust laws; safety, health, environment and social standards, as well as

public affairs. The codes and corporate standards also provide the basis for implementing the United Nations Global Compact, which Henkel joined as early as 2003. [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 5

**Our Compliance organization**

Our Compliance organization, the Code of Conduct and our Corporate Standards are supported by integrated management systems and an organizational structure with clearly defined responsibilities. In 2007, we already merged the previously decentralized compliance departments into one central organization with global responsibility for all preventive and reactive measures.

The Chief Compliance Officer reports directly to the Chairman of the Management Board. In so doing, he is supported by our interdisciplinary Compliance and Risk Committee, the Corporate Internal Audit department, by around 50 locally appointed compliance officers all over the world, and by the Corporate Compliance Office. Our corporate data protection officer is also part of our Compliance organization. Together, this team coordinates the flow of information and helps our employees to implement our requirements – for example, through training courses designed to take local challenges into account.

The Chief Compliance Officer reports on any infringements, as well as the measures taken to deal with them, to the Management Board on a regular basis. Our internal reporting and complaints channels were also augmented by

**Corporate governance**

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

Annual Report  
Pages 25 to 41.  
[www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 4

**Organization for sustainability**



The Sustainability Council, as a central decision-making body, steers Henkel's global sustainability activities. Its members represent the business sectors and all corporate functions. [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 6

a compliance hotline, which was set up to enable employees to report infringements of our Code of Conduct or corporate standards. It is run by an independent external provider and is available in 74 countries.

**Focus on communication and training**

Since we operate on a global scale, our employees find themselves in a variety of legal and value systems. Many of our employees work in countries where, according to surveys by organizations such as Transparency International, there is a greater risk of encountering corrupt practices. Even in such surroundings, the same applies to all employees without exception: Henkel resolutely opposes infringement of laws and standards, and rejects dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday work situations, our compliance programs focus on regular training courses and communication measures. In 2012, we trained more than 11,100 employees around the world in seminars on this subject.

**Compliance as a management task**

Our managers play a key role in regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. Only if our managers are seen to act in an ethically and legally impeccable manner will compliance be and remain a guiding principle for the actions of all employees. For this reason, all of our 9,000 managers across the globe must participate twice a year in our mandatory Compliance e-Learning program which addresses many different compliance topics by looking at practical examples. The main emphasis is on anticorruption and antitrust law. Once again in 2012, almost 100 percent of the managers had completed the set courses.

**Zero tolerance for violations of regulations**

Improper conduct is never in Henkel’s interest. The Management Board and senior management circles at Henkel all subscribe to this fundamental principle. Improper conduct undermines fair competition and damages our trustworthiness and reputation. Our employees attach great importance to a correct and ethically impeccable business environment. We react forcefully to violations of laws, codes and standards. Where necessary, we initiate appropriate disciplinary measures. In 2012, twelve employees received written warnings, and 43 contracts were terminated as a result of conduct violating compliance rules.

**Results of our audit programs**

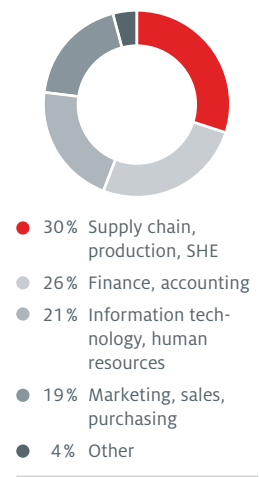
We carry out regular audits at our production and administration sites and, increasingly, at our subcontractors and logistics centers to verify compliance with our codes and standards. The audits are a key instrument for identifying risks and potential improvements.

In 2012, we conducted 57 audits around the world. In the course of the audits, a total of 1,619 corrective actions were agreed upon. The main emphases in 2012 were on pricing and profitability and on our Safety, Health and Environment (SHE) standards. Compliance with the SHE Standards was audited at 54 sites, resulting in the initiation of 413 optimization measures. Maintenance of our Social Standards and our Diversity & Inclusion Policy was an integral part of the audits carried out at 15 sites in different parts of the world.

All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department’s annual report to the Henkel Management Board.

The Internal Audit department itself continues to train our staff in aspects of compliance, risk management, and internal monitoring. In line with this policy, we again trained around 350 employees from all business sectors and functions across the globe in seminars and during our audits held in 2012.

Main focus of audits in 2012  
Percentage distribution of the 2012 Henkel audit program





Yulanda Sun (left), Sustainability Manager at Henkel in China, Jackey Ji of an external auditing agency, and Chris Cai, Purchasing Manager at Henkel, examine the environmental, social and safety standards of Yantai Younno, a supplier of Adhesive Technologies in Yantai, China.

## Joint audits to improve sustainability standards

At Henkel, we assess our suppliers in a comprehensive process that also covers sustainability performance and risks. The systematic expansion of our audit programs for suppliers is thus a key priority for the coming years. In this regard, we aim not only to increase the number of supplier audits conducted, but to improve their transparency and efficiency and help to establish common standards across companies.

Exchanging existing audit results between companies is an important step toward improving sustainability standards in the supply chain and

is the guiding principle of the “Together for Sustainability” initiative that was launched in 2012. Working in collaboration with five other companies in the chemical industry, Henkel’s goal in this initiative is to standardize the assessment of sustainability and the audit criteria for the largely shared suppliers. Besides social standards, the audit scope also includes environmental standards.

The first pilot audits took place in China in 2012 at suppliers of our three business sectors. We post the results of the supplier assessments on a joint, web-based platform. The audit reports are thus available to all member companies and can be recognized by all – in line with the motto: “An audit for one is an audit for all.”

### Working together for a sustainable supply chain

Communication with the audited company is an important aspect of every audit: Qingwen Zhang (left) of Yantai Younno talking to the Henkel employees.



# Purchasing and supplier management

## What we expect from our suppliers and other business partners

We expect our suppliers to conduct themselves in a manner consistent with our sustainability requirements. These are based on our globally applicable corporate purchasing standards and the safety, health and environment standards that we formulated as early as 1997. We thus demonstrated even at that time our commitment to assuming responsibility across the entire supply chain. In selecting and developing our suppliers and other business partners, we consider their performance in regard to sustainability.

## Worldwide purchasing markets

Our supplier base currently includes suppliers and other business partners from about 125 countries. More than 70 percent of our purchasing volume comes from countries that belong to the Organization for Economic Cooperation and Development (OECD). However, we are increasingly opening up new purchasing markets in states that are not OECD members. We place the same demands on suppliers from these countries. Our suppliers are assessed in a comprehensive process that covers sustainability performance and risks as well as key commercial and operating indicators.

## Binding supplier code

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

and hence the principles of the Global Compact – or produced their own comparable code of conduct. To make it easier for our suppliers to respond, we translated our Code of Conduct and all associated questionnaires into ten languages in collaboration with the BME in 2012.

## Setting standards – Leveraging synergies

Henkel has been a member of AIM-PROGRESS, a forum of companies in the consumer goods industry, since 2011. It was assembled in order to promote responsible sourcing practices and sustainable production systems. A key objective of AIM-PROGRESS is that of providing a discussion platform for exchanging views and sharing experience regarding sustainable supply chains.

Another goal is to support effective collaboration and potential convergence with other global initiatives having similar aims or interests. The forum also seeks to develop and promote the use of shared evaluation methods to determine sustainability performance along the value chain. Member companies derive significant efficiency gains through the collection, assessment and sharing of non-competitive information. In particular, this concerns the mutual recognition and sharing of audit results.



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

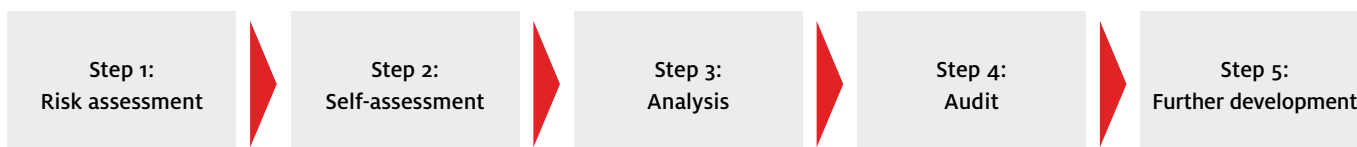
[www.bme.de](http://www.bme.de)



**Carsten Knobel**  
Executive Vice President  
Finance (CFO) / Purchasing

**“We expect our business partners to meet our standards. We also aim to make additional contributions to sustainability through collaboration with our strategic suppliers.”**

## Responsible Supply Chain Process



### Responsible Supply Chain Process

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

#### Step 1: Risk assessment

In 2011, Henkel further developed its early warning system for sustainability risks in global purchasing markets. We begin by estimating the potential risks in a market or a region. In doing so, we concentrate on countries identified by international institutions as being associated with heightened levels of risk. The assessment includes the criteria of human rights, corruption, and the legal environment. We also appraise a second dimension, that of risk value chains. These are industries and sectors that we consider to potentially represent a specific risk for our company. By considering risk countries in conjunction with hot topics, Henkel has identified those of its purchasing markets that pose the highest risks and initiated appropriate measures.

#### Step 2: Self-assessment

We pursue a strategy of supplier self-assessment on the basis of questionnaires. These cover our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anti-corruption. In 2012, the emphasis was on assessing strategically important suppliers in all material categories in the identified risk countries – such as suppliers of key raw materials and packaging materials, as well as business partners in telecommunications and technical materials.

#### Step 3: Analysis

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

#### Step 4: Audit

In this area, we also actively participate in cross-sectoral initiatives with the aim of improving the transparency and efficiency of supplier audits and helping to establish cross-company standards – for example, by encouraging the sharing of existing audit results (see opposite page).

#### Step 5: Further development

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability standards. We strive to initiate positive changes throughout the supply chain, through training programs and joint projects on process optimization, resource efficiency, and environmental and social standards. One example is a project we conducted in 2012 with a supplier of raw materials for vegetable oil derivatives from India. We provided our assessment principles for this supplier to use in evaluating its own suppliers. The supplier now intends to pass this knowledge on to its industry association for vegetable oils, to ensure uniformly high standards. We thus not only train our direct suppliers, but attempt, ideally, to reach an entire industry along our value chain.

On the whole, the strategic suppliers and other business partners that were assessed in 2012 satisfied our expectations. We terminated one supplier relationship because of socially unethical practices.

**Early warning system for risk markets**

One example of a risk market is the purchasing of raw materials for soldering pastes and similar products for the electronics industry. These contain metals – mainly silver, copper and tin – to make them electrically conductive. In some countries, the mining of cassiterite (the main source of tin) is often associated with military conflicts and human rights violations. In recent years, we have repeatedly reviewed our direct suppliers of metals and requested them to supply documentary evidence that they do not purchase or process metals from critical regions.

In 2012, working with external partners, we also developed additional early warning systems that identify risk profiles as early as the assessment phase. These now cover approximately 100 purchasing markets and all risk countries. In the USA and other countries, we are collaborating closely with electronics industry associations to define an official auditing process for metals suppliers. Another example is the purchasing of advertising giveaways, which are often manufactured by third-party suppliers in low-wage countries. To ensure compliance with our sustainability standards in this area as well, we analyze the profiles of the relevant suppliers before awarding any contracts for such goods.

**Collaborating for sustainability**

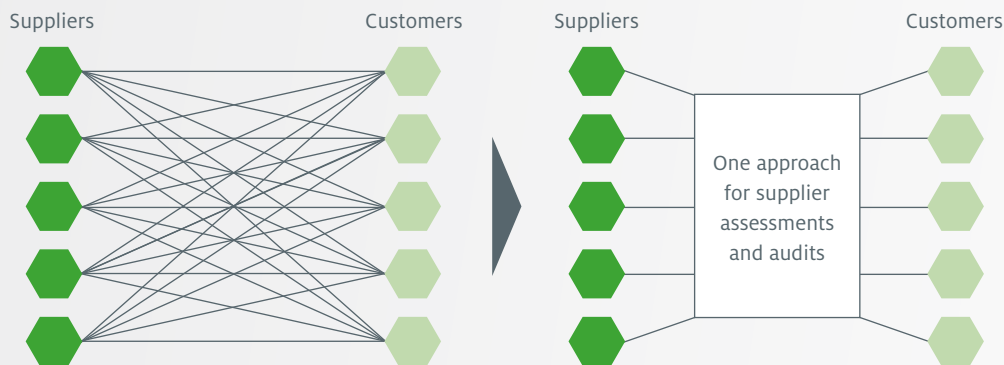
The systematic expansion of the audit program for suppliers will be the main focus of our work in the coming years. In 2012, Henkel and five other companies in the chemical industry established an initiative entitled “Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains.” It is based on the principles of the United Nations Global Compact and the Responsible Care Initiative of the International Council of Chemical Associations (ICCA). The Initiative’s aim is to harmonize the increasingly complex supply chain management processes and to optimize the dialogue between

worldwide business partners. Above all, synergies are to be created and exploited, so that resources can be used more efficiently and with a minimum of administrative effort, not only among the six member companies but with all of our shared suppliers. At the heart of the Initiative is the idea: “An audit for one is an audit for all.” In the future, suppliers will only need to perform one self-assessment or audit. The results of the report will then be shared among the members of the Initiative. The Initiative is managed by the chief purchasing officers of the member companies. Supervision by external antitrust attorneys ensures that no conflicts occur in regard to competition legislation.



