

# Sustainability Report 2004



**Henkel**

*A Brand like a friend*

# Contents

## Sustainability performance from 2000 to 2004

Environmental indicators per metric ton of output\*

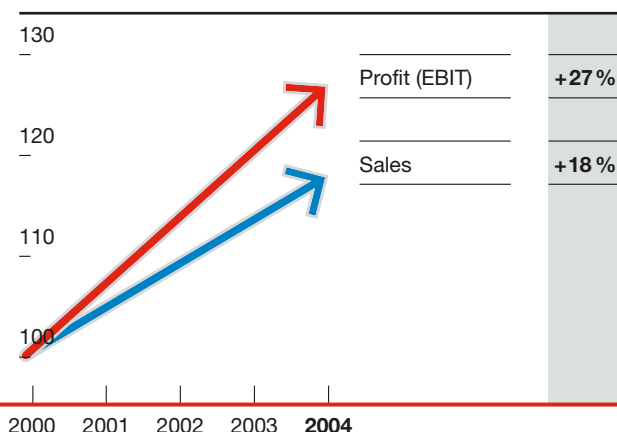
Sulfur dioxide	-59 %	↘
Occupational accidents	-56 %	↘
Heavy metals	-52 %	↘
Water	-28 %	↘
Energy	-13 %	↘
Volatile organic compounds	-12 %	↘
Carbon dioxide	-12 %	↘
Wastewater load	-9 %	↘
Waste	-7 %	↘

\* Occupational accidents per 200,000 hours worked

Performance based on the Henkel Group's continuing activities.

## Business performance from 2000 to 2004

Percent; index 2000



## Vision and Values

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

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

### More information on the Internet

The symbol *i* used at many points in this report indicates that more specific information can be found on the Internet. In addition, more detailed versions of the experts' statements included in this report can be found on the Internet, as well as an index of the reporting elements and indicators of the Global Reporting Initiative (GRI) in this Sustainability Report and this year's Annual Report and on the Internet. All links are provided on the following Internet page:

[www.sd.henkel.com](http://www.sd.henkel.com)

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



## Global challenges – Local responsibility

Sustainability is a global challenge. Yet sustainability can only be achieved if individuals operating in their local communities and workplaces take on the challenge and accept the responsibility. This naturally also applies to us as a company with a global scope.

In our Vision and Values, we have declared our dedication to sustainability and corporate social responsibility, and we assume this responsibility wherever Henkel operates. Our contribution consists of products and technologies to make people's lives easier, better and more beautiful – so that the world is more livable, not only today, but tomorrow, too.

A unilateral commitment to society is not enough. Progress is only possible in cooperation with our customers, suppliers, and all social groups. We must recognize our joint responsibility to harmonize economic, ecological and social goals.

People in different countries and markets have different values, customs, expectations and needs. These differences are taken into consideration by our staff all around the world. Viable solutions for the

future can only be developed through a dialogue with the social groups in each of the communities in which we operate. We also maintain a dialogue with external sustainability experts. We have asked five of these experts to describe the challenges they see in their countries and regions, and those facing a company like Henkel. Their answers support our efforts to find ways of jointly meeting regional and local needs. We have included their statements in this report.

Henkel is part of society and sees itself as a “good citizen.” Our involvement in many different social activities goes well beyond our business interests and deep into the communities where we operate. And in emergency situations, we are there to help. Following the tsunami disaster in the Indian Ocean, we immediately mobilized financial and in-kind donations of one million euros for the survivors. This aid is being distributed by Henkel staff to those in need in the countries that were affected.

We accept the global challenge and embrace it locally.

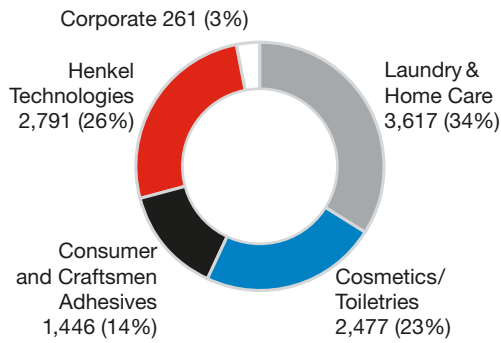
**Prof. Dr. Ulrich Lehner**  
Chairman of the Management Board  
of Henkel KGaA

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

# Henkel in brief

## Sales in 2004 by business sector

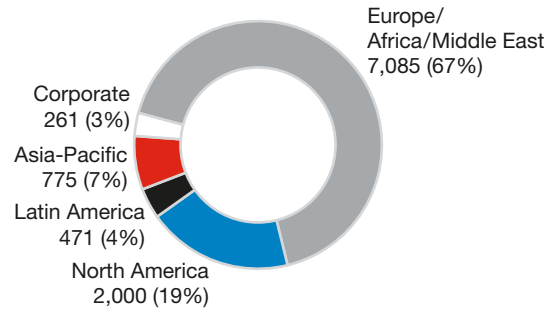
In million euros



**Total Sales 10,592 (100%)**

## Sales in 2004 by region

By location of companies/in million euros



**Total Sales 10,592 (100%)**

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

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

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

## Three areas of competence, four business sectors



Consumers in 125 countries trust in brands and technologies from Henkel. In 2004, Henkel Group sales amounted to 10.592 billion euros. 71 percent of sales were achieved by consumer brands business and 26 percent by industrial business.

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

The Henkel Group employs 51,200 people worldwide, with 10,802 in Germany (about 21 percent) and 40,398 in other countries.

## Quality and innovations

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

The pursuit of new and innovative products and technologies has been a driving force at Henkel for more than 128 years. In fiscal 2004, Henkel invested 272 million euros in research and development. This represents 2.6 percent of sales. Through their work, our scientists and engineers lay the foundations today for tomorrow’s business success and establish the prerequisites for “Quality Worldwide.” 

# » Trust takes years to build, but only a mistake or two to lose.«



» This is especially true for companies with strong lines of personal and home care products, a business where competition is intense, alternatives are plentiful, and reputation is central to customer loyalty. In the coming decade, such companies will be affected by a number of key issues that are prominent in the US business context:

- ▶ **Transparency:** Expectations and mandates with respect to non-financial information will intensify, reaching well beyond environmental issues to encompass social, economic and governance aspects of the company.
- ▶ **Product safety:** A perennial issue for the chemical and health products sectors, and one that historically has intensified in sudden and unexpected ways.
- ▶ **Job quality and security:** Companies seriously committed to human capital development must “walk the talk” through training, livable wages, profit-sharing and other measures that concurrently support corporate responsibility and competitive advantage in terms of attracting, nurturing and retaining top talent.

▶ **Transforming business models from product to services:** Service-oriented business models that substitute knowledge for physical inputs point the way toward dematerialising the production of both industrial and consumer products.

▶ **The United Nations Millennium Development Goals (MDG)\*:** Companies should be asked if what they produce – and how they produce – contributes to meeting these goals in both the domestic and global context. «

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Vice President and Member of the Board of Directors,  
Tellus Institut, Boston, Massachusetts, USA  
[www.tellus.org](http://www.tellus.org)



\*[www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

# Henkel in the USA

Henkel entered the US market in 1960, when it acquired Standard Chemical Products, Inc. Strategic partnerships established beginning in the 1970s with Clorox and later with Ecolab and Loctite led to shareholdings in these companies and to the takeover of Loctite in 1997.

Through the purchase of The Dial Corporation in 2004, the biggest acquisition in the company's history, as well as that of Advanced Research Laboratories (ARL), Orbseal, and Sovereign Specialty Chemicals, the Henkel Group has repositioned itself in the USA.

## Sites

Henkel Group companies presently have 33 sites in the USA. The Henkel Corporation is headquartered in Gulph Mills, Pennsylvania. The Dial Corporation conducts its business from Scottsdale, Arizona.

## Employees

The Henkel Group employs 6,196 people in the USA.

## Sales in 2004

In 2004, the Henkel Group generated sales of 1.891 billion euros in the USA.

### The main brands

- ▶ **Laundry & Home Care:** Purex, Renuzit
- ▶ **Cosmetics/Toiletries:**  
Citré Shine, DEP, Dial, göt2b, L.A. Looks, Tone
- ▶ **Consumer and Craftsmen Adhesives:**  
Duck, Loctite
- ▶ **Henkel Technologies:**  
Bonderite, Hysol, Liofol, Loctite
- ▶ **Food Products:** Armour

## Further information

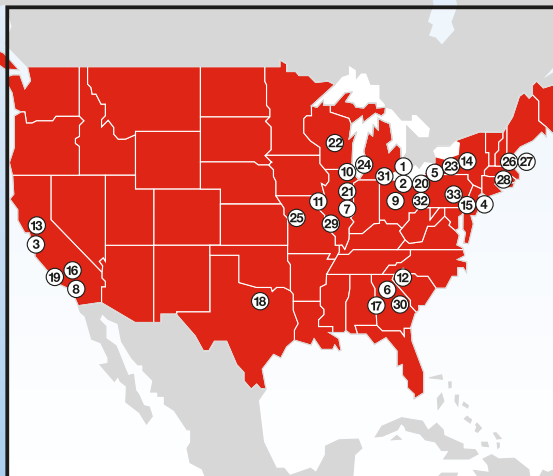
[www.henkel.us](http://www.henkel.us)



göt2b™



**LOCTITE** Bonderite



Akron, Ohio	①	Lewisville, Texas	⑩
Avon, Ohio	②	Los Angeles, California	⑪
Bay Point, California	③	Mentor, Ohio	⑫
Brooklyn, New York	④	Montgomery, Illinois	⑬
Buffalo, New York	⑤	Oak Creek, Wisconsin	⑭
Calhoun, Georgia	⑥	Olean, New York	⑮
Carol Stream, Illinois	⑦	Plainfield, Illinois	⑯
City of Industry, California	⑧	Richmond, Missouri	⑰
Delaware, Ohio	⑨	Seabrook West, New Hampshire	⑱
Elgin, Illinois	⑩	Seabrook East, New Hampshire	⑲
Fort Madison, Iowa	⑪	South Easton, Massachusetts	⑳
Greenville, South Carolina	⑫	St. Louis, Missouri	㉑
Hayward, California	⑬	Tucker, Georgia	㉒
Homer, New York	⑭	Warren, Michigan	㉓
Kimberton, Pennsylvania	⑮	Warrensville Heights, Ohio	㉔
Laguna Hills, California	⑯	West Hazelton, Pennsylvania	㉕
La Grange, Georgia	⑰		

# Management

- ▶ **Sustainability: Global challenges – Regional priorities**
- ▶ **Code of Corporate Sustainability: Behavioral guidelines for sustainable development**
- ▶ **External assessments: An overview of rating results**

## Global challenges – Regional priorities

With its detergents and cleaners, cosmetics and toiletries, adhesives and sealants and surface treatments, Henkel operates in 125 countries. Henkel is expected to assume responsibility for its worldwide activities and apply uniform standards. At the same time, the Henkel Group faces a wide variety of social challenges and local priorities in its various regions and areas of business.

## Worldwide standards

To operate successfully worldwide, Henkel has created a consistent system of values linking more than 50,000 employees from all cultures. One of Henkel's ten basic values is its dedication to sustainability and corporate social responsibility. The system of values is complemented by behavioral guidelines, laying down rules for daily conduct, and globally applicable corporate standards.

## Shared responsibility

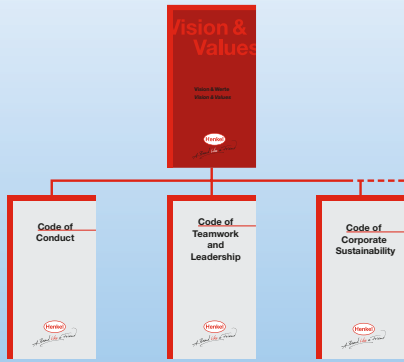
Sustainable development is a challenge involving the whole of society, and viable and permanent solutions can only be found through a dialogue with all social groups. The interests of the different stakeholders must be assessed in relation to one another and continuously reevaluated from case to case. A crucial role is played here by the business sectors and the regional and local managers who are responsible for taking action in conformity with the worldwide standards.


## Regional perspectives

To be able to respond to regional challenges and priorities for sustainable development, Henkel seeks a dialogue with local stakeholders and experts. After including statements from employees, customers and cooperation partners in its previous reports, this year Henkel asked five sustainability experts from Brazil, Germany, India, Russia and the USA to describe the challenges they see facing Henkel in their countries and regions. Their contributions reveal the differences and the similarities in the expectations of stakeholders. Responsible companies must address these expectations. The examples in this report show how Henkel responds to the various regional and global challenges.

## Vision and Values

In all business areas and cultures in which Henkel operates, its vision and the values derived from it are the foundations of the behavior and actions of all Henkel employees. They are the expression of Henkel's corporate culture and adhere closely to the principles of sustainable business practice. During the past year, Henkel's corporate values have been communicated intensively, with the aim of anchoring them more firmly in the minds of all employees.



Henkel has defined its Vision and Values and behavioral guidelines for all employees in a series of booklets. The Code of Corporate Sustainability, for example, establishes the principles of sustainable business practices. 

The corporate values are communicated worldwide through the employee newspaper and other channels.



An important aspect of this was the creation of a symbol for each of the ten values. The symbols serve as simple and compact visual representations of the values. In the employee newspapers, for example, they indicate the values referred to in the individual articles. This makes it easier for employees to relate these values to their daily activities.

**Behavioral guidelines based on Vision and Values**

Henkel’s Vision and Values form the basis for a series of behavioral guidelines for Henkel managers and staff. Existing guidelines have been revised to adapt them to changing requirements and are being published in a number of booklets. These include:

- ▶ Code of Conduct
- ▶ Code of Teamwork and Leadership
- ▶ Code of Corporate Sustainability

**Code of Corporate Sustainability**

Henkel has revised its Principles and Objectives of Environmental Protection and Safety and expanded them to include aspects of social responsibility. The new Code of Corporate Sustainability defines the principles of sustainable business practice at Henkel, which are also the basis for its implementation of the Global Compact. The Code expresses Henkel’s view of its responsibility in concrete terms.

It covers nine aspects:

- ▶ Economic success through sustainability
- ▶ Individual responsibility and motivation
- ▶ Safe and environmentally compatible products and technologies
- ▶ Safe and efficient plants and production processes
- ▶ Treatment of business partners and market behavior
- ▶ Sustainable business processes
- ▶ Technology and knowledge transfer
- ▶ Management systems for clear responsibilities and continuous improvement
- ▶ Open dialogue

**Code of Conduct**

In 2004, Henkel revised its Code of Conduct to reflect continuously changing legal and economic developments throughout the world. The new version is essentially based on the objectives of the original Code of Conduct. Its more detailed and precise requirements provide clear guidelines for daily dealings with or relating to customers, colleagues, shareholders, competitors, the environment and society. The Code of Conduct is designed to help Henkel employees to respond correctly and appropriately when faced with ethical or legal issues, and in their strategic deliberations and decision-making processes. It is complemented by local standards when regional circumstances make this necessary.





In June 2004, United Nations Secretary-General Kofi Annan (left) greeted more than 400 heads of companies at the Global Compact Leaders Summit in New York. Ulrich Lehner (right) attended on behalf of Henkel.

#### Summit meeting at the United Nations

In the company of more than 400 heads of global enterprises, Ulrich Lehner, Chairman of the Management Board of Henkel KGaA, discussed the future of the Global Compact at a summit meeting in New York in June 2004. United Nations Secretary-General Kofi Annan chaired the meeting. Together with representatives of international organizations and governments, the company heads discussed the concrete role of the principles of the Global Compact in an age of globalization and in view of growing international tensions.

