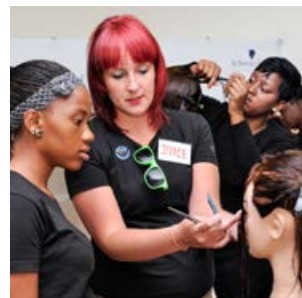
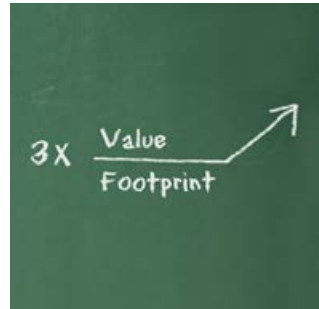
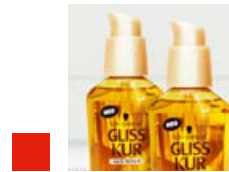


Sustainability Report 2013

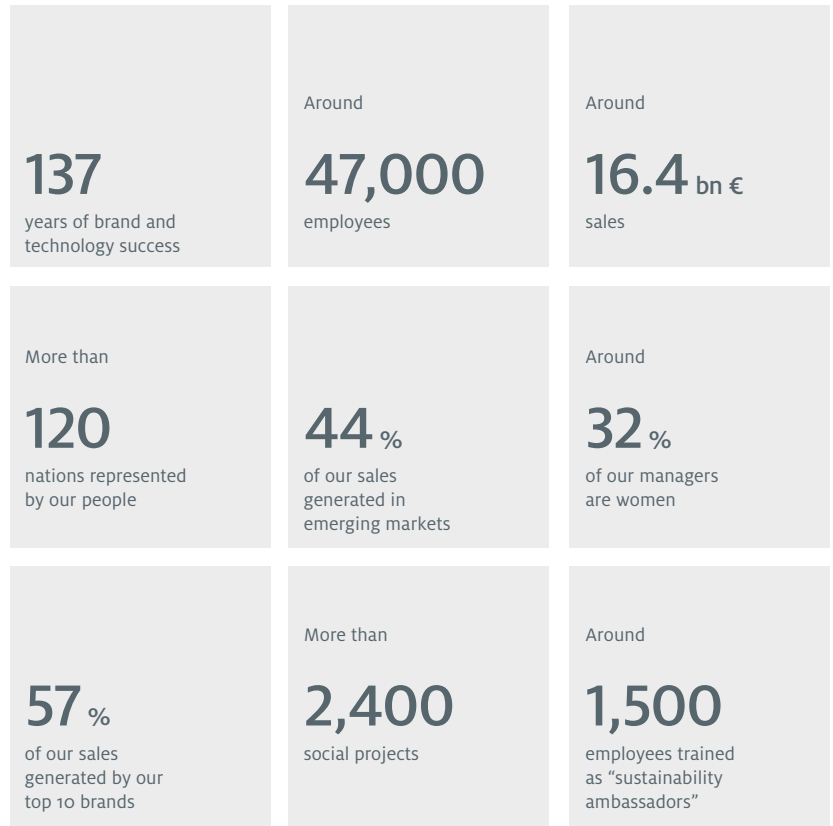


Excellence is our Passion

Contents

- 1 Foreword
- 2 Sustainability strategy and management
- 8 Purchasing and supplier management
- 12 Production and logistics
 - 16 Occupational safety
 - 17 Logistics and transport
- 18 Sustainability stewardship
- 22 Laundry & Home Care
- 26 Beauty Care
- 30 Adhesive Technologies
- 34 Our people
- 38 Social engagement
- 40 Stakeholder dialog
- 44 Indicators
- 48 External ratings
- 49 Contacts, credits

Highlights



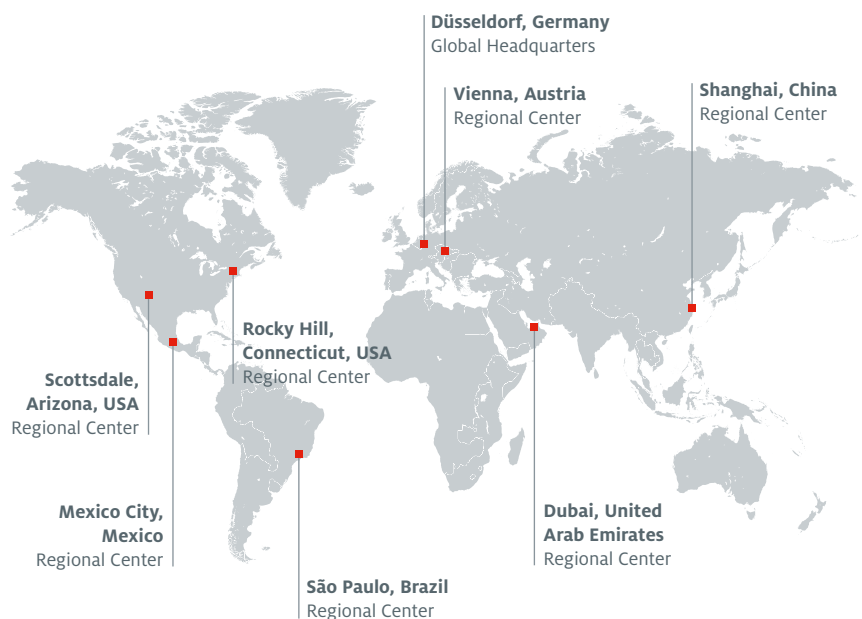
The Sustainability Report

Our Sustainability Report summarizes the key environmental and social developments in fiscal 2013. It covers all the Henkel companies included in the consolidated financial statements. The contents of the Report reflect the Henkel-relevant and material aspects of sustainable development. Together with the web-based Sustainability Report and the Annual Report, the print version makes up an integrated corporate reporting concept. Since we joined the United Nations Global Compact in 2003, our Sustainability Report has also served as the basis for the required annual progress report.

In many places in this 2013 report, you will find references to further information in the Sustainability Report itself, the Annual Report, as well as the web-based Sustainability Report.

Some of the references to online content are provided with a code number, as shown here: www.henkel.com/sr2013 | 5. To find this content, visit the page www.henkel.com/sr2013. In the "Service" column at the right you will find the code search function. Simply enter the appropriate code there and you will be taken directly to the information you are looking for. In the Online Sustainability Report, you will also find a detailed index with links to the guidelines of the Global Reporting Initiative (GRI): www.henkel.com/sr2013 | 1

Henkel around the world: Regional Centers



Henkel operates worldwide with leading brands and technologies in three business units: Laundry & Home Care, Beauty Care and Adhesive Technologies. Founded in 1876, the company is headquartered in Düsseldorf, Germany. With production sites in 54 countries, we promote economic development as a local employer, purchaser and investor. More information on our business performance and key indicators per region: Annual Report, pages 55 to 61, and www.henkel.com/sr2013 | 2

Our indicators

Economic indicators

| | 2012 | 2013 |
|-------------------------------------------------------------------|--------|-------------------|
| Sales in million euros | 16,510 | 16,355 |
| Adjusted ¹ operating profit (EBIT) in million euros | 2,335 | 2,516 |
| Adjusted ¹ return on sales (EBIT) in percent | 14.1 | 15.4 |
| Adjusted ¹ earnings per preferred share (EPS) in euros | 3.70 | 4.07 |
| Dividend per ordinary share in euros | 0.93 | 1.20 ² |
| Dividend per preferred share in euros | 0.95 | 1.22 ² |

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

² Proposal to shareholders for the Annual General Meeting on April 4, 2014.

Environmental indicators

| | 2012 ¹ | 2013 |
|----------------------------------------------------------|-------------------|-------|
| Production sites | 171 | 164 |
| Production output in thousand metric tons | 7,580 | 7,699 |
| Energy consumption in thousand megawatt hours | 2,208 | 2,162 |
| Carbon dioxide emissions in thousand metric tons | 657 | 634 |
| Water consumption in thousand cubic meters | 7,734 | 7,801 |
| Waste for recycling and disposal in thousand metric tons | 139 | 155 |

¹ We have retroactively corrected any differences discovered or reported for 2012.

Employee indicators

| | 2012 | 2013 |
|----------------------------------------------------|--------|--------|
| Employees ¹ (as of December 31) | 46,600 | 46,850 |
| Trainees in Germany | 489 | 487 |
| Proportion of female employees in percent | 32.6 | 32.9 |
| Average number of training days per employee | 2 | 2 |
| Participation in employee share program in percent | 28.4 | 31.9 |
| Occupational accidents per million hours worked | 1.0 | 0.6 |

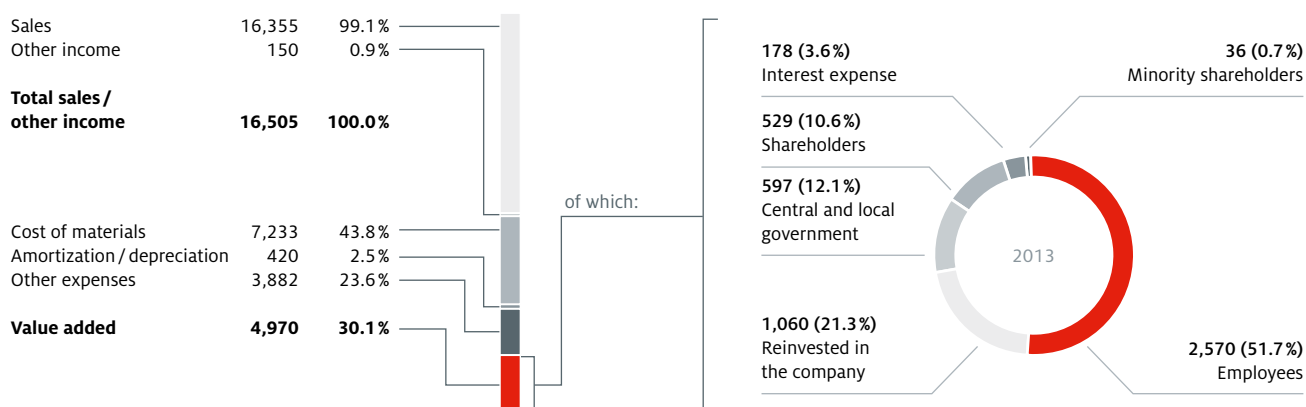
¹ Permanent staff excluding trainees. Figures have been rounded.

Social indicators

| | 2012 | 2013 |
|----------------------------------------------------------------------------------------------------|-------|-------|
| Donations in million euros (financial and product donations, not counting paid time off from work) | 7.3 | 7.9 |
| Number of projects supported | 2,339 | 2,422 |

Value added statement 2013

in million euros



The value added statement shows that most of the generated sales flow back into the global economy. The largest share – 51.7 percent – went to our employees in the form of salary and pension benefits. Central and local government received 12.1 percent in the form of taxes; lenders received

3.6 percent as interest payments. We paid 10.6 percent of sales as dividends to shareholders. The value added remaining in the company is available for investments in future growth.

Our sustainability strategy at a glance

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

Factor **3**

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

Our focal areas and targets for the five-year period from 2011 to 2015

More value

+ 10 %

more net sales per production unit

+ 20 %

safer per million hours worked

- 15 %

less water per production unit

- 15 %

less waste per production unit

- 15 %

less energy per production unit



Reduced footprint



“Together with our partners we aim to pioneer new solutions for sustainable development.”

Dear Friends of the Company,

We have formulated a clear sustainability strategy for Henkel with ambitious targets: We want to achieve more with less. By 2030, we aim to increase our resource efficiency – i.e. the relationship between resource consumption and the value we create for our customers, for the communities we operate in, and for Henkel – by a factor of 3. We see our commitment to sustainability as part of our social responsibility and a critical factor in the successful long-term development of our business.

Today, we are facing immense challenges. Continued growth of the world's population and acceleration in global economic activity will lead to rising consumption and resource depletion. At the same time, corporate responsibility and contributions to sustainability are increasingly becoming a focus of public attention.

Henkel is committed to leadership in sustainability. We aim to pioneer new innovative solutions in this area – with our products, our partners in society, business and politics, and around 47,000 employees worldwide. The examples in this report show that we are already well on our way. Our contribution to sustainability is also regularly confirmed by international rankings. For example, Henkel was recognized as sector leader in the Dow Jones Sustainability Index for the seventh year in a row.

Our employees' clear understanding of what we want to achieve in the medium and long term is an important factor in our success. Building on the extensive communication of our strategy and objectives, we deepened this understanding during the past year, especially through the continued integration of sustainability-related topics in our internal training courses. In addition, around 1,500 employees have qualified as “sustainability ambassadors” and explored the global challenges of sustainable development in this program. Their aim is to pass on this knowledge to co-workers, suppliers, customers, and students, and win them over to sustainability.

We want to thank all of you – our employees and our partners in society, business and politics – for your strong commitment to sustainable development. We aim to continue working with you toward this common cause.

Kathrin Menges

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

Sustainability strategy and management

Our long-term perspective, anchoring in our core business and the clear understanding of our employees are key requirements for progress along the road to our sustainability goal: triple our efficiency by 2030.

Our ambition

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

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

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

economic activity will lead to rising consumption and resource depletion. The effect of increasing pressure on available resources is becoming more noticeable around the world.

Achieving more with less

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

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

Our ambitious targets for 2030

If we are to live in harmony with our limited resources in 2050, we must become five times more efficient. By 2030, therefore, we want to triple the value we create through our business operations in relation to the environmental footprint of our products and services.

We can achieve this ambition of becoming three times more efficient in different ways: We can triple the value we create while leaving the footprint at the same level. Or we can reduce the environ-

Factor 3

Our goal for 2030

In order to meet the many challenges the future holds, we want to become three times more efficient by 2030. We call this "Factor 3" for short. That means tripling the value we create through our business activities in relation to our environmental footprint.





The Sustainability Council (from the left): Dr. Christian Hebel, Marie-Eve Schröder, Dr. Peter Florenz, Dr. Tilo Weiss, Prof. Dr. Thomas Müller-Kirschbaum, Bertrand Conquéret, Kathrin Menges (Chair), Dr. Thomas Förster, Dr. Andreas Bruns, Georg Baratta, Carsten Tilger, Thomas Gerd Kühn, Michael Olosky. The Sustainability Council steers the development and implementation of our global sustainability strategy. More details on page 6 and www.henkel.com/sr2013 | 3

mental footprint to one third of today’s level while achieving our improvement in efficiency by delivering the same value.

To reach our ambitious goal by 2030 we will have to improve our efficiency by an average of 5 to 6 percent each year. We have therefore set concrete interim targets for our focal areas for the five years from 2011 to 2015. For the period up to 2015, we thus intend to improve the relationship between the value we create and our environmental footprint by 30 percent overall. By the end of 2013, we had achieved significant progress in all areas and had already reached our 2015 targets in specific areas, such as our 15 percent improvement in energy efficiency and 50 percent improvement in occupational health and safety.

Focal areas and strategic principles

We concentrate our activities on six focal areas that summarize the challenges of sustainable development as they relate to our operations. In each of these focal areas, we drive progress along the entire value chain through our products and technologies. We have subdivided the focal areas into two dimensions: “more value” and “reduced footprint.” In order to successfully establish our

strategy and reach our goals, both of these dimensions must be ever-present in the minds and day-to-day actions of our around 47,000 employees and mirrored in our business processes. We have defined three strategic principles to achieve this: products, partners, and people.