[www.ecovadis.com/tfs-initiative/l-en/](http://www.ecovadis.com/tfs-initiative/l-en/)

**Process for standardization of supplier assessments – “An audit for one is an audit for all.”**





Production mechanics Mario Gil (left) and William Moreno conduct random checks on the closures of Syoss bottles in the modernized, energy-efficient cosmetics production center in Bogotá, Colombia.

## Resource efficiency through goal-oriented optimizations

In the Beauty Care business sector's eight production sites around the world, we have successfully carried forward the "Total Productive Management Plus" optimization program. The aim of this approach is to continuously identify and optimize all activities that do not contribute to value creation – not just in our own production processes, but along the entire value chain.

The success of the program is well illustrated by the increase in resource efficiency achieved in the production facilities in Bogotá, Colombia.

A large part of the credit for this is due to our employees. Sustainability has become part and parcel of their daily work and inspires them to continually challenge all existing processes.

Consistent application of the program has, for example, helped us to reduce energy consumption by 22 percent over the past five years. These savings were achieved by a series of measures, including smart lighting and ventilation technologies.

In addition to this, we have succeeded in decreasing the volume of wastewater by some 53 percent over the past five years. This was achieved by installing an automatic barrel washing unit and a pipe cleaning system. The production site has been singled out repeatedly as a best practice leader in recognition of these achievements. The factory produces cosmetic products for The Americas.

### Efficient lighting system

In the warehouse of the Bogotá production site in Colombia, a smart lighting system controlled by photoelectric barriers keeps electricity usage down.





# Production and logistics

## Clear targets for our production operations

Henkel has production sites in 54 countries. Continuously improving our processes and site structures, while simultaneously reducing energy, water and materials consumption and environmental impacts, is an important part of our promise of quality. Keeping our 20-year goal of “Factor 3” in mind, we have set concrete interim targets for our production sites. By 2015, we aim to reduce our ecological footprint by another 15 percent per production unit in each of the focal areas Energy and Climate, Water and Wastewater, and Materials and Waste.

## Worldwide optimization programs

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

For instance, our **Laundry & Home Care** business sector launched an optimization program to reduce energy use in 2012. We had the business sector externally certified in the course of matrix certification to ISO 50001, the international standard for energy management. 15 of our 28 production sites and the corporate steering unit of the business sector were already successfully certified to this standard in 2012. All other production sites will follow by the end of 2013.

We also successfully introduced sustainability scorecards at all production sites with the aim of generating further savings in energy, materials, waste, water and wastewater at our sites.

The **Beauty Care** business sector further boosted its added value at its eight production sites, mainly due to its successful ongoing “Total Productive Management Plus” program (see opposite page). To demonstrate our resource efficiency in production, we had six of our factories certified to ISO 50001, the energy management standard.

As a further important aspect in addition to the ecological footprint, the business sector integrated behavior-based safety training into the program. The aim is to heighten employees’ awareness of the importance of safety and health in the workplace.

Our positive experience at the Bogotá production site in Colombia prompted us to introduce similar elements at all Beauty Care sites in 2012.



## LEED certification

The Laundry & Home Care business sector has had the production building constructed in 2012 in the Hungarian city of Körösladány certified to the Leadership in Energy and Environmental Design (LEED) standard.

The LEED certification confirms that the standards for, among other things, health and environmental protection have been met in the design and construction of our production building.

We are working on the topics of resource efficiency and safety at all of the sites in our **Adhesive Technologies** business sector as well. Increased use of standardized processes and systems is another driver of continuous improvement in production. To achieve this, we are building “multi-technology sites” that help boost efficiency even more through the use of a shared infrastructure. Our largest adhesives production site is currently being constructed on the basis of this concept in Shanghai, China (see opposite page).

We also continued overall consolidation of our global production network in 2012. Despite a further increase in capacities, we reduced the total number of factories by eight to 135.

In 2012, as a result of all our worldwide programs, cuts were achieved in waste at 56 percent of our sites, in water consumption at 52 percent, and









in energy consumption at 49 percent. We are focusing in particular on reducing energy consumption and thus contributing to climate protection, on using less material and generating less waste, as well as limiting water consumption and wastewater pollution (see examples below).

In all three business sectors, our optimization measures aim to reduce the ecological footprint within and beyond our production operations. New warehouse concepts and the production of packaging materials directly on-site where filling takes place reduce transport mileage and thus also contribute to climate protection (see Page 17).

**Globally applicable standards and management systems**

Our worldwide programs are based on globally uniform standards for safety, health, environment (SHE) and integrated management systems.

**Worldwide: Selected examples of contributions to resource efficiency in 2012**

Focal areas	Measures
	St. Louis, Missouri, USA: The laundry detergent site reduced its energy usage by 5 percent by optimizing its compressed air system. This included installation of a highly efficient air compressor with speed control and inspections to reduce losses in the compressed air system.
	Ratibor, Poland: The laundry detergent site recovers the waste heat emitted from its sulfonation system in the spray tower which is used to produce powder detergents. This made it possible to reduce the energy consumption of the spray tower by 20 percent.
 	Port Said, Egypt: The laundry detergent site reduced the amount of electricity used for the warehouse by more than 80 percent by installing a transparent roof and making use of daylight. The site also decreased its water consumption for powder production by 8 percent by reusing water from the liquid production operations.
 	Bogotá, Colombia; Chonburi, Thailand; and Jasminal, Tunisia: Under the “Total Productive Management Plus” program, all cosmetics plants implemented numerous further optimization measures in 2012. In addition to the site in Bogotá (see Page 12), two other Beauty Care sites achieved outstanding results. The factory in Thailand successfully lowered water consumption by 28 percent and waste by 21 percent. In the plant in Tunisia, water consumption was reduced by 7 percent and waste by 22 percent.
 	Salamanca, Mexico: The adhesives site uses all of the wastewater for the cooling tower, which helped to lower water consumption by 35 percent. Steam boiler optimization reduced natural gas consumption by 70 percent.

Other site examples:  
www.henkel.com/sr2012 | 7



### Resource-efficient adhesives production

In mid-2013, our largest adhesives plant in Shanghai, China, will begin serving the market for industrial adhesive technologies in the Asia-Pacific region. Through further development of production processes and workflows, the site's water and energy usage will reflect the latest state of the art in resource efficiency.

The SHE Standards and our Social Standards apply to all sites. We ensure compliance with these standards at the production level through our internal audit program (see Page 7).

We regularly conduct environmental and safety training sessions at all sites. Here, the employees are trained on topics such as protective equipment, fire protection, warehousing, and first aid – often by external specialists as well. Leadership behavior at the local level plays a key role in Henkel's successful focus on sustainability and the implementation of our standards. For this reason, we have developed a special training program for our site managers (see next page).

We have our environmental management systems at the individual sites externally certified, wherever this is appreciated by our partners in the respective markets. At the end of 2012, about 85 percent of the production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

#### Collaboration with subcontractors

Third-party manufacturing constitutes an integral part of our production strategy and is used flexibly for our products and markets. For example, we may use toll and contract manufacturers when entering new markets or introducing new products and technologies. In these cases, the corresponding production volume is often still small. In other circumstances, the use of external

partners helps to optimize our production and logistics network and to increase resource efficiency. Currently, we source about 10 percent additional annual production volume from toll and contract manufacturers.

Our requirements regarding quality, environmental, safety and social standards are an integral part of all contractual relationships and order placements. We monitor the implementation of our standards through audits carried out by our own staff and, increasingly, by specialized third-party service providers. We aim to establish long-term collaborations with our toll and contract manufacturers in order to achieve the best possible results. In the future, we will also be including them in our environmental data recording systems.

In an initial pilot project conducted in 2011, we defined the parameters for energy, water, wastewater and waste together with selected subcontractors and recorded the respective data. In 2012, the Beauty Care business sector further developed the cooperation with several of these subcontractors. On this basis, it is now possible to record and analyze environmental data as well as production performance data on a monthly basis.

## Occupational safety

### Long-term objective: Zero accidents

Occupational safety has the highest priority at Henkel. Our long-term objective of “zero accidents” remains unchanged. We therefore continuously improve our occupational health and safety measures. We had set ourselves an interim target of reducing our accident rate by 20 percent by 2012. Thanks to the great dedication of our employees, we were able to meet this target early. Between 2007 and 2010, occupational accidents had already fallen by 29 percent. Based on the achieved improvements, we have set a further interim target: to reduce the number of occupational accidents at Henkel by another 20 percent by 2015. In 2012, the number of occupational accidents was 1.0 per million hours worked, a very low level by comparison with international figures.

### Behavior-based safety training

To achieve our goal, we insist on strict compliance with our Safety, Health and Environment Standards (SHE). To avoid occupational accidents, we focus on technical measures and on special training programs designed to raise awareness among all employees, especially in production but also in administration. Training sessions and action days are therefore regularly held at all sites.

In 2012, a SHE Day was held by the Adhesive Technologies business sector with all employees in the Africa/Middle East region (see below). As part of its 2012 “Safety Excellence” program, the Laundry & Home Care business sector trained the heads of the production and logistics sites on subjects such as behavior-based safety inspections and analysis of near accidents.

We also conduct training sessions for the staff of contractors working at our sites. Our comprehensive approach to occupational safety has proved effective: 88 percent of our worldwide sites were accident-free in 2012.

### Fatal occupational accidents

As a result of our intensive commitment to occupational safety, the number of accidents at Henkel was reduced even further in 2012. Unfortunately, despite all of our efforts, one fatal occupational accident occurred: An employee of an external company died at a site in India after falling while inspecting an exhaust air cleaning system. This accident shows once again how important it is to insist on compliance with safety regulations and continuously check that this is being done. Another fatal incident occurred in Syria: A field sales representative was attacked and killed during working hours.



### Safety, Health and Environment Day

In 2012, the Adhesive Technologies business sector held a SHE Day with all employees in the Africa/Middle East region. The event raised awareness among employees with presentations, workshops and a SHE card for every employee containing Golden Rules. Shown here are employees from South Africa holding the key ring distributed as part of the campaign.



# Logistics and transport

## Logistics planning for different products

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

## Emissions reduction initiatives

Throughout Henkel we are working to optimize our logistics structures and concepts in order to reduce our transport emissions. The location of warehouses and distribution centers should minimize the distance between our sites and our customers. Wherever possible, we combine transports between individual sites and to central warehouses in order to reduce transport mileage across the entire Group.

To this end, the Adhesive Technologies business sector decided to reduce the number of warehouses in South Africa from eleven to one. The Laundry & Home Care business sector has already successfully put a fully automated warehouse into operation next to our site in Perm, Russia. Thanks to its compact design, this facility uses around 40 percent less energy every year than a conventional warehouse. The warehouse's location next to the production site saves about another 500,000 transport kilometers per year, which is equivalent to roughly 360 metric tons of carbon emissions.

We also cooperate with retail partners and suppliers of other products to increase truck capacity utilization. The Beauty Care business sector, for example, works together with its strategic logistics service provider and customers to optimize truck capacity utilization and so lower carbon emissions. In Europe and the USA, in particular, we aim to transport more and more goods by rail rather than by road. We consider logistics as early

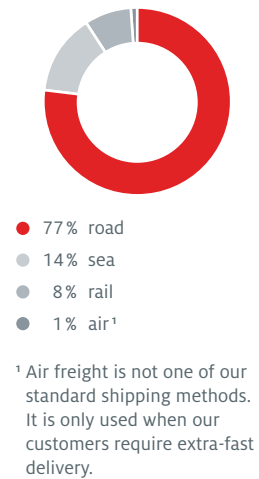
as the product development stage. Concentrates and lighter packages reduce transport weight and hence carbon emissions. We publish measures taken to reduce our transport and logistics emissions on the internet at:

[www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 8

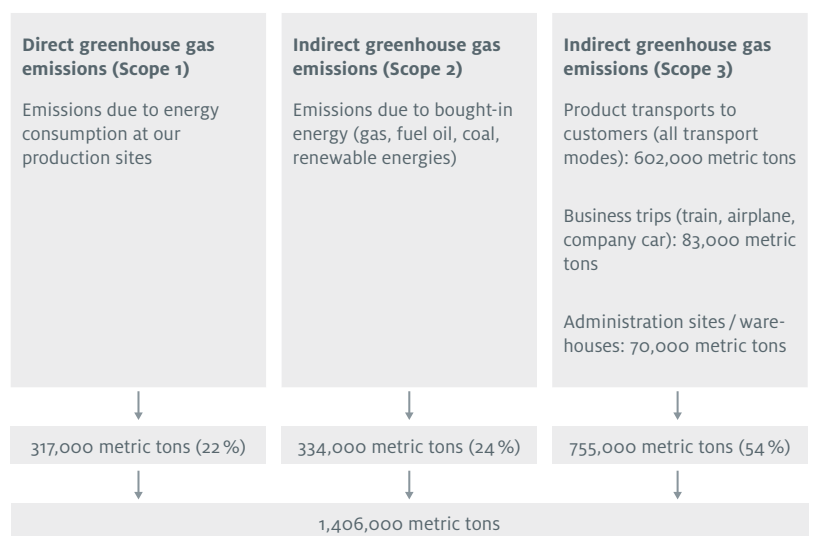
## Requirements on our logistics partners

Worldwide, more than 90 percent of the transport of our products from the production site to the warehouse, and from the warehouse to the customer, is now carried out by external logistics companies. When selecting our transport partners, we consider their efficiency and environmental performance. Since 2010, our purchasing departments have been incorporating corresponding criteria in their inquiry processes and invitations to tender for logistics services. These include the definition of energy-saving targets, measures for modernizing vehicle fleets, and investments in programs for optimizing routes and determining emissions.

