

Sustainability Report 2001

*We have merely
borrowed the world from
our children.*



Henkel


A Brand like a friend

Contents

Sustainability Report

Henkel began publishing an annual environment report in 1992. It has been successively expanded to include safety and health, then social responsibility, thus evolving into the Sustainability Report. This report – the eleventh in sequence – takes a more detailed look at the subject of employee involvement.

More information on the Internet

At many points in this report, the symbol  indicates that more specific information can be found on the Internet. All links from the Sustainability Report 2001 are provided on the following Internet page:

www.henkel.com/sustainability

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Our cover

We have merely borrowed the world from our children.
Our responsibility toward the generations to come is a central aspect of sustainable development. This is why children were selected for the cover of this year's report. They were photographed at the Gerda Henkel Children's Day Center of AWO (workers welfare organization) in Düsseldorf.

On the right course



Dr. Ulrich Lehner (l.)
Dr. Wolfgang Gawrisch (r.)

Ten years after the Earth Summit in Rio de Janeiro, Henkel is presenting a positive score card. Even before the Earth Summit in Rio, Henkel had endorsed the principles of sustainable development and integrated these principles into its corporate strategy.

At the heart of our sustainability policy are products and innovations. It is our goal to make people's lives better, easier, and more beautiful. Strong brands and new technologies, designed to benefit society, form the basis of our sustained corporate success.

While we are proud of our achievements, we are aware of our responsibility and continue to pursue ambitious goals. We will expand the scope of our Company-wide management system of safety, health, quality and environment to include sustainability.

Dr. Ulrich Lehner

President and Chief Executive Officer

When our customers, shareholders, and key stakeholders assess Henkel as a global enterprise, they also judge the social impact of our business practices. Therefore, we will put increased emphasis on this social component. We are currently developing sustainability standards that will establish how Henkel will meet its social responsibility in all parts of the world.

The most important asset for the future is our people. Therefore, we invest in well-trained, motivated and innovative employees. They are the basis for sustainable development and the source for sustained higher shareholder value.

After pursuing sustainable development for ten years, we are confident that we are on the right course.

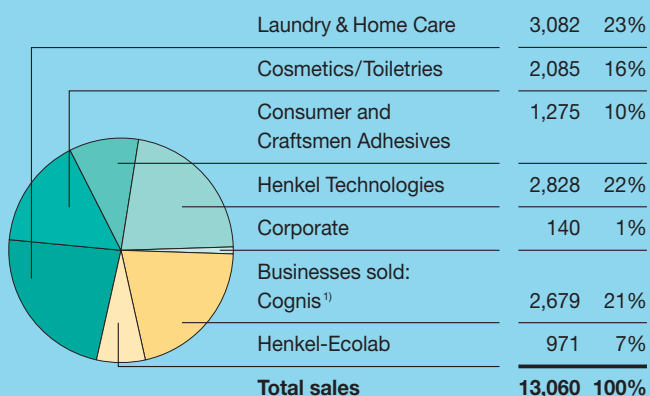
Dr. Wolfgang Gawrisch

Chief Technology Officer and
Chairman of the Sustainability Council

Henkel in brief

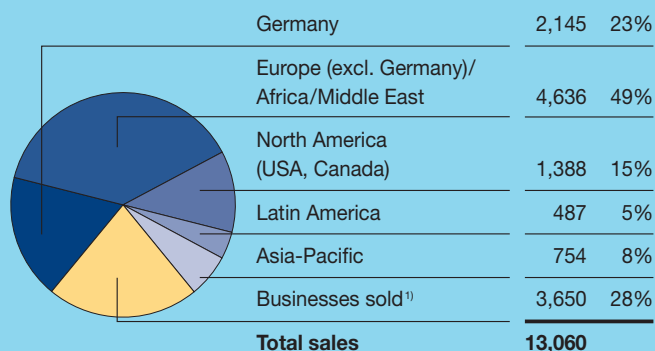
Sales in 2001 by business sectors

in million euros



Sales in 2001 by regions

By location of companies/in million euros



¹⁾ Cognis included for 11 months in 2001

Brands & Technologies

The Henkel Group is a leader in consumer brands and technologies. Its branded business sectors are Laundry & Home Care, Cosmetics/Toiletries, and Consumer and Craftsmen Adhesives. Henkel Technologies comprises the three systems businesses of Industrial Adhesives, Engineering Adhesives, and Surface Technologies. The Company operates worldwide, with subsidiaries in more than 75 countries.

In fiscal 2001, Group sales amounted to 13.1 billion euros. The core businesses (without Cognis and Henkel-Ecolab) recorded sales of 9.4 billion euros, of which 23 percent were generated in Germany and 77 percent in international markets. The controlling company is Henkel KGaA, Düsseldorf. Henkel preferred shares have been traded on the stock exchange since 1985, its ordinary shares since 1996. The Henkel Group employs 45,750 people worldwide, 11,460 (25 percent) in Germany and 34,293 in other countries.

Comprehensive data

The statistics in the “Production” and “Indicators” chapters include the data of the divested companies Cognis and Henkel-Ecolab.

Strategic realignment

Of special importance in the past fiscal year were two major projects that were completed as part of the Company’s strategic realignment: the divestment of the chemicals business Cognis and the sale of Henkel’s interest in the European joint venture Henkel-Ecolab. By the end of 2001, Henkel had evolved from a “Specialist in Applied Chemistry” to a company whose future rests on two solid pillars: strong brands and advanced technologies.

In realigning itself, Henkel has structured its portfolio into four business sectors. In addition to the well-known Laundry & Home Care and Cosmetics/Toiletries sectors, a third brand business sector has been established: Consumer and Craftsmen Adhesives. The fourth business sector, Henkel Technologies, unites the industrial systems businesses of Industrial Adhesives, Engineering Adhesives, and Surface Technologies. Brand businesses generate 70 percent and technologies businesses 30 percent of Henkel sales.

“Working for a company that takes action to improve the global environment makes being a new father easier.”

Ted McElroy, 32, Marketing Manager, Henkel Surface Technologies, Madison Heights, Michigan, USA, married, one child (18 months).

Ten years of sustainable development

A decade after the Earth Summit in Rio de Janeiro, Henkel takes stock.

A constant goal for ten years: Sustainable development

In 1989, the Brundtland Commission set up by the United Nations formulated the concept of sustainable development as a guideline for the international community of nations. The International Chamber of Commerce (ICC) gave form to this vision for business enterprises, defining 16 management principles for sustainability in its Business Charter for Sustainable Development. Henkel signed the Charter in 1991, as one of the first companies to do so. This commitment launched the Henkel Group’s sustainable business management process.

Integral optimization

“The core objective of sustainable development is to ensure and improve ecological, economic and social efficiency. These elements are mutually dependent and cannot be optimized in isolation from each other without casting doubt on the development process as a whole.”

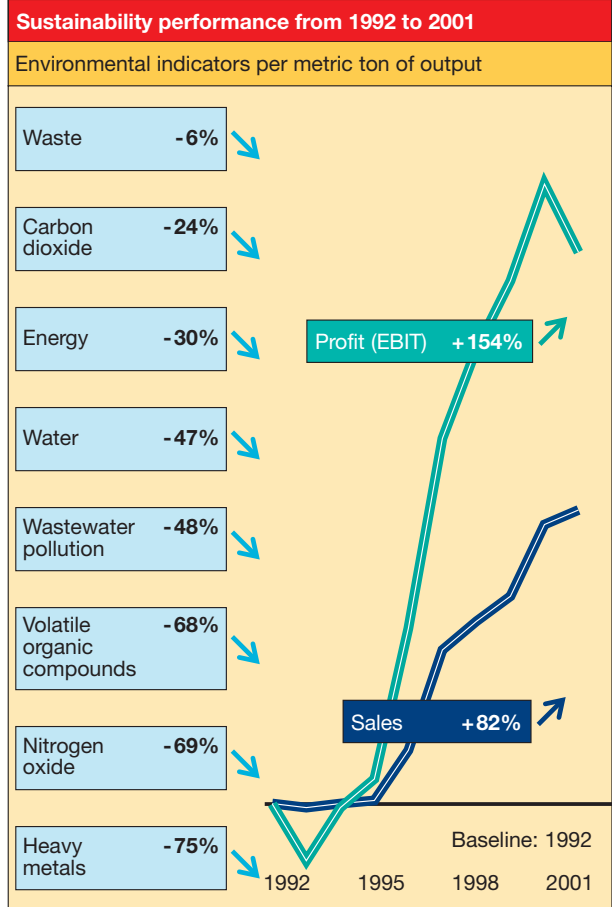
Final report of the commission of inquiry of the German Bundestag “Protecting mankind and the environment,” 1988

Sustainability as a corporate objective

In 1991, when Henkel committed to the Business Charter for Sustainable Development, the starting conditions for implementing the Charter varied widely within the Company. In Research and Development, for example, environmental protection had already been a priority objective since the 1960s. In the late 1970s, this resulted in a marketing strategy that still holds true today: securing competitive advantages through high-performance products that combine pronounced customer benefits with ecological progress.


Until the mid-1990s, however, the instrument needed for implementing sustainable development throughout the Group was not yet at hand. This instrument is the integrated management system, which adapts the Company's processes to sustainability requirements. Its structure and effectiveness have been recognized on several occasions by external organizations. Henkel was awarded first place in the 1999/2000 environmental competition of the Federation of German Industry (BDI) and has also received an "honorable mention" from the European Union.

Ten years of sustainability at Henkel
1991 Signing of the ICC Business Charter for Sustainable Development
1992 Publication of the first Environment Report
1994 Corporate Mission: Competitive advantages through eco leadership
1997 Introduction of integrated management systems and initiation of worldwide safety, health and environment audits
1999 Sector leader in the Hamburg Environment Institute's worldwide eco ranking
2000 Introduction of Henkel's corporate Code of Conduct and Business Ethics
2001 Leading consumer goods company in the global Dow Jones Sustainability Index



Sustainability performance in figures: Since 1992, Henkel has significantly reduced its consumption of resources and its emissions. During the same period, its sales rose by more than 80 percent and its profits increased to more than two and a half times the base figure.

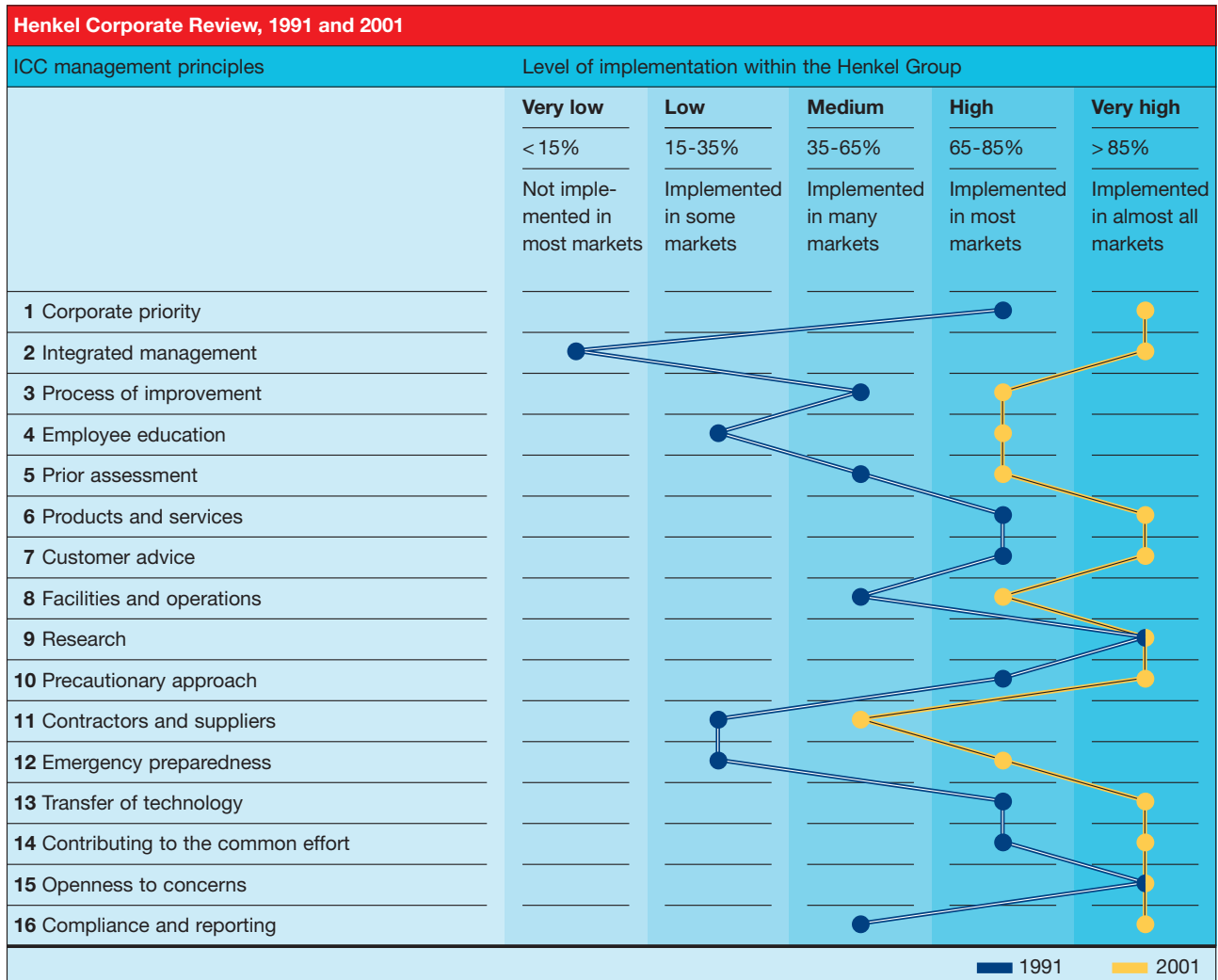
Critical evaluation

Taking the 16 management principles of the ICC Business Charter for Sustainable Development as a basis, Henkel has conducted a self-evaluation of how far it has progressed toward sustainability during the past ten years. The results are shown in the graph below. An explanation of the evaluation and the text of the ICC principles can be found on the Internet. 