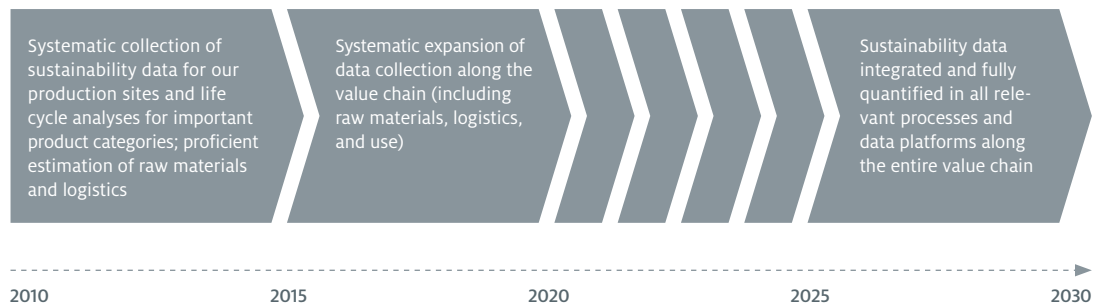


Kasper Rorsted
Chairman of the Management Board

“We see our clear sustainability strategy as a success factor and competitive advantage.”

Analysis of our influence along the value chain

From measuring our own production through to comprehensive quantification



Our management and reporting systems

Henkel first reported in 1992 on its achievements and progress in the area of environmental protection at its production sites, on product improvements and findings from initial life cycle analyses. Henkel subsequently began preparing an annual report on relevant sustainability topics and the company's worldwide activities.

In 2013, we collected data on 163 sites representing 99 percent of our global production volume. Representative life cycle analyses cover around 70 percent of our sales across all product categories, and in our innovation process we systematically assess the contributions that our products make to sustainability. We are currently using the knowledge we have gained to further improve our assessment and measurement systems to allow us to make an integrated assessment of our progress toward our 20-year goal for 2030 across the entire company and our value chains.

Assess and manage progress

Henkel is developing various measurement methods to optimize the "Value" and "Footprint" dimensions. These allow the actions to be identified that have the greatest effect on sustainability along the value chain.

The various instruments are summarized in the Henkel Sustainability#Master® (see page 19). At the heart of this evaluation system is a matrix that can be used to assess changes in the "Value" and "Footprint" dimensions.

We use the results to develop measures for improvement and innovations with improved sustainability profiles. Only by considering the entire life cycle can we ensure that the actions taken will improve the overall sustainability profile of our products.

We also use the Henkel Sustainability#Master® in a variety of different ways to conduct dialog with retail partners, non-governmental organizations, research institutions, and other stakeholders.

Development of accounting methods

We are working with selected partners to further develop and standardize the accounting methods used for the environmental footprint of our business activities, and for the value created for our customers, consumers, and the communities in which we operate. For example, we participate in the Sustainability Consortium, the Consumer Goods Forum, and the World Business Council for Sustainable Development (WBCSD).

In a joint project with the International Council of Chemical Associations (ICCA) and the WBCSD, we developed guidelines for measuring and communicating how greenhouse gases can be avoided in value chains.

We are also participating in the current EU Commission "Product Environmental Footprint" project coordinated by the International Association for Soaps, Detergents, and Maintenance Products (A.I.S.E.) that is aimed at establishing a standard method for calculating the environmental foot-

print of products. Determining further indicators for the “Value” dimension is of particular interest to us in this project, and we are working on this, for example, in a case study together with the University of Kassel in Germany.

Organization and management

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

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

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

Sustainability targets on the road to “Factor 3” (as of December 31, 2013, relative to base year 2010)

| Focal area | Targets | Status |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
|  | <p>Performance</p> <ul style="list-style-type: none"> At least 10 percent more sales per production unit by 2015. | ● |
|  | <p>Social Progress</p> <ul style="list-style-type: none"> Continuous training and professional development of all employees as appropriate to their tasks. Annual increase of one to two percentage points in the proportion of female managers (see pages 35 and 36). | ● ● |
|  | <p>Health and Safety</p> <ul style="list-style-type: none"> A 20 percent reduction in the worldwide accident rate by 2015. A 50 percent reduction in solvents used in consumer adhesives by 2020. | ● ● |
|  | <p>Energy and Climate</p> <ul style="list-style-type: none"> A 15 percent reduction in energy consumption – and the associated CO₂ emissions – per production unit by 2015. Regular checks of our production sites to determine whether the use of renewable energy sources is environmentally and economically worthwhile. | ● ● |
|  | <p>Water and Wastewater</p> <ul style="list-style-type: none"> A 15 percent reduction in water consumption per production unit by 2015. | ● |
|  | <p>Materials and Waste</p> <ul style="list-style-type: none"> A 15 percent reduction in the waste footprint per production unit by 2015. Ensuring that the entire volume of palm oil and palm kernel oil used in the form of raw materials in our products is covered by certificates from the Roundtable on Sustainable Palm Oil (RSPO) by 2015. | ● ● |
|  | <p>Overarching goals for all our focal areas</p> <ul style="list-style-type: none"> All new products contribute to sustainable development in at least one focal area. Establishing a recognized measuring system in order to assess the contributions our products make along the value chain and to quantify the progress achieved in our product categories. | ● ● |

● Achieved / Progressing as planned ● Stronger focus needed ● Not achieved

Corporate governance

We provide comprehensive information on corporate governance, compliance, and the remuneration report of the Management Board, in the Annual Report, pages 25 to 41, and on the internet: www.henkel.com/sr2013 | 4

Globally uniform standards

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

The Code of Conduct contains the most important corporate principles and behavioral rules. It is supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are a key element of our preventive measures against corruption.

Further corporate standards – including our Code of Corporate Sustainability – address specific topics such as compliance with competition and antitrust laws; safety, health, environment, and social standards; as well as public affairs.

The codes and corporate standards also provide the basis for implementing the United Nations Global Compact initiative, which Henkel joined as early as 2003. www.henkel.com/sr2013 | 5

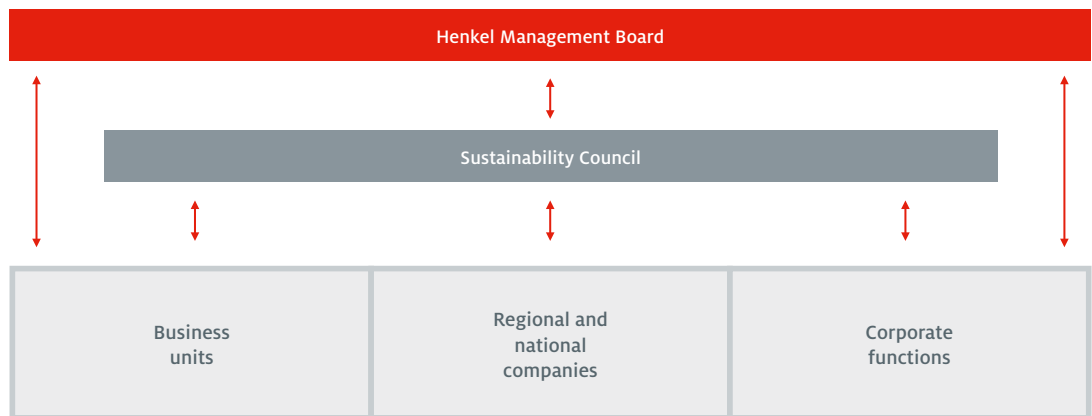
Our Compliance organization

Our Compliance organization has global responsibility for all preventive and reactive measures. It is supported by integrated management systems and an organizational structure with clearly defined responsibilities.

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

The Chief Compliance Officer reports on any infringements, as well as the measures taken to deal with them, to the Management Board and the Audit Committee of the Supervisory Board on a regular basis. Our internal reporting and complaints channels were also augmented by a compliance hotline, which was set up to enable employees to report infringements of our Code of Conduct, internal standards, or applicable laws. It is run by an independent external provider and is available in 76 countries.

Our organization for sustainability



The Sustainability Council, as a central decision-making body, steers Henkel's global sustainability activities. Its members represent the business units and corporate functions. www.henkel.com/sr2013 | 6

Focus on communication and training

Since we operate on a global scale, our employees find themselves in a variety of legal and value systems. Many of our employees work in countries where, according to surveys by organizations such as Transparency International, there is a greater risk of encountering corrupt practices. Even in such surroundings, the same applies to all employees without exception: Henkel strictly opposes infringement of laws and standards, and rejects dishonest business practices.

To impart clear rules of conduct to our employees, and especially to avoid any conflicts of interest in everyday work situations, our compliance programs focus on regular training courses and communication measures. In 2013, we trained more than 10,800 employees around the world in seminars on this subject.

Our managers play a key role in regard to compliance. Given their position within the company, they bear a special responsibility to set an example for their staff. Only if our managers are seen to act in an ethically and legally impeccable manner will compliance be and remain a guiding principle for the actions of all employees.

For this reason, all of our 10,000 managers across the globe must participate twice a year in our mandatory Compliance eLearning program which addresses many different compliance topics. The main emphasis is on anticorruption and antitrust law.

Zero tolerance for violations of regulations

Improper conduct is never in Henkel's interest. The Management Board and senior management circles at Henkel all subscribe to this fundamental principle. Improper conduct undermines fair competition and damages our trustworthiness and reputation. Our employees attach great importance to a correct and ethically impeccable business environment.

We react forcefully to violations of laws, codes and standards. Where necessary, we initiate appropriate disciplinary measures. In 2013, 11 employees received written warnings, and 30 contracts were terminated as a result of conduct violating compliance rules.

External audit of the compliance management system

Henkel's compliance culture involves continuous monitoring and improvement of the compliance process. As a result, our global compliance management system was audited by external auditors in 2013 based on the IDW PS 980 auditing standard with respect to the appropriateness, implementation, and effectiveness of the compliance processes in the areas of competition law and anti-corruption. Henkel is one of the few German corporations to successfully pass this special audit.

Results of our audit programs

The Head of the Corporate Audit department reports directly to the Chairman of the Management Board. We carry out regular audits based on our risk-based audit planning at our production and administration sites, and at our subcontractors and in logistics centers to verify compliance with our codes and standards. The audits are a key instrument for identifying risks and potential improvements.

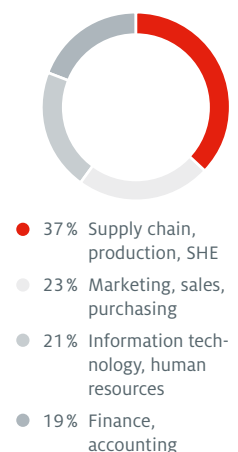
In 2013, we conducted 57 audits around the world. In the course of the audits, a total of 2,131 corrective actions were agreed upon. The main emphases in 2013 were on the supply chain and operations, and on our Safety, Health and Environment (SHE) standards. Compliance with the SHE Standards was audited at 93 sites, resulting in the initiation of 480 optimization measures. Maintenance of our Social Standards and our Diversity & Inclusion Policy was integrated into the audits carried out at 16 sites in different parts of the world.

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

The Corporate Audit department also trains our staff in aspects of compliance, risk management and internal monitoring. In line with this policy, we again trained 569 employees from all business units and functions across the globe in seminars and during our audits held in 2013.

Main focus of audits in 2013

Percentage distribution of the 2013 Henkel audit program



Award-winning suppliers

Close cooperation with our suppliers leads to innovative solutions that improve the sustainability of the entire value chain.



Dr. David Lee, Director of Research & Development at the American manufacturer MonoSol, and Erika Martínez from Henkel's Research and Development department work on further developments to the water-soluble and biodegradable film for laundry and dishwashing detergents.

As part of our supplier management activities, we work specifically with our strategic suppliers to initiate positive changes throughout the value chain, for example through joint projects on process optimization, resource efficiency, environmental and social standards, and innovations. Henkel has been recognizing its suppliers for particularly innovative solutions since 2008. In addition, the three business units have presented a special sustainability award in the last two years.

Laundry & Home Care awarded MonoSol for developing a water-soluble and biodegradable film for laundry and automatic dishwashing detergents. This is used, for example, in Persil Duo-Caps and Somat Gel Tabs.

Beauty Care recognized Evonik Industries for its help in developing a new category of styling powders. Unlike mousse styling products in aerosol cans, the powder does not use any volatile organic compounds. In addition, using fewer resources reduces the product's CO₂ footprint by around 90 percent.

Adhesive Technologies presented its sustainability award to Bayer AG for its adhesive components that enabled Henkel to become the market leader in sustainable wood construction adhesives.

Purchasing and supplier management

We expect our suppliers to satisfy our sustainability requirements. We want to work together on an ongoing basis to help improve the supply chain.

Worldwide purchasing markets

Henkel currently has suppliers and other business partners from about 130 countries. More than 70 percent of our purchasing volume comes from countries that belong to the Organization for Economic Cooperation and Development (OECD). However, we are also increasingly opening up new purchasing markets in states that are not OECD members. We place the same exacting demands on suppliers worldwide. Our suppliers are assessed in a comprehensive process that covers sustainability performance and risks as well as key commercial and operating indicators.

What we expect from our business partners

We expect our suppliers and business partners to conduct themselves in a manner consistent with our sustainability requirements. In selecting and developing our suppliers and other business partners, we consider their performance in regard to sustainability. This is based on our globally applicable corporate purchasing standards and the Safety, Health and Environment standards that we formulated as early as 1997, thereby demonstrating even at that time our commitment to assuming responsibility along the entire value chain.

Binding supplier code

Compliance with the cross-sector Code of Conduct of the German Association of Materials Management, Purchasing, and Logistics (BME) is mandatory for all Henkel's suppliers worldwide. Henkel joined the BME in 2009, as its code is based on the ten principles of the United Nations Global Compact and can therefore be used internationally.

The BME code serves as the basis for contractual relationships with our strategic suppliers. This means that they have either recognized the cross-sector BME code – and hence the principles of the Global Compact – or produced their own comparable code of conduct.

Responsible Supply Chain Process

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



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

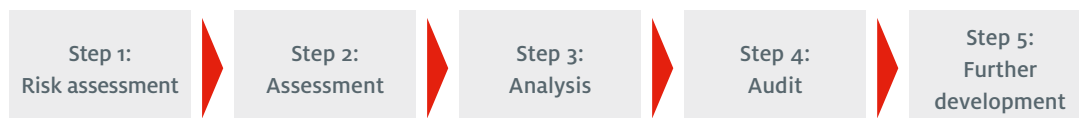
www.bme.de



Carsten Knobel
Executive Vice President
Finance (CFO) / Purchasing /
Integrated Business Solutions

“Our suppliers are important partners that help us improve the efficiency of our processes and the sustainability profile of our products.”

Responsible Supply Chain Process



This process is performed both at the beginning of our relationship with a supplier and as a regular check of our existing suppliers.

Step 1: Risk assessment

Henkel uses an early warning system for sustainability risks in global purchasing markets. We begin by estimating the potential risks in a market or a region. In doing so, we concentrate on countries identified by international institutions as being associated with heightened levels of risk. The assessment includes the criteria of human rights, corruption, and the legal environment.

We also appraise a second dimension, that of risk value chains. These are industries and sectors that we consider to potentially represent a specific risk for our company. This is how Henkel identifies risk countries, value chains and, therefore, purchasing markets that score high in terms of hot topics.

Step 2: Assessment

We use supplier self-assessments based on questionnaires and also have assessments performed by independent experts. Both of these cover our expectations in the areas of safety, health, environment, quality, human rights, employee standards, and anticorruption. Around 600 assessments were performed in 2013.

Step 3: Analysis

Based on these risk assessments, we classify suppliers according to a “traffic light” system. A “red” score always leads to an audit. In the case of a “yellow” score, the areas where improvement is needed are identified and the supplier is audited if necessary.

