

Sustainability Report 2003



Henkel

A Brand Like a Friend

Contents

Sustainability performance from 1999 to 2003			Business performance from 1999 to 2003				
Environmental indicators per metric ton of output*			Percent; index 1999				
Sulfur dioxide	-59%	↓		Sales	+20%		
Occupational accidents	-40%	↓		Profit (EBIT)	+17%		
Heavy metals	-26%	↓					
Water	-23%	↓					
Energy	-17%	↓					
Volatile organic compounds	-16%	↓					
Carbon dioxide	-14%	↓					
Wastewater load	-13%	↓					
Waste	0%	→					
* Occupational accidents per 200,000 hours worked				1999	2000	2001	2002


Performance based on the Henkel Group's continuing activities.

Vision and values

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

- ▶ We are customer driven.
- ▶ We develop superior brands and technologies.
- ▶ We aspire to excellence in quality.
- ▶ We strive for innovation.
- ▶ We embrace change.
- ▶ We are successful because of our people.
- ▶ We are committed to shareholder value.
- ▶ We are dedicated to sustainability and corporate social responsibility.
- ▶ We communicate openly and actively.
- ▶ We preserve the tradition of an open family company.

More information on the Internet

The symbol  used at many points in this report indicates that more specific information can be found on the Internet. All links from the Sustainability Report 2003 are provided on the following Internet page: www.sd.henkel.com

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



Shaping sustainability together

Shaping a viable future for our world cannot be accomplished through unilateral sustainability efforts. Cooperation is essential. In a true spirit of partnership with our suppliers, customers, and all social groups, we work toward achieving our vision: to make people's lives easier, better, and more beautiful with our brands and technologies. We pursue our economic, ecological and social objectives with equal intensity, making a discernible and valuable contribution to society.

In July 2003, as a visible sign of this commitment, the Henkel Group joined the United Nations' Global Compact. We publicly declared our support of the protection of human rights, fundamental principles and rights at work, and environmental protection. The spirit of the Global Compact has long been anchored in Henkel's corporate policy, which is binding for all of its employees.

In collaboration with partners at universities, research institutes, and other companies, our scientists develop innovative products and technologies.

Our researchers and engineers consider sustainability aspects at every stage throughout this process.

In every country in which we operate, we are responsible and committed members of society. Our sustainability standards, which are binding throughout the Henkel Group, ensure the safety of our products and production methods, protection of health and the environment, and compliance with relevant social responsibility requirements.

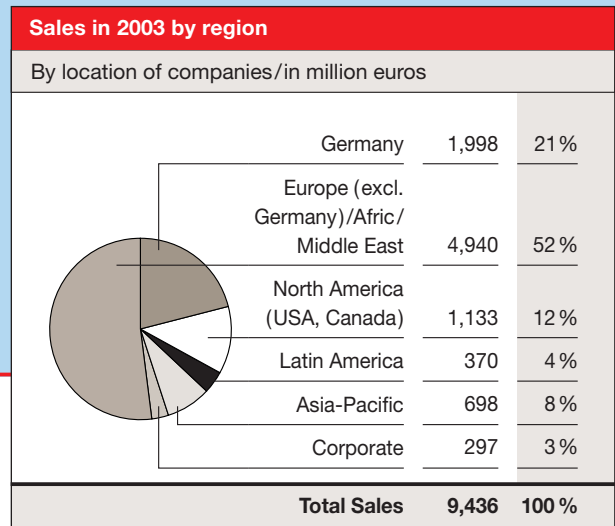
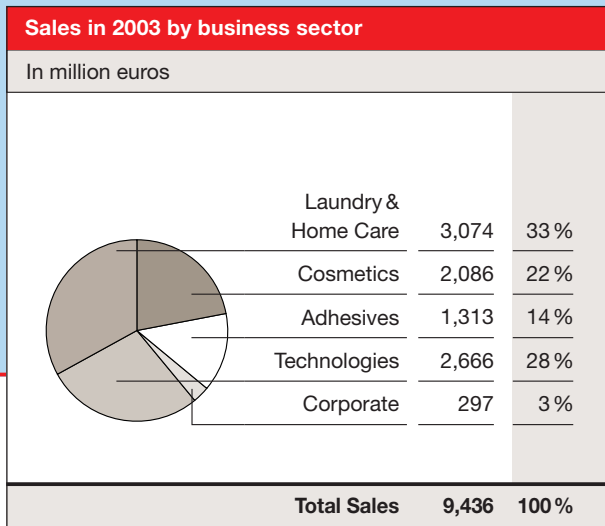
We know that our Company can only maintain sustainable business practices through its employees – through their daily work, their ideas, and their sense of responsibility. Our people are our most valuable resource and are key to our success. Because of this conviction, we foster a balance between career and family.

We can only shape the future sustainably by working together. With quality from Henkel.

Prof. Dr. Ulrich Lehner
President and Chief Executive Officer

Dr. Wolfgang Gawrisch
Chief Technology Officer
Chairman of the Sustainability Council

Henkel in brief



The Henkel Group operates in three strategic business areas: Home Care, Personal Care, and Adhesives, Sealants and Surface Treatment.

These strategic business areas are organized into four globally operating business sectors within the Henkel Group:

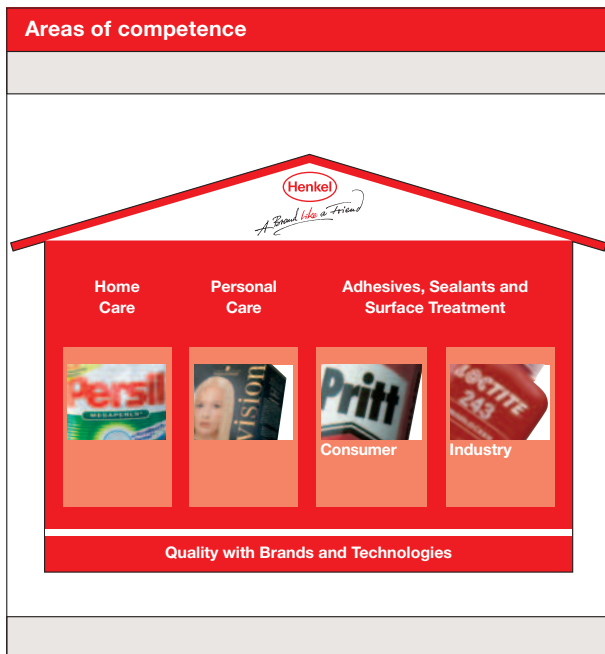
- ▶ Laundry & Home Care,
- ▶ Cosmetics/Toiletries,
- ▶ Consumer and Craftsmen Adhesives,
- ▶ Henkel Technologies.

People in 125 countries trust in brands and technologies from Henkel. In 2003, Henkel Group sales amounted to 9.436 billion euros, of which 21 percent were generated in Germany and 79 percent in international markets. 69 percent of sales were achieved by consumer brands business and 28 percent by industrial business.

The controlling company is Henkel KGaA, headquartered in Düsseldorf. Henkel preferred shares have been traded on all German stock exchanges since 1985, and its ordinary shares since 1996.

The Henkel Group employs 48,628 people worldwide, with 11,245 in Germany (23.1 percent) and 37,383 in other countries.

Further information about the Henkel Group and its business performance in 2003 can be found on the Internet at www.henkel.com.



Quality and innovations

“Quality from Henkel” is a Group-wide maxim. This promise of quality is linked to core corporate values such as customer orientation, highly qualified staff, social responsibility, and sustainable development.

The pursuit of new and innovative products and technologies has been a driving force at Henkel for more than 127 years. In fiscal 2003, Henkel invested 257 million euros in research and development.

Sustainability in practice

- ▶ **Looking ahead:
Solving problems together**
- ▶ **Global Compact:
Henkel participates in worldwide
UN initiative**

Solving problems together

Globalization brings a new dimension to entrepreneurial activity. Henkel benefits from this in its worldwide business relationships. At the same time, international companies must help to shape the globalization process responsibly. As long ago as 1991, Henkel committed to the Business Charter for Sustainable Development of the International Chamber of Commerce (ICC) and began to align its business activities to sustainability. Henkel seeks viable and permanent solutions in dialogue with all social groups.

Global challenges

Communities can only function if all of their members are prepared to accept responsibility. This applies to states and companies as well as individual citizens. The role of states is to conclude internationally binding agreements – for example, setting global priorities for sustainable development or the protection of human rights – and to ensure that they are implemented. Globally operating companies are called upon to provide active support. They must actively accept responsibility within their sphere of influence and thus contribute to the global implementation of sustainable solutions. Henkel has embraced this challenge in daily practice for many years. As a visible sign of its commitment, in July 2003 the Company declared its participation in the United Nations' Global Compact.

“What we must do is to ensure that the global market is embedded in broadly shared values and practices that reflect global social needs, and that all the world’s people share the benefits of globalization. That is why I proposed the Global Compact as one step towards reaching those goals.”

Kofi Annan,
Secretary-General of the United Nations, New York
www.unglobalcompact.org

International initiatives

Henkel has participated in international sustainability initiatives for many years. These are complemented by national, sector and product-related initiatives, in which Henkel and its business sectors are represented.



The world business organization

In the run up to the Earth Summit in Rio de Janeiro (1992), in 1991 Henkel was one of the first companies to sign the International Chamber of Commerce's Business Charter for Sustainable Development. ⁱ

Henkel in the Global Compact

By participating in the Global Compact, the Henkel Group publicly committed to uphold human rights and fundamental principles and rights at work, and to protect the environment. The spirit of the Global Compact is already embedded in Henkel's vision and values. The associated corporate value reads: Henkel is dedicated to sustainability and corporate social responsibility. The corporate ethic derived from this commitment is defined in world-

wide standards and a Code of Conduct, with which all employees must comply.

For Henkel, participation in the Global Compact is another step in the process of emphasizing the importance of high standards in its worldwide activities. As a part of this process, it informed its employees and communicated its participation to the public, its business partners and its shareholders. Looking forward, Henkel also sees the Global Compact as a network, in which the partners can exchange experience and discuss methods of promoting sustainable development, as well as learning from each other and initiating joint projects.

Embedded in corporate values

In 2003, explanations were formulated for each of the ten corporate values. ⁱ Here are the four core statements with regard to the value "We are dedicated to sustainability and corporate social responsibility":

- ▶ By pursuing our demanding goals and continuously improving our business processes, we boost our corporate success and contribute continuously to sustainable development.
- ▶ Sustainable development is a challenge involving the whole of society, for which we seek viable and permanent solutions in dialogue with all social groups.
- ▶ We are responsible and committed members of society within every country in which we operate.
- ▶ We are convinced that effective environmental protection and social balance are the foundation of our economic success.

Leading the way with worldwide standards

Henkel's primary starting point for supporting sustainable development is responsibly organizing its business processes – from research and product development to production and marketing. In so doing, Henkel applies its safety, health, environment and quality management systems, which were established in the mid-1990s and will be expanded by the end of 2004 to include socially relevant requirements. In relation to its business partners, Henkel utilizes its scope for action to encourage continuous improvements: from the selection of qualified suppliers to sustainable system solutions for commercial and industrial customers.



World Business Council for Sustainable Development

In 1993, Henkel joined the World Industry Council for the Environment. In 1996, the Council merged with another industry initiative to form the WBCSD, of which Henkel is therefore also a founder member. [i](#)



Responsible Care®

In 1995, Henkel committed to the chemical industry's international Responsible Care initiative. Product stewardship, plant safety, occupational safety and environmental protection, transport safety and dialogue are firmly anchored in its corporate standards. [i](#)



THE GLOBAL COMPACT

In 2003, Henkel joined the United Nations' Global Compact. [i](#)

Group-wide know-how transfer

The significance of technology and knowledge transfer within the Henkel Group is made clear on many of the pages in this report. Current examples include the successful privatization of the national detergent industry in Algeria (see page 26) and the transfer of customizable thermal insulation systems to the markets of Eastern Europe (see page 15).

In particular, Henkel can specifically improve sustainability performance during the integration of newly acquired companies into the Group. The focus is on efficient and resource-conserving processes, employee training and a thorough review of the

product portfolio. In October 2003, for example, Henkel took over Resistol, a Mexican adhesives producer. Some of its products contained organic solvents, which can be misused as intoxicants. After the takeover, Henkel immediately initiated a program to replace these substances in all adhesives formulations.

As early as 1995, Henkel Chile became the first company in South America to dispense completely with the use of potentially harmful organic solvents in adhesives for consumers and craftsmen, and received the Chilean health award in recognition of this. [i](#)

The nine principles of the Global Compact

Companies and other private institutions that join the Global Compact commit to support the following objectives and values in their corporate policies:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
2. make sure that they are not complicit in human rights abuses.