Targeted improvement

The systematic review reveals strengths and weaknesses. Throughout the Group, for instance, Henkel must focus more carefully on selecting and assessing its contractors and suppliers in accordance with sustainability requirements. Greater emphasis must also be placed on the integration of newly acquired companies. The evaluation also constitutes a good starting point for building on Henkel's strategic strengths.


**Ten years of the ICC Business Charter for Sustainable Development
Management principles for sustainable development**



Research for the future

Only consistently innovative companies can enjoy long-term success and maintain their capability to meet the challenges of the future. This is why Henkel is striking out in new research directions. Parallel to expanding its existing product portfolios, the Company aspires to build new business. To this end, Henkel is selectively acquiring equity in young technology and research enterprises.

One such company is SusTech (derived from “sustainable technologies”), a joint venture established by Henkel, the Technical University of Darmstadt, and prominent university professors.

Concentrating on nanotechnology concepts, SusTech researches sustainable technologies to enable the development of more efficient products which will help to conserve resources. 

Henkel thus draws systematically on external knowledge, in order to create new market opportunities and to develop new and innovative products and technologies that contribute to sustainability. The focus is always on people, as Henkel’s aim is to make their lives easier and better.

Sustainability is more than environmental protection

Customers and stakeholders also judge globally operating companies by the social aspects of their activities. With its Code of Conduct, which is binding for all employees worldwide, Henkel has taken an important step in this direction.

Detailed social standards, aligned to the expectations of customers, shareholders and other key stakeholders, still have to be formulated, however. This element of sustainability management will specify how the Company meets its social responsibility in all parts of the world.

Open dialogue

Henkel cultivates a continuous and open dialogue with the public about its progress and priorities on the path to sustainability. This is the only way to harmonize the needs of businesses and society in the long term. There are no universal answers, each separate case requiring an individual solution.

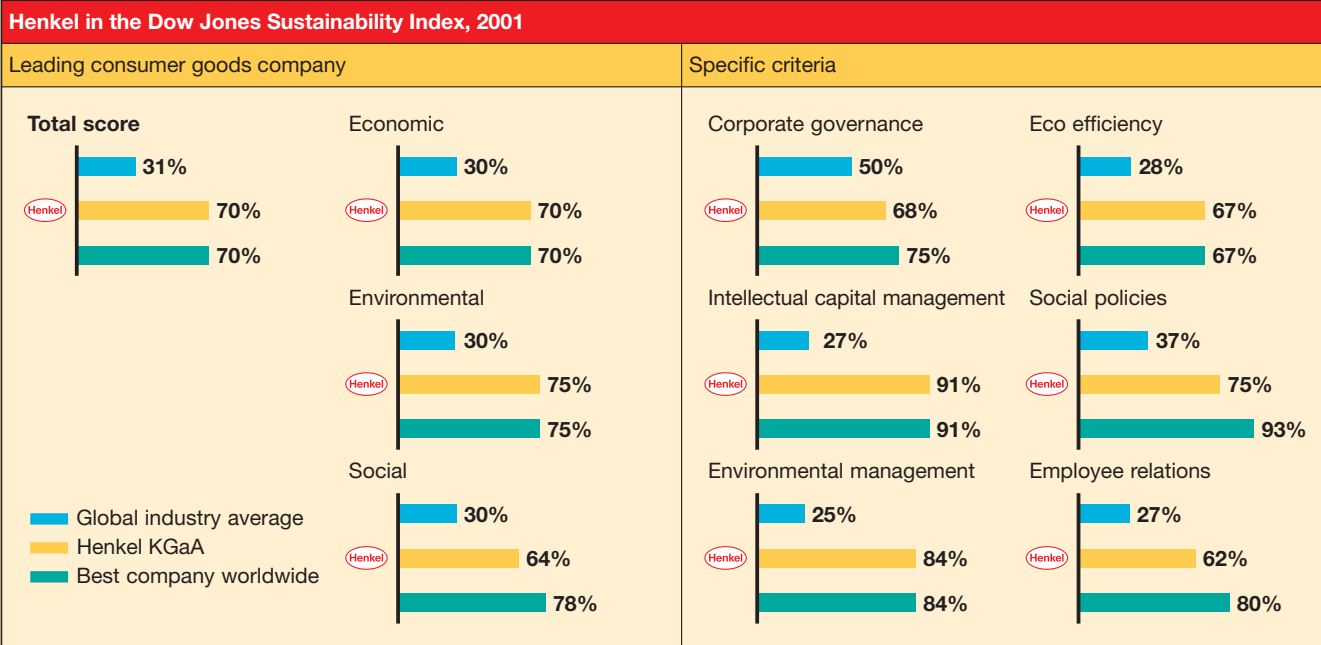
For Henkel, the implementation of sustainable development grows out of the interplay of prevailing political circumstances, social demands, and

business opportunities. In a constantly changing world with largely globalized markets, the Company must continuously adjust its sustainability orientation to new developments.

Dynamic objective

No single improvement will bring about sustainable development. All relevant factors must be continually reassessed. Henkel is meeting this ongoing challenge with a market-oriented sustainability strategy and is convinced that this constitutes a clear win-win situation – for the Company, for society, and for the environment. Sustainability means future viability.

External assessments



Research institutes, sustainability analysts, and business journals regularly assess how companies balance economic, ecological and social factors. Henkel welcomes these external assessments of sustainability performance, which result in greater market transparency. Cross-sectoral sustainability and ethical indexes also play an increasingly important role in international capital markets.

Sustainability leader in the Dow Jones Index

In August 2001, Henkel was listed in the worldwide Dow Jones Sustainability Index for the third time and was simultaneously ranked as a sustainability leader in the consumer goods sector. Henkel's score was more than twice as high as the average for consumer goods companies. Henkel is thus a "market leader" among the companies that make up the top ten percent of their sector in terms of sustainability performance.



Published sustainability profiles

Organization	Rating	Year
Hamburg Environment Institute, Hamburg	Eco ranking of the chemical industry	1994, 1996, 1999
Capital/Institute for Ecological Economy Research, Cologne/Berlin	Ranking Environment reports	1994, 1996, 1998, 2000
Institute for Market, Environment, Society, Hannover	Social and environmental company ratings	1997
Dow Jones/SAM, Princeton/Zurich	Sustainability Index	1999, 2000, 2001
United Bank of Switzerland, Zurich	Eco performance rating	1999, 2001
Bank Sarasin, Basel	Sustainability profile	2000

The results of the assessments – wherever provided by the rating agencies – are published by Henkel on the Internet. Henkel conducts an intensive dialogue with the various sustainability analysts, which serves as a valuable source of new impulses for the Company.

Henkel in the ethical index of the London Stock Exchange

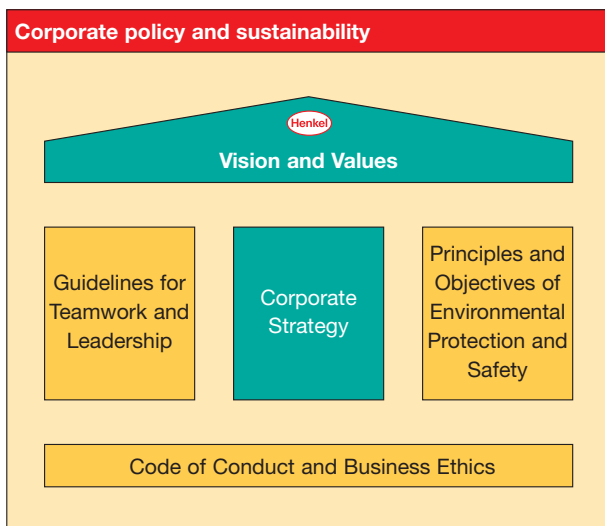
Henkel was also selected for inclusion in the first FTSE4Good Index of the Financial Times Stock Exchange (FTSE), launched in June 2001. This ethical index lists quoted companies whose performance in environmental protection, observance of human rights, and acceptance of social responsibility is rated as exceptionally good. Henkel considers the assessments as an important external benchmark for the confidence shown in the Company's future viability.



Management

A global organizational structure and integrated management systems enable systematic alignment to sustainability.

In progressively adapting Henkel's activities to the principles of sustainability, the Company and its employees base their actions and decisions on guidelines, principles and objectives. Globally binding elements of corporate policy apply throughout the Henkel Group.



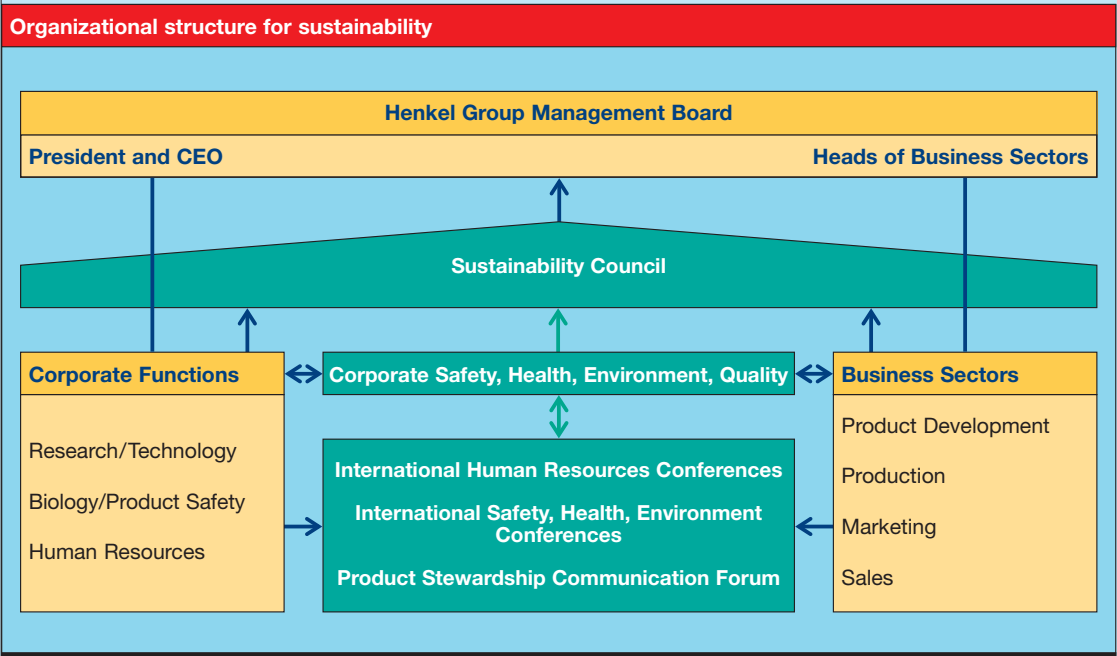
The Company wants to attain the following:

- Responsible and motivated employees
- Efficient and safe processes
- Competitive advantages through sustainable products

“A company’s social commitment is a key criterion for me when I am looking for a job.”

Tatiana Birota, 22, from Martinique, Corporate Communications Trainee, Henkel, Düsseldorf, Germany.