Step 4: Audit

Henkel works with independent audit companies to audit compliance with defined standards. Our audits include on-site inspections, e.g. at production sites, and discussions with local employees.

Follow-up measures after an audit ensure that suppliers implement the corrective actions that have been specified. Repeated serious non-compliance leads to prompt termination of the supplier relationship. In this area, we also actively participate in cross-sectoral initiatives with the aim of improving the transparency and efficiency of supplier audits and helping to establish cross-company standards. We conducted a total of around 200 audits in 2013.

Step 5: Further development

As part of our supplier management activities, we work intensively with our suppliers to improve sustainability performance. We strive to initiate positive changes throughout the value chain, through training programs and joint projects on process optimization, resource efficiency, and environmental and social standards.

On the whole, all of the strategic suppliers and other business partners that were assessed in 2013 satisfied our expectations.

Early warning system for risk markets

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

Since 2012, working with external partners, we have also developed additional early warning systems that identify risk profiles as early as the assessment phase. These now cover approximately 100 purchasing markets and all risk countries.

In the USA and other countries, we are collaborating closely with electronics industry associations to define an official auditing process for metals suppliers.

Another example is the purchasing of advertising giveaways, which are often manufactured by third-party suppliers in low-wage countries. To ensure compliance with our sustainability standards in this area as well, we analyze the profiles of the relevant suppliers before awarding any contracts for such goods.

“Together for Sustainability”

In 2012, Henkel and five other companies in the chemical industry established an initiative entitled “Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains” (TfS). It is based on the principles of the United Nations Global Compact and the Responsible Care Initiative of the International Council of Chemical Associations (ICCA).

The Initiative’s aim is to harmonize the increasingly complex supply chain management processes and to optimize the dialog between world-

wide business partners. Above all, synergies are to be created, so that resources can be used more efficiently and with a minimum of administrative effort, not only among the member companies but with all of our shared suppliers. At the heart of the Initiative is the idea: “An audit for one is an audit for all.”

In the future, suppliers will only need to pass one assessment or audit. These are performed by independent experts and an internet platform is then used to make the results available to all members of the Initiative for information and approval.

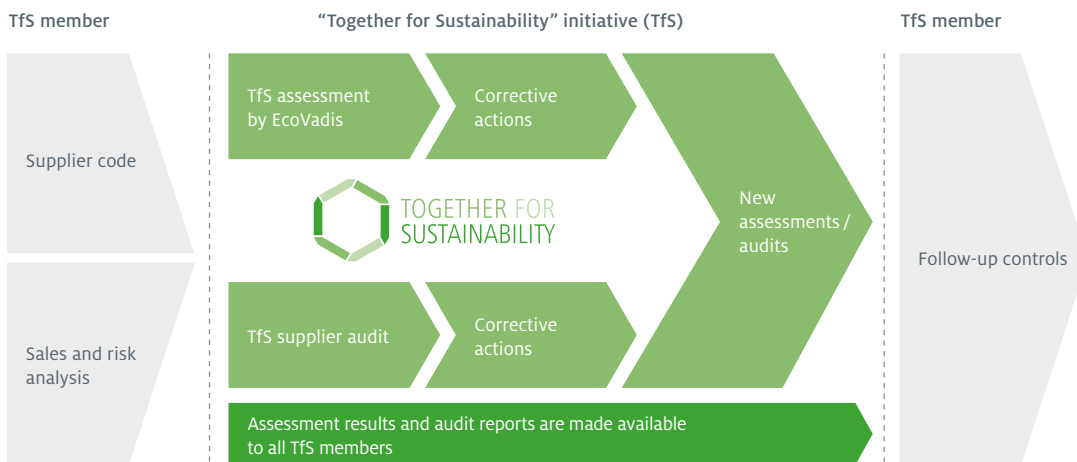
In 2013, the Initiative successfully completed a twelve-month pilot phase of assessments and audits for the global supply chains of the member companies. TfS members performed around 2,000 assessments and audits during the pilot phase. Around 30 main criteria were specified for TfS audits and around 40 qualified auditors identified.

The next step will be to expand the activities of the TfS initiative into other purchasing markets and acquire new members.



www.tfs-initiative.com

Joint platform for sustainable and efficient supplier management



TfS members are responsible for using supplier codes and risk analyses to define their supplier requirements. Assessments and audits are then performed by independent experts for the Initiative. Performance is assessed in the areas of management, environment, health and safety, employment rights, human rights, and ethical corporate governance topics. A new assessment or audit is used to check that corrective actions have been implemented. Follow-up controls and subsequent supplier management is the responsibility of the individual member companies.

Sustainable production

The world's largest adhesives plant in China sets new standards for sustainable production in the emerging markets.



Engineering Manager Dong-qing Lu explains to his colleague Riona Chen, Adhesive Technologies Supply Chain, how the equipment of the new plant helps Henkel achieve its sustainability targets.

The adhesives plant opened in Shanghai by the Adhesive Technologies business unit in 2013 is a model of sustainability and efficiency. Compared to a traditional production plant, the outstanding environmental and efficiency standards of the new plant allow resource efficiency to be improved, while reducing waste and environmental impact.

The machines providing compressed air for production are one example. Instead of simply blowing generated heat into the air, water is pumped around the compressors through a special heat exchanger. The warm water is used in the sanitary facilities and for heating offices on the 50,124 square meter property at the site. Resource efficiency also plays an important role in the water treatment

equipment for production. By reusing condensed water, water consumption is reduced by half. In addition, an integrated recycling system saves around 60 percent of the packaging materials, containers and wooden pallets used. Transparent ceilings reduce electricity use for factory lighting by 90 percent. And innovative filling equipment prevents adhesive losses.

The adhesives plant, the world's largest, opened in September 2013 and serves around 2,000 customers in China and the rapidly growing Asia-Pacific region. The Shanghai site was chosen after a detailed analysis, and is optimally located near to customers and suppliers, thereby reducing fuel use and emissions.

Production and logistics

We continuously improve the processes used in all our production sites and logistics in order to achieve our sustainability targets and to become three times more efficient by 2030.

Clear targets for our production operations

Henkel has production sites in 54 countries. We work hard to continuously improve our processes and site structures at all of these production sites, while simultaneously focusing on reducing energy, water, materials consumption and environmental impacts as an important part of our promise of quality.

Keeping our 20-year goal of “Factor 3” in mind, we have set concrete interim targets for our production sites. By 2015, we not only aim to make 15 percent reductions in our energy use, water use, and waste production per production unit, but also to reduce our worldwide accident rate by 20 percent. By the end of 2013, we had achieved significant progress in all areas and had already reached our 2015 targets ahead of schedule in specific areas, such as our 15 percent improvement in energy efficiency and 50 percent improvement in occupational health and safety.

Worldwide optimization programs

In line with our strategy of achieving more with less, our business units develop both general and specific optimization programs for their locations, since the various production processes involved in making products such as household cleaners, skin creams or tile adhesives allow different approaches to improvements.

By the end of 2013, the headquarters and 24 other sites in the Laundry & Home Care business unit had been certified under the new standard for energy management, ISO 50001. All of the established modules work together to ensure the ambitious targets are achieved by 2015: sustainability scorecards define targets and track measures for each site. A process-specific internet-based energy measurement system permits energy use to be

tracked in real time at all sites. And the management system, extended to include “energy,” not only clearly defines responsibilities at each site, it also ensures that monitoring leads to continuous improvement.

Moreover, the Manufacturing Excellence Program of the Laundry & Home Care business unit, which sets and monitors best operating practice standards for focal points in the plants, was extended to include the areas of “sustainability” and “efficiency.”

In order to ensure that the “Total Productive Management Plus” optimization program identifies small efficiency losses and implements countermeasures quickly, the Beauty Care business unit also monitors its processes in real time. In this way, measurements of electricity, gas or water use, for example, increase transparency, allowing the production process to be controlled more efficiently.



New warehouse at the Düsseldorf site

The compact construction of the new high-bay warehouse for the Laundry & Home Care business unit reduces energy use. The warehouse has a capacity of 90,000 pallets, is fully automated, and is connected directly to the nearby laundry detergent production plant by means of a conveyor belt.

Successful implementation of measures in the energy management system was confirmed by certification of seven sites under the ISO 50001 standard.

The Adhesive Technologies business unit introduced a new organizational structure in 2013 based on a lean production approach that achieves extensive resource conservation. In workshops, we analyze value streams worldwide and identify possibilities for improving energy and water use, and reducing waste. By waste, we mean any form of waste including, for example, unnecessary goods transport, inventory, waiting times, excess production, and downtime.

Globally networking production sites, sharing best practice examples, and standardizing processes allows us to exploit synergies and conserve resources. This optimizes the relationship between









the value created and our environmental footprint along the value chain. All our sites contribute to the achievement of this goal.

In all three business units, our improvement measures aim to reduce the environmental footprint within and beyond our production operations. New warehouse concepts and the production of packaging materials directly on-site where filling takes place reduce transport mileage and thus also contribute to climate protection (see page 13 below).

Standards and management systems

Our worldwide programs are based on globally uniform standards for safety, health, environment (SHE) and integrated management systems. The SHE Standards and our Social Standards apply to

Worldwide: Selected examples of contributions to resource efficiency in 2013

| Focal areas | Measures |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Kruševac, Serbia: Modernization projects reduced the water used for laundry detergent and household cleaner production by 11 percent and energy used for internal raw materials transport by 5 percent. Over the last three years, total energy use has decreased by 20 percent and water use by 50 percent. |
|  | Vienna, Austria: Targeted recycling of pallets, containers, and bags reduced waste by 37 percent at the laundry detergent plant. |
|  | Alberton, South Africa: In 2013, the adhesives plant introduced a new ultrafilter technology for treating wastewater. The resulting water quality significantly exceeds the local legal standard. Reverse osmosis enables the water to be reused in production and reintroduced into the water cycle in the future. |
|   | Dammam, Saudi Arabia: Waste production was reduced by 62 percent at the adhesives plant by recycling pallets and using a new technology to eliminate edge trimming. In addition, equipment for measuring water flow and blinds to reduce evaporation from open tanks reduced water use by 33 percent. |
|  | Chonburi, Thailand: Better control of air conditioning equipment and automated entrances reduced energy use by 14 percent at the cosmetics plant. |
|   | Bogotá, Colombia: An optimized monitoring system and investments in more efficient production equipment reduced energy consumption by 30 percent over the past five years. The volume of wastewater fell by 49 percent and waste was reduced by 75 percent. |

Examples from other sites:
www.henkel.com/sr2013 | 7

all sites. We ensure compliance with these standards at the production level through our internal audit program (see page 7).

We regularly conduct environmental and safety training sessions at all sites. Here, the employees are trained on topics such as protective equipment, fire protection, warehousing, and first aid – often by external specialists as well. This is because behavior at the local level plays a key role in Henkel's successful focus on sustainability and the implementation of our standards. The training program is aimed at site managers and employees at all levels.

We have our environmental management systems at the individual sites externally certified, wherever this is expected and recognized by our partners in the respective markets. At the end of 2013, about 95 percent of the production volume came from sites certified to ISO 14001, the internationally recognized standard for environmental management systems. 86 percent of our production volume is covered by the ISO 9001 quality management standard. The Adhesive Technologies business unit has provided an overview of ISO certification on the internet:

www.henkel.com/industrial

Collaboration with subcontractors

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

In other circumstances, the use of external partners helps to optimize our production and logistics network and to increase resource efficiency. Currently, we source about 10 percent additional annual production volume from toll and contract manufacturers.

Our requirements regarding quality, environmental, safety, and social standards are an integral part of all contractual relationships and order placements. They were applied to finished goods suppliers for the first time in 2013. We monitor them using



SHE training from the first day on the job

The Adhesive Technologies business unit developed a course in safety, health and the environment (SHE) for new employees in the Africa/Middle East region and India. The photo shows employees in Dammam, Saudi Arabia (from left): Project Engineer Adeseye Durodola, responsible for SHE Standards, Asad Uaman and Orlando Rubio.

audits carried out by our own staff and, increasingly, by specialized third-party service providers. We aim to establish long-term collaborations with our toll and contract manufacturers. This also includes adding them to our environmental data recording systems.

We already began collecting data on energy, water, wastewater, and waste parameters for selected toll and contract manufacturers starting in 2011. The Beauty Care business unit plans to collect environmental and production data for all of its externally produced production volume during the course of 2014.

Starting in 2014, in addition to environmental data, the Adhesive Technologies business unit will also begin regular data collection for accident rates at toll and contract manufacturers in order to check compliance with our safety standards.

Occupational safety

Long-term objective: zero accidents

Occupational safety has the highest priority at Henkel. Our long-term objective of “zero accidents” remains unchanged. We therefore continuously improve our occupational health and safety measures. Thanks to the great dedication of our employees, we were able to reduce our accident rate by 83 percent during the period from 2002 to 2010. Henkel now plans to reduce the number of occupational accidents by a further 20 percent by 2015. In 2013, the number was 0.6 occupational accidents per million hours worked, a very low level by comparison with international figures.

Behavior-based safety training

To achieve our goal, we insist on strict compliance with our Safety, Health and Environment Standards (SHE). We focus on technical measures and special training programs to create employee awareness and avoid occupational accidents. Training sessions and action days are therefore regularly held at all sites. In 2013, the Adhesive Technologies business unit conducted comprehensive SHE training for all new employees in the Africa/Middle East region (see page 15). The Laundry & Home Care business unit also held

training sessions for all of its production management employees as part of the 2013 Safety Excellence program. The training modules ranged from “safety-related inspections” all the way to “investigation of near accidents.” The Beauty Care business unit trained its employees as part of the “Total Productive Management Plus” program.

We also conduct training sessions for the staff of contractors working at our sites. Our comprehensive approach to occupational safety is showing progress: 90 percent of our worldwide sites were accident-free in 2013.

Fatal occupational accidents

Unfortunately, in spite of the great attention we pay to occupational health and safety, we had two fatal occupational accidents in 2013. An employee of an outside firm was fatally injured during building demolition at our Kruševac plant in Serbia due to improper use of personal protective equipment. At our Bay Point site in California, an employee from a temporary employee agency was fatally injured at a production equipment. These accidents show that we have to spend further effort on safety training. We also had two further employee deaths in connection with the armed conflict in Syria.



On the right track

A raw material for hair care products produced by BASF at the Düsseldorf site has been transported by rail to our plant in Wassertrüdingen since 2013. The distance is approximately 500 kilometers, and a single rail car replaces three trucks. This reduces CO₂ emissions by around 270 metric tons per year.



Logistics and transport

Logistics planning for different products

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

Emissions reduction initiatives

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

The Adhesive Technologies business unit, for example, built a central warehouse in Rotterdam where all products for transport to Africa and the Middle East can be collected to ensure optimal capacity utilization of transport units.

The Beauty Care business unit changed over from truck to rail transport of an important raw material for hair care products in our plant in Wassertrüdingen, thereby reducing CO₂ emissions by 270 metric tons per year (see picture on opposite page). We also cooperate with retail partners and suppliers of other products to increase truck capacity utilization and thereby reduce CO₂ emissions. A new service center for customers of the pallet logistics partner CHEP at the Düsseldorf site reduced the annual CO₂ transport emissions of the Laundry & Home Care business unit by 27 percent. Lead times and warehousing are also reduced, while improving reaction time and flexibility.