Product transports per transport mode in 2012



## Overall picture: Our operational carbon footprint in 2012



Henkel's own carbon dioxide emissions are primarily caused by energy generation and consumption. Other carbon emission sources are not relevant for our business operations. The same applies to emissions of other greenhouse gases. They account for less than one percent of the Scope 1 and Scope 2 emissions. Scope 3 emissions, especially those associated with raw materials and product use, are calculated at the product level.

# Sustainability stewardship

## Innovation management

Product innovations play an essential role if we are to decouple better quality of life from resource consumption. This is why one of the strategic principles for implementing our sustainability strategy is: “our products.” They should offer customers and consumers more value and better performance while having a smaller ecological footprint. For us, this is not a question of developing individual “green” products where only the ecological profile has been improved. Our aim is to continuously improve all products across our entire portfolio, taking every aspect into account. This requires a high degree of innovativeness.

In 2012, Henkel employed about 2,700 people in research and development and invested 408 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, our focal areas have been anchored in the Henkel innovation process since 2008 (see graphic at bottom).

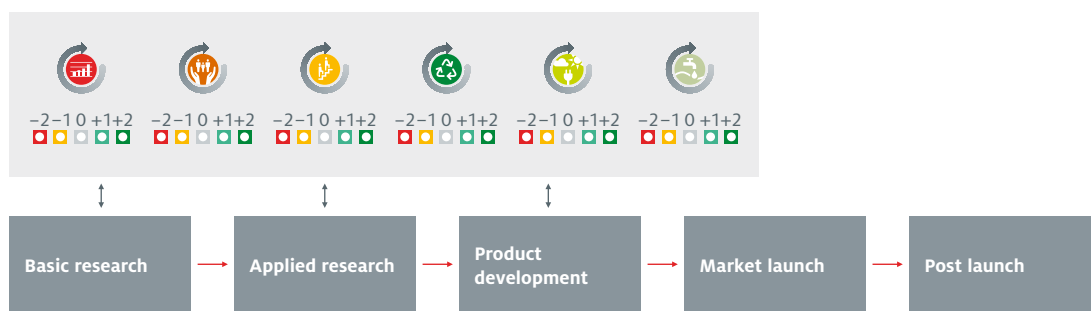
## Measuring sustainability

At Henkel, we focus on developing various measurement methods to identify where we can have the greatest impact on sustainability in the value chain to meet the goal of optimizing our “Value” and “Footprint” dimensions. We then use the results to develop suitable improvement measures. Only by considering the entire life cycle can we ensure that the action taken will improve the overall sustainability profile of our products.

To further develop and simplify the analysis methods – including those for determining the carbon and water footprint of products – we work with external partners. For example, we take an active part in the Sustainability Consortium and the Measurement Group of the Consumer Goods Forum.

To make it possible to measure sustainability, we have developed various instruments that come together in the Henkel Sustainability#Master. We developed this tool together with the Wuppertal Institute Collaborating Center on Sustainable

## Sustainability evaluation in the Henkel innovation process



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

Consumption and Production (CSCP) in Germany and have used it in a variety of different ways to conduct dialogue with retail partners, non-governmental organizations, research institutions and other stakeholders.

At the heart of this evaluation system is a matrix that can be used to assess changes in the “Value” and “Footprint” dimensions. What are known as hot spots can be identified for every product category on the basis of scientific measurement methods, e.g. life cycle analyses and empirical data. These are the fields with the greatest relevance for sustainability – this applies to both the “Value” and the “Footprint” dimension (see graphic). The matrix can also be used to compare the sustainability profile of two products or processes (see Pages 25, 29 and 33), thus allowing changes to be quantified. Henkel’s researchers use these findings for innovation and continuous product improvements. More information on the Henkel Sustainability#Master and life cycle analyses can be found at: [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 9

**Product and consumer safety**

Our customers and consumers can be certain that our products are safe when used as intended. All raw materials and finished products are subjected

to numerous assessments and tests to ensure a high level of safety during production, use and disposal. This is based on ensuring compliance with legal regulations and farther reaching Henkel standards.

Our product developers and experts for product safety assess ingredients according to the latest scientific findings and concrete safety data. They continuously track Henkel products on the market and incorporate the insights gained into the assessments. In addition to considering the basic hazard potential of a substance, our safety assessments focus especially on the actual concentration in the specific formulation and the conditions of use. The safety of chemical ingredients in products is frequently the subject of heated public debates. These always give Henkel cause to review the assessments with particular care. The use of substances with certain dangerous properties is precluded for specific applications from the very start. In other cases, we work to further improve health compatibility by developing alternative ingredients (see Pages 27 and 32).

**Innovation and alternative test methods**

Henkel has been carrying out successful research since the early 1980s to develop new methods for testing raw materials and products

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

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

**Footprint**

The matrix is at the heart of the Henkel Sustainability#Master – a tool for sustainability assessment of products and processes. The matrix is based on the individual steps of our value chains and on our six focal areas. The goal is to increase the value of the product and simultaneously reduce its footprint. Hot spots can be identified for every product category on the basis of scientific measurement methods. These are the fields with the greatest relevance to sustainability – this applies to both the upper “Value” dimension and the lower “Footprint” dimension.

for their biological effect and compatibility. Advanced molecular biological methods are used to thoroughly investigate aspects such as the effect of raw materials on human skin cells so that optimized formulations can be created. This is one of the basic prerequisites for successful product innovations.

One of our primary goals is to be able to answer questions about the safety of our products and the ingredients we use exclusively without animal testing. As a matter of principle, Henkel only uses animal testing if this is stipulated by legal regulations and there are no accepted alternative test methods available for obtaining the necessary safety data.

Questions regarding the skin compatibility of ingredients are now also investigated with the help of in vitro tests. In vitro tests, such as the skin model (technical name: epidermis model), have been developed by Henkel over the past decades in collaboration with external partners and submitted for acceptance as alternatives to animal testing to the “European Union Reference

Laboratory for Alternatives to Animal Testing” (EURL ECVAM). Official acceptance is an essential prerequisite for global use of this method which Henkel does not just wish to utilize itself, but also to make accessible to others.

Henkel plans to make the results of this research freely accessible in an open source model and to make the method available free of charge to biologists and lab technicians, for instance in trade journals. With this decision, Henkel is taking an important step toward global use of alternative test methods. Scientists at Henkel are currently working with Fraunhofer researchers to make it possible to not only produce the skin model, which is as large as a 1-cent coin, individually in the laboratory but also in machines in the future. The process will be more efficient and allow larger quantities to be produced.

#### Responsible use of raw materials

Henkel is committed to responsible management of raw materials, and especially the conservation

#### Examples of sustainability in our packaging development



##### Le Chat Eco Gel – Optimized bottle for liquid laundry detergent concentrate

Since 2012, we have been offering highly concentrated liquid laundry detergent gel in a new bottle under the Le Chat brand in France and under the Persil brand in other European countries. The bottle weighs 43 percent less than a conventional one, which considerably reduces its carbon footprint.



##### Fa – Deodorant spray can made of recycled aluminum

The production of aluminum cans is relatively energy-intensive. In 2013, we will therefore begin using Fa deodorant spray cans containing roughly 25 percent recycled aluminum. This will significantly reduce the carbon footprint, besides decreasing the weight of the cans by up to 10 percent.



##### Ceresit – Tiling adhesive packaging made of tear-proof polyethylene

Traditional paper sacks for tiling adhesives can rip easily during transport. Ceresit tiling adhesive now comes in packaging that is not only waterproof but tear-proof as well, thanks to the 20-kilogram sack made of 100 percent polyethylene (PE) that was introduced in 2012. The plastic sack also makes it possible to empty the tiling adhesive with Stop Dust technology, leaving no residue behind.



of natural resources and biodiversity. We have used ingredients based on renewable raw materials for many years to optimize the overall characteristics of our products, wherever this is compatible with environmental, economic and social considerations. Renewable raw materials are already key ingredients in many of our products, such as soaps, shampoos, glue sticks and wallpapering adhesives. More than 30 percent of the ingredients used in the surfactants (washing active substances) in our laundry detergents are derived from renewable raw materials. This is a case of indirect use, as Henkel sources raw materials such as palm kernel oil through its surfactant and raw materials suppliers.

**Progress made for palm oil and palm kernel oil**

Palm oil and palm kernel oil are excellent examples illustrating the importance of taking a responsible attitude toward the use of plant-based ingredients. To promote sustainable production of palm oil and palm kernel oil, Henkel has participated in the Roundtable on Sustainable Palm Oil (RSPO) since 2003. In 2008, we became the first company worldwide to purchase RSPO certificates for selected products. These certificates are one way to promote sustainably managed palm oil plantations.

The small amounts of palm oil and palm kernel oil that are used as direct inputs for our products have been covered by such certificates since 2010. In 2012, Henkel was audited for the second time by Control Union, which confirmed our exemplary compliance with the RSPO standards for the purchase of certificates for sustainable palm and palm kernel oil production.

Henkel’s target for 2015 is to have all of the palm oil and palm kernel oil supplied in the form of raw materials for direct and indirect use in the products of all our business sectors covered throughout by RSPO certificates. In 2012, our Laundry & Home Care business sector already covered its entire range of laundry detergents and household cleaners worldwide with RSPO certificates. In parallel, we maintain a continuous dialogue with our raw materials suppliers to encourage them to switch their production processes to sustainable palm oil and palm kernel oil as soon as possible.

Since early 2011, we have also been an initiator of the Forum on Sustainable Palm Oil. The goal

of this initiative – a collaborative effort of manufacturers, retailers and non-governmental organizations in Germany, Austria and Switzerland – is to promote sustainable palm oil production. Its work is based on the standards defined by the RSPO, which it intends to refine and amplify.

Henkel is also one of the signatories to a resolution passed by the Consumer Goods Forum to fight global deforestation and protect biodiversity. The member companies have committed to take individual and concerted action to stop global deforestation by 2020. For us, this relates especially to raw materials such as palm and palm kernel oil. [www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com)

**Preventing packaging waste**

Throughout the company, we follow three basic principles – prevention, reduction, recycling. In order to extend our leadership in sustainability to our packaging development as well, we defined comprehensive targets in 2011 for the coming years.

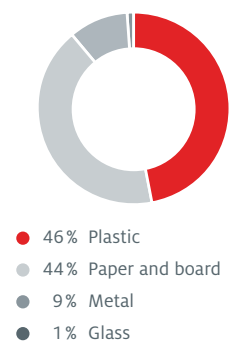
The packagings of our consumer products fulfill many different functions: They ensure the hygiene and intactness of the products, protect them from external influences, provide space for necessary consumer information and often play an important role in the purchasing decision through attractive packaging design and shelf appeal. Our packaging developers work constantly to design smart packaging while using the least possible amount of material so as to minimize the volume of waste.

In keeping with the concept of “smarter packaging,” we offer ready-for-sale Dial hand soaps with displays on pallets and no secondary packaging. And, for the toilet rim block WC Frisch Kraft-Aktiv (Bref “Power Aktiv”) we were able to lower the amount of plastic used for the product packaging by 55 percent.

We also rely on materials that can be recycled in public recycling systems. In Germany alone, we were thus able to lower the volume of our packaging material by around half since the 1980s. We are also actively committed to preventing and recycling packaging waste in other countries. In the Czech Republic, Henkel is involved, for example, in the EKO-KOM recycling initiative.

Targets to reduce packaging footprint for consumer products: [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 10

Henkel’s packaging footprint 2012<sup>1</sup>



<sup>1</sup> Approximately 506,000 metric tons (estimate based on expenditures for packaging materials).