Global responsibility

The Henkel Management Board bears overall responsibility for sustainability policy. A Sustainability Council, whose members are drawn from the entire Group, has a global steering function, in cooperation with the business sectors and the corporate functions. ⓘ

Integrated management

Integrated management systems are the key instrument for sustainability at Henkel. Their worldwide introduction was completed in 2001. The systems are based on the already existing quality management system and incorporate globally uniform standards for safety, health and the environment. ⓘ

Implementation of the Group-wide requirements is regularly checked by means of internal audits. Henkel companies also have their management systems externally certified, if this yields competitive advantages. By the end of 2001, 53 sites had been certified to the international ISO 14001 standard. ⓘ These sites account for more than half of Henkel's total production.

High standards of conduct

Henkel applies the highest standards to the way it conducts its business relationships. The Company has therefore defined a Code of Conduct, with which all employees must comply. It is intended to ensure that decisions are not influenced by personal conflicts of interest and can withstand public review.

New approaches to sustainability

The integrated management systems contain economic and ecological management requirements. The Code of Conduct comprises a number of socially relevant aspects derived from corporate policy. They include the following principles:

- Henkel complies with the law and the rules and values of society.
- Henkel respects individual diversity.
- Henkel challenges, develops and rewards its employees.
- Henkel is fair in competition.
- Henkel avoids conflicts of interest. ⓘ

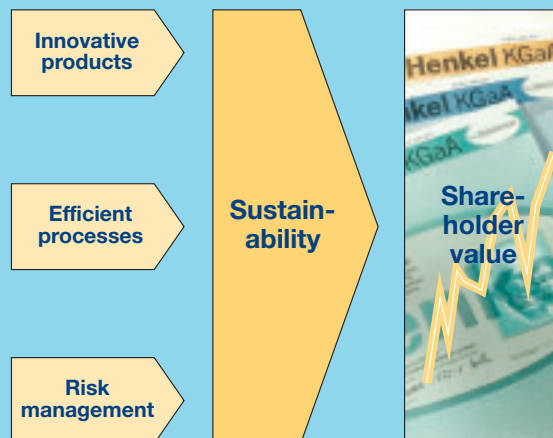
On the agenda: Sustainability standards

Henkel has set itself the objective of consolidating all of the Group-wide requirements on sustainable development into corporate sustainability standards by the year 2004. An international work group will be defining the standards on social responsibility and integrating them into the existing management systems for safety, health, environment and quality.

Sustainability and shareholder value

Long-term shareholder value

With its innovative products, efficient processes, and comprehensive risk management, Henkel's sustainability strategy contributes to long-term increase in the value of the Company. The four examples described below are representative of the many approaches with which resources can be conserved while improving competitiveness. Another indication of the economic importance of sustainability is the growing interest of the international capital markets.



On the right track

Ecological? It's only logical! In 1994, under this slogan, Henkel introduced a new distribution concept for detergents and household cleaners in Germany. Since that time, long-distance freight has been shipped from the Düsseldorf and Genthin sites by rail and transported to eight regional warehouses.

Each year, some 250,000 metric tons of detergents and household cleaners are thus carried by rail instead of road. Only half as much energy is needed for their transport, and emissions to the air and noise nuisance are clearly decreasing.

Henkel also profits year after year from the new logistics concept. Thanks to the optimal utilization of transport capacity, favorable rail transport charges, and improved loading conditions, the Company saves 1.5 to 2 million euros.

Good all around

Henkel achieved a major breakthrough in the 1990s with high-concentration Megaperls® laundry detergents: halving the weight as compared with conventional detergents (see page 19), plus a substantial reduction in packaging material. This was well received by customers, benefited the environment, and boosted sales.

Not content with that, however, Henkel largely replaced the original cardboard cartons with resource-conserving plastic bags. This resulted in a reduction of more than 80 percent in packaging. In Germany alone, this saves around 2,500 metric tons of packaging material, and thus of household waste, each year. Savings on raw materials costs exceed 4 million euros.



Safeguarding values – risk management

Group-wide risk management makes an indispensable contribution to value-oriented management in the Henkel Group. It enables business opportunities to be optimally utilized and possible risks to be countered at an early stage. Independent safety, health and environment audits are an important component of this function.

For example, if the neighborhood is endangered by an operational incident, or the environment is harmed, this entails more than high, unexpected costs. The company's reputation suffers as well.

In the case of the Henkel Group, which generates 70 percent of its sales with consumer brands, there is another crucial factor involved. Shoppers can decide on a daily basis whether or not to buy Henkel products, thus influencing Henkel's economic success. This is yet another reason why integrated management and the global Code of Conduct are of major importance for the future viability of the Company.

Good deal

The desire to reutilize wherever possible the residual materials occurring in the production plants was the basic idea behind the creation of a Henkel-wide residual materials exchange. With skilled marketing and the support of efficient information technology, the trade in recoverables has since flourished. Between 3,000 and 5,000 metric tons of residuals are marketed each year to internal and external customers. This motivates plant managers, who can pass on obsolete raw materials or faulty batches for optimal reutilization. Profits from the sales of the residual materials and the savings in disposal costs are considerable: an average of around 2 million euros per year.

Emphasis on creativity

Creative employees and good ideas are the most valuable asset of successful companies. In Düsseldorf-Holthausen alone – Henkel's largest production site – employees submit some 4,000 improvement suggestions to Ideas Management each year. In the first year after implementation, the average savings amount to between 2 and 3 million euros. The employees receive 15 percent of this sum as a bonus payment. The core idea in

relation to sustainability is that optimized processes often consume fewer resources and incur lower waste costs. One current example is an innovative filter, which enables the cooling water in the power plant to be recycled. This has cut the volume of wastewater by 300,000 cubic meters per year and results in one metric ton less of zinc pollution. The employee who submitted the suggestion was rewarded with 45,000 euros – the third-highest bonus paid so far. The highest bonus ever awarded was also for a suggestion benefiting the environment: As long ago as 1985, Henkel paid 90,000 euros for a new "pattern" for washing powder cartons, designed to considerably reduce the amount of cardboard needed.

Securing markets – sustainability as opportunity

Efficient products which combine customer benefits with ecological progress are key to corporate success in sustainability. The examples from the business sectors, on pages 19 to 22, show how Henkel strengthens its competitive position and can develop new markets with sustainably designed products and technologies.

Social responsibility


Anniversary initiative: 125 children's projects worldwide

To mark its 125th anniversary in 2001, Henkel decided to support 125 children's projects with a contribution of up to 12,500 euros each. The special feature is that Henkel employees actively volunteer in these projects, as "personal ambassadors" of the Company. The MIT (Make an Impact on Tomorrow) program, which was established by the Company in 1998 and supported another 193 social projects in 2001, stood behind the children's projects.

More than 10,000 children and young people in 52 countries have received help. Around half of the sup-

ported projects are located in Africa, India and the Asia-Pacific region. More than 4,000 children, including many street children, benefited from aid projects aimed at improving education and care. Over 3,700 children were helped through improved health care, while another 1,300 profited from construction and renovation measures. Other Henkel anniversary projects supported initiatives in the fields of art and culture, leisure-time activities and sports, as well as nature conservation and environmental protection. An overview of all supported projects can be found on the Internet. 

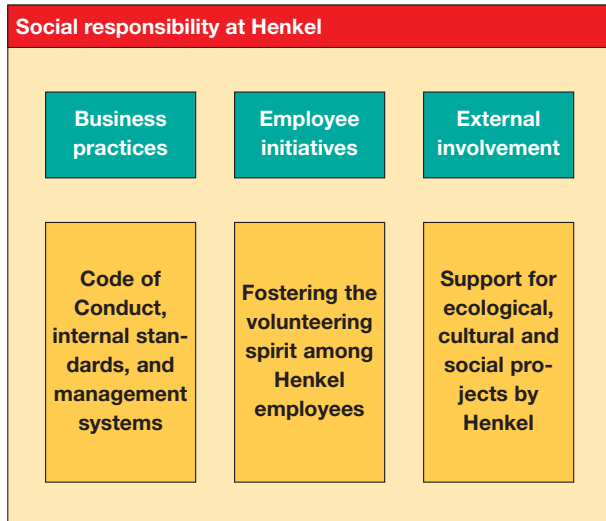


As an international company, Henkel recognizes its responsibility to society and reflects its sense of accountability in its business practices worldwide. Moreover, Henkel provides concrete support for social, ecological, cultural and scientific initiatives in the communities in which it operates. 

The Company's social involvement is based on the conviction that solutions which are jointly reached on a basis of partnership will benefit all concerned.

MIT work encouraged

Henkel has promoted volunteer work by its employees through the MIT (Make an Impact on Tomorrow) initiative since it was launched in Düsseldorf in 1998. Since then, more than 450 projects have been advanced by committed Henkel employees in their free time. The Company supports the social involvement of its employees by providing material or financial resources, or by giving staff time off from work. Inspired by the 125 international children's projects in the anniversary year 2001, the MIT initiative is now being adopted by other Henkel companies, starting with Austria, Brazil, France and Greece.



Help for an orphanage in Egypt and a children's hospital in Nepal

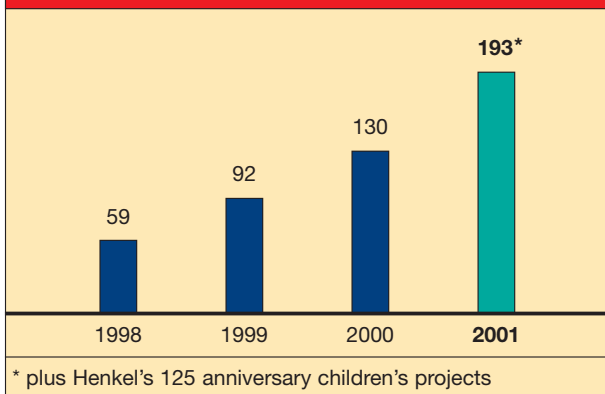
In one of the 125 children's projects, Khaled Tawakol, Transport and Logistics Manager at the laundry detergents plant in Port Said, Egypt, does volunteer work for an orphanage for 400 children in the Cairo suburb of Maadi. With his help, an urgently needed unit for newborn babies was built, and the hot water supply and air conditioning system were put into working order.

Susanne Lücker, a medical technician at Henkel in Düsseldorf, has joined forces with a friend – a pediatrician – to support Kanti Children's Hospital

in Katmandu, Nepal. They transported 870 kilograms of medical and hygiene supplies to the only children's hospital in the entire country. The enthusiasm generated by the project attracted other partners. Lauda Air and freight carrier Kühne & Nagel spontaneously contributed to the Henkel anniversary project, making it possible to send another two shipments to Nepal in 2002. Much-needed materials for the care of burns were provided, and now a neighboring orphanage and a leprosy clinic are also receiving aid.



Number of MIT projects supported



Fighting xenophobia

Henkel has clearly underlined its opposition to discrimination and prejudice by launching two poster campaigns. The core statements were "Who is a foreigner in a global company? No one!" and "What makes a global company successful? Employees from all over the world!" More than 60 large-format posters were displayed at all of the German sites and in Vienna and met with a very positive response both inside and outside the Company.

For the trainees in Düsseldorf, the campaign was supplemented by a series of four dialogues with the Konrad Adenauer Foundation. The topic was: "Right-wing extremism – a temporary danger or a threat to democracy?" More than 300 young people researched the background to current problems and debated with well-known political figures on questions regarding social integration and ways of overcoming negative attitudes.

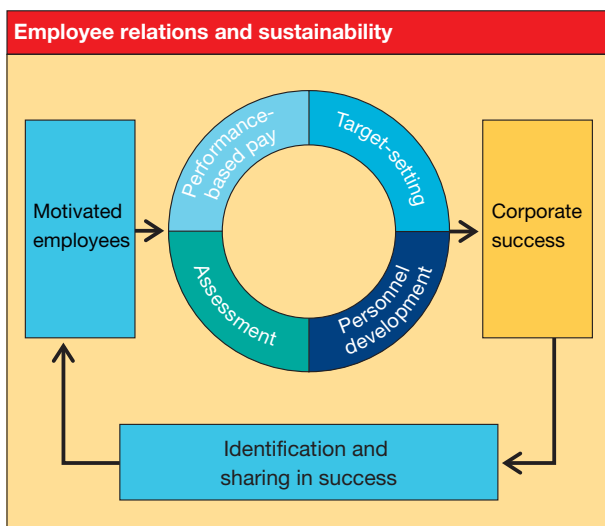


Employees

Henkel regards its employees as its most valuable asset for a successful future.

Motivated employees

The commitment, knowledge and flexibility of Henkel’s employees are the basis for the Company’s success. Current priorities of the Company’s human resources policy are the continuous development of its employees’ skills and the strengthening of their identification with the Company.

