

Sustainability Report 2010



Excellence is our Passion

Our focal areas and targets for 2012



Also central to our commitment are:

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

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

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

About the Sustainability Report

In 1992, we published our first Environment Report, which we have consistently developed and refined into today's Sustainability Report, see **SR** back cover. It has now been published annually for 20 years. Together with the print version of our Annual Report and our web-based Sustainability Report and Annual Report, it makes up an integrated corporate reporting concept. In many places in this Sustainability Report, you will find references to further information in other Henkel publications.

This Sustainability Report covers the key ecological and social developments in fiscal 2010. We provide more detailed information on the Internet. 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.

The contents of the Report reflect the Henkel-relevant and material challenges of sustainable development. The selected topics include the results of our continuous dialogue with a large

circle of stakeholders. Especially close consideration was given to the dialogue with international sustainability experts, the criteria of various finance- and sustainability-oriented rating agencies, and the guidelines of the Global Reporting Initiative (GRI). A detailed GRI index, with links, can be found on the Internet.

The Sustainability Report covers all the companies included in the consolidated financial statements. The production-related environmental indicators were determined using data from production sites in 57 countries. They account for more than 95 percent of the company's worldwide production volume. Henkel openly reports on serious occupational incidents, should any have occurred in the reporting period, and the measures taken in response. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 99 percent of Henkel employees. The published social indicators cover 99 percent of our employees.

 www.henkel.com/orporatereport

GRI index:
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Our progress in 2010: Targets reached ahead of schedule

- We have decreased energy consumption by 21 percent.
- We were able to save 26 percent water.
- Our waste footprint shrank by 24 percent.
- Occupational accidents were reduced by 29 percent.
- We have integrated our five focal areas into our innovation process.
- All employees receive skills enhancement training as agreed during assessment meetings and as appropriate to their tasks.
- We have incorporated standardized sustainability requirements into our supplier management process.

External recognition



Walmart Sustainability Award

For the second year running, Henkel was honored with the Sustainability Award of the U.S. retailer Walmart.



Best sustainability brand

For more than 134 years, Henkel has been combining leading brand quality with responsibility toward people and the environment. In the special category "Decision-makers' Best Sustainability Brand" Henkel was honored with the 2010 Best Brands Award.



Leader in sustainability ranking

For the fourth time in a row, Henkel was listed as sector leader in the Dow Jones Sustainability World Index (DJSI World) and in the Dow Jones Sustainability Index Europe (DJSI Europe).

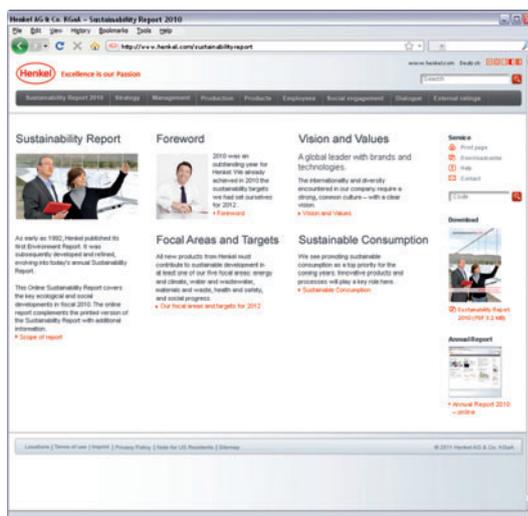


Top employer

The Corporate Research Foundation Institute placed Henkel first in its overall ranking, ahead of more than 90 other respected companies. In the Germany's Top Employers 2010 study, Henkel was recognized for its strategic human resources management.

Further information

In many places in this Sustainability Report 2010, you will find references to further information in the Sustainability Report itself **SR**, in the Annual Report **AR**, as well as on our website **S**. All the references to content on our website are consecutively numbered, as shown here: **S1** www.henkel.com/sr2010 | 1. To find this content, visit www.henkel.com/sr2010. On this page you will find a search function in the “Service” column at the right. Simply enter the appropriate reference number there and you will be taken directly to the information you are looking for. Additionally, our Internet site offers access to all of the Environment Reports and Sustainability Reports that have been published since 1992, which are also available as downloads.



www.henkel.com/sustainabilityreport

Our cover: One of our values is “We put our customers at the center of what we do.” How our employees respond to the wishes and needs of their customers is illustrated here by the collaboration with Novatec Biosol in Southern Spain to build a solar thermal plant.



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Our Vision

A global leader
in brands
and technologies.

Our Values

We put our **customers** at the center of what we do.

We value, challenge and reward our **people**.

We drive excellent sustainable **financial** performance.

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

We build our future on our **family** business foundation.

Our new vision gives us a sense of direction and destination. It captures our aspiration of being the best in everything we do. It is the basis for what we all stand as one company. Our vision and our reformulated values guide the choices and decisions our employees make every day. The values are memorable and speak for themselves.

You will find more about our values in this Sustainability Report on **SR** Pages 18, 22, 26 and 30 and in the Annual Report 2010 on **AR** Pages 16 to 21.



Excellence is our Passion



Dear Readers,

2010 was an excellent year for Henkel. Not only have we made considerable progress toward achieving our financial targets for 2012, but in 2010 we already achieved the sustainability targets we had set for 2012. Our leading sustainability performance was again confirmed numerous times by external ratings. These successes are a strong confirmation of our approach and inspire us to do even better in the future. We are committed to being a leader in sustainability.

We are facing major challenges globally. World population continues to grow unabatedly, particularly in the emerging markets. Growing affluence in these regions is also altering consumption patterns. As a result, resource consumption will be accelerating dramatically in the coming decades. Growth and quality of life need to be decoupled from resource consumption and emissions. Forgoing consumption and the related quality of life is not a realistic option. This means that innovative products and processes will be vital to all efforts to achieve sustainable consumption. As an inherent part of our commitment, all of our new products must therefore contribute to sustainability in at least one of our five focal areas.

Sustainable solutions for the challenges at hand can only be developed in collaboration with our industrial and retail partners, as well as with our suppliers and consumers. We view cooperation throughout the entire value chain and the promotion of sustainable consumption as key responsibilities in the coming years. If everyone does their part, by 2030 we will be able to considerably enhance the performance of our products while substantially reducing resource consumption and emissions. The result will be a marked increase in efficiency. To achieve this goal, we seek a dialogue with all stakeholders.

Responsible action begins with each and every individual. Our vision to be “a global leader in brands and technologies” defines a clear ambition which guides every Henkel employee. To emphasize the importance of sustainability, one of our five corporate values states that: “We are committed to leadership in sustainability.” This is important for us as a company because we are convinced that sustainability and business success are inseparably linked.

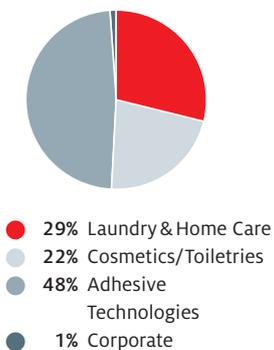
Kasper Rorsted
Chairman of the Management Board

Henkel worldwide What we do

- With production sites in **57 countries**, we promote economic and technological development as a local employer, purchaser and investor.
- The **approximately 48,000 employees** in our global team assume responsibility within their spheres of influence – in the company and in society.
- **Worldwide**, our brands and technologies make a major contribution to society in our five focal areas.



Sales by business sector



Corporate = sales and services not attributable to the business sectors.

Development of our businesses

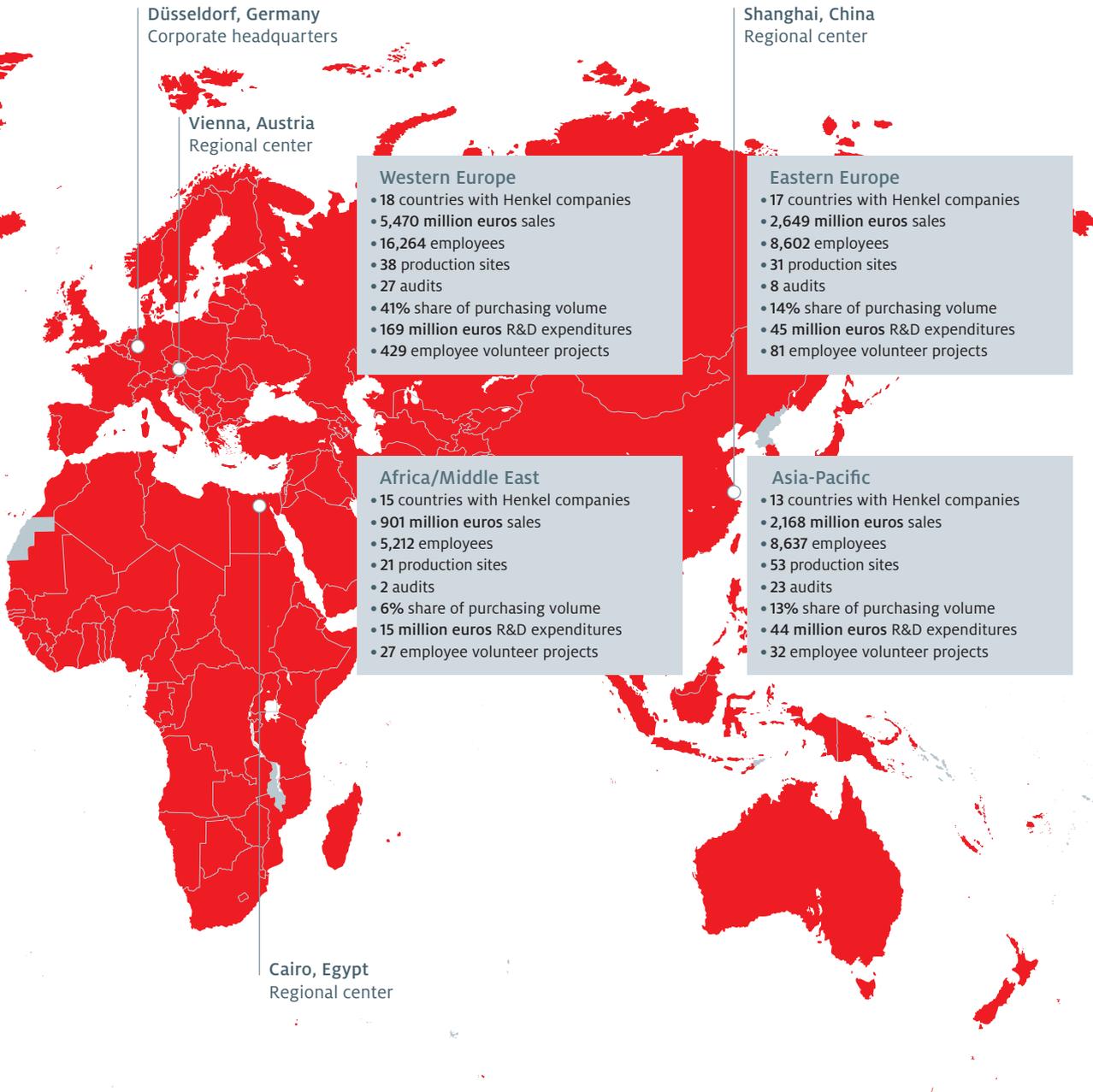
In fiscal 2010, Henkel's worldwide sales amounted to 15,092 million euros, 41 percent of which were generated in the growth regions of Eastern Europe, Africa/Middle East, Latin America, and Asia (excluding Japan). We intend to increase this figure to 45 percent by 2012. Some 53 percent of our global workforce are now based in the growth regions, where we currently source 23 percent of our global purchasing volume. We are therefore an important employer and local economic partner in these regions as well.

Added value for society

The value added statement shows that most of the generated sales flow back into the global economy (see graphic at right). The major part – 57.6 percent – went to our employees in the form of wages and benefits. Central and local government received

10.5 percent as taxes, while lenders received 5.4 percent as interest payments. We paid 7.2 percent of sales as dividends to shareholders. The value added that remains in the company is available for investment in future growth.

Besides the wages and taxes they generate, our businesses and the associated value-creating activities contribute to regional development. We have production sites in 57 countries, and as local employers, purchasers and investors, we therefore promote economic and social progress. Through the transfer of knowledge and technologies, we foster responsible business practices on the part of our approximately 48,000 employees and our customers. Moreover, we actively support volunteer work that is carried out by our employees in all parts of the world.

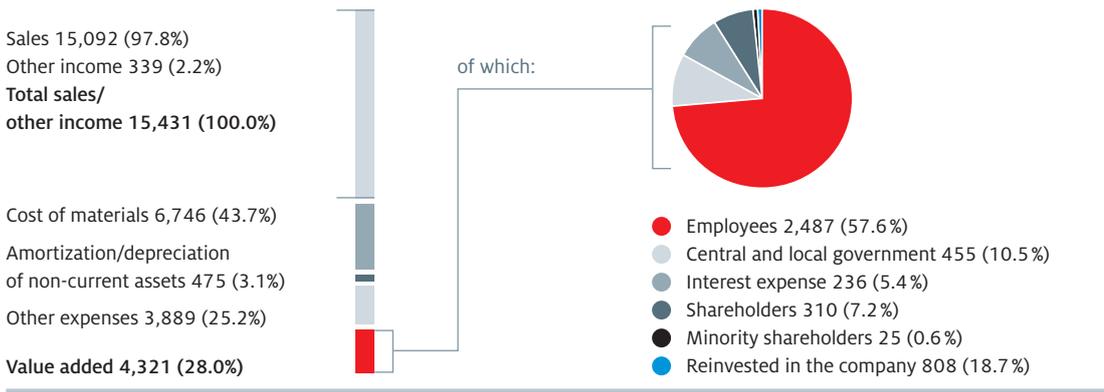


Value added statement 2010
in million euros

More information on business performance:



Pages 47 to 49.



Values and sustainability strategy

What we stand for and what we want to achieve

Sustainability milestones at Henkel:



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We were able to achieve our sustainability targets ahead of schedule in 2010:



Inside cover.

Our strategic priorities:



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Our five focal areas



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Sustainability is a corporate value

Maintaining a balance between economic success, protection of the environment, and social responsibility has been fundamental to our corporate culture for decades, and this is reflected in our corporate values. Our pursuit of sustainability is both long-term and entrepreneurial in nature, covering all of our activities throughout the value chain. Having invested many years of focused effort in the cause of sustainable development, we have built up an excellent reputation as a company with globally leading positions in this arena. And we are determined to remain in the vanguard of sustainability. The foundation for this is provided by our 48,000 employees around the world, in whose minds the principles of sustainable development are firmly anchored, guiding their attitudes and actions. Our corporate values play a key role in this regard. They provide orientation for our daily decision-making and are therefore the basis for long-term corporate success rooted in clear value concepts.

Contribution to our strategic priorities

We are convinced that sustainable business practices will contribute to the successful pursuit of our strategic priorities and thus to the long-term growth of our company. Our insistence that each new product must combine high quality with responsibility toward people and the environment results in more efficient products and improved technical solutions. Sustainability is therefore a key innovation driver and will enable us to achieve our full business potential. With our decades of experience in sustainable development, we are able to offer our customers and consumers solutions that are fit for the future and to position ourselves as a leading partner. Internally, responsible business practices strengthen both the identification of our employees with the company and their motivation.