At the end of the summit, the participants issued a statement declaring that businesses should work against all forms of corruption, including extortion and bribery. This statement is the 10th principle of the Global Compact. For years, in its Code of Conduct, Henkel has forbidden its employees from offering, granting or accepting any unethical incentives or rewards and from exerting improper influence. <sup>(i)</sup>

The revised Code of Conduct will be introduced throughout the Henkel Group in 2005, backed up by various training and communication measures. As under the previous Code of Conduct, employees will be encouraged to point out infringements. Initially they should speak to the employees concerned, then the respective supervisors, the Human

Resources department or Corporate Internal Audit department. An external "Henkel Compliance Line" has been set up so that infringements can be reported anonymously.

#### Code of Teamwork and Leadership

As early as 1980, Henkel published management principles to provide guidance for the conduct of its managerial staff and employees. These were revised in 1995 and, as the Guidelines for Teamwork and Leadership, have since been an integral element of Henkel's corporate culture. In 2004, the principles were revised again and formulated more concisely. The new Code of Teamwork and Leadership covers six aspects:

- ▶ Inspiring trust
- ▶ Setting targets
- ▶ Assigning tasks and delegating decisions
- ▶ Convincing and motivating
- ▶ Achieving targets and evaluating performance
- ▶ Leading by example

Henkel expects its managerial staff to implement the Code consistently and to be judged by their adherence to it. It expects its employees to provide active support, accept responsibility, continuously develop their knowledge and skills, and to insist on capable leadership.

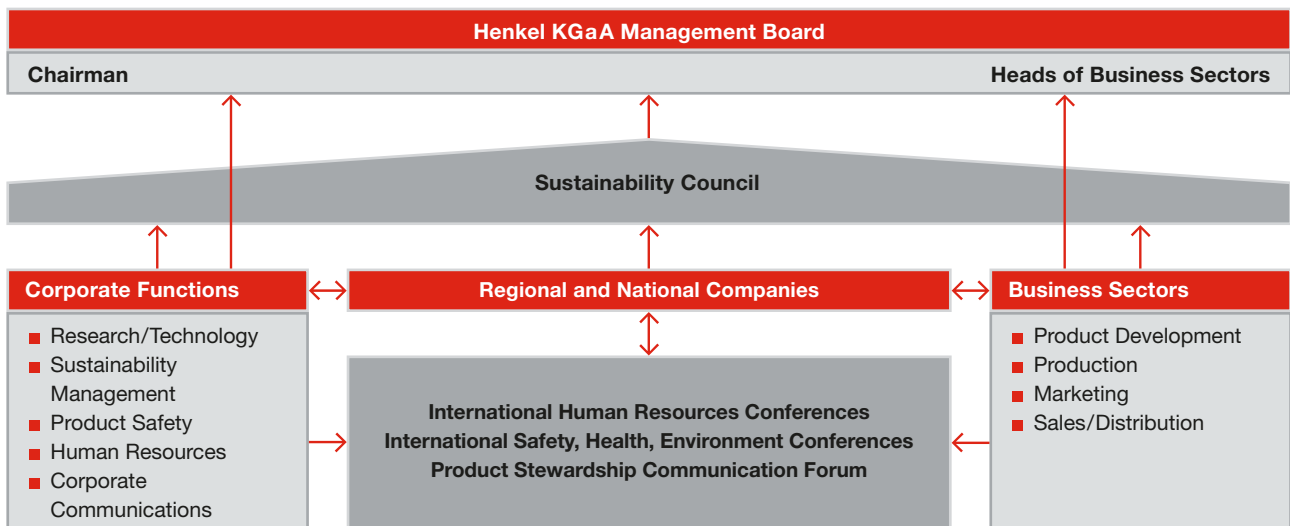
### Standards for sustainability

An international Henkel working group has developed Group-wide sustainability standards. Based on the existing requirements for safety, health, environment and quality, the new standards now also incorporate social responsibility aspects. These are based on the Social Accountability Standard (SA 8000), the OECD Guidelines for Multinational

Enterprises, and the relevant standards of the International Labor Organization (ILO).

In the first half of 2004, a pilot study on the implementation of the new standards was carried out in a number of countries, after which the detailed requirements and the structure of the standards were reviewed in all respects. The results are now being used to draw up implementation schedules for individual aspects. The standards will be in effect Group-wide by the end of 2005.

### Organization for sustainability



The Henkel Management Board bears overall responsibility for sustainability policy. A Sustainability Council, whose members are drawn from the entire Group, steers global activities in collaboration with the business sectors, the regional and national companies, and the corporate functions. <sup>(i)</sup> Henkel's principles for sustainable development are defined in its Code of Corporate Sustainability. Henkel uses integrated management systems to implement these principles. The systems are based on globally uniform standards for safety, health, environment and quality, and are supplemented by requirements for social responsibility. <sup>(i)</sup>

The implementation of the Group-wide standards is regularly checked by means of internal audits (2004: 39 sites). Henkel companies also have their management systems externally certified, if this yields competitive advantages. At the end of 2004, 60 percent of the production volume came from sites certified to the international ISO 14001 environmental management standard. <sup>(i)</sup> 70 percent came from sites certified to international quality management standards.

Henkel's Sustainability Report 2003 has been judged the best report in an evaluation conducted by future e.V., the Institute for Ecological Economy Research (IÖW), and the business magazine *Capital*. The three organizations had reviewed reports

issued by the top 150 companies in Germany. Wolfgang Gawrisch, CTO Research/Technology and Chairman of the Sustainability Council at Henkel, received the award at a ceremony held in Berlin on February 16, 2005.



### Leader in external ratings

In 2004, Henkel's leading role in sustainable development was again confirmed by international rating organizations and sustainability analysts. The Company benefits from the perspectives gained in its dialogue with the analysts.



Zürich/New York: Henkel was listed for the sixth time in succession in the worldwide Dow Jones Sustainability Index (DJSI), and is also in the European DJSI STOXX. [\*i\*](#)



London: For the fourth year running, Henkel was included in the international FTSE4Good ethical index, which was introduced in 2001 by the Financial Times and the London Stock Exchange. [\*i\*](#)



Brussels: Henkel was ranked as the sector leader in the Sustainability Index, established in 2002 by the Belgian rating agency Ethibel. [\*i\*](#)



Paris: Henkel has been included in the Eurozone advanced sustainability performance index (ASPI) of the French rating agency Vigeo since 2001. [\*i\*](#)



Milan: Henkel has been listed in the Ethical Index Global of the Italian financial services provider E. Capital Partners since 2002. [\*i\*](#)



SARASIN

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

### Sustainability leader in consumer goods



The Corporate Responsibility Rating of oekom research AG has given Henkel the highest sustainability rating of twelve internationally operating producers of personal hygiene and cleaning products. Henkel was the top-ranking company in four of the six categories.

Henkel's excellent image has also been confirmed by an opinion poll carried out among members of the public in Germany by the Allensbach Institute for Public Opinion Research. 24.7 percent of the 2,159 participants named Henkel as one the most environmentally conscious companies, ranking fourth among the 30 companies listed in the Deutscher Aktienindex (DAX). [\*i\*](#)

### Corporate Governance at Henkel

Responsible corporate management and controlling, aiming at a long-term increase in value, has always been part of Henkel's identity. Taking into account the special aspects specific to its legal form and articles of association, Henkel KGaA complies in substance with the requirements of the German Corporate Governance Code. The relevant details and the exact text of the Declaration of Compliance can be found on the Internet. [\*i\*](#)

# Product safety

- ▶ **Trust in Quality from Henkel**
- ▶ **Product stewardship**
- ▶ **Basis: Systematic risk assessment**

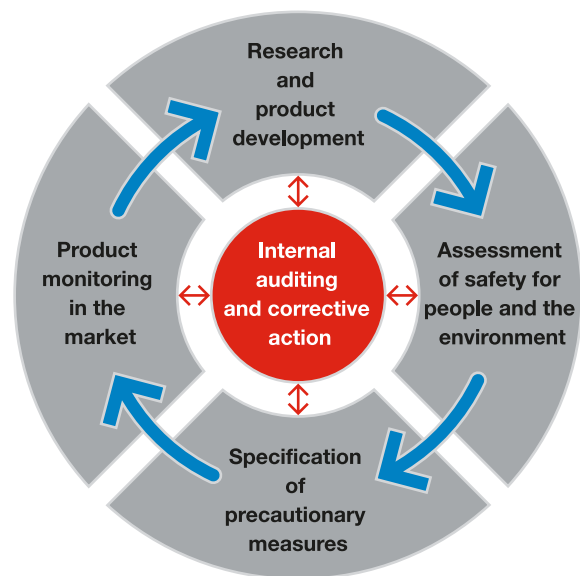
## Quality from Henkel

The first-class quality of our products means more than convenience and high product performance. It includes all-encompassing product safety and ecological compatibility. Customers and consumers alike can depend upon the fact that Henkel products and technologies have been tested thoroughly to ensure that, when used as intended, they are safe for health and the environment. Potential risks that may be associated with new products are systematically assessed as early as the research and development phases.

## Identifying hazards – Assessing risks

In assessing the safety of a product, the first step is to determine whether its ingredients could pose a hazard to people or the environment. Does a substance have harmful effects? Is it corrosive or toxic, for example? If so, an exposure analysis is carried out in a second step to clarify the extent to which people and the environment could be exposed to this substance. In most cases, a harmful effect will only occur when the quantity and concentration of the substance reach a certain level. The results of these two steps have to be combined to arrive at a comprehensive risk assessment. Only then is it possible to determine whether a product is safe for its intended use. A simple example is acetic acid, which we use in diluted form on our food, but can cause serious harm in high concentrations.

## Implementation within the Company



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

## Product safety: Implementation at Henkel

### ▶ Substance assessment

Henkel's product safety experts check whether substances are fundamentally suitable for use in the kind of product and application envisaged. The use of substances with certain dangerous properties is precluded for specific applications from the very start. Substances that are carcinogenic, mutagenic or could endanger reproductive capability may not be used in consumer products. Other substances are subject to strict conditions and constraints imposed by Henkel itself.



» **Successful companies can exist only in successful and sustainable societies.**«



» Henkel's products have the potential to transform local cultures by impacting life styles, aspirations and sustainability practices. Future success will depend on Henkel's ability to innovate on products/ services that make people's lives easier, better and more beautiful, in a culturally sensitive and economically relevant fashion. This translates into a number of strategic challenges, which are also Henkel's biggest challenges:

- ▶ To capitalize on the newly emerging opportunities at the bottom of the pyramid by serving over half a billion people, a vast majority of them with low purchasing power, with an innovative class of environmentally sound, low resource consuming products/services which are appreciative of local culture and social context.
- ▶ To evaluate, in line with Henkel's product stewardship efforts, the sociological, ecological and toxicological aspects of its business processes, products/services and raw materials over the global value chain – and to integrate social and environmental parameters in product development and marketing decisions.

▶ To tailor and adapt Henkel's business processes and practices to generate outcomes that are culturally inclusive and exceed community expectations as well as local standards in meeting environmental and social needs, by creating best-in-class practices adapted to Indian requirements and communicating with the relevant stakeholders.

▶ To help build capacity and transfer technology by partnering and sharing best practices along the value chain in order to bootstrap the performance of suppliers and competitors – without compromising Henkel's own competitive advantages. «

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# Henkel in India

As early as 1989, Henkel acquired an interest in SPIC Fine Chemicals for the purpose of producing laundry detergents. Using Henkel expertise, the Calcutta factory produced the first phosphate-free detergents for the Indian market. Today, the Henkel Group produces and markets in India detergents and household cleaners, cosmetics and toiletries, consumer and craftsmen adhesives, and industrial adhesives, sealants and surface treatments.

## Sites

The Henkel Group has six production sites in India.

## Employees

1,074 people work for the Henkel Group in India.

## Sales in 2004

In 2004, the Henkel Group generated sales of 48 million euros in India.

### The main brands

► **Laundry & Home Care:**

Chek, Henko, Mr. White, Pril

► **Cosmetics/Toiletries:**

Fa, Margo, Neem

► **Consumer and Craftsmen Adhesives:**

Loctite

► **Henkel Technologies:**

Loctite, P3, Teroson

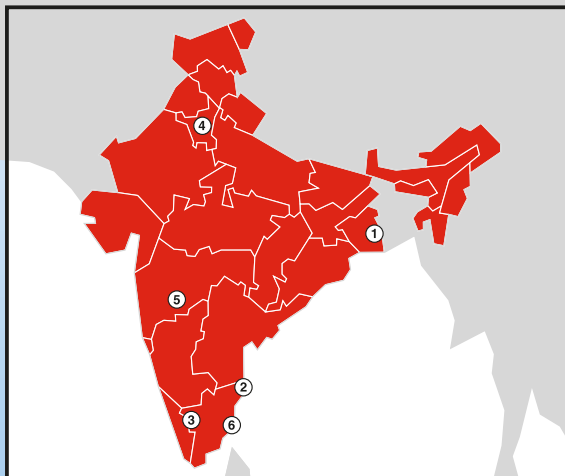
## Further information

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



**LOCTITE**

**Teroson**



Calcutta	①
Chennai/Ambattur	②
Coimbatore	③
Gurgaon	④
Jejuri	⑤
Karaikal	⑥



### Quality from Henkel

*For the fourth time, Persil and Schwarzkopf are among the most trusted brands in Germany and Austria.*

*This conclusion is based on annual surveys carried out by Reader's Digest in 14 European countries.*

#### ► Product assessment

The formulated product is then assessed again. The properties of the individual ingredients, their concentrations in the product, and the conditions under which the product is to be used are evaluated. Products that will come into contact with human skin are also tested dermatologically. Depending on whether the product is intended for consumers or for industrial use by trained personnel, Henkel optimizes the necessary precautionary and protective measures. These may range from the design of the packaging to detailed instructions for use or the replacement of certain ingredients by more suitable substitutes.

#### ► Continuous monitoring

Henkel's products are monitored continuously in the market by product developers and product safety experts, whose findings are channeled into the product assessment process. Consumer contacts are a particularly valuable source of information. New scientific findings are also taken into consideration. Precautionary and protective measures can thus be modified immediately, whenever this should prove necessary.

### Controversial ingredients

The safety of the chemical ingredients in products is a recurring subject of controversy. The public perception of the risks associated with certain substances often differs from the assessments of scientists. There are many reasons for this. The potential

hazard that a substance might pose to people and the environment is frequently equated with a direct risk, without taking into account the actual level of exposure to the substance. Moreover, the perception of risks depends to a large extent on a society's values and the feelings of the individual.

Such controversies always prompt Henkel to carry out assessments with particular diligence. Raw materials are thus examined on the basis of their specific properties and the intended use of the product.

The possible harmful effects of phthalates, for instance, are often debated as though all phthalates constituted a uniform group, because they have similar chemical structures. However, the individual substances in this group differ widely from each other in terms of the hazards associated with them and the risks they pose. For example, the available scientific studies show that there is no risk associated with the use of diethylphthalate (DEP) as a denaturant for ethanol or as an ingredient in aroma chemicals, purposes for which Henkel employs this substance in a number of cosmetic products. This absence of risk was confirmed in December 2003 by the Scientific Committee on Consumer Products (SCCP), which advises the European Commission on scientific matters. ⓘ

# Laundry & Home Care



## Variety in concert: High performance, low dosage

Consumer preferences differ and reflect the spirit of the times, even when it comes to laundry. The Belgians, French, Italians and Americans favor liquid detergents. Standard powder detergents predominate in Greece, Italy, Spain, Portugal and Russia, while the Dutch prefer compact varieties. And though consumers in France tend to use pre-measured detergents, Italians, in particular, prefer to measure out the amount themselves.