Jaroslava Haid-Járková,  
General Manager of Henkel  
in the Czech Republic and  
sustainability ambassador,  
at a pilot lesson with  
children in Prague.

## 1,000 ambassadors for a more sustainable world

Looking for ways of involving employees more intensely in sustainability, we developed the idea in the Laundry & Home Care business sector of making employees into sustainability ambassadors. To do this, we train these employees to enable them to competently convey the topic of sustainability to their co-workers, suppliers, customers and consumers, as well as to students.

The program was launched in July 2012. Since then, in online seminars, more than 500 Laundry & Home Care staff members have obtained an overview of the global challenges involved in

sustainable development and of Henkel's own concrete sustainability strategy. By the end of 2013, we want to qualify more than 1,000 sustainability ambassadors.

In 2012, Laundry & Home Care also developed a program in which sustainability ambassadors explain to elementary school students what sustainability really means and how every individual can make a personal contribution to it. With an interactive, specially prepared program, the students learn, for example, how they can save water and energy in the bathroom and when doing laundry.

We tested the program in a broad-based international pilot phase in Germany, the United Arab Emirates, and the Czech Republic. We will roll out the school project globally in 2013 with the help of our sustainability ambassadors.

### Pilot schooling

Nine children at the Kolovraty Elementary School received a certificate of participation from the two Henkel sustainability ambassadors Jaroslava Haid-Járková and Jan Zelizko.



# Laundry & Home Care

## Innovations with a reduced footprint

Our consumers expect products to satisfy the criteria of quality, environmental compatibility and social responsibility in equal measure. And this is also our aim. Our brands combine excellent performance with responsibility toward people and the environment. We view this combination as the driver for innovations and the basis for our future competitiveness. The principle is applied as early as the product development stage. Each new product must make an additional contribution in at least one of our six focal areas. In research collaborations, we are working toward developing sustainable innovations even more quickly in the future and ensuring that our products will have the same outstanding quality worldwide.

## Focus on the use phase

An important objective of our strategy is fostering sustainable, resource-conserving consumption. Our products are the key here. They are used daily in millions of households and often require water and energy to do their job. We thus concentrate on developing products that enable the efficient use of resources such as energy and water. Through targeted communication we also try to promote responsible use of the products. This is especially important because as much as 70 percent of the ecological footprint of our products is generated during their use. Current examples of energy-efficient products are Somat 10 and our low-temperature laundry detergents. Persil Megaperls and Purex Cold Water, for instance, are laundry detergents that deliver their full cleaning power even at low washing temperatures. Washing at 30 degrees Celsius reduces carbon emissions in the use phase by more than 65 percent as compared with washing at 60 degrees Celsius. One example of the efficient use of materials are the Mega-Caps, the pre-dosed liquid laundry detergent concentrates we launched in

2011, that were further developed in 2012 into Persil Duo-Caps (see Page 25).

Besides developing better products and solutions, we want to make it easier for consumers to make responsible purchasing decisions. Through targeted communication on the internet, we point out the advantages of our products. We also encourage resource-efficient use by means of our resource calculators for laundry at [www.persil.de](http://www.persil.de) and for dishwashing at [www.pril.it](http://www.pril.it).

**“Our program for sustainability ambassadors helps our people to understand sustainability even better, to experience it on a personal level, and to integrate it into their daily activities.”**



**Bruno Piacenza**  
Executive Vice President  
Laundry & Home Care



## Pril Econometro

Due to the improved solubility of the Pril 10 tabs distributed in Italy, the active ingredients are released more quickly in the dishwasher. This improvement significantly boosts dishwashing performance in low-temperature cycles. At [www.pril.it](http://www.pril.it) consumers can estimate the energy used by a dishwashing cycle and calculate possible savings in energy and money.

### Bref / WC Frisch "Power Aktiv"

With its four active pearls and its patent-pending technology, Bref "Power Aktiv" – known in Germany under the brand name WC Frisch Kraft-Aktiv – ensures a thoroughly cleaned toilet. The toilet rim block already combines powerful cleaning action with responsibility toward the consumer and the environment in more than 40 countries. Bref WC "Power Aktiv" is the first and only toilet rim block product to come with a child-proof holder. The amount of plastic material used in the product packaging has been reduced by 55 percent. The product also contributes to resource conservation, as the energy required to manufacture it has been cut by 20 percent.



cleans delicate garments, but provides care and protection to the fibers as well, while also acting directly to prevent roughening and graying. By further optimizing the selection of raw materials, we have been able to make another contribution to resource conservation and helped to reduce carbon footprints.

The "Re-new effect" assures optimal color reflection, rejuvenating faded synthetic and natural textiles. The fine-pored foam also cushions garments against mechanical action inside the washing machine drum. The effects are evident after just a few washes. The colors of faded garments begin to regain their intensity. In addition, the formula of these laundry detergents protects delicate fabrics against further yellowing and graying. This helps to prolong the life cycle of garments, especially those that are washed frequently.

### Strong partnerships with retailers

Cooperation with our retail partners was a priority for us in 2012. Retail chains like Rewe, dm, Carrefour and Walmart are important partners for Henkel on the road to more sustainable consumption. They provide us with excellent platforms for informing consumers about more sustainable products and how to use them in an environmentally responsible way.

As one example of these activities, Henkel took part in the third Sustainability Week of the Rewe Group. In direct talks with the various stakeholders at the forum, Henkel was able to discuss solutions that can lead to greater sustainability. Henkel began an education partnership with the German drugstore chain dm in September 2012. At "event stations" in dm drugstores, trainees from both companies conduct easily understandable experiments to demonstrate sustainability (see Page 38).

### Perwoll with "Re-new effect"

The innovative formulations of the laundry detergents with "Re-new effect" for black, colored or white delicate fabrics are sold under the Perwoll, Fewa, Mir Couleurs, Micolor and MAS Color brands. Used by consumers all over Europe and Latin America, their special anti-pilling technology results in significantly smoother fibers, thus producing better light reflection and glowing colors. The novel formula not only

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

In 2005, Henkel became the first company to fulfill the criteria of the A.I.S.E. Charter for Sustainable Cleaning. More than 194 companies have now joined this initiative. All companies that sign the Charter pledge to continuously improve their processes and to report annually on their economic, environmental and social advances, using defined indicators. Together, these indicators now reflect more than 85 percent of the European tonnage of laundry and home care products.

As part of its further development, the A.I.S.E. Charter was expanded in 2010 to include the dimension of products. It is now possible to show not only that a product was manufactured by a company with sustainable business practices, but that it has a progressive sustainability profile itself. In the laundry detergents category, for example, four criteria are of particular importance: environmental safety of the ingredients; resource efficiency with regard to dosage and packaging materials; washing performance at low temperatures; and consumer information.

Only products that satisfy all of the defined requirements may communicate this to consumers on their packaging by means of a new A.I.S.E. Charter logo introduced in July 2011. These include our liquid and powder laundry detergents and our fabric softeners.



Since July 2011, Henkel has been using the A.I.S.E. Charter logo in its product communication.  
[www.cleanright.eu](http://www.cleanright.eu)

### Responsible management of raw materials

Henkel has been using ingredients based on renewable raw materials for decades. In 2012, the share of washing active substances – surfactants – in our laundry detergents and household cleaners consisted of more than 30 percent of renewable raw materials. This is clearly above the average in the laundry and home care industry as a whole.

We are aware of our responsibility regarding the purchase and use of these raw materials. We have therefore been participating in the Roundtable on Sustainable Palm Oil (RSPO) since 2003, actively working to encourage the sustainable production of palm oil and palm kernel oil. We also promote improved cultivation conditions for other alternative plant-based oils, such as coconut oils, in the countries in which they are produced. For our laundry detergents and household cleaners, 100 percent of the palm oil and palm kernel oil supplied as raw materials for direct and indirect use in our products was already covered by RSPO

certificates in 2012. The Laundry & Home Care business sector has thus achieved the Henkel target ahead of schedule (see Page 21).

### Innovations for laundry detergents of the future

Laundry & Home Care cooperates with research establishments and other enterprises in order to be involved at a very early stage in the development of new products. Since 2012, we have been collaborating with the 4SC Discovery company to identify new, innovative laundry detergent ingredients. Laundry & Home Care presents annual awards to honor the most sustainable innovations by its cooperation partners: In January 2012, Novozymes received the Best Innovation Contributor Award for sustainable enzyme compounds which deliver better product performance at low temperatures. Monosol was also recognized with a Sustainability Award for the development and supply of the water-soluble films for the Mega-Caps and for its collaborative efforts in determining the carbon footprint.

### Henkel Sustainability#Master – Persil Duo-Caps compared with Persil liquid laundry detergent bottle

Henkel launched its two-chamber liquid laundry detergent capsules in 2012. The pre-dosed Duo-Caps have a 100 percent water soluble and biodegradable film. The ingredients are in two separate chambers, so that they are protected and stable until needed. This means that they can produce outstanding washing results, even at low temperatures. The pre-dosed detergent with its practically

waterless formulation is extremely easy to handle, prevents overdosing, and requires 70 percent less packaging. The product thus contributes to resource conservation and reduces the carbon footprint by about 15 percent. The following matrix shows the improvements of the Duo-Caps sustainability profile.

Value	Raw materials	Production	Logistics	Retailing	Use	Disposal
Performance			More efficient loading		Cleaning performance	
Health and Safety						
Social Progress					Easier handling	
Materials and Waste	Less petro-chemical raw materials	Reduced packaging		Secondary packaging	Reduced dosage	Less plastic packaging
Energy and Climate	More targeted raw materials selection		Reduced emissions		Washing temperature	
Water and Wastewater		Less water due to greater concentration			Water requirement in washing machine	

Footprint

Significant improvement  No improvement





Discussing “smart” formulations that use less resources (from the left): Martina Spinatsch, Jens Hainmüller, Marina Vodicka, Karol Westhoff and Dr. Thomas Hippe of Beauty Care.

## Our “Path to Sustainability Excellence” program

To implement the company’s sustainability strategy – achieving more with less – the Beauty Care business sector has set up a program called “Path to Sustainability Excellence.” The program includes all of the involved areas and builds on strategic partnerships with manufacturers and suppliers of raw materials as well as retailers, and on consumer education.

An important approach in reducing the ecological footprint is the development of “smart formulations.” By this we mean optimizing existing products so that we can achieve the desired results

through combinations of active ingredients while using less resources.

As part of the “Path to Sustainability Excellence” program, we carry out life cycle analyses for the various product categories. They indicate which areas offer the greatest potential for improvement. For our products that are rinsed out after use, for example, we were thus able to show that the use phase demonstrated the greatest potential for reducing energy consumption.

In order to make our consumers aware of the environmental impact their behavior can have when doing everyday things such as showering, blow-drying their hair, brushing their teeth, and washing their hands, we have further developed our Resource Calculator. Consumers can thus quickly see how they themselves can influence the carbon footprint of a product. [www.schauma.com](http://www.schauma.com)

### Resource Calculator

It is consumers who have the greatest influence on the amount of energy consumed in their bathrooms. The interactive Resource Calculator gives them an opportunity to find out online how they can use less energy.



# Beauty Care

## Implementing the Sustainability Strategy 2030

With our sustainability strategy, we defined three strategic principles: products, partners, and people. To better achieve the 2015 targets, Beauty Care has fleshed out these strategic principles and has established its “Path to Sustainability Excellence” program as a means of anchoring Henkel’s sustainability strategy throughout the business sector. This program covers all business and decision-making processes and includes all areas such as marketing, research and development, purchasing, production, logistics, and sales and distribution. Cooperations have been set up to involve suppliers, retailers and consumers in the program as well.

The key to implementing the principles in practice is the ongoing optimization of our cosmetics products. Enhancing our resource efficiency has been firmly integrated into the product development processes of the Beauty Care business sector. Our high rate of innovation ensures that even small advances will help us to achieve our sustainability targets. To promote sustainability systematically along the entire value chain we collaborate very closely with our strategic partners.

Our employees play a pivotal role in ensuring the successful implementation of our sustainability strategy. Through their daily work, each one of them contributes to sustainable development.

## Quality of life through innovative products

Achieving a better quality of life and wellbeing for as many people as possible is a universal social and political goal. In addition to the social benefits that cosmetic products offer, such as hygiene for the skin, hair, and teeth, they contribute primarily to the emotional aspects of quality of life. For example, cosmetic products foster a well-groomed appearance or emphasize one’s

individual style. Our cosmetics and toiletries, which are used daily by millions of people worldwide, make a valuable contribution in this respect.

We have analyzed the various approaches for developing innovative and sustainable products and, where appropriate, we have incorporated these in our internal objectives and firmly integrated them in our workflows. In accord with our six focal areas, we seek to reduce our ecological footprint by teaming up with partners, for example, to look for alternative raw materials or for improved manufacturing processes for our raw materials and products. This primarily enables

“Our aim is to develop innovative products that can be made using even less raw materials while helping to enhance people’s quality of life, wellbeing and health.”