Our focal areas and targets for 2012

We systematically focus all our activities throughout the value chain on the challenges of sustainable development as they relate to our operations. We have grouped these sustainability challenges in five overarching focal areas: energy and climate, water and wastewater, materials and waste, health

and safety, and social progress. We aim at driving progress in these five focal areas through our business activities and our products.

As long ago as the 1980s, in our “Principles and Objectives of Environmental Protection and Safety,” we committed to promoting occupational health and safety, conserving resources, and reducing emissions. On the basis of the progress achieved by 2007, we defined corporate targets for 2012. Thanks to the high level of commitment of our employees, we were already able to achieve the targets for our production sites by 2010. We are convinced that the advances in both resource efficiency and cost-effectiveness will also make an important contribution toward achieving our 2012 financial targets. We have initiated the process of defining new sustainability targets for the coming years.

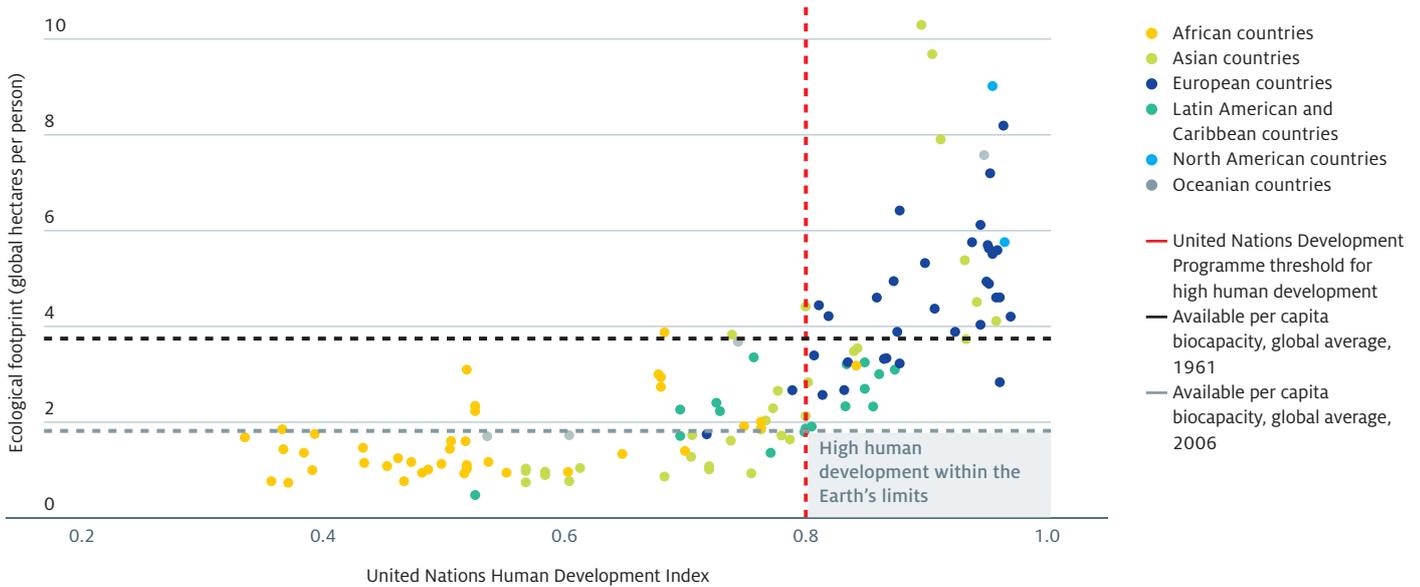
Accepting global challenges

The global challenges of sustainable development are continuing to increase as a result of world population growth, rising standards of living and consumption, and the associated use of resources. Worldwide, growth and quality of life must be decoupled from resource consumption and emissions. We recognize this challenge and take it into account in our strategy. Our contribution as a

“We are committed to leadership in sustainability.”

We provide products, technologies and processes that meet the highest standards. We are committed to the safety and health of our employees, the protection of the environment and the quality of life in the communities in which we operate.

Affluence and resource consumption: a double challenge



The graphic shows the position of various countries on the basis of two parameters – their United Nations Human Development Index and their ecological footprint. The challenge for the population of the countries on the horizontal axis is to improve their quality of life without similarly increasing their resource consumption. The population of the countries on the vertical axis face the task of reducing their resource consumption without having to reduce their standard of life. Since forgoing quality of life and consumption is not a realistic solution in either situation, innovation is the key to reducing resource consumption to keep it within the Earth's ecological limits.

© Global Footprint Network 2009. Data from Global Footprint Network National Footprint Accounts, 2009; UNDP Human Development Report, 2009.

company is to develop innovative products and processes that consume fewer resources while still offering the same or better performance. This requires the concerted action and the knowledge of all participants along the value chain – from raw materials suppliers to end users.

Shared task

There is an indivisible link between our business success, our industrial customers, retail partners, and consumers. The same holds true for our efforts to achieve sustainable development. This is why we cooperate closely with our partners throughout the value chain. We regard the promotion of sustainable consumption as a key responsibility in the coming years. This requires not just the development of appropriate products, but also political support and

collaboration with consumers. We therefore strive continuously to raise awareness of this issue among actors at all levels through our involvement in associations, working groups and at conferences, by engaging in a dialogue with politicians and non-governmental organizations, and through product communication. In addition, we participate in national and international initiatives. Thanks to our many years of experience in sustainable business, we find we are much valued as partners in such collaborations.

Stakeholder dialogue

We view the dialogue with our stakeholders as an opportunity to identify the needs of our different markets at an early stage and to define the directions which our activities should take. Our dialogue with various stakeholders enables us to access new ideas for our company, which flow continuously into our strategy development and reporting.



Pages 38 and 39.

Standards and management

How we anchor the principles of sustainability in our organization

Vision and Values, Codes and Standards:



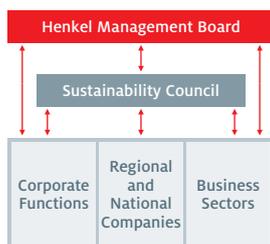
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Henkel and the United Nations Global Compact:



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Organization for sustainability



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



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Globally uniform standards

From our Vision and Values, we have formulated globally binding behavioral rules which are specified in a series of codes and standards. These apply to all employees in all business areas and cultures in which we operate. The Code of Conduct contains general corporate principles and behavioral rules. It is supplemented by guidelines on how to handle situations involving business-related conflicts of interest and gifts. The Code of Teamwork and Leadership provides guidance for the conduct of managerial and non-managerial staff at all levels. The Code of Corporate Sustainability describes our principles in regard to sustainable business practices and corporate social responsibility. It is given concrete form by standards for safety, health and the environment, purchasing standards and social standards. In 2010 we introduced the Representation of Interests in Public Affairs standard. The codes and standards are also the basis for Henkel's implementation of the United Nations Global Compact initiative.

Clearly defined responsibilities

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

The Chief Compliance Officer steers the application and further development of our codes and standards. He also monitors the implementation of internal and external requirements. In so doing, he is supported by our interdisciplinary Compliance and Risk Committee, the Corporate Internal Audit department, and by some 50 locally appointed compliance officers all over the world. Since 2009, our corporate data protection officer has been part of our compliance organization. Together this team coordinates the flow of information and helps our employees to implement our requirements – for example, through training courses designed to take local challenges into account. The Chief Compliance Officer reports infringements, as well

as the measures taken to deal with them, directly to the Chairman of the Management Board.

Compliance as a management task

Since we operate on a global scale, our employees are confronted with a variety of legal and value systems. Many of our employees work in countries where, according to surveys by organizations such as Transparency International, there is a greater risk of encountering corrupt practices. Henkel resolutely opposes infringement of laws and standards, and rejects dishonest business practices. To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday work situations, our compliance training focuses on courses and communication measures. Compliance issues are addressed in depth as early as the official welcoming seminar for new managers. They are also an integral part of all seminars of the Henkel Global Academy. Newsletters for special target groups and articles in employee newspapers make a further contribution to knowledge transfer in this area.



In November 2010, representatives of local top management and the responsible compliance officers attended a two-day compliance workshop in Chennai, India. This was the last in a series of training workshops held in the course of 2010, which were attended by a total of 220 staff with compliance-related responsibilities worldwide.

Given their position within the company, our managers bear a special responsibility to set an example for their staff. Only if our managers are seen to act in an ethically and legally impeccable manner can compliance be transformed from a bureaucratic system of rules and regulations into a guide for the actions of all employees. Regular training courses are organized by the Corporate Internal Audit department to familiarize our top managers with our corporate standards. We also make increasing use of e-Learning to cover a wide range of themes and simulate everyday decision-making situations.

"We are convinced that only honest business is good business. Our codes and standards are binding for all employees at all sites, as well as for our suppliers and other business partners. Our managers must fulfill a special role: They must serve as an example by visibly acting in an ethically and legally impeccable manner. Only then will compliance become a guide for the day-to-day actions of all employees."



Dirk-Stephan Koedijk
Member of the Henkel Sustainability Council for Compliance.

The complete interview with Dirk-Stephan Koedijk:

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In all areas in which antitrust legislation is of particular relevance, such as marketing, sales and distribution, we organize regular training courses. Nearly all of our employees from these areas have now participated in one or more courses in anti-trust legislation. In 2010, another 830 employees from around the world attended in-person seminars, and 3,300 employees took part in online training sessions.  www.henkel.com/sr2010 | 8

improvements in communication and documentation were identified in a few individual cases. For example, our Social Standards were not always directly accessible to all employees at all sites. In general terms, it has been observed that the core requirements of our Social Standards, such as those relating to the minimum working age and the establishment of employee representation, are now also regulated by local legislation in many regions.

Results of our audit program

Regular audits at our production and administration sites and, increasingly, audits of our subcontractors and logistics centers are important for the implementation of our codes and standards. The audits are a key instrument for identifying risks and potential improvements and make a significant contribution to knowledge transfer. In 2010, we carried out 78 audits at our sites. In the course of the audits, a total of 2,314 individual actions were agreed with Accounting and Human Resources, Purchasing, Sales/Distribution, Marketing, Information Technology and Production, in order to make processes and workflows even safer and more efficient.

Compliance hotline

Since 2007, our internal reporting and complaints channels have been augmented by a compliance hotline, which was set up to enable employees to report major infringements of our codes and standards. It is run by an independent external provider and is currently available in 73 countries. It should be used, in particular, when incidents cannot be cleared up directly with the employee concerned or a supervisor. Regular evaluations show, however, that very few complaints are reported via the hotline. The established internal reporting channels are still used much more frequently.

Integrated safety, health and environment (SHE) audits took place at 35 sites, where we initiated 602 binding corrective actions. In 2010, the audits program for maintaining our social standards was carried out at 13 Henkel sites in Argentina, Brazil, Chile, China, Colombia, Egypt, India, Japan, Peru, Taiwan, the Ukraine, the USA, and Venezuela. Violations of work rules and deficits in timekeeping were revealed at two of the audited sites. Potential

Zero tolerance for violations of regulations

Improper conduct is never in Henkel's interest. It undermines fair competition and damages our trustworthiness and reputation. Not least, our employees attach great importance to a correct and ethically impeccable business environment. We react forcefully to violations of laws, codes and standards. Where necessary, we initiate appropriate disciplinary measures. In 2010, 26 employees received written warnings, and 62 contracts were terminated.

100%
of top management again completed our online compliance training course in 2010.

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.

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Purchasing and supplier management

How we exercise our responsibility in the supply chain

What we expect from our suppliers and other business partners

Companies that operate globally, such as Henkel, have an obligation to take responsibility for their worldwide supply chains. In selecting our suppliers and other business partners, we therefore consider their performance in regard to sustainability and social responsibility. This procedure is based on our globally applicable corporate purchasing standards and our safety, health and environment standards, which we already formulated in 1997.

A worldwide training program ensures that the requirements placed on the sustainability profiles of our suppliers are understood and internalized by our purchasing employees.

Worldwide purchasing markets

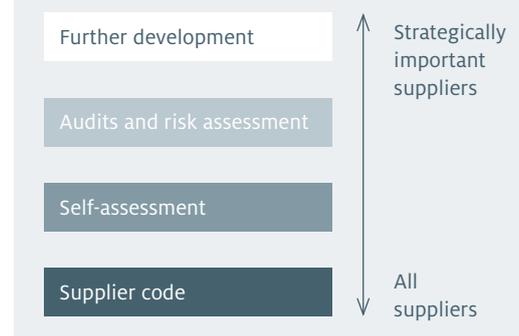
Our supplier base currently includes suppliers and other business partners from about 131 countries. Approximately 80 percent of our purchasing expenditure goes to countries in the Organization for Economic Cooperation and Development (OECD). We are, however, increasingly opening up new purchasing markets in states that are not OECD members. We place the same demands on suppliers from these countries as well.

We assess our suppliers in a comprehensive process that covers sustainability performance and risks as well as key commercial and operating indicators.

Sustainability check for new suppliers

A globally uniform computer-aided registration system anchors our sustainability requirements in standardized form in our supplier management processes. In several steps, a profile is created for each supplier. In this way, we document recognition of the supplier code and analyze the results of the supplier's self-assessment.

Supplier assessment instruments



Supplier assessment instruments and status in 2010

Our supplier assessment process makes use of four instruments: supplier code, self-assessment, audits, and further development (see graphic at top).

- **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. The same applies to all new suppliers that wish to enter into a contractual relationship with Henkel (see box “Sustainability check”).

- **Self-assessment:** In addition, we continue to pursue a strategy of supplier self-assessment on the basis of sector-specific questionnaires. These underline our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anti-corruption. In 2010, the focus was on the renewed assessment of strategically important suppliers. These include suppliers of

Supplier code



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

More information on the sustainability check for suppliers:



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key raw materials and packaging materials, as well as business partners in telecommunications and technical materials. On the whole, the strategic suppliers and other business partners that were assessed in 2010 satisfied our standards of corporate ethics. In one case, however, we terminated the supplier relationship due to inadequate environmental standards.

- **Audits and risk assessment:** The systematic expansion of the audit program for our supply chain will be the main focus of our work in the coming years. Our activities concentrate to a greater extent on countries identified by international institutions as being associated with heightened levels of risk, and on suppliers and service providers that potentially represent a specific risk for our company. In this way, year by year, we will continuously increase the percentage of suppliers audited in accordance with our sustainability criteria.

- **Further development:** Our supplier assessments are focused not only on the current performance of our suppliers in regard to sustainability and social responsibility. Rather, we aim to purposely work with our suppliers to improve sustainability standards in our supply chain – for example, through

Focus on analysis of risk markets

Our adhesives and soldering pastes for the electronics industry contain metals – mainly silver, copper and tin – to make them electrically conductive. In some countries, mining of these metals is often associated with military conflicts and human rights violations. In 2010, we reviewed our direct suppliers of metals and requested them to supply documentary evidence that they did not purchase or process metals from critical regions. In the USA and other countries, we are collaborating closely with electronics industry associations to define an official auditing process for metals suppliers.

“The diversity of the Henkel business sectors makes special demands on our purchasing organization. Worldwide, we purchase a wide variety of products and services in an equally wide variety of countries and markets. The most important tools for exercising our responsibility on the global purchasing markets are clear specifications for selecting suppliers, and training courses for our purchasing employees.”