Labor Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. eliminate discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

The principles of the Global Compact are based on universal consensus, being derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration of Fundamental Principles and Rights at Work, and the United Nations' Rio Declaration on Environment and Development. [i](#)

Management

- ▶ **Group-wide implementation: Organization for sustainability**
- ▶ **Standards for sustainability: Pilot study started**
- ▶ **External assessment: An overview of rating results**

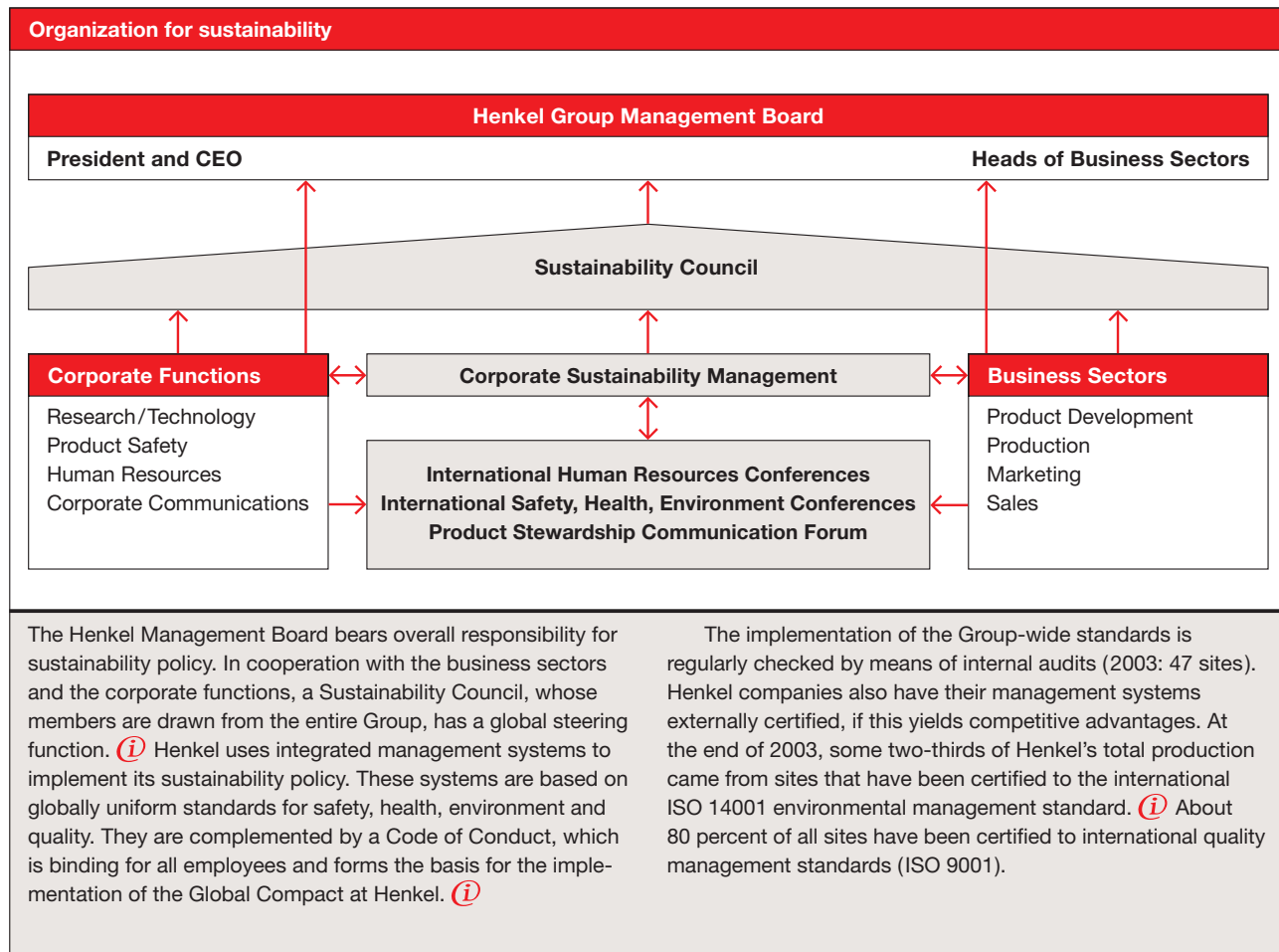
Standards for sustainability

An international Henkel working group has developed Group-wide sustainability standards. Based on the existing management systems for safety, health, environment and quality, the new standards now also incorporate requirements for social responsibility. Implementation of the standards is currently being assessed in a pilot study in several countries. After the pilot phase has been reviewed, the stan-

dards will be put into effect throughout the Group by the end of 2004.

Internationally accepted agreements such as the Social Accountability 8000 standard (SA 8000), the OECD Guidelines for Multinational Enterprises, and the relevant standards of the International Labor Organization (ILO) form the basis for the broadening of the existing standards.

Henkel expressly rejects all forms of forced and child labor, as well as discrimination at the workplace, and expects its suppliers to do the same.





Environment award for Henkel managers

In June 2003, the German Environmental Management Association (B.A.U.M. e.V.) presented Dr. Michael Bahn (left) and Dr. Hans-Jürgen Klüppel with the 2003 B.A.U.M. Environment Award in recognition of their long-standing commitment.

Leader in external ratings

In 2003, international rating organizations and sustainability analysts again confirmed Henkel's leading role in sustainable development. The Company benefits from the perspectives gained in its dialogue with the analysts.



Zurich/New York: Henkel was listed for the fifth time in succession in the worldwide Dow Jones Sustainability Index.

It is one of the three best-ranking companies in the household goods sector. [i](#)



London: For the third year running, Henkel was included in the international FTSE4Good ethical index, which was

introduced in 2001 by the Financial Times and the London Stock Exchange. [i](#)



Brussels: Henkel was ranked as the sector leader in the Sustainability Index, established in 2002 by the Belgian rating

agency Ethibel. [i](#)



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

fall of 2003. [i](#)



Milan: In 2002, Henkel's

shares were listed in the Ethical Index Global of the Italian financial services provider E. Capital

Partners. [i](#)



SARASIN

Basel: In April 2003, the Bank Sarasin updated Henkel's sustainability profile. The Company's top-level ranking ("high") was confirmed. [i](#)

DAX sustainability ranking: Henkel in 2nd place

In December 2003, the Scoris research agency of Hannover and the Düsseldorf business newspaper *Handelsblatt* published their first sustainability ranking of the major companies in the German stock index (DAX). Henkel took second place among a total of 30 companies. The rankings were based on a comprehensive analysis of corporate ethics, local involvement, corporate governance, human resources policy, environment, human rights, and suppliers. [i](#)

Corporate governance at Henkel

Responsible corporate management and controlling, aiming at a long-term increase in value, has always been part of Henkel's identity. Henkel welcomes the German Corporate Governance Code and complies in substance with its requirements. The exact text of the Declaration of Compliance can be found on the Internet, along with the related company-specific aspects. [i](#)

Product safety

- ▶ **Strong brands: Trust in Henkel quality**
- ▶ **Firmly established Group-wide: Product stewardship**
- ▶ **Alignment to sustainability: Market-oriented implementation**

Systematic alignment to sustainability

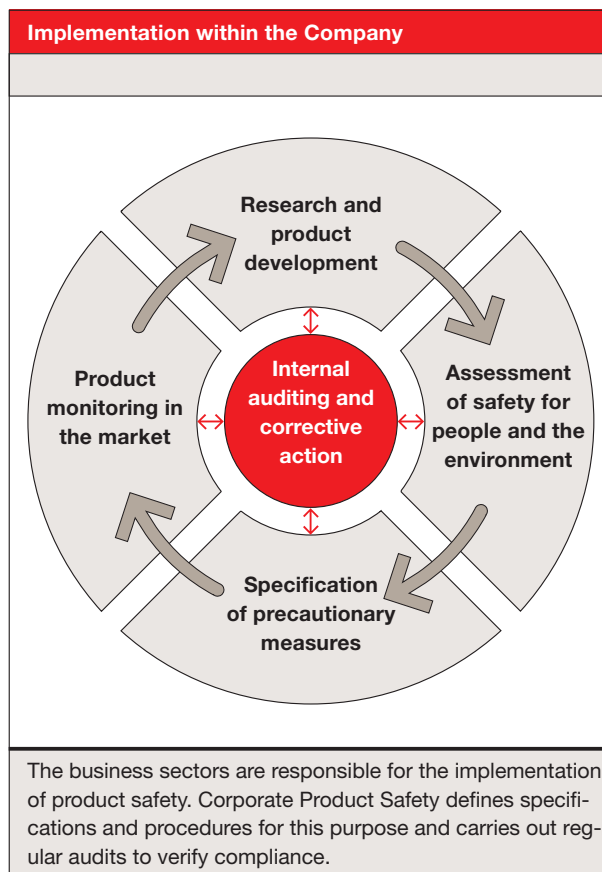
Henkel systematically aligns its product policy to sustainability. This means, above all, focusing on the points in the product life cycle where the greatest improvements are possible. The examples on the following pages show how Henkel, in cooperation with its customers in the industrial, professional crafts and retail sectors, as well as consumer organizations, makes major advances. Henkel is dedicated to sustainability and corporate social responsibility – with its brands and technologies, it makes people's lives, easier, better and more beautiful.

Trust in Henkel quality

People in 125 countries trust in Henkel brands and technologies every day. The first-class quality of our products means more than convenience and high product performance. It includes all-encompassing product safety and ecological compatibility. Our customers can depend upon the fact that Henkel products and technologies are safe when used as intended and will have no negative effects on health or the environment. Trust is a brand's most important capital.

Product stewardship

To ensure excellent quality and product safety, Henkel already verifies during the research and development phases that there will be no risks associated with its products during their manufacture, use or disposal. The starting point for this



process is ensuring compliance with statutory regulations, and with Henkel standards which go beyond these. Each new product and process is then subjected to a risk assessment. This is the basis for necessary precautionary measures and is updated as soon as new scientific data are available.

Systematic approach

The basis for all precautionary measures is detailed knowledge of the substances used and their effects on people and the environment. Henkel makes use



Henkel quality

Persil, Dixan and Schwarzkopf are among the most trusted brands in Europe. This conclusion is based on annual country-by-country surveys carried out by Reader's Digest throughout Europe. ⁽ⁱ⁾

of published information and its own analyses for this purpose. Not only the effect but also the amount and concentration of the substances used in the products must be taken into account. Whether a product can be used safely also has to do with its intended purpose. Henkel optimizes the precautionary and protective measures as necessary for each product according to whether it is a household article or an industrial product that will be handled by a skilled worker. These measures can range from the design of the packaging to detailed instructions for use, or even the replacement of certain ingredients.

Model for Europe: The HERA initiative

The launch of the HERA (Human and Environmental Risk Assessment) initiative in the European detergent industry in 1999 resulted in the first analysis of a complete product category with regard to consumer and environmental safety. The aim of this voluntary initiative is to systematically evaluate the main ingredients of laundry detergents and household cleaners. The initiative is supported by the international detergent association A.I.S.E. and the European chemical association (CEFIC). More than 20 of the most important ingredients of detergents and cleaners had been analyzed by the end of 2003. They represent 70 percent by weight of the processed raw materials.

The results are regularly examined by an independent scientific body. Representatives of consumer protection and environmental organizations discuss major advances made. In the past years, it has become evident that a long-term process of

learning and dialogue is necessary before cooperation between industry, regulatory bodies and non-governmental organizations can yield generally accepted, workable results. Experiences gathered through the HERA initiative will be a key element in the development of a sustainable consumer and environment policy in Europe. ⁽ⁱ⁾

Requirements of EU chemicals policy

In October 2003, the European Commission presented a revised proposal for a reorganization of its chemicals policy. Henkel supports the objective of ensuring effective protection of people and the environment with the help of a fast, simple and reliable evaluation procedure. However, the current proposal does not reflect this objective. Furthermore, it contains a number of requirements that will have a negative impact on the competitiveness of European industry.

Henkel, as a processor of chemicals for its branded products and technologies, is affected by the Commission's proposal. In preparation for the additional documentation, registration and authorization requirements in the European Union, Henkel has started a Group project to harmonize its product and substance approval system. At the same time, Henkel has put forward constructive proposals for efficient evaluation procedures, in order to achieve a satisfactory balance between the industry's competitiveness and the need to protect the citizens of Europe.

Brands

Laundry & Home Care

Speedily spotless

At one time, laundry used to be soaked and then pre-washed, so that it would be really clean when it came out of the washing machine. Today the main wash cycle usually suffices, although many consumers feel that even this takes too long. In continental Europe, a short wash cycle is already being used for at least one in six of all machine washes. This makes it more difficult to remove stubborn soiling.

This is why Henkel developed the new Persil with ShortWash Formula, which can remove stubborn stains in the short wash cycle and at low temperatures. The washing time can be cut by some 30 minutes, and – depending on the type of machine – electricity consumption can be reduced by as much as one third. The formulation was completely redesigned to achieve this.

The international launch of the new Persil with ShortWash Formula – from conventional powder to Persil Megaperls and Persil Tabs – started in early 2004 in Germany. With Persil and its sister brands, Le Chat in France and Wipp in Spain, Henkel is cre-



ating the ideal conditions to further increase its competitive lead in continental Europe.



“Henkel worked with us to develop a new laundry detergent concept for Persil Megaperls Sensitive that meets the special needs of people with allergies. Along with detergency, good skin compatibility was of prime importance to us. Our members have confirmed this in home tests. Persil Megaperls Sensitive is thus a genuine alternative for people with sensitive skin.”

Andrea Wallrafen,

Executive Director of the German Allergy and Asthma Association [Deutscher Allergie- und Asthmabund e.V. (DAAB)], Mönchengladbach, Germany, www.daab.de



For sensitive skin

In collaboration with the German Allergy and Asthma Association (DAAB), Henkel developed a new laundry detergent concept in 1999: Persil Megaperls Sensitive. The formulation was designed to meet the special needs of people with sensitive skin. Persil Megaperls Sensitive's excellent skin compatibility was confirmed by Henkel in home use tests. Henkel will continue to work together with the DAAB to develop and optimize laundry detergent formulations that combine the best possible laundering performance with outstanding skin compatibility.

Dixan – Partner to schools

Henkel supports schools and kindergartens with its Dixan brand, Italy's leading laundry detergent. Through its "Dixan for schools" initiative, Henkel has donated around 270,000 euros in the past four years for much needed sports equipment, computers, school books, and teaching materials. Dixan's product management has thus helped kindergartens and schools in all regions of Italy. For the coming year, the budget for the initiative has been increased again. This project in Italy is yet another example of Henkel's social commitment.

Focus on sustainability

Henkel occupies a leading position in the laundry detergent and household cleaners sector in its European core market and in many newly industrializing countries. This has been achieved by responding to consumer needs as well as providing products that are safe and convenient to use. One of Henkel's success strategies is the use of specifically tailored regional brands. A Group-wide formulation information system helps to ensure that Henkel products will not pose any risk to health or the environment anywhere in the world. Only tested raw materials and approved formulations may be used.

A priority objective in product development is to combine steadily improving detergent performance with lower temperatures and further reductions in the amount of product that has to be used. Product life cycle assessments are a fundamental aid to product developers. One recent example of sustainable innovation is optimized detergents specially formulated for short wash cycles. Another contribution to even better customer orientation is the Europe-wide harmonization of consumer advice services and the service hotlines.



Cosmetics/Toiletries

Heady ideas

The international hair specialists of Schwarzkopf Professional have a vision of being more than a product supplier to hairdressers. They see themselves as partners, who supply all of the professional services associated with hairdressing. At the core of these services, Schwarzkopf Professional offers the Schwarzkopf Academy education and training system. This is now available in 34 countries.

The seminars for hairdressers cover everything from cutting techniques to product application and from fashion advice to salon management. The seminar materials are available on the Internet in several languages.

Through its knowledge transfer system, which is unequalled in the hairdressing sector anywhere in the world, Schwarzkopf Professional achieves far more than optimal customer service. In Asia and South America, in particular, the activities of the Schwarzkopf Academy help to define training standards for hairdressers.