To lessen the burden on the environment, Henkel continuously works to increase the performance of

all of its detergents while reducing the dosage. In the case of standard powder detergents, in 2004 Henkel became the first company in Germany to reduce the amount of detergent per wash cycle to 100 grams, one third less than it was as recently as 1993. The necessary dosage of Persil Megaperls has also been reduced by another 10 percent, to 67.5 grams.

Improved performance can only bring about a reduction in the burden on the environment if the correct amount of detergent is actually used. This is why Henkel puts a high priority on providing effective consumer information. In Europe, this includes clear dosage instructions on the package, practical dispensing aids, the TheoPrax laundry

### Focus on sustainability

Henkel occupies a leading position in the laundry detergent and household cleaners market. This has been achieved by responding to consumer needs as well as providing products that are safe and convenient to use. One of Henkel's success strategies is the use of specifically tailored regional brands. A Group-wide formulation information system helps to ensure that Henkel products are safe for health and the environment anywhere in the world. Only tested raw materials and approved formulations may be used.

To foster preventive consumer and environmental protection, Henkel already complies with the requirements of the European Union's Detergent Directive, which will come into force in October 2005. Potentially sensitizing perfume ingredients have thus been declared since the

summer of 2004, and the biodegradability requirement has been satisfied for many years.

A priority objective in product development is to combine steadily improving detergent performance with lower temperatures and further reductions in the amount of product that has to be used. Product life cycle assessments are a fundamental aid in these efforts. The most recent examples of sustainable innovation are the nanotechnology-based glass cleaner Sidolin and the further reduction in the dosages of heavy-duty detergents. Another contribution to even better customer orientation is the Europe-wide harmonization of consumer advice services and the service hotlines.





tips which are provided on the Internet, and the Europe-wide Washright initiative of the European Soap, Detergents and Maintenance Products Industry Association, AISE. <sup>(i)</sup>

### Algeria: Excellent hygiene performance

In many emerging economies, the hygiene expectations on detergents and household cleaners differ from those in most of Europe. The products must be powerful and versatile.

Chlorine bleach is a low-cost and effective cleaning agent and disinfectant. It is used for a large spectrum of tasks, to clean kitchens and bathrooms, to bleach white laundry, to wash dishes, and often to disinfect drinking water and clean fruits and vegetables. The problem is that chlorine bleach frequently contains impurities, including heavy-metal compounds, which make it relatively unstable, so that it breaks down during storage and becomes less effective. Moreover, a dichromate dye is usually added to chlorine bleach to turn it yellow and thus ensure that there is no danger of it being confused with other colorless liquids. This practice is questionable, however, as the dichromate is a carcinogen.

In 2003, Henkel launched on the Algerian market Bref Eau de Javel, a chlorine bleach produced using a new filter technology that ensures it is free of impurities. Bref Eau de Javel therefore has a much longer shelf life and is highly effective. In addition, Henkel makes no use of the questionable dye, but uses yellow packaging to alert consumers to the nature of the product.

The superior quality and modern packaging of Bref Eau de Javel have set new standards in the

Algerian market, and the product is already firmly established with a market share of about one third. In May 2004, Bref Eau de Javel was launched on the Tunisian market.

### Longer-lasting cleanliness

With its new nanotechnology-based Sidolin streak-free glass cleaner with alcohol for extra sparkle, Henkel ensures that glass surfaces stay clean longer. The finely dispersed nanoscale particles in the cleaner attach themselves to the glass in a regular pattern. Because they are chemically similar to glass, these tiny particles, which have a diameter of only about ten millionths of a millimeter, adhere especially well to the surface, the water-attracting nanoparticles creating a long-lasting protective coating. The coating allows rain to run off in larger areas and more evenly, so far less dirt remains on the glass, which stays sparkling and clean longer.

The nanoparticles remain on the glass surface for weeks or even months, with the advantage that bathroom mirrors and car windshields fog up less.

The nanotechnology-based glass cleaner has been launched under the brand names Sidolin, Instanet and Clin with Nano-Protect in Germany, Belgium, Austria, Hungary, Poland and Romania.

# Cosmetics/Toiletries



## Hair like silk

Many consumers wish they had supple, smooth, silky hair. The longer hair is, the more it suffers from frequent washing, blow-drying and exposure to sunlight. The hair loses important substances that are needed to keep its surface smooth.

In Liquid Silk, a new Gliss Kur range of hair care products, Henkel has succeeded in transforming the main components of natural silk – fibroin and sericin – into liquid form and incorporating them in Gliss Kur products. They collect around the hair fibers and fill any gaps. They thus smooth the hair's surface, make it easier to comb, and protect it. Not only can the silky effect on the hair be felt, but it has also been confirmed through studies conducted by the German Wool Research Institute. In 2004, Gliss Kur Liquid Silk was successfully launched Europe-wide.

## Looking good

Pimples and blackheads are not only a problem for adolescents, but also for many men and women over twenty. The cause is often an imbalance in the skin flora.

Henkel has therefore developed two care ranges based on the prebiotic principle. An innovative formula containing tea and ginseng extract encourages the growth of beneficial microorganisms and simultaneously inhibits the harmful ones. The skin flora is stabilized and can again perform its natural protective function. The skin becomes clearer and healthier.

In contrast to conventional products whose broad-spectrum antibacterial effect helps to treat blemished skin, prebiotic substances are better tolerated by the skin and act more selectively against undesirable microorganisms. Pimples and black-

### Focus on sustainability

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

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

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

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



heads are cleared up quickly, lastingly and gently, the skin is provided with sufficient moisture, and its protective function is reinforced.

Since March 2004, Diadermine Purity with tea and ginseng extract has been available on the French market. In July 2004, the Aok Pur Balance care range, also with tea and ginseng extract, was launched in Germany.

### New Europe-wide regulation of cosmetic products

Increased consumer information and safety is the objective of the Seventh Amendment to the EU Cosmetics Directive, which goes into effect in March 2005. One of the main provisions of the amended directive is for the packaging of products with a minimum shelf-life of more than 30 months to carry an indication of the period of time after opening during which the product can be safely used. The period must be indicated by a symbol showing a half-open jar of cream with a number beside the letter "M." This stands for the number of months the product can be used after opening without being harmful to the user.

Another new provision concerns the aroma chemicals that have previously been declared on packaging under the collective term "perfume." Several thousand different aroma chemicals are used in cosmetic products. Observations in dermatological hospitals have focused attention on 26 substances

### Community center officially opened in Bolivia

In November, 2004, Schauma advertising endorser Verona Pooth officially opened a new health and community center in the SOS children's village of "Veronas Casitas" in El Alto, Bolivia. Verona Pooth is one of the main financial supporters of the village. As part of the activities marking 100 years of Schwarzkopf shampoo, from September to December 2003, Henkel donated 10 cents per double pack of Schauma family shampoo for the construction of the health and community center. A total of 250,000 euros were raised in this way.

At present, 140 children are provided with day care, a healthy diet, and medical care and support. The center is extremely important to mothers of young children, who can leave their children in the supervised day nursery, so that they themselves can work and thus help to support their families.

that can cause allergic reactions in especially sensitive persons. If the concentrations of these substances in a product exceed certain levels, they must now be declared individually on the product package. This will be particularly helpful to allergy sufferers in choosing suitable products.

In addition, the EU directive obliges manufacturers to make additional product information accessible to interested consumers. Henkel has taken measures to ensure that it will be able to answer consumer queries in all 25 languages of the European Union.

# Consumer and craftsmen Adhesives



## Clever reinforcement – Power Pritt Gel

The Power Pritt Stick now has company: Multipurpose Power Pritt Gel, expanding Henkel's product range and setting a new standard in all-purpose adhesives. This novel adhesive in gel form, with its extra-strong power formulation, can bond a wide variety of materials, such as felt, cloth, paper, leather, polystyrene, wood, and many plastics. The gel consistency makes work quick and clean – without the problems of stringing and running so often experienced with all-purpose adhesives.

Thanks to its top-down bottle and its special consistency, the adhesive is immediately available. Practically no residue is left in the bottle. Another advantage of this ergonomically designed bottle is the slide at the bottom edge of the bottle. It can be operated with one hand, so that the gel can be applied precisely in tiny dots or in a broad line.

Like all Pritt products, the multipurpose Power Pritt Gel is solvent-free and has no odor. It can also be washed out at 60 degrees Celsius.

Multipurpose Power Pritt Gel has already been launched in 12 European countries. By the end of 2005, it will also be available in Chile, Mexico, Australia and New Zealand.

## Contact adhesives in Mexico

In October 2003, Henkel took over the Mexican adhesives producer Resistol. Some of Resistol's contact adhesives contain the solvent toluene, which can be misused as an intoxicant by glue sniffers. After the acquisition had been finalized, Henkel immediately developed a strategy, tailored to the Mexican market, to replace toluene in the contact adhesive formulations. Accompanied by a broad public information campaign, the first step was

### Focus on sustainability

Henkel is a world leader in adhesives and sealants, technologically and ecologically. Solvent fumes are a major source of environmental pollution associated with bonding. For many years, Henkel has been consistently replacing solvent-based adhesives with high-performance waterborne products. Where technical requirements or market conditions make this difficult, Henkel looks for alternative solutions and sets up long-term substitution programs.

Henkel's adhesives developers rely on renewable resources to optimize product characteristics. The Pritt Stick is an internationally known example of this. It is now formulated almost completely on the basis of renewable raw materials.

A key driver for the sustained market success of Henkel adhesives is that they are designed for convenient and safe use. Current examples include the solvent-free multipurpose Power Pritt Gel and the recently introduced lighter Easy technology with increased surface coverage for Ceresit floor leveling compounds.





taken in late 2004, when contact adhesives for consumers were switched to the new formulation.

A crucial success factor is the positive communication of these changes to consumers and craftsmen. Confidence in product performance must be maintained by sensitively carrying out and explaining adjustments to the formulations. Consumers will only accept successfully communicated changes that offer clear advantages. Through extensive surveys, Henkel identified customers' product expectations. On the basis of this information, it developed a new formulation for a Mexican contact adhesive. This new adhesive is now toluene-free and offers much shorter drying times – convincing advantages over its predecessor. In the long term, Henkel is working toward eliminating the use of toluene in all of its consumer and craftsmen adhesives in Mexico.

### Ceresit Easy technology: Lighter and better

With Ceresit Easy technology, Henkel successfully established a new generation of efficient and powerful tile adhesives in the European market. This technology has now been transferred to other product categories. In 2002, Henkel launched two tile adhesives for natural stone and marble, and a floor leveling compound followed in October 2004.

The weight of the Ceresit Easy products was considerably reduced by the use of lightweight fillers made of glass recycle. An 18-kilogram sack of tile

adhesive, for instance, is seven kilograms lighter and can be used to cover thirty percent more surface area than conventional products – and it is easier to work with.

Ceresit CN 75 EasyPlan floor leveling compound is also a top-performance product. It is easy to use, requires only a short drying time before flooring can be laid, and, like the other Easy products, covers a significantly greater surface area than conventional products despite its lower weight. This simplifies the work of craftsmen and conserves resources.

The advantages of Easy technology have convinced the market. In launch year 2002, sales were already three times the plan target, and they doubled again by the end of 2004.

### Pritt and Duck help the disabled

Henkel Türk A.S. has supported Tesyev, an organization for the disabled, with the help of Pritt and Duck, the leading adhesives brands in Turkey. In the past two years, Henkel has donated around 100,000 euros to Tesyev, which champions equal opportunities and the integration of disabled people in Turkey. In particular, it supports participation in sports activities as a means of promoting the self-confidence and improving the quality of life of the disabled. Henkel's donations have helped to fund projects like a wheelchair tennis course for beginners, a wheelchair soccer tournament, and an orchestra. In addition, many Henkel Türk employees made important personal contributions by helping to organize sports events.

# Henkel Technologies



## Solar cells on a roll

Solar power is one of the most important renewable energies. At present, however, only a fraction of its potential is being tapped. Up to now, it has not been possible to use many large surfaces in metropolitan areas – such as the flat roofs of warehouses, shopping malls, schools, and office buildings – as they are not designed to support the weight of conventional solar cells and their fastenings.

Solar Integrated Technologies (SIT) of California (USA), is now offering flexible, lightweight, thin solar cells on roofing membranes as a solution to this problem. Henkel, as its strategic partner, is making a major contribution through its industrial adhesives. Purmelt and Macromelt hotmelts securely bond the solar cells and their electrical wiring

to the roofing membranes and offer lasting resistance to the elements and ultraviolet solar radiation. The solar cells can be simply rolled out on flat roofs and connected to any number of additional modules.

In late 2003, the first solar roof incorporating the new technology was successfully installed in southern California, followed by eight more in 2004. Clients are enthusiastic, and Coca-Cola and the school district of San Diego, California, have already commissioned additional projects.

## Innovative coil coating

Products made from steel coil are a part of our daily lives. They are used for a wide variety of applications – from façade claddings to car bodies to housings for domestic appliances and computers.

### Focus on sustainability

Henkel Technologies, global market leader in adhesives, sealants, and surface treatment, offers individually tailored system solutions worldwide. In dialogue with its industrial customers, it addresses their specific problems and jointly develops new processes with them. Work is often carried out in a team context together with plant manufacturers and suppliers of raw materials. Henkel continuously develops innovative products and technologies which offer customers benefits in environmental and health protection and are also economically advantageous. In many cases, optimized processes result in major reductions in costs for energy, water, and waste disposal. Society

benefits from these innovations, as they reduce consumption of resources and prolong the products' service life. Examples include chrome-free processes to protect automobiles against corrosion, efficiency-boosting, solvent-free packaging adhesives, and weight-saving adhesives that are resistant to extreme temperatures for the aerospace industry.

Tailor-made adhesives and sealants from Henkel Technologies also make a major contribution to the development of new, clean sources of energy such as fuel cells and flexible, lightweight solar cells.



The steel is usually protected against corrosion by subjecting it to pretreatment, then applying a primer, followed by a coat of paint. This requires extensive production facilities, used to coat almost six million metric tons of steel coil each year in Europe alone.

Henkel researchers have now developed a range of environmentally compatible coatings. They simplify the process considerably and require up to 70 percent less energy. Novacoat 1600 UV unites pretreatment and priming in a single work step. All that remains to be done is to apply the solvent- and heavy-metal-free coating, which then cures under ultraviolet light in a fraction of a second.

Coatings previously had to be hard-baked in long furnace lines at 250 degrees Celsius. With the new “2in1” steel coating method, Henkel Technologies has succeeded in creating an innovative, resource-conserving process concept.

After successful trials on the pilot plants of several steel producers, Henkel now aims to gain a competitive advantage in this hard-fought market.

### Lead-free solder pastes

Life would be unimaginable without electronic devices. In cell phones and computers, household appliances and cars, they store information and control sequences of operations. Lead-based solder paste has traditionally been used for the electrical connections between the individual components of these devices – chips and circuit boards. The continued use of such pastes will be drastically restricted by two EU directives – “on the restriction of the use of certain hazardous substances in electrical and

electronic equipment” (the RoHS Directive) and “on waste electrical and electronic equipment” (the WEEE Directive) – which will take effect in July 2006.