Bertrand Conquéret
Member of the Henkel Sustainability Council for Purchasing.

knowledge transfer and continued education about process optimizations, resource efficiency, and environmental and social standards.

In a pilot project, we have begun to include strategic raw materials suppliers in our reporting system to record the relevant environmental data. To ensure comparability of this information, we work closely with these suppliers and continuously improve the quality and transparency of the data.

Specifications for the purchase of palm oil and palm kernel oil

So that we can contribute to the responsible production of palm oil and palm kernel oil, we have participated in the Round Table for Sustainable Palm Oil (RSPO) initiative since 2003. In particular, we promote the development of special marketing and certification models for palm oil from sustainable cultivation. Our aim is that, from 2015 onwards, all of the palm oil and palm kernel oil supplied in the form of raw materials for our products should be covered throughout by RSPO certificates for sustainably cultivated palm oil.

In 2008, we became the first company in the world to purchase certificates for sustainably produced palm kernel oil, for the products of our Terra brand. Since then we have initiated further steps toward achieving our aim. Our laundry detergents Le Chat Eco Efficacité in France and Persil Eco Power in Belgium, together with our Ecocert-certified cosmetics products, have also been covered by corresponding palm kernel oil certificates since 2010.

The complete interview with Bertrand Conquéret:

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By purchasing RSPO certificates, we ensure that for the amounts of palm kernel oil we utilize a corresponding amount of sustainably produced palm kernel oil will be placed on the market. Further information on the “Book & Claim” system:

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Production and logistics

How we optimize our processes as a whole



Our worldwide production sites:



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Improving our performance, reducing resource consumption

Continuous improvement of our processes and site structures, while simultaneously reducing energy, water and materials consumption and environmental burdens, is an important part of our promise of quality. Our business sectors set up their own optimization programs to achieve these aims, as the various production processes involved in making products such as tiling adhesives, household cleaners, and skin creams, offer fundamentally different approaches for improvements.

In addition to optimizing local production processes, the Laundry & Home Care business sector has set itself the goal of reducing the growing complexity between its 31 production sites and its suppliers, distribution centers and customers. A planning and steering system was already introduced for this purpose in 2006, and this has increased the transparency of the worldwide processes. It enables us to identify inefficient processes and effect integral improvements in the interplay of the various partners. For example, we increasingly group production capacities in the geographical vicinity of our markets. Taking a cross-border view of our production network enables us to locate our logistical distribution centers in such a way as to optimize the distance between sites and customers, thus reducing transport mileage to a minimum.

Since 2006, we have systematically carried out analyses of the processes in our eight Cosmetics plants as part of our Total Productive Management Plus program. The aim is to identify losses in the various production processes and the supply chain, so that we can continuously increase added value. On the basis of detailed analyses which were carried out at the start of the program, our sites specify actions and quantified targets each year. To achieve these objectives, we rely on the process-specific experience and the ideas and creativity of our employees. To involve all employees as unbureaucratically as possible in the process of continuous improvement, “blue cards” have been placed at clearly visible locations in all cosmetics plants. Our employees can use these cards to submit suggestions for improving processes.

Regarding the production of our Adhesives, Sealants and Surface Treatments, we continued to consolidate our worldwide production network in 2010 and have reduced the number of sites to 149. Key aspects of our production planning are production in the geographical vicinity of our customers, as well as economies of scale and the resulting optimized utilization of resources, see **AR** Pages 58 and 59.

In 2010, as a result of all our worldwide programs, cuts were achieved in energy consumption at 62 percent of our sites, in water consumption at 57 percent, and in waste at 55 percent. We were thus able to further improve our performance on important sustainability indicators in 2010 and have already achieved the 2012 environmental targets we had set for our production sites, see **SR** inside front cover and Page 14.

Globally applicable standards, audits and training courses

Our safety, health and environment standards (SHE Standards) and our Social Standards apply to all of our sites worldwide. We ensure compliance with these standards, especially at the production level, through a clearly defined process of communication, training courses and audits. Checking the level of compliance with our standards is part of the due diligence procedure undertaken before we buy into a company. On the basis of the results, we draw up detailed action plans to raise newly acquired sites to the level of the Henkel standards where necessary.

In November 2010, at the presentation of the national Awards for Cleaner Production, our site in La Luz, Mixco, Guatemala, received the prize in the Energy category. The prize is awarded annually by the Guatemalan Ministry of the Environment (MARN), in cooperation with the U.S. Agency for International Development (USAID), the Central American Commission on Environment and Development (CCAD) and the Center for Clean Production in Guatemala (CGPL).



Leadership behavior at the local level plays a key role in Henkel's successful focus on sustainability and the implementation of our standards. We therefore give high priority to special training programs to raise the awareness of all production employees. These include the introduction of modern management methods, continuous professional development seminars, and training courses on Safety, Health and Environment (SHE) Leadership. In 2010, the Corporate Internal Audit department alone trained more than 250 employees in the Henkel standards on safety, health and environment. The program content ranged from risk assessment to emergency management and management systems.

"Companies are crucial to sustainable development. We drive forward the efficiency of processes worldwide, through the international transfer of knowledge and technologies, for example. We create jobs with fair and safe conditions and develop products that offer an increase in social value added. In this way, industry creates a central basis for society's prosperity, now and in the future."



Dr. Andreas Bruns
Member of the Sustainability Council for Infrastructure Services and Safety, Health and Environment (Corporate SHE).

The complete interview with Dr. Andreas Bruns:

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Worldwide: Contributions to resource-efficiency in 2010

Focal areas	Contribution
	Wassertrüdingen and Dülken, Germany / Maribor, Slovenia / Sfax, Tunisia / Bogotá, Colombia / Chonburi, Thailand: Numerous optimization measures were carried out in 2010 as part of the Total Productive Management Plus program for our cosmetics sites. These enabled us to reduce the energy consumption by a total of 10 percent, water consumption by 12 percent, and waste by 19 percent.
	Toluca, Mexico / Mixco, Guatemala / Perm and Engels, Russia / Port Said, Egypt / Düsseldorf, Germany / Montornès, Spain / Ferentino, Italy: Through the use of new production technologies, we succeeded in optimizing the production process for laundry detergent powders. A comparison shows that the new process needs 13 percent less energy per year.
	Düsseldorf, Germany: The introduction of the Late Customization technology and other actions enabled us to reduce wastewater volumes and the associated product losses in liquid laundry detergent production by 60 percent.
	Körösladány, Hungary: By converting the hot-water generation system in the liquid detergent production facility to calorimetric technology, we reduced the annual consumption of natural gas for heat generation by 10 percent.
	Navi Mumbai (Thane), India: By optimizing the water flow in the hotmelt production lines we were able to exploit natural gravity. We now no longer need to run the water pumps at such high delivery rates as before and have thus reduced the energy they consume. Moreover, we adjusted the cooling water tanks to the site's actual production capacities. As a result, we have achieved decreases in water and energy consumption of, respectively, 26 percent and 4 percent.
	Shanghai (Songjiang), China: Besides conventional hot air blowers, the use of special moisture-absorbing fabrics in production supports the drying of the industrial adhesives produced there. This has enabled us to reduce the energy consumption for this line section by some 60 percent.
	Auckland (East Tamaki), New Zealand: The installation of a closed-loop system for chilled water reduced the annual water consumption in adhesives production by about 50 percent. At the same time, the new process brought about significant financial savings in the form of reduced costs for water intake and disposal.
	Cabuyao, Philippines: Through improvements to the production process, we reduced the number of operating hours and therefore the energy consumption per batch. Overall, the more efficient adhesives production planning resulted in a reduction in energy and water consumption by 15 and 36 percent, respectively.

The energy efficiency of our administration buildings is also increasingly a focus of our efforts.

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Examples from other sites worldwide:

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We regularly audit our production and administration sites and logistics centers, see **SR** Page 7. For us, audits are a key instrument for identifying risks and potential improvements. We have our environmental management systems at the individual sites externally certified, if this yields competitive advantages. At the end of 2010, about 71 percent of the production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems.

Use of subcontractors for production

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. We place the same requirements regarding quality, environmental, safety and social standards on our subcontractors as well; they are an integral part of all contractual relationships and order placements. We monitor the implementation of our standards through audits by our Corporate Internal Audit department and, increasingly, by specialized third-party service providers.



In March 2010, the Energy Reduction Team of the Henkel site in Sabana Grande, Puerto Rico, organized a one-day seminar on the subject of renewable energies. All employees were able to gain a greater insight into the advantages and potential applications of new technologies such as LED lighting and solar power systems.

Use of renewable energies



Pilot projects: In Spain, we have installed small-scale solar thermal systems at our sites in Seville and in Montornès (photo). These systems use the heat from solar radiation to provide hot water for the sites.

In the area of climate protection, our primary focus is on the efficient provision and utilization of energy, to prevent climate-damaging emis-

Occupational incidents in 2010

In 2010, one serious incident occurred at a Henkel site. After a factory in Oitti, Finland, had been closed down, potentially harmful emissions were generated when an external service provider was carrying out cleaning work on tanks. The emissions also settled on the neighboring area. Henkel informed the local residents, supervisory bodies and the media about the incident and the measures to be taken. We also set up a central hotline so that we could respond rapidly to residents' questions. An independent external expert analyzed soil, water and plant samples; the results showed that no health risks to those living around the site and no long-term damage to the environment were expected. To confirm these findings, we will again have the soil, water and plants tested by an independent expert in the spring of 2011. All actions were taken in close cooperation with the Finnish authorities. We have thoroughly analyzed this incident and, as a consequence, revised the specifications for site closures accordingly.

At our site in Saveh, Iran, there was a fire in a warehouse for packaging materials. Thanks to the rapid action of employees, and with the support of the fire department, the fire was brought under control and farther-reaching damage prevented. As a consequence, the fire protection equipment at the site was thoroughly examined. This incident underscores the importance of regular SHE training for our employees.

sions in the first place. As a basic principle, we explore all other options for reducing energy consumption first before considering the use of green electricity or carbon offsetting certificates.

Nevertheless, we regularly check whether and where the use of renewable energy sources for electricity generation or the provision of heat is economically worthwhile for us and can make an additional contribution to climate protection. Our Laundry & Home Care business sector has developed a scouting tool to help with this. It takes into account the local availability of different forms of renewable energy, as well as the changing economic conditions and the demand at our sites.

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Logistics

Logistics planning for different products

Taking responsibility throughout the value chain includes the optimization of the transport of our products. Throughout Henkel, we are working to simplify our logistics structures and develop efficient and environmentally compatible logistics concepts. In most cases, our logistics planning is tailored to the nature of the final products to be transported. For relatively bulky products, we reduce the transport mileage and the resulting environmental burden by maintaining regional production sites. This applies especially to our laundry detergents and household cleaners, and to some cosmetics and adhesives. More compact products with a low specific weight make fewer demands on transport, so we produce them centrally in large quantities wherever possible. Our instant adhesives, for example, are produced at just a few sites worldwide.

New requirements on our transport service providers

Worldwide, more than 90 percent of the transportation 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. It is therefore important for us to consider efficiency and environmental performance when we select our transport partners. In 2010, we defined new criteria for systematically assessing providers of logistical services in the context of "invitation to tender" processes. These include the definition of energy-saving targets, measures for modernizing vehicle fleets, and investments in programs for optimizing routes and determining emissions. Requesting information from companies about these criteria emphasizes our expectations in regard to environmentally responsible transport concepts, and we take them into account when we place new logistics orders.

Determining our logistics emissions

We established comprehensive environmental data systems for our production operations many years ago. These cover both our own carbon dioxide emissions and the emissions resulting from the generation of energy bought from third parties, see **SR** Pages 14 and 15. In order to record the emissions associated with the transport of our products or with business trips, we are continuing to invest in the development of appropriate data collection systems. To ensure the transparency and comparability of transport emissions, in particular, we actively participate in discussions aiming to define a standard covering methods, basic data, and system boundaries. We work together intensively with

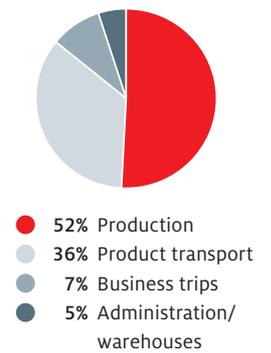
other industrial companies as well as with our logistics partners, also concentrating on data exchange and the avoidance of duplication of effort. The improvements in our data basis help us to check the effect of the actions we take and to respond to the growing number of data requests from industry and retail customers.

Initiatives to improve our carbon footprint

We look closely at the development, production, transport and storage of our products, as well as business trips and the use of company cars, to find ways to achieve an across-the-board improvement in our operational carbon footprint. For example, we improve truck capacity utilization wherever possible by increasing the number of delivery units and maximizing the shipment weight or by grouping different consignments – also with those of suppliers of similar products.

In addition, we have been working with our European logistics partners to build up our intermodal transport routes for the efficient transport of products by means of different modes of transport. To identify potential for improvements in our collaboration with our retail partners, we participate in the Europe-wide Efficient Consumer Response initiative.  www.ecrnet.org

Our operational carbon footprint



Based on primary data and the extrapolation of secondary data, average values, and emission factors, we estimate our operational carbon footprint for 2010 at about 1.4 million metric tons.

Specifications for our car fleet

In 2010, we were able to cut the carbon dioxide emissions per kilometer of new company cars by about eleven percent relative to 2009. Technical progress as well as the country-specific definition of efficient reference vehicles and the fixing of upper limits for carbon dioxide emissions when ordering new cars have all contributed to this reduction.

Moreover, we now break down the total monthly costs of a car into the company fraction and the employee's own contribution, including an estimate of the monthly fuel consumption. By increasing the transparency of the fuel costs incurred every month, we want to encourage our employees to drive more efficiently.



Additional measures to reduce our logistics emissions:

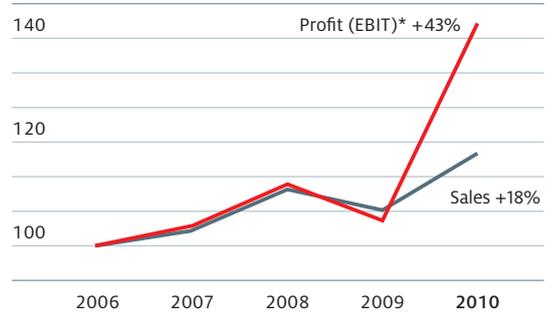
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Environmental indicators

Sustainability performance from 2006 to 2010
Environmental indicators per metric ton of output

Wastewater load (COD emissions)	-13%	↘
Energy	-23%	↘
Carbon dioxide (CO ₂)	-25%	↘
Waste	-28%	↘
Water	-31%	↘
Occupational accidents (per million hours worked)	-40%	↘
Volatile organic compounds (VOC)	-44%	↘
Sulfur dioxide (SO ₂)	-72%	↘
Heavy metals	+7%	↗

Business performance from 2006 to 2010
Percent; index: 2006



Competitive advantage rather than cost factor: As impressively demonstrated above, sustainable business practices improve not only environmental performance but business performance as well. We are working constantly to increase the efficiency of our production processes. In addition to reducing resource consumption and environmental burdens, this also reduces costs. In the 2010 reporting year, we were thus able to achieve further improvements in key sustainability indicators.