New red for the hair



When it comes to trendy red shades, Schwarzkopf & Henkel occupies a strong position among the leading suppliers of hair colorants for home use. The special challenge is to achieve a combination of maximum color permanency and excel-

Focus on sustainability

Only well-tolerated and easy-to-use cosmetics can generate long-term consumer confidence. Alongside effectiveness, health protection and environmental compatibility are always top priorities in product development. All cosmetics are therefore subjected to an extensive testing program, which is continuously updated in line with the latest technical developments.

Henkel studies the health compatibility of products by means of in-vitro tests on cell cultures and dermatological tests. Since the early 1980s, Henkel has worked together with external insti-

tutes to develop and optimize alternative test methods. This will continue to be an important objective of the Company. At present, Henkel is taking part in an inter-sector initiative with a view to working even more effectively on researching and establishing additional test methods.

An integral part of Henkel's policy is to provide comprehensive service beyond the products themselves. Through its consumer advice and the internationally oriented Schwarzkopf Academy, Henkel provides direct assistance to consumers and hairdressers throughout the world.



How *Fa* will you go?

lent compatibility. Conventional red shades lose some of their intensity each time the hair is washed.

After many years of work, the Schwarzkopf & Henkel researchers have succeeded in developing a special red colorant which combines appreciably improved permanency on the hair with high compatibility. The new colorant is already being used in around 30 shades. In 2004, it will be incorporated in all of the other relevant shades of red.

In Schwarzkopf Professional's hairdressing salon business, customers also profit from the products' improved performance. The intensely vibrant colors and excellent permanency on the hair are two key differentiation characteristics in this fiercely competitive market.

Not a trace

Dry deodorants are definitely gaining in popularity. Not only are they effective in fighting body odor, but they even help to prevent it by reducing perspiration. Dry deodorants used to have the disadvantage that the active ingredients could leave white traces of deodorant on skin and clothing. The Fa Deo Dry stick has changed this. Schwarzkopf & Henkel product developers have come up with a new technology that leaves virtually no visible residues on the skin and considerably less on clothing. It contains a soothing care complex and is therefore highly skin-compatible, particularly benefiting consumers with sensitive skin.



It contains a soothing care complex and is therefore highly skin-compatible, particularly benefiting consumers with sensitive skin.

Birthday gift from Schauma

In 1903, Hans Schwarzkopf invented shampoo in Germany and thus revolutionized hair washing. Reason enough for market leader Schauma to celebrate the anniversary with a special campaign. Up to the end of 2003, Henkel donated 10 cents per double pack of Schauma family shampoo to the SOS children's village "Veronas Casitas" in El Alto, Bolivia. The donation was used to build a health and community center, where children from the village and local citizens can meet and also obtain medical assistance.

Schauma carried out the anniversary campaign together with its advertising endorser, Verona Feldbusch. She has supported SOS children's villages since 1992 and laid the foundation stone for the "Veronas Casitas" children's village near her place of birth, La Paz, in 2002. The campaign raised around 250,000 euros, which will give the children in El Alto a better start in life.



The Fa Deo Dry stick has become firmly established in Western Europe since it was launched in the spring of 2003. The next objective is to enter new markets in South America and Eastern Europe.



Consumer and Craftsmen Adhesives

Gifted glue stick: Power Pritt

Henkel's original Pritt stick, which appeared in 1969, revolutionized the gluing of paper. In 2003, Henkel launched the first multi-purpose glue in stick form: Power Pritt. The solvent-free stick bonds materials such as felt, cardboard, cork, plastic, metal, polystyrene and wood cleanly, quickly and very reliably. Easy and safe to use, the multi-purpose glue washes off easily and is suitable for a wide range of uses in the home, preschool, school and office. With it, Henkel has successfully gained ground in a market that was previously the exclusive domain of liquid glues. The Power Pritt stick was rolled out in more than 20 countries in just a few months. By the end of 2005, this figure is to rise to more than 70, and sales are expected to have tripled.

The Power Pritt stick team received the Fritz Henkel Award for Innovation for the successful development of this new product.

New wallpaper paste

High-quality non-woven wallcoverings are the new trend. In Germany, they already have a market share of around 30 percent. With Metylan *direct*, Henkel now offers the right roll-on paste to make wallpapering simpler, faster and cleaner. Metylan *direct* is applied directly to the wall, thus dispensing with the need for bulky pasting tables and time-consuming softening times.

A specifically designed low-splash formulation ensures high initial tack and reliable grip. Moreover, non-woven wallcoverings can usually be peeled off from the wall dry, without leaving any residues.

Focus on sustainability

Henkel is a world leader in adhesives and sealants, technologically and ecologically. Solvent fumes are a major source of environmental pollution associated with bonding. Through a program of many years' standing, Henkel has been consistently replacing solvent-based adhesives with waterborne products.

The examples on these two pages are just a few of the many successfully marketed product innovations. Henkel's adhesives developers also rely on

renewable resources to optimize product characteristics. Two examples are the internationally known Pritt stick and Metylan wallpaper pastes.

A key driver for the sustained market success of Henkel adhesives is that they are designed for convenient, precise and safe use. One current example of how the Company meets customer requirements is the newly developed Metylan *direct* roll-on paste for non-woven wallpaper.



Following the trend for non-woven wallcoverings, Metylan *direct* was first launched in Western Europe. In accessing Eastern European markets, Henkel will be utilizing the cooperative relationships it has built up over the years with leading wallpaper manufacturers, by synchronizing new developments at an early stage and thus jointly shaping the markets of the future.

Eastern promise

In the industrialized countries of the west, the renovation of old buildings and the addition of thermal insulation has long been a standard procedure. This is not the case, however, in many Eastern European countries. Often, in fact, heat not only goes out the proverbial window, but, literally, through the wall. Ceretec thermal insulation systems from Henkel can solve this problem at relatively low cost and effort – in both new and old buildings. The result: More comfortable housing and up to 30 percent lower heating costs.

The Ceretec system solutions – including building products from the Henkel Bautechnik Ceresit range – can be flexibly customized to meet all of the individual requirements of insulating panels, adhesive mortars, and façade plasters in a particularly effective way. An additional bonus of Ceretec thermal insulation systems is that they combine technically superior insulation with a variety of attractive plastering options.

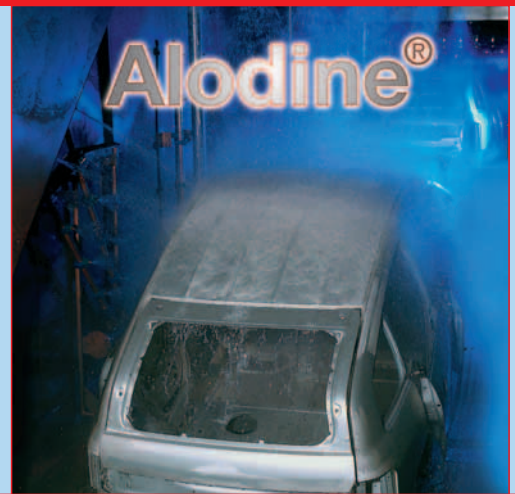
Ceretec thermal insulation technology, which was originally developed in Germany, is now opening up new markets in many Eastern European countries. The business potential is immense, espe-

Pritt – the children's friend

In many Brazilian cities, the street is not a safe place to play. To create alternatives, Henkel and the Pritt brand are taking part in the “Partnership for the future” project in São Paulo. In cooperation with other companies and the city of São Paulo, Henkel has facilitated the opening of 400 schools during the weekend, to provide children and young people with a safe place to play and learn. Henkel in Brazil supports the city's initiative with teaching and handicraft kits from its “Pritt Saber Fazer” (Pritt know-how) program. They help the teaching staff and volunteer assistants to promote the children's creativity and skill. In addition to Pritt glue sticks, each kit contains suggested activities and handicraft instructions. For example, the children learn how they can make toys from recycled materials. More information and ideas for activity group leaders and children are available on the Internet. [i](#)

cially in Poland, Russia, Romania, Hungary and the Ukraine. The key to success lies in cooperation with local partners – from recommendations for manufacturers of insulating panels to turnkey system solutions from a single source.

Technologies



Henkel Technologies

Well equipped

Aluminum is steadily gaining in importance in automotive engineering, especially because of its low weight. However, the use of the chrome-containing coatings traditionally employed to protect aluminum against corrosion will be drastically restricted in 2007 by the European Union's End Of Life Vehicles Directive. Leading automotive manufacturers therefore aim to switch completely to chrome-free coatings.

With Alodine 2040 and Alodine 2840, Henkel offers solutions for individual components and entire car bodies that have proved themselves over many years in tough, everyday conditions. Chrome-free coatings with Alodine 4850 for aluminum

wheel rims are already established worldwide. In the near future, leading manufacturers will be switching to chrome-free coatings for even the most demanding components, such as heat exchangers for air conditioning systems. Henkel is therefore well equipped to expand in this market, now and in the future.

For all needs

In the heat of summer or the bitter cold of winter, packaging adhesives must always satisfy the most exacting demands. Henkel's adhesives specialists therefore attach high priority to excellent performance and a wide application spectrum, while placing equally high emphasis on optimizing customer costs. The latter calls for increased efficiency throughout the packaging process. A current exam-

Focus on sustainability

Henkel Technologies, global market leader in adhesives, sealants, and surface treatment, offers individually tailored system solutions worldwide, discussing the specific problems involved with its industrial customers and jointly developing new processes with them. Work is often carried out in a team context together with plant manufacturers and suppliers of raw materials. Henkel continuously develops innovative products and technologies which offer customers benefits in environmental and health protection and are also economically advantageous. In many cases, opti-

mized processes result in major reductions in costs for energy, water, and waste disposal.

Society benefits from these innovations, as they reduce consumption of resources and prolong the product's service life. Current examples include chrome-free processes to protect automobiles against corrosion, and efficiency-boosting, solvent-free packaging adhesives. A clearly growing trend is for Henkel Technologies to provide full service onsite system solutions to its customers, thus allowing them to focus on their core competencies.



ple meeting this need is the newly developed hot-melt adhesive Technomelt Supra. It is more economical, cleaner to use, and is also suitable for high-speed packaging machines. Customers benefit from the reduced wear and downtime and an overall improvement in productivity.

Since Technomelt Supra is virtually colorless and odorless, it is also suitable for especially demanding applications in the food packaging sector. The prospects for expanding the Company's leading role in packaging adhesives could not be better.

Lightweight composite materials

The development of lightweight and fuel-saving components is a key challenge for the aircraft industry. Henkel and Airbus are working together to develop the technologies for the next generation of planes combining light weight with higher capacity. Composites, usually made of carbon-fiber-reinforced resins, are one option that presents itself. To ensure superior performance, they have to be cured under pressure in special ovens. Up to now, they have therefore been difficult and expensive to manufacture.

With an innovative resin technology, Henkel aims to establish the basis for using these lightweight materials on an industrial scale. This should even make it possible to utilize fiber-reinforced composites for aircraft wings and fuselages. The new resins will be easier and safer to handle, and capable of curing within minutes at room temperature. Their greater rigidity, lower weight, and less complex processing methods will benefit both aircraft manufacturers and airlines. The new materials should bring

Integrated solutions at VW

More than 700,000 cars are painted each year at the Volkswagen plant in Wolfsburg, Germany. To ensure that the new threshold values for wastewater loads are not exceeded, the Wolfsburg plant and Henkel Technologies have worked together to develop a wastewater-free process for its main paint shop. At the heart of the system solution developed by Henkel is a readily biodegradable, solvent-free, surfactant-based cleaner.

Savings equivalent to 200 metric tons of solvent and 20,000 cubic meters of water were achieved during the trial phase alone. Process costs were also reduced by about 30 percent. It is not surprising that other automobile manufacturers are expressing interest in this innovative process.

about significant cuts in production costs and in fuel consumption over an aircraft's service life.

Use of the new materials in the fuselages of the next aircraft generation is expected to reduce their weight by 30 percent – and costs by 40 percent. As a partner to Airbus and a systems supplier offering surface treatment and bonding technologies to the aircraft industry, Henkel is thus opening up a new market with excellent growth prospects.

Employees

- ▶ **Family and career:**
First pilot projects started
- ▶ **Management style:**
Employees assess managers

The Company's employees are its most important capital for the future. This is why Henkel actively invests in highly skilled, motivated and innovative personnel. At present, the main issues in the area of employee orientation are the balancing of family and career, the improvement of leadership quality, and the integration of online learning modules in worldwide training programs. Since 2001, personnel have been able to benefit from the Company's success by participating in a worldwide employee share program.

Employees by region			
	2002	2003	in %
Germany (including apprentices)	11,362	11,245	23.1 %
Europe (excl. Germany)	19,918	19,506	40.1 %
Africa/Middle East	3,456	3,438	7.1 %
North America	4,474	4,181	8.6 %
Latin America	3,042	3,946	8.1 %
Asia-Pacific	6,386	6,312	13.0 %
Henkel Group	48,638	48,628	100.0 %

Three-quarters of the 48,628 employees work outside of Germany. Worldwide, more than 7,300 employees hold managerial positions, and 22 percent of these are women (2002: 21 percent).



“Henkel Puerto Rico’s commitment to equal opportunity is exemplary. For 20 years we have worked together to improve the integration of disabled people in the workplace – from the shop floor to management level. I can only encourage other companies to follow Henkel’s example.”

Eddie A. Matos,
project manager of Futuros Inc., a charitable agency that promotes the integration of disabled persons into the job market, Mayaguez, Puerto Rico



Adults look on happily at the Gerda Henkel Children's Day Center in Düsseldorf, where provisions for child care have been expanded by setting up a new family group.

Flexible solutions

Achieving a balance between family and career is constantly growing in importance. Henkel wants its employees to be able to develop their abilities and commit long-term to the Company. It therefore provides support to enable them to coordinate dedication to their career and plans for their private life.

Two key aspects involved are the intensive use of flexible working arrangements and active support in the search for day care solutions for children or other family members. The activities are designed to meet local needs and take cultural differences into account.

The "Family & Career" work group has initiated several pilot projects at the Group's headquarters in Düsseldorf to gain more experience. In a first step, the intranet and the employee newspaper have increased their coverage of existing opportunities offered for flexible work models and part-time or teleworking.

One innovation is the Company's cooperation with a specialized service provider, which helps employees in need of flexible solutions for the care of their children or other family members. The Gerda Henkel Children's Day Center has set up a family group, in which children aged four months to six years can be accommodated.

Plans have been made to commission an independent institute to carry out a "Family & Career" audit in 2004, so that the success of the projects can be assessed and the programs compared with those of other companies. The agreement of binding objectives will be part of this process.