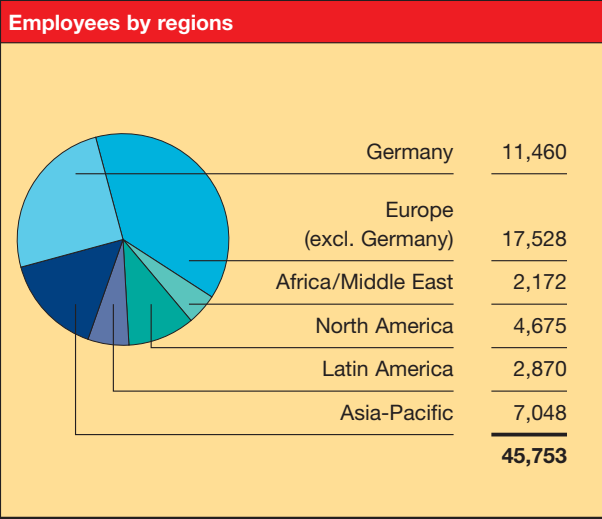


Motivated and highly skilled employees are the foundations of Henkel’s success. The Company therefore attaches great importance to the recognition of individual achievement and the systematic development of human resources.



“To us, sustainable development also means a better quality of life for our family and friends.”

Catarina Garbim-Pardal, 27, Technical Customer Support, and Fernando Pardal, 28, Marketing Manager, Henkel do Brazil, São Paulo, Brazil.



Three-quarters of Henkel's employees work outside of Germany. Worldwide, more than 7,500 employees hold managerial positions, and 21 percent of management are women.

Well informed

Henkel aims to strengthen its employees' personal involvement in the Company's business activities by providing them with comprehensive information and giving them the requisite freedom for making well-considered decisions. Being well-informed not only helps employees to carry out their tasks, but it is also of major importance in strengthening their identification with the Company. Henkel therefore assigns a high priority to candid communication based on mutual trust. Relationships with employees' representatives within the Company are also based on mutual trust and partnership.

International orientation

Henkel's international character calls for the establishment of worldwide human resources structures. A major challenge is the creation of a global corporate culture, one which encourages all employees to take individual responsibility for their thoughts and actions. ⓘ The focus is on evolving into an organization based on trust rather than on rigid control mechanisms.

Globally applicable Guidelines for Teamwork and Leadership, together with a Code of Conduct, are the cornerstones of teamwork based on trust within the Henkel Group. In addition, hierarchies became increasingly flatter during the 1990s. The globally uniform framework for the Company's remuneration, personnel development, and information policy therefore now consists of just three management circles.

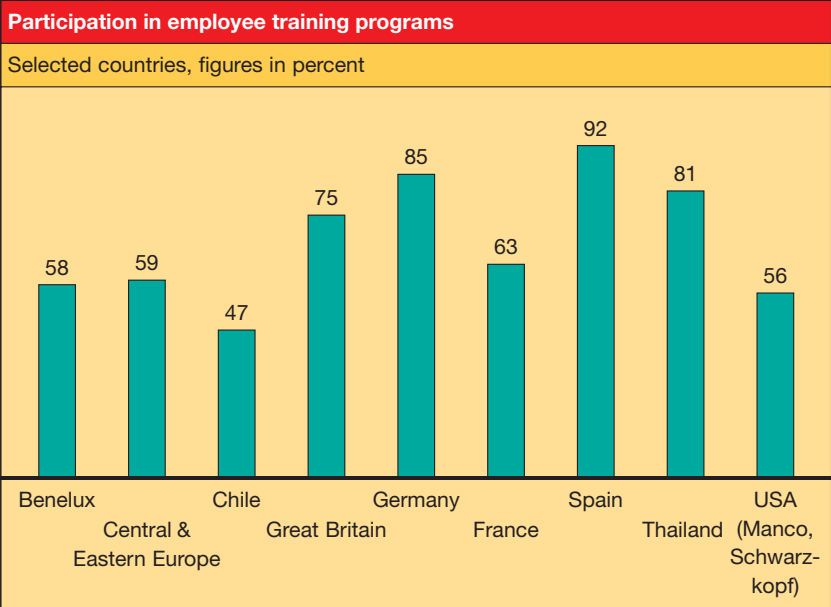
International job rotation programs facilitate the transfer of know-how within the Group and give employees the opportunity of furthering their personal development. More than 40 percent of such transfers involve employee exchanges between international Henkel subsidiaries.

Performance-based leadership and compensation

Recognition of individual achievement and the attainment of corporate success are at the heart of Henkel's human resources policy. In an annual target dialogue, employees and their supervisors jointly define the objectives and targets for the year.

These target dialogues are systematically coupled with an international incentive system for managers. They link personal incentives with the Company's strategic priorities.

The concept of profit-sharing compensation also applies to non-managerial employees. An additional performance-related bonus was introduced for these employees in Germany as early as 1997, for example. The bonus payment amounts are linked directly to Henkel's business success.



Henkel organizes job-related and personality development seminars to enable its employees to acquire skills extending beyond their on-the-job training. On average, 70 percent of all Henkel employees regularly attend such courses.

Systematic advancement and development

Regular employee assessments are a key element of performance improvement and development at Henkel. Every two years, managers receive structured feedback concerning their performance profile. This is done in a management competencies assessment in which the manager and his or her superior agree an individual development plan aimed at eliminating any weaknesses and building on his or her strengths.

A basic principle at Henkel is that employees are also given the opportunity to assess their superiors. The worldwide “Leadership Dialogue,” in which managers face assessment by their subordinates, was introduced for this purpose in 2001. This feedback serves to improve management style and reinforce identification with the team.

Well-qualified

Henkel has a tradition of providing training for young people in a variety of occupations. In Germany alone, 178 young people started vocational training at Henkel in 2001 after they had finished school. Vocations in the new information tech-

nology and telecommunications sectors were in particularly great demand. The total number of apprentices was 523. As far as possible, therefore, the demand for young skilled workers is thus met by the Company’s own training program.

The concept of Responsible Care is firmly anchored in the training program. This won second place for Henkel in the trainer competition 2000 of the German Employers’ Federation and the German Mining, Chemical and Energy Workers Union. The Company’s integrative training in safety, health, environment and quality management, together with cross-vocational cooperation projects, tipped the scales in Henkel’s favor.

Career opportunities

Henkel has a tradition of following the principle of promotion from its own ranks. Employee compensation and promotion depends solely on qualifications and performance. Discussions are held annually with the Management Board to identify high potentials and to plan future appointments.

Sharing in success

In 2001, the Henkel Group launched a worldwide employee share program, giving all employees a direct opportunity to share in the economic success of the Company. Employees can buy Henkel shares at preferential terms: For each euro that an employee invests in Henkel stock, the Company contributes another 50 cents as a bonus. Up to 4 percent of an employee's annual income – with a ceiling of 4,000 euros – can be invested advantageously in this way.

The idea is to bind the interests of Henkel's employees even more closely to those of the Company, while also giving employees an opportunity to provide for the

future and their old age. During the first year, around 30 percent of the employees in 44 countries participated in this program.

As an added incentive for top management, the second tranche of the stock incentive program went into effect in 2001. Some 700 managers around the world are currently included in this highly success-dependent program.

Environmental training

Training employees and raising their awareness is a central component of successful orientation toward sustainability. The sites thus regularly assess the training needs of their employees and integrate environmental protection and safety seminars into their basic and advanced training programs.

At the Henkel Group's largest production site, in Düsseldorf-Holthausen, more than 3000 employees per year attend training courses given by qualified environmental protection and safety instructors. The basis for this is the plant agreement reached between the Management Board and the Works Council in 1988, which has since been expanded and intensified. The training courses are supplemented by departmental meetings centering on environmental protection and safety, and by specialized training courses for managerial staff.

Worldwide knowledge

Globalized markets and the trend toward the information society make a company's employees' knowledge and willingness to learn a decisive success factor. In recent years, Henkel has introduced a Group-wide knowledge management system to promote and expand worldwide knowledge transfer. Key experiences gained from Henkel's business activities are systematically collected in databases, together with expert knowledge, and made accessible to a wide circle of Henkel employees.

The launch of the intranet-based learning portal "Click and Learn" in 2001 also significantly increased the availability of specialized knowledge and leadership approaches. A large number of employees thus have the opportunity to access new subject matter as and when they wish to do so. International access was considerably increased by the roll-out in all regions of the world. By the end of 2003, 20 percent of the training courses should be available online.

Products

Innovative products that benefit society are the basis for long-term business success.

Innovation and sustainability

Henkel's aim is to offer its customers simple, safe, and ecologically compatible solutions through high-performance products and intelligent service. A high degree of innovative dynamism is a precondition for the success of this strategy. Henkel achieves this through its knowledge of customer and consumer needs, its targeted research activities and alliances, and the creativity of its employees.

Market-related orientation

Based on market requirements, the business sectors align their product policies to sustainability (see "Focus on sustainability" boxes on pages 19 to 22). The following examples demonstrate how innovative and sustainable products help to improve safety, health and the environment and how Henkel uses this to secure competitive advantages. As can be seen, sustainable product optimizations are only rarely instantly successful on the market. In most cases, long-term market strategies are needed to achieve enduring success with customers.



"Developing products that combine excellent performance and safety is also my own personal aim."

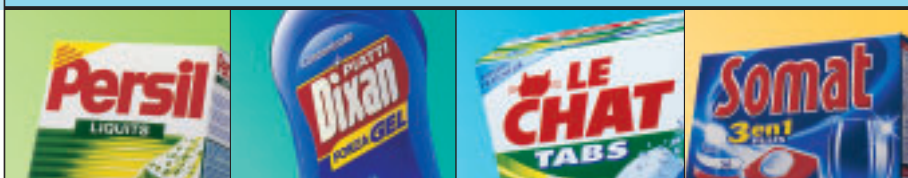
Mustafa Akram, 48, Product Developer from Bangladesh, Schwarzkopf Professional, Hamburg, Germany, married, three children.

Laundry & Home Care

Focus on sustainability

In 1953, the Henkel Ecology department began to collect data on the fate of detergent ingredients in the environment – as a basis for preventive environmental protection. Today, product life cycle assessments are fundamental to the development of environmentally compatible detergents. A priority objective here is to combine steadily improving product performance with continuous reductions in the amount of product that has to be used. Much more is needed, however, to take a leading position in the hotly contested market for detergents and household cleaners.

One of Henkel’s success strategies is the use of specifically tailored regional brands. A Group-wide formulation information system helps to ensure that Henkel products will not pose any risk to health or the environment anywhere in the world. Only tested raw materials and approved formulations may be used. Another component of Henkel’s market success is its responsiveness to consumer needs. With its detergents in tablet form and with the recently launched Persil LIQUITS®, Henkel is applying an innovative concept which unites easy handling with exact dispensing.



Just the right amount

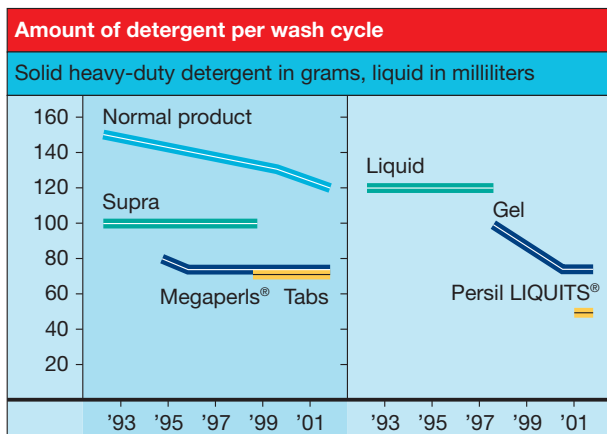
Whether liquid, powder or solid, Henkel is continuously optimizing its laundry detergents. Its aims are clear: to improve performance, reduce the environmental burden, and simplify usage.

Henkel’s innovative products made it a driving force in many markets in the 1990s and strengthened its competitiveness. This also applies to concentrated liquid detergents and the recently launched Persil LIQUITS. Optimized product concepts and more effective ingredients mean that products can be used more sparingly and marketed in smaller packs, two factors appreciated by many

consumers. Moreover, improved formulations have resulted in greater washing efficiency even at lower temperatures. As a result, consumer demand for traditional powder products is decreasing. In Europe, their market share has fallen from more than 80 percent to around 65 percent since 1998. An additional advantage of the tablets and Persil LIQUITS is that they make it almost impossible to use too much product per wash cycle.

Less is more

Concentrates also established themselves in the dishwashing detergents market in the 1990s, offering considerable benefits for consumers and the environment. This is true not only of liquid hand dishwashing detergents but also of detergents for automatic dishwashers. In the automatic dishwashing sector, products in tablet form have already acquired a market share of approximately 70 percent. The latest market success is intelligent “3 in 1” products, which enable the consumer to add the right amount of detergent, rinse aid and salt substitute, all in a single tablet.