* After adjusting for one-time expenditures and gains as well as restructuring costs.

Creating transparency

The indicators we use throughout the Company offer transparency in many respects. They help us to identify potential improvements, steer programs, monitor target achievement, and inform the public about our performance and progress in compact form. Our indicators are based on the environmental indicators of the European Chemical Industry Council (CEFIC). In the Sustainability Report, we focus on the publication of our globally relevant core indicators. Details on the progress made in regard to other environmental indicators are reported on the Internet only.

Continuous data recording

The production-related data were determined at 182 Henkel sites in 57 countries. The data represent

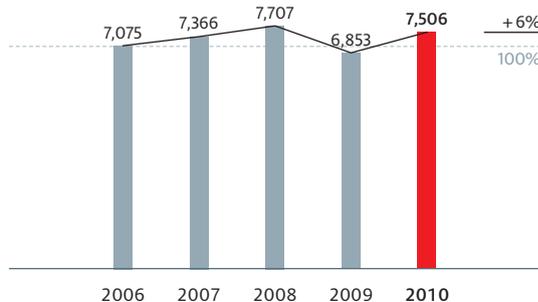
more than 95 percent of our worldwide production volume in 2010. They are validated centrally for year-end reporting and also verified locally within the framework of our international audit program, see **SR** Page 7. Any differences in data discovered or reported at a later date are corrected retroactively in our reporting system.

A comparable basis

Our production structures are constantly changing – as a result of acquisitions or site closures, for example. The number of sites contributing data to the environmental indicators therefore changes accordingly: from 162 in 2006 to 182 in 2010. To ensure the comparability of the annual data, we also plot their progress as index curves relative to the volume of production.

Production volumes

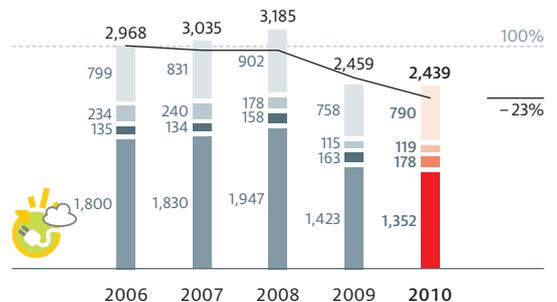
In thousand metric tons



In 2010, production volumes rose again, almost to the 2008 level, due to increasing demand.

Energy consumption

In thousand megawatt hours



Legend: Bought-in energy, Coal, Fuel oil, Gas. Bought-in energy is electricity, steam and district heating that is generated outside our sites.

We report on the progress of other environmental indicators on the Internet:



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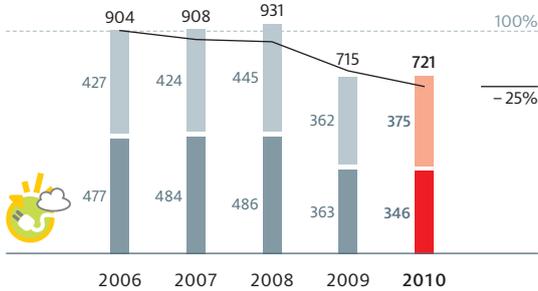
Index curve

The index curve on the graphs shows the progress of the specific environmental indicators relative to the volume of production (per metric ton of output).

~ The base for these index curves is the year 2006 (= 100 percent).

Carbon dioxide emissions

In thousand metric tons

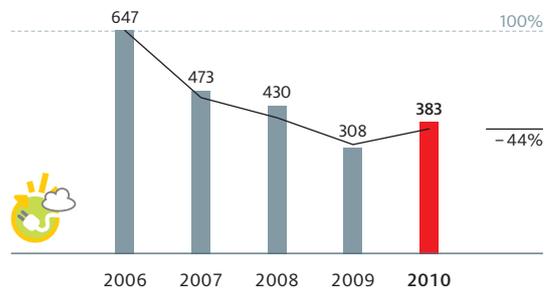


■ Carbon dioxide emissions from bought-in energy
 ■ Henkel's own carbon dioxide emissions

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

Emissions of volatile organic compounds

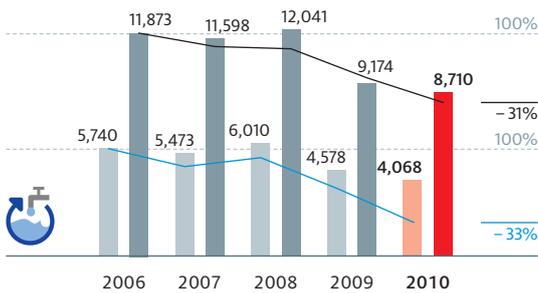
In metric tons



The high level in 2006 is primarily due to acquisitions. Since 2007, additional measures have been implemented to reduce emissions of volatile organic compounds. The rise in 2010 is due to the increase in production volume.

Water consumption and volume of wastewater

In thousand cubic meters

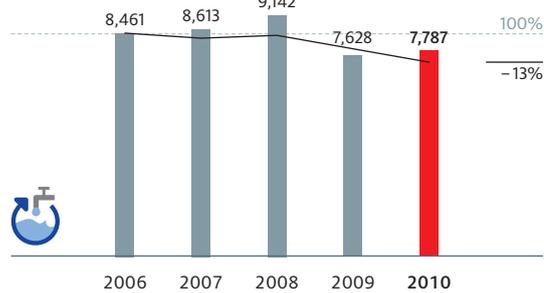


■ Water consumption ■ Volume of wastewater

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

COD emissions to surface waters

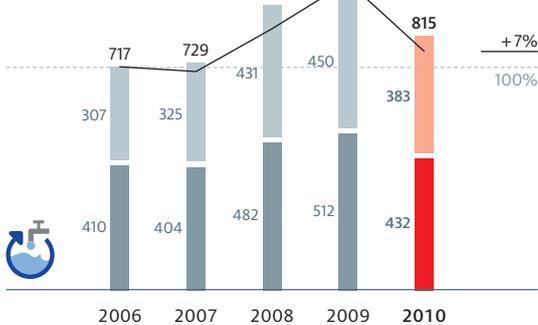
In metric tons



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

Emissions of heavy metals to wastewater

In kilograms



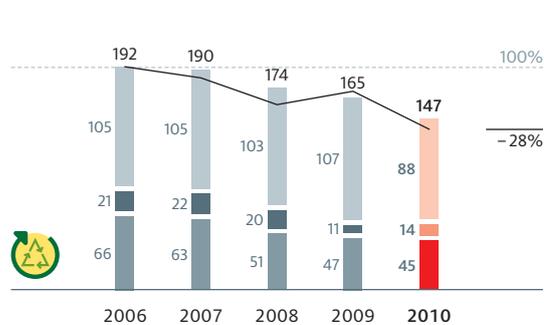
■ Zinc ■ Lead, chromium, copper, nickel*

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

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

Waste for recycling and disposal

In thousand metric tons



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

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

Sustainability stewardship

How we improve our products throughout their life cycle

More information on product safety at Henkel:

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Information on REACH, nanotechnology and biotechnology:

 www.henkel.com/sr2010 | 22



Henkel participated as a partner in the Product Carbon Footprint (PCF) project in Germany.

 www.pcf-projekt.de

Research and development

Innovations are the basis for our economic success and key to sustainable development. This requires a high degree of innovativeness. In 2010, Henkel employed about 2,700 people in research and development and invested 391 million euros in these activities. Since 2008, the Henkel focal areas have been systematically anchored in our company-wide innovation process (see graphic at bottom). Information from different departments also converges in the innovation process: international trend and market analyses, as well as insights drawn from our direct dialogue with customers, consumers and external experts.

With the help of life cycle analyses and the knowledge acquired during many years of work on sustainability, we can assess as early as the product development phase where most of the environmental impact will occur in the different product categories, so that we can take suitable action to achieve improvements. To further develop measurement methods and indicators, we work with external partners on topics such as the carbon and water footprint of products, see **SR** Page 19. We also participate in international initiatives such as Walmart's Sustainability Consortium and the Consumer Goods Forum's Measurement Group.

Product safety

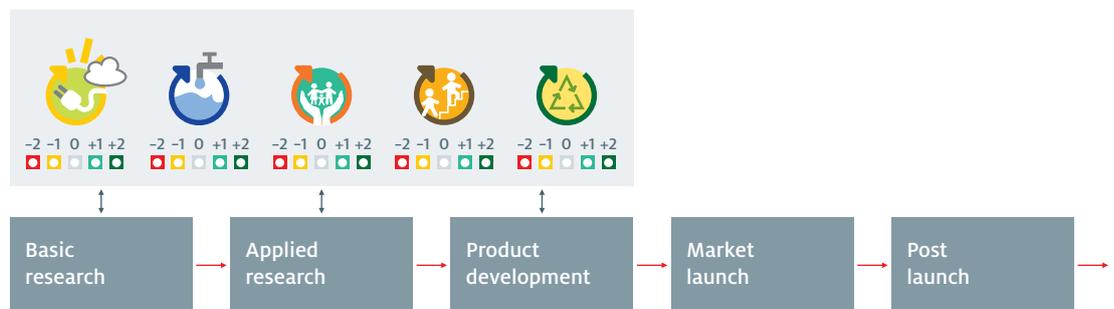
Our customers and consumers can be certain that our products are safe when used as intended. All raw materials and finished products are subjected to numerous assessments and tests to ensure their safety during production, use and disposal. The compatibility of raw materials with health and the environment is already assessed extensively during the product development phase. This applies to the properties of the individual components of the formula and combinations of these components. The use of substances with certain dangerous properties is precluded for specific applications from the very start. As a matter of principle, Henkel does not use animal testing, unless this is stipulated by legal regulations. In order to replace these tests as well, Henkel has been carrying out successful research for the purpose of developing alternative test methods since the early 1980s.

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Raw materials

Sustainability extends to the responsible management of raw materials, the conservation of natural resources and biodiversity. We have used ingredients based on renewable raw materials for many years to optimize the overall characteristics of our products, wherever this is compatible with ecological, economic and social considerations.

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 – besides product performance and added value for customers – in regard to resource efficiency and social criteria. This enables us to achieve our commitment that all new products contribute to sustainable development in at least one focal area.

Renewable raw materials are already key ingredients in many of our products. We take ecological and social consequences into consideration when we purchase these raw materials. www.henkel.com/sr2010 | 24

Packaging and disposal

Throughout the company, as a contribution to the efficient use of materials and to reduce the volume of packaging waste for our customers and consumers, we follow three principles – prevention, reduction, recycling. We continually improve our product packaging and, where technically feasible, we work toward increasing the proportion of recycling materials across our entire portfolio. The PET bottles for our laundry detergents and household cleaners, for example, contain 25 percent recycle. We also regularly look for potential uses for new packaging materials such as bioplastics.

We offer consumers dosage aids, concentrates, and refill packs. For example, a variety of refill pouches with formulations in up to three-fold concentrations are available for our Biff, Bref and Sidolin household cleaner brands. In comparison with the original packaging, about 90 percent less plastic is needed for their production. They also reduce water consumption, freight packaging, and transport weight. Special transport systems for returnables are available to our industrial adhesives customers.

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Laundry detergents and household cleaners, as well as cosmetics and toiletries, pass into sewage systems after use. They are formulated by Henkel so that their use will not impact on the aquatic

Sustainability of packaging

In 2010, Henkel took part in the Global Packaging Project of the Consumer Goods Forum. The aim of the project is to develop standardized evaluation processes and indicators, with which packaging solutions can be analyzed with regard to their economic, ecological and social impacts. Through its own pilot projects – for example, on assessing the advantages of shelf-ready packaging concepts of retailers – Henkel was able to contribute approaches to the work of the Forum at an early stage and help to intensify the dialogue between industry and retail partners.

environment. Wastewater from industrial applications is pretreated using state-of-the-art technology to remove harmful substances and professionally disposed of.

Use

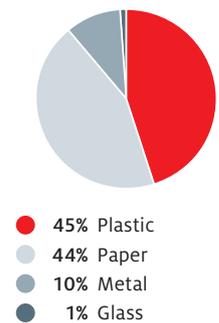
The ecological footprint of many of our products depends not only on production factors but also, and to a very large extent, on their efficient use. Henkel's brands and technologies are used daily in millions of households and industrial processes. We therefore focus on the development of products that enable our customers and consumers to make efficient use of resources such as energy and water. At the same time, we encourage them to use our products responsibly by providing them with information in a variety of ways. www.henkel.com/sr2010 | 26



Pritt Ecomfort roller: The world's first correction roller with a housing consisting almost 90 percent of a plastic made from plants. For this innovation, Pritt was awarded the Biomaterial Prize 2010.

www.natureworkslc.com

Henkel packaging footprint 2010*



* Approx. 500,000 metric tons (estimated on the basis of expenditure on packaging material).

Initiative on protecting woods and biodiversity

Henkel is one of the signatories to the Consumer Goods Forum resolution on deforestation and biodiversity. The participating companies are committed to taking individual and collective initiatives to achieve zero net deforestation by 2020. In the case of Henkel, this mainly affects its purchasing of raw materials and other materials such as palm oil, palm kernel oil and paper.



www.theconsumergoodsforum.com

Laundry & Home Care



Britta Strauss and Sven Müller, product developers for dishwasher detergents at Henkel, study the product performance of Somat Perfect Gel in a long-term test in the dishwashing test laboratory in Düsseldorf.

Somat Perfect Gel

Our innovations are used daily in millions of households, and therefore offer great potential to actively help to shape more sustainable lifestyles. For example, we work continuously to develop dishwasher detergents that deliver excellent cleaning performance at ever lower temperatures. One such product is Somat Perfect Gel, which our researchers developed in cooperation with raw material suppliers and which is particularly efficient in water- and energy-saving dishwashing programs. The innovative gel formulation ensures that the detergent takes effect immediately and removes even stubborn stains in programs with temperatures as low as 40 degrees Celsius. Relative to comparable programs at 50 or 55 degrees Celsius, consumers can achieve energy savings of 20 percent on average, depending on the type of dishwasher.

This product, developed by the Laundry & Home Care business sector, shows in exemplary fashion how our employees always have the Henkel values in mind. Somat Perfect Gel helps to save resources and thus conserve the environment, and offers added value to our consumers. www.somat.de



Britta Strauss fills the dispensing compartment in accordance with the dosage recommendation on the Somat Perfect Gel bottle.



With Somat Perfect Gel, excellent cleaning results can be obtained even at 40 degrees Celsius.

The future at a glance

Our consumers rightly expect products to satisfy the criteria of quality, environmental compatibility, and social responsibility in equal measure. And this is also our aim. Our brands combine excellent performance with responsibility toward people and the environment. We view this combination as the central driver for innovations and the basis for our future competitiveness. The social challenges of the future require people everywhere to radically rethink the manner in which we produce and consume. For us, the main task in the coming years will be to decouple our products' contributions to growth and quality of life from resource consumption and emissions, see also **SR** Page 5.