Employee orientation

Motivated employees are the basis for Henkel's success. Open communication and the recognition of individual performance reinforce identification with the Company's objectives. It is crucially important that employees perceive the connection between their own personal dedication and the success of the Henkel Group. Flat hierarchies, target-oriented management, performance-related remuneration, regular assessments, and continuous learning are all used by Henkel to achieve this.

Respect for individual diversity, the principle of equal treatment, and the encouragement of volunteer work are anchored in a Code of Conduct as important aspects of employee orientation.

The principle of mutual trust and partnership also applies to relationships with employees' representatives within the Company. If restructuring measures are planned, for instance, the appropriate internal bodies are involved at an early stage and the measures are carried out in a socially responsible manner, so as to minimize any personal hardship. *i*



Winfried Albrink (left), Head of Human Resources Competencies at Henkel in Düsseldorf, and project leader Heiko Held invite staff to “Click & Learn!”



Good leadership

Henkel assigns a high priority to recognizing individual performance and promoting the systematic development of its employees. For many years it has employed a leadership dialogue for this purpose, which allows employees to anonymously assess the leadership skills of their supervisors and subsequently engage in a constructive dialogue with them.

In 2003, this instrument was globalized and expanded by making a regular leadership dialogue mandatory for middle management throughout the entire Henkel Group. With the help of questionnaires, aspects such as social competence, information handling, cooperation within the team, and readiness to give and take criticism are assessed and handled through an independent institute. The results are sent not only to the relevant supervisor but also to human resources management. This ensures that, when problem areas are identified, human resources management can intervene by initiating a compulsory coaching process and implementing specific measures to improve the work climate.

Systematic learning

In 2001, Henkel launched the intranet-based “Click & Learn” portal, which has now been implemented throughout the entire Henkel Group. Almost all management topics, as well as the major software tutorials, are available online.

A large group of employees therefore has the opportunity to learn new skills as and when they wish. The use of online learning to prepare for and follow up on presence seminars has proved especially effective. More than 20 percent of all courses are already linked to online modules. Software tutorials and language courses, in particular, make use of the new mixed forms of learning.

Strong for the future

The restructuring program “Strong for the future” has been expanded. In 2003, the Company reduced staff by 332 worldwide, while acquisitions brought in another 1,400 new positions.

Occupational safety

Dr. Loert De Riese-Meyer, Head of Chemical Technicians Training at Henkel in Düsseldorf, gets ready to test the walking practice circuit.



Ambitious goals

Any accident is an accident too many. In 2000, Henkel launched a Group program aimed at reducing the number of occupational accidents to zero in the long term. A key milestone was a 25-percent reduction by the year 2005. The Henkel Group was already able to reach this milestone by the end of 2003, and the target figure was then increased to 45 percent. Despite the generally positive progress within the Group, a fatal accident in Malaysia demonstrated that there is still much to be done.

Global focus

Henkel employs Group-wide instruments aimed at preventing occupational accidents. They are based on the worldwide corporate standards, and their implementation is checked by independent auditors from Group headquarters. All accidents are registered centrally and analyzed as part of a worldwide reporting system. This enables “hot spots” to be identified, so that programs can be developed to deal with them. Regional training courses in Asia and North Africa were one of the main priorities in 2003.

Learning from the best: New approaches

Even sites with exemplary occupational safety find ways of improving employee awareness and motivating them to be more careful:

► To reduce the number of accidents caused by stumbling, tripping, etc., a walking circuit was developed at the Düsseldorf-Holthausen site; this helped to make employees more attentive in the workplace.

► At the Itapevi site in Brazil, a new training concept was also extended to include employees of contractors carrying out work at Henkel sites. Every month, easy-to-understand flyers provide information about current occupational safety issues. A simple questionnaire is used to check the knowledge of everyone working at the site. Whoever answers every question correctly can win a prize, while anyone who performs poorly will receive targeted instruction.

► The fact that training programs can be inspiring was demonstrated at the site in Brampton, Canada. The annual course on handling dangerous substances was organized as a quiz show, which proved to be an enormous success. The staff had fun, learned more than ever before, and are looking forward to the next course.

Exemplary		
Country	Site	Accident-free since
USA	Calhoun, Georgia	1993
USA	St. Louis, Missouri	1995
USA	Tucker, Georgia	1995
Canada	Etobicoke, Ontario	1997
Korea	Jincheon-Kun	1997
Thailand	Chon Buri	1997
India	Jejuri	1998
Poland	Chiechanów	1998
Spain	Seville	1998

Nine Henkel Group production sites have completed more than five years without a single accident with lost time. Employees of individual production plants and organizational units at other large sites have also worked accident-free for several years. They have shown that the vision of “zero accidents” can become reality.

Social commitment

- ▶ **Systematic support:**
Corporate Citizenship at Henkel
- ▶ **Committed employees:**
500 MIT projects worldwide

The Company as a “good citizen”

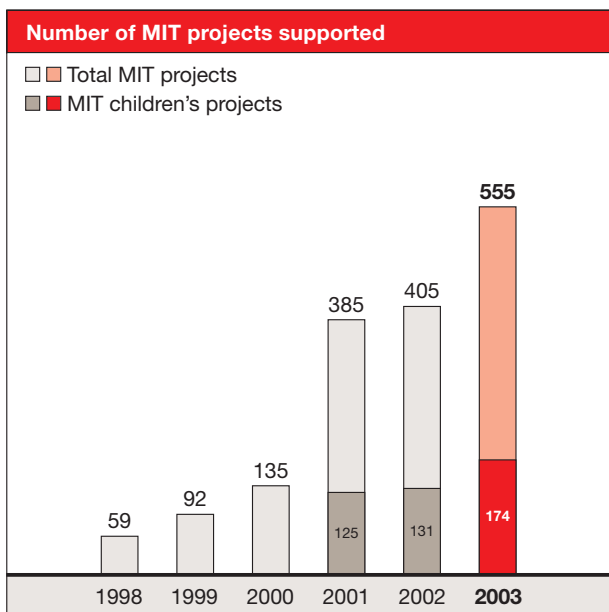
Taking social responsibility is firmly anchored in Henkel’s corporate values. In its more than 127 years of existence, Henkel has consistently helped people in many different ways. The Company sees itself as a good citizen who plays a responsible role in society. Its Corporate Citizenship Program encompasses all such commitment that goes beyond the scope of its business activities. A core element of the program is the Company’s support for employee projects within the framework of the “Make an Impact on Tomorrow” (MIT) initiative. In November 2003, Henkel was awarded the Charity Prize of the German Children’s Charity (Deutsches Kinderhilfswerk) for the first time for its support of its employees’ and pensioners’ volunteer work.

Instruments of Corporate Citizenship	
Financial and in-kind donations	MIT Initiative (corporate volunteering)
Henkel Friendship Initiative	Sponsoring of non-profit projects



“Henkel’s MIT initiative has provided us with urgently needed medical supplies during the past three years. As a result, we can help people who cannot afford proper care for their wounds. This is a huge boost to the morale of the doctors and nurses who care for these patients every day under very trying conditions.”

Dr. Keshav Das Joshi,
senior physician in the burns ward of
Bir Hospital, Katmandu, Nepal



MIT initiative: Employees volunteer

Henkel has supported its employees' social commitment within the framework of the "Make an Impact on Tomorrow" (MIT) initiative since 1998. The Company supports non-profit projects in which its employees and pensioners do volunteer work. The voluntary commitment by its employees reflects perfectly the Company's slogan "A Brand like a Friend." Henkel provides financial and in-kind donations, depending on what is required, or may also allow employees to take time off from work. 555 non-profit projects, assisted by employees from 33 Group companies worldwide, were supported in 2003.

Global focus: MIT children's projects

Children's projects are an important part of the MIT initiative. They were first initiated to mark Henkel's 125th anniversary in 2001. So far, more than 25,000 children in need have been helped in more than 75 countries.

The great success of the anniversary year projects and the overwhelming response of Henkel's employees encouraged the Company to continue with this form of social involvement. In 2003, one million euros were donated to support an additional 174 MIT children's projects. The international character of these projects is an important factor in establishing MIT initiatives at Henkel companies in all regions of the world.

MIT children's projects mainly focus on work with schools, vocational training facilities, street children, orphanages, and child shelters. The employees and pensioners pay special attention to seriously ill children. Their efforts to help HIV-infected children in Kenya, Romania, Thailand and Tanzania deserve special mention here. Playgrounds and other sports and leisure facilities are also frequently sponsored.

Targeted support

Through its Corporate Citizenship Program, the Henkel Group promotes philanthropic projects in the social, environmental, educational, scientific, artistic, cultural, health and sports spheres. Political parties are not supported.

After the earthquake in Algeria: Tents and mattresses donated by Henkel quickly provided the homeless with temporary accommodation.



Investing in the future

Education and knowledge are the most important resources of any society. This holds true more than ever in an era of globalization. The Dr. Jost Henkel Foundation, which was established by Henkel as long ago as 1958, supports young people during their studies. Henkel provided the foundation with a total endowment of 3.32 million euros for this purpose. Preference goes to students who are unable to finance their studies from their own resources or with the help of other parties. In recent years, the foundation has increased its assistance to students outside Germany, including the children of employees in Japan, Poland and Mexico. In the medium term, the proportion of international students receiving such support will be increased to 25 percent.

Depending on the situation, Henkel supports projects through sponsoring, financial or in-kind donations, or corporate volunteering within the framework of the MIT initiative.

An international donations profile forms the basis for effective allocation of all aid. The MIT initiative plays an increasingly important role here. The direct involvement of Henkel's employees and pensioners ensures in a very special way that resources are used purposefully and efficiently.

The Henkel Group made some 5 million euros available in 2003 for support measures as part of the Corporate Citizenship program.

Foundation of Henkel Friendship Initiative

Established in 2003, the Henkel Friendship Initiative e.V. enables Henkel to provide speedy and unbureaucratic aid to people in need throughout the world, especially in response to emergencies. One of the first examples was immediate help for victims of the earthquake of May 2003 in Algeria. Henkel was prompted to establish this new channel for assistance by the generosity of its employees and pensioners following the flood disaster in the summer of 2002 in Germany, Austria, the Czech Republic, Hungary, Poland, Romania, and Slovakia. The Henkel Friendship Initiative grew out of the Henkel-Förderwerk Genthin e.V., which was founded in 1991 in eastern Germany and operates on a regional level.

Earthquake in Algeria: Rapid aid

The terrible consequences of the earthquake in Algeria in May 2003 motivated Henkel to provide immediate assistance amounting to 120,000 euros. The victims included more than 100 families of Henkel employees, who lost their homes. The urgent need for tents for the homeless could not be met by Algeria or its neighbors. As an immediate aid measure, several employees and the Henkel Fire Department in Düsseldorf spontaneously and unbureaucratically obtained tents and mattresses and organized their transport.

One part of the donated sum was reserved for the reconstruction of schools in the vicinity of the Henkel site in Reghaia near Algiers.



“The creation of Henkel ENAD is Algeria’s largest privatization project. Henkel’s commitment to sustainability transmits an important message to Algerian industry. This is why, in our public-private partnership project with Henkel, we focus on joint training courses with environmental agencies and on the transfer of knowledge within the local supply chain.”

Achmed Fekairi,

project leader, environment program of the German Society for Technical Cooperation [Gesellschaft für Technische Zusammenarbeit (GTZ)], Algiers, Algeria, www.gtz.de

Regions

- ▶ **Worldwide audits:
High standard**
- ▶ **70 percent of production:
Certified to ISO 14001**

Worldwide responsibility

Sustainability is the goal of all Henkel sites. To this end, they have set objectives and initiated programs that reflect their needs and their regional situations. This section describes the activities at a number of individual sites and provides an overview of the major production facilities of the Henkel Group. In addition, the audit results of the past two years are summarized. Significant operational incidents are reported in detail in the Indicators section.

Systematic site information

Henkel publishes key sustainability data collected from 155 production sites around the world. The maps of the regions on pages 30 to 33 give an overview of:

- ▶ participation in the collection of Group data,
- ▶ certification to ISO 14001,
- ▶ safety, health and environment audits carried out,
- ▶ published site objectives, and
- ▶ detailed site portraits on the Internet.

Five sites were sold during the year under review, and three were closed down. Seven new sites were added through acquisitions. One new production facility came on line. The information on the maps of the regions reflects the situation at the end of 2003.



Ain Temouchent in Algeria

Henkel is making an exemplary contribution to sustainable development in Algeria by investing extensively in plant modernization and employee training.

Algeria: Changing times

Henkel's acquisition of a majority participation in the state-owned detergent industry in the year 2000 still ranks as the most important privatization project in Algeria. Henkel committed to invest considerable sums in plant modernization and employee training. As a result, numerous projects were initiated in the fields of energy and resource management, occupational safety, and environmental protection. For example, completely wastewater-free manufacturing processes were introduced at the two powder production sites. This meant that the previously necessary sewage treatment plants could be closed. Water consumption was thus cut by almost 300,000 cubic meters and operating costs were reduced by more than 200,000 euros per year.

The successes radiate beyond the site itself and are having an impact on the Algerian economy. In 2003, together with the German Society for Technical Cooperation [Gesellschaft für Technische Zusammenarbeit (GTZ)], Henkel launched a 15-month qualification project. The focus is on training the Company's own employees and its Algerian suppliers in production and logistics management, and training the staff of environment agencies and universities in integrated safety, health and environmental management.

Asia-Pacific: Coping with SARS

In early 2003, an outbreak of SARS, an atypical form of pneumonia, occurred in a province of South China and subsequently spread to

neighboring countries. From mid-March, the epidemic developed into a serious threat to health and the Asian economy. In close consultation with the Company's medical team in Düsseldorf, employees at Henkel's regional headquarters in Hong Kong drew up a crisis management plan to safeguard the health of all Henkel employees and ensure minimal disruption of the Company's business activities.

As the situation worsened, the safety precautions that had been agreed at an early stage (information campaigns, and travel and meeting restrictions) were continuously reinforced. Strict hygiene procedures, self-quarantine for employees who might have come into contact with SARS victims, and temperature checks for employees were introduced. In addition, Henkel ensured that face masks were available.

Fortunately, a "work at home" contingency plan to maintain essential business functions in case of office closures did not have to be implemented. In June, the epidemic began to recede, without a single Henkel employee having contracted the disease.