**Hans Van Bylen**  
Executive Vice President  
Beauty Care

## Diadermine High Tolerance

More than 30 percent of all women in Europe have delicate or sensitive skin. Diadermine High Tolerance is one of the first lines of care products developed specifically for this target group in collaboration with the dermatological clinic of the Charité Hospital in Berlin, Germany, and the European Centre for Allergy Research Foundation (ECARF). They contain ingredients that are especially skin-compatible, soothing, and moisturizing, and that contain no dyes or preservatives. The line includes cleansing and care products. This innovation permits us to offer highly efficacious products to consumers with sensitive skin. [www.diadermine.de](http://www.diadermine.de)





### Collaboration with partners

The Beauty Care business sector has been working for years with its strategic logistics service providers to optimize logistics operations and thus lower carbon emissions. To this end, we cooperate with customers, in order to increase the capacity utilization of trucks. We analyze orders with the customers, and our logistics partner loads the trucks accordingly. This has made it possible for us to increase utilization by 25 percent.



us to decrease energy consumption and the carbon footprint. We achieve our goal of reducing wastewater pollution by continuously increasing the share of readily biodegradable raw materials.

#### Taft Power V12 Speed Gel

The innovative Taft Power V12 Speed Gel for hair styling impressively unites better resource efficiency with significantly increased product performance.

Compared with our standard hair gels, this product offers consumers much more: extremely strong hold for 48 hours, noticeably faster drying, and a large variety of styling options. Thanks to the smart formula, it has been possible to reduce the content of the styling polymer by 15 percent versus our internal standard. Taft Power V12 Speed Gel is also extremely economical, so that relatively little gel is needed to create a hairstyle.

The ecological footprint for one styling gel application is substantially reduced by the use of Taft Power V12 Speed Gel. The more efficient use of raw materials has an impact on the carbon footprint in various phases of the product life cycle, reducing it significantly overall. This product therefore provides an excellent example of how our sustainability strategy works.

#### Advice for consumers and hairdressers

Comprehensive advice for consumers goes hand in hand with product safety. An advice hotline

has therefore been set up in every country in which our products are sold, so that consumers can be provided competently and quickly with reliable information about product properties or ingredients. In Europe alone, this results in about 180,000 consumer contacts each year. Most queries are about the effects our products achieve and how to use them. All product-related feedback is documented in our quality assurance system and channeled into our ongoing product development processes.

We also support our professional hairdressing customers with training courses and information. Through the international Schwarzkopf Academy (ASK), we offer an advanced vocational training program to support our hairdressers in various ways, including instruction on the proper use of our products. [www.schwarzkopf-professional.com](http://www.schwarzkopf-professional.com)

#### Resource-efficient consumer behavior

Consumers have a decisive influence on resource consumption and the related carbon footprint. This is indicated by life cycle analyses, empirical data, and the assessments of external experts. It is especially true of products that are rinsed off after use, mainly because of the energy required to heat the water.

With Beauty Care's interactive Resource Calculator, consumers can find out online how water consumption, the ecological footprint and the cost for showering, bathing, drying one's hair, brushing one's teeth, and washing one's hands can change, and can adapt their own behavior accordingly (see Page 26). Our contribution to directly influencing resource efficiency in the last phase of the product life cycle – that of disposal – focuses on minimizing the amount of material used to formulate the products and make the packaging, as well as on using recyclable packaging materials.

#### Systematic improvement of our products

We assess the environmental impact of our products throughout their life cycle in order to develop sustainable innovations and to systematically improve our product portfolio. To estimate their ecological footprint, not only the formulation ingredients must be considered, but also the packaging and transport, the manufacturing and filling processes, logistics, and all activities



The innovative formulation of Taft Power V12 Speed Gel contains 15 percent less polymers than our standard hair gels and offers much better performance with its 48-hour hold. This is how we achieve more with less.



involved with retailing and shopping, as well as use by the consumer and disposal.

As a first step, we have calculated the carbon footprint for the key categories of our cosmetic products for the “Energy and Climate” focal area. This covers all the climate-relevant greenhouse gas emissions along the value chain of a product – that is, from purchasing the raw materials to manufacture and use to disposal. The results allow us to define areas for improvement in each category. For example, the manufacture of aluminum cans for our hair sprays and deodorants is relatively energy-intensive. We therefore investigate whether alternative materials, such as recycled aluminum, could reduce the carbon footprint here (see Page 20).

A decrease in the carbon footprint of the individual formulation ingredients generally requires collaboration on the part of their manufacturers, while we ourselves have a direct influence on the composition of the raw materials, in other words, by developing “smart formulations.” Ideally, these should also reduce greenhouse gas emissions during production, as is the case with those suitable for processing with cold emulsion technology, for example.

Our opportunities of directly influencing the final phase of the product life cycle – disposal – are limited. Nevertheless, even in this phase, we do help to achieve an even smaller carbon footprint through optimized “smart” formulations and recyclable product packaging with minimized material usage.



Dial Triple Moisture Body Wash has an optimized formula: Active care ingredients based on renewable raw materials and the use of concentrated surfactants – washing active substances – reduce the carbon footprint.

### Henkel Sustainability#Master – Right Guard as compared with the predecessor product

The Henkel Sustainability#Master shows the sustainability profile of the new Right Guard Invisible Power antiperspirant. The innovation is based on a water-soluble active ingredient. Its inclusion makes it possible to formulate an antiperspirant as an emulsion. This new technology provides compelling advantages for the consumer: a reliable, long-lasting

antiperspirant effect and stain-free clothing. In the production of this active ingredient, the greatly reduced dust level is a significant advantage for work safety. Furthermore, this eliminates the energy input previously needed for the spray-drying of the conventional powder active ingredient. The result is a reduced ecological footprint.

Value	Raw materials	Production	Logistics	Retailing	Use	Disposal
Performance					Stain-free clothing	
Health and Safety		Reduced dust exposure	Use of propellant gas		Water-soluble formulation	
Social Progress						
Materials and Waste	Solvent-free formulation					
Energy and Climate	Reduced energy input					
Water and Wastewater						



Footprint  Significant improvement  No improvement



John Meccia (right), Vice President Paper Converting at Henkel in the USA, talking with Matthew Cook, President of LBP Manufacturing, the manufacturer of the EarthSleeve.

## New multi-functional adhesive reduces resource usage

LBP Manufacturing of Chicago, IL (USA), and Henkel have joined forces to develop the new EarthSleeve for Starbucks. Use of the new multi-functional Henkel packaging adhesive reduces the resources needed to produce this new paper hot-cup sleeve by 34 percent.

The challenge for the Henkel team was to develop the hot-cup sleeve together with LBP so that it would protect the hands of Starbucks customers from heat as reliably as the previously used sleeve design while requiring less corrugated paper. Such sleeves have traditionally been made by

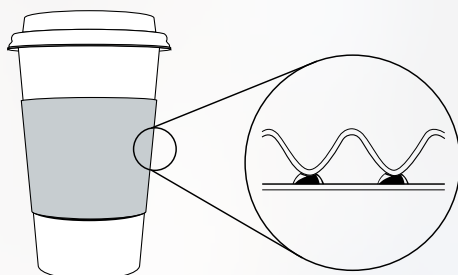
bonding together two layers of corrugated paper. The new EarthSleeve uses thinner layers and thus less material. This has been made possible by the new multi-functional Henkel adhesive which not only bonds the two layers of paper together but provides heat insulation at the same time.

In addition to the considerable reduction in material usage and the 85 percent recycled fiber content, the EarthSleeve also decreases the environmental impact resulting from the transport of the lighter hot-cup sleeves, and is fully compostable as well.

The EarthSleeve is currently being introduced in Starbucks locations in the USA and Canada and plans are in place to use it worldwide in the future. This collaboration with LBP shows that the integration of resource efficiency into the development process generates more value for our customers while reducing the ecological footprint. [www.henkelna.com/paperconverting](http://www.henkelna.com/paperconverting)

### Adhesive innovation

The new hot-cup sleeve can be manufactured with 34 percent less paper thanks to the multi-functional Henkel adhesive and thus helps to increase resource efficiency.



# Adhesive Technologies

## Global number one

Our products and services have a worldwide presence. Thanks to the breadth of our portfolio, they are used in many different markets. These include the packaging, metals, automotive and electronics industries as well as aerospace applications. Our products can be found in many objects that touch our lives every day: from packagings, books, cell phones, furniture and shoes to cars and airplanes.

Adhesive Technologies is the global leader in adhesives, sealants and surface treatments. This applies just as much to technological and environmental aspects as it does to the health compatibility of our products. As a result, we are in a position to combine economic benefits for our customers with responsibility toward people and the environment.

## More value for our customers

In our view, sustainability and efficiency are inseparably linked. Our long-term goal is not only to triple our own efficiency, but to help our customers to boost their efficiency as well. We continuously optimize our products so that they deliver more value to our customers and help them achieve their own sustainability goals. Often, our solutions combine economic benefits with progress in the areas of environmental protection as well as occupational health and safety and consumer protection.

With our packaging adhesive Technomelt Supra 1000, for example, we are demonstrating our constant dedication to supporting the packaging industry. The Henkel product helps to improve sustainability performance at our customers, since up to 40 percent less adhesive is required for the same volume of packagings. Moreover, the superior quality of the adhesive reduces the reject rate.

Together with the TimberTower company, Henkel has been able to herald in a new era in the wind power industry. The roughly 100 meter high tower near Hannover, Germany, is the first wind power plant to be built of spruce timber. The wooden structure has been bonded throughout using special techniques – with different adhesives from Henkel's Purbond brand. Switching to timber as the construction material allows taller towers to be built, which results in better efficiency with a higher electricity yield.

**“As a global market and technology leader, we develop solutions that combine competitive advantages for our customers with responsibility toward people and the environment.”**



**Jan-Dirk Auris**  
Executive Vice President  
Adhesive Technologies

## Boosting efficiency in the electronics industry

Manufacturers in markets such as the consumer electronics, aircraft and automotive industries need underfill materials to provide drop and shock protection for their electronic devices. With Loctite UF3810, Henkel has developed a high-performance, easy-to-use underfill product that meets the complex requirements for production of sophisticated devices in entertainment applications, for example. It is halogen-free and cures fast at 130 degrees Celsius thanks to its low glass transition temperature, thus helping to keep energy use down in manufacturing operations.



### Award for Cachaça project



The Cachaça project was recognized as one of the most sustainable technologies in 2012 by the Chile Verde initiative and awarded the Chile Verde 2012 title. The project involves a novel kind of technology developed by Henkel in Chile. In this project, Henkel Chile is replacing the fossil solvents in products of the Agorex and Pritt brands with ethanol. This is derived from sugar cane – just like the well-known Cachaça alcoholic beverage after which the project was named. Ethanol is currently the most environmentally compatible organic solvent. Since 2012, Henkel has also been using the Cachaça technology for products in Brazil and the USA. [www.agorex.cl](http://www.agorex.cl)

### Safety as a top priority



The Pattex 100% glue is solvent-free and produces clear and highly flexible bond lines.

The health and safety of our customers and consumers is a top priority for us. We thus work constantly around the globe to set new standards with our products. An important issue for us is the use of solvents in adhesives for consumers and professional craftsmen. Replacing solvent-based adhesives by alternative solvent-free systems has therefore been a goal of our researchers for many years. One example of this is the Pattex 100% adhesive which was introduced across Europe in 2011. It is part of the Pattex range that is composed almost exclusively of solvent-free products that do not compromise on bonding power.

In the food industry, the regulations for packagings became tighter than ever in 2011. Henkel is the first adhesive manufacturer in the world to offer a complete spectrum of low-migration products for these applications. All of the products are water-based, plasticizer-free and virtually eliminate the migration of substances from the material bondlines. These adhesives are also up to 30 percent more economical to use than conventional products while providing the same or better bonding performance.

### Partnering for sustainable products

Sustainability requires concerted knowledge-sharing and action by all those involved along the entire value chain – from raw materials suppliers through to consumers. We therefore work with strong partners to find efficient solutions for even better eco-compatibility and improved occupational health and safety and consumer protection.

One example is our collaboration with the automotive industry, where the use of Henkel technologies in car manufacturing can bring about numerous improvements. These range from reducing the number of necessary process steps to saving energy and water, and helping to build lighter and safer vehicles.

Adhesive bonding is increasingly replacing conventional joining techniques such as welding, riveting and bolting. Often, it is the only way to join parts made of dissimilar materials. The use of composite materials helps to reduce the overall weight of the vehicle and hence its carbon emissions. Adhesives also increase the rigidity of cars, seal seams, reduce the number of weldments, and make cars more resistant to corrosion. Specialty adhesives also help to dampen noise.