Our product developers already take this need to increase efficiency into account. Each new product must make a contribution in at least one of our focal areas, see **SR** Page 16. To make the advances we have achieved transparent and quantifiable, we have worked together with the Center for Sustainable Consumption and Production (CSCP) in Wuppertal to develop appropriate assessment models for our laundry and home care products. These models come together in the Henkel-Sustainability#Master. At the heart of the models is an evaluation of economic, ecological and social criteria throughout the value chain on the basis of life cycle analyses. The results show the reduc-



tion in the ecological footprint, together with the added value that a new product brings in terms of performance and service.

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Fostering sustainable lifestyles

Our innovations are used daily in millions of households throughout the world. They have enormous potential for actively shaping tomorrow's lifestyles. In combining quality and responsibility, our aim is to set a new market standard for innovative, sustainable consumption. We utilize our many years of experience to develop products that enable consumers to use energy and water efficiently in the home. Our laundry detergents Persil Actic Power and Purex Cold Water, for example, deliver their full cleaning power even at low wash temperatures.

Innovation instead of renunciation

In October 2010, more than 900 representatives of leading laundry detergent producers and raw materials suppliers from almost 60 countries came to Montreux, Switzerland, to discuss future-oriented themes of concern to this industry. The Chairman of the Henkel Management Board, Kasper Rorsted, spoke about the significance of innovations and greater efficiency as the key to sustainable development.

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Persil Actic Power and Purex Cold Water: Best washing performance at low temperatures.

www.persil.de

www.purex.com

Global challenges: Water as the gold of the 21st century

The Earth's water resources are unequally distributed and are threatened by increasing pollution and overuse. For us, therefore, reducing water consumption during the production and use of our products is an important aim. In order to identify suitable approaches for achieving improvements, we participate in efforts to develop methods for water footprinting. In 2010, for example, we worked together with the Swiss Federal Institute of Technology (ETH) in Zurich, to study the consequences of the water demand for laundry detergent production at our sites in the Middle

East and North Africa. At the heart of this was a consideration of the different amounts of water required for the production of powder and liquid laundry detergents, taking into account regional factors such as water availability, scarcity and quality. We feed the experience we gain from such pilot projects into the discussion on the development of an international ISO standard (ISO 14046) on water footprints.





Pur Power Crystals:
The salt crystals in the manual dishwashing detergents bind with the sponge. They thus maintain the anti-grease power up to four times longer – with the same dosage.

The active substances in our detergents also help to make it more difficult for dirt to resettle on fabrics. Our new liquid Somat Perfect Gel is particularly suitable for short dishwasher cycles. In comparison with standard programs, these use an average of 20 percent less energy. Another example of a future technology is the use of photocatalytic bleaching systems that can further bleach colored stains as they dry. While in the past these systems needed ultraviolet light to deliver their performance they now already respond to interior lighting. Through targeted communication, we aim to make consumers aware of these advantages of our products and encourage their efficient use.

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

As long ago as 1998, the International Association of the Soap, Detergent and Maintenance Products Industry (A.I.S.E.) launched the Wash Right campaign to motivate consumers to adopt responsible washing practices. The symbols developed for sav-

ing energy, water and detergent can still be found on numerous laundry detergent packagings today. In late 2004, the A.I.S.E. Charter for Sustainable Cleaning was finalized, and in 2005 Henkel was the first company to sign it. All companies that sign the Charter pledge to continuously improve their processes and to report annually on their economic, ecological and social advances, using defined indicators. Together, these indicators reflect the development of nearly the entire laundry and home care industry. In 2010, the processes and content of the A.I.S.E. Charter were extensively revised, and a new product dimension was introduced. It defines advanced sustainability profiles per product categories. Four criteria are of particular importance here: the environmental safety of the ingredients; resource efficiency with regard to dosage and packaging materials; washing performance at low temperatures; and consumer information. Products that satisfy all of the defined requirements can communicate this to consumers by means of a new A.I.S.E. Charter logo on the packaging.

www.cleanright.eu



“A company that wants to lead the field in both innovation and sustainability must be able to do one thing even better in the future than it already does today – enter into partnerships with all participants in the value chain. We work intensively with manufacturers of household appliances, for example, with a view to making our products even more efficient in combination with washing machines and dishwashers.”



From July 2011 the new A.I.S.E. Charter logo can be used for product communication.

Prof. Dr. Thomas Müller-Kirschbaum
Member of the Henkel Sustainability Council for the Laundry & Home Care business sector.

The complete interview with Prof. Dr. Thomas Müller-Kirschbaum:

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Terra – for a cleaner today and tomorrow



Conserving the environment without relinquishing quality of life is a core need for more and more consumers. This is why the Terra brand exists. Its active ingredients are mainly obtained from plants rather than mineral oil. Whether it be bathroom, glass, universal or toilet cleaners, dishwasher

detergents, or liquid laundry detergents (color and universal), for each individual type of Terra product, the greatest possible proportion of plant-based active ingredients were selected – without compromising on the excellent performance of the products.

www.terra-henkel.de

Responsible use of raw and packaging materials

Henkel has been using ingredients based on renewable raw materials for decades. In 2010, about 30 percent of the washing active substances (surfactants) in our laundry detergents and household cleaners were derived from renewable raw materials. This is clearly above the average in the laundry and home care industry as a whole. We are aware of our responsibility regarding the purchase and use of these raw materials. Since many ingredients in our products are obtained from vegetable raw materials such as palm kernel oil, we have participated in the Round Table for Sustainable Palm Oil (RSPO), for example, since 2003. In 2008, we became the first company worldwide to purchase certificates for sustainable palm kernel oil – for the products of our Terra brand. As a result, palm kernel oil from sustainably managed plantations was integrated into the supply chain for the production of surfactants for the first time. Our aim is that all of the palm oil and palm kernel oil supplied in the form

“Growth markets such as the Middle East and Latin America offer excellent opportunities for our laundry detergents and household cleaners. Up-and-coming societies long for products that raise their standard of life. And it is precisely here that sustainability will be especially vital. We want to make the performance and the ecological and social advantages of our product innovations accessible to as many consumers as possible from all income levels.”



Alain Bauwens
Member of the Henkel Sustainability Council for the Laundry & Home Care business sector.

of raw materials for our products should be covered throughout by RSPO certificates for sustainably cultivated palm oil by 2015, see also **SR** Page 9.

Other aims include a reduction in the amount of packaging material used and an increase in the proportion of recycled packaging materials, see **SR** Page 17. In the current Laundry Sustainability Project Liquid (LSP-L) of the A.I.S.E., for example, we have committed to standardizing the pack sizes of our liquid laundry detergents by 2012. This is expected to save more than 2,000 metric tons of plastic each year on the Western European markets alone.

The complete interview with Alain Bauwens:

 www.henkel.com/sr2010 | 30



Brand engagement

Our alignment toward sustainability also encompasses the social engagement of our brands. In Egypt, for example, our Pril brand has cooperated with the charitable Egyptian Food Bank (EFB) since 2008. The bank’s mission is to provide orphans, senior citizens, widows, socially disadvantaged families, and other needy persons with food.

Five percent of the sales revenue of each sold Pril bottle goes to the EFB. Since the start of this engagement, Pril donations have been used to support more than one million people in Egypt. From 2011, similar programs will be supported by local Henkel brands in other countries of North Africa, see also **SR** Page 30.

Contributions to hygiene and health in the home

Hygiene is of crucial importance for human health throughout the world. Here, too, we make an important contribution in all of our markets through our laundry detergents and household cleaners. A key priority is the adaptation of our products to local consumer requirements and local conditions. In many south European markets and in India, for instance, we offer laundry detergents containing special antibacterial agents. The same applies to newly launched household cleaners on the North African and Latin American markets.

Our new product launches are accompanied by targeted communication campaigns, aimed at raising consumer awareness of the importance of hygiene. We ensure that the active substances have both excellent hygiene performance and health compatibility. For example, we take into account the needs of allergy sufferers and people with sensitive skin. In 2010, a total of seven Henkel laundry detergents were acclaimed as especially skin-compatible and allergy-friendly by the European Centre for Allergy Research Foundation (ECARF): Persil Sensitive Gel, Persil Sensitive Megaperls, Persil Sensitive Powder, Spee Gel Sensitive, Le Chat Sensitive Gel, Le Chat Sensitive Tabs, and Le Chat Sensitive Lait de Soie.



The switch from plastic packaging to cardboard increases the recycling rate. In the USA, the recycling rate for paper is more than 60 percent, as opposed to only 7 percent for plastic.



In our markets in the Middle East and North Africa, our Dac Disinfectant ensures first-class cleaning and prevents new bacterial growth for 24 hours. Persil Hygiene Rinse eliminates up to 99.99 percent of all bacteria, even during low-temperature wash cycles.

Cosmetics/Toiletries



Tsering Tsomo (left) from Bangalore, India, who works for Schwarzkopf Professional as a trainer, travelled to the SOS children's village in Alwaye-Cochin, in the state of Kerala, to train young people to be hairdressers. Here she is using a model head to show Nazreen how the hair should be prepared for cutting.

Shaping Futures – Sharing knowledge and developing skills

In November 2010, together with the charity SOS Children's Villages, Schwarzkopf Professional launched the Shaping Futures initiative in India and Peru. The aim of this worldwide initiative is to teach the basic techniques of professional hairdressing to young people in SOS children's villages. In the long term, this should enable these young people to earn their own living. Hairdressers from Schwarzkopf Professional and volunteer Schwarzkopf hairdressing customers train young people for four weeks in SOS children's villages. Each participant is given a start-up case with hairdressing equipment, such as scissors, comb, hair clips and cape, and receives a certificate after successful completion of the course. Furthermore, Schwarzkopf then offers the participants a chance to gain some practical experience at hairdressing salons. In the first series of courses, 16 trainers introduced more than 60 young people to the craft of hairdressing.

This initiative by Schwarzkopf Professional shows in an exemplary manner how Henkel employees use their professional know-how, in collaboration with their customers, to offer a better future to young people in need of help. Our employees thus live Henkel's values and contribute to the sustainable development of communities by promoting entrepreneurship through training.

www.schwarzkopf-professional.com/social-initiative/shaping-futures



Sabira (left) and Aparna are delighted with the start-up case containing hairdressing equipment, which they received for their training from Schwarzkopf Professional.



Shaping Futures relies on volunteer trainers who, together with Schwarzkopf Professional, want to change the future.

Our contribution to beauty and well-being

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

The success of our cosmetics and toiletries owes much to our insistence on offering consumer-relevant products with high levels of efficacy and compatibility. The safety and performance of our products are always demonstrated on the basis of scientific findings. We are always looking for new and better solutions. At the heart of our innovation processes is an ever better understanding of the needs of our consumers in different regions. By linking innovative ideas with contributions to our focal areas, we also support the trend toward environmentally aware and health conscious lifestyles.

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Product and consumer safety

Only cosmetic products that are well tolerated and safe to use can win the long-term trust of our consumers. Health compatibility is therefore a top priority for us from the earliest stage of product development. This includes consideration of the

needs of people with allergies or sensitive skin. In 2010, we worked closely with the European Centre for Allergy Research Foundation (ECARF) and other external partners, and had additional products evaluated by ECARF. In the meanwhile, all Diadermine care products have been certified by ECARF. This means that they satisfy the highest demands for skin compatibility, even for persons with sensitive skin or allergies. www.ecarf.org

All cosmetic products and their individual ingredients are subjected to an extensive program of assessment and evaluation in order to ensure their compatibility. Since the late 1980s, we have not carried out any animal tests to assess the safety of finished products. Instead, we use the available data and findings on the ingredients used. Many questions regarding the skin- and eye-compatibility of individual ingredients or cosmetic products can be studied with the help of in vitro tests. These in vitro tests have been developed as alternatives to animal testing through intensive collaboration over the past decades between Henkel and external partners. Good skin compatibility predicted on the basis of this information is then confirmed by extensive testing in dermatological studies involving volunteers.



All Diadermine care products are certified by the European Centre for Allergy Research Foundation (ECARF).

www.diadermine.de

More information on the development of alternative test methods and our engagement in international research initiatives:

www.henkel.com/sr2010 | 32

Right Guard – enhanced benefit with reduced footprint

We optimize the ecological footprint of our products, thus supporting the trend toward health conscious and environmentally aware lifestyles. The example of the Right Guard deodorant spray, a 48-hour active antiperspirant, shows how a product’s consumer benefit can be increased while reducing its ecological footprint at the same time. The newly developed formulation with antibacterial silver molecules provides 48 hours of protection against body odor, creating the foundation for greater self-confidence, greater self-esteem and a well-groomed appearance. The improved spray valve reduces the common spray losses by 20 percent. In combination with an efficient formulation, continuously improved



production, and an intermodal logistics chain, the result is an even smaller carbon footprint.

www.rightguard.com



Tina Müller
Member of the Sustainability Council for the Cosmetics/Toiletries business sector.

The complete interview with Tina Müller:

 www.henkel.com/sr2010 | 33

“Beauty, personal well-being and hygiene are basic human needs in all parts of the world. Our products help to fulfill these needs individually and by doing so make an important contribution to society. The aim of our product development and our brand engagement is to support the trend towards environmentally aware and health conscious lifestyles.”

Responsible use of natural and renewable raw materials

We contribute to the conservation of finite resources by using renewable raw materials in our formulations. For example, we replace ingredients based on mineral oil by plant-based alternatives, whenever this is possible and appropriate without any loss in product quality and performance.

More than two-thirds of the ingredients of the product formulations of our soaps, shampoos and shower gels are now based on renewable raw materials. We are also committed to considering ecological and social aspects when we purchase renewable raw materials. We pay close attention to the origin and the cultivation and production conditions of our raw materials and their precursor products. This is also reflected in our involvement in the Round Table for Sustainable Palm Oil (RSPO).

In addition, we strive to use ingredients from controlled organic crops to a greater extent. Furthermore, when we purchase raw materials, we seek opportunities of cooperating with suppliers and local stakeholders who support fair trade with the countries of origin (see box “Gliss Kur Oil Nutritive”).

Overall improvement in eco performance

Over a period of many years, we have formulated our products that pass into wastewater after use for optimal biodegradability. Our aim, to increase the proportion of readily biodegradable ingredients in our soaps, shampoos and shower gels to 80 percent by 2012, has already been achieved. In the case of washing active substances – surfactants – the amount of readily biodegradable substances even exceeds 90 percent. The average amount of readily biodegradable substances in our products is 82 percent.

In 2010, we reformulated our products to make them even more biodegradable. The new formulations are already being used for about 70 percent of our

marketed shampoos, shower gels, liquid soaps, and bar soaps, as in our Schauma hair care brand, for example. In view of the progress already achieved, in the coming years we will align our specifications toward the consistent extension of our strategy.

Other key factors in improving the eco performance of our products are carbon dioxide emissions and packaging material. We plan to determine the carbon footprint of representative products for all relevant product categories by 2012. In 2010, we calculated the carbon footprint for another two product categories: toothpastes and deodorants/antiperspirants. These calculations will, above all, increase the transparency of our processes and reveal starting points for achieving reductions in emissions.

To improve the eco performance of our products even further, we also work closely with our customers. In the USA, for example, Henkel and a number of competitors support our retail partner



The raw materials used in AOK Bio Expert are certified by Ecocert.