Henkel has worked closely with its partners and customers to develop alternatives well before the directives come into force. One such alternative is the lead-free solder paste Multicore LF 320, which has a lower minimum peak reflow temperature, 229 degrees Celsius, than the 240 degrees Celsius required by comparable lead-free pastes.

To help establish the new lead-free solder products in the market, Henkel held numerous seminars worldwide in 2004 in cooperation with machine manufacturers, to familiarize customers with the theory and practice of the technology. Henkel expects that a quarter of the solder paste sold in 2005 will be lead-free.

#### Award for Multicore



The respected SMT Magazine presented Henkel with its “Vision Award” in 2004 in recognition of lead-free Multicore LF 320 soldering paste.

# Social commitment

- ▶ **Henkel Smile: Corporate citizenship at Henkel**
- ▶ **MIT Initiative: Corporate volunteering**
- ▶ **Henkel Friendship Initiative: Rapid and unbureaucratic aid**

Henkel's social commitment is firmly embedded in its corporate values and corporate history. As responsible members of society, the Henkel Company and the Henkel Family, as well as their employees, have consistently helped people in many different ways.

The Henkel Group has now brought all of the instruments of its corporate citizenship activities together under a single umbrella in the "Henkel Smile" program:

- ▶ Support for projects and initiatives – community involvement
- ▶ The MIT Initiative (Make an Impact on Tomorrow) – corporate volunteering
- ▶ The Henkel Friendship Initiative
- ▶ Donation management

Through this concept, Henkel also wants to link its sponsoring activities more closely with its social commitment and to encourage its sponsorship partners to support charitable projects.

The total amount spent by the Henkel Group in 2004 for its corporate citizenship activities was about five million euros.

## Community involvement

Henkel's Community Involvement program stands above all for social commitment at the Henkel Group sites all over the world. Through it, the Company supports projects in the areas of schools, education, youth and mass sports, art, culture, the environment, health and science. The target groups are employees, their families and friends, and neighbors of the Henkel sites. This program is complemented by the philanthropic activities of our brands and technologies.

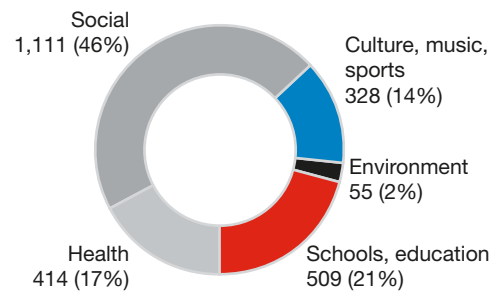
## MIT Initiative: Volunteer work

Since 1998, Henkel has supported non-profit projects through the MIT Initiative by providing financial and in-kind donations, depending on what is required, or by allowing employees to take time off from work. Henkel's employees and pensioners support these projects by doing unpaid volunteer work. This voluntary commitment by its employees reflects perfectly the Company's slogan "A Brand like a Friend." A total of 598 MIT community projects, assisted by employees and pensioners from 36 Henkel companies worldwide, were supported in 2004.

Through the MIT Network, employees who have already enjoyed the support of the MIT Initiative have launched initiatives of their own. The MIT Network in Düsseldorf, for example, collected footwear and clothing for the fourth time in succession for an aid shipment to Belarus. The Network has

### MIT Initiative 1998-2004

Projects by topic



**Total 2,417 (100%)**



A donation by the Henkel Friendship Initiative helped to build a school in Saridalli, Anatolia, in Turkey (photo left). For years, containers had been used as classrooms. The "Saridalli Henkel Primary School" was opened in mid-October 2004.



For the fourth time, members of the Düsseldorf MIT Network packed up footwear and clothing donated by employees for the needy in Belarus (photo right). The collection resulted in 116 pallets of in-kind aid.

its own MIT database, which all employees can draw on for information, tips and advice about volunteer work. [i](#)

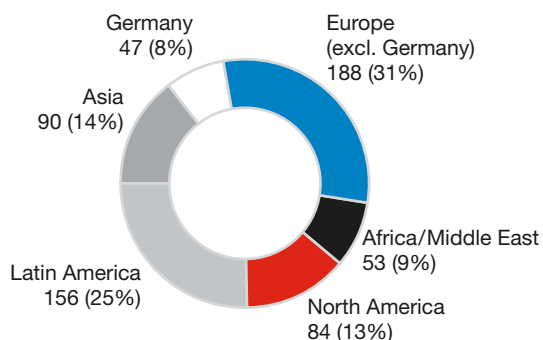
### MIT children's projects: Active worldwide

Since 2001, Henkel has donated one million euros each year to support volunteer work by its employees and pensioners for children's projects worldwide. So far, more than 35,000 needy children and young people in more than 90 countries have been helped. In 2004, assistance was provided for an additional 188 MIT children's projects in 65 countries. The international character of these projects is an important factor in establishing the MIT Initiative at Henkel companies in all regions of the world.

MIT children's projects mainly focus on work with schools, vocational training facilities, orphanages and child shelters, hospitals and street children.

#### MIT Children's Projects 2001-2004

Projects by region



**Total 618 (100%)**

Efforts to help HIV-infected children deserve special mention.

### Henkel Friendship Initiative: Quick response

For people in need throughout the world, it is especially important that aid be provided quickly and unbureaucratically. The Henkel Friendship Initiative e.V., established in 2003, enables Henkel to deliver direct financial and in-kind assistance to the places where it is needed, especially in response to major disasters. One of the first examples was immediate help for victims of the earthquake of May 2003 in Algeria. This was followed in 2004 by projects in Kenya, Nigeria and Turkey, among others. In December 2004, the Henkel Friendship Initiative e.V. provided prompt assistance for tsunami victims. The Henkel Friendship Initiative grew out of the Henkel-Förderwerk Genthin e.V., which was founded in 1991 and operated on a regional level.

### Donation management: Targeted help

In addition to the support provided by the Community Involvement program, the MIT Initiative, and the Henkel Friendship Initiative, Henkel also promotes philanthropic projects all over the world, coordinated through the corporate donation management system. The focus is on social issues (above all, initiatives against xenophobia, racism and violence), schools and education, science, art and culture, health, sports, and the environment. Political parties are not supported.



# Employees

- ▶ **Family and career: First audit completed**
- ▶ **Corporate culture: Global management survey**
- ▶ **European Works Council: Representatives from new EU countries**

Major acquisitions in 2004 have made the Henkel Group even more international. About 79 percent of the 51,200 employees work outside of Germany. Worldwide, some 7,590 employees hold managerial positions, and about 23 percent of these are women. In recent years, this percentage has been much higher among newly hired staff.

At present, the main issues in the area of employee orientation are the continuous improvement of corporate culture on the basis of systematic employee surveys, training and development, and the improvement of leadership quality. Measures relating to these themes in 2004 included the revision of the Guidelines for Teamwork and Leadership (now named Code of Teamwork and Leadership) and the continuance of the programs for achieving a balance between family and career.

In November 2004, Henkel announced a new restructuring program aimed at strengthening the Company's long-term competitiveness. As a result, 3,000 jobs are expected to be shed by 2006. The employees' representative bodies are being informed and consulted at an early stage. Members of the workforce who are affected by this program have a right to be treated in a socially responsible manner, in line with Henkel's corporate culture, so that personal hardships can be minimized as far as possible.

## Support in balancing family and career

Henkel wants to help its employees to coordinate their dedication to their careers and plans for their private lives. In recent years, the "Family & Career" working group has initiated several pilot projects at

### Employee orientation

Employees are the most important resource of a successful company. This is why Henkel invests in the knowledge, creativity, social competence and commitment of its employees.


Open communication and recognition of individual performance reinforce identification with the Company's objectives. Henkel uses flat hierarchies, target-oriented management, performance-related remuneration, regular assessments, and continuous learning to closely link the personal dedication of employees and the success of the Henkel Group.

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

Group headquarters in Düsseldorf to gain more knowledge of how work schedules can be made even more flexible and employees can be given greater support in finding day care solutions.

On the basis of this experience, some of these projects are now to be launched at other German sites, having been adjusted to meet local situations. For example, it will be possible to consult the external "Family Service" bureau. This organization offers parents individual guidance in finding day care options for their children or other family members, and can put them in touch with qualified care personnel if necessary.



Henkel KGaA was designated a "Fair Company" by the German careers and business magazine *Junge Karriere*. A Fair Company must commit to the five rules of the Fair Company Code and does not replace full-time jobs by positions for trainees or interns. 



### "Career & Family" audit

In 2004, with the help of the independent Career & Family institute [Beruf & Familie], an initiative of the Hertie Foundation, Henkel carried out a Career & Family audit in Düsseldorf-Holthausen. As part of an auditing workshop, a project group formulated extensive aims and activities, including those relating to flexible working hours and better reintegration of employees after a period of family-related absence. Concrete targets for the next three years were then defined and confirmed by the Company. As a result, Henkel was awarded a preliminary certificate [Grundzertifikat] in December 2004. In 2007, if the follow-up audit determines that the targets have been achieved, the Company will be awarded the full Career & Family certificate.

### Global management survey

In October and November 2003, Henkel carried out for the first time a global management survey based on the Denison culture indicators. Some 4,600 Henkel managers from 60 countries answered questions in twelve value categories which influence corporate performance. The Denison culture indicators enabled Henkel to compare the results with those of other companies for the first time. More than 500 companies in 80 sectors use this system.

The evaluation of the survey results that was presented in February 2004 revealed both strengths and weaknesses. While Henkel received high scores for "organizational learning," employees found it weaker in "strategic direction and intent" and "vision." Working groups in all regions of the world

evaluated the results. Newly developed action programs are dealing with specific problems on the local level. More than 400 individual projects have been started.

A second survey in November 2004 examined whether the initiated projects had already brought about an improvement in the corporate culture. The results were presented in February 2005. They show the effectiveness of the initiated activities. Not only did the response rate increase from 61 to 80 percent – a remarkable figure for an online survey – but the results showed a clear improvement.

By carrying out regular and systematic corporate culture surveys and instituting action programs based on these, Henkel aims at improving its long-term foundations for growth, profitability, innovation, and employee satisfaction. Its goal is to be among at least the top 25 percent in all dimensions of corporate culture.

### Enlarged European Works Council

In 1995, Henkel was one of the first German companies to voluntarily set up a European Works Council (EWC) to continue the successful cooperation between management and employees' representatives at the European level. At the beginning of May 2004, only a few days after the Accession States joined the European Union, the EWC was enlarged to include representatives from these countries, so that it now has 28 members from 16 countries.

Through the EWC, Henkel informs the representatives of its European companies about matters such as the economic situation, transnational initiatives of the Company like restructuring or reorganization



The European Works Council (EWC) met in early May 2004 in Düsseldorf- Holthausen (left). The representatives of the ten new EU states were present for the first time.

In May 2004, all employees at the Düsseldorf- Holthausen site were able to take a personal diabetes risk test. The Company's medical staff, the BKK Essanelle (a health insurer), and the Deutsche Diabetiker Bund (German diabetics association) provided information at stands.



programs, safety, health and the environment, and training and development programs. Henkel informs and consults its employees' representatives before decisions are made. This helps Henkel to identify possible problems at an early stage, so that solutions can be found, and it reinforces its employees' sense of identification with the Company.

### Preventive health care

In 2004, Henkel again carried out programs designed to maintain and improve the health and wellbeing of its employees, and thus to foster the performance of each individual and of the Company as a whole. In developing their health programs, the Henkel companies emphasized different aspects, depending on national and cultural factors. The programs ranged from non-smoker seminars and information on stress management to health check-ups and AIDS prevention. <sup>(i)</sup>

As part of the Company's efforts to continuously improve preventive health care measures, an annual conference takes place enabling the physicians of all Henkel companies in Germany, as well as the Human Resources departments, to compare notes. The findings are also made available to the sites outside of Germany.

### Developing individual skills

Henkel has been using the Management Competencies Assessment (MCA) worldwide since 1998 as a tool for judging the performance of managerial staff. In 2004, the MCA was thoroughly revised, with

assessments to be carried out annually rather than every two years, to encourage more frequent feedback meetings and thus to continuously promote the individual development of staff.

The assessment criteria were harmonized with the criteria of Henkel's other assessment tools, such as those used for hiring tests and by assessment centers. The twelve management competencies cover aspects of personal commitment, problem solving capability, and the ability to work in a team. The MCA helps supervisors and staff to analyze requirements, conduct and skills. On the basis of strengths and weaknesses identified in each case, appropriate training measures can be defined and development possibilities identified. In order to optimally link assessment and training, core elements of the training program have been realigned so that they also reflect the twelve dimensions of the MCA.

## » Being a good citizen and an active participant in society.«



» The main challenge for a multinational corporation operating abroad may well be to responsibly exercise its rights and fulfill its duties.

As a good citizen, a corporation is expected to be sustainable, competitive and profitable, and to promote through its activities the social, economic and environmental advancement of society where it operates.

In exercising its corporate rights, Henkel should assert its leadership by overcoming difficulties due to institutional conditions, as related to the stage of development of the specific country, in a lawful and ethical manner. In Brazil, this would entail focusing on:

- ▶ strengthening the local capital market;
- ▶ setting high standards for suppliers of materials and services and reaching all income levels and regions with quality products.

In fulfilling its duties toward society, Henkel should develop a set of actions that contribute to the common good, while enhancing its corporate profile. For Brazil this could mean addressing:

- ▶ consumer information about sustainable practices;
- ▶ use of natural products and water savings in the production process;
- ▶ support of the young, especially the urban underprivileged, through educational and sports initiatives; and
- ▶ strict safety and security measures in the workplace, in transportation and in product use and disposal. «

**Henrique B. Cavalcanti**  
President of FUNATURA,  
former Minister of Environment and the Amazon,  
Chairman of the 3rd. Session, UN Commission on  
Sustainable Development  
[www.funatura.org.br](http://www.funatura.org.br)



# Henkel in Brazil

Henkel entered the Brazilian market in 1955 when it founded the joint venture company Henkel do Brasil. The first production facility for P3 products and textile and leather auxiliaries was opened in 1958. Today, the Henkel Group markets and produces in Brazil cosmetics and toiletries, consumer and craftsmen adhesives, and industrial adhesives, sealants and surface treatments. Activities in Brazil, Chile and Argentina are now steered through Henkel Limitada.

## Sites

The Henkel Group has four production sites in São Paulo.

## Employees

The Henkel Group employs 651 people in Brazil.

## Sales in 2004

In 2004, the Henkel Group generated sales of 95 million euros in Brazil.

### The main brands

► **Laundry & Home Care:**

Bonacure, Igora

► **Consumer and Craftsmen Adhesives:**

Loctite, Pritt

► **Henkel Technologies:**

Liofol, Loctite, Optal, Technomelt, Teroson

## Further information

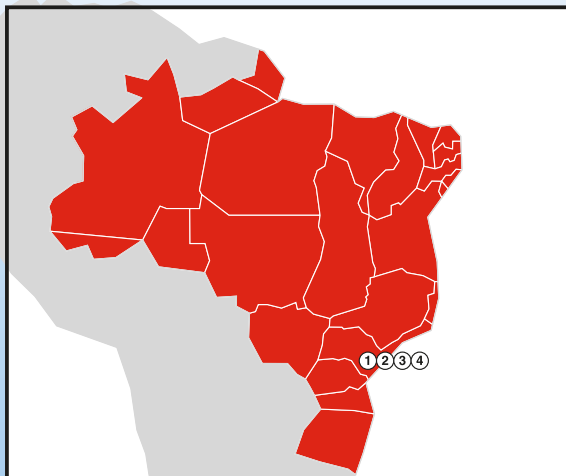
[www.henkel.com.br](http://www.henkel.com.br)

IGORA



LOCTITE

technomelt  
supra



- Diadema/São Paulo ①
- Itapevi/São Paulo ②
- Jacarei/São Paulo ③
- Vinhedo/São Paulo ④



# Regions

- ▶ **Internal audits: High standard confirmed**
- ▶ **Alignment to regional challenges and local needs**
- ▶ **Worldwide: Projects to reduce carbon dioxide emissions**


## Worldwide responsibility

Henkel sites throughout the world work continuously to improve safety, health and environmental protection, promote employee development, and assume social responsibility in their communities. This section describes these activities at a number of individual sites and the measures and programs they use to respond to the challenges in their regions and align themselves to local needs. The regional maps on pages 28 to 31 provide an overview of the production facilities of the Henkel Group, regional developments, and audit results in 2004.