The benefits of bonding in vehicle construction provide good reason for Elddis, an English manufacturer of caravans and mobile homes, to cooperate with Henkel. Adhesives from Henkel have, in fact, already made it possible to replace 90 percent of the bolts in Elddis products, and the company intends to use even more adhesives in the future.

The significance of strong partnerships is also illustrated by the new alliance with the Nordson Corporation, a leading manufacturer of precision dispensing systems for adhesives. This helps to optimize the use of products in our customers' facilities, since the new dispensing system stops material wastage and reduces downtimes.

### Innovation through life cycle assessments

As the global leader in adhesives, we are aware of our responsibility and want to demonstrate our progress in sustainability in a transparent manner. The extensive experience of our research and development staff and the use of life cycle analyses helps us to identify suitable starting points for improvements across our product portfolio. Here we consider not only the composition and production of our own products, but also the applications in which they will be used and the production processes at our customers.

The Henkel Sustainability#Master includes a matrix for evaluating a product category on the basis of our value chains and our six focal areas (see Page 19). This makes it possible to identify hot spots, or areas with the greatest relevance for sustainability, and to compare two products or processes in a transparent and quantifiable way.

It allows us to show our customers which areas offer the greatest potential for improvement.

### Advice, training and dialogue

Our understanding of quality does not stop with the development and sale of high-performance products. All around the world, we offer service and advice to our customers. In North America, Henkel is now offering a new way to help its industrial customers troubleshoot problems. The support is provided by video conferences with live streaming. The images can be broadcast in up to three places at once, so that specialists from different disciplines can contribute their expertise. At Ceresit training centers in Central and Eastern Europe, craftsmen learn how best to use our building products. We teach them professional techniques for applying Ceresit façade insulating products. These play a key role in reducing energy use in buildings.

### Henkel Sustainability#Master – Loctite Max 2 in comparison with epoxy resins

The Henkel Sustainability#Master reveals the sustainability profile of Loctite Max 2. Because of their light weight yet high strength, composite materials reinforced with carbon or glass fibers are becoming more and more important in the construction of fuel-saving vehicles. Loctite Max 2 is a polyurethane-based resin which has been shown to deliver benefits in a number of categories compared with the epoxy

resins normally used. The carbon footprint for polyurethane is significantly smaller than that of an epoxy-based system. The resin cures very much faster and impregnates the fiber material more easily, thus reducing the necessary injection times. Shorter cycle times result in economic benefits for the customer.

Value	Raw materials	Production	Logistics	Industrial processing	Service / Use	Disposal
Performance				Faster cycling, system solution		Longer life
Health and Safety				More easily controlled reaction		
Social Progress				Allows novel new designs		
Materials and Waste				Smoother surfaces, less rework		Longer life
Energy and Climate	Smaller carbon footprint			Energy use for curing		
Water and Wastewater						

Footprint  Significant improvement  No improvement





The Sustainability Strategy 2030 was the topic of conversation at Henkel all over the world on September 26, 2012 – as here in Dubai. From the left: Lamia Smaoui, Saeed Qahtani and Ramy Bermawy.

## Henkel Day dedicated to sustainability worldwide

Henkel employees in more than 75 countries celebrated the 136th anniversary of the company on September 26, 2012. Henkel Day was dedicated to the theme of sustainability.

To convey our Henkel Sustainability Strategy 2030 – achieving more with less – throughout the company, we have pursued a dialogue-oriented approach since it was launched at the end of 2011. In 2012, we conducted numerous campaigns and events associated with sustainability. This was the case on Henkel Day, too. The idea was to familiarize our employees all over the world

with our sustainability strategy with the help of various actions, because only if all employees understand the principles and challenges of sustainability will these become a guideline for behavior and decision-making.

At the Regional Center Africa/Middle East in Dubai, employees learned about the Sustainability Strategy at an information stand on Henkel Day. All of the employees also used the day to clean up an area of the beach. A quiz on sustainability was conducted, too, as it was in China, Egypt, Germany, Greece, Japan, Russia, South Korea, Sweden and the UK. The purpose of the quiz was to communicate the topic of sustainability in a way that was fun. In Austria, Germany and Russia, health was the focus of Henkel Day. In Japan and Turkey, employees planted trees. Examples from other sites worldwide:

[www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 11

### Teamwork

In Dubai, employees also used the Henkel Day on sustainability to clean up an area of the beach.



# Our people

## Priorities of our human resources management

As a globally operating company, Henkel employs people from over 120 nations in more than 75 countries. Over 80 percent of our employees work outside of Germany. The highly international character and diversity of our company call for a shared vision and actively lived corporate values as elements that unite us worldwide. The foundations are established by the Code of Conduct, containing our binding behavioral rules, including the principle of equality. We assess and promote our employees regardless of their nationality, gender and age/professional experience.

Further key topics for us are talent management, continuous training and further education, and the health of our employees. We want all of our employees to understand the principles of sustainability and to be able to actively contribute to it in day-to-day operations.

In 2012, we were again successfully positioned in the employer rankings of many countries as an attractive company – both for university graduates and for candidates with career experience. The CRF Institute, a research organization in the field of employer certification and employer branding, awarded Henkel first place, naming it Germany's Top Employer for the third year in a row.

## Diversity contributes to corporate success

We are convinced that diversity at the workplace, characterized by different ways of thinking and working, is an important value and a competitive advantage. Our diversity is represented explicitly in characteristics such as nationality, gender and age/professional experience and can be recognized implicitly in the talents, attitudes, values, knowledge and abilities of all of our employees. It reflects the diversity of our markets and products

and enables Henkel to be successful in the long term through better understanding of the market.

Our job vacancies are filled solely on the basis of competence, potential and performance. We focus on identifying and eliminating barriers that could restrict individual development opportunities. The foundations for this policy are anchored in the Diversity & Inclusion Strategy, which was approved in 2009. Henkel's Diversity Blog also serves as a discussion platform and enables a continuous exchange of views on this topic. [www.henkeldiversity.com](http://www.henkeldiversity.com)

## Developing female employees

We have continuously increased the share of women in management positions, from a good 26 percent in 2008 to around 31 percent at the end of 2012. Henkel holds a leading position among DAX 30 companies in this respect. To further consolidate this position, we have set ourselves the goal of increasing the share of female managers at all levels throughout the company by an average of one to two percentage points each year. We have intentionally refrained from setting a fixed quota here.

**“Regular provision of information and an intensive exchange within our global teams are essential to ensure that all employees understand the contribution they can make toward reaching our sustainability targets.”**



**Kathrin Menges**  
Executive Vice President  
Human Resources and  
Infrastructure Services

### Encouraging flexibility

By opening its third daycare center, "Die Waschbären" (The Raccoons), at the Düsseldorf site in the summer of 2013, Henkel will again be adjusting its child care options to the needs of its employees. This is another way in which Henkel helps its employees to balance their professional engagement and their plans for their private life. Here: Maria Dominguez Parra, Henkel employee in Düsseldorf, picking up her son Luis from the Henkel daycare center "Kleine Löwen" (Little Lions).



### Henkel Charter of Work-Life Flexibility

Flexible working models are an important component in the competition for the best talents and an attractive offer for anyone who is faced with the challenge of balancing private and professional life. To drive the transition from a presence culture to a culture of trust and performance, the Board and top management of Henkel have decided to make a statement by signing the global Henkel Charter of Work-Life Flexibility. The basic idea of this Charter initiative is to further increase the acceptance of flexible working models. Our managers all over the world are to voluntarily commit to promoting flexible work in their sphere of influence, thus demonstrating personal engagement in this regard.

Henkel has already implemented a variety of flexible working models, such as flexitime, part-time work, wider use of mobile devices, and home office arrangements. Everyone involved profits from these successful concepts – the company, the supervisors and the employees, who can more effectively structure their time in line with their specific needs.

### Talent management

To achieve our strategic corporate goals, we need productive managers, employees and teams. Our aim is to win over the very best from among the pool of qualified people from all over the world and to recruit them to further strengthen our global team. We assess our managerial employees each year in our Development Round Tables in

line with uniform principles and clearly defined competencies. In 2012, we expanded our talent management process to include non-managerial employees with high potential. This annual evaluation of their performance and their potential in line with uniform criteria and competencies, plus transparent feedback meetings, enables us to develop them as well.

### Continuous training and education

The quality of our global team determines Henkel's success in the international marketplace. This is why we attach great importance to providing ongoing further training for our staff. Our employees spend an average of two days per year taking courses to facilitate their professional and personal development. Management seminars, language courses, safety, compliance, and environment training – the range of options is broad. Extensive e-learning programs complement the presence training and will be further expanded in the future.

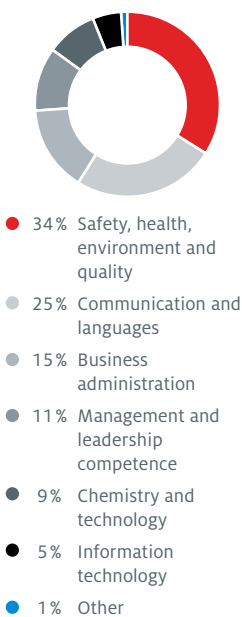
### Performance-based compensation

Recognition of individual performance on the part of our employees through a fair compensation strategy in line with market practices is a fundamental component of our corporate culture. It is self-evident that this system makes no differences in compensation between male and female employees.

To reward personal engagement and individual contributions to our company's business performance, the salaries of approximately 9,000 managerial employees include success-related components. The annual individual performance assessment has a particularly strong influence on these bonus payments. While global guidelines exist for the compensation for managers, the incentive systems for our non-managerial employees are based on cultural and local requirements.

Regarding bonus payments, the assessment of employees' performance is always done in the context of our corporate Vision and Values. Individual target agreements with employees also include sustainability criteria, such as reducing energy and water consumption or accident rates, if these fall within the sphere of influence of the employee concerned and have a clear bearing on business performance. Furthermore, in their target achievement meetings, each employee

Key training categories in 2012





must confirm compliance with all applicable legal regulations and Henkel standards.

### Health and growing workloads

We care about the health and performance capability of our employees. We offer targeted health and preventive programs to guard against workplace-related risks that might lead to long-term illnesses. In designing these programs, our sites determine different priorities based on local requirements.

Due to the growing demands of our times, company programs designed to maintain psychological health have been growing in importance. Many sites therefore offer counseling on time, stress and conflict management to their employees. Furthermore, initiatives like the Charter of Work-Life Flexibility are designed to improve the balance between our employees' work and leisure time.

We also want to be sure that appropriate care is available for our employees in case of an emer-

gency. About one in eight Henkel employees has taken a first aid course. The aim is for this training to be refreshed every two years, so that the quality of care is maintained.

### Human rights and social standards

As long ago as 1994, we declared in our corporate mission that we respect the social values of the countries and cultural spheres in which Henkel operates.

We clearly underscored this when we introduced our Code of Conduct in 2000 and when we joined the United Nations Global Compact in 2003. Our Social Standards, which we introduced in 2006, are derived from the guidelines of the International Labor Organization (ILO), the Global Compact, the OECD Guidelines for Multinational Enterprises, and the Social Accountability Standard (SA 8000). Through training, presentations and e-learning programs, we ensure that our social standards are firmly anchored throughout the company. Compliance is verified on a regular basis as part of our Group-wide audit program.

### Action Plan meetings – to anchor our Sustainability Strategy 2030

A clear strategy is only the beginning. Sustainability can only become an integral part of people's daily work if all employees understand the underlying principles and have the opportunity to make their own contributions.

This is why we introduced Action Plan meetings at the end of 2011 for the Henkel Sustainability Strategy 2030. During these meetings in 2012, managers at all levels of the hierarchy and their teams developed a sustainability action plan for their own particular areas, by defining both short- and long-term measures for achieving the sustainability targets on the road to "Factor 3." The meetings also offered an opportunity to discuss the principles of the Sustainability Strategy 2030, as well as the current and future challenges.

In a survey of our top management on the implementation and communication of the sustainability strategy, more than three quarters of those interviewed found the Action Plan meetings to be good information channels. According to those polled, they provide an optimum framework for discussing the topic, informing individual departments and employees, and recognizing the contributions that each team can make toward achieving the sustainability targets.



Since the Sustainability Strategy was launched, around 6,000 measures have been developed in 670 Action Plan meetings. Seen here are members of the management team of Henkel in France.



Speaking to consumers at a dm store in Düsseldorf: Thomas Quitschalle, trainee chemical technician at Henkel.

## Educational partnership – Experiencing sustainability

Anyone can do their bit to protect the environment as part of their everyday life. Just how this can be done was shown at the beginning of October 2012 by about 60 Henkel and dm-drogerie markt trainees at 15 dm stores in and around Düsseldorf. With the help of little experiments, they showed how anyone can save energy and water through the correct use of household products.

This campaign is the result of the educational partnership “Understanding through experience – Shaping the future together” that the two companies have jointly initiated.