15%
less surfactants, equally high performance – this is achieved by the new formulation of our Schauma shampoo.

Gliss Kur Oil Nutritive



For the first time, Gliss Kur Oil Nutritive offers a combination of seven oils in an innovative hair care range. The formulations, containing argan oil, marula oil, olive oil, apricot kernel oil, macadamia nut oil, sesame oil, and almond oil, ensure 85 percent fewer split ends, as they very gently penetrate deep into the hair to repair its structure. By using marula oil for Gliss Kur Oil Nutritive, we are supporting our supplier's marula project. The oil comes from a fair trade cooperative and conforms to the Ecocert ecological standards.  www.glisskur.de

Walmart and scientists at the Global Institute of Sustainability of Arizona State University in the development of a sustainability index. <http://walmartstores.com/sustainability/9292.aspx>

To reduce consumers' packaging waste, we strive continuously to decrease the amount of material used in our product packaging as far as possible without compromising the quality and stability of the packaging. We also continue to seek suitable biodegradable alternatives that satisfy our high demands on packaging materials, see **SR** Page 17.

Safe to use thanks to professional advice

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, by telephone, mail or email. In Europe, for example, this results in about 130,000 customer contacts each year. Most queries are about the effects our products achieve and how to use them.

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

"In general, we are always looking for formulations for our cosmetics products that are more effective and more compatible, but also more efficient. This is because we face the challenge of delivering greater performance while using less raw materials. Contributions to resource efficiency can also come from products with especially long-lasting effects, such as our newly launched Right Guard deodorant sprays."



Dr. Thomas Förster
Member of the Sustainability Council for the Cosmetics/Toiletries business sector.

The complete interview with Dr. Thomas Förster:

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We also support our professional hairdressing customers with training courses and information on the proper use of our products. Through the international Schwarzkopf Academy (ASK), we offer an advanced vocational training program on cutting techniques, fashion advice, and management topics for hairdressers in 38 countries. In 2010, we provided support to 460,000 hairdressers worldwide through our Schwarzkopf Academies.

www.schwarzkopf-professional.com

Brand engagement

Our alignment to sustainability also encompasses the social engagement of our brands, see also **SR** Page 35. One example is the Shaping Futures initiative launched in 2010 through which Schwarzkopf Professional and its customers work on a volunteer basis to provide training for young people in SOS children's villages, see **SR** Page 22.

Significance of growth markets for our product development

In growth regions, in particular, the question of the social added value of products takes on greater significance. Products aligned to the needs of consumers in the lower income brackets not only have enormous economic potential, but also make a positive social contribution in terms of hygiene and health. We adapt our products and marketing to local conditions, so that our product quality is accessible to the broadest possible groups of people. In the South American markets, for example, we offer shampoos, hair gels and deodorant creams in small sales units of 10 to 20 milliliters.



More information on strategies for growth markets:

www.henkel.com/sr2010 | 35

Adhesive Technologies



Puerto Errado 1, the pilot solar thermal power plant of Novatec Biosol, is located in Southern Spain. Meike Schumann, quality engineer at Novatec Biosol, and Thomas Wittmann, field representative at Henkel, discuss the performance of Henkel's Terostat MS adhesive right at the plant.

Developing adhesive technologies together

We carry out worldwide research on products and technologies that combine top performance with economic advantages for our customers and consumers and responsibility toward people and the environment. Solar power, for example, is becoming more and more important in the rapidly growing renewable energies market. Here, we have been sharing our adhesives expertise with Novatec Biosol ever since its establishment in 2006, helping this company to develop concentrated solar thermal systems – mirrors that generate energy from sunlight. The challenge was to bond the slightly curved mirrors to their galvanized steel frames. An elastic Terostat MS adhesive combined with a hardener component proved to be an excellent high-tech solution. Terostat MS adhesives do not require hazard labeling and can withstand extreme sunlight. By the end of 2011, a 30-megawatt power plant will have been built in Southern Spain using Terostat MS adhesives.

This Adhesive Technologies project is an excellent example of how Henkel employees collaborate with their customers to develop new technologies. By living Henkel's values, our employees thus contribute to sustainable development. In this project, they respond to the customer's wishes and needs, help to achieve economic success, and offer sustainable solutions.

 www.henkel.com/solar.htm



The Terostat MS adhesive is extruded automatically onto the steel frames to which the mirrors are then bonded.

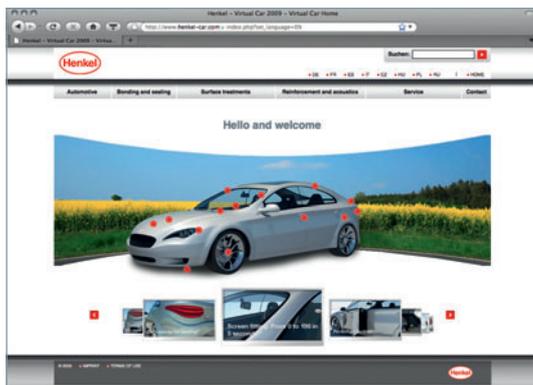


Despite strong sunlight, the Terostat MS adhesive keeps the mirrors fixed to their steel frames.

Global leaders through innovation, performance and sustainability

Henkel products are used in almost all sectors of industry, such as the automotive, electronics, aerospace, metal and packaging industries, the development of alternative sources of energy, and for maintenance, repair and overhaul. They contribute to resource conservation and safety – for example, by helping to save weight, reduce energy consumption, increase rigidity, or improve safety at work. With our adhesives, industrially manufactured goods can be made more durable, lighter and more efficient. Our adhesives know-how also helps to protect buildings against cold and dampness and to repair items of daily use, while our glues and tapes are much appreciated in the home, in schools and in offices. The key consideration, however, is always that of combining economic benefits for our customers with responsibility toward people and the environment.

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The Internet page www.henkel-car.com makes it clear how adhesive solutions and surface treatments from Henkel help the entire automotive industry to improve efficiency and quality. The new coating process Aquence Co-Cure, for example, significantly lowers energy costs, environmental impacts and manufacturing effort. For this development, Henkel received the respected Automotive News PACE Award for the second time in 2010.

www.henkel-car.com

“Our ideas for innovative products must be just as flexible as adhesive is as a material. Today we are cooperating more than ever with industrial partners and external research institutions to meet tomorrow’s global challenges through innovation. For example, we assisted Tonji University in Shanghai, China, in developing a hydrogen-powered car which was presented at the Shanghai EXPO 2010.”



Prof. Dr. Ramón Bacardit
Member of the Henkel Sustainability Council for the Adhesive Technologies business sector.

The complete interview with Prof. Dr. Ramón Bacardit:

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Generating added value for our customers

For us, sustainability is not an end in itself, but generates value for our company and for our customers. It gives us a competitive advantage when it creates economic, ecological or social benefits for our customers as well. We offer our customers first-class performance while simultaneously helping them to operate sustainably throughout their value chain. One of the ways we do this is by developing products that make production processes considerably more efficient than conventional solutions. Our Loctite brand maintenance and repair products, for example, can extend machine lifetimes. Technologies such as Bonderite NT, TecTalis, Aquence Co-Cure and Alodine for metal pretreatment cut energy and wastewater costs in processing lines and reduce the use of heavy metals. Our water-based solvent-free adhesives for athletic shoes help to significantly improve workplace health and environmental protection levels in athletic footwear production facilities.

We have developed numerous tools to demonstrate the advantages of our innovations transparently to our customers. One of these is the Value Calculator, which enables customers to include not only the price of the product in their cost calculations, but also the potential savings it can achieve in their process. Our customers can then calculate the economic and ecological benefits they gain by using our products. The Value Calculator is currently available for more than 30 brands, including Bonderite, TecTalis, and Macroplast.



With a reduced processing temperature of 130 degrees Celsius, our adhesive Technomelt Supra Cool 130 decreases the energy consumed when bonding packages by up to 40 percent.

www.technomelt-value.com

Results of the life cycle analysis for our MiraFoil effect coating for print finishing:

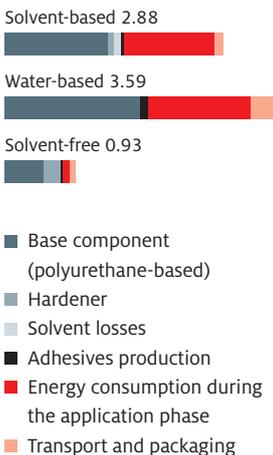


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With Multicore LF620, Henkel is setting new standards for lead-free production of products such as electronic devices. Containing no halogen or lead, this solder paste also helps to improve the recyclability of electronic devices.

Greenhouse gas emissions of Liofol adhesives¹⁾
in CO₂ equivalent per kilogram



¹⁾ For 100 m² of laminated film/foil.

Improvements based on analyses and discussions among specialists

Product innovations and systematic reviews of our product portfolio help to continuously improve the performance of our products and technologies. Here we draw on our years of experience with life cycle analyses to identify suitable starting points for improvements. For many years, we have pursued a policy of steadily replacing heavy metals in our products. We also substitute solvents with high-performing alternatives that make it possible to offer water-based and ultraviolet-crosslinking formulations. To optimize product characteristics, our researchers also make use of renewable resources. These form the central basis of our glue sticks, wallpaper adhesives and many packaging adhesives. The proportion contained in our bottle labeling adhesives, for example, is 45 percent. And the formulation of the Pritt Stick is based 90 percent on nature-based raw materials.

But the composition of our own products is not the only area where improvements can be achieved: New product solutions can modify or improve the type of application and the production processes at



our customers' facilities. Our solutions are therefore based on a thorough understanding of our customers' needs and are often generated by working as a team with customers, equipment manufacturers, and raw materials suppliers.

Focus on health and safety

For us, first-class product performance means that we also assume responsibility for the health and safety of our customers when they use our products. This is why we are working all around the world to set new standards for the health compatibility of consumer and contact adhesives – for example, in regard to the use of solvents. These are often the subject of controversy in public debate because of their possible negative impact on health and the environment. Replacing solvent-based adhesives by alternative systems has therefore been a goal of Henkel researchers for many years.

Taking the situation in 2010 as our baseline, we have set ourselves the target of reducing the remaining amount of solvents in the consumer adhesives segment by half by 2020. As a first step in 2010, we replaced the solvent toluene in all of our contact adhesives for consumers around the world. To make sure alternatives will be available in time to shape a future without solvents, we are investing long-term in the development of new basic technologies. At the heart of our research are even more powerful water-based systems, as well as completely new cross-linking mechanisms.

Henkel's Lineguard Supervisor, a control and monitoring system for continuous monitoring of metal pretreatment processes, makes it possible to precisely determine the amount of chemicals required. Besides systematically preventing overdosage, this also helps to achieve consistent coating quality.

Carbon footprint of Liofol laminating adhesives for bonding packaging films/foils

In the course of the Product Carbon Footprint (PCF) project in Germany, we compared three different types of laminating adhesives from our Liofol brand in regard to their carbon footprint: a solvent-based, a water-based and a further solvent-free system. In all three systems, the largest proportion of greenhouse gas emissions is generated during the production of the base component used. Besides this, the type of adhesive essentially determines the laminating process and the related emissions. For solvent-based and water-based systems, the energy required for

application and drying is the biggest factor in the emissions equation. Of the three adhesives studied, the solvent-free one had the smallest carbon footprint, since it requires practically no additional energy input during the actual laminating process. In overall terms, the proportion of emissions associated with the adhesives during the production of food packages is just a small percentage of the carbon footprint of the entire package: less than five percent.

www.pcf-projekt.de



More than 90 percent of the Henkel flooring adhesives sold in Germany bear the EMICODE EC1 quality mark, denoting especially low-emission flooring adhesives. In addition, eight products from the Thomsit specialty brand for flooring technology obtained the "Blue Angel" environmental label in 2010. www.thomsit.com



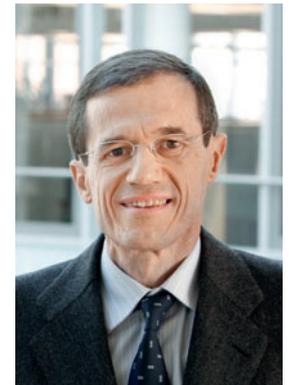
Polyurethane foams are found in the toolboxes of many DIYers. In December 2010, some member states of the European Union issued a ban on the self-service sale of PU foams containing more than one percent methylene diphenyl diisocyanate (MDI) in retail outlets. The new Pattex Power PU foam contains less than one percent MDI – and is therefore still freely available on the shelves. www.pattex.com

User safety through dialogue, advice and training

Our understanding of quality does not stop with the development and sale of high-performance products. We offer service and advice throughout the world for customers. By sharing our technical know-how and competence, our main aim is to help our customers to use our products efficiently and safely. Our chemicals management concept in the USA, for example, helps them with the selection, processing and disposal of chemicals. The Henkel ProControl system – a measuring unit that is installed directly in production lines – allows our customers to precisely monitor adhesive consumption rates. With our Technomelt Supra Cool 130 hotmelt adhesive for industrial packaging, this can in some cases reduce the amount of adhesive that is applied by almost half. In Central and Eastern Europe, Ceresit training centers teach craftsmen how best to use our building products.

"We have defined Henkel's focal area of health and safety as a major goal for product development in our Adhesives for Craftsmen, Consumers and Building segment. As part of our efforts in 2010, we replaced the solvents toluene and methylene chloride in our consumer adhesives with solvent-free alternatives. By 2020, we intend to decrease the use of solvents in our consumer adhesives by 50 percent overall."

In many markets, such as China, the United Arab Emirates, Brazil and the USA, Henkel is also a member of the national Green Building Council. The aim of this multi-stakeholder platform is to raise awareness and promote the development of standards for sustainable building methods and products.



Enric Holzbacher
Member of the Henkel Sustainability Council for the Adhesive Technologies business sector.

The complete interview with Enric Holzbacher:

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Henkel as a sponsor of the German Pavilion at the World Expo 2010 in Shanghai

EXPO 2010 in Shanghai, China, and the German pavilion as well, was staged under the motto "Better City, Better Life" – a slogan that is becoming more and more relevant, especially in Asia. Growing population figures coupled with increasing urbanization make sustainable development of the megacities of the future a vitally important task. By supporting the German EXPO pavilion, we also underscored the significance we attach to this topic in our product development. Our adhesives already help to drive forward the development of new technologies

such as solar power plants and electric cars. Our professional products from the Thomsit, Pattex, Sista, Tangit and Metylan brands are consistently used by professional craftsmen and construction experts – from the cellar to the roof. Worldwide, we offer a variety of systems comprising joint sealants, insulating foams and panels, and waterproofing membranes that enable the professional sealing of windows, doors and façades, thus increasing the energy efficiency of buildings.

In China, Henkel is a co-founder of the External Thermal Insulation Composite System Quality Alliance (ETICS QA), an industrial alliance that aims to promote environmentally compatible construction methods and increase the energy efficiency of buildings.

www.etics.com.cn/english

Employees

How we challenge and reward our employees



Beth Sadler (left) and Angela Curley of Henkel North America at one of the approximately 5,000 Vision and Values workshops that took place in 2010. As part of a team, they discussed with their co-workers ways in which they could live the new vision and values in their respective spheres of activity on a day-to-day basis.