To further improve the efficiency of production structures throughout the Group, Henkel again reviewed its existing capacities during the past year and realigned individual businesses. One site was sold during the year under review, and three were closed. Fifteen new sites were added through acquisitions. Where necessary, newly acquired companies are brought up to the standards of the Henkel Group.

## Dual approach

In addition to the Group program for the prevention of occupational accidents, the business sectors have also launched programs and initiated measures to raise employee awareness of occupational safety still further and eliminate causes of accidents. For example, the Laundry & Home Care sector's Go Accident Level Zero (GOAL Zero) program has


resulted in a reduction in accidents at its sites from 1.4 per 200,000 hours worked in 2003 to 0.8 in 2004, while the number of days lost have fallen by 63 percent from about 6000 days to 2200. The combination of centrally steered and locally initiated activities was crucial to this success. The target for 2005 is a further 35 percent reduction in the number of accidents. As part of an international pilot project, the business sector is examining whether certification of its occupational health and safety management to the international OHSAS 18001 standard can contribute to further improvement. 

## Latin America: Employee survey

Henkel Limitada, the regional headquarters for the Henkel companies in Brazil, Chile and Argentina, underwent a reorganization in 2003 and 2004. As part of this process, Henkel Limitada polled the approximately 850 employees in the region. The aim was to generate a detailed picture of the work climate in all three countries as a basis for identifying potential improvements. The survey was accompanied by strong support from top management, as well as a broad-based communications campaign. This proved so successful that about 90 percent of the employees took part.

The results were communicated to all employees in December 2004. Analyses showed that workplace conditions and the credibility of the company were rated as positive, but that there was room for improvement in management style and communication. The next step will be to create an internal working group, made up of employees from all levels

At its site in Avon, Ohio (USA), the Henkel Corporation produces consumer and craftsmen adhesives. For the fifth time in a row, this site has won the "NorthCoast 99 Award" as one of the best places to work. Companies are rated in the following categories: benefits, communication, com-

munity service, compensation, diversity, recruiting, workplace health and safety, and training and development. Despite its high scores last year, Henkel improved again in five of the eight categories, including training and development, and communication. 



HONORING 99 OF THE BEST PLACES TO WORK IN NORTHEAST OHIO

and sites, for the purpose of reinforcing existing strengths and mitigating weaknesses. The working group will formulate improvement measures to be implemented in 2005.

**Brazil: Easy learning**

At the Diadema site in Brazil, employees, especially those who work in production, attend a weekly training session on safety, health, environment and quality. Short films are used to communicate the issues in an easily accessible way. Care is taken to prepare and present the themes in a manner appropriate for a Brazilian audience, so that the information will be absorbed by employees who do not warm to other training methods. The concept has won such wide acceptance in Diadema that it will be extended to other sites in Brazil in 2005.

**Worldwide: Efficient energy use**

Climate change is one of the biggest challenges of our age. This is why Henkel has been taking action for many years to reduce carbon dioxide emissions that arise from energy consumption at its sites and from the use of its products. At its sites, Henkel has been working toward reducing direct and indirect carbon dioxide emissions by improving energy efficiency and switching to other fuels. The measures listed in the table are examples of current projects. They have helped the Henkel Group to reduce its carbon dioxide emissions per metric ton of production by 12 percent between 2000 and 2004.

**Projects for reducing carbon dioxide emissions**

<b>Germany</b> Düsseldorf-Holthausen	Avoidance of carbon dioxide emissions equivalent to 9 percent through use of carbon-dioxide-neutral fuels from production residues.
<b>Germany</b> Krefeld	20 percent reduction in energy consumption through process optimization, e.g. by modifying a heating chamber.
<b>Germany</b> Wassertrüdingen	65 percent reduction in carbon dioxide emissions by converting the heating system from oil to gas.
<b>India</b> Karaikal	12 percent reduction in energy consumption by optimizing various processes. Energy audits will identify further potential savings.
<b>Poland</b> Racibórz	22 percent reduction in carbon dioxide emissions by modernizing production plants.
<b>Russia</b> Perm	13 percent reduction in energy consumption by optimizing various processes.
<b>Russia</b> Tosno	20 percent reduction in energy consumption per metric ton of product by modernizing the compressor station.

**Immediate aid for tsunami victims**

To help the victims of the Indian Ocean tsunami of December 2004, Henkel immediately donated 500,000 euros in cash and another 500,000 euros in goods through the internationally operating Henkel Friendship Initiative e.V. The national Henkel companies in the affected countries organized on-site assistance quickly and unbureaucratically. For example, employees at the site in Karaikal, one of the seriously affected Indian cities, joined in the efforts to aid the victims by providing immediate technical support as well as in-kind and financial donations.



Satish Kumar (fourth from right), Managing Director of Henkel India, and VR Veerappan (third from left), head of Technology, visited a devastated village on the Indian Ocean near the Karaikal factory. Together with the Henkel Group, Henkel India provided aid to flood victims in the form of food, clothing and

tents. Furthermore, Henkel India is helping to rebuild an elementary school in neighboring Nagapattinam and construct a multifunctional shelter.

Additional offers of help by Henkel employees and pensioners are being coordinated through the donation management program of the Henkel Friendship Initiative. Henkel focuses in particular on long-term projects. Support will therefore be provided for projects aimed at helping people in the most devastated regions to rebuild their lives.

#### **New Zealand: Committed to cutting waste**

The intensive involvement of the 60 employees at the Auckland site was the basis for the success of a waste avoidance and recycling program there. To begin with, the environmental awareness of the employees was raised by training, such as how to recognize and sort waste. These topics were also integrated into the regular health and safety meetings. Finally, an inventory of the types and quantities of waste was carried out, together with an analysis of the options for re-use or optimal disposal. As a result, disposal costs were reduced by 47 percent.

Two examples. A service provider was found who refines waste oil and turns it into heating oil. And the local animal shelter now uses the site's shredded paper as litter.


#### **USA: Points for safety and health**

In Seabrook, New Hampshire, the Henkel Corporation produces industrial adhesives and sealants for the aircraft and electronics industries and for medical equipment. In addition to the existing health and safety activities, the site management has introduced something new. Employees' personal efforts toward safety at work and preventive health care, suggestions for improving workflows, and outside volunteer work are rewarded in the form of points. Employees have earned points for taking fitness and first aid courses, involvement in local youth groups, as a coach, for example, donating blood, and other in-company and socially-oriented activities. The points can be exchanged for jackets, hats or tops bearing the company logo, or for time off. No wonder every employee took part in the program, participating in four activities per quarter on the average.

#### **Algeria: Henkel ENAD signs environment contract**

In March 2004, Henkel ENAD and the Algerian Ministry of Regional Planning and the Environment signed a contract to continue their joint environmental protection activities. In so doing, Henkel ENAD committed itself to ensuring that its sites in Chelghoum Laïd, Réghaïa and Aïn Témouchent will be certified to ISO 14001 by the end of 2006, to reduce dust emissions and wastewater loads, and to further improve working conditions in production, waste management and recycling. Henkel informs the Ministry every six months about the



In January 2004, Henkel SPIC India was awarded the 2002-2003 Environmental Prize of the Federation of Indian Chambers of Commerce and Industry (FICCI). The President of India, Dr. A. P. J. Abdul Kalam (right), presented the prize to the Chairman of the Supervisory Board of Henkel India Ltd., Dr. A. C. Muthiah. 

progress made, exchanges experience with the Ministry, and supports it in the field of environmental communications.

### Spain: Ideas for the environment

Creative employees with innovative ideas are essential to Henkel’s competitiveness and business success. The suggestion scheme at the La Coruña site is ideally designed to encourage this. In 2004, to ensure that the experience and creativity of its 170 employees are utilized more effectively for the improvement of environmental protection and health, additional training courses were held and prizes awarded for new suggestions. The results were most gratifying. Employees submitted 350 ideas, ranging from saving energy to improving occupational safety. One suggestion had extremely impressive results: a change of valves cut water consumption in production by 20 percent.

### Worldwide: Social commitment

Henkel companies worldwide demonstrate their social commitment in their communities in many different ways. The Henkel Smile projects shown in the table are just some of those supported by Henkel companies and through the commitment of their employees in 2004.

#### Henkel Smile projects

<b>Brazil</b>	Collecting clothes for the needy in Diadema, São Paulo
<b>Chile</b>	Support for a project for children in Santiago de Chile who suffer from cystic fibrosis
<b>China</b>	Construction of the Henkel Sunflower nursery school for orphans in Tianjin
<b>Germany</b>	Support for “Miteinander leben e.V.,” a charitable organization for the disabled in Genthin
<b>Hungary</b>	Donation of 100 ultrasonic inhalers for children with pseudocroup in Budapest
<b>India</b>	Training farmers in modern agricultural methods in Karaikal
<b>Poland</b>	Support for a project to promote environmental awareness among children in Racibórz
<b>Russia</b>	Medical aid in Moscow and Berlin for children who were severely injured in the terrorist attack in Beslan
<b>South Africa</b>	Support of an orphanage in Alrode
<b>Turkey</b>	Construction of an elementary school in Saridalli, Anatolia
<b>USA</b>	Support for therapy project “Drumming out drugs” for children and young people in Cromwell, Connecticut

### Great Britain: Strong as a team

Henkel Loctite Adhesives produces consumer adhesives at its Winsford site in Great Britain, where it employs about 400 people. In 1998, Henkel reorganized its production system, introducing team-based work, to enable it to satisfy growing consumer demands, increase efficiency, and to respond more flexibly to the needs of its employees. At the same time, an extensive training program was developed to ensure the successful implementation of this team-based approach. Individual human resources

In February 2004, Henkel KGaA, Düsseldorf-Holthausen, was awarded the INTEGRATIO prize by the Kaiserswerth Diakonie, a church-based social work organization, and the Stadtparkasse Düsseldorf, a local bank, for the “exemplary integration of the disabled in the workplace.” Apprentice Katja Fellenberg, who is confined to a wheelchair with myasthenia, nominated Henkel for the prize.



development plans were drawn up for all employees in consultation with their supervisors. The new organization required highly-skilled employees willing to accept responsibility and, at the same time, offered employees new opportunities to further their careers. Employees can obtain national vocational qualifications (NVQs) through flexible means, either on-site training or by distance learning involving online instruction.

In the past 5 years, Henkel in Great Britain has obtained 450,000 euros in government grants to support its employee training initiative. More than 85 percent of employees have taken advantage of the program to enhance their skills and earn formal certification of these vocational qualifications. Henkel has received acknowledgements of the success of the training program from all quarters. At its annual conference in September 2004, the British Trades Union Congress praised Henkel’s policy of investing in its employees as an example of best practice.

### Worldwide health promotion

While taking national circumstances and local needs into consideration, Henkel companies in all regions of the world promote employee health. The activities listed in the table provide an overview of the wide variety of health initiatives.

#### Health initiatives

<b>Brazil</b> <b>Diadema/ São Paulo</b>	Gymnastics at the workplace; raising employee awareness of health issues
<b>Canada</b> <b>Brampton, Ontario</b>	Purchase of a second automatic external defibrillator (AED) to help prevent sudden death from cardiac arrest; training of first aid providers in handling the equipment
<b>Germany</b> <b>Genthin</b>	“Health” working group; various preventive measures, e.g. cancer prevention and back exercises
<b>Germany</b> <b>Hamburg</b>	Eye pressure measurements for all employees
<b>Germany</b> <b>Genthin, Krefeld, Hamburg, Heidelberg, Viersen-Dülken und Wasser- trüdingen</b>	Purchase of automatic external defibrillators (AEDs); training of first aid providers in handling the equipment
<b>Hungary</b> <b>Barcs, Körösladány, Szolnok, Vác</b>	Health insurance for all employees; establishment of company sport clubs
<b>India</b> <b>Karaikal</b>	Free checks-ups for employees
<b>Indonesia</b> <b>Cimanggis/ Jakarta</b>	Health forum for employees on “Stress in the workplace”; continuation of the forum with other subjects
<b>Lebanon</b> <b>Beirut</b>	Non-smoker initiatives
<b>Poland</b> <b>Wrząca</b>	Health and occupational safety training for administrative staff
<b>South Africa</b> <b>Alrode/ Johannesburg</b>	Courses to raise employee awareness of HIV/AIDS and prevention measures
<b>USA</b> <b>Avon, Ohio</b>	Purchase of a second automatic external defibrillator (AED)
<b>USA</b> <b>Seabrook West, New Hampshire</b>	Free flu shots and regular blood pressure and cholesterol checks



# Europe



● Countries with production sites

Europe is traditionally the Henkel Group’s biggest market. In order to better serve Eastern European markets, a new factory for building and construction products has been opened in the Ukraine.

By acquiring Sovereign Specialty Chemicals, Henkel gained a European production site for adhesives and sealants. And with the acquisition of Concorde, it added a production site for industrial water treatment products.

In 2004, 20 production sites were audited, 17 of them for the second time. Many of the sites were found to be exemplary. At one site, however, the safety, health and environment management system did not yet measure up to Henkel’s standards. In addition, the storage of dangerous substances needed to be improved at some sites.

## Production sites in Europe

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

# Africa/Middle East



The focal point of Henkel's operations in the Africa/Middle East region is the Mediterranean area. The production sites acquired in recent years have been further modernized and expanded.

In 2004, four sites in the region were audited, one of them for the first time. The safety, health and environment management system was not yet completely in place at the site undergoing its first audit, and plant maintenance did not measure up

to Henkel's requirements. At another site, the auditors identified a need to remedy shortcomings in the handling of a dangerous substance and inadequate occupational safety measures during installation work. Appropriate improvement measures were immediately initiated.

## Production sites in the Africa/Middle East region

### Serbia-Montenegro

Krusevac



### Slovenia

Maribor



### Spain

Abrera/Barcelona



La Coruña



Malgrat



Montornés



San Adrián



Santa Perpétua



Alcalá de Guadaira/Seville



### Sweden

Göteborg



Mölnålar



### Switzerland

Erlinsbach



### Turkey

Cayirova



Izmir



Tuzla



### Ukraine

Balakleya



Vyshgorod/Kiev



### Algeria

Aïn Témouchent



Chelghoum Laid



Réghaïa/Algiers



### Egypt

6th of October City



Port Said



### Iran

Ghazvin



Saveh



### Israel

Haifa



### Kenya

Nairobi



### Lebanon

Beirut



### Mauritius

Terre Rouge



### Saudi Arabia

Jeddah



Riyadh Central



Riyadh Industrial City



### South Africa

Alrode/Johannesburg



### Syria

Aleppo




### Tunisia

Sfax



Tunis/Mornag



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

# Asia-Pacific



● Countries with production sites

The Henkel Group strengthened its position in the adhesives and technologies business in the growth markets of Asia and the Pacific through acquisitions in Australia and China. In the laundry and home care business, Henkel took over a production site in Korea.