Through their collaboration, Henkel and dm-drogerie markt want to make it possible for trainees to learn to better understand sustainability by experimenting with Henkel products themselves. The commercial and chemical trainees and future druggists shared their experiences with consumers at event stations in the dm stores. The young employees of the two companies had worked out the basic ideas for this campaign at a workshop that took place at Henkel in Düsseldorf in mid-September 2012.

The practical relevance and the fact that the trainees designed the event stations themselves contributed considerably to the success of the program. This educational partnership is one of three projects centering around sustainability in which Henkel was involved during the “Science Year 2012 – Project Earth: Our Future” of the German Federal Ministry of Education and Research. [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 12

An Initiative of the Federal Ministry of Education and Research



<http://en.zukunftsprojekt-erde.de>

### Sustainability workshop

In a two-day workshop, Henkel provided information to Henkel and dm-drogerie markt trainees so that they can inform consumers at dm stores about more environmentally compatible products.



# Social engagement

## We get involved

Social engagement – or corporate citizenship – has been a special part of our corporate culture ever since our company was founded by Fritz Henkel in 1876.

In 2011, Henkel set up the Fritz Henkel Foundation. The establishment of the Foundation underscores Henkel's long-term commitment to social involvement that goes beyond its direct business interests. The Foundation efficiently consolidates our activities, especially regarding international emergency aid, global brand and corporate engagement, and support for volunteer work on the part of our employees in Germany through the MIT (Make an Impact on Tomorrow) initiative. A special focus of our social engagement activities is the topic of education. In 2012, our total donations amounted to approximately 7.3 million euros, of which more than 30 percent were used for educational initiatives.

## Employee volunteering

Providing support for our employees and retirees who do volunteer work for social projects in their free time is a key aspect of our social commitment. Employees and retirees are given an opportunity to receive support for their project amounting to up to 10,000 euros, product donations, and up to five days paid time off from work per year. The volunteer work carried out by our employees and retirees is very varied, ranging from local projects of the volunteer fire department to self-help groups or educational projects in other countries.

The MIT is celebrating its 15th anniversary in 2013. For this occasion, Henkel is allocating a one-time funding of 50,000 euros for a special project that will be selected. All employees and retirees around the world can apply for this.

## Social partnerships

Education is a key basic prerequisite for both personal individual development and for society. It is for this reason that education initiatives are among the priorities of our corporate engagement.

In 2012, too, Persil provided support throughout Germany for a variety of environmental and educational activities as part of its "Projekt Futurino" initiative, devoting to it a total of 160,000 euros. One example is assistance for a project initiated in 2007 by the Berlin organization "Actiontoure – leben. lernen. e.V." This project makes it possible for children from this big city to experience nature in a village in Mecklenburg during their school vacation.

Schwarzkopf Professional launched the "Shaping Futures" initiative in India and Peru in November 2010 together with the charitable organization SOS Children's Villages. The goal here is to train young people in basic hairdressing techniques. In 2012, hairdressers and Schwarzkopf Professional employees volunteered for four weeks in a Brazilian SOS Children's Village. Since 2010, Schwarzkopf has carried out courses in seven countries: Brazil, Colombia, India, Latvia, Morocco, Peru and Vietnam, where a total of 204 young people have already received this training.

## Emergency aid

When natural disasters occur, we respond with immediate aid – providing rapid support through the Fritz Henkel Foundation – wherever it is needed in the world. In 2012, we helped victims of an earthquake in Guatemala with product and financial donations. Similarly, directly after the floods in the Philippines in 2012, we provided financial aid for our employees and other people in need. In providing this assistance, we take care to ensure that 100 percent of all donations are passed on to the persons affected.

More information on social engagement:

[www.henkel.com/corporate-citizenship](http://www.henkel.com/corporate-citizenship)



Dr. Rob Melnick, Professor and Executive Dean of the Global Institute of Sustainability (GIOS) at Arizona State University, USA, during a talk with employees as part of a round table discussion series on sustainability.

## Driving sustainability forward together

Dialogue with sustainability experts from different fields plays an important role for us in driving implementation of our sustainability strategy. We therefore talk with experts from various parts of the world on a regular basis and invite them to take part in discussion events. This dialogue helps us to adjust our activities to reflect external expectations in the different regions and to develop the most appropriate solutions in each particular context.

As part of a series of round table discussions, Dr. Rob Melnick, Professor and Executive Dean

of the Global Institute of Sustainability at Arizona State University, USA, spoke to Henkel employees in May 2012 in Düsseldorf, Germany. His talk focused on the challenges that regions and cities face in reconciling a higher quality of life with sustainability. Already in February 2012, Prof. Dr. Uwe Schneidewind, President of the Wuppertal Institute for Climate, Environment and Energy, based in Germany, discussed the challenges and opportunities presented by sustainable development.

The goal of this internal discussion series and the dialogue with external stakeholders in 2012 was to give employees a deeper understanding of Henkel's Sustainability Strategy 2030 and communicate it to external stakeholders.

### Sustainability round table

The 2012 round table discussion series gave employees in Düsseldorf, Germany, the opportunity to discuss sustainability with internal and external sustainability experts.



# Stakeholder dialogue

## Aims of the dialogue

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

Henkel is active in a number of dialogue platforms and initiatives on issues related to sustainability. The dialogue helps us gain a better understanding of trends and challenges. It gives us the opportunity to bring forward-looking concepts into line with sustainable development and help to shape how they are implemented. This allows us to participate in scientific discussions on overall political conditions.

The dialogue also shows us which aspects of sustainable development are of particular interest to individual stakeholder groups. The earlier and the more intensively we engage with the views of our stakeholders regarding future social challenges, the better and the more quickly we will be able to take these into account in our planning and our actions.

This open exchange offers a basis for mutual understanding and an opportunity to attain social acceptance of our entrepreneurial decisions. At the same time, the dialogue is a source of new ideas for the company and allows us to identify potential risks at an early stage.

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



## Henkel at the 5th German Sustainability Awards ceremony

Together with business, policy-making and research experts, Prof. Dr. Thomas Müller-Kirschbaum (second from left), Corporate Senior Vice President in the Laundry & Home Care business sector and member of the Henkel Sustainability Council, discussed "Sustainability made in Germany – How we can win the green race" in December 2012.

### Dialogue event with Henkel in Poland

In collaboration with the "CR Navigator" magazine, Henkel in Poland organized a dialogue event on sustainability in Warsaw in October 2012. Dorota Stroszjader (second from left) and Joanna Gladysz (fourth from left) from Henkel Poland together discussed the importance of sustainability for successful business management with participants.



### Systematically integrated dialogue

Around 47,000 employees all over the world are called upon to assume responsibility in their working environment and to base their decisions on the principles of sustainable development. Dialoguing with stakeholders is also an essential aspect of each employee's job. In this way, we ensure that local and regional challenges are discussed by the appropriate experts in our company and the stakeholder groups involved. We develop strategies and solutions at the very place where they will be assessed and put into practice. The instruments, topics, duration and intensity of the dialogue are aligned to the individual stakeholder groups and their specific issues.

In 2012, Henkel employees in many countries again met with politicians, businesspeople, scientists and scholars, and members of the general public to engage in a dialogue with them. Over the course of the year, Henkel took part in about 150 sustainability events in 24 countries.

Henkel is, for example, a partner of the "Science Year 2012 – Project Earth: Our Future" that was initiated by the German Federal Ministry of Education and Research. At the kick-off event held in Berlin on February 6, 2012, Kathrin Menges, Executive Vice President Human Resources and Chair of the Sustainability Council, discussed the question "How do we reconcile environmental, social and economic progress?" with representatives from the realms of politics, business and science.

In June 2012, Chairman of the Management Board Kasper Rorsted spoke at the first sustainability summit for business leaders in the Chamber of Commerce and Industry in Dubai. He presented the Henkel sustainability strategy and explained how we put it into practice in the Middle East region based on the three strategic principles of products, partners, and people.

In July 2012, Henkel took part in a sustainability round table in Spain that was organized by a Spanish business magazine. Henkel presented its new sustainability strategy for 2030 and highlighted the significance of strategic partnerships in developing innovative and sustainable products along the value chain.

Under the motto "Creating the Future," the European adhesives industry came together to share ideas about sustainability at the 8th World Adhesives & Sealants Conference (WAC12). The event was held from September 18 to 21, 2012, in Paris, France, and was attended by some 1,000 participants from 400 companies. This gave us the opportunity to open up our sustainability strategy for discussion and engage in dialogue about sustainability with our competitors, suppliers and customers.

In November 2012, Henkel Argentina presented the new sustainability strategy for 2030 to around 200 participants, among them customers. Our goal was to identify potential partnerships.

Other examples of our international dialogue:

[www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 13

**Participation in international initiatives**

On local, national and international levels, Henkel participates in a wide variety of projects, topical initiatives, and symposia, to make active contributions in the shared task of shaping sustainable development.

This also includes engagement in policy-making workgroups and in industrial associations, such as the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum (CGF), and the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). Here, we use our experience and leadership in sustainability to shape the debate, for example, on solutions for sustainable consumption along the value chain.

**Dialogue with policymakers**

Policymakers and regulators often seek out the expertise of companies in their political decision-making processes. A framework of this kind makes it possible for us to describe how political considerations impact Henkel, its employees and business partners and for us to provide pertinent experience-based knowledge. Our “Representation of Interests in Public Affairs” standard provides clear guidance on conduct for this. We also openly provide information about our fields of interest

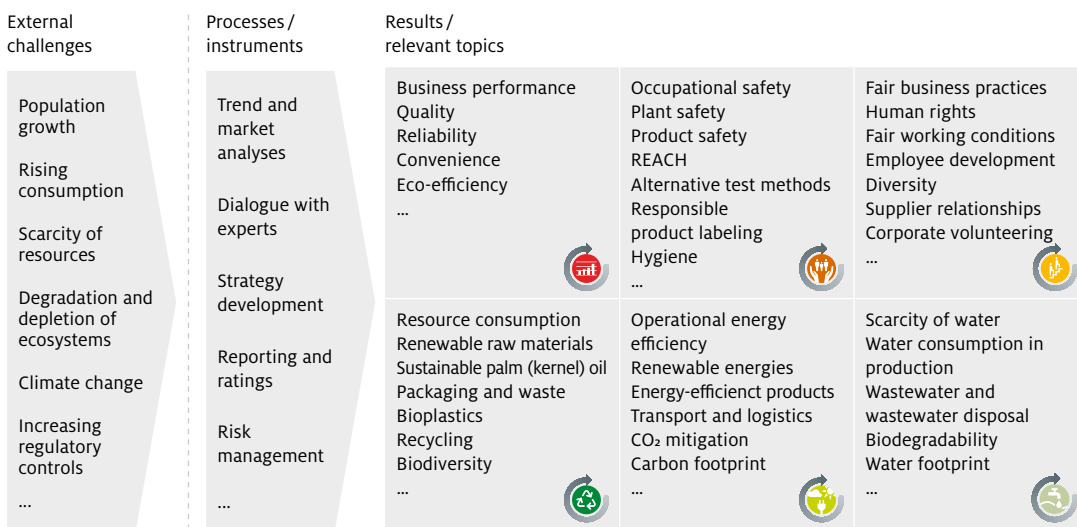
and the scope of our work involving governmental or political affairs through our entry in the Transparency Register of the European Union.

One example of dialogue in the political realm in 2012 was our participation in the exhibition of Cosmetics Europe, the European cosmetics association, at the European Parliament. It took place in May 2012 and was devoted to the theme of sustainability. With three projects, Henkel provided information to EU parliament members and visitors about activities in our Beauty Care business sector related to sustainability.

**Identification of key issues**

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

**Identification of key topics for our sustainability management and reporting**



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

# Indicators

## Creating transparency

The indicators we record throughout the company offer transparency: They help us to identify potential improvements, steer programs, monitor target achievement, and inform the public about our performance and progress. We show the progress of each of our indicators over a five-year period.