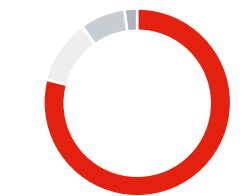
We consider logistics as early as the product development stage. Concentrates and lighter packages reduce transport weight and therefore

result in lower CO₂ emissions. We publish other measures taken to reduce our transport and logistics emissions on the internet at: www.henkel.com/sr2013 | 8

Requirements on our logistics partners

Worldwide, more than 90 percent of the transport of our products from the production site to the warehouse, and from the warehouse to the customer, is now carried out by external logistics companies. We already take efficiency and environmental performance into account when choosing our transport partners. Criteria to this effect have been a part of our request for proposal process and tenders for the purchase of logistics services since 2010. These include the definition of energy-saving targets, measures for modernizing vehicle fleets, and investments in programs that optimize routes and record emissions.

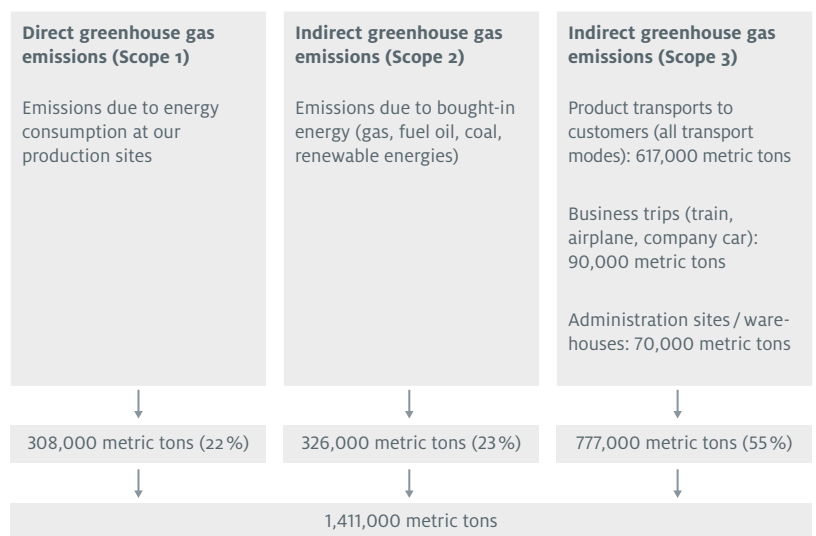
Product transports per transport mode in 2013



- 79% road
- 11% sea
- 8% rail
- 2% air¹

¹ Air freight is not one of our standard shipping methods. It is only used when our customers require extra-fast delivery.

Overall picture: our operational carbon footprint in 2013



Henkel's own CO₂ emissions are primarily caused by energy generation and consumption. Other CO₂ emission sources are not relevant for our business operations. The same applies to emissions of other greenhouse gases. They account for less than one percent of the Scope 1 and Scope 2 emissions. Scope 3 emissions, especially those associated with raw materials and product use, are calculated at the product level.

Sustainability stewardship

Our products are used millions of times worldwide every day. They therefore offer enormous potential for contributing to sustainable development.

Innovation management

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

In 2013, Henkel employed about 2,600 people in research and development and invested 415 million euros in these activities. In order to steer product development in line with our sustainability strategy from the outset, our focal areas have been anchored in the Henkel innovation process since 2008.

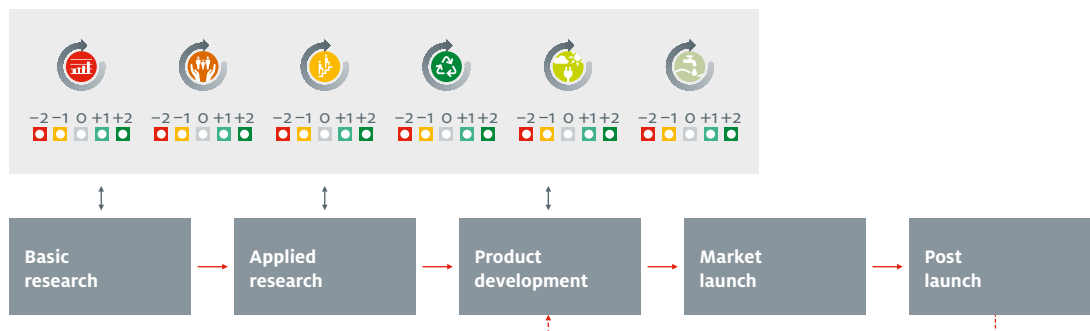
Product and consumer safety

Our customers and consumers can be certain that our products are safe when used as intended. All raw materials and finished products are subjected to numerous assessments and tests to ensure a high level of safety during production, use, and disposal. This is based on ensuring compliance with legal regulations and farther reaching Henkel standards.

Our product developers and experts for product safety assess ingredients according to the latest scientific findings and concrete safety data. They continuously track Henkel products on the market and incorporate the insights gained into the assessments. In addition to considering the basic hazard potential of a substance, our safety assessments focus especially on the actual concentration in the specific formulation and the conditions of use.

The safety of chemical ingredients in products is frequently the subject of heated public debates. As a rule, we respond by critically reviewing the

Sustainability evaluation in the Henkel innovation process



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

scientific basis of our assessments with particular care. The use of substances with certain dangerous properties is precluded for specific applications from the very start. In other cases, we work to further improve health compatibility by developing alternative ingredients.

Since many of our products pass into wastewater after use, their composition has been designed so that their use is not harmful to the environment. Wastewater from chemical engineering applications is treated using state-of-the-art technology to remove harmful substances, and then disposed of properly.

Innovations and alternative test methods

Henkel has been carrying out successful research since the early 1980s to develop new methods for

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

One of our primary goals is to be able to answer questions about the safety of our products and the ingredients we use exclusively without animal testing. As a matter of principle, Henkel only uses animal testing if this is stipulated by legal regulations and there are no accepted alternative test methods available for obtaining the necessary safety data. We also naturally comply with statutory requirements that prohibit animal testing, such as the legal provisions on safety testing of cosmetic ingredients in the European Union.

Henkel Sustainability#Master® – Sustainability assessment of products and processes

| Henkel focal areas | | Assessment along the entire value chain | | | | | |
|--------------------|----------------------|-----------------------------------------|------------|------------------------|---------------------|-----------------------------------|-------------------|
| Value | | Raw materials | Production | Logistics | Retailing | Use | Disposal |
| | Performance | | | | | e.g. improved product performance | |
| | Health and Safety | | | | | | |
| | Social Progress | | | | | e.g. easier to use | |
| | Materials and Waste | e.g. fewer petrochemicals | | | e.g. less packaging | | e.g. less plastic |
| | Energy and Climate | | | e.g. reduced emissions | | e.g. reduced dosage | |
| | Water and Wastewater | | | | | e.g. lower water requirement | |
| Footprint | | | | | | | |

Hot spot = Field with the greatest relevance for sustainability. It is particularly important to assess changes at these points.

The Henkel Sustainability#Master® combines various instruments for measuring sustainability. This evaluation system centers around a matrix based on the individual steps of our value chains and on our six focal areas. The goal is to increase the value of the product and simultaneously reduce its environmental footprint. Hot spots (white fields) can be identified for every product category on the basis of scientific measurement methods, e.g. life cycle analyses and empirical data. These are the fields with the greatest relevance for sustainability – this

applies to both the “Value” and the “Footprint” dimension. The specified hot spots can also be used to compare the sustainability profile of two products or processes (also see pages 25, 29 and 33), thus allowing changes to be quantified. This allows sustainability profiles to be prepared for each product category. Henkel’s researchers use these findings for innovation and continuous product improvements.
www.henkel.com/sr2013 | 9

Whenever possible, questions regarding the skin compatibility of ingredients are now also investigated with the help of in vitro tests. In vitro tests, such as the skin model (technical name: epidermis model), have been developed by Henkel over the past decades in collaboration with external partners and submitted for acceptance as alternatives to animal testing to the “European Union Reference Laboratory for Alternatives to Animal Testing” (EURL ECVAM). Official acceptance is an essential prerequisite for global use of this method which Henkel does not just wish to utilize itself, but also to make accessible to others.

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

Responsible use of raw materials

Henkel is committed to responsible management of raw materials, and especially the conservation of natural resources and biodiversity. We use ingredients based on renewable raw materials to optimize the overall characteristics of our products, wherever this is compatible with environmental, economic, and social considerations. Renewable raw materials are already key ingredients in many of our products, such as soaps, shampoos, glue sticks, and wallpapering adhesives.

Henkel has therefore worked for decades with partners along the value chain on standards and sustainability criteria for the responsible use of renewable raw materials. For example, Henkel has participated in the “Sustainable Provision of Raw Materials for the Material Use of Biomass Initiative” (INRO) since 2013. Henkel is also one of the signatories to a resolution by the Consumer Goods Forum to fight global deforestation and protect biodiversity. The member companies have committed to take individual and concerted action to stop global deforestation by 2020. For us, this relates especially to raw materials such as palm and palm kernel oil, and to cellulose used in packaging.



Examples of sustainability in our packaging development



Bref Duo Stick – Less material used

Bref Duo Stick toilet cleaner uses 72 percent less packaging per consumer unit. This reduces weight and leads to a 12 percent smaller environmental footprint.



Schwarzkopf – Hair care with an optimized packaging design

By reducing packaging components, the packaging weight of the various hair care products was decreased by 20 percent compared to customary packaging. The carbon footprint of the new packaging is also 32 percent lower.



Pattex Blister – Blister cards made from recycled cardboard and PET foil

The production of blister cards for Pattex 100% brand solvent-free adhesives is especially resource-efficient, since the materials used – PET foil with 80 percent recycled content and cardboard with more than 90 percent recycled content – reduce the environmental footprint of the blister products.

Palm and palm kernel oil

We are aware of our responsibility regarding the purchase and use of ingredients based on renewable raw materials. We are therefore promoting sustainable palm oil production with our partners along the entire value chain. This includes cooperation with our strategic suppliers to improve the traceability of palm and palm kernel oil.

One example is the washing active substances (surfactants) in our laundry detergents, household cleaners, and cosmetic products that we do not produce ourselves, but instead purchase from our suppliers. Currently only mineral oil, natural gas, coconut oil, and palm kernel oil are suitable for the large-scale production of high-performance surfactants. The main criticism of the use of palm and palm kernel oil is the major expansion of palm oil plantations. Henkel's objective is for the processed palm and palm kernel oil used as raw materials in our supply chain to come from sustainable palm oil production by 2015.

We have been participating in the Roundtable on Sustainable Palm Oil (RSPO) since 2003, actively working to encourage the sustainable production of palm oil and palm kernel oil. Even though we feel that the criteria are still inadequate, they nevertheless form an important foundation that can be built on. For this reason, Henkel established the Forum on Sustainable Palm Oil in 2013 together with other partners in order to go beyond the RSPO standard (see page 24).

In addition to palm oil, which represents 90 percent of their oil, oil palms also produce palm kernel oil, which is very important to Henkel as a raw material for surfactants. Due to the complexity of the supply chain, segregation (maintaining separation between oils from certified and non-certified plantations) is currently only possible at great expense in the case of palm kernel oil. In order to provide an incentive to plantation operators to produce sustainable palm oil, however, we began purchasing RSPO certificates for sustainable palm kernel oil back in 2008.

Even though the proceeds from the certificates generally benefit producers, we would like to provide more targeted support for sustainable palm oil production in the future that is aimed at small farmers and local initiatives (see page 24).

Prevention, reduction, recycling

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

The packaging for our consumer products fulfills many different functions: It ensures the hygiene and intactness of the products, protects them from external influences, provides space for necessary consumer information and often plays an important role in the purchasing decision through attractive packaging design and shelf appeal.

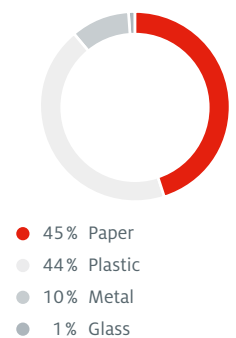
In order to minimize the volume of waste, our packaging developers work constantly to design smart packaging that uses the least amount of material possible, and incorporates materials that can be recycled in public recycling systems.

In the new Essensity line of care products in the Beauty Care business unit, we were able to reduce packaging weight by 30 percent, thereby also achieving a 30 percent reduction in CO₂ emissions.

The innovative Super 3 glue box (container-in-box packaging) from Ponal in the Adhesive Technologies business unit is produced with around 60 percent less plastic and can be recycled. In addition to high thermal stability, a large spout ensures the white glue can be easily dispensed.

Targets to reduce packaging footprint for consumer products:
www.henkel.com/sr2013 | 10

Henkel packaging footprint 2013¹



¹ Approximately 513,000 metric tons (estimate based on expenditures for packaging materials).

Dual innovation: Persil Duo-Caps

Liquid laundry detergent contained in a dual-chamber water-soluble and biodegradable film capsule is revolutionizing laundry washing.



From the left: Together with their teams, formulation developer Dr. Frank Meier, chemical technician Sabine Schümann, and process developer Dr. Matthias Sunder brought the idea of pre-portioned liquid laundry detergents in water-soluble dual-chamber capsules to fruition.

The liquid laundry detergent Persil Duo-Caps is an example of the sustainable innovation management practiced at Henkel. The idea for the product came from a cross-functional project team from International Marketing and Research and Development that has set new standards in terms of speed and cooperation.

The initial objective was to develop a liquid gel that is pre-portioned using a film, but does not dissolve the film. The result was the first dual-chamber liquid laundry detergent. In addition to providing outstanding washing performance, it also contributes to environmental sustainability.

The gels in the two chambers are double-concentrated, are separated from each other by a water-

soluble film, and only combine their strength when washing starts. Persil Duo-Caps combines the brightness formula with a powerful active stain remover and achieves full washing performance even at low temperatures. The pre-portioned doses are easy to use and prevent overdosage.

Like every new product, Persil Duo-Caps also makes a contribution to increased sustainability. Packaging material is reduced by as much as 70 percent per load of washing. If every Persil user in Germany washed with Persil Duo-Caps instead of Persil Gel for a year, more than 7,000 metric tons of plastic materials would be saved. Duo-Caps thus reduces the product's CO₂ footprint by around 15 percent.

Laundry & Home Care

Our products combine excellent performance with responsibility toward people and the environment. We apply this standard all the way from product development and production to disposal.

First class performance – less resources

Our consumers expect products to satisfy the criteria of quality, environmental compatibility, and social responsibility in equal measure. This requirement guides our actions and is the driver for innovations and the basis for our future competitiveness. Our research and development strategy combines innovation and sustainability to provide resource-efficient technologies and products. Every new product makes a greater contribution to sustainable development in at least one of our six focal areas along the value chain than its predecessor product. Since 2011, for example, we have reduced the CO₂ footprint of our raw materials by an average of 4 percent per year relative to total sales.

Focus on the use phase

An important objective of our strategy is fostering sustainable, resource-conserving consumption. Our products are the key here. They are used daily in millions of households and often require water and energy. As much as 70 percent of the environmental footprint of our products is generated during their use. We thus concentrate on developing products that enable the efficient use of resources such as energy and water.

Through targeted consumer communication we also try to promote responsible use of the products. We use communication appropriate for the target group, including on the internet, to point out the advantages of our products. We also encourage resource-efficient use by means of our resource calculator for laundry.

www.persil.de/waschberatung

Our retailers are important partners for Henkel on the road to more sustainable consumption. They provide us with excellent platforms for informing

consumers about more sustainable products and how to use them in an environmentally responsible way. Current examples of energy-efficient products are Somat 10 and our low-temperature laundry detergents. Persil Megaperls and Purex Cold Water, for instance, are laundry detergents that deliver their full cleaning power even at low washing temperatures. Energy savings of up to 40 percent can be achieved by reducing the washing temperature by 10 degrees – from 40 to 30 degrees Celsius, for instance.