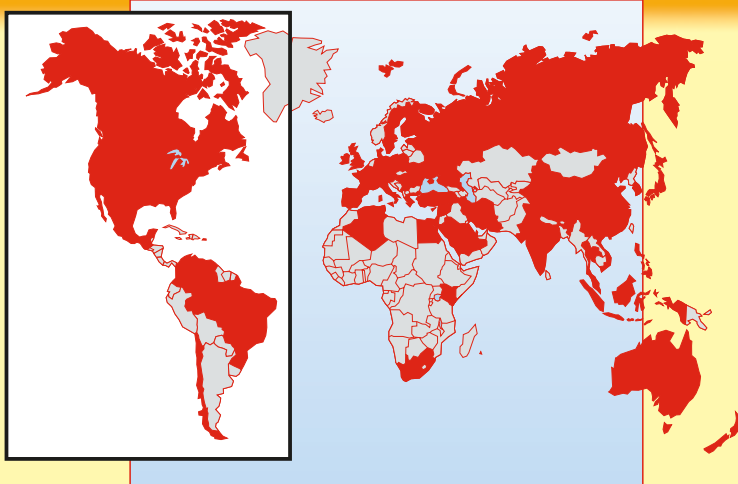
In 2004, a total of 12 production sites were audited, 11 of them for the second time. The repeat audits revealed exemplary standards of safety, health

and environmental protection. At three sites, the auditors identified a need to improve the handling of dangerous substances. Appropriate measures were initiated immediately. Another audit detected an urgent need to take action, as contractors' employees were receiving inadequate instruction and supervision.

## Production sites in the Asia-Pacific region

<b>Australia</b>		<b>India</b>		<b>New Zealand</b>	
Campbellfield		Calcutta	■ □ ■ ■	East Tamaki/Auckland	■ □ □
Dandenong/Melbourne	□	Chennai/Ambattur	□	New Lynn/Auckland	■ □
Kilsyth/Melbourne	■ ■ □ □ ■ ■	Coimbatore	□		
West Heidelberg/Melbourne	■ □ □	Gurgaon	■ □ □	<b>Philippines</b>	
		Jejuri	■ ■ □ □ ■ ■	Binan/Laguna	■ □
		Karaikal	■ ■ □ □ ■ ■		
<b>China</b>		<b>Indonesia</b>		<b>Thailand</b>	
Beijing	■ □ □	Cimanggis/Jakarta	■ ■ □ □	Bangpakong/Bangkok	■ ■ □ □ ■ ■
Changchun	■ □ □			Chon Buri	
Guangzhou	■ ■ □ □ ■ ■	<b>Japan</b>			
Shanghai/Nanhui	■ ■ □ □ ■ ■	Kinuura	■	<b>Vietnam</b>	
Shanghai/Yangpu	■ □ □	Osaka	■ □	Viet Huong	□ □ ■ ■
Shantou	■ □ □ ■ ■				
Tianjin	■ □ □ ■ ■	<b>Korea</b>			
Xian		Icheon	■ □ □		
Xuzhou	■ □ □ ■ ■	Jincheon-Kun/Hapmonk	□		
Yantai/Shandong	■ ■ □ □	Jincheon-Kun/Shinchuk	■ □ □		
		Kyung-Ju	■ □ □		
		Seoul			
		<b>Malaysia</b>			
		Ipoh	■ ■ □ □ ■ ■		
		Shah Alam/Selangor	■ ■ □ □		

# The Americas



In North and South America, until 2003 the Henkel Group was mainly active in the adhesives and technologies business. By acquiring The Dial Corporation, Advanced Research Laboratories (ARL), and Sovereign Specialty Chemicals, the Henkel Group has repositioned its business in the USA in laundry and home care, cosmetics and toiletries, and consumer and craftsmen adhesives, and has expanded its industrial business.

Three production sites were audited in 2004. A clear need for improvement was identified at one site, including the storage of dangerous substances. At another site, the auditors found excellent examples of best practice. One of the sites audited for the first time already complied with the Henkel standards.

## Production sites in the Americas


Country	Production Site	Contribution	ISO 14001	Audits	Objectives	Portrait
<b>Brazil</b>	Diadema/São Paulo	■	■	■	■	■
	Itapevi/São Paulo	■	■	■	■	■
	Jacarei/São Paulo	■	■	■	■	■
	Vinhedo/São Paulo					
<b>Canada</b>	Brampton, Ontario	■	■	■	■	■
	Etobicoke, Ontario	■	■	■	■	■
<b>Chile</b>	Santiago de Chile	■	■	■	■	■
<b>Colombia</b>	Santafé de Bogotá	■	■			
<b>Guatemala</b>	Guatemala City					
	Mixco	■	■			
<b>Mexico</b>	Ecatepec de Morelos	■	■	■	■	■
	Naucalpan					
	Salamanca				■	
	Toluca	■	■	■	■	■
<b>Puerto Rico</b>	Sabana Grande	■	■	■	■	■
<b>USA</b>	Akron, Ohio					
	Avon, Ohio	■	■	■	■	■
	Bay Point, California	■	■	■	■	■
	Brooklyn, New York	■	■	■	■	■
	Buffalo, New York					
	Calhoun, Georgia	■	■	■	■	■
	Carol Stream, Illinois					
	City of Industry, California	■	■	■	■	■
	Delaware, Ohio	■	■	■	■	■
	Elgin, Illinois	■	■	■	■	■
	Fort Madison, Iowa				■	
	Greenville, South Carolina					
	Hayward, California	■	■	■	■	■
	Homer, New York	■	■	■	■	■
	Kimberton, Pennsylvania					
	Laguna Hills, California				■	
	La Grange, Georgia					
	Lewisville, Texas	■	■	■	■	■
	Los Angeles, California				■	
	Mentor, Ohio					
Montgomery, Illinois				■		
Oak Creek, Wisconsin	■	■	■	■	■	
Olean, New York	■	■	■	■	■	
Plainfield, Illinois						
Richmond, Missouri						
Seabrook West, New Hampshire	■	■	■	■	■	
Seabrook East, New Hampshire						
South Easton, Massachusetts				■		
St. Louis, Missouri				■		
<b>Venezuela</b>	Tucker, Georgia	■	■	■	■	■
	Warren, Michigan	■	■	■	■	■
	Warrensville Heights, Ohio	■	■	■	■	■
	West Hazelton, Pennsylvania				■	
<b>Guacara/Caracas</b>	■	■	■	■	■	

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

# Indicators

- ▶ **Worldwide coverage: Data from 141 sites**
- ▶ **Open information: Accidents and operational incidents**
- ▶ **Progress: 56 percent reduction in occupational accidents**

## Transparency

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

### A worldwide picture

The production-related data were determined at 141 Henkel Group sites in 51 countries. These sites were selected on the basis of criteria that include their production volumes, the quantities and types of emissions, and the resources consumed. They account for 81 percent of the Company's worldwide production. Compared to 2003, there has been a significant drop in the coverage rate. This is due, in particular, to the acquisition in 2004 of The Dial Corporation, whose sites have not yet been included in the environmental data collection system. Such data is usually integrated two years after the acquisition. Occupational accidents are registered using a globally uniform reporting system. The coverage extends to 93 percent of Henkel employees. The data on serious occupational accidents and operational incidents relate to the entire Henkel Group.

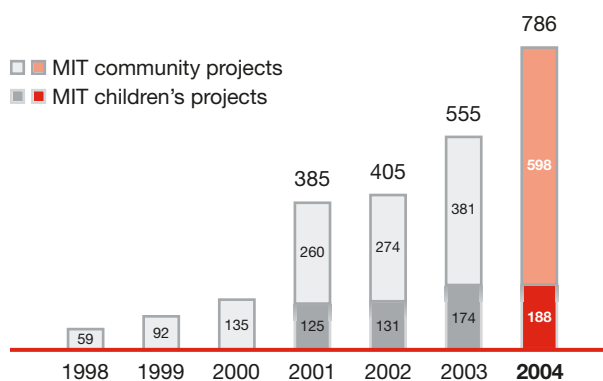
### Employees by region

	2003	2004	%
Germany (including apprentices*)	11,245	10,802	21.1%
Europe (excl. Germany)	17,772	17,736	34.6%
Africa/Middle East	5,172	5,154	10.1%
North America	4,181	6,772	13.2%
Latin America	3,946	4,325	8.5%
Asia-Pacific	6,312	6,411	12.5%
<b>Henkel Group</b>	<b>48,628</b>	<b>51,200</b>	<b>100.0%</b>

Through acquisitions, the number of employees has risen by some 4,100. This is largely due to the purchase of Dial, ARL and Indola. Without these acquisitions, the number of employees would have decreased by 3.1 percent to about 47,100. Worldwide, 7,590 employees hold managerial positions. The percentage of women in management is 23.

\* At the end of 2004, the German Henkel companies had 465 apprentices.

### Number of MIT projects supported



### A comparable basis

The Group is growing, as is the number of sites contributing data to the Group indicators – from 96 in 2000 to 141 in 2004. Since this growth has not been uniform, there have been jumps in some of the figures.



## » Recognizing and utilizing social challenges as a motor for sustainable product innovations. «



» Companies like Henkel will increasingly be judged by their European stakeholders in terms of their contribution to the achievement of global sustainability goals. We therefore see the following priorities:

- ▶ The opportunities and risks of sustainable development should be routinely integrated into portfolio analysis and product development with the help of new assessment methods. This is essential for innovative products that will promote sustainable development in the markets while simultaneously securing long-term entrepreneurial success.
- ▶ In emerging economies and developing countries, Henkel should seek to enter into new alliances with international organizations and public institutions, so that its goods and services can contribute to sustainable development in line with the United Nations' Millennium Development Goals\*.
- ▶ We view initiatives to encourage sustainable consumption in the markets of the European Union and other industrial

nations as having great potential for raising the awareness of consumers and being successful with sustainable goods and services.

- ▶ Given the globalized nature of value chains, Henkel has a duty to promote the adoption of high environmental and social standards by its suppliers, also with a view to optimizing the overall sustainability performance of its own products. Suppliers must therefore be systematically assessed, selected and qualified. «

\*[www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

**Christian Hochfeld,**  
Deputy Director, Öko-Institut e.V.  
(Institute for Applied Ecology)  
[www.oeko.de](http://www.oeko.de)

# Henkel in Germany

Fritz Henkel founded the detergent company Henkel & Cie in Aachen in 1876. Two years later, he relocated the company to Düsseldorf. In 1907, Henkel launched Persil as the first self-acting laundry detergent. Building on this enduring success, the company has expanded its business during its more than 128 years of existence to include adhesives, sealants, and surface treatments, as well as cosmetics and toiletries. Today, Düsseldorf-Holthausen is the headquarters of Henkel KGaA.

## Sites

The Henkel Group has 14 production sites in Germany.

## Employees

10,802 people work for the Henkel Group in Germany.

## Sales in 2004

In 2004, the Henkel Group generated sales of 2.129 billion euros in Germany.

### The main brands

#### ► Laundry & Home Care:

Bref, Persil, Pril, Somat, Spee

#### ► Cosmetics/Toiletries:

Bonacure, Diadermine, Fa, Gliss Kur, Igora, Poly Brillance, Poly Color, Schauma, Taft