Cosmetics/Toiletries

Focus on sustainability

When Henkel's cosmetics experts develop a new product, it has to be effective, of course, but it must also satisfy two other key criteria: It must be safe to use, and it must be compatible with human beings and the environment. After all, all of this sector's products are applied directly to the body, and later find their way into the environment. Only good, well-tolerated and easy-to-use cosmetics can generate long-term consumer trust. This is why developers of cosmetics assign a high priority to compatibility and ecological degradability. All cosmetics are subjected to an extensive testing program, which is con-

tinuously updated in line with the latest technical developments.

Henkel studies skin compatibility by means of dermatological tests and in vitro tests on cell cultures, which do not require animal experiments. Henkel has worked together with independent institutes since the early 1980s to develop and optimize alternative test methods. The further development of test methods that do not involve live animals will continue to be an important objective of the Company.



Setting the tone naturally

In 1998, after intensive research and development, Schwarzkopf & Henkel launched Poly Re-Nature – a “natural color” cream for graying hair. The product's especially gentle action principle mimics nature, restoring the hair's previous natural color. The cream is therefore well tolerated by users who are allergic to the ingredients of conventional hair colorants.

The mode of action is convincing: Poly Re-Nature cream has established itself firmly in the market and stands out as having the highest hair colorant repeat purchase rate. Its use was initially limited to medium blonde to dark brown hair. Through intensive research it has now become possible to launch the product in southern countries, too, where hair shades traditionally tend to be darker.

Tastes children like

With their humorous crocodile motifs and fruity strawberry taste, Henkel's Junior toothpastes are especially popular among young children. The objective of the child-oriented design is to encourage regular dental care from a very young age. A particularly important aspect is that they contain caries-inhibiting fluoride in amounts suitable for children. Henkel has been working on this with dental institutes for some time now. Since 1992, the toothpaste for children 3 years and up has contained 0.05 percent fluoride for active health care. Leading scientists, including those at the Deutsche Gesellschaft für Zahn-, Mund- und Kieferheilkunde (German society for dental, oral and gnathic health) now recommend this as the optimal fluoride content. More is not advisable, as small children often swallow toothpaste, while a lower percentage does not provide adequate protection against caries. For children with permanent teeth, the correct choice is Junior toothpaste 2 in 1. It contains 0.1 percent fluoride.

Consumer and Craftsmen Adhesives

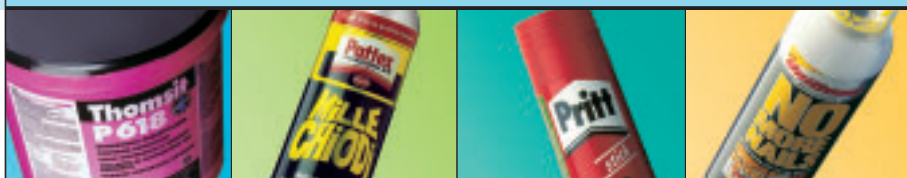
Focus on sustainability

Henkel is the number one in the global adhesives market and also holds a leading technological and ecological position.

The solvents they emit are one of the major pollutants associated with adhesives and are a significant health concern. Some years ago, therefore, Henkel adopted a marketing strategy of consistently replacing solvent-based adhesives with high-performance water-based products.

The examples given on this page are just a few of the many successfully marketed product optimizations.

Henkel's adhesives developers have continued to focus on renewable resources. One example is the internationally known Pritt stick, for which a new formulation based almost entirely on renewable raw materials was introduced in the 1990s. An important factor in their market success is that Henkel adhesives are designed for convenient, precise and safe use by consumers and craftsmen.



Jointly solved

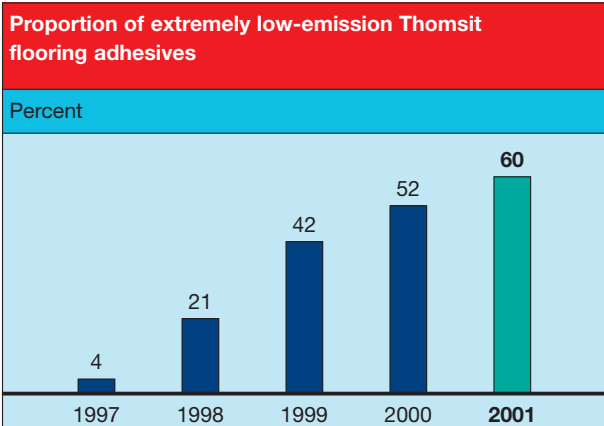
As a leading supplier of flooring adhesives, Henkel Bautechnik joined with eight other producers in 1997 to found the Gemeinschaft emissionskontrollierter Verlegewerkstoffe (quality association for emission-controlled flooring adhesives). Its objective was to promote the use of extremely low-emission and low-odor adhesives by means of uniform labeling. Since then, planners, craftsmen and home owners have had the assurance that the EMICODE EC 1 label is their best safeguard against indoor air pollution. ⓘ Henkel now markets EC 1 adhesives in nine European countries. At present, 60 percent

of all Thomsit dispersion adhesives qualify for the extremely low-emission category. The aim is to increase this figure to 90 percent by 2005.

Unbeatable

An absolute prerequisite for success in the highly competitive DIY market is easy-to-use, cleanly dispensable and, above all, high-performance product innovations. Henkel accomplished this in the 1990s with its water-based assembly adhesives. Laborious and dirty jobs such as drilling, screwing and nailing became superfluous. Moreover, the initial tack of the water-based adhesive is definitely superior to that of the solvent-based products. The special feature is that, despite the high initial tack, there is a comfortable margin of a few minutes, during which the parts can be repositioned before the adhesive sets. Use of these adhesives cuts solvent consumption by about 1,500 metric tons per year.

In the meantime, Henkel's innovative assembly adhesives are firmly established in the European market, and sales in America and Asia are increasing.



Henkel Technologies

Focus on sustainability

As a global market leader, Henkel Technologies offers individually tailored system solutions, discussing the specific problems involved with its industrial customers, and jointly developing new processes with them. Work is often carried out in a team context together with plant manufacturers and suppliers of raw materials. In the 1990s, Henkel established a number of innovative products and technologies in the market, offering customers benefits in terms of environmental and health protection and, frequently, economy.

Examples include:

- skin-compatible coolants,
- chrome-free surface treatment processes,
- solvent-free coating technologies for plastic window frames,
- reworkable high-performance adhesives for chipbonding.

A growing trend is for Henkel Technologies to offer its customers full service onsite system solutions, thus allowing them to focus on their core competencies.

New start

Henkel had high hopes for its nickel-free corrosion protection process for car bodies in the 1990s. After a promising start, plans were made for a major expansion. However, things turned out very differently. On cost grounds, automobile manufacturers increasingly turned to hot-dip galvanized steel sheet. This cannot be provided with the necessary quality of protection by the nickel-free method. New solutions had to be found. Henkel worked together with Ford in Cologne to develop two processes that enable the unused nickel to be recycled and ensure a high quality result. The optimized total system has also reduced energy, wastewater and waste costs. Customer interest has been aroused, and several pilot plants are being installed at automobile manufacturers' sites in Europe and America.

Universal solution

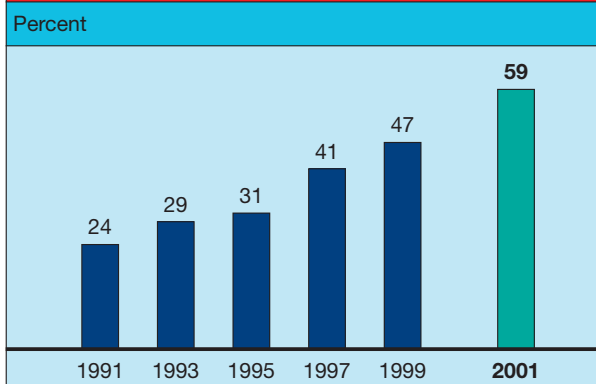
Hard-wearing, light, aroma-sealing – these are typical demands made on laminated films and foils for flexible food packaging. Henkel provides the answer – with its Liofol-brand laminating adhesives. In the 1980s, Henkel helped to initiate

the switch to solvent-free laminating adhesives. In 1998, it achieved a breakthrough with its newly developed universal laminating



adhesives. Customers were soon convinced by the faster production times, reduced wastage, and especially good processing conditions. Sales of solvent-free products have tripled since 1998. Around 60 percent of all laminates produced with Liofol are now solvent-free. This saves several thousand metric tons of solvent. As a global leader in this technology, Henkel will continue to profit from this rapidly growing business in the future.

Proportion of solvent-free Liofol-bonded laminates



Production

Employees and management at all Henkel Group sites share a common goal: sustainable development.

Globally responsible

Henkel sites all over the world strive to achieve continuous improvement in safety, health, and environmental protection, as well as taking social responsibility in their local communities. This chapter provides a region-by-region overview of the major production sites of the Henkel Group. Key developments in recent years and current highlights are described for each region. Henkel also reports here on significant operational incidents. ⓘ

Systematic site information

Henkel publishes key sustainability data collected from 190 production sites around the world. 32 sites are covered in this report for the first time. Nine sites have been closed down. The maps of the regions give an overview of participation in the collection of group data, certification to ISO 14001 and/or the EU Eco Management and Audit Scheme regulation (EMAS), SHE (safety, health, environment) audits, published site objectives, and detailed site portraits on the Internet.

“Individual behavior has a strong influence on a company’s overall performance. This is why continuous training is so important.”

*László Telek, 45, Site Manager,
Henkel Magyarország, Vác,
Hungary, married, two children.*

Europe

Changing times

With more than 80 percent of total sales, Europe was Henkel's principal market in the early 1990s. At the same time, changes in the political landscape opened up new opportunities in Central and Eastern Europe. As early as 1990, for example, Henkel decided to buy back its former site in Genthin, Saxony-Anhalt, in eastern Germany. Henkel now owns 19 sites in seven countries in Central and Eastern Europe and has systematically brought them up to the level of the Group-wide SHE standards. This entailed considerable modernization and investment in environmental protection.

In Western Europe, one of the main priorities was reducing wastewater and waste. Great progress was also made in cutting solvent emissions, due to the growing market success of solvent-free products and concentration of production at sites with the best cleaning technology.

Today, the SHE level in the Henkel Group is largely the same throughout Europe. Nevertheless, the ongoing program of audits has shown that improvements in certain areas are still necessary at some sites.

Ireland: Closing the loop

With a new approach to solvent recycling, the adhesives specialists at Henkel's Tallaght site in Ireland are helping to conserve resources and reduce costs. The organic solvent acetone, which is used to clean the production lines, was previously disposed of at a waste incineration plant after use. In cooperation with a specialist partner company, the contaminated solvent can now be purified and reutilized. As a result, some 30 metric tons of acetone are recycled, saving more than 10,000 euros.

Hungary: A worthwhile investment

In Barcs, Hungary, around 60 employees produce a wide spectrum of sealants and adhesives for the DIY and professional craft sectors. Henkel took over the formerly state-owned company in 1998. Just one year later, a comprehensive energy-saving program was launched. It is now beginning to yield rewards, and the investment outlay will be recovered in less than three years. The switch to low-emission natural gas and modern supply and

heating technology was the key to this success. The contribution to environmental protection is also impressive. Energy consumption has been decreased by two-thirds, and emissions to the air have also been substantially reduced.

Germany: Lucky outcome

Late in the evening of June 23, 2001, an explosion occurred in an esterification plant of Cognis subsidiary Kepec in Siegburg. Broken glass from the shattered windows of the production building flew across a public street and damaged houses on the opposite side. Fortunately, no one was harmed. As a precaution, the fire department requested the immediate neighbors to leave their homes for a short while. One neighbor was later injured while gathering up glass splinters by hand. Cognis and the German technical inspection agency TÜV identified the cause of the explosion as an unforeseen increase in the concentration of hydrogen peroxide in a collection vessel. As a result of this incident, a worldwide check was conducted as to the handling of this bleaching agent, and the Group-wide safety regulations were amended accordingly.