Creating a common approach worldwide

The kick-off of the Vision and Values workshops worldwide took place on Henkel Day, September 24, 2010: Whether they were in Africa, Asia, Australia, Europe, or the USA – all over the world, teams of Henkel employees were discussing the new vision and the reformulated values with their supervisors. By the end of 2010, all employees had taken part in a workshop. At the center of every workshop was the Dialog Map poster, a format that helped managers and their teams to conduct an active dialogue regarding the new vision and values. At the end of the workshop, which lasted about three hours, each team put together a concrete plan of action, along with a timeline, and assigned responsibilities for its implementation. The Dialog Map made it possible to precisely define these plans and to put them in written form.

The Vision and Values workshops demonstrate how we at Henkel live our vision and values: by dialoguing and working as a team. A shared understanding of our entrepreneurial spirit is a prerequisite for our success. The values provide guidance to our employees in all of the decisions they make in the course of day-to-day business. Each individual employee thus does his or her part to make our vision into a reality.

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The teams recorded the results of their discussion in the form of specific actions on a "Dialog Map" poster.



As a sign of their commitment, the employees personally signed the poster.

Living a “winning culture”

Henkel is a company that operates globally. 80 percent of our employees work outside of Germany. This international character and diversity call for a shared vision and actively lived corporate values as an element that unites us worldwide. In 2010, the vision was redefined and the values were reformulated to help establish a winning culture at Henkel. This culture is shaped by people with an entrepreneurial spirit. It demands individual responsibility, rewards personal best performances, and is based on fairness and team spirit. Its foundations are always to be found in the behavioral rules established in our Code of Conduct – such as respect for the personal dignity and privacy rights of all employees and adherence to the principles of equality and fairness.

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We support the development of a winning culture through our sustainable human resources management policies. These cover all human resources activities, from employee recruitment and staff retention to education and training programs, including topics such as performance assessment, compensation, diversity, and health management.

New assessment system for managers – differentiation between potential and performance

Our people make all the difference; they provide the foundations for our corporate success. They rightly expect their efforts to be recognized and rewarded. On the basis of our vision and values, we therefore encourage achievement orientation and the will to succeed. It is for this reason that we revised our assessment and compensation system in 2010 and adapted it to reflect the increased demands of our markets.

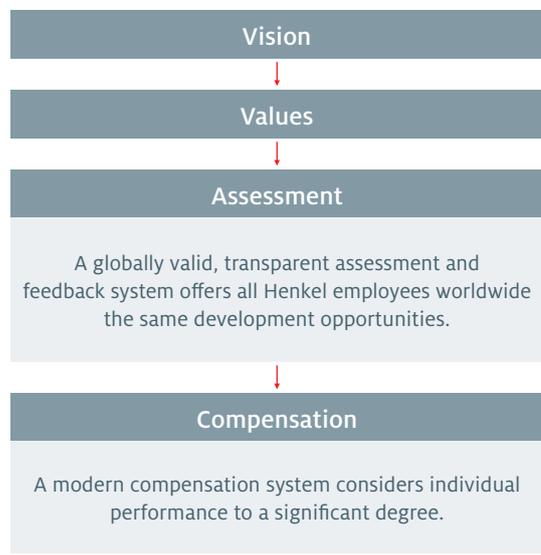
Expansion of our assessment system

We expect excellent performance, always in line with our vision and values, from our employees. Our new, globally applicable assessment system differentiates between performance and potential, and thus makes it possible for all managers to obtain a more precise idea of their own contributions to our corporate success. Each year, supervi-

“Our employees expect a corporate culture with which they can identify and which they can help to shape. This is why we have held workshops to accompany the introduction of our new vision and reformulated values. All Henkel employees worldwide took part in them. After all, a winning culture can only be established if all employees commit to the vision and values – and live them at Henkel on a day-to-day basis.”

sors evaluate the performance of managers during the past year, as well as their future potential. Our managers are given an opportunity to submit a self-assessment, including examples and comments, to their supervisors beforehand. During the annual “talent reviews” – called Development Round Tables – supervisors discuss the assessment of their managers and decide on further training measures. All managers receive comprehensive feedback from their supervisors on their performance, their potential, and areas where further development is needed. They jointly determine next steps in the form of a personalized development plan and initiate targeted support measures.

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Kathrin Menges
Head of Global Human Resources.

The complete interview with Kathrin Menges:

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1,337 managers around the world were promoted internally by Henkel in 2010.

Some **70%** of all our managers took part in the 689 training seminars on leadership organized in 2010.

Some **29%**
of our employees in 57
countries participate in the
employee share program.

Some **65%**
of our non-managerial
employees share in Henkel's
business success through
performance-based
compensation components.

More information on
compensation and the
employee share program:



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More than **110**
nationalities ensure Henkel's
global success.

Some **32%**
of our employees worldwide
are women.

New compensation system – recognition of individual performance

The recognition of individual performance strengthens entrepreneurial spirit and action. A fair compensation strategy in line with market practices is therefore a fundamental component of our corporate culture. For us, it is self-evident that the system makes no systematic differences in compensation for male and female employees.

Since January 2011, an additional key component of our winning culture has been the recast Global Short-Term Incentive (STI) for all managers. This measure is intended to encourage performance orientation in our organization by offering greater incentives for outstanding individual performance than has been the case up to now. The STI is composed of the result of the Henkel Group, the team result, and the individual performance assessment. What is new is that, in comparison to previous plans, individual performance has a considerably greater influence on each manager's bonus than in the past.

Diversity in the company

We value the different cultures and competencies of our employees and consider them to be important assets for our company. We are convinced that they help us to better understand our markets and to ensure long-term business success. This appreciation and the creation of basic conditions in which each person can develop optimally, are the foundations of diversity management at Henkel – and not the filling of quotas. We want to have the best teams worldwide, in terms of competence and potential, regardless of age, gender or nationality.

Worldwide initiative to promote diversity and inclusion

In 2010, on the basis of the Diversity & Inclusion Policy approved in 2009, our Henkel diversity ambassadors set up local networks and working groups on various topics all over the world. In particular, these included mentoring programs in which experienced managers (mentors) share their knowledge with junior managers (mentees) in an informal setting, thus helping their younger colleagues to develop their professional and personal skills. Another focus was on initiatives revolving around family-career balance. We also support the Friends of the German Diversity Charter through financial and personal engagement, to encourage further discussion of the topic of diversity in Germany. Furthermore, in 2010, our "Family and Career" certificate was renewed following an audit and is now valid until 2013.

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Honored for senior-friendly human resources policy

In November 2010, the American Association of Retired Persons (AARP) honored Henkel in Brussels for its senior-friendly human resources policy with the "International Innovative Employer Award 2010." Kathrin Menges (middle), head of Global Human Resources, and Regina Neumann-Busies, Social Services, accepted the international employer award. www.aarp.org

Initiatives of our diversity team in 2010

USA, Russia and Germany: Start of mentoring programs, kick-off in Russia, followed by the USA and Germany.

Benelux: Expansion of the existing cross-generational mentoring program to all business units. This led to greater employee satisfaction. Mentees report an increase in their self-confidence and greater understanding. Mentors feel valued as they pass on their experience and learn about the way younger co-workers work and think.

Mexico: Introduction of special work-life balance measures to support women in managerial positions, so that they can better concentrate and be more productive when they are working.

Italy: Focus group interviews resulting in guidelines for working at home for women and men, to improve their work-life balance.

France: Audit of the family-career balance over the course of two years. The audit kicked off with focus group interviews and an employee survey on the intranet.

Germany: Second Women's Networking Day by the women's network at the Düsseldorf site. As a result, female managers are enjoying greater visibility, and new members have joined the women's network.

Germany: Continued outreach to new managers by the Henkel Networking Circle, as well as integration of employees who had transferred to Germany from other countries by the "Expatriate Network." Both networks supported the international week at the Düsseldorf site. Its goal was to promote even better understanding among the employees of different nationalities at the site.



Workshop on human rights

In collaboration with an external trainer, an interdisciplinary team of Henkel employees analyzed human rights issues to determine relevance and risks for Henkel. The participants came from the corporate functions of strategy, human resources, compliance, purchasing, and corporate communications.



Social dialogue

An important component of our Social Standards is protection of the right of assembly. Employee interests are represented by works councils, independent unions, or other forms of employee representation, such as staff meetings (see photo). In countries where no employee representation is planned or established, the social dialogue with the respective management serves as a voluntary and informal instrument for close communication.

More on the topic of social dialogue:

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Revision of our Social Standards

Since 1994, we have committed ourselves, in our mission and corporate principles, to incorporating social values in a responsible manner in our corporate policy. We clearly emphasized our support for the protection of human rights when we introduced our Code of Conduct in 2000 and when we joined the United Nations Global Compact in 2003.

Our globally applicable Social Standards, which we published in 2006, express in concrete terms what we stand for. Integrated into our Social Standards are central requirements 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). They cover the following aspects:

- Working hours, wages and vacation entitlement
- Discrimination
- Child labor and forced labor
- Conflicts of interest and corruption
- Freedom of association and collective bargaining
- Health and safety
- Social impacts and assessment
- Suppliers and service providers

In 2010, we revised our Social Standards. Our objective was to make them more precise and thus more easily applicable for our employees. Moreover, we wanted to ensure that they are up-to-date, in view of the further development in international standards. The Social Standards are part of our company-wide audit program, see  Page 7.

“Cooperation and knowledge transfer are decisive today for the successful implementation of social standards throughout the value chain. This is why we engage in workshops, expert groups, and governmental initiatives, so that we can learn from others and share our own experience with them. Furthermore, we constantly update our Social Standards to make them more operational and conduct audits to further improve our processes.”



Rolf Schlue
Member of the Sustainability Council for Human Resources Management.

The complete interview with Rolf Schlue:

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International exchange and dialogue

The exchange between academics and practitioners in regard to sustainability in human resources management enables us to assimilate new perspectives and developments. For example, we are active in the People Matter working group of the World Business Council of Sustainable Development (WBCSD). This group develops concepts and case studies that show how employees can be successfully involved in sustainability efforts.

Henkel is also a member of the multi-stakeholder forum on sustainability of the German Ministry of Labor and Social Affairs. This forum has developed a plan of action for providing an even stronger basis for corporate social responsibility in Germany and for supporting small and medium-sized companies in their efforts to establish aspects of sustainability in their companies.  www.csr-in-deutschland.de

More on how we strengthen our employees' awareness of sustainability:

 Page 38.

Social engagement requires initiative

We are committed to society

Social engagement has been firmly anchored in our corporate culture and our corporate values since the company was founded. This is reflected in the daily actions of our employees. Henkel Smile provides the umbrella for the company's international corporate citizenship activities extending beyond direct business interests. Working together with customers, consumers, and non-profit organizations, we are globally active in three areas: supporting employee volunteering, emergency aid, and corporate and brand engagement for the good of society.



www.henkel.com/smile

Employee engagement in 2010 in figures:

- 1,196 thousand euros financial donations
- 147 thousand euros product donations
- 54 days time off from work

Regional distribution of our social engagement:



Pages 2 and 3.

Focus on employee volunteering

Employee volunteering is at the core of our commitment. In Germany, it has been supported since 1998 through the Make an Impact on Tomorrow (MIT) initiative. Since 2002, MIT has been operating internationally. By now, we devote some 40 percent of our funds available internationally for MIT projects.

We support activities in the areas of social needs, education and science, health, culture and ecology. Employees and retirees who do volunteer work in their free time may obtain funding for their project of up to 10,000 euros, five days paid time off from work, or product donations. Professional advice from staff in the donations department is also available at any time to employees and retirees.

Emergency aid and engagement in Haiti

The earthquake disaster in Haiti in January 2010 mobilized aid organizations all over the world – including International Search and Rescue Germany (I.S.A.R.). This non-profit association is the only non-governmental organization in Germany to be accredited by the United Nations and specializes in search and rescue operations and medical care for victims buried in rubble. In 2009, Henkel first



Following the 2010 earthquake in Haiti, Joschka Jugelt, trainee at the plant fire department at Henkel in Düsseldorf, and Henning Steff (r. in photo), a former Henkel intern, asked the company for support for I.S.A.R. Germany. Both of them do volunteer work in their free time for this emergency aid organization. Henkel provided immediate financial support for I.S.A.R. and also donated personal care products and wound adhesives. www.isar-germany.de

provided support for I.S.A.R. through an MIT project of a Henkel trainee. Two days after the earthquake, Henkel decided to provide emergency aid for the earthquake victims through I.S.A.R. and donated 20,000 euros in immediate aid for operations on the ground.

Through other aid organizations, Henkel also donated 50,000 bars of soap, 2,880 bottles of shampoo, and 32,400 units of wound adhesive for the medical care of the Haitian people. Furthermore, we assisted our employees and retirees with funds, so that they could provide help after the earthquake through their existing local projects. We were thus able to additionally support seven children's projects in Haiti with a total of 61,700 euros.

Establishment of a foundation

In January 2011, Henkel established the Fritz Henkel Foundation. In the future, the foundation will serve as the umbrella for our social engagement. The establishment of the foundation underscores Henkel's long-term commitment for societal concerns that extend beyond its direct business interests. The mission of the foundation comprises support for volunteer work on the part of our employees, international disaster aid, and

corporate and brand engagement. The key aspects of the foundation's work will be determined by a board consisting of representatives of the Henkel management and members of the Henkel family.



Persil's Project Futurino – Thanks to support from the Persil brand of the Laundry & Home Care business sector, the St. Franziskus nursery school in Wesel was able to create two laboratory workplaces with professional furniture and equipment for children, worth 6,200 euros. Carrying out their own experiments is to help the children to understand chemical relationships and gain a basic understanding of the natural sciences. www.persil.de/projekt-futurino

Brand engagement

Strong brands and technologies are Henkel's core business. Through our business sectors and our brands, we support activities in the areas of health, ecology, culture, education and science, as well as social needs. Where appropriate, we conduct the projects in collaboration with competent partners. Henkel and its brands see themselves as partners and good neighbors in the regions and countries in which the company is present with its sites and brands.

Examples of the engagement of our brands are Persil's involvement in Project Futurino, Schwarzkopf's commitment to the Tribute to Bambi, and support for vocational training in painting (see photos above).



Tribute to Bambi – As a result of the repeated engagement by the Schwarzkopf brand of the Cosmetics/Toiletries business sector, three selected children's and youth projects were supported again in 2010. www.tributetobambi.de



Metylan makes masters – The Metylan brand of the Adhesive Technologies business sector rewarded each of the six prizewinners with a check for 5,000 euros for further training toward their qualification as master craftsmen (first row from left): Insa Kaiser, Kristina-Laura Schmitt, Tobias Anton, (second row from left) Andre Coelho Santos, Ronny Gey and Evgenij Stulenko. www.meistercasting.de

Social progress

Through their commitment and their volunteer work on various projects, our employees and retirees all over the world make numerous contributions to social progress and to the Millennium Development Goals of the United Nations. More than half of the MIT projects improve the living conditions of people in emerging and developing countries. In many cases, an MIT project may contribute to several of the Millennium Development Goals. www.un.org/millenniumgoals

Some **730,000** people were helped worldwide through Henkel Smile projects in 2010.