#### ► Consumer and Craftsmen Adhesives:

Ceresit, Metylan, Pattex, Ponal, Pritt, Sista, Tangit, Thomsit

#### ► Henkel Technologies:

Liofol, Loctite, P3, Technomelt, Teroson

## Further information

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

**Persil**

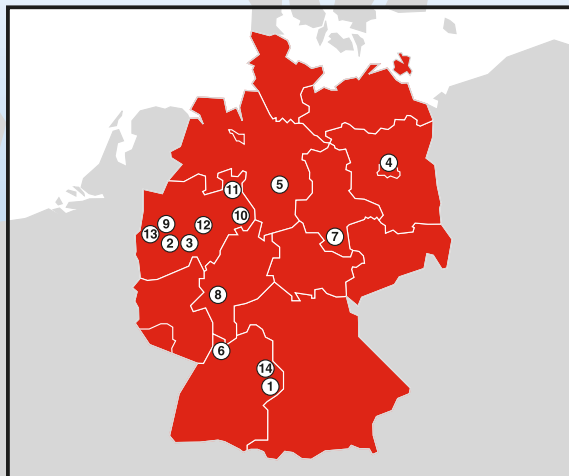
**schauma**

**Somat**

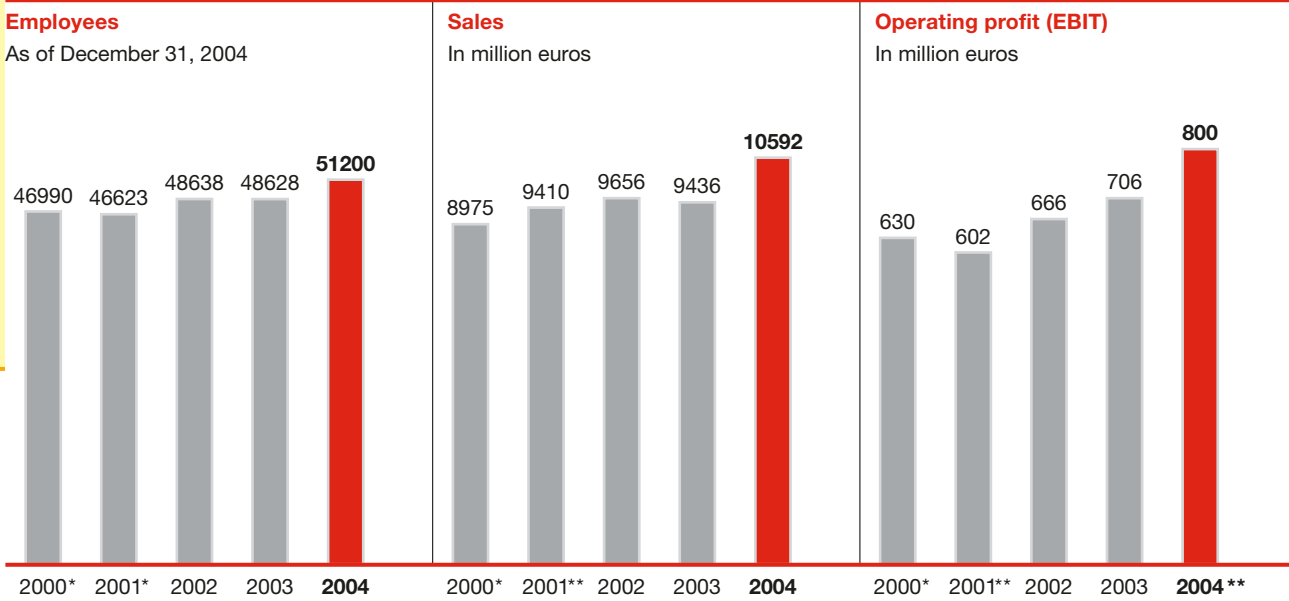
**IGORA**



**LOCTITE**



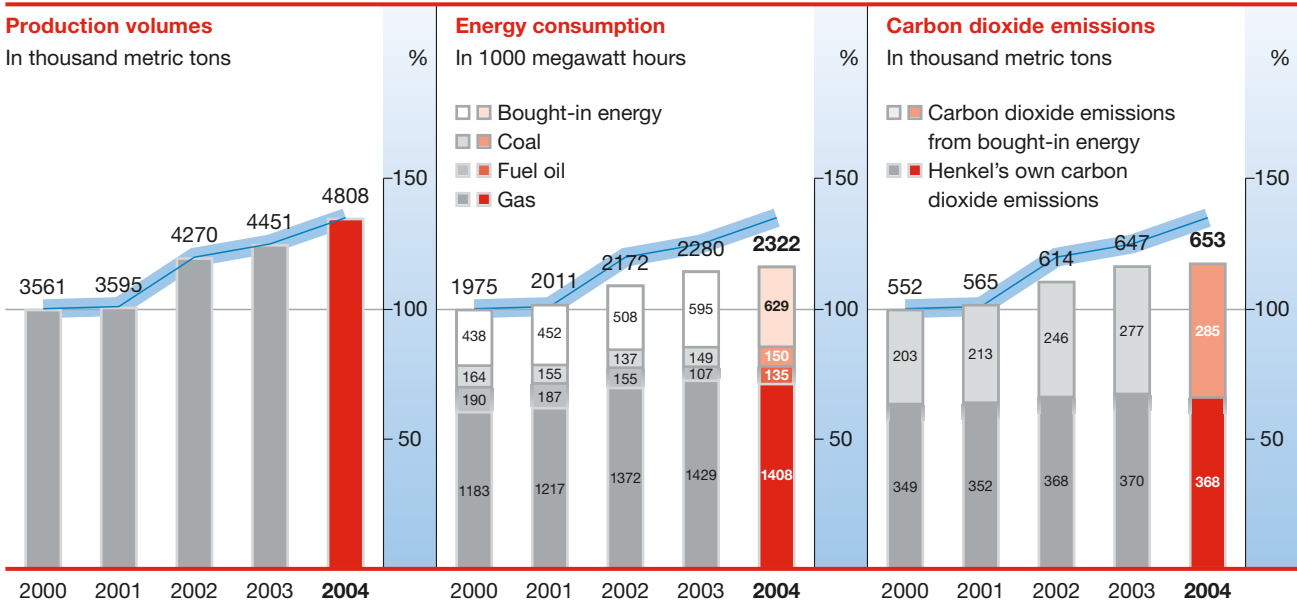
Bopfingen	①
Düsseldorf-Flingern	②
Düsseldorf-Holthausen	③
Genthin	④
Hannover	⑤
Heidelberg	⑥
Heidenau	⑦
Herborn-Schönbach	⑧
Krefeld	⑨
Paderborn	⑩
Porta Westfalica- Neesen	⑪
Unna	⑫
Viersen-Dülken	⑬
Wassertrüdingen	⑭



\* Continued activities      \*\* Excluding special factors

The production volume of the sites covered is therefore shown on the charts in the form of an index curve, which traces the production volume from year to year as a percentage of the production volume in the base year 2000 (=100 percent).

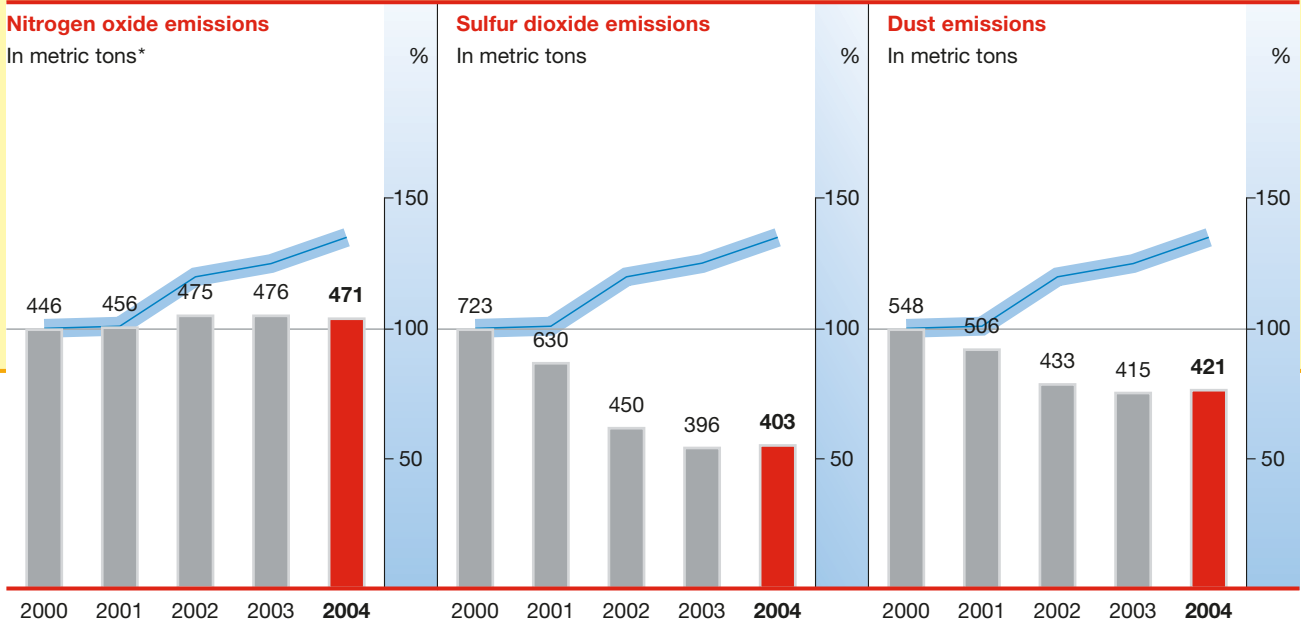
The indicators for the years 2000 and 2001 have been calculated on the basis of the Henkel Group's present activities, that is, without the chemical subsidiary Cognis and the stake in the joint venture company Henkel-Ecolab, both of which were divested in 2001.



Base year for indexing percentages: 2000=100%  
 The index curve of the production volume is also shown in the other charts for purposes of comparison. Production volumes of the Henkel Group sites contributing to the Group's aggregated data (2004: 141 sites).

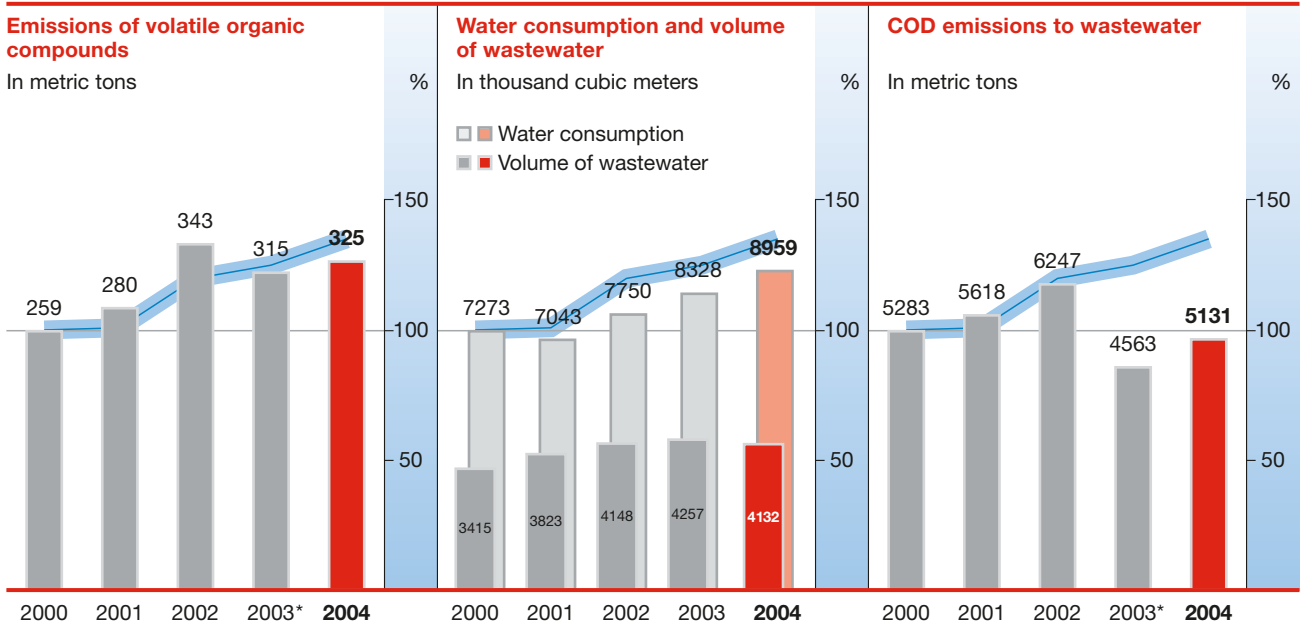
Bought-in energy is electricity, steam and district heating that is generated outside the sites.

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



\* Calculated as nitrogen dioxide

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



\* In the course of data validation, an error was identified in the calculation of emissions from a diffuse source. The data have been corrected retroactively.

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

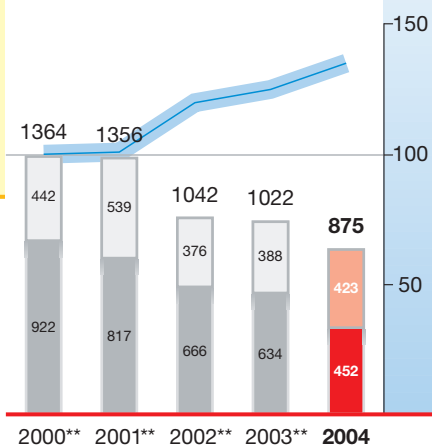
\* The value for 2003 had to be corrected because of an error in data transmission.

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

### Emissions of heavy metals to wastewater

In kilograms

Lead, chromium, copper, nickel\*  
Zinc



As zinc is usually less harmful than other heavy metals in terms of its effects on the environment, the zinc load is shown separately.

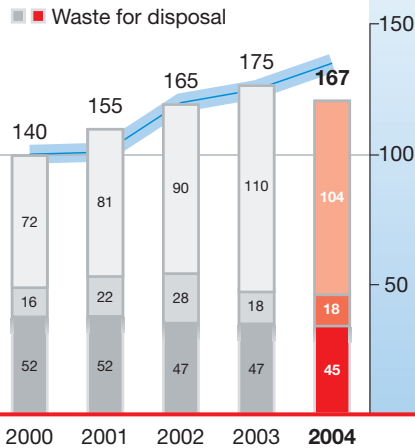
\* Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant.

\*\* In the course of data validation, errors in the calculation of heavy metal emissions were identified at two sites. The data have been corrected retroactively.

### Waste for recycling and disposal

In thousand metric tons

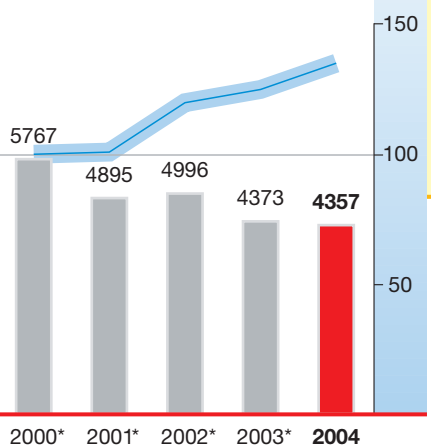
Waste for recycling  
Hazardous waste for disposal  
Waste for disposal



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

### Consumption of chlorinated hydrocarbons

In metric tons



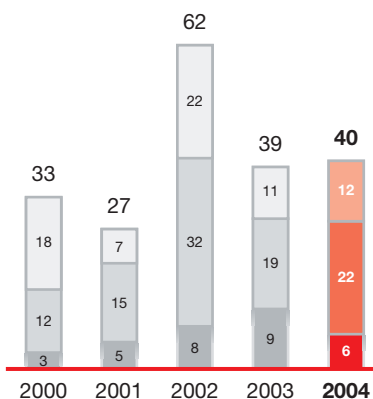
\* In the course of data validation an error was identified in the calculation of the quantities of chlorinated hydrocarbons used. The data have been corrected retroactively.

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

### Complaints from neighbors

Number of complaints

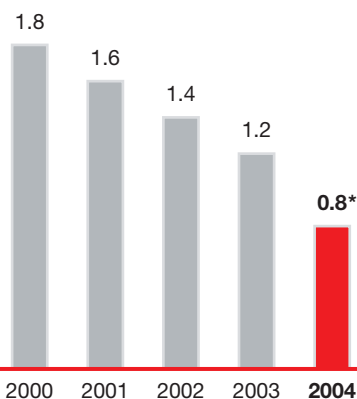
Odor  
Noise  
Dust



The number of sites covered increased from 96 in 2000 to 141 in 2004.

### Occupational accidents per 200,000 hours worked

At least one day lost\*



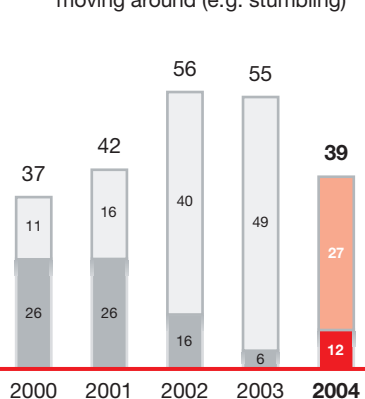
\* Excluding commuting accidents

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

### Serious occupational accidents

More than 50 days lost

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



Until 2001, data on serious accidents were only gathered from production sites. In 2002, a standardized worldwide reporting system was introduced for the entire Group. Considerably more employees are therefore now covered.



Serious accidents and operational incidents		
Location	Accident/operational incident	Measures initiated
Tosno, Russia March 24, 2004	While carrying out installation work, an employee of a contractor engaged by Henkel ERA fell four meters and suffered fatal injuries. Acting contrary to safety regulations and to the work instructions he had received, he had not used the available safety platform, but had stepped onto an unfinished intermediate ceiling, which then collapsed.	All sites were informed about the accident and instructed to inform contractors' employees even more comprehensively about safety risks and requirements, to encourage their managers even more strongly to ensure compliance with the safety requirements, and to monitor this closely.
Port Said, Egypt July 11, 2004	A truck driver's assistant working for a freight company contracted by Henkel was fatally injured when he was run over by the truck. Despite a clear ban, he had been lying in the shade underneath the truck. The accident occurred despite the fact that extensive warnings of the risks were provided at the site and the driver had confirmed in writing that he would heed them.	All sites were instructed to inform truck drivers in writing of the safety regulations and to strictly monitor compliance.
Montornés, Spain August 5, 2004	An experienced employee of an electrical contractor with which Henkel Ibérica had worked for many years died of an electric shock while carrying out repairs on a cooling system. He had switched off part of the power supply, but, inexplicably, not the supply to the motor on which he was working.	All sites were informed about the accident and the safety measures necessary when work is being carried out on electrical installations. They were instructed to tighten supervision of contractors' employees.
Toluca, Mexico Sept. 7, 2004	A fire in the storage area of the detergent production facility damaged the fiberglass façade of the building. Site employees were able to quickly extinguish the fire.	Rapid intervention by the employees kept the damage from extending beyond the storage area and façade. The fiberglass used for the façade was replaced by a fire retardant material.
Aleppo, Syria Sept. 24, 2004	A Henkel employee died after suffering an electric shock. When he tried to move a packaging machine without first switching it off, a defective cable energized the casing of the machine.	In response to this accident, an immediate review of all electrical installations at all production sites was initiated. In addition, an extensive international training program on electrical safety was launched.
Nieuwegein, Netherlands Dec. 9, 2004	A Henkel employee was killed in a traffic accident on the way to a customer. He pulled up behind a truck at the tail of a traffic jam on the highway. The truck behind him failed to stop in time and pushed the car into the truck in front.	