Austria

Vienna* ■ ■ ■ ■

Belgium

Herent* ■ ■ ■

Tessenderlo* ■ ■

Denmark

Valby* ■ ■

Finland

Valkeakoski ■

France

Bischheim ■

Boussens* ■ ■

Chailvet-Royaucourt ■ ■ ■ ■

Châlons-en-Champagne* ■ ■ ■ ■

Cosne-sur-Loire* ■ ■ ■

Lièpvre* ■ ■ ■

Louviers* ■ ■ ■ ■

Meaux* ■ ■

Nemours* ■ ■ ■ ■

Ponthierry ■

Reims* ■ ■ ■ ■

Germany

Bopfingen ■

Düsseldorf-Flingern* ■ ■ ■ ■

Düsseldorf-Holthausen* ■ ■ ■ ■

Genthin* ■ ■ ■ ■

Hannover* ■ ■ ■

Heidelberg* ■ ■ ■ ■

Heidenau ■

Herborn-Schönbach* ■ ■ ■ ■

Illertissen* ■ ■ ■ ■

Krefeld ■ ■ ■ ■

Lohne ■ ■ ■ ■

Loxstedt* ■ ■ ■ ■

Neesen ■

Sankt Augustin ■

Siegburg* ■ ■ ■ ■

Siegsdorf ■ ■

Unna ■ ■ ■ ■

Viersen-Dülken ■

Wassertrüdingen* ■ ■ ■

Great Britain

Belvedere* ■ ■ ■ ■

Hemel ■

Hempstead* ■ ■ ■

Slough* ■

Winsford* ■ ■ ■ ■

Greece

Athens/Kifissia ■

Athens/Metamorfossis ■

Mandras* ■ ■

Hungary

Barcs* ■ ■ ■

Körösladány* ■ ■ ■ ■

Szolnok* ■ ■ ■ ■

Vác* ■ ■ ■ ■

Ireland

Ballyfermot* ■ ■ ■ ■

Bray ■

Cork* ■ ■ ■ ■

Tallaght* ■ ■ ■ ■

Italy

Caleppio di Settala* ■ ■ ■ ■

Campi di Bisenzio ■ ■ ■ ■

Casarile* ■ ■ ■

Cerano ■

Ferentino* ■ ■ ■

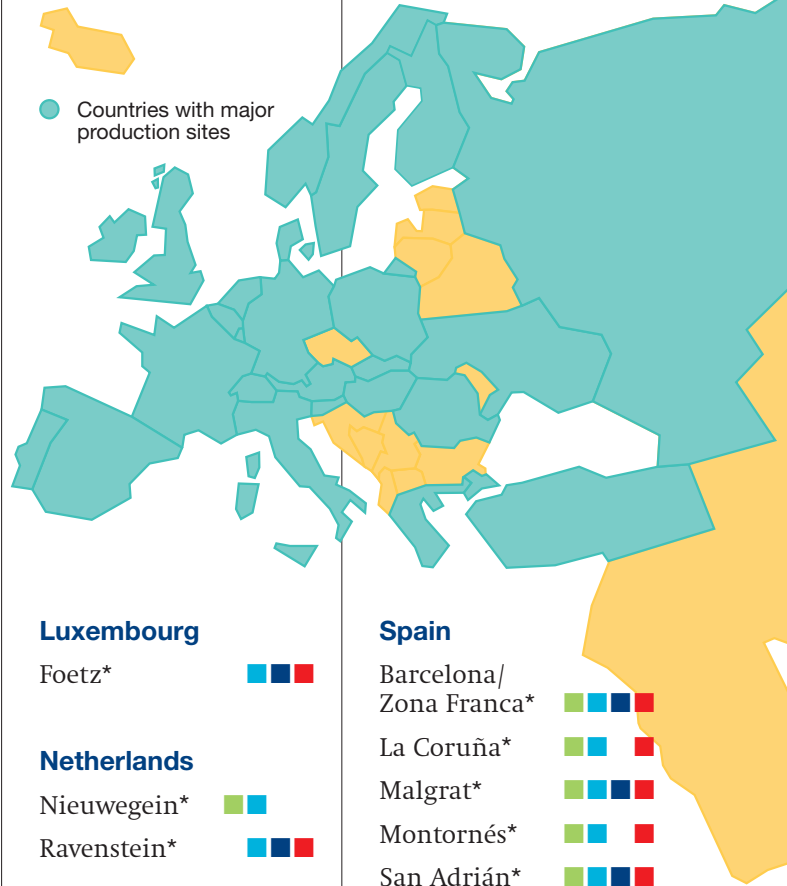
Fino Mornasco* ■ ■ ■

Lomazzo* ■ ■ ■

Parma ■ ■

Rozzano* ■ ■ ■

Zingonia/Bergamo* ■ ■ ■



Luxembourg

Foetz* ■ ■ ■

Netherlands

Nieuwegein* ■ ■

Ravenstein* ■ ■ ■

Poland

Ciechanów ■

Dzierżoniów ■

Racibórz* ■ ■ ■ ■

Stąporków* ■ ■ ■

Wrząca ■ ■ ■

Portugal

Alverca* ■ ■ ■ ■

Romania

Bucharest

Russia

Engels* ■ ■

Perm

Syzran

Tosno* ■ ■ ■

Slovakia

Nové Mesto* ■ ■ ■

Slovenia

Maribor/Melje* ■ ■ ■ ■

Maribor/Studenci* ■ ■

Spain

Barcelona/Zona Franca* ■ ■ ■ ■

La Coruña* ■ ■ ■

Malgrat* ■ ■ ■ ■

Montornés* ■ ■ ■

San Adrián* ■ ■ ■ ■

Santa Perpétua* ■ ■ ■

Sevilla/Alcalá de Guadaira* ■ ■ ■ ■

Torrejon*

Sweden

Göteborg ■

Mölnådal* ■ ■ ■ ■

Switzerland

Erlinsbach ■ ■

Turkey

Cayırova* ■ ■ ■

Izmir* ■ ■ ■

Ukraine

Uzhgorod ■

Vyshgorod/Kiev ■

* One of the 133 sites contributing to the Group data

■ Certified to ISO 14001 and/or EMAS

■ SHE audit carried out

■ Objectives published

■ Site portrait on the Internet

The Americas

Sound performance

In The Americas, the Group's business has tripled over the past ten years, due to acquisitions such as the U.S. adhesives manufacturers Loctite and Manco, and Novamax Technologies (surface technologies). In 2001, Henkel and Cognis operated more than 40 production sites in The Americas, eleven of which are in Latin America.

Binding SHE standards and internal audits have a long tradition at Henkel in the USA and Canada. A regular audit program has been in place at Henkel Corporation since 1990. The North American sites

– with the exception of new acquisitions – have therefore already undergone SHE audits several times. The audits carried out in 2001 identified no major deviations from the Henkel requirements.

The Latin American sites have been systematically audited since 1997, and the auditors are satisfied that the standard of SHE management is generally high. No major regional problems have been identified, although certain improvements need to be made at some sites.

USA: Integrated environmental protection

In response to growing market demand, Henkel has significantly expanded the production of industrial adhesives at its site in Elgin South, Illinois. A state-of-the-art production plant enables cost-efficient manufacturing, while reducing the burden on the environment. Henkel has succeeded in cutting process-related material losses to one-tenth of the original amount. The environment also benefits from this, as the pollutant load in the wastewater has been significantly decreased.

Brazil: Child-friendly company



Henkel in Brazil has been supporting social projects for a number of years now. In fact, 8 of the 125 children's projects sponsored by Henkel in its anniversary year 2001 are in Brazil. Moreover, the Cognis subsidiary in Brazil has been honored as a "child-friendly company" by UNICEF and the Brazilian Abrinq foundation. More than 120 children are being helped by the Cognis projects. They receive English lessons, learn to use computers, or are taught a craft. The project "Kids

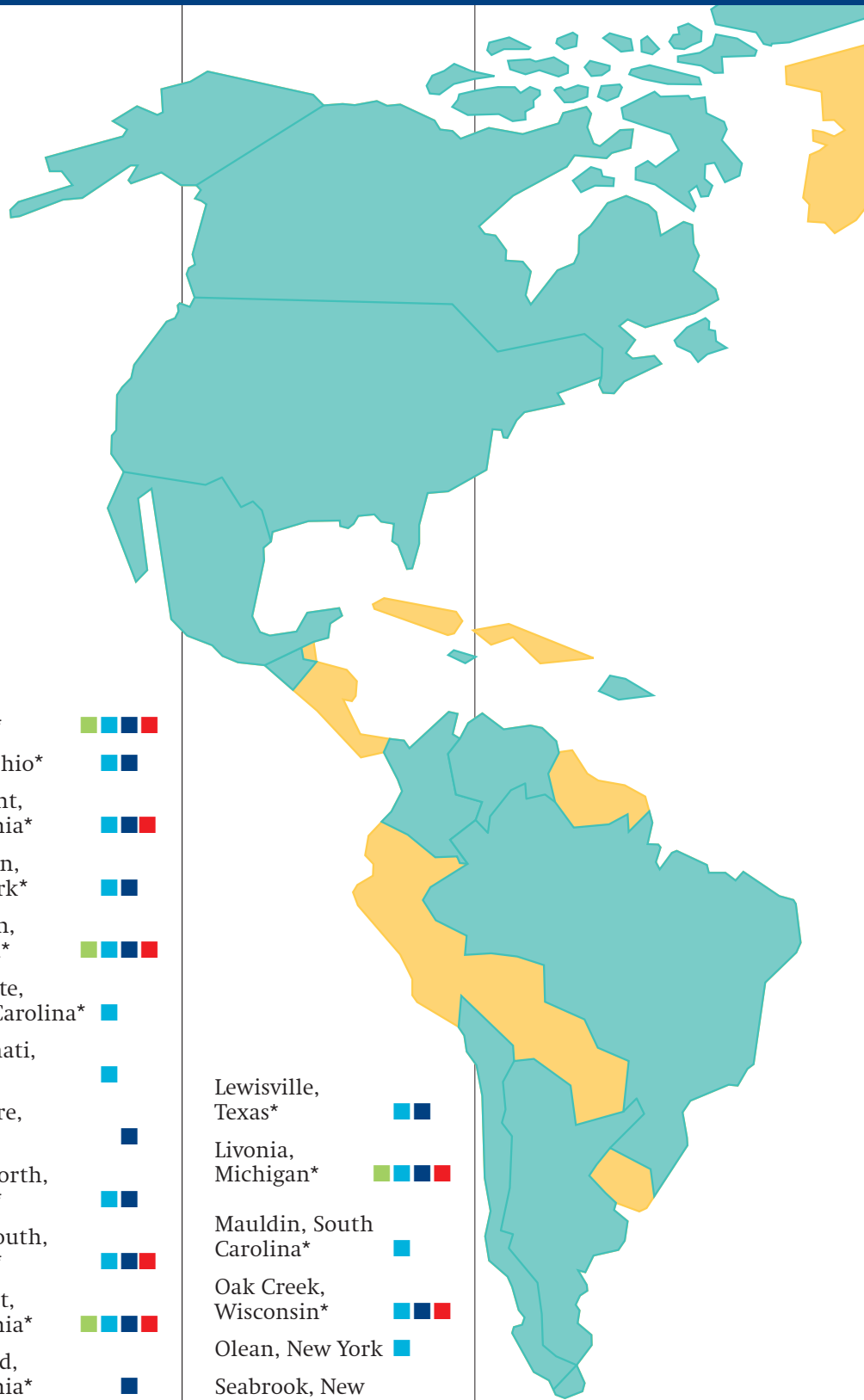
at the Crop," on a farm in the vicinity of the Jacareí site, has received particular recognition. It gives children from poor backgrounds an opportunity to learn how to cultivate fruit and vegetables using ecologically sound methods.

Mexico: Safety regulations ignored

On February 20, 2001, a contractor's repair team started to carry out welding work in the tank farm of the Mexican production site at Ecatepec de Morelos, which is jointly operated by Henkel and Cognis. Unfortunately, they did so without waiting for the all-clear from the plant staff. This unauthorized action caused an explosion, and two of the welders suffered fatal injuries.

An employee of another contractor died as a result of an accident on May 30, 2001. He had been working on the roof of a warehouse, without having taken the prescribed safety precautions, and fell.

Both accidents were investigated thoroughly by Group headquarters in Düsseldorf. On the basis of the results, Group management launched a Company-wide initiative to reduce occupational accidents at all sites and to ensure that safety standards are complied with by contractors.