Percentage of MIT projects per Millennium Development Goal of the United Nations

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

Health and safety in the workplace

In 2010, several thousand employees around the world participated in activities focusing on health topics such as bowel, skin and breast cancer, healthy nutrition, addiction prevention, stress management, or back training. In addition, fitness and health-promoting sports opportunities were offered. Examples:

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Healthy employees

Through targeted programs, health check-ups, and other precautions, we seek to promote our employees' good health and ensure their long-term capacity to work. The measures taken include preventive measures to eliminate risks in the workplace that could result in long-term illnesses and the inability to work. A "Health Steering Committee" and its sub-groups Health, Demography and Disability Management initiate activities. Individual Henkel companies design their health programs to focus on different factors, depending on local requirements. In many cases, the health-promoting programs reach out beyond the company gates to also include employees' family members.

Dealing with growing workloads

As our world becomes more complex and more dynamic, every employee has to deal with high and further increasing demands. This means that programs revolving around psychological health are becoming more and more important for promoting health in the workplace. Henkel thus offers help to its employees. In many countries, programs are now in place which offer all employees an opportunity to obtain advice on time, stress and conflict management. Other initiatives focus on more flexible working hours, to improve the balance between work and free time for our employees and to reduce workplace-related stress.

Our objective: Zero accidents

Occupational safety has the highest priority at Henkel. We strive to continuously improve occupational health and safety measures to ensure a safe work environment for our employees worldwide. Our long-term objective of "zero accidents" remains unchanged. Building on the improvements

achieved by 2007, we set ourselves an interim target: to reduce occupational accidents by a further 20 percent by 2012. This target was already met in 2010. To achieve our long-term goal, we continue to hold safety training programs worldwide.

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Fatal occupational accidents in 2010

As a result of our intensive commitment to occupational safety, the number of accidents at Henkel again sank to a very low level in 2010, by comparison with international figures. Unfortunately, despite all of our efforts, there were a total of five fatal occupational accidents in 2010. Three Henkel employees died in automobile accidents during working hours. Two employees of external companies died while carrying out work for Henkel at our sites. One of them died from a fall from scaffolding, despite the fact that safety equipment had been provided and he had had the appropriate training. The other one was fatally injured by a delivery truck on our site premises.

In recent years, an increase in the number of traffic accidents has been noted worldwide. In 2010, we therefore tightened the rules in various countries for the use of company-owned and rented vehicles. An example of this is the specification of mandatory safety features in rental cars. We also invest more in driver safety training for our field representatives.

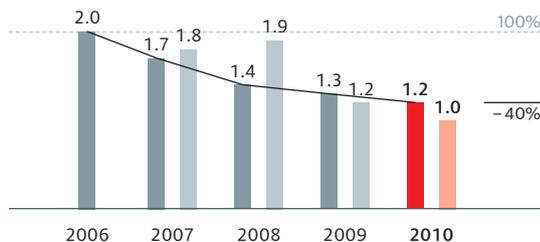
The accidents suffered by employees of external companies on Henkel premises show that, despite our already intense training efforts, we need to further increase behavior-based safety training for employees of external companies and to monitor adherence to our instructions even more carefully.

83%

of our worldwide production sites were accident-free in 2010.

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)

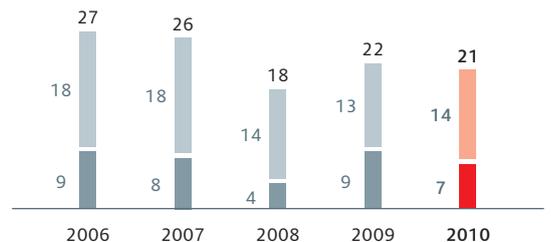


■ Henkel employees
 ■ Employees of external companies who work at Henkel sites and are directly contracted (included for the first time in 2007)

99 percent of Henkel employees were covered.

Serious occupational accidents

More than 50 days lost



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

99 percent of Henkel employees were covered.

Index curve

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

~ The base for the index curve is the year 2006 (= 100 percent).

Social indicators

Employees (as of December 31)	2008	2009	2010
Henkel worldwide	55,142	49,262	47,854
Structure of workforce			
– Non-managerial employees	82.0%	80.0%	79.8%
– Managers	16.6%	18.4%	18.6%
– Top managers ¹⁾	1.4%	1.6%	1.6%
Employee fluctuation worldwide ²⁾	5.7%	4.9%	4.6%

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

²⁾ Based on employee resignations

Nationalities (as of December 31)	2008	2009	2010
Henkel	109	116	119
Managers	77	82	82
At headquarters in Düsseldorf	51	48	50
Management Board	4	4	4

Percentage of women (as of December 31)	2008	2009	2010
Henkel	32.9%	31.8%	32.1%
Managers	26.4%	27.4%	28.7%
Top managers ¹⁾	13.7%	16.4%	17.0%

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

Age and seniority (as of December 31)	2008	2009	2010
Average seniority in years	9.8	11.0	10.3
Average age of employees	39.4	39.3	39.4
Age structure			
16 – 29	19.5%	18.7%	18.1%
30 – 39	32.7%	34.2%	34.4%
40 – 49	29.6%	29.7%	29.7%
50 – 65	18.2%	17.4%	17.7%

Personnel development (as of December 31)	2008	2009	2010
Internal promotion (managers)	1,877	1,462	1,337
International job rotation	433	443	470
Trainees (Germany)	510	511	487
Average number of training days	2	2	2

Employee share program (as of December 31)	2008	2009	2010
Percentage of employees owning Henkel shares	27.4%	28.4%	29.3%

Employees covered by collective agreements (as of December 31)	2008	2009	2010
Percentage worldwide	44%	44%	44%
Percentage in European Union (EU)	79%	79%	79%

Social engagement (as of December 31)	2008	2009	2010
Total number of projects supported	2,476	2,155	2,493
Number of people supported	–	500,000	730,000
Time off from work for employee-initiated projects (days)	285	318	54
Donations in thousand euros (financial and product donations, not counting time off)	7,529	7,684	6,087
Financial donations for employee-initiated projects as a percentage of total donations	42%	55%	41%

A positive development in the general economic environment and the effects of our rapidly finalized restructuring programs were reflected in our 2010 headcount. At the end of the year, this had decreased slightly from the prior-year figure, by 1,408 to 47,854.

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

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.

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

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.

On average, five employees per day were promoted in 2010. This demonstrates the dynamism of our company and the need for qualified young professionals. To conduct our global business successfully, an international education is an absolute necessity. The number of international job rotations is thus constantly increasing.

Employees from 57 countries purchased just under 3.6 million preferred shares in 2010. Some 29 percent of all employees own Henkel shares.

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.

The number of projects increased due to a rise in product donations. This meant a greater number of people were supported, for example through the disaster aid in Haiti. Employee projects required fewer days off from work in 2010 than in the previous year. Generally speaking, employees may request as many as five days off from work per year. The donation volume was lower in 2010, partly due to more targeted focusing of projects, less financial aid being needed for disaster relief, and prior funding of projects that had been approved in 2009.

Stakeholder dialogue

Why an open dialogue is important for us

Basis for strategy and reporting

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

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

We have systematically integrated our stakeholder dialogue into all functions and business sectors.



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Carsten Tilger
Member of the Henkel Sustainability Council for Corporate Communications.

The complete interview with Carsten Tilger:



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“The variety of topics that interest our stakeholders and the information they request is constantly growing. Choosing the appropriate communication channels and suitable forms of presentation for each specific target group is therefore becoming more and more important. In all cases, we consider it essential to communicate in a way that is open, consistent and authentic. Only then can the complex topic of sustainability be communicated in a credible manner.”

This open exchange offers a basis for mutual understanding and an opportunity to attain social acceptance of our entrepreneurial actions. Furthermore, it is a source of new ideas for the company and allows us to identify potential risks that may be associated with our actions 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 our sustainability reporting.

Integrated dialogue

Although the issues associated with sustainability are global, regional priorities and perspectives differ widely. We have therefore integrated our dialogue with stakeholders into our business sectors, functions, and regions. 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, themes, duration and intensity of the dialogue are aligned to the individual stakeholder groups and their specific issues. In 2010, Henkel employees took part in more than 120 sustainability events in 25 countries.

Strengthening awareness of sustainability

The daily conduct of our approximately 48,000 employees plays a key role in ensuring that sustainability does not remain merely an abstract intention. Only if all employees know and understand the principles of sustainability will they become a guideline to behavior and decision-making in day-to-day work. It is for this reason that, in the course of the Vision and Values workshops conducted in 2010, all Henkel employees defined what our “sustainability” corporate value means for them, for their team, and for Henkel, see **SR** Page 30.

Furthermore, through regular communication – such as in employee newspapers or various training programs – we point out the diverse areas where sustainability can provide inspiration in each employee's own job. Work modules on sustainability are also an inherent part of our vocational and advanced training programs. In cross-functional workshops on specific topics – such as logistics, packaging or purchasing – our employees not only create a shared knowledge base, but ensure that the solutions developed take into account all aspects of sustainable development.

The employees themselves also initiate projects worldwide designed to intensify the awareness of their co-workers and of external stakeholders. In Brazil, for example, a fashion show entitled “Trash to Fashion” is organized annually to draw attention to the topics of waste and recycling.

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In June 2010, the Board of Trustees of the Global Institute of Sustainability of Arizona State University, USA, convened at Henkel in Düsseldorf. Experts from industry, trade, academia, and the political scene shared their views on the meeting's topic of "Sustainability is a Global Enterprise."

Dialogue with international experts

Exchanges with international sustainability experts help us to align our activities to sustainable development. In 2010, too, Henkel representatives in many countries participated in a dialogue with experts from the realms of politics, business and academia (see photos above).

Participation in international initiatives

On both 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 industrial associations and policy-making workgroups. For example, Henkel supports the initiative "Code of Responsible Conduct for Business" in Germany. www.henkel.com/sr2010 | 53

Policy decisions require expert input by all stakeholders if fair, responsible and balanced solutions are to be found. To provide clear guidelines for our involvement in policy-making workgroups, we introduced our "Representation of Interests in Public Affairs" standard in 2010, see **SR** Page 6. Furthermore, Henkel has been listed in the Transparency Register of the European Union since 2010. www.henkel.com/sr2010 | 54

Education for sustainable development

Henkel places great importance on reaching out beyond its own direct sphere of influence when

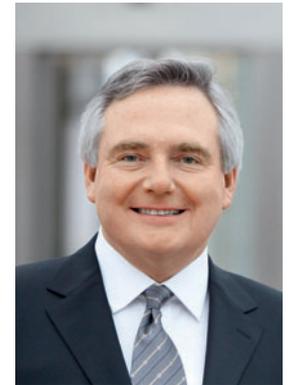


A delegation from the Chinese Ministry of Trade visited Henkel in Düsseldorf in September 2010 to exchange information regarding the efficient use of energy, methods of reducing carbon dioxide emissions, and socially responsible business practices.



In December, Antonio Tajani (second from right), the European Commissioner for Industry and Entrepreneurship, spoke with Chief Financial Officer Dr. Lothar Steinebach (third from right) and the designated Executive Vice President Laundry & Home Care, Bruno Piacenza (right), about sustainability and the impact of various aspects of planned legislation on Henkel's daily business.

"In the course of political decision-making processes, politicians and regulators often seek the expertise of companies – above all to ensure that the planned legislation can be implemented in practice and that the desired steering effects can indeed be achieved. This exchange gives us an opportunity to communicate our own interests and experiences. The basic prerequisite is that the dialogue must be open and transparent."



Dr. Peter Florenz
Member of the Henkel Sustainability Council for Governmental Relations.

The complete interview with Dr. Peter Florenz:

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addressing sustainability issues. We therefore again initiated a large number of projects and actions in 2010, especially centering around the topic of "education for sustainable development." These included a workshop with students at Bocconi University in Milan, Italy, on "Building a Vision for Sustainable Consumption in 2050." In Germany, Italy and India, Henkel has been holding nationwide school competitions for years. In 2010, for example, Henkel again presented the Henkel Enviro Care Award in India for students participating in the Henkel EcoPetition on the topic of reducing and reusing resources in our daily lives. www.henkel.com/sr2010 | 56

External ratings

How others see us



On behalf of Walmart Worldwide, Rob Anson (middle), and Scott Marchewka (right), Directors of Business Development, Walmart Worldwide, presented the Walmart Sustainability Award to Bill Tyree, Vice President, Henkel Global Customers, in June 2010 for the second year running. Walmart felt that Henkel had once more demonstrated its far-reaching commitment to sustainability.

Henkel's performance in sustainability and corporate social responsibility impressed external experts again in 2010.

Ratings and indexes 2010



Zurich/New York: For the fourth time in a row,

Henkel was listed in the Dow Jones Sustainability Index as the sustainability leader in the Nondurable Household Products sector, and was the only company in its sector to be represented in both the World and the Europe Indexes in 2010/2011.



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



New York: Henkel was listed among the "World's Most Ethical Companies" for the third year in succession.



Davos/Toronto: Henkel is again included in the Morgan Stanley Capital Investment World Index of the 100 most sustainable companies, occupying 11th place.



Hamburg: In September 2010, Henkel was again one of just 50 companies worldwide to be listed in the Global Challenges Index.



Frankfurt am Main: Henkel occupied second place in the 2010 sustainability rating of Sustainalytics. The rating is based on the ESG (environment, social and governance) criteria.



Paris: In January 2011, as in previous years, Henkel was one of the 200 companies worldwide listed in the Pioneer class of the Ethibel Sustainability Index. This rating recognizes companies showing outstanding sustainability performance on a global level.



Basel: In 2010, the Bank Sarasin updated Henkel's sustainability profile. Our corporate sustainability performance was again rated in the top category ("high").

2010 awards and rankings



Munich: For more than 134 years, Henkel has been combining leading brand quality with responsibility toward people and the environment. In the special category "Decision-makers' Best Sustainability Brand" Henkel was honored with the 2010 Best Brands Award by the *Wirtschaftswoche* business magazine and Markenverband – the German Brands Association.



Düsseldorf: The Corporate Research Foundation Institute placed Henkel first in its overall ranking, ahead of more than 90 other respected companies. In the Germany's Top Employers 2010 study, Henkel was recognized for its strategic human resources management.



Valencia: The Corporate Research Foundation Institute (CRF Institute) declared Henkel Spain to be a company with a better future (empresa con más futuro). The business consultancy Deloitte analyzed the company in terms of its business, corporate governance, organization, innovativeness, employees, environmental policy, contribution to society, and global corporate vision.



Milan: The Lundquist communications agency announced the winners of its CSR Online Awards Germany 2010, the second edition of this annual assessment. As in the previous year, Henkel took first place with its sustainability pages on the Internet. The criterion for the award was how well the German DAX 30 companies integrate the subject of sustainability into their online sites.

More information on external ratings:



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

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20 years of sustainability reporting

In 2011, Henkel can look back on 20 years of reporting on sustainability. The first report, which appeared as long ago as 1992, was an “Environment Report.” Over the course of the years, the scope of the report broadened from environmental topics to include safety and health (since 1998), until it evolved into a sustainability report (since 2001). Then as now, the reports reflect the spirit of a company aware of its responsibility toward the environment and society.