### Serious accidents and operational incidents

Every accident is one too many. This is why Henkel launched a Group program in the year 2000 with the long-term objective of reducing occupational accidents to zero. The business sectors have also instituted programs and initiated comprehensive measures. As a result, occupational accidents have so far been cut by 56 percent. Unfortunately, despite this positive trend, five lethal occupational accidents occurred in 2004 (see table above). Three of them involved contractors' employees who were carrying out work at Henkel sites, while the other two involved Henkel employees. These accidents show that further effort is needed to ensure compliance with safety regulations.

**Reporting of accidents and operational incidents**

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

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

The measures taken in response are also described.

## » Accepting national challenges as a way to gaining public confidence.«



» Paving its difficult way to democracy and market economy, Russia is meeting certain social and environmental challenges that harbor threats to the whole of Russian society. Foreign companies operating in Russia therefore face a number of key sustainability issues:

► Poverty may be considered as the major challenge for Russian society. Companies should provide job security and ensure the wellbeing of their employees. A well-developed policy of corporate social responsibility targeted at the needy, and especially children, in the different Russian regions will gain public recognition.

► There is a lack of investment in those sectors of the Russian economy that do not deal with the extraction of natural resources. The transfer of modern and energy-saving technologies to these sectors is vital.

► The disparity in regional development is one of the most important challenges for Russia's integrity. Appropriate geographical location of production facilities could provide a new impetus for balanced development in stagnating regions.

► The fight against climate change will assume increasing importance in the coming decades. Positive trends in environmental protection should be secured by introducing advanced environmental management practices. Companies should focus on reducing carbon dioxide emissions through joint implementation projects. «

**Dr. Mikhail Kozeltsev,**  
Executive Director,  
Russian Regional Environmental Center (RREC),  
Moscow, Russia  
[www.rusrec.ru](http://www.rusrec.ru)



# Henkel in Russia

Through a joint venture entered into in 1990 with the Chimvolokno chemical fibers combine, Henkel became the first western company to be able to offer laundry detergent products made in Russia. In the year 2000, Henkel took over Russia's second biggest detergent manufacturer, Pemos, thus becoming a market leader. The Henkel Group also markets in Russia cosmetics and toiletries, consumer and craftsmen adhesives, and industrial adhesives, sealants and surface treatments.

## Sites

The Henkel Group has five production sites in Russia.

## Employees

The Henkel Group employs 1,972 people in Russia.

## Sales in 2004

In 2004, the Henkel Group generated sales of 336 million euros in Russia.

### The main brands

#### ► Laundry & Home Care:

Laska, Losk, Pemolux, Persil

#### ► Cosmetics/Toiletries:

Bonacure, Fa, Gliss Kur, Igora, Palette, Poly Brilliance, Schauma, Taft

#### ► Consumer and Craftsmen Adhesives:

Ceresit, Makroflex, Moment

#### ► Henkel Technologies:

Gerolub, Liofol, Loctite, P3, Technomelt, Teroson

## Further information

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

**Persil**

**LOSK**

DREI  
WELLEN  
**taft**

**IGORA**

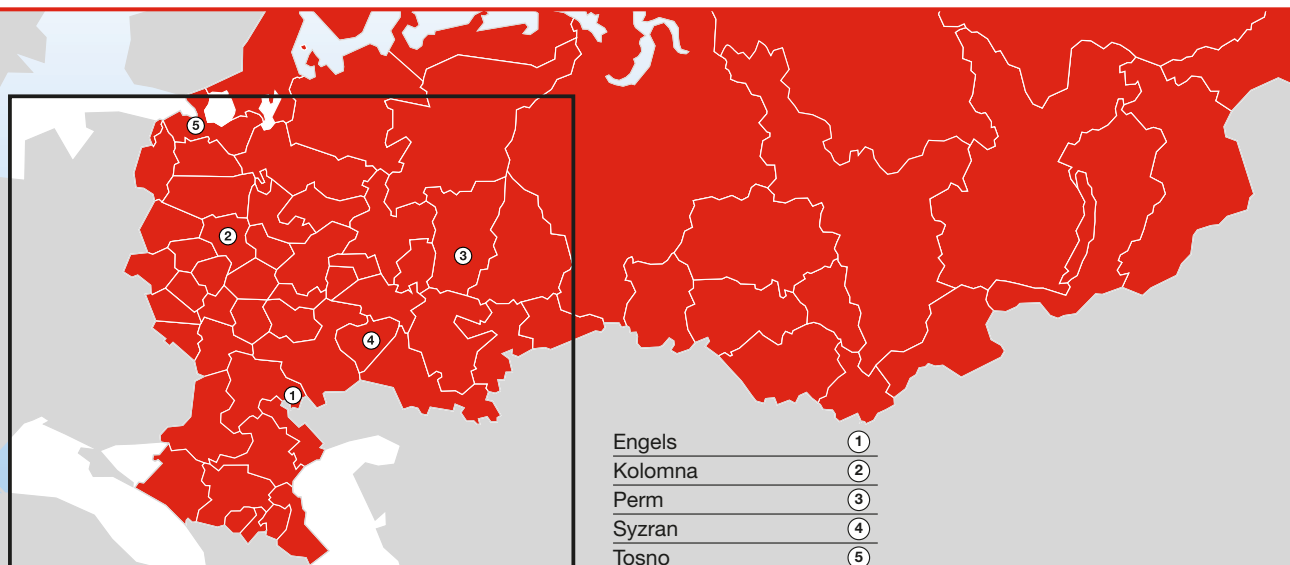
**Ceresit**

**MOMENT**

**MAKROFLEX**

**LOCTITE**

**P3**




# Objectives

- ▶ **Focus: Henkel’s corporate objectives**
- ▶ **Innovative developments: Objectives of the business sectors**
- ▶ **Taking the initiative worldwide: Site objectives on the Internet**

## Corporate objectives

Through its ambitious objectives and the continuous improvement of its business processes, Henkel achieves greater corporate success and continuously contributes to sustainable development in all countries in which the Henkel Group operates.

The relevant Group objectives are summarized below. Globally applicable sustainability objectives of the business sectors are given on the following pages. The production sites also publish objectives of their own. In 2004, 128 did so. Henkel reports on all of these objectives – and their achievement status – on the Internet. 

### Henkel Group Objectives

### Status

Continued development of Group-wide safety, health, environment and quality management to establish a sustainability management system by the end of 2004 (standards, audits, reporting)
Long-term objective: Zero occupational accidents. Medium-term objective, by the end of 2005: 45-percent reduction (base year 2000: 1.8 occupational accidents per 200,000 hours worked)
<b>New:</b> Continuous improvement of corporate culture on the basis of regular and systematic employee surveys. The long-term objective is to be at least among the top 25 percent of companies in all dimensions of corporate culture. Medium-term objective for the survey of managerial staff in 2004: An increase in participation from 61 percent to over 75 percent
Facilitating career/family balance
International rollout of the employee initiative “Make an Impact on Tomorrow” (MIT) by the end of 2005
Development of standardized sustainability criteria for integration in Group-wide procurement processes by the end of 2004
Preparation for the European Union’s new Registration, Evaluation and Authorization of CHemicals (REACH) system

<b>Extended to the end of 2005:</b> Draft sustainability standards have been prepared, and were tested in a pilot study in early 2004. Responsibilities, timelines, and individual criteria are now being defined.
<b>Medium-term objective achieved:</b> 0.8 accidents per 200,000 hours worked (see page 35). The extremely satisfying improvement in the accident rate can be attributed to the effectiveness of the improvement programs that have been initiated since the year 2000.
Based on the results of a global survey of managerial staff in the fall of 2003, action programs for strategy and vision were prepared in 2004. The survey of managerial staff was repeated in the fall of 2004, and the medium-term objective was achieved: Participation increased to 80 percent.
A “Career & Family” audit was carried out at the Düsseldorf site, and Henkel was awarded the preliminary certificate (see page 21).
Henkel employees in more than 36 Group companies are involved in over 786 local and international MIT projects.
<b>Extended to the end of 2005:</b> Purchasing guidelines have been revised and distributed to purchasing staff worldwide. The sustainability criteria will be implemented in 2005.
As part of a Group project (main focus on Europe), processes have been implemented to enable product ingredients to be systematically assessed with respect to the REACH requirements.

**Laundry & Home Care**

**Objectives**

**Status**

Worldwide certification of environmental management systems to international standards

23 sites certified in Europe, Africa/Middle East and Asia; other sites preparing for certification.

Continuous innovation focusing on greater convenience, better performance, and lower dosages

Permanent objective: See examples on page 10.

Development of a sustainability check for new product categories

The development of criteria was postponed so that the results of a pilot study carried out in Germany by Stiftung Warentest to assess the Corporate Social Responsibility (CSR) for products could be reflected in further development work.

Europe-wide coordination of all consumer advice services by end of 2004

**Achieved:** Joint software has been introduced for processing consumer queries as a basis for international optimization, and responsibilities have been defined Europe-wide.

**New:** European rollout of the TheoPrax Internet portal, to provide background information about washing, dishwashing and cleaning to professionals and interested members of the public

A concept has been developed for implementation in several European countries, and the responsible project team has been named.

**Cosmetics/Toiletries**

**Objectives**

**Status**

Use of renewable raw materials, preferably vegetable-based

Permanent objective: See example on page 12.

Further development of test methods that make no use of animals

Alternative methods have long been used, when legally permitted. Participation in joint programs with other companies, so that new test methods can be more effectively researched and established.

Systematic assessment of the environmental compatibility of the raw materials used in cosmetic products

Assessments are already available for substances used in major quantities and are considered in product assessments; the assessment system is now being systematically expanded to cover all existing and new substances.

**New:** Continuous further development of skin models for testing efficacy so that consumer benefit can be increased

Innovative face care products have been successfully launched.

**New:** Conservation of resources and environmental protection through implementation of the latest production technology

Permanent objective: At a number of sites, the power supply has been modernized and the volume of wastewater has been reduced.



**Consumer and Craftsmen Adhesives**

**Objectives**

**Status**

Worldwide certification of environmental management systems to international standards

15 sites certified in Europe and the Americas; other sites preparing for certification.

Continuous optimization of the entire range of products in line with safety, health and environment considerations

Permanent objective: See examples on pages 14 and 15.

Increase in the proportion of extremely low-emission dispersion-based flooring adhesives with the EMICODE EC1 quality mark to 90 percent by the end of 2005

The proportion of products with the EMICODE EC1 quality mark has been maintained at 70 percent despite difficult market conditions.

**New:** Replacement of parquet flooring adhesives with a high solvent content by low-emission alternatives

Two parquet flooring adhesives on an innovative silane basis, Thomsit P 685 and Thomsit P 690, have been launched. The emissions from these products are almost negligible in comparison with those from conventional solvent-based adhesives.

Use of renewable raw materials for overall optimization of product characteristics

**Achieved:** Renewable raw materials have been firmly established as key ingredients of wallpaper pastes and glue sticks.

Expansion of the market for very lightweight and economical tile adhesives, and technology transfer to other product categories

This technology has now been introduced in floor leveling compounds in Germany. Rollout in other countries and technology transfer to further product categories are in preparation.

**Henkel Technologies**

**Objectives**

**Status**

Worldwide certification of environmental management systems to international standards

64 sites certified worldwide; other sites preparing for certification.

Expansion of the market for solvent-free laminating and coating adhesives in cooperation with customers

**Achieved:** Solvent-free product technologies established in all regions; leading market position strengthened.

Development of PVC-free coating and sealing systems for car bodies

Long-term tests are being carried out in collaboration with customers; additional focus on noise-absorbing properties.

Elimination of nickel from rinse water in car body pretreatment in the automotive industry

Successful conversion of first production plants in Europe; successful feasibility studies on pilot plants at various European car makers.

Development of ultrapure adhesives and sealants for fuel cells

Requirements profiles drawn up with fuel cell manufacturers; first prototypes are being tested by potential customers.

Development of innovative lightweight composite materials for the aircraft industry

The first composite materials have been developed and are being tested by potential customers.

Elimination of lead-containing soldering pastes in the electronics industry

The first lead-free soldering pastes are being used worldwide by a cell phone manufacturer. The next product generation is already being tested.

**New:** Development and marketing of biodegradable water treatment products for cooling and process water circuits in power plants and refineries

Products have been developed and successfully tested in the first cooling water circuits of power plants and refineries.

**New:** Development of tailor-made system solutions for technologies that make use of renewable resources

Adhesives and sealants for flexible photovoltaic modules have been launched. Sealants for wind turbines have been successfully established in the market.

# Dialogue

- ▶ **Global Compact: Progress example published**
- ▶ **WWF initiative: Dialogue continued**
- ▶ **In the community: Good neighbors**

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

Communication activities in the individual countries were a focus in 2004. In addition to the German and English versions, for instance, the Sustainability Report again appeared in Chinese. For the first time, the Italian “Raporto Sostenibile” was presented at a special press conference. It contains the key information from the Group report as well as extensive coverage of country-specific topics.

Close contact with sustainability analysts and investors was fostered. This included a Henkel presentation at the European Forum for Responsible Investment in Paris.

## Global Compact dialogue

Henkel sees the Global Compact as a network in which the partners can exchange experience, discuss methods of promoting sustainable development, and learn from each other. Since joining the Global Compact in July 2003, Henkel has published a communication on progress report and submitted an example to the Global Compact Learning Forum about the Schwarzkopf Academy’s training and continuing education system. On a national level, Henkel participates in the German Global Compact network. The objective is to initiate joint projects and intensify exchanges with other companies. 

## Forum Barcelona

As one of its main sponsors, Henkel supported the Forum Barcelona 2004 in Spain. The aim of the Forum was to begin an international dialogue about the key global issues of the 21st century. The three main topics were “cultural diversity”, “sustainable development” and “conditions for peace.” Henkel showed visitors examples of the Company’s efforts to contribute to a better world. The total of more than three million visitors reflects the success of the exhibitions, conferences and presentations. 

## Good neighbors

In 2004, Henkel companies actively sought to engage in a dialogue in their communities and participated in the discussions of various expert bodies. The Herborn-Schönbach site in Germany organized a workshop with members of the business community, municipal politicians, and interested citizens about local economic developments. In Heidelberg, Henkel Teroson worked together with other companies and the municipal environment office to support a number of medium-sized businesses in a regional pilot project promoting sustainable development. In Austria, Chile, Germany, Malaysia and the USA, Henkel companies cooperated with schools to provide insights into real situations and communicate their experiences.

## Global Reporting Initiative (GRI)

Henkel evaluated the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) in a pilot project as early as 1999. Since that time, Henkel has engaged in a continuous constructive and critical dialogue with the GRI to improve the quality of reporting and increase the practicability of the guidelines. Henkel channels the experience and knowledge gained in its dialogue with its stakeholders into the GRI workshops and feedback processes. 

## Dialogue for the sustainable harvesting of palm oil

Henkel supports the World Wide Fund for Nature (WWF) in its initiative to develop new solutions for sustainably harvesting palm oil and preventing the destruction of rain forests in Indonesia. In 2004, Henkel again attended the international Roundtable on Sustainable Palm Oil. Henkel contributes its experience and know-how to this dialogue and has offered to cooperate in developing approaches and methodologies for a variety of concrete topics. Henkel has pursued this constructive dialogue on the national level, too. In August 2004, Henkel and the German WWF held a top-level meeting to discuss the initiative at length. 

### Credits

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