Argentina

Avellaneda* ■ ■

Brazil

Diadema/São Paulo* ■ ■ ■ ■

Itapevi/São Paulo* ■ ■ ■ ■

Jacareí* ■ ■ ■ ■

Canada

Brampton, Ontario* ■ ■ ■

Etobicoke, Ontario* ■ ■ ■ ■

Toronto, Ontario* ■

Chile

Santiago de Chile* ■ ■ ■

Colombia

Santafé de Bogotá ■

Guatemala

Guatemala City ■

Jamaica

Kingston* ■ ■

Mexico

Ecatepec de Morelos* ■ ■ ■ ■

Toluca ■

Puerto Rico

Sabana Grande* ■ ■ ■ ■

Venezuela

Guacara/Caracas* ■

USA

Aurora, Illinois* ■ ■ ■ ■

Avon, Ohio* ■ ■

Bay Point, California* ■ ■ ■

Brooklyn, New York* ■ ■

Calhoun, Georgia* ■ ■ ■ ■

Charlotte, North Carolina* ■

Cincinnati, Ohio* ■

Delaware, Ohio* ■

Elgin North, Illinois* ■ ■

Elgin South, Illinois* ■ ■ ■

Fremont, California* ■ ■ ■ ■

Hayward, California* ■

Hoboken, New Jersey* ■

Homer, New York* ■

Industry, California ■ ■ ■ ■

Jackson, Tennessee* ■ ■ ■ ■

Kankakee, Illinois* ■

Lewisville, Texas* ■ ■

Livonia, Michigan* ■ ■ ■ ■

Mauldin, South Carolina* ■

Oak Creek, Wisconsin* ■ ■ ■

Olean, New York ■

Seabrook, New Hampshire* ■ ■ ■ ■

St. Louis, Missouri* ■ ■ ■ ■

Tucker, Georgia* ■ ■

Warren, Michigan* ■ ■ ■ ■

Warrensville Heights, Ohio* ■ ■ ■

Wayne, New Jersey* ■ ■ ■ ■

● Countries with major production sites

* One of the 133 sites contributing to the Group data

■ Certified to ISO 14001

■ SHE audit carried out

■ Objectives published

■ Site portrait on the Internet ⓘ

Asia-Pacific

Activities significantly expanded

Henkel activities in the Asian region have broadened considerably during the past 10 years, especially in China and India. Sales have more than tripled. In most cases, plants were taken over from local partners and modernized by Henkel. Major successes have been achieved, especially in the reduction of wastewater and emissions to the air, as well as in water and energy consumption. Implementation of Henkel standards was actively supported by regional SHE meetings.

Independent SHE audits have now been carried out at more than 40 sites to assess the progress made in implementing the SHE standards. The results varied widely. Some sites were exemplary, while corrective action was clearly needed at others. Technical environmental protection generally corresponded to Henkel requirements. In various cases, however, occupational safety was found to be greatly in need of improvement. The training of the responsible safety officers and employees was therefore intensified.

Australia: Climate alliance



In Australia, the government and industry have initiated a “Greenhouse Challenge Program.” Participating companies voluntarily commit to implementing energy-conserving measures to reduce carbon dioxide emissions, and cut energy costs. Cognis in Broadmeadows also joined this program. On the basis of an energy audit, potential energy savings were systematically investigated and binding optimization measures were agreed. Savings in the first year already amounted to more than 600 metric tons of carbon dioxide and more than 15,000 euros, and a reduction of a further 700 metric tons of carbon dioxide is planned. Cognis submits annual reports to the Australian authorities, detailing progress to date.

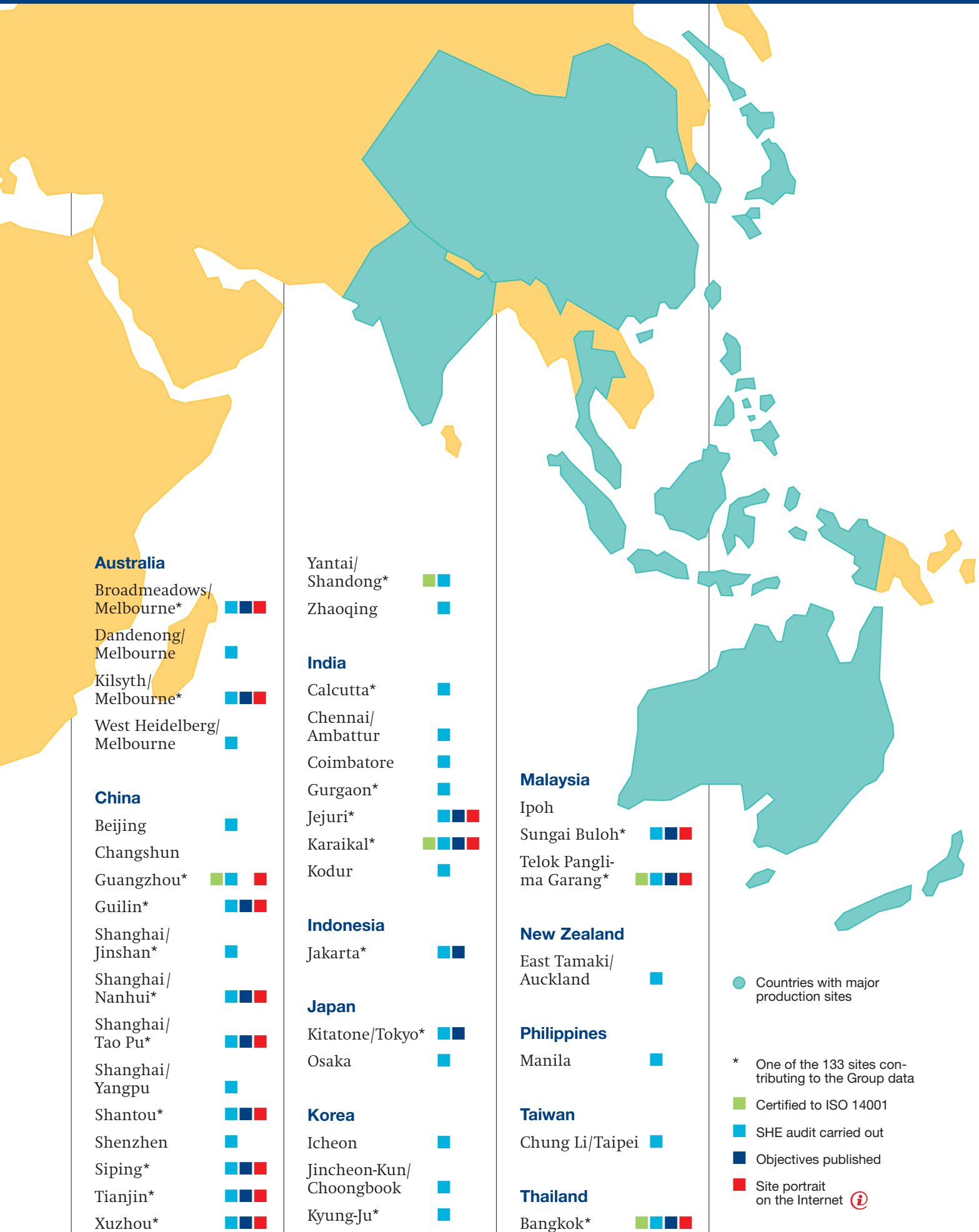
India: Sustainability efforts recognized

In 2001, Henkel SPIC India was presented with the German-Indian environmental award by the Greentech Foundation, New Delhi, for its exemplary achievements in environmental protection and its social orientation. A new energy-saving program

clearly illustrates the site’s commitment to sustainability. Besides the environmental benefits, the payback period of the 30,000 euro investment will be less than three years. Long-term support of the local community also continued in 2001, with medical check-ups and treatment of cataracts, as well as an advisory program for farmers.

China: Cleaner air

To expand its Chinese laundry detergents business, Henkel invested in four sites. Modernization of the acquired production plants has been a key task. As one aspect of this, starting in 1996, Henkel began systematically switching from coal to lower-emission sources of energy such as fuel oil and natural gas. Modern power generation and supply systems have resulted in greater economic efficiency, lower total consumption, and fewer emissions to the air. In comparison with 1996, the sites at Guilin, Siping, Tianjin and Xuzhou now use 40 percent less energy, as well as cutting carbon dioxide emissions by 80,000 metric tons and sulfur dioxide emissions by almost 2,000 metric tons per year.



● Countries with major production sites

* One of the 133 sites contributing to the Group data

■ Certified to ISO 14001

■ SHE audit carried out

■ Objectives published

■ Site portrait on the Internet ⓘ

Africa/Middle East

Algeria

Ain Temouchent
Reghaia/Algiers

Egypt

6th of October City* ■ ■
Port Said* ■ ■ ■

Iran

Teheran* ■

Israel

Haifa* ■ ■

Kenya

Nairobi* ■ ■

Lebanon

Beirut ■

Mauritius

Terre Rouge

Morocco

Casablanca* ■ ■ ■

Saudi Arabia

Jeddah* ■
Riyadh* ■ ■

South Africa

Alberton-Alrode* ■ ■ ■
Capetown ■

Tunisia


Tunis/Mornag* ■ ■
Sfax* ■

* One of the 133 sites contributing to the Group data

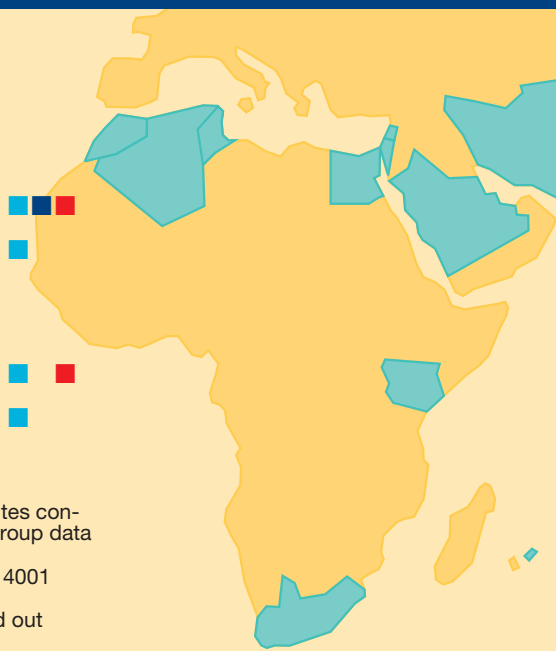
■ Certified to ISO 14001

■ SHE audit carried out

■ Objectives published

■ Site portrait on the Internet 

● Countries with major production sites



Improving performance

In the 1990s, Henkel substantially expanded its detergents and adhesives business in Africa and the Middle East by engaging in joint ventures with local partners. SHE activities were therefore focused on modernizing acquired production sites to bring them up to the technology level of the Henkel Group. The SHE performance of many sites is still below the Group average. Occupational safety is the main priority of the improvement programs at the present time. The objective is to raise employee and management awareness with regard to safety, health and the environment. This is promoted by regional SHE training courses. In 2001, for example, a one-week safety conference was held in Port Said, Egypt.

South Africa: Raising awareness

Occupational safety and health care were central themes at Henkel South Africa in 2001. Special emphasis was placed on the cooperation of all personnel in the systematic documentation and analysis of near-miss accidents. As part of this

campaign, some 20 elected SHE representatives meet regularly with management to discuss safety-related observations, so that a targeted approach can be taken to the early elimination of potential causes of accidents. An incentive system has been introduced to reward the commitment of the SHE representatives.

The Company's involvement in health care goes even further. It is currently developing an AIDS policy, which will make provision for a prevention program as well as care for HIV-infected employees, both of which are currently being set up.

Egypt: Fork-lift truck accident

A fork-lift truck driver died on March 3, 2001, as a result of an accident at the detergent site in Port Said, Egypt. In attempting to adjust a slipped load, he failed to comply with safety precautions, and was crushed by the truck.

The tragic accident suffered by this Henkel employee resulted in even more intense training of fork-lift truck drivers worldwide and in stricter penalties for non-observance of basic safety regulations.



“Our aspiration is to learn from nature and – by using this knowledge – to stay one step ahead in the development of new products.”

Miracle Pujol, 51, Product Developer, Henkel Ibérica, Montornés, Barcelona, Spain, married.

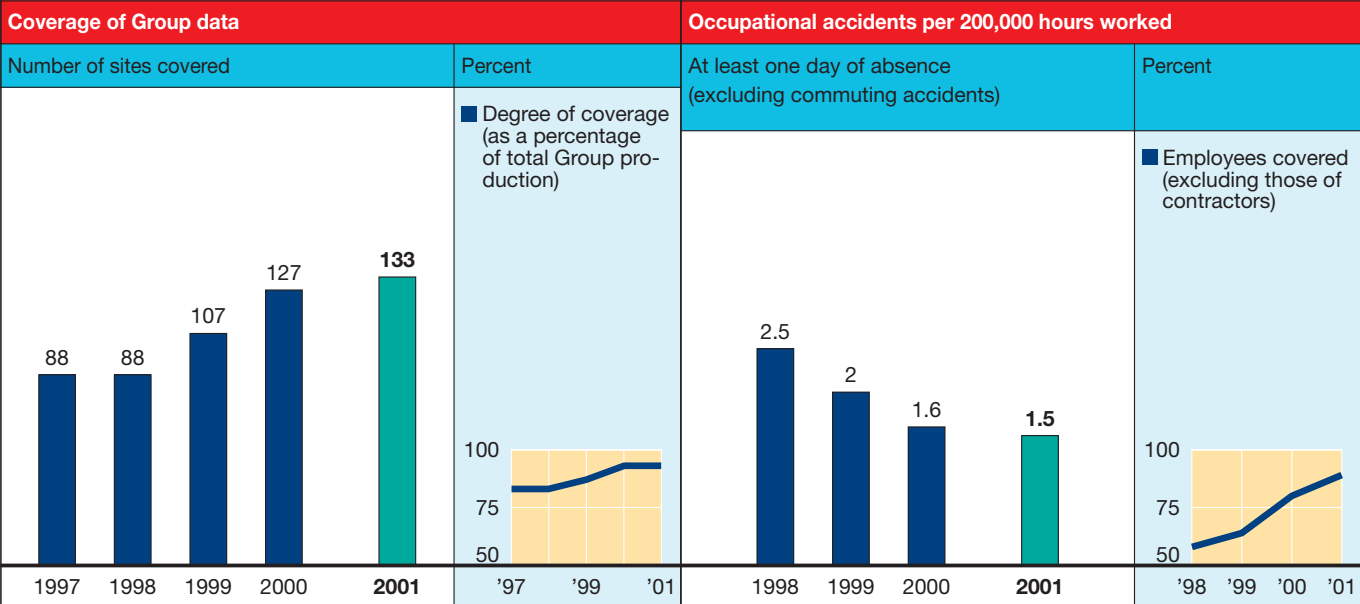
Indicators

Data from all around the world document the Group’s progress on the path toward sustainability.