Sustainable cleaning

In 2005, Henkel became the first company to fulfill the criteria of the Charter for Sustainable Cleaning of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). Around 200 companies have now joined this initiative. All companies that sign the Charter pledge to continuously improve their processes and to report annually on their economic, environmental, and social advances, using defined indicators. Together, these indicators now reflect more than 85 percent of the European production volume of laundry and home care products.



Bruno Piacenza
Executive Vice President
Laundry & Home Care

“We develop innovative technologies that combine first-class performance with resource efficiency.”



Program for sustainable palm oil production

The Laundry & Home Care business unit, the Solidaridad development organization, and other partners initiated a program for 7,500 small farmers and 5,000 workers in Honduras in 2013. Among other things, the program includes training in agricultural management. The goal is to create a sustainable supply chain for palm and palm kernel oil.



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

Products that satisfy all of the defined requirements may communicate this to consumers on their packaging by means of a new A.I.S.E. Charter logo introduced in July 2011. These include our liquid and powder laundry detergents and our fabric softeners. As of April 2013, the logo may also be used for our automatic dishwasher products.

With the support of Henkel and other industry and trade partners, A.I.S.E. plans to implement the "I prefer 30°" campaign across Europe this year. The common goal of the campaign is to encourage consumers to use lower temperatures when washing laundry. The associated internet site provides consumers with information about, for example, what temperature to use when washing certain fabrics.

Responsible management of raw materials

Henkel has been using ingredients based on renewable raw materials for decades. In 2013, more than

30 percent of the washing active substances (surfactants) in our laundry detergents and household cleaners were derived from renewable raw materials. This is clearly above the average in the laundry and home care industry as a whole.

Since palm kernel oil is an important raw material for the production of surfactants, Henkel promotes the use of sustainability criteria in the supply chain. We participate in the Roundtable on Sustainable Palm Oil (RSPO) to encourage the sustainable production of palm oil and palm kernel oil. Henkel also established the Forum on Sustainable Palm Oil together with other industry and trade partners, non-governmental organizations, and associations in September 2013. The Forum wants to go beyond the RSPO standard and promote more sustainable production of palm and palm kernel oil in the palm-growing countries. The goal of the Sustainable Palm Oil Forum is to significantly increase the share of segregated and certified palm oil and palm kernel oil from sustainable production and related derivatives such as surfactants in the German, Austrian, and Swiss markets.

"Solidaridad" small farmer program

In addition, Henkel would like to provide more targeted support for sustainable palm oil production in the future that is aimed at small farmers and local initiatives in the palm-growing countries. The Laundry & Home Care business unit, Solidaridad development organization, and other partners therefore started a three-year program in Honduras in the summer of 2013 aimed at improving the livelihood of 7,500 small farmers and 5,000 workers. Our common goal is to create a sustainable supply chain for palm and palm kernel oil that can be certified under the RSPO criteria. This project will be the first time that a country has almost completely changed over to sustainable palm oil production.

The small farmers that are participating will receive training and assistance in optimal agricultural practice and better plantation management until the end of 2015 to allow them to increase the productivity and yield of their plantations. Worker training covers the key areas of health and safety and promotes the application of the RSPO sustainability criteria. The World Wide Fund for Nature (WWF), the Netherlands development organization SNV, and the Proforest initiative are important partners in the project.

www.solidaridadnetwork.org/palmoil



Henkel is working with A.I.S.E. in the Europe-wide "I prefer 30°" campaign to provide consumers with information about laundry washing at lower temperatures.

www.iprefer30.eu

High-performance enzymes for laundry detergent

Enzymes have been a standard ingredient in modern laundry detergents for decades. It is mainly enzymes that allow today's laundry detergents to efficiently remove a wide variety of stains, even at low temperatures. Because the enzymes have been continuously improved and the formulations used are highly energy and resource-efficient, laundry detergents can now make a significant contribution to sustainable development.

Henkel recognized Novozymes as the "Best Innovation Contributor Laundry & Home Care" in 2013. This company has developed a patented, highly efficient combination of enzymes with outstanding stain removal properties. It is part of a new formulation used in all Henkel heavy-duty laundry detergents and improves performance significantly, particularly at 20 and 30 degrees Celsius.

Henkel and the enzyme producer c-Lecta have been working on new enzymes since 2013 to develop the next generation of sustainable laundry detergents. Their focus is on further improving the removal of stubborn stains, as this is particularly important to consumers.

Waste separation in Algeria

Henkel has set itself the goal of promoting systematic waste avoidance, waste separation, and recycling of valuable materials. Henkel's Laundry & Home Care business unit started a pilot project called "Jemeco" for collecting packaging materials at production sites and retail outlets, making it the first company in Algeria to do so. In addition, recycled materials are used to produce new packaging. We are working on this closely with the Algerian Ministry of the Environment, the National Waste Management Agency, the German-Algerian Chamber of Commerce, and a recycling company.

Henkel Sustainability#Master® – Somat Gel Caps (compared to gel bottle)

Henkel introduced a new kind of automatic dishwashing detergent to the European market in 2013. The pre-dosed liquid detergent capsules use a 100 percent water-soluble and biodegradable film. This multi-functional technology provides powerful cleaning performance in an easy-to-use format. In terms of "environmental footprint," the high solubility and quick release

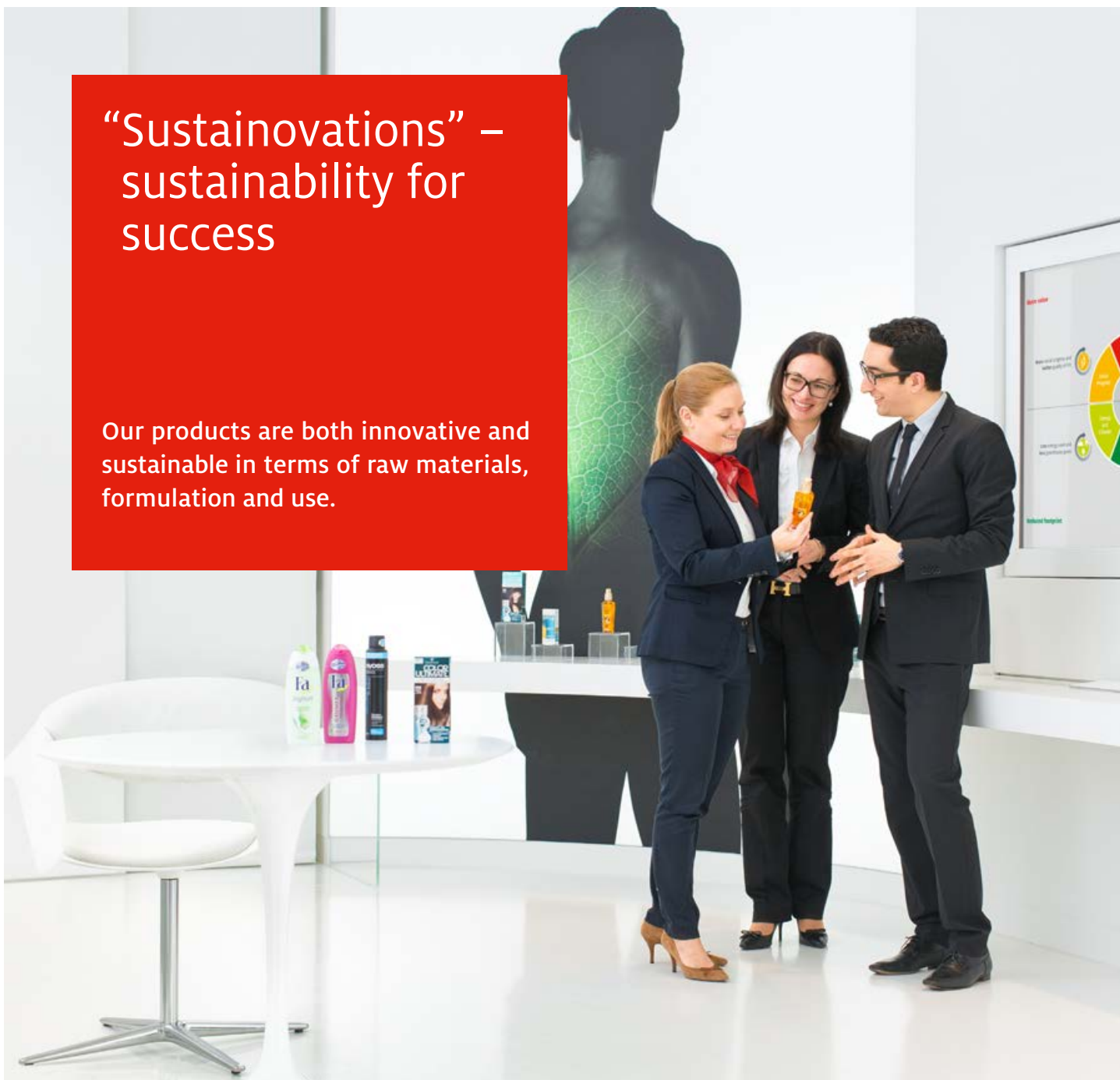
of the active substances make the product exceedingly effective at temperatures below 40 degrees Celsius. This allows consumers to reduce energy use significantly compared to similar cycles at temperatures of 50 or 55 degrees Celsius, thereby helping to conserve resources. In addition, the concentrated formula allowed the packaging to be reduced by up to 30 percent.

| Value | | Raw materials | Production | Logistics | Retailing | Use | Disposal |
|-------|----------------------|----------------------------------|--------------------------------|---------------------|---------------------|---------------------------|---------------------------------|
| | Performance | | | Efficient loading | | Ease of use | |
| | Health and Safety | | | | | | |
| | Social Progress | | | | | | |
| | Materials and Waste | Petrochemical raw materials | Less packaging | | Secondary packaging | Dosage | Proportion of plastic packaging |
| | Energy and Climate | Targeted raw materials selection | | Transport emissions | | Washing temperature | |
| | Water and Wastewater | | Water use due to concentration | | | Water required by machine | |



“Sustainovations” – sustainability for success

Our products are both innovative and sustainable in terms of raw materials, formulation and use.



Sustainable innovations are the result of close cooperation between marketing, research and production. Our Gliss Kur Daily Oil Elixir is a recent example. In the photo (from the left): Nina Almstedt, Saskia Schmaus and Sidi Drissi from Henkel Beauty Care.

The strategic goal of sustainability combined with innovative strength sets Henkel Beauty Care apart from its competitors and makes it a leader in its field.

Sustainability is therefore a required element of the innovation process and is continuously reviewed. As a result, every new product makes a positive contribution to at least one of the six Henkel focal areas and at least one stage of the value chain.

The contribution is measured and recorded in the Henkel Sustainability#Master®. The concept of “sustainovations,” or sustainable innovations, is

based on three factors: ‘smart’ formulations, raw materials and use.

An example is given by our new Fa body wash, which combines higher product performance with significantly enhanced resource efficiency. In addition to greatly improved skin tolerance (formulation), the formula uses high-performance washing active substances that reduce raw materials use by 20 percent (raw materials).

Fa body wash also contributes to sustainability during use, as the formulation has been improved to require less water for rinsing (use). Success in the market confirms our approach.

Beauty Care

Achieving more with less – enhancing resource efficiency is firmly integrated into the product development process of the Beauty Care business unit and linked to the goal of innovation leadership.

Leadership in sustainability and innovation

As part of our sustainability strategy, we want to create more value for our customers and consumers, and for our company, while reducing our environmental footprint at the same time. The Beauty Care business unit has linked this goal strategically to its innovative strength. The sustainability profile of each new product therefore shows an improvement in at least one of our six focal areas and at least one stage of the value chain.

We collaborate closely with our partners on this, because only by working together can we fully exploit our innovative potential. We systematically promote sustainability, all the way from the raw materials producers who help us with their sustainable technologies, to our retail partners who provide an important platform for conveying information to our consumers. Our high rate of innovation ensures that even small advances will help us significantly in achieving our sustainability targets.

Continuously increasing the quality of life

Achieving a better quality of life and wellbeing for as many people as possible is a universal social and political goal. In addition to hygiene for the skin, hair, and teeth cosmetic products also contribute greatly to the emotional aspects of quality of life. For example, cosmetic products foster a well-groomed appearance or emphasize a person's individual style. Our cosmetics and toiletries, which are valued and used daily by millions of people worldwide, make an important contribution in this respect.

We link the quality of life factor to environmental goals for sustainable and innovative products. By improving production processes we reduce energy use, and our waste and wastewater footprint. Opti-

mizing formulations also helps to reduce resource consumption. Since 2011, we have reduced the CO₂ footprint of our raw materials by an average of 4 percent per year relative to total sales. By using readily biodegradable raw materials we also reduce wastewater pollution.

Color Ultimate by Schwarzkopf

Introduced in 2013, Color Ultimate is a premium colorant with an innovative dual-chamber system. This means the color and developer components no longer have to be opened separately and mixed together. Color Ultimate delivers a ready-to-use foam colorant at the push of a button that is easy to dose thanks to an innovative application method. Multi-use application for a series of root coloring treatments reduces the environmental footprint of the product by up to 15 percent compared to conventional colorants. In addition, as less raw materials and packaging are required per application, the product demonstrates an optimal sustainability profile while delivering outstanding coloring results.



Hans Van Bylen
Executive Vice President
Beauty Care

“Combining sustainability and innovative solutions strengthens our innovation leadership.”



Partnering for greater sustainability

Our sustainability partnership with our customer Rewe Richrath allowed consumers of all ages to learn about resource conservation while shopping. Children could also spend an afternoon in Henkel's Forscherwelt (Researchers' World) in Düsseldorf.



Color Ultimate received the "FEA Special Jury Award" for its innovative performance at the International Aerosol Congress in September 2013. Another product, our Syoss dry shampoo, won the "Environmental Achievements & Sustainability Award."

Diadermine Lift+ Skin Perfection facial oil

The new Diadermine facial oil has a formulation that requires no additional heat during the manufacturing process, making it highly resource-efficient compared to emulsion formulations. The formula contains no water and therefore requires no preservatives. The product's compact size also means that the oil has a smaller CO₂ footprint from packaging materials and transport. Only a few drops are needed to smooth and provide intensive care for the skin, leaving no oily residue behind. The product was also recognized by the European Centre for Allergy Research Foundation (ECARF) for especially good skin tolerance.



Diadermine Lift+ Skin Perfection facial oil combines intensive care with resource efficiency in production and transport.

Advice for consumers and hairdressers

Comprehensive advice for consumers goes hand in hand with product safety. An advice hotline has therefore been set up in every country in which our products are sold, so that consumers can be provided competently and quickly with reliable information about product properties or ingredients. In Europe alone, this results in about 180,000 consumer contacts each year. Most

queries are about the effects our products achieve and how to use them. Product-related feedback is documented in our quality assurance system and channeled into our ongoing product development processes. The introduction of a global consumer service software in 2012 standardized processes worldwide and ensured that all consumer queries are answered quickly. Processing and documentation are likewise performed in accordance with uniform high standards – again worldwide.

We also support our customers in the hairdressing business with training courses and information. Through the international Schwarzkopf Academy (ASK), we offer an advanced vocational training program that assists our hairdressers in a variety of ways, such as the proper use of our products and their own personal career development.

www.schwarzkopf-professional.com

Resource-efficient consumer behavior

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

We use the creative potential of new media to motivate our consumers to sustainable consumption. For example, one of the competitions on the eYeka internet platform collects new inspirational ideas for resource-efficient use of our products. The winning contribution reaches a large number of our consumers through our digital brand communication channels and social networks, thereby helping to reduce the environmental footprint of these products in the use phase as well.