In this Sustainability Report, we focus on the publication of our globally relevant core indicators. Other environmental parameters of less relevance for global steering purposes are reported on the internet only. The production-related data for 2012 were determined at 169 of 171 Henkel sites in 54 countries. The data represent more than 99 percent of our worldwide production volume in 2012. They are validated centrally for

year-end reporting and also verified locally within the framework of our internal audit program (see Page 7). Any differences in data discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – as a result of acquisitions or site closures, for example – the number of sites contributing data changes accordingly: from 226 in 2008 to 171 in 2012. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

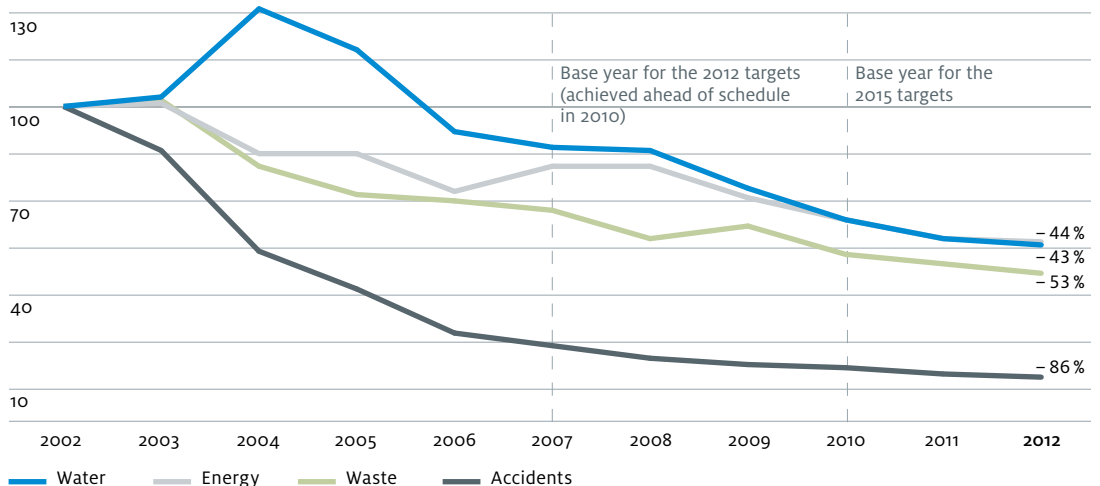
Occupational accidents are registered using a globally uniform reporting system; the coverage extends to 99 percent of Henkel employees. The published employee indicators also cover 99 percent of our employees.

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

[www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 14

## Long-term trend: Sustainability performance from 2002 to 2012

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



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



## Production volumes

In thousand metric tons

	2008	2009	2010	2011	2012
Production volumes	7,707	6,853	7,481	7,550	7,587
<b>Index: Change from 2008 to 2012</b>					<b>- 2%</b>

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

## Carbon dioxide emissions

In thousand metric tons

	2008	2009	2010	2011	2012
Henkel's own carbon dioxide emissions	486	353	341	322	317
Carbon dioxide emissions from bought-in energy	445	362	373	330	334
<b>Total</b>	<b>931</b>	<b>715</b>	<b>714</b>	<b>652</b>	<b>651</b>
<b>Index: Change from 2008 to 2012</b>					<b>- 29%</b>

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.

## Water consumption and volume of wastewater

In thousand cubic meters

	2008	2009	2010	2011	2012
Water consumption	12,041	9,174	8,688	7,921	7,734
Volume of wastewater	6,010	4,578	4,045	3,664	3,452
<b>Index: Change from 2008 to 2012</b>					
		Water consumption			<b>- 35%</b>
		Volume of wastewater			<b>- 42%</b>

Because water is lost by evaporation and water is contained in many of our products, the volume of wastewater is smaller than the volume of water consumed.

## Emissions of heavy metals to wastewater

In kilograms

	2008	2009	2010	2011	2012
Zinc	482	512	423	454	322
Lead, chromium, copper, nickel <sup>1</sup>	431	450	381	292	287
<b>Total</b>	<b>913</b>	<b>962</b>	<b>804</b>	<b>746</b>	<b>609</b>
<b>Index: Change from 2008 to 2012</b>					<b>- 32%</b>

Since 2010, we have been implementing additional measures to reduce the heavy metal emissions to wastewater. The rise in the years 2008 and 2009 is primarily due to the acquisition of the National Starch businesses in 2008.

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

## Energy consumption

In thousand megawatt hours

	2008	2009	2010	2011	2012
Bought-in energy	902	758	794	666	665
Coal	178	115	119	119	112
Fuel oil	158	163	177	165	140
Gas	1,947	1,423	1,350	1,270	1,280
<b>Total</b>	<b>3,185</b>	<b>2,459</b>	<b>2,440</b>	<b>2,220</b>	<b>2,197</b>
<b>Index: Change from 2008 to 2012</b>					<b>- 30%</b>

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

## Emissions of volatile organic compounds

In metric tons

	2008	2009	2010	2011	2012
Emissions of volatile organic compounds	430	308	367	326	320
<b>Index: Change from 2008 to 2012</b>					<b>- 24%</b>

Since 2008, additional measures have been implemented to reduce emissions of volatile organic compounds. The rise in 2010 is due to the increase in production volume and shifts in the production portfolio.

## COD emissions to wastewater

In metric tons

	2008	2009	2010	2011	2012
COD emissions to wastewater	9,142	7,628	7,714	6,570	5,994
<b>Index: Change from 2008 to 2012</b>					<b>- 33%</b>

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

## Waste for recycling and disposal

In thousand metric tons

	2008	2009	2010	2011	2012
Waste for recycling	103	107	91	89	79
Hazardous waste for disposal	20	11	16	15	15
Waste for disposal	51	47	48	41	44
<b>Total</b>	<b>174</b>	<b>165</b>	<b>155</b>	<b>145</b>	<b>138</b>
<b>Index: Change from 2008 to 2012</b>					<b>- 19%</b>

"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.

## Environmental indicators

### Index

The index in the tables shows the progress of the specific indicators relative to the volume of production (per metric ton of output).

The base for the index is the year 2008 (= 100 percent).

## Occupational safety



## Index

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

The base for the index is the year 2008 (= 100 percent).

## Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)

	2008	2009	2010	2011	2012
Henkel employees	1.4	1.3	1.2	1.1	1
Employees of external companies who work at Henkel sites and are directly contracted	1.9	1.2	1.0	1.1	0.9
<b>Index: Change from 2008 to 2012</b>					
Henkel employees					-29%
Employees of external companies					-53%

99 percent of Henkel employees were covered.

## Serious occupational accidents

More than 50 days lost

	2008	2009	2010	2011	2012
Accidents during typical production activities	14	13	14	11	7
Accidents while walking or moving around (e.g. stumbling)	4	9	7	7	6

99 percent of Henkel employees were covered.

## Employee indicators



## Employees (as of December 31)

	2008	2009	2010	2011	2012
Henkel worldwide	55,142	49,262	47,854	47,265	46,610
Structure of workforce					
- Non-managerial employees	82.0%	80.0%	79.8%	79.9%	79.4%
- Managers	16.6%	18.4%	18.6%	18.6%	19.0%
- Top managers <sup>1</sup>	1.4%	1.6%	1.6%	1.5%	1.6%
Employee fluctuation worldwide <sup>2</sup>	5.7%	4.9%	4.6%	5.6%	5.8%

<sup>1</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

<sup>2</sup> Based on employee resignations.

At 46,610, the 2012 headcount was 1 percent below the prior-year level.

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

## Nationalities (as of December 31)

	2008	2009	2010	2011	2012
Henkel	109	116	119	125	123
Managers	77	82	82	91	85
At headquarters in Düsseldorf	51	48	50	53	55

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

## Age and seniority (as of December 31)

	2008	2009	2010	2011	2012
Average seniority in years	9.8	11.0	10.3	10.2	10.4
Average age of employees	39.4	39.3	39.4	39.4	39.6
Age structure					
16 - 29	19.5%	18.7%	18.1%	18.3%	17.6%
30 - 39	32.7%	34.2%	34.4%	34.6%	34.5%
40 - 49	29.6%	29.7%	29.7%	29.4%	29.6%
50 - 65	18.2%	17.4%	17.7%	17.7%	18.3%

The average age of our employees has remained constant over the years. Retirements are continuously offset by the hiring of new young employees. We thus ensure that Henkel's workforce is a good mix of experienced older employees and younger employees whose development we can foster.

## Percentage of women (as of December 31)

	2008	2009	2010	2011	2012
Henkel	32.9%	31.8%	32.1%	32.5%	32.6%
Managers	26.4%	27.4%	28.7%	29.5%	30.5%
Top managers <sup>1</sup>	13.7%	16.4%	17.0%	18.6%	18.6%

<sup>1</sup> Corporate Senior Vice Presidents, Management Circles I and IIa.

Compared with international levels, the total percentage of female employees is good. This applies to managerial staff as well. It is a result of our consistently applied diversity strategy.

## Part-time employees (as of December 31)

	2010	2011	2012
Part-time contracts, global	4%	3%	3%
Western Europe (including Germany)	8%	8%	8%
Germany	10%	10%	10%

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

## Personnel development (as of December 31)

	2008	2009	2010	2011	2012
Internal promotion (managers)	1,877	1,462	1,337	1,387	1,101
International job rotations	433	443	470	475	503
Trainees (Germany)	510	511	487	483	489
Average number of training days	2	2	2	2	2

On average, five employees per day were promoted in 2012. This demonstrates the dynamism of our company and the need for qualified young professionals. To conduct our global business successfully, international management experience is essential for our managers. The number of international job rotations is thus constantly increasing.

## Employees covered by collective agreements

(as of December 31)

	2008	2009	2010	2011	2012
Percentage worldwide	44%	44%	44%	44%	44%
Percentage in the European Union (EU)	79%	79%	79%	79%	79%

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

## Employee share program (as of December 31)

	2008	2009	2010	2011	2012
Percentage of employees owning Henkel shares	27.4%	28.4%	29.3%	31.3%	28.4%

Employees from 54 countries purchased some 3 million preferred shares in 2012. Around 28 percent of all employees own Henkel shares.

## Social engagement (as of December 31)

	2008	2009	2010	2011	2012
Total number of projects supported	2,476	2,155	2,493	2,343	2,339
Number of people supported	–	500,000	730,000	753,629	1,046,321
Time off from work for employee-initiated projects (days)	285	318	54	135	131
Donations in thousand euros (financial and product donations, not counting time off)	7,529	7,684	6,087	6,002	7,302

The number of projects lies at about the same level as the previous year. A more focused selection of projects resulted in an increase in the number of people supported. However, the number of days off from work remained at the same level as the year before. Generally speaking, employees may request as many as five days off from work per year.

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

	2009	2010	2011	2012
1. Eradicate extreme poverty and hunger	21%	33%	30%	11%
2. Achieve universal primary education for girls and boys alike	31%	47%	23%	39%
3. Promote gender equality and empower women	10%	2%	2%	5%
4. Reduce child mortality	6%	3%	14%	8%
5. Improve maternal health	3%	1%	1%	3%
6. Combat HIV/AIDS, malaria and other diseases	22%	7%	20%	3%
7. Ensure environmental sustainability	6%	6%	9%	15%
8. Develop a global partnership for development	1%	1%	1%	16%

By joining the Global Compact of the United Nations in 2003, Henkel made a commitment to help achieve the Millennium Development Goals. Through its social engagement, Henkel contributes directly to the attainment of these goals. Henkel does not influence the type of projects proposed under the employee engagement program. Nevertheless, the majority of these projects do indeed contribute to achieving these goals. [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

## Social indicators



# External ratings

## Ratings and indexes 2012

Henkel's performance in sustainability impressed external experts again in 2012. For more information on external ratings: [www.henkel.com/sr2012](http://www.henkel.com/sr2012) | 15



### Sector leader for six years in a row

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



### Included for 12 years running

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



### Fifth successive listing

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



### Included since 2002

**Paris:** In 2012, as in previous years, Henkel was one of the 200 companies worldwide listed in the Pioneer class of the Ethibel Sustainability Index.



### Henkel in 2nd place

**Frankfurt am Main:** Henkel took second place in the 2012 DAX 30 sustainability rating by Sustainalytics. This extensive assessment is carried out every two years. The companies are evaluated according to environmental, social, and governance factors.



### Included for the third time

**Hamburg:** Henkel was again one of only 50 companies worldwide to be included in the Global Challenges Index.



### Recognized again

**Munich:** In 2012, Henkel was again recognized by oekom research with Prime Status. With the rating B, Henkel was among the best companies in the consumer goods sector.



### Listed for the second time

**Zurich:** In September 2012, STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices.



### Included for the fifth time

**Toronto:** In 2013, Henkel has been named to the list of "100 most sustainable corporations in the world" for the fifth time in a row.

## Contacts and further publications

### Contacts

We welcome any questions, suggestions or comments you may have regarding our Sustainability Report, our online reporting, or our sustainability orientation.

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### Further publications available as downloads on the internet

Our website offers access to all of the Environment Reports and Sustainability Reports we have published since 1992, which are also available as downloads. There you will also find our Annual Reports, Quarterly Reports, Vision and Values, Code of Conduct, Code of Corporate Sustainability, Leadership Principles, SHE Standards, Public Affairs Standard, Social Standards, Company History, and our Corporate Citizenship Magazine "Together."

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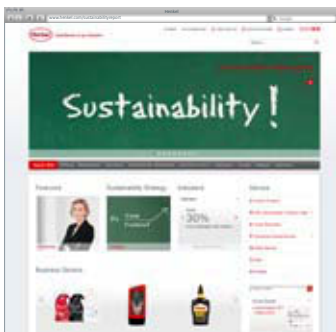
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