European Union: Well prepared

Beginning in January 2005, some 12,000 industrial installations in the European Union will participate in the world's largest emissions allowances trading scheme. The objective is to achieve a reduction of 8 percent in carbon dioxide emissions in Europe (base level: 1990) by the year 2012. As things stand, only Henkel's power plant in Düsseldorf-Holthausen will be affected. Located at the Henkel Group's largest site, it provides the production





Award for Henkel

Malaysian Deputy Minister of Science, Technology and the Environment, Dato' Haji Zainal bin Dahalan (right), presents the Hibiscus Award to Jason Lee, General Manager of Henkel Malaysia.

Malaysia: Recognition from the Prime Minister

At its site in Ipoh, Henkel Malaysia produces soldering pastes and soldering wires for the electronics industry. In December 2003, Henkel, along with 13 other Malaysian companies, was honored with the Prime Minister's Hibiscus Award for its environmental performance. The company was chosen on the basis of an evaluation by a specialist jury and a detailed assessment of the site. Henkel also received the "Perak State Award" as the best performing company in the Perak sultanate.

plants of Henkel and its former chemical subsidiary Cognis with steam and electricity. To prepare itself for the new trading system, Henkel is taking part in a pilot project run by the Fraunhofer Institute.

The power station is technically very well equipped. Its efficiency is almost 90 percent, thanks to the especially effective use of cogeneration. As early as 1990, the construction of a gas turbine brought about a reduction of approximately 25 percent in carbon dioxide emissions. With the help of further improvements in energy management and a tripling of the carbon dioxide neutral fuels from production residues, emissions per kilowatt hour of electricity and steam have been reduced by an additional 20 percent since 1990.

Ireland: Only the finest

Henkel Technologies produces a variety of Loctite specialty adhesives at its Tallaght site, close to Dublin, including chipbonders for the electronics industry. As only the finest quality will suffice – one gram is used for up to 5,000 dots of glue – the production of these high-tech products is extremely energy-intensive and time-consuming.

Henkel's Irish researchers have developed an innovative production process, which has improved product quality even further and enabled the site to achieve considerable savings. The new process is faster, requires only half the energy, and generates 70 percent less waste. Having successfully implemented the new technology for the first product lines, the site is now planning to use it on all lines.

Austria: Healthy cuisine

Preventive health care is a top priority at Henkel. A good diet is a key factor in this. Together with the Workers' Council and the Wiener Gebietskrankenkasse, a health insurer, Henkel initiated the project "Lust am Leben" (enjoyment of life). The objective was to introduce nutritionally more healthy methods of food preparation in canteens. The fat content per meal has been considerably reduced, and requests for low-fat dishes have doubled. Moreover, lectures and advice were offered to the employees on the subject of nutrition and exercise.



Toluca in Mexico

By recycling its production wastewater, the detergent site was able to make a major contribution to the conservation of resources in this dry region.

Mexico: Sustainable growth

In the year 2000, Henkel acquired a detergent producing company in Toluca, Mexico, to enable it to gain access to new markets in Latin America. It was necessary to upgrade the new site's technology, so that it would be fit for the future. An ambitious modernization program was initiated to achieve major improvements in production performance and efficiency.

With the help of a new furnace in the detergent spray drying tower, and improved processes, the site increased its capacity by 250 percent relative to 2001. At the same time, gas consumption per metric ton of detergent was cut by 20 percent. Recycling rinsing water reduced water consumption by 35 percent, despite the increase in production. Henkel is thus making an important contribution to the conservation of resources in the region, where water is a scarce commodity.

Further improvements are planned at the site. Investment in the soap production plant should reduce water and energy consumption still further and cut costs by around 70,000 euros.

USA: Competitive

At its site in Hayward, California, Henkel produces waterborne adhesives for the packaging industry. In the course of the streamlining of Henkel's production facilities in North America, the site management examined its operations for potential improve-

ments. The project was a huge success. Changes in production planning and cleaning processes helped to cut the wastewater volume per metric ton of product by more than 15 percent. Even more impressive was the reduction of almost 40 percent in gas and electricity consumption. The site was thus able to offset a steep increase in energy prices and improve its competitiveness.

Great Britain: Henkel fined

In March 2003, Henkel Limited, Great Britain, was fined the equivalent of 170,000 euros for a breach of environmental regulations. In May 2002, a chemical was spilled while a tank truck was being filled at the Belvedere site. Some of the liquid escaped from the containment zone and flowed into a drainage ditch. The site management initially assumed that all of the released chemical had been collected in the containment zone. It was only nine days later, when the grass near the containment zone became discolored, that the environmental authority was informed.

It was found that there had been a failure to take all necessary precautions to prevent the released substances from entering the environment. Organizational mistakes had also been made in work planning.

Hungary: Gold medal

In recognition of Henkel's many years of providing support in the form of detergents and household cleaners, toiletries, adhesives and sealants, and financial donations, the Hungarian Red Cross presented the Company with its gold medal.



The relevant work instructions have been revised and the loading area's containment structures have been expanded to ensure that similar incidents cannot happen again.

Communication concerning the incident was too late and too little, and thus failed to measure up to Henkel's expectations. The improvement measures derived from this incident were communicated worldwide.

Puerto Rico: Exemplary commitment

Henkel Technologies has a workforce of 264 at its Sabana Grande site, where it produces adhesives for the medical technology, electrical, and automotive industries. Fifteen disabled employees work at the site in a variety of functions – from shop-floor to management level.

With its long-term commitment to being an equal opportunity employer, Henkel Puerto Rico helps disabled people to find challenging work that suits their qualifications and thus improves their quality of life. The company benefits, too, as the commitment and motivation of their disabled colleagues is an example for everybody at the site.

The company has received several awards in recent years for its successful integration of disabled people – in 2001, from the governor of Puerto Rico; and in 2002 and 2003, from the Mayor of Sabana Grande and the State Council for Vocational Rehabilitation.

Local involvement

Henkel Group companies in all regions of the world are involved in a variety of projects for the good of society. A few of the more than 1,000 projects supported in 2003 through the Corporate Citizenship Program are listed in the table below.

Exemplary projects	
Australia	Support for the Flying Doctor program for aborigines in remote areas of southern Australia
Brazil	Support for education programs for young people in São Paulo
Central and Eastern Europe	Sponsoring for the Prague-Vienna-Budapest International Music Academy
China	Support for the building of a nursery school for orphans in Tianjin
Germany	Support for a model national project for sustainability audits in schools
Hungary	Support for a foundation against sudden infant death syndrome, with breathing monitors for babies
Italy	Sponsoring of a WWF project for protecting a threatened species of bear in the Alps
Kenya	Support for children with AIDS and AIDS orphans
Philippines	Construction of new housing in a children's village in Manila
Romania	Nationwide educational projects on environmental protection and hygiene in schools, in cooperation with the Romanian Ministry of the Environment
Spain	Product donations to clean up oil-covered birds after the tanker accident off the coast of Galicia
Turkey	Support for the Turkish foundation for sport for the disabled

Europe



● Countries with major production sites

Europe is traditionally Henkel's principal market. Its adhesives business, in particular, has been expanded through a number of acquisitions. Henkel has audited 42 production sites in the past two years, 28 of them for the second time. In most cases, the repeat audits confirmed improvement of the already high standard. The results at newly acquired sites varied more widely, with some sites proving exemplary while others fell clearly below Henkel's standards.

Corrective action was required at five European sites in areas such as fire protection and the handling of dangerous substances. Immediate action was initiated in all cases. This included changes in operational procedures as well as investments, such as for the construction of fire walls.

Major production sites in Europe			
Austria			
Vienna	■ ■ ■ ■ ■	Viersen-Dülken	■ ■ ■ ■ ■
		Wassertrüdingen	■ ■ ■ ■ ■
Estonia			
Pärnu	—	Great Britain	
		Belvedere	■ ■ ■ ■ ■
Finland		Dunstable	■ ■ ■
Oitti	■	Hemel Hempstead	■ ■ ■ ■ ■
Valkeakoski	■ ■ ■ ■ ■	Winsford	■ ■ ■ ■ ■
France		Greece	
Châlons-en-Champagne	■ ■ ■ ■ ■	Kato Kifissia/Athens	■ ■ ■
Cosne-sur-Loire	■ ■ ■ ■ ■	Metamorfossi/Athens	■ ■ ■
Louviers	■ ■ ■ ■ ■	Hungary	
Nemours	■ ■ ■ ■ ■	Barcs	■ ■ ■ ■ ■
Reims	■ ■ ■ ■ ■	Körösladány	■ ■ ■ ■ ■
Royaucourt-et-Chailvet	■ ■ ■	Szolnok	■ ■ ■ ■ ■
Germany		Vác	■ ■ ■ ■ ■
Bopfingen	■ ■ ■ ■ ■	Ireland	
Düsseldorf-Flingern	■ ■ ■ ■ ■	Ballyfermot/Dublin	■ ■ ■ ■ ■
Düsseldorf-Holthausen	■ ■ ■ ■ ■	Tallaght/Dublin	■ ■ ■ ■ ■
Genthin	■ ■ ■ ■ ■	Italy	
Hannover	■ ■ ■ ■ ■	Caleppio di Settala	■ ■ ■ ■ ■
Heidelberg	■ ■ ■ ■ ■	Casarile/Milan	■ ■ ■ ■ ■
Heidenau	■ ■ ■ ■ ■	Cerano	■ ■ ■ ■ ■
Herborn-Schönbach	■ ■ ■ ■ ■	Ferentino	■ ■ ■ ■ ■
Krefeld	■ ■ ■ ■ ■	Lomazzo	■ ■ ■ ■ ■
Porta Westfalica-Neesen	■ ■ ■ ■ ■	Parma	■ ■ ■ ■ ■
Paderborn	■ ■ ■	Zingonia/Bergamo	■ ■ ■ ■ ■
Unna	■ ■ ■ ■ ■	Luxembourg	
		Foetz	■ ■ ■ ■ ■
		Poland	
		Ciechanów	■ ■ ■ ■ ■
		Dzierżoniów	■ ■ ■ ■ ■
		Racibórz	■ ■ ■ ■ ■
		Stąporków	■ ■ ■ ■ ■
		Wrząca	■ ■ ■ ■ ■
		Portugal	
		Alverca	■ ■ ■ ■ ■
		Romania	
		Bucharest	■ ■ ■ ■ ■
		Russia	
		Engels	■ ■ ■ ■ ■
		Kolomna	■ ■ ■ ■ ■
		Perm	■ ■ ■ ■ ■
		Syzran	■ ■ ■ ■ ■
		Tosno	■ ■ ■ ■ ■
		Serbia-Montenegro	
		Krusevac	■ ■ ■ ■ ■
		Slovenia	
		Maribor	■ ■ ■ ■ ■

Africa/Middle East



The focal point of Henkel's operations in the Africa/Middle East region is the Mediterranean area. Nine audits, four of which were repeat audits, have been carried out in the region during the past two years.

The auditors found that considerable improvements in environmental performance have been achieved at the sites audited for the second time. However, action still needs to be taken in safety management. The long-term regional training pro-

grams will be continued, to continuously raise employee safety consciousness.

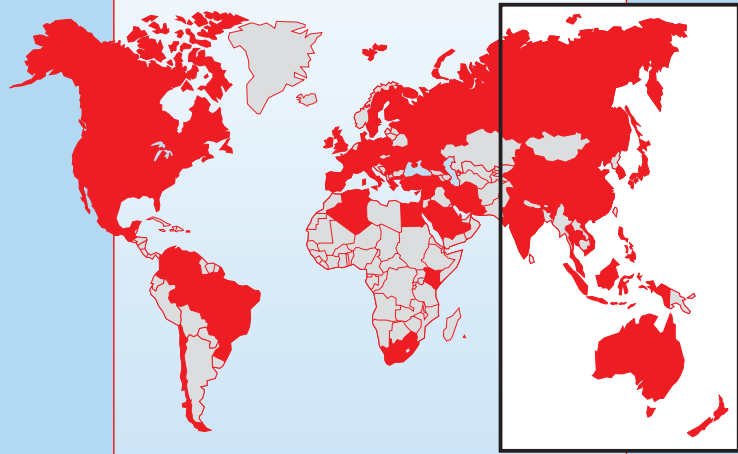
A first-time audit at an adhesives plant identified a need for action regarding the handling of organic solvents. The auditors initiated immediate measures to improve explosion prevention.

Spain	
Abrera/Barcelona	■ ■ ■ ■
La Coruña	■ ■ ■ ■ ■
Malgrat	■ ■ ■ ■ ■
Montornés	■ ■ ■ ■ ■
San Adrián	■ ■ ■ ■ ■
Santa Perpétua	■ ■ ■ ■ ■
Seville/Alcalá de Guadaira	■ ■ ■ ■ ■
Sweden	
Gothenburg	■ ■ ■ ■
Möndal	■ ■ ■ ■ ■
Switzerland	
Erlinsbach	■ ■ ■ ■ ■
Turkey	
Cayirova	■ ■ ■ ■ ■
Izmir	■ ■ ■ ■ ■
Tuzla	■ ■ ■ ■
Ukraine	
Uzhgorod	■ ■ ■ ■
Vyshgorod/Kiev	■ ■ ■ ■

Major production sites in the Africa/Middle East region	
Algeria	
Ain Temouchent	■ ■ ■ ■
Chelghoum Laid	■ ■ ■ ■
Reghaia/Algiers	■ ■ ■ ■
Egypt	
6th of October City	■ ■ ■ ■
Port Said	■ ■ ■ ■ ■
Iran	
Ghazvin	■ ■ ■ ■
Saveh	■ ■ ■ ■
Israel	
Haifa	■ ■ ■ ■ ■
Kenya	
Nairobi	■ ■ ■ ■ ■
Lebanon	
Beirut	■ ■ ■ ■
Mauritius	
Terre Rouge	■ ■ ■ ■
Saudi Arabia	
Jeddah	■ ■ ■ ■
Riyadh Central	■ ■ ■ ■
Riyadh Industrial City	■ ■ ■ ■ ■
South Africa	
Alrode/Johannesburg	■ ■ ■ ■ ■
Syria	
Aleppo	■ ■ ■ ■
Tunisia	
Tunis/Mornag	■ ■ ■ ■ ■
Sfax	■ ■ ■ ■

- One of the sites contributing to the Group data
- Certified to ISO 14001
- Safety, health, environment audits carried out
- Site objectives published
- Detailed site portrait on the Internet

Asia-Pacific



● Countries with major production sites

Henkel has strategically strengthened its position in the growth markets of Asia and the Pacific through the acquisition of an adhesives company. A total of ten sites have been audited in the region since 2002, five of them for the second time.

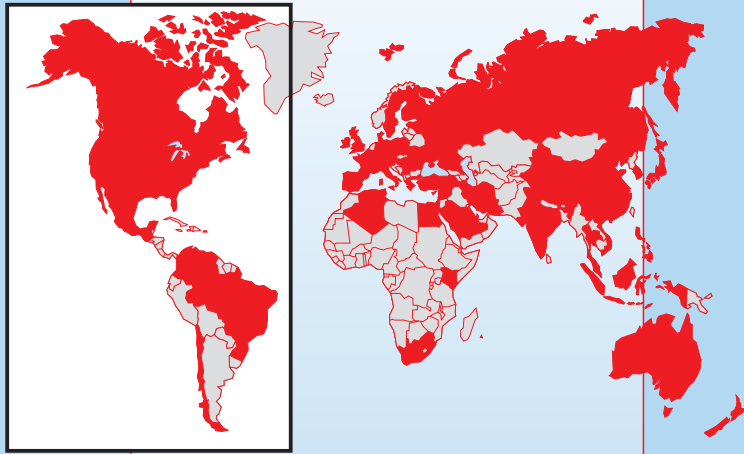
The results of the first-time audits varied widely, with some sites rating as internationally exemplary and others proving to be clearly in need of improvement. At one site, action needed to be

taken due to shortcomings in plant safety and the handling of dangerous substances. Immediate remedial measures were initiated.

The repeat audits revealed a generally good, and in some cases exemplary, standard of safety, health and environmental protection. Fire protection is, however, one area requiring special attention in the region. This is reflected in training measures and the monitoring of corrective action.

Major production sites in the Asia-Pacific region		
Australia		
Caringbah/Sydney		
Dandenong/Melbourne	□	
Kilsyth/Melbourne	■ ■ ■ ■ ■	
West Heidelberg/Melbourne	■ ■ ■	
China		
Beijing	□	
Changchun	□	
Guangzhou	■ ■ ■ ■ ■	
Shanghai/Nanhui	■ ■ ■ ■ ■	
Shanghai/Yangpu	■ ■ ■ ■ ■	
Shantou	■ ■ ■ ■ ■	
Tianjin	■ ■ ■ ■ ■	
Xuzhou	■ ■ ■ ■ ■	
Yantai/Shandong	■ ■	
India		
Calcutta	■ ■ ■	
Chennai/Ambattur	□	
Coimbatore	□	
Gurgaon	■ ■ ■	
Jejuri	■ ■ ■ ■ ■	
Karaikal	■ ■ ■ ■ ■	
Indonesia		
Cimanggis/Jakarta	■ ■ ■ ■	
Japan		
Osaka	□	
Korea		
Icheon	■ ■	
Jincheon-Kun/Hapmonk		
Jincheon-Kun/Shinchuk	■ ■ ■	
Kyung-Ju	■ ■ ■	
Malaysia		
Ipoh	■ ■ ■	
Shah Alam/Selangor	■ ■ ■	
Sungai Buloh	■ ■ ■ ■	
New Zealand		
East Tamaki/Auckland	■ ■ ■	
New Lynn/Auckland	■ ■	
Philippines		
Binan/Laguna	■ ■	
Thailand		
Bangpakong/Bangkok	■ ■ ■ ■ ■	
Chon Buri		
Vietnam		
Viet Huong	□	

The Americas



In North and South America, the Henkel Group has been especially active in the adhesives and technology sectors, where its market position has been strengthened further through acquisitions in Mexico and the USA. The Company has reinforced its entry into the Central American detergent market by acquiring a company in Guatemala. In 2002 and 2003, a total of 13 sites were audited.

The nine first-time audits revealed no significant deviations from Henkel standards, while the repeat audits also confirmed a generally high standard. At one site, however, improvements in the handling of organic solvents were found to be necessary. First audits are already scheduled for the newly acquired sites.


Major production sites in the Americas			
Brazil			
Diadema/São Paulo	■ ■ ■ ■ ■		
Itapevi/São Paulo	■ ■ ■ ■ ■		
Jacareí	■ ■ ■ ■ ■		
Canada			
Brampton, Ontario	■ ■ ■ ■ ■		
Etobicoke, Ontario	■ ■ ■ ■ ■		
Chile			
Santiago de Chile	■ ■ ■ ■ ■		
Colombia			
Santafé de Bogotá	■ ■ ■ ■ ■		
Guatemala			
Mixco	■ ■ ■ ■ ■		
Mexico			
Ecatepec de Morelos	■ ■ ■ ■ ■		
Toluca	■ ■ ■ ■ ■		
Salamanca	■ ■ ■ ■ ■		
Puerto Rico			
Sabana Grande	■ ■ ■ ■ ■		
USA			
Avon, Ohio	■ ■ ■ ■ ■		
Bay Point, California	■ ■ ■ ■ ■		
Brooklyn, New York	■ ■ ■ ■ ■		
Calhoun, Georgia	■ ■ ■ ■ ■		
City of Industry, California	■ ■ ■ ■ ■		
Delaware, Ohio	■ ■ ■ ■ ■		
Elgin, Illinois	■ ■ ■ ■ ■		
Hayward, California	■ ■ ■ ■ ■		
Homer, New York	■ ■ ■ ■ ■		
Lewisville, Texas	■ ■ ■ ■ ■		
Oak Creek, Wisconsin	■ ■ ■ ■ ■		
Olean, New York	■ ■ ■ ■ ■		
Seabrook, New Hampshire	■ ■ ■ ■ ■		
St. Louis, Missouri	■ ■ ■ ■ ■		
Tucker, Georgia	■ ■ ■ ■ ■		
Warren, Michigan	■ ■ ■ ■ ■		
Warrensville Heights, Ohio	■ ■ ■ ■ ■		
Venezuela			
Guacara/Caracas	■ ■ ■ ■ ■		

- One of the sites contributing to the Group data
- Certified to ISO 14001
- Safety, health, environment audits carried out
- Site objectives published
- Detailed site portrait on the Internet

Indicators

- ▶ **Worldwide coverage:**
Data from 132 sites
- ▶ **Open information:**
Accidents and operational incidents

Transparency

Henkel uses indicators Group-wide to identify potential improvements, steer actions and monitor target achievement. The indicators are also a compact and transparent means of providing the public with information about progress and performance. The published sustainability data are based on the environmental indicators of the European Chemical Industry Council , augmented by social and economic indicators.

A worldwide picture

The production-related data were determined at 132 major Henkel Group sites in 46 countries. These sites were selected on the basis of their production volumes, the quantities and types of emissions and the resources consumed. They account for 90 percent of the Company's worldwide production. The data on occupational accidents and operational incidents relate to the entire Henkel Group.

A comparable basis

The Group indicators for the years 1999 to 2001 have been calculated on the basis of the Henkel Group's continuing activities, i.e. without the chemical subsidiary Cognis and the European hygiene business Henkel-Ecolab, which were divested in 2001. The current Henkel Group performance data are therefore comparable with those of the preceding years.

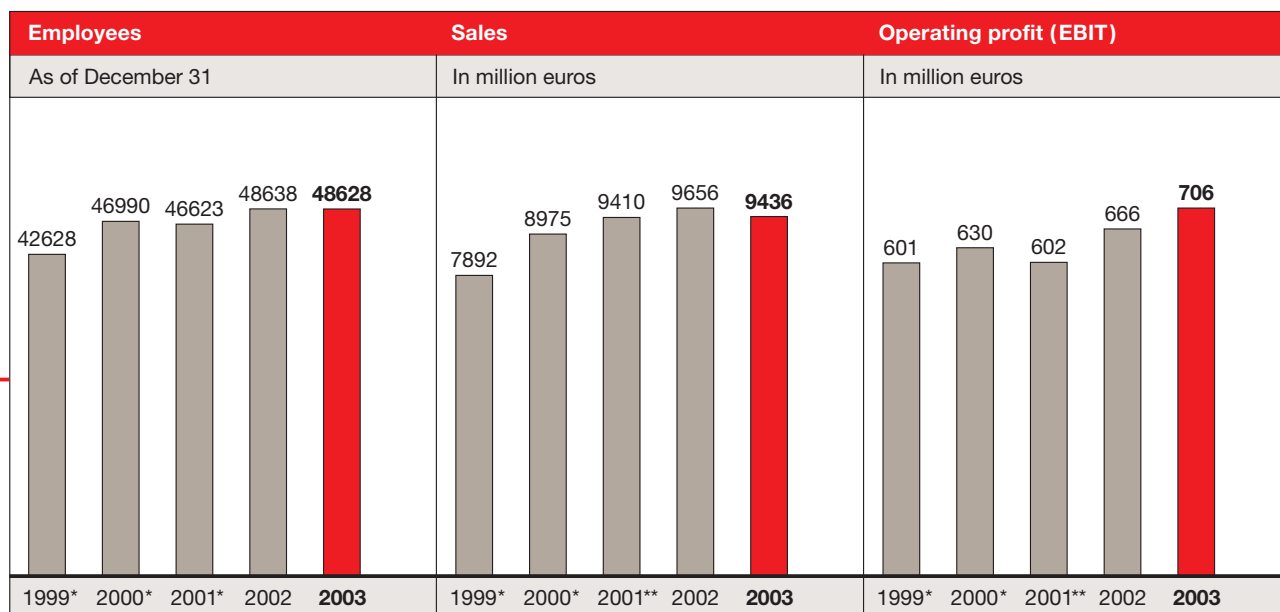


“Since 2002, my friends and I have supported our own children’s village – ‘Veronas Casitas’ – in El Alto, Bolivia. Giving these children a better start in life means a lot to me. I am therefore especially pleased to have been associated with a campaign by Henkel and Schauma, on the occasion of the shampoo’s 100-year anniversary in Germany, which has enabled an urgently needed health and community center to be built in my children’s village.”

Verona Feldbusch,

TV personality and Schauma advertising endorser

www.sos-kinderdoerfer.de



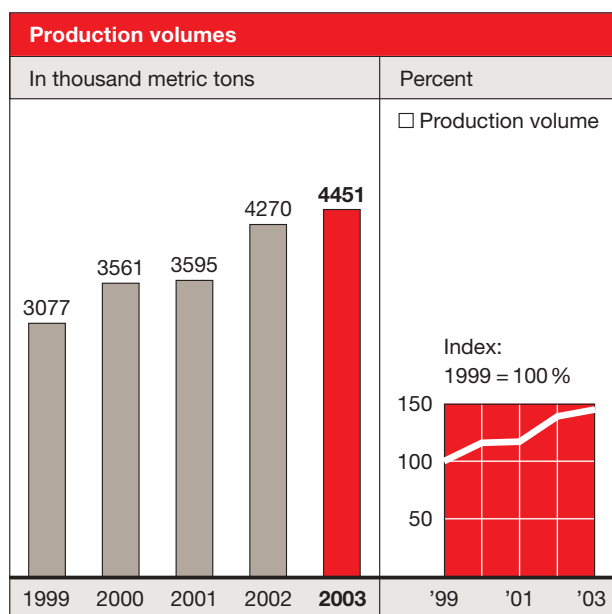
* Continued activities ** Excluding special factors

Wider scope

The Group is growing, as is the number of sites contributing data to the Group indicators – from 84 in 1999 to 132 in 2003. Since this growth has not been uniform, there have been jumps in some

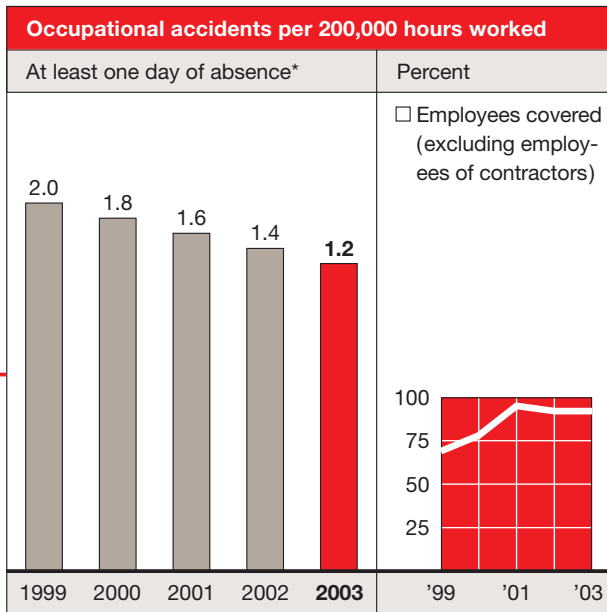
of the figures. The production volume of the sites covered is therefore included alongside the environmental data as a reference value.

In the case of accident data, the number of employees covered is given as supplementary information; for complaints from neighbors, the number of sites.

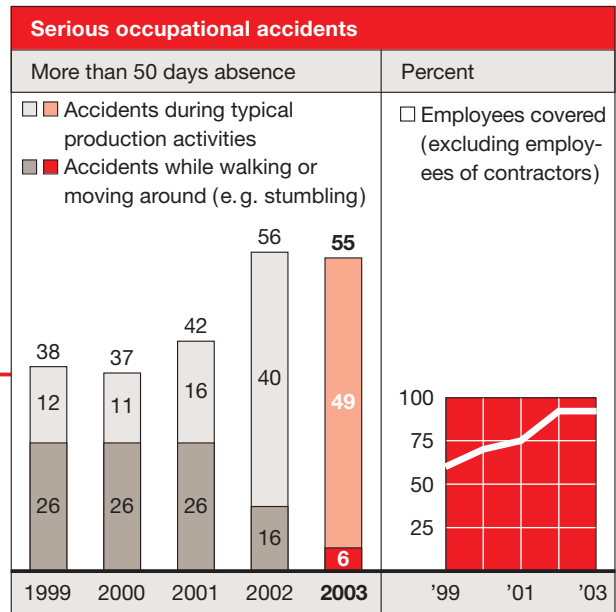


Production volumes of the Henkel Group sites contributing to the Group's aggregated data (2003: 132 sites)

Environmental data from 46 countries		
Algeria	Indonesia	Romania
Australia	Iran	Russia
Austria	Ireland	Saudi Arabia
Brazil	Israel	Slovenia
Canada	Italy	South Africa
Chile	Kenya	Spain
China	Korea	Sweden
Colombia	Lebanon	Switzerland
Egypt	Luxembourg	Thailand
Finland	Malaysia	Tunisia
France	Mexico	Turkey
Germany	New Zealand	Ukraine
Great Britain	Philippines	USA
Greece	Poland	Venezuela
Hungary	Portugal	
India	Puerto Rico	



* Excluding commuting accidents



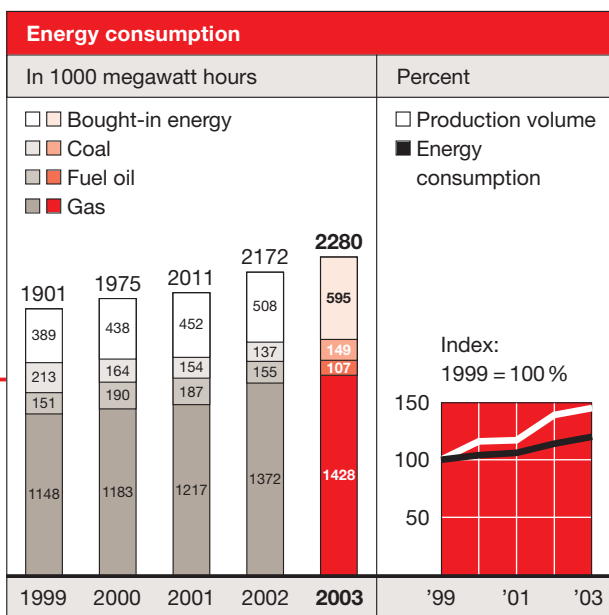
Until 2001, data on serious accidents were only gathered from production sites. In 2002, a standardized worldwide reporting system was introduced for the entire Group.

Serious accidents and operational incidents

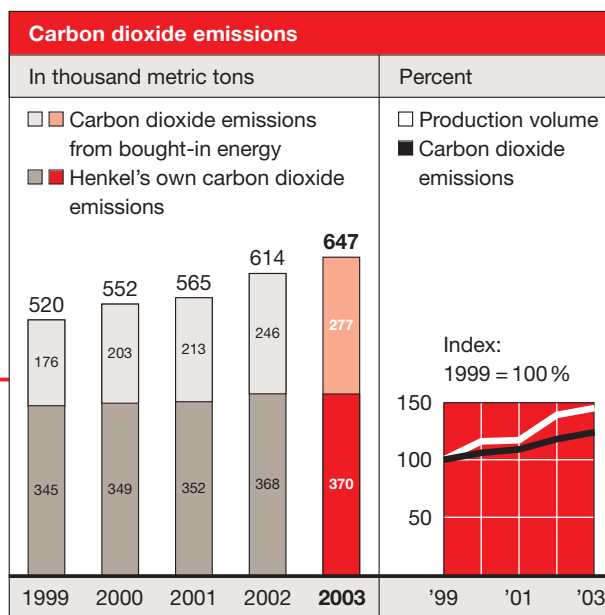
Henkel openly reports serious accidents and operational incidents and the measures taken in response when the consequences include at least one of the following:

- ▶ Lethal injury to a Henkel employee or an employee of a contractor carrying out work for Henkel,
- ▶ Endangerment of the neighborhood or the environment,
- ▶ Tangible losses of more than 50,000 euros,
- ▶ A high level of public reaction.

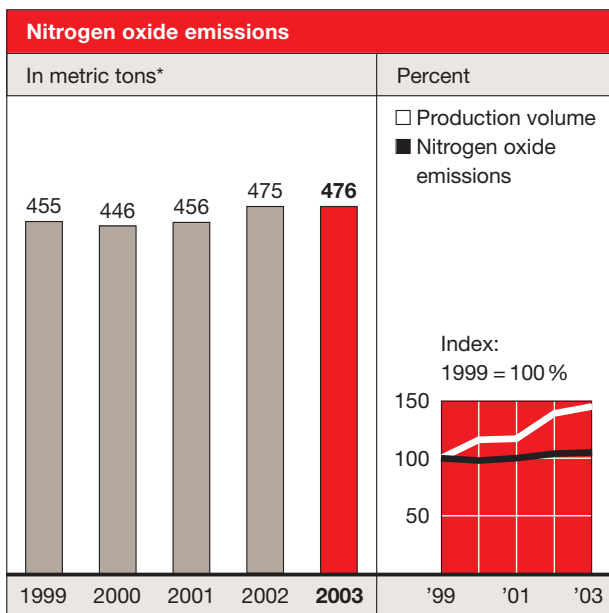
Location	Accident/operational incident	Measures initiated
Düsseldorf, Germany, Jan. 14, 2003	A heating chamber exploded in an adhesives plant. In the chamber were two vessels containing epoxy resin, which was being brought to the correct temperature for further processing. Shortly afterwards, released vapors exploded. The epoxy resin had unexpectedly started to polymerize at a temperature far below that specified by the manufacturer. The heat generated accelerated the reaction and caused the explosion, which resulted in damage to property.	The temperature in the heating chamber was reduced at all relevant sites. The manufacturer specifications were double-checked by testing the thermal stability of the epoxy resins. In addition, processes were modified and alternative substances were used. Furthermore, all relevant heating chambers were fitted with additional safety features such as smoke detectors and temperature sensors.
Bay Point, California, USA, June 24, 2003	A small container holding highly reactive epoxy resin waste overheated in an open water tank in the site's hazardous waste containment area. The resulting smoke plume and odors alarmed neighbors, who called the fire department and the Public Health Department. The incident resulted from a failure to follow the established cooling procedures. Neither the immediate neighborhood nor the environment were at risk.	To prevent similar incidents in the future, the site has modified its cooling procedures for epoxy resins and is building a closed containment facility with a scrubber.
Malgrat, Spain, Sept. 6, 2003	A water-cooled compressor caught fire and burned out completely. Site employees quickly succeeded in extinguishing the fire. The rapid intervention by the employees kept the damage from extending beyond the compressor room.	An air-cooled compressor will prevent risks from arising in the future as a result of any interruption of the cooling water circuit.
Sungai Buloh, Malaysia, Sept. 29, 2003	Sadly, a Henkel employee died as a result of chemical burns he sustained while filling a reactor. He had added nickel oxide too quickly, causing nitric acid to blow out. Despite immediate emergency action and intensive care, he died a week after the accident.	As a consequence of this accident, an immediate review of the work instructions, emergency response plans, and alarm systems was initiated for all sites using comparable processes. In addition, the worldwide training programs are being intensified.



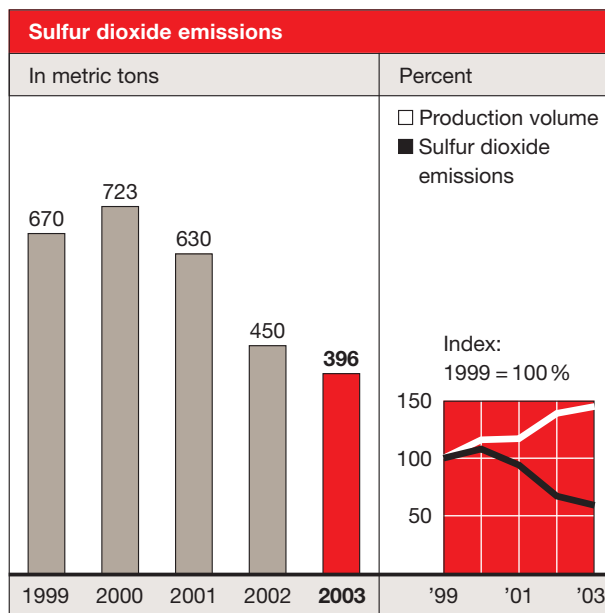
Bought-in energy is electricity, steam, and district heating that is generated outside the sites.

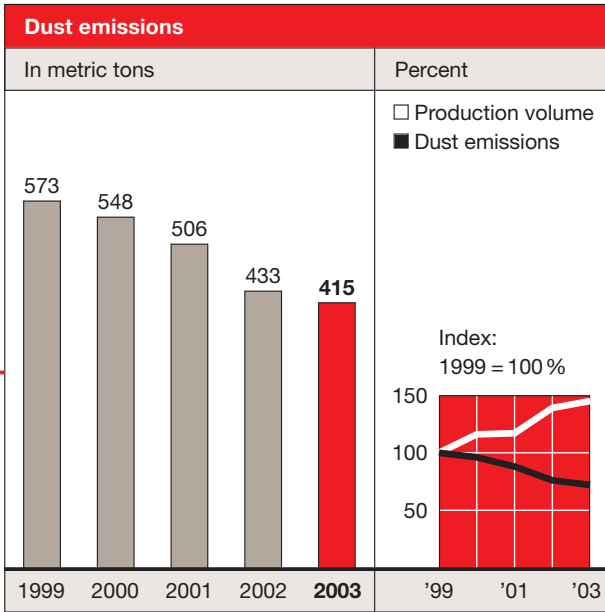


Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel Group activities. The given values include carbon dioxide formed during the generation of bought-in energy at non-Henkel sites. The amount has been estimated with the help of generally accepted factors.

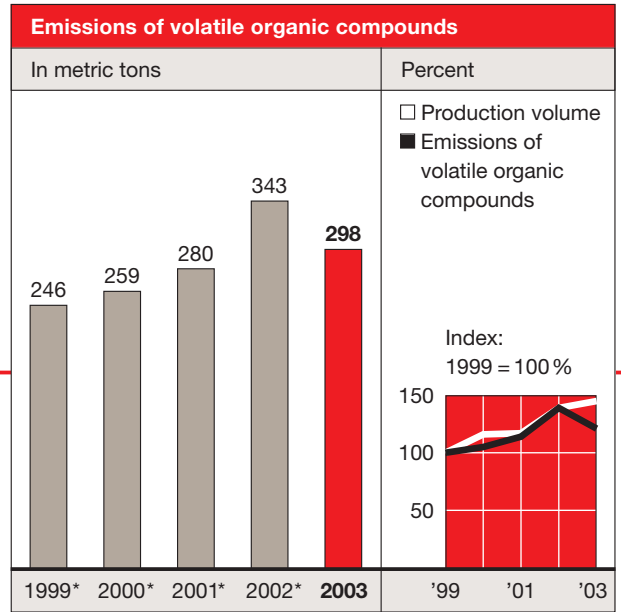


* Calculated as nitrogen dioxide

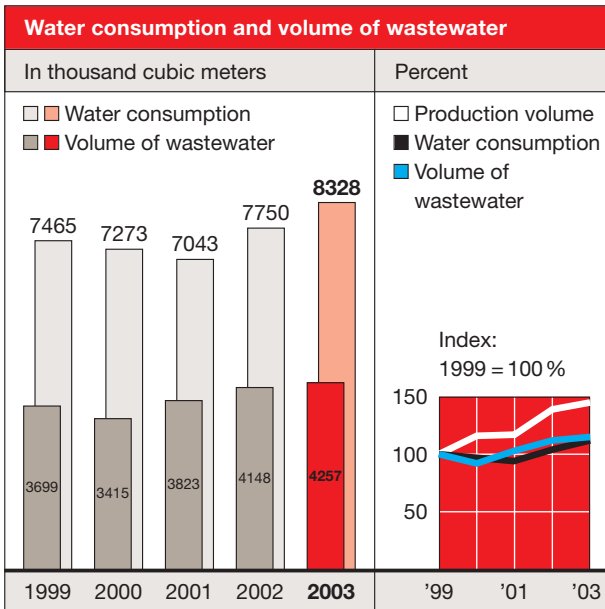




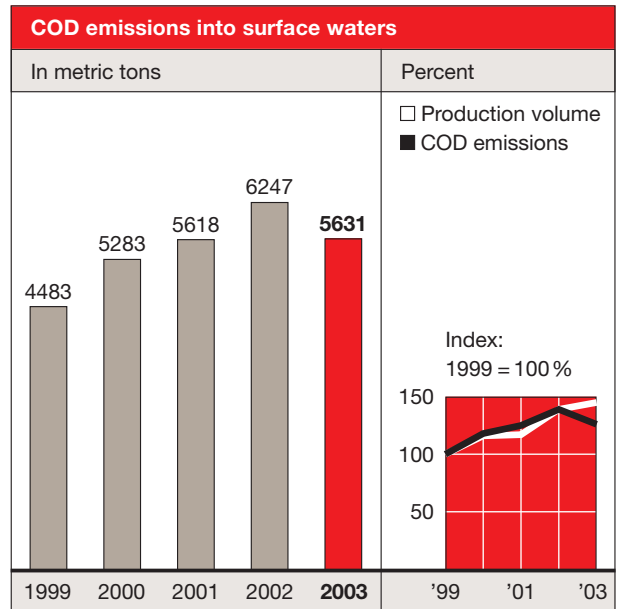
The values include aerosols, as they are difficult to distinguish from dust with the available measuring technology.



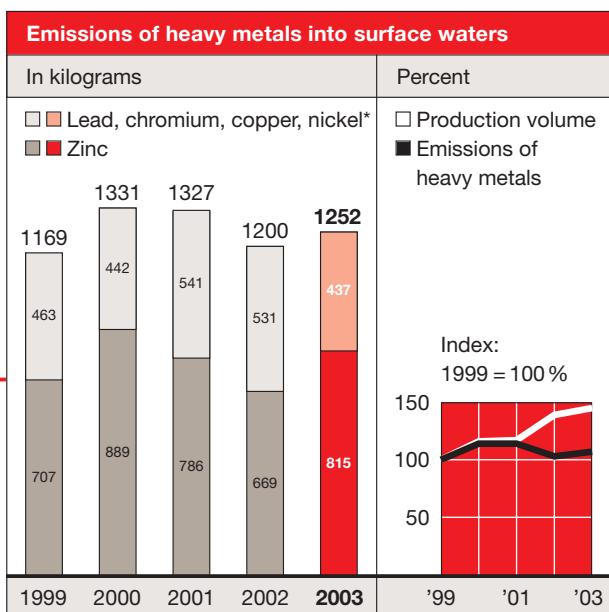
* In the course of data validation, unreported emissions from various diffuse sources were identified. The data have been retroactively corrected.



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

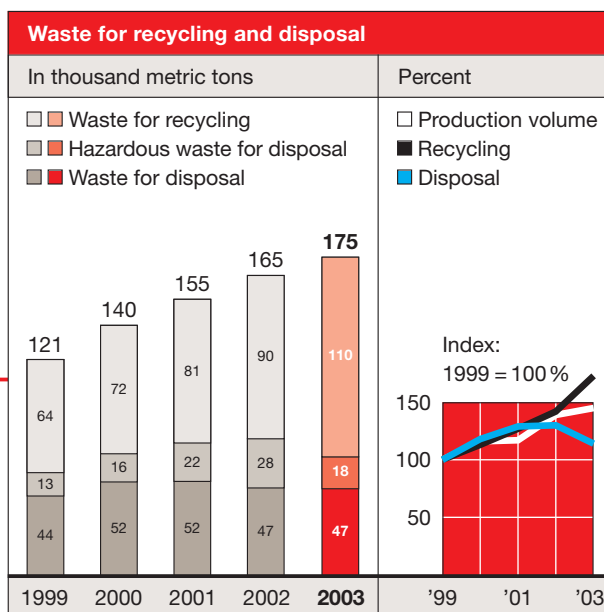


Chemical oxygen demand (COD): Measure of the pollution of wastewater with organic substances.

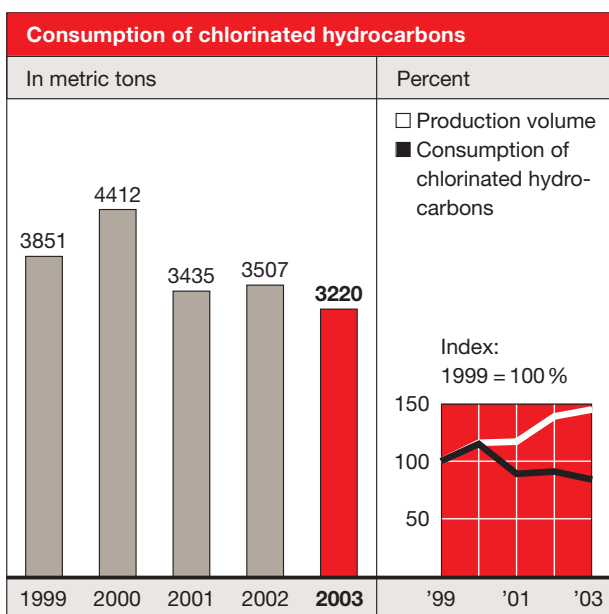


Zinc is traditionally counted as a heavy metal. As zinc is usually less harmful than other heavy metals in terms of its effects on the environment, the zinc load is shown separately.

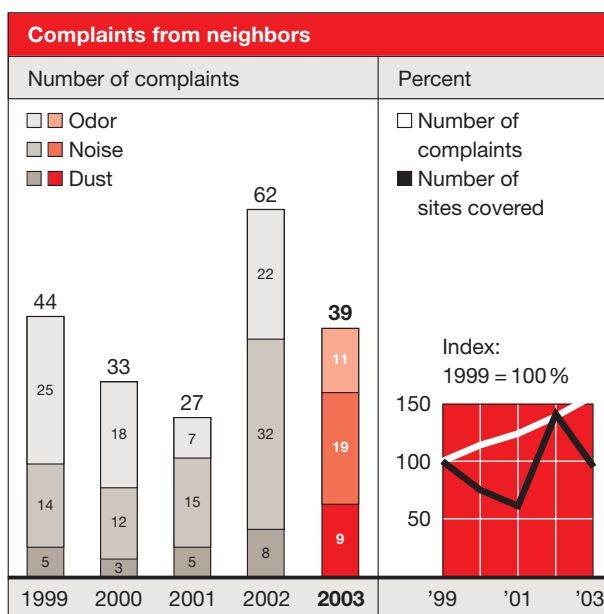
* Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant.



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



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



Objectives

- ▶ **Global focus: Henkel's corporate objectives**
- ▶ **Innovative developments: Objectives of the business sectors**
- ▶ **Local orientation: Site objectives on the Internet**

Corporate objectives

With sustainability always in view, Henkel is improving its business processes step by step. The Group objectives are listed on this page. Globally applicable sustainability objectives of the business sectors are given on the following pages. They show how Henkel develops innovative solutions contributing to sustainability in its own and its customers' operations and thus aims to generate competitive advantages.

Site objectives on the Internet

More and more production sites also publish site objectives of their own. In 2003, 118 of them did so. Henkel reports on all of these objectives – and their achievement status – on the Internet. ⓘ Furthermore: The site portraits on the Internet make the local relevance of the objectives more apparent.

Objectives	Status
Henkel-Group	
Continued development of Group-wide safety, health, environment and quality management to establish a sustainability management system by the end of 2004 (standards, audits, reporting)	Draft sustainability standards have been prepared; implementation is being tested in several countries in a pilot phase.
Long-term objective: Zero occupational accidents. Medium-term objective, by the end of 2005: 25-percent reduction (base year 2000: 1.8 occupational accidents per 200,000 hours worked)	Medium-term objective achieved ahead of schedule (1.2 accidents per 200,000 hours worked); objective increased to -45 percent (1.0 accidents per 200,000 hours worked), to be achieved by the end of 2005 (see page 36).
Continuous expansion of the number of training courses available online within the Henkel Group; by the end of 2003, 20 percent of training courses should be available online	Achieved: Seminars for almost all management topics are available online. Approximately 20 percent of all presence seminars are linked with online learning modules (see page 20).
Facilitating career/family balance	First pilot projects have started in Germany under the auspices of the "Family & Career" working group of Henkel KGaA (see page 19).
International expansion of the employee initiative "Make an Impact on Tomorrow" (MIT) by the end of 2005	Henkel employees in more than 30 Group companies are involved in over 550 local and international MIT projects.
Development of standardized sustainability criteria for integration in Group-wide procurement processes by the end of 2004	Worldwide purchasing guidelines have been revised; implementation in 2004.
New: Preparation for the European Union's new Registration, Evaluation and Authorization of CHemicals (REACH) system	Group project for the harmonization of substance approvals has been started (focus on Europe).

Objectives	Status
Laundry & Home Care	
Worldwide certification of environmental management systems to international standards	21 sites certified in Europe and Asia; other sites preparing for certification.
Achievement of the target reductions per wash cycle, as agreed by the European soap and detergents association (AISE) with the EU Commission, by the end of 2001 (base year 1996): <ul style="list-style-type: none"> ▶ Energy consumption: -5 percent ▶ Amount of detergent: -10 percent ▶ Amount of packaging: -10 percent ▶ Poorly biodegradable organic ingredients: -10 percent 	Achieved: Reductions within the scope of AISE: <ul style="list-style-type: none"> ▶ Energy consumption: -6.4 percent ▶ Amount of detergent: -16.0 percent ▶ Amount of packaging: -14.9 percent ▶ Poorly biodegradable organic ingredients: - 30.4 percent ⓘ
Continuous innovation focusing on greater convenience, better performance, and lower dosages	Permanent objective: See example on page 10.
New: Development of a sustainability check for new product categories	First pilot project has started.
New: Europe-wide coordination of all consumer advice services by the end of 2004	Introduction of standardized software as basis for international analyses.
Cosmetics/Toiletries	
Use of renewable raw materials, preferably vegetable-based	Replacement of another raw material for hair conditioners and treatments has been completed.
Further development of test methods that make no use of animals for the testing of cosmetic ingredients	Alternative methods have long been used, when legally permitted. Participation in setting up of an inter-sector foundation for the further development and establishment of new test methods.
Systematic assessment of the environmental compatibility of the raw materials used in cosmetic products	Assessments are already available for substances used in major quantities; the assessment system is now being systematically expanded to cover all old and new substances.
Consumer and Craftsmen Adhesives	
Worldwide certification of environmental management systems to international standards	11 sites certified in Europe and South America; other sites preparing for certification.
Continuous optimization of the entire range of products in line with safety, health and environment considerations	Permanent objective: See examples on pages 14 and 15.
Increase in the proportion of extremely low-emission dispersion-based flooring adhesives with the EMICODE EC1 quality mark to 90 percent by the end of 2005	Products for linoleum and cork bonding have been converted; 70 percent of all products now carry the EMICODE EC1 quality mark.
Use of renewable raw materials for overall optimization of product characteristics	Successful launch of product innovations in wallpaper pastes and glue sticks.
Expansion of the market for very lightweight and economical tile adhesives, and technology transfer to other product categories	Further products launched, also for natural stone bonding. Market expansion in Eastern Europe and technology transfer to other product categories in progress.

Objectives	Status
Henkel Technologies	
Group-wide certification of environmental management systems to international standards	57 sites certified worldwide; other sites preparing for certification.
Expansion of the market for solvent-free laminating and coating adhesives in cooperation with customers	Leading market position has been further expanded through adhesive systems with shortened curing times.
Development of PVC-free coating and sealing systems for car bodies	Long-term tests have been started in collaboration with customers; additional focus on noise-absorbing properties.
Development and marketing of chrome-free conversion processes	Achieved: Products for the automotive industry (see example on page 16) and the construction sector are successfully established in the market.
Elimination of nickel from rinse water in car body pretreatment	First production plants in Europe converted; several pilot plants in operation worldwide.
Expansion of the market for solvent-free monomer-reduced polyurethane hotmelt adhesives systems	Products successfully established in the wood processing and furniture industry; market expanded to include other industrial applications.
Development of ultrapure adhesives and sealants for fuel cells	Requirements profiles drawn up with fuel cell manufacturers; first prototypes are being tested by potential customers.
New: Development of innovative lightweight composite materials for the aircraft industry	Conceptualization of development work has started: See page 17.
New: Elimination of lead-containing soldering pastes in the electronics industry	The first lead-free soldering pastes are being tested by customers for use in cell phones.

Dialogue

- ▶ **Excellent feedback:
Good marks for Henkel
Sustainability Report**
- ▶ **Responsible:
Henkel supports WWF initiative**

The Henkel Group's alignment to sustainability thrives on a dialogue with all social groups. Henkel uses both new and traditional communication channels and actively seeks to exchange ideas with employees, customers, neighbors, ecological and industry associations, and the public at large. ⓘ

Good marks for sustainability report

One of the aims of an international survey conducted by the communication agencies ECC Kohtes Klewes in Bonn and Fishburn Hedges in London was to identify exemplary corporate sustainability reports. Some 1,700 experts from 88 countries participated in this Internet survey and rated the Henkel Sustainability Report as one of the top ten in the world. In the consumer goods sector, the Henkel Sustainability Report occupies first place worldwide. ⓘ

Media award for sustainability

Henkel is a double award winner in the competition "Communicating Sustainability. Media Fair 2003." The Ministry for Environment and Nature Conservation, Agriculture and Consumer Protection of North Rhine-Westphalia in Germany presented the awards, for the first time, in recognition of model communication projects that successfully present the subject of sustainability to the public. The winning Henkel projects were the cartoon "Guided tour of environmental protection and sus-

"In Heidelberg, Henkel Teroson is a model for corporate sustainable development. From its promotion of employees' health to its good neighbor policy and its social and charitable activities, a wide range of examples of sustainable business practice point the way for others."

Beate Weber,
Lord Mayor of Heidelberg, Germany
www.heidelberg.de



Prof. Dr. Ulrich Lehner (right), President and CEO, and Knut Weinke, Executive Vice President Human Resources and Logistics, planting trees in the old quarter of Istanbul.

tainability at Henkel” on the Internet and – via the design agency Kuhn, Kammann & Kuhn – the Sustainability Report 2002. [i](#)

A gesture from Henkel Management

At the international management conference in Istanbul in November 2003, 130 Henkel top managers made a personal gesture: As a gift to the host city of Istanbul, they planted 127 trees in the historic old quarter – one for each year of the Company’s existence.

Dialogue with investors

Henkel has always maintained an intensive dialogue with analysts and investors. In recent years, fund managers and other institutional investors specializing in sustainability investments have played an increasingly important role. In 2003, Henkel held four investor conferences for sustainability analysts and sustainability fund managers. They attracted more than 30 participants from six countries.

The many sustainability ratings and inquiries by independent index providers, research institutes and specialized investment funds have now become a regular feature of day-to-day business. Henkel provides information about assessments in this report and on the Internet. [i](#)

Since 2001, Henkel has supported a Europe-wide project aimed at improving the transparency of sustainable investments. It also promotes the Internet platform that has grown out of this initiative: www.sustainable-investment.org.

Henkel supports WWF initiative in Indonesia

Sustainable development is a task that requires the concerted efforts of society as a whole. Viable long-term solutions must be sought through a dialogue with all social groups. Henkel is therefore supporting WWF in its initiative to develop compatible solutions for sustainably harvesting palm oil and preventing the destruction of rain forests in Indonesia. Henkel welcomes the fact that such a complex topic is being discussed with all interested parties in an international dialogue among experts.

Henkel uses (indirectly through its raw materials suppliers) less than 0.2 percent of the world’s palm oil and palm kernel oil. Nevertheless, Henkel feels that it has a duty to contribute its experience and expert knowledge to the joint search for workable solutions. In August 2003, together with many stakeholders, the Company therefore participated in the first meeting of a round table on the sustainable utilization of palm oil.

Since then, Henkel has been conducting a constructive dialogue on a national and bilateral level and intends to actively pursue this in the future with the WWF and other stakeholders. [i](#)

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Email: michael-rolf.fischer@henkel.com**Exchanging ideas – Local dialogue**

There is no substitute for direct contact with neighbors, government authorities, and local associations. Henkel companies participate in a wide variety of organizations and maintain an ongoing dialogue with their local communities. In 2003, for example, nine sites in Europe, North America, and South America opened their gates and held open houses.

On a technical level, Henkel companies contribute their experience in sustainable business practices to collaborative projects. Henkel employees in Düsseldorf assist several schools in the performance of sustainability audits in a national model project. In Heidelberg, Henkel Teroson, together with other companies and the municipal environment agency, supports a number of medium-sized businesses in a regional pilot project aimed at introducing sustainable business practices.

Henkel employees from Ipoh, Malaysia, help local schools to carry out study projects on environmental protection; Henkel in Hungary supports the environmental training of teachers at the University of Budapest.

Internet addresses www.henkel.comwww.sd.henkel.com**Credits****Published by: Henkel KGaA, 40191 Düsseldorf, Germany****© 2004 Henkel KGaA****Editorial work and coordination**

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Design

Kuhn, Kammann & Kuhn AG, Cologne/Munich

Typesetting

workstation gmbh, Cologne

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Wilfried Wolter (title page), Airbus SAS, dpa, Henkel archives

Production consultant

Peter Müller, Lage/Lippe

Printing

Universitätsdruckerei H. Stürtz AG, Würzburg

PR: 0304 15.000

ISBN: 3-923324-94-4

This publication was bound so as to be suitable for recycling, using Purmelt QR 3317, Sani-Care 6540 and cover finishing with Liofol laminating adhesives from Henkel. Printed on paper made from pulp bleached without chlorine. The printing inks contain no heavy metals.

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