With Henkel Beauty Care's interactive resource calculator, consumers can find out online how their behavior can affect water consumption, the environmental footprint, and the cost of showering, bathing, drying their hair, brushing their teeth, and washing their hands. The resource calculator is also available for smartphones.

www.schauma.com

Brand engagement

One of the goals of our sustainability strategy is to promote social progress. The Beauty Care business unit also works toward this goal in its brand engagement.

Schwarzkopf Professional and the charitable organization SOS Children’s Villages started the “Shaping Futures” initiative in India and Peru in November 2010. The goal of the initiative is to provide training in basic hairdressing techniques to young people from SOS Children’s Villages. Since that time, 160 hairdressers and employees of Schwarzkopf Professional have volunteered their time to train more than 500 young people in twelve countries. Jobs or internships were arranged for half of the students. Alternatively they continued their training. In 2013, courses took place for the first time in Tunisia, South Africa, Slovenia, and Russia. Schwarzkopf Professional would like to expand the initiative to help even more young people improve their future lives.

Energy efficiency and climate protection are key objectives in our sustainability strategy. The German association “Wahl dein Klima e.V.” has established an online voting platform to promote climate protection projects proposed by non-profit organizations and public institutions. The Beauty Care business unit has been a supporter of “Wahl dein Klima e.V.” since the initiative started in 2012. The initiative allows society and business to work together to realize selected projects.

Henkel Beauty Care has also been a supporting partner of the international “look good feel better” program since 2006. Together with the German non-profit organization “DKMS LIFE,” female cancer patients are offered free cosmetics workshops to strengthen their self-esteem and will to live during their treatment. During the fifth year, the business unit provided support for the “DKMS LIFE Charity Ladies’ Lunch,” whose proceeds went to support the activities of the organization.

www.lookgoodfeelbetter.org



Schwarzkopf Professional’s “Shaping Futures” educational initiative provides basic training in hairdressing techniques for young people from SOS Children’s Villages.

Henkel Sustainability#Master® – Gliss Kur Daily Oil Elixir (compared with predecessor product)

The Henkel Sustainability#Master® shows the sustainability profile of Gliss Kur Daily Oil Elixir. The concentrated oil formula requires significantly fewer raw materials per application than a conventional repair product while still providing high care performance. Unlike emulsion formulations, no additional heat is required during the manufacturing process, which means that

less energy is used. Since the product is not rinsed out, consumers also benefit in the application stage by saving water and energy for hair drying. The product’s compact size and low weight result in less packaging waste and a smaller transport footprint.

| Value | Raw materials | Production | Logistics | Retailing | Use | Disposal |
|----------------------|-------------------------------|--------------------|-------------------------|-------------------------------|------------------|----------|
| Performance | | | | | Care performance | |
| Health and Safety | | | | | | |
| Social Progress | | | | | | |
| Materials and Waste | Raw materials per application | | | Secondary packaging materials | | |
| Energy and Climate | | Reduced energy use | Lower volume and weight | | No energy use | |
| Water and Wastewater | | | | | No water use | |

Footprint Significant improvement No improvement





Customized solution for Audi

We partner with our customers to develop tailor-made sustainable solutions that meet the highest quality requirements.

A light tunnel is used to examine auto body paint. The two-step process that Henkel developed with Audi allows environmentally compatible pre-treatment, which acts as a base for the paint.

The Adhesive Technologies business unit has developed an auto body pre-treatment process together with Audi. The patented two-step process enables surface treatment of multi-metal auto bodies with an aluminum content of up to 100 percent.

In zinc phosphating, which is the current conventional process, the volume of waste products increases as the aluminum content of mixed-material bodies rises. These are very costly to remove from the pre-treatment bath and the surfaces that are treated in them.

Due to the different surface properties of steel and aluminum body components, the two-step process pre-treats them in two stages.

This allows more aluminum to be used, while reducing the disadvantages of the current process, i.e. energy and chemical use decrease during the production process. Servicing expenses, the associated downtime, and waste volumes are also reduced (see “Henkel Sustainability#Master®” on page 33).

Audi was the first company to integrate this method into its processes. The two-step process has now become the global standard for pre-treatment of auto bodies with a high aluminum content.



www.henkel.com/automotive

Adhesive Technologies

Sustainability and efficiency are inseparably linked. As part of our sustainability strategy, we also want to create more value for our customers.

Creating more value for customers

Henkel is the global leader in adhesives, sealants and functional coatings. The Adhesive Technologies business unit is constantly extending its leading position. Sustainability is integrated into every step of product development. Customers everywhere in the world can use customized solutions to increase their added value relative to their environmental footprint.

Adhesive Technologies uses its in-depth industry knowledge to help increase efficiency along the entire value chain. This approach is an integral part of our long-term goal of tripling our efficiency by 2030. We can draw on more than 90 years of experience in developing adhesives. Our broad portfolio of technologies reduces energy consumption, CO₂ emissions, and waste generated during production and use of a wide variety of products, ranging from packaging, books and mobile telephones through to automobiles and airplanes.

Sustainability drives innovation

As our new adhesives plant in China shows, sustainability is inseparably linked with innovation and efficiency. For example, the factory only uses half as much water as a conventional production plant because it reuses condensed water from production processes (see page 12).

We also continuously optimize our products and technologies to provide leading performance with best-in-class features for environmental protection, consumer protection, and health and safety.

Around 1,600 technical experts in our innovation centers worldwide show customers the high performance and sustainability offered by our solutions every day. The new innovation center in Pune, India, for example, combines global and

local expertise by working with more than 800 automotive suppliers. It has product testing facilities that can be adjusted to reflect the specific requirements of our customers, enabling tailor-made solutions to be developed on site.

Innovative technologies are also used in the electronics sector to make numerous improvements to mobile phones, tablets, flat-screen televisions and many other electronic devices we use in our daily lives.

For example, mobile electronic devices are becoming smaller, thinner, and more powerful – and produce more heat as a result. The new patent-pending thermal conduction foil introduced in Loctite's TAF series (Thermal Absorbing Film) reduces processor and case temperatures by more than 3 degrees Celsius. This improves performance and user comfort, while expanding the range of design possibilities for new devices. It is also an example of how the innovative solutions we provide are one step ahead of the current market requirements.



Jan-Dirk Auris
Executive Vice President
Adhesive Technologies

“Close cooperation with our customers and partners helps us offer customized and sustainable solutions.”



Food Safe Packaging Portal Europe

Henkel's adhesives experts hold live weekly internet "webinars" on the current state of research and development of safe food packaging on the new Food Safe Packaging Portal Europe knowledge platform.

www.henkel.com/foodsafety



mulation means that significantly less solder paste is needed when circuit boards are printed, thereby reducing costs. Henkel ensures that all of its solder pastes meet demanding standards while simultaneously reducing the environmental footprint.

Safety is top priority

The health and safety of our customers and consumers is a top priority for us. We work constantly around the globe to set new standards with our solutions. Food safety, for example, is very important to consumers. That is why we have developed the Food Safe Packaging Portal Europe, a knowledge platform for people responsible for food safety, quality managers, packaging developers, and buyers. The online portal provides important information and extensive advice on adhesives for food-safe packaging, including live "webinars," studies, videos, and a glossary.

Our analysis unit carries out production and quality control tests on adhesives for food-safe packaging. This unit is recognized as a scientifically independent and accredited testing institute, and tests packaging materials submitted for analysis by customers, as well as those from Henkel.

Global leader through innovation

The new generation of low temperature hotmelt adhesives also represents an advance in terms of sustainability. The Technomelt Supra 100 Cool hotmelt packaging adhesive, for example, can reduce energy use by up to 50 percent compared to conventional hotmelt adhesives.

In the area of building technology, we offer multi-layer thermal insulation systems for insulating all types of building exteriors. Ceresit products are mutually compatible and lower building energy use – and our customers' energy costs – by up to 50 percent. Mutual compatibility of the products ensures easy application and modern design, together with long life and high performance.

Ceresit CM 120 EcoFlex tile adhesive is another example. It is based on an innovative hybrid technology using a variety of binding agents. The tile adhesive dries quickly and is nearly temperature-

Partnering for sustainable solutions

We work with strong partners to introduce efficient solutions that reduce the environmental footprint along the entire value chain. This places the focus on our customers, helping them achieve their own sustainability goals.

Our partnership with Nordson Corporation, a leading manufacturer of precision dispensing systems for adhesives based in the USA, is one example. We work with Nordson to develop optimized machinery for the packaging industry and adhesive solutions tailored to this equipment, thereby enabling our customers to reduce energy costs and resource consumption.

Our partnership with KraussMaffei, a leading manufacturer of equipment for producing and processing adhesives, allows Henkel's customers to reduce their environmental footprint. Henkel and KraussMaffei have developed a process for manufacturing the composite components that are increasingly being used in auto body manufacture. Using light, high-strength (i.e. resilient) structural components reduces vehicle weight, making an appreciable reduction in CO₂ emissions.

Henkel also provides Peterson Manufacturing with significant added value. The vehicle lighting manufacturer is located in Missouri, USA, and uses Loctite Multicore HF 212 halogen and lead-free solder paste for circuit boards in LED lighting products. These act as carriers for electronic components. The innovative high-performance for-



Ceresit Impactum is an innovative external thermal insulation composite system.

independent. In addition, its low-cement formulation halves its CO₂ footprint compared with conventional tile adhesives.

Transparency through life cycle assessments

As the global leader in adhesives, we are aware of our responsibility and want to demonstrate our progress in sustainability in a transparent manner. The expert knowledge of our research and development staff and the use of life cycle assessments help us to identify many possibilities for improving our product portfolio. In addition to the composition and production of our solutions, we also take into account customer use and customer production processes. We use the Henkel Sustainability#Master® matrix (see page 19) to assess the sustainability of a product category based on our value chains and six focal areas.

Advice, training and dialog

Our understanding of quality does not end with the sale of high-performance products. We also provide advice and service to our customers all over the world. This allows us to maintain a continuous dialog with our customers and teach them how to use our products and technologies safely and efficiently. We also feel a responsibility to make them aware of the issue of sustainability.

Our General Industry business conducts customer workshops on the maintenance, repair, and servicing of production equipment. Maintenance technicians are given information on the most frequent maintenance problems and their solutions, so they can prevent component and equipment failures. This improves occupational health and safety and makes workflows more efficient.

Henkel Sustainability#Master® – Two-step process (compared to zinc phosphating)

The Henkel Sustainability#Master® shows the sustainability profile of the innovative two-step process for auto body surface treatment. Under the brand name Bonderite, this solution provides advantages in a number of categories compared to zinc phosphating. Dividing the pre-treatment of the aluminum and steel components into two separate steps enables bodies to be

manufactured with a high aluminum content. This reduces the weight of the car and therefore saves fuel. The process is very resource-efficient since fewer chemicals are used, which means that less waste is generated and less time is required to maintain the equipment. In addition, less energy is used due to the lower bath temperature.

| Value | Raw materials | Production | Logistics | Industrial processing | Service / Use | Disposal |
|----------------------|----------------------|------------|-------------------------------|-----------------------------------------|---------------------------------------------|----------|
| Performance | | | | Lower process and maintenance costs | Less etching attack on aluminum | |
| Health and Safety | | | | | | |
| Social Progress | | | | Integration into existing product lines | Makes light auto body construction possible | |
| Materials and Waste | Fewer chemicals used | | | | | |
| Energy and Climate | | | Fewer materials for transport | Reduced energy use | | |
| Water and Wastewater | | | | Less waste generated | | |

Footprint Significant improvement No improvement



Training for greater sustainability

We want all of our employees to act in a sustainable way. Sustainability is therefore an integral part of the global training we offer.



Maria Fernanda Caballero (fourth from the left), responsible for safety, health and environment (SHE), assists with a safety training course for forklift drivers in a Henkel warehouse in Bogotá, Colombia. Special training courses like these help us achieve our long-term goal of “zero accidents.”

We offer an extensive range of training courses in the area of sustainability. These include, for example, courses on occupational health and safety, which has top priority at Henkel. We therefore regularly conduct safety training sessions at all sites that train employees on topics such as protective equipment, fire protection, warehousing, and first aid. Our comprehensive approach to occupational health and safety has proved effective: 90 percent of our worldwide production sites have remained accident-free in 2013.

In addition, special development programs have been offered for the next generation of executives in emerging markets since 2013. Work on cross-functional projects prepares participants for future challenges, including in respect of sustainability.

Our “sustainability ambassador” program was one of our most important training initiatives in the area of sustainability in 2013. The program was developed in 2012 and is aimed at training employees so that they can competently and convincingly convey the importance of sustainability to their co-workers, suppliers, customers, and consumers. It includes a project in which sustainability ambassadors explain to elementary school students what sustainability actually means in our day-to-day lives and how everyone can make their own personal contribution to sustainability.

Henkel has trained around 1,500 sustainability ambassadors since the start of the program and taught more than 15,000 children in 25 countries worldwide.

Our people

We expect an excellent level of performance from our employees, focusing on our vision and values, and we promote them on the basis of their knowledge and skills.

Our human resources management

As a globally operating company, Henkel employs people from over 120 nations in more than 75 countries. Over 80 percent of our employees work outside of Germany. The highly international character and diversity of our company call for a shared vision and actively lived corporate values as elements that unite us and provide a basis for alignment worldwide. The Code of Conduct establishes the framework for how employees behave and act.

Based on our vision and our corporate values, we introduced new Leadership Principles in 2012 that contribute to the successful implementation of our "Strategy 2016." These principles state what we expect of our managers. In order to embed them worldwide, an exchange of experience took place on the subject of leadership in 2013 among the nearly 6,800 people managers in around 350 workshops. Furthermore, we have consistently integrated the principles into the performance evaluations.

We value our employees and their contribution to the company's success. We assess and promote them regardless of their nationality, gender and age / professional experience. Our job vacancies are filled solely on the basis of competence, performance and potential. In an appreciative corporate culture, it is vital to identify and eliminate potential prejudices that could restrict individual development opportunities.

Diversity contributes to corporate success

Workplace diversity, which can also be seen in the attitudes, knowledge, and skills of our employees, is an important value and competitive advantage to us. This is because the different cultures and abilities of our employees play a key role in helping us understand our markets and customers

better, and achieve long-term success. We are addressing this topic worldwide through our Diversity & Inclusion Policy.

In 2013, we developed a wide variety of programs to allow our employees to realize their full potential. These range all the way from special diversity training and individual workshops to global mentoring programs.

More than 100 events and initiatives on the topic of diversity took place worldwide during the "Global Diversity Weeks" in 2013. A shared intranet platform facilitated the exchange of ideas and experience. The campaign also included discussion forums with employees, and representatives from academia and business on such topics as balancing personal and professional life. We received a number of awards in 2013 for successful implementation of our Diversity & Inclusion Strategy. For example, in May 2013, Henkel received the "Most Women-Friendly Employer in the Middle East Award."



Kathrin Menges
Executive Vice President
Human Resources and
Infrastructure Services

"Our employees' understanding and commitment to sustainability is a key factor in our success."



Diversity Weeks

More than 100 events and initiatives on the topic of diversity took place world-wide during the "Global Diversity Weeks" in 2013. Photo: Alfredo Morales (left), Regional Head of Beauty Care Retail Latin America, conducted a diversity workshop in the Bogotá production facility.



Developing female employees

We have continuously increased the share of women in management positions, from a good 26 percent in 2008 to around 32 percent at the end of 2013. Henkel holds a leading position among DAX 30 companies in this respect. To further consolidate this position, we have set ourselves the goal of increasing the share of female managers at all levels throughout the company by an average of one to two percentage points each year. We have intentionally refrained from setting a fixed quota here.