Transparency

Improvements in sustainable development should be comprehensible to and assessable by both internal and external observers. For this reason, Henkel publishes key sustainability data and reports on its progress each year. It uses the core indicators developed by the European Chemical Industry Council (CEFIC) as a basis, as well as additional Company-specific indicators. ⓘ

Environmental data from 45 countries		
Argentina	India	Poland
Australia	Indonesia	Portugal
Austria	Iran	Puerto Rico
Belgium	Ireland	Russia
Brazil	Israel	Saudi Arabia
Canada	Italy	Slovakia
Chile	Jamaica	Slovenia
China	Japan	South Africa
Denmark	Kenya	Spain
Egypt	Korea	Sweden
France	Luxembourg	Thailand
Germany	Malaysia	Tunisia
Great Britain	Mexico	Turkey
Greece	Morocco	USA
Hungary	Netherlands	Venezuela

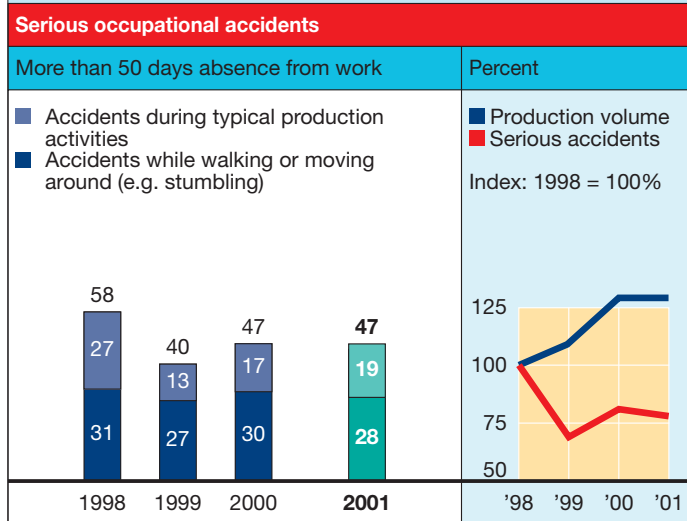


Data from 133 sites

The sustainability data were determined at 133 major production sites in 45 countries (see regional maps on pages 25 to 30) and aggregated to obtain Group performance indicators. The 133 sites were selected on the basis of their production volumes, the quantities and types of emissions, and the resources consumed. They account for 93 percent of the production of the entire Henkel Group.

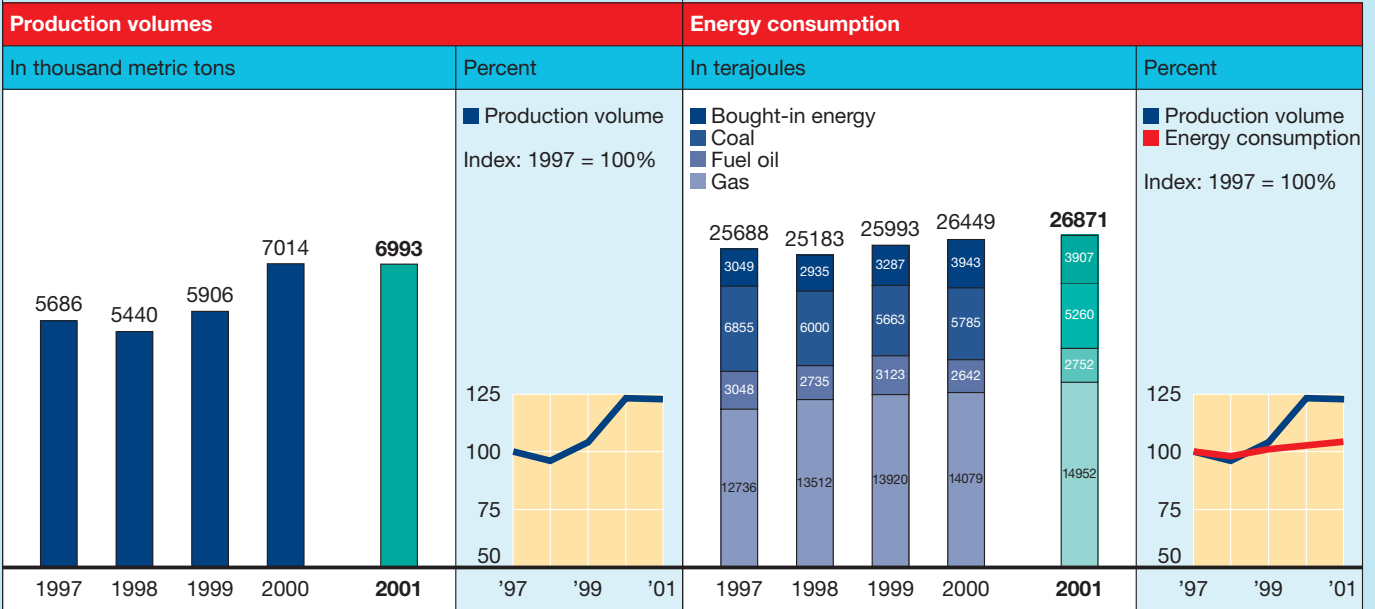
Comparability

The number of sites contributing sustainability data has increased considerably in recent years (from 88 in 1997 to 133 in 2001). Selected reference values are provided to facilitate comparison of the data. For the environmental indicators, the reference value is the production volume of the sites covered. In the case of accident data and complaints from neighbors, the number of employees or sites covered is given as supplementary information.



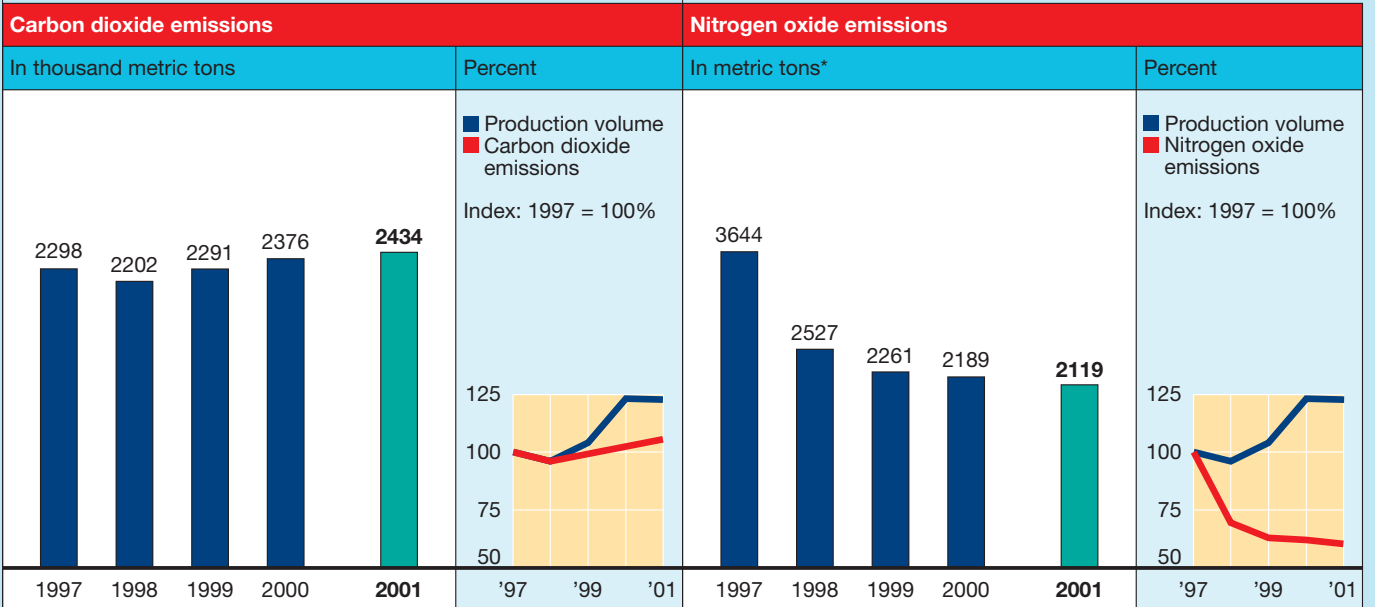
One Henkel employee died in 2001 as a result of a serious occupational accident (see page 30). Three employees of contractors died as a result of accidents that occurred while they were carrying out work for Henkel (see page 26).

Complaints from neighbors				
	1998	1999	2000	2001
Number of sites covered	88	107	127	133
Sites that received complaints	23	22	21	26
Number of complaints	91	88	82	70
Of these, due to				
– odor	57	52	43	25
– noise	18	29	33	35
– dust	16	7	6	10
Improvement measures initiated	63	76	55	61
Cause already eliminated	27	34	42	52



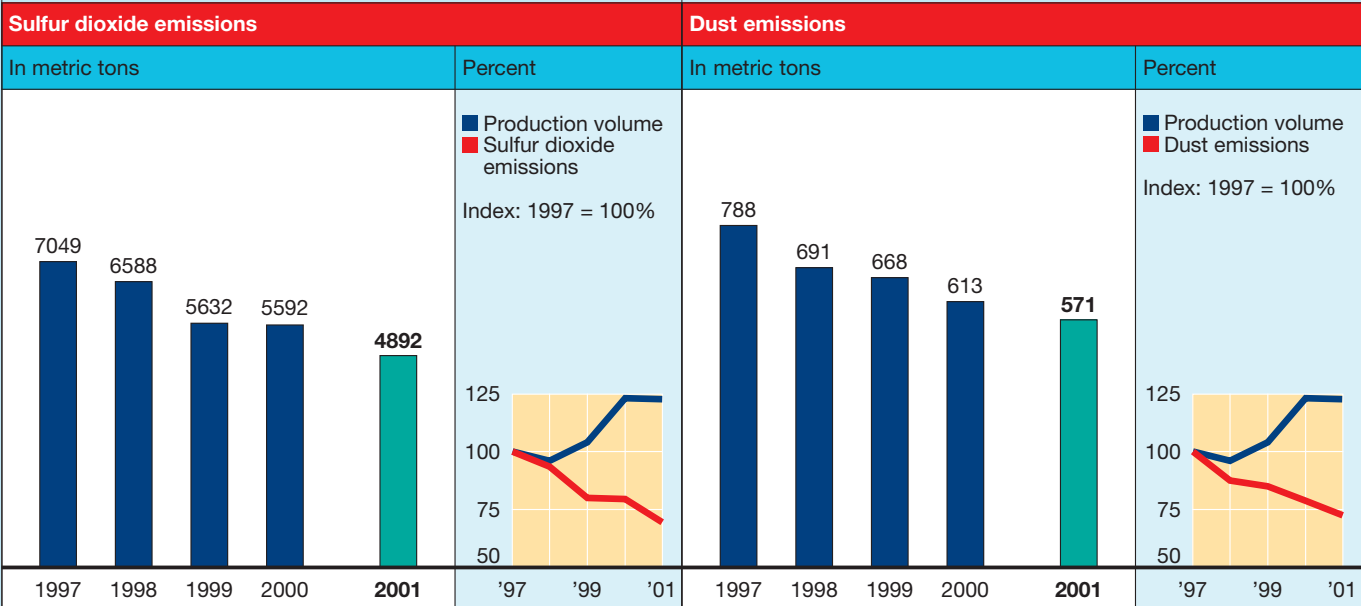
Production volumes of the Henkel Group sites contributing to the Group's aggregated data (2001: 133 sites).

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