Attracting new talent and optimally developing our global teams

To achieve our strategic corporate goals, we need productive managers, employees, and teams. We want to recruit the best employees to further strengthen our global teams and be perceived as a preferred employer in the markets where we are active.

In 2013, the Finance department therefore addressed the question of how we could compete even more effectively around the world to identify and acquire young talented employees. A global network called "ATTRACT" was established that drives joint activities and ensures that work on these activities is intensified at target universities with the assistance of the professors there. The cross-border recruiting of employees plays an important role here. The department uses a shared internet platform to exchange information between regions.

Training categories in 2013



- 28% Soft skills and communication
- 24% Professional knowledge
- 23% Processes, technologies and tools
- 14% Corporate and business unit-specific initiatives
- 11% Management and leadership competence

Henkel Charter of Work-Life Flexibility

Flexible working models are an important component in the competition for the best talents and an attractive offer for anyone who is faced with the special challenge of balancing personal and professional life.

For this reason, the Henkel Management Board and top management introduced the Henkel global Charter of Work-Life Flexibility in 2012. The basic idea of this Charter initiative is to further increase the acceptance and use of flexible working models. Our managers all over the world are committed to promoting flexible work in their sphere of influence, thus demonstrating personal and solution-orientated engagement in this regard. The Charter was introduced in all regions during the course of 2013.

It is also important to identify, develop and make use of employee potential so as to make the best possible contribution to the success of the company. In the emerging markets in particular, we face the challenge that our company is growing faster than the number of experienced employees. For this reason, in 2013, we developed a concept for rapidly developing the management skills of new leadership talent in the Asia-Pacific region, in which selected employees work on business-

related projects in international teams. In addition to achieving progress on important projects, this next generation of executives also develops important management skills, expands its network, and is mentored by top management.

Continuous training and education

Henkel's success is determined by the knowledge and skills of our employees. Continuous employee development and associated life-long learning are therefore highly important. In addition to day-to-day learning in the workplace, our employees also spend an average of two days a year attending training courses for professional and personal development. In addition to these face-to-face training courses, the new "eCademy" learning platform provides all employees with virtual learning methods. Interactive eLearning courses, videos, and online information sources are available on demand.

Performance-based compensation

Recognition of individual performance on the part of our employees through a fair compensation in line with market practices is a fundamental component of our corporate culture. There is no systematic difference between the compensation received by male and female employees. To reward personal performance, the salaries of approximately 10,000 managerial employees include success-related components. The annual individual performance assessment has a major influence on these bonus payments. While global guidelines exist for the compensation of managers, the incentive systems for our non-managerial employees take into account local requirements.

Regarding bonus payments, the assessment of employees' relevant performance is always done in the context of our vision and our corporate values. Individual target agreements with employees also include sustainability criteria, such as reducing energy and water consumption or accident rates, if these fall within the sphere of influence of the employee concerned and have a clear bearing on business performance. Furthermore, in their target achievement meetings, each employee must confirm compliance with all applicable legal regulations and Henkel standards.

Global health management

We care about the health and performance capability of our employees. We offer targeted health and preventive programs to guard against workplace-related risks that might lead to long-term illnesses. In designing these programs, our sites determine different priorities based on local requirements. In order to better implement these programs, Henkel instituted global codes for health management in 2013.

Human rights and social standards

As long ago as 1994, we declared in our corporate mission that we respect the social values of the countries and cultural spheres in which Henkel operates. We underscored this when we introduced our Code of Conduct in 2000 and when we joined the United Nations Global Compact in 2003.

Our Social Standards, which we introduced in 2006, are derived from the guidelines of the International Labor Organization (ILO), the Global Compact, the OECD Guidelines for Multinational Enterprises, and the Social Accountability Standard (SA 8000). Through training, presentations, and eLearning programs, we ensure that our social standards are firmly anchored. Compliance is verified on a regular basis as part of our Group-wide audit program.



1,500 sustainability ambassadors

By the end of 2013, Henkel had trained around 1,500 sustainability ambassadors, including all Management Board members. They have already had discussions on sustainability with more than 15,000 elementary school children in 25 countries. Photo: Norbert Koll, President, Henkel Consumer Goods Inc., in the USA, at the Copper Canyon Elementary School in Scottsdale, Arizona.

Promoting equal opportunity

The “Fritz Henkel Stiftung” foundation is working with the “Teach First Deutschland” educational initiative to increase educational equality.



“Teach First” fellow Sebastian Kesper helps students at the Freiherr-vom-Stein School in Düsseldorf prepare for their final examination in mathematics.


One of the goals of the “Fritz Henkel Stiftung” foundation is to improve the education and job opportunities for young people regardless of their social background. The foundation expanded its partnership with the “Teach First Deutschland” educational initiative in 2013 and now provides assistance as a senior sponsor for expansion of the program. “Teach First Deutschland” is one of the national partner organizations of the global “Teach For All” network.

University graduates from all disciplines spend two years as “fellows” at a school in a socially disadvantaged area. These temporary teachers help students to improve their performance. In addition to the regular curriculum, the fellows also offer, for example, help with exam preparations, sports courses and coaching for job applications.

Over the long term, these young academics contribute to increasing educational equality for children and young people in Germany.

At the same time, Henkel and the “Fritz Henkel Stiftung” foundation make it possible for the fellows to develop their skills in a real-life environment. Our employees, for example, act as mentors to the fellows and invite them to workshops – such as meetings with “sustainability ambassadors” at the Düsseldorf location.

The “Fritz Henkel Stiftung” foundation also supports the educational initiative in finding other partners in business and society.

 www.teachfirst.de

Social engagement

Together with employees, customers, consumers, and non-profit organizations, we are involved all over the world – especially in the area of education.

“Fritz Henkel Stiftung” foundation

Social engagement – or corporate citizenship – already played a major role for company founder Fritz Henkel and has been a special part of our corporate culture since then. Established in 2011, the “Fritz Henkel Stiftung” foundation has close ties to the company and underscores Henkel’s long-term commitment to social involvement that goes beyond its direct business interests.

The board of the foundation, consisting of two representatives from Henkel management and a member of the Henkel family, determines the main aspects of the foundation’s work. When evaluating and selecting projects, the foundation uses a team composed of current and retired Henkel employees and external experts. Promotion of education is the foundation’s primary goal. The foundation also consolidates our activities in the areas of international emergency aid, global corporate and business unit engagement, and support for volunteer work on the part of our employees in Germany through the MIT (Make an Impact on Tomorrow) initiative. In 2013, Henkel and the “Fritz Henkel Stiftung” foundation supported 2,422 projects with total donations of approximately 7.9 million euros.

Employee volunteering

Through the MIT initiative, Henkel has been providing support for the volunteer activities of its employees and retirees since 1998. In 2013, Henkel celebrated the 15th anniversary of the MIT initiative. To mark the occasion, Henkel provided an additional 87,500 euros of support for three MIT projects. Since 1998, our employees worldwide have taken part in some 10,600 MIT projects in more than 50 countries to help other people.

Business unit engagement

Henkel continued to provide support to projects in 2013, both directly as a company and via its business units. Persil, for example, donated 150,000 euros to support 47 education and development projects for children and young people throughout Germany with the “Project Futurino” initiative. The focus was on projects that promote healthy nutrition and outdoor activities in natural surroundings for children.

Schwarzkopf Professional further expanded the “Shaping Futures” initiative together with the charitable organization SOS Children’s Villages. The goal of the initiative is to train young people in basic hairdressing techniques so they can have a future career. In 2013, courses were run for the first time in Tunisia, South Africa, Slovenia and Russia.

The “HandinHandwerk” initiative of the Metylan, Sista, and Thomsit brands donated one euro for the renovation of a flood-hit kindergarten for each product sold.

Emergency aid

When natural disasters occur Henkel responds quickly and unbureaucratically, providing aid through the “Fritz Henkel Stiftung” foundation wherever it is needed in the world. After the floods in June 2013, for example, we sent product and financial donations to help people in Germany, Austria, and the Czech Republic. We also provided emergency aid for employees affected in 2013 by floods in the Philippines and tornados in the USA. Henkel also provided immediate financial aid for people affected by typhoon Haiyan in November 2013. We are also working with local aid organizations on sustainable reconstruction of the region.

www.persil.de/de/persil-foerdert-kinder.html



www.schwarzkopf-professional.com/social-initiative



More information on social engagement:

www.henkel.com/corporate-citizenship

Dialog for sustainability

More than 7,000 participants at “Earth University” discussed the reconciliation of growth and responsibility for mankind and the environment.



Around 20 discussion sessions at the international forum provided the opportunity for valuable dialog with stakeholders. “Earth University” took place for the fifth time in 2013.

In the spring of 2013, Henkel attended “Earth University” in Paris – a forum at the United Nations Educational, Scientific and Cultural Organization (UNESCO). Business representatives, scientists, politicians, and other stakeholders discussed how companies could reconcile economic growth and sustainable development. The Nobel Peace Prize winner in 2006, Muhammad Yunus, was among the many experts present and opened the conference.

“Earth University” promotes the exchange of information on economic and environmental issues. Uwe Bergmann, Head of Sustainability Management at Henkel, presented the company’s sustainability strategy during a panel discussion

on the topic of “How do we build a society which reconciles economy and environment?”.

Sylvie Nicol, Vice President Human Resources at Henkel Beauty Care, provided information on the company’s diversity strategy. In addition to the panel, dialog between experts, students, and citizens took place at the Henkel information booth.

Henkel also used the event to discuss implementation of its sustainability strategy in France with management the day before the forum and to define projects.

 www.universitedelaterre.com

Stakeholder dialog

Social acceptance of entrepreneurial activities is an essential prerequisite for developing solutions for sustainable development. We therefore engage in dialog with all stakeholders.

Aims of the dialog

Dialog with social groups is important to Henkel as it provides an opportunity to discuss our products, technologies, and the prospects for sustainable development with them. We continuously seek and maintain a dialog with all relevant stakeholders, including customers, consumers, suppliers, employees, shareholders, local communities, government authorities, associations, non-governmental organizations (NGOs), politicians, and academia.

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

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

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

The dialog thus not only makes an important contribution to our innovation management and risk management and forms the basis for the further development of our sustainability strategy and reporting. It is also a socially desirable way to put our knowledge to use on a broader scale.



Sixth German Sustainability Day

Henkel representatives provided information on the company's sustainability strategy during German Sustainability Day. Henkel has been supporting this convention since 2008, which presents the German Sustainability Award for corporate engagement in the area of sustainability.



Discussion forum with Henkel

Experts from business, politics, and society were invited to a symposium organized by the German Chancellery and the German Council for Sustainable Development to mark the 300th anniversary of the term "sustainability." Kathrin Menges, Executive Vice President Human Resources (third from the left), explained the importance of sustainability as one of Henkel's corporate values.



Integrated dialog

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

In 2013, Henkel employees in many countries met again with politicians, scientists and scholars, businesspeople, and members of the general public. Over the course of the year, Henkel took part in about 150 sustainability events in 24 countries.

For example, in March 2013, Henkel took part in a discussion organized by the German Chancellery in collaboration with the German Council for Sustainable Development to mark the 300th anniversary of the term "sustainability" (see photo above).

In May 2013, experts from the consumer goods sector met in Brussels at the "Efficient Consumer Response" conference. The focus of this conference was the question of how the sector could promote sustainable consumption along the value chain.

Henkel also participated as a sponsor in the conference organized by the Argentine Institute for Corporate Social Responsibility (IARSE), where representatives of Henkel presented the company's sustainability strategy and discussed management responsibility and sustainability with participants.

As a partner to the annual German Diversity Award, Henkel has participated since 2011 in honoring employers, individuals, and innovative projects aimed at creating an innovative culture of diversity at work. Kathrin Menges, Executive Vice President Human Resources, took part in the award ceremony in June 2013.

In 2013, Henkel also joined the "Save Food" initiative, which promotes dialog between business, research, politics, and civil society on the topic of food. Henkel supports the initiative, which promotes safe food and less waste, with its expert knowledge in the area of food packaging adhesives.

We discussed our strategy, achievements, and positions with sustainability investors and analysts at special conferences in Paris and Zurich in 2013, and in direct dialog. Investors and analysts also took advantage of our regular conferences and investor meetings to address specific aspects of our sustainability performance and solutions.

Other examples of our integrated dialog:

www.henkel.com/sr2013 | 11

Dialog with politicians and government authorities

Policymakers and government authorities often seek out the expertise of companies in their political decision-making processes. A framework of this kind makes it possible for us to describe how political considerations impact Henkel, its employees, and business partners and for us to provide pertinent experience-based knowledge. Our worldwide “Representation of Interests in Public Affairs” standard provides clear guidance on conduct for this. We also openly provide information about our fields of interest and the scope of our work involving governmental or political affairs through our entry in the Transparency Register of the European Union.

The same applies when we collaborate with associations. Henkel participated, for example, in the Consumer Goods Forum (CGF), the Sustainability Consortium, and the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.) in 2013 to develop a common methodology and basis for measuring the contribution that products make to sustainability along the value chain.

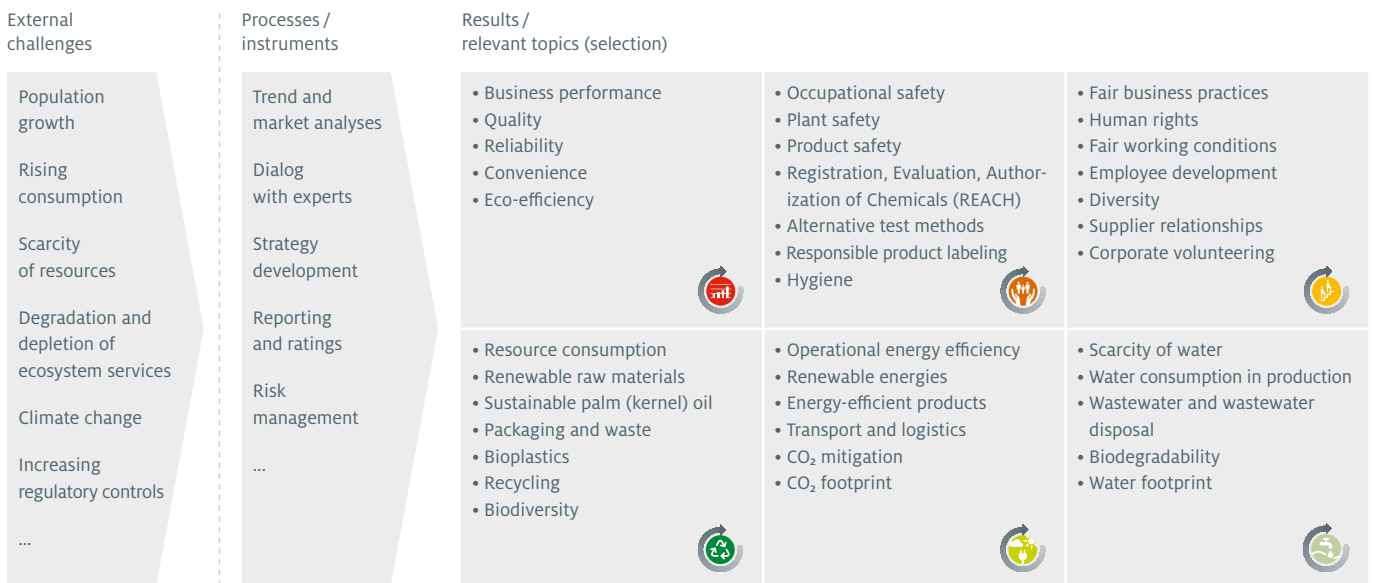
Henkel’s application with the A.I.S.E. for the Product Environmental Footprint (PEF) project was accepted by the European Commission for the second time in 2013. Over the next three years, Henkel will participate in the development and testing of the PEF process in the area of liquid heavy-duty detergents with the objective of measuring the environmental footprint on a common basis.

Identification of key issues

Society and business enterprises alike are facing many different global challenges. In order to filter out which topics are relevant to our business activities, we analyze sustainability challenges using a variety of instruments and processes and assess their significance for the company.

In doing so, we dialog with sustainability-focused institutions, international rating agencies and analysts, and academia. We also consider the assessment criteria of various financial and sustainability-oriented indices and the guidelines of the Global Reporting Initiative (GRI). The results of this continuous process are organized on the basis of our six focal areas for driving sustainable development worldwide through our products and business activities (see graphic).

In dialog with stakeholders: identification of key topics for our sustainability management



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

Indicators

The indicators we record throughout the company help us to identify potential improvements, steer programs and monitor target achievement.

Creating transparency

The indicators we record throughout the company offer transparency. We show the progress of each of our indicators over a five-year period. In this Sustainability Report, we focus on the publication of our globally relevant core indicators. We provide information on other environmental parameters on the internet.

within the framework of our internal audit program. Any differences discovered or reported at a later date are corrected retroactively in our reporting system. Since our production structures are constantly changing – due to the start-up of new sites or closure of existing sites, for example – the number of sites contributing data changes accordingly: from 193 in 2009 to 163 in 2013. To ensure the comparability of the annual data, we also show their progress as an index relative to the volume of production.

We report on the progress of other environmental indicators, such as emissions of sulfur dioxide, nitrogen oxides and dust, and the use of chlorinated hydrocarbons, on the internet: www.henkel.com/sr2013 | 12

Environmental indicators for our production operations

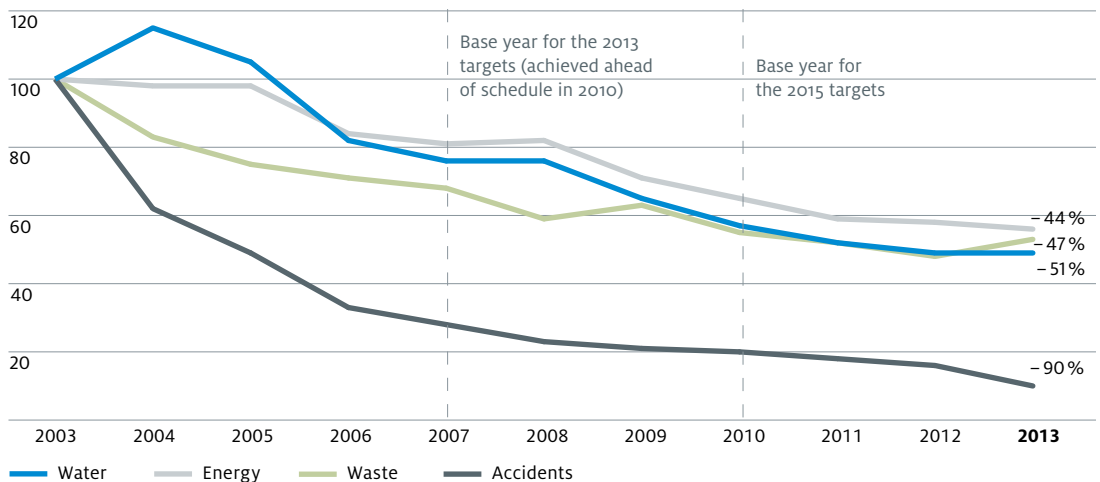
The production-related data for 2013 were determined at 163 of 164 Henkel sites in 54 countries. The data represent more than 99 percent of our production volume in 2013. They are validated centrally for year-end reporting and verified locally

Employee indicators

Occupational accidents are registered using a globally uniform reporting system. 99 percent of Henkel employees are covered. The published employee indicators also cover 99 percent of our employees.

Long-term trend: Sustainability performance from 2003 to 2013

Environmental indicators per metric ton of output, occupational accidents per million hours worked; base year 2003



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

Production volumes

In thousand metric tons

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------|-------|-------|-------|-------|-------------|
| Production volumes | 6,820 | 7,432 | 7,504 | 7,580 | 7,699 |
| Index: Change from 2009 to 2013 | | | | | +13% |

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

Energy consumption

In thousand megawatt hours

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------|-------|-------|-------|-------|-------------|
| Bought-in energy | 758 | 793 | 673 | 665 | 647 |
| Coal | 115 | 119 | 119 | 112 | 114 |
| Fuel oil | 162 | 177 | 167 | 141 | 123 |
| Gas | 1,427 | 1,365 | 1,290 | 1,290 | 1,278 |
| Total | 2,462 | 2,454 | 2,249 | 2,208 | 2,162 |
| Index: Change from 2009 to 2013 | | | | | -22% |

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



Environmental indicators

Index

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

The base for the index is the year 2009 (= 100 percent).

Carbon dioxide emissions

In thousand metric tons

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------------------|------|------|------|------|-------------|
| Henkel's own carbon dioxide emissions | 359 | 342 | 324 | 318 | 308 |
| Carbon dioxide emissions from bought-in energy | 363 | 376 | 335 | 339 | 326 |
| Total | 722 | 718 | 659 | 657 | 634 |
| Index: Change from 2009 to 2013 | | | | | -22% |

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



Emissions of volatile organic compounds

In metric tons

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------------|------|------|------|------|-------------|
| Emissions of volatile organic compounds | 308 | 366 | 324 | 322 | 299 |
| Index: Change from 2009 to 2013 | | | | | -14% |

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



Water consumption and volume of wastewater

In thousand cubic meters

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------|-------|----------------------|-------|-------|-------------|
| Water consumption | 9,169 | 8,758 | 8,112 | 7,734 | 7,801 |
| Volume of wastewater | 4,575 | 4,096 | 3,764 | 3,445 | 3,274 |
| Index: Change from 2009 to 2013 | | | | | |
| | | Water consumption | | | -25% |
| | | Volume of wastewater | | | -37% |

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



COD emissions to wastewater

In metric tons

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------|-------|-------|-------|-------|-------------|
| COD emissions to wastewater | 8,139 | 8,356 | 7,148 | 6,031 | 5,866 |
| Index: Change from 2009 to 2013 | | | | | -36% |

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



Emissions of heavy metals to wastewater

In kilograms

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------------|------|------|------|------|-------------|
| Zinc | 510 | 430 | 465 | 323 | 307 |
| Lead, chromium, copper, nickel ¹ | 465 | 383 | 356 | 287 | 262 |
| Total | 975 | 813 | 821 | 610 | 569 |
| Index: Change from 2009 to 2013 | | | | | -48% |

Since 2010, additional measures have been implemented to reduce emissions of heavy metals to wastewater.

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



Waste for recycling and disposal*

In thousand metric tons

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------|------|------|------|------|-------------|
| Waste for recycling | 106 | 93 | 89 | 79 | 89 |
| Hazardous waste for disposal | 12 | 15 | 15 | 15 | 17 |
| Waste for disposal | 47 | 50 | 45 | 45 | 49 |
| Total | 165 | 158 | 149 | 139 | 155 |
| Index: Change from 2009 to 2013 | | | | | -17% |

* Due to several large building projects, the amount of building and demolition waste rose in 2013 from 12,700 to 27,400 metric tons, thus leading to an increase in the total amount of waste.



Occupational safety



Index

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

The base for the index is the year 2009 (= 100 percent).

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------------------------------------------------------|------|------|------|------|-------|
| Henkel employees | 1.3 | 1.2 | 1.1 | 1.0 | 0.6 |
| Employees of external companies who work at Henkel sites and are directly contracted | 1.2 | 1.0 | 1.1 | 0.9 | 0.5 |
| Index: Change from 2009 to 2013 | | | | | |
| Henkel employees | | | | | - 54% |
| Employees of external companies | | | | | - 58% |

99 percent of Henkel employees were covered.

Serious occupational accidents

More than 50 days lost

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------------------------------|------|------|------|------|------|
| Accidents during typical production activities | 13 | 14 | 11 | 7 | 8 |
| Accidents while walking or moving around (e.g. stumbling) | 9 | 7 | 7 | 6 | 5 |

99 percent of Henkel employees were covered.

Employee indicators



Employees (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------------|--------|--------|--------|--------|--------|
| Henkel worldwide ¹ | 49,250 | 47,850 | 47,250 | 46,600 | 46,850 |
| Structure of workforce | | | | | |
| - Non-managerial employees | 80.0% | 79.8% | 79.9% | 79.4% | 78.7% |
| - Managers | 18.4% | 18.6% | 18.6% | 19.0% | 19.8% |
| - Top managers ² | 1.6% | 1.6% | 1.5% | 1.6% | 1.5% |
| Employee fluctuation worldwide ³ | 4.9% | 4.6% | 5.6% | 5.8% | 4.4% |

¹ Permanent staff excluding trainees, values have been rounded.

² Corporate Senior Vice Presidents, Management Circles I and IIa.

³ Based on employee resignations.

At 46,850, the 2013 headcount was 0.5 percent above the prior-year level. Our corporate strategy and the measures for employee retention and development have further contributed to a low employee fluctuation.

Age and seniority (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------|-------|-------|-------|-------|
| Average seniority in years | 11.0 | 10.3 | 10.2 | 10.4 | 10.3 |
| Average age of employees | 39.3 | 39.4 | 39.4 | 39.6 | 39.6 |
| Age structure | | | | | |
| 16 - 29 | 18.7% | 18.1% | 18.3% | 17.6% | 17.8% |
| 30 - 39 | 34.2% | 34.4% | 34.6% | 34.5% | 34.4% |
| 40 - 49 | 29.7% | 29.7% | 29.4% | 29.6% | 29.1% |
| 50 - 65 | 17.4% | 17.7% | 17.7% | 18.3% | 18.7% |

The average age of our employees has remained constant over the years. This ensures, in accordance with our diversity strategy, that Henkel's workforce is a good mix of experienced older employees and younger employees whose development we can foster.

Nationalities (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------|------|------|------|------|------|
| Henkel | 116 | 119 | 125 | 123 | 123 |
| Managers | 82 | 82 | 91 | 85 | 88 |
| At headquarters in Düsseldorf | 48 | 50 | 53 | 55 | 56 |

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

Percentage of women (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|-------|-------|-------|-------|-------|
| Henkel | 31.8% | 32.1% | 32.5% | 32.6% | 32.9% |
| Managers | 27.4% | 28.7% | 29.5% | 30.5% | 31.6% |
| Top managers ¹ | 16.4% | 17.0% | 18.6% | 18.6% | 19.8% |

¹ Corporate Senior Vice Presidents, Management Circles I and IIa.

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

Part-time employees (as of December 31)

| | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|------|------|------|------|
| Part-time contracts, global | 4% | 3% | 3% | 3% |
| Western Europe (including Germany) | 8% | 8% | 8% | 8% |
| Germany | 10% | 10% | 10% | 10% |

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

Personnel development (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------|-------|-------|-------|-------|-------|
| Internal promotion (managers) | 1,462 | 1,337 | 1,387 | 1,101 | 1,199 |
| International job rotations | 443 | 470 | 475 | 503 | 581 |
| Trainees (Germany) | 511 | 487 | 483 | 489 | 487 |
| Average number of training days | 2 | 2 | 2 | 2 | 2 |

To conduct our global business successfully, international management experience is essential for our managers. The number of international job rotations is thus constantly increasing.

Employees covered by collective agreements

(as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------|------|------|------|------|------|
| Percentage worldwide | 44% | 44% | 44% | 44% | 44% |
| Percentage in the European Union (EU) | 79% | 79% | 79% | 79% | 79% |

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

Employee share program (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------------------|-------|-------|-------|-------|-------|
| Percentage of employees owning Henkel shares | 28.4% | 29.3% | 31.3% | 28.4% | 31.9% |

Around 11,500 employees in 54 countries purchased Henkel preferred shares under this program in 2013. At year-end, some 14,600 employees held a total of close to 3 million shares, representing approximately 1.7 percent of total preferred shares outstanding. The lock-up period for newly acquired ESP shares is three years.

Social engagement (as of December 31)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------------------------------------------------------|---------|---------|---------|-----------|-----------|
| Total number of projects supported | 2,155 | 2,493 | 2,343 | 2,339 | 2,422 |
| Number of people supported | 500,000 | 730,000 | 753,629 | 1,046,321 | 1,147,483 |
| Time off from work for employee-initiated projects (days) | 318 | 54 | 135 | 131 | 51 |
| Donations in thousand euros (financial and product donations, not counting time off) | 7,684 | 6,087 | 6,002 | 7,302 | 7,937 |

The number of projects supported lies at about the same level as the prior year. A more focused selection of projects resulted in a small increase in the number of people supported. Employee projects required fewer days off from work in 2013 than the prior year. Generally speaking, employees may request up to five days off from work per year for volunteer activities. Total donations also increased compared to the prior year. This was due to special involvement in providing emergency aid in Germany and the Philippines.

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------------------------------------|------|------|------|------|------|
| 1. Eradicate extreme poverty and hunger | 21% | 33% | 30% | 11% | 13% |
| 2. Achieve universal primary education for girls and boys alike | 31% | 47% | 23% | 39% | 39% |
| 3. Promote gender equality and empower women | 10% | 2% | 2% | 5% | 4% |
| 4. Reduce child mortality | 6% | 3% | 14% | 8% | 8% |
| 5. Improve maternal health | 3% | 1% | 1% | 3% | 3% |
| 6. Combat HIV/AIDS, malaria and other diseases | 22% | 7% | 20% | 3% | 3% |
| 7. Ensure environmental sustainability | 6% | 6% | 9% | 15% | 15% |
| 8. Develop a global partnership for development | 1% | 1% | 1% | 16% | 15% |

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

Social indicators



External ratings

Henkel's sustainability performance is regularly examined and rated by independent experts, as this increases market transparency.

Ratings and indexes 2013

Henkel's performance in sustainability impressed external experts again in 2013.

For more information on external ratings:
www.henkel.com/sr2013 | 13



Sector leader for seven years in a row

Zurich / New York: For the seventh time in succession, Henkel was listed in both the World and the Europe Indexes of the Dow Jones Sustainability Index as the sustainability leader in the household products sector.



Included for 13 years running

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



Sixth successive listing

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



Listed since 2002

Paris: In 2013, as in previous years, Henkel was listed in the Ethibel Pioneer and Excellence investment registers and was included in the Excellence Europe and Excellence Global sustainability indexes.



Henkel newly included

Paris: Based on a corporate rating by Vigeo, Henkel was included for the first time in the new Euronext Vigeo World 120, Europe 120 and Eurozone 120 sustainability indexes.



Listed since 2010

Hamburg: In 2013, Henkel was again one of only 50 companies worldwide to be listed in the Global Challenges Index.



Recognized again

Munich: In February 2013, Henkel was again recognized by Oekom Research with Prime Status. With the rating B, Henkel was among the best companies in the consumer goods sector.



Listed for the third time

Zurich: In October 2013, STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices.



Best in sector

Frankfurt am Main: In the Sustainalytics 2013 sustainability ratings in terms of the environment, social issues, and good corporate management, Henkel is the world leader in Household & Personal Products compared with other companies in the sector.

Contacts and further publications

Contacts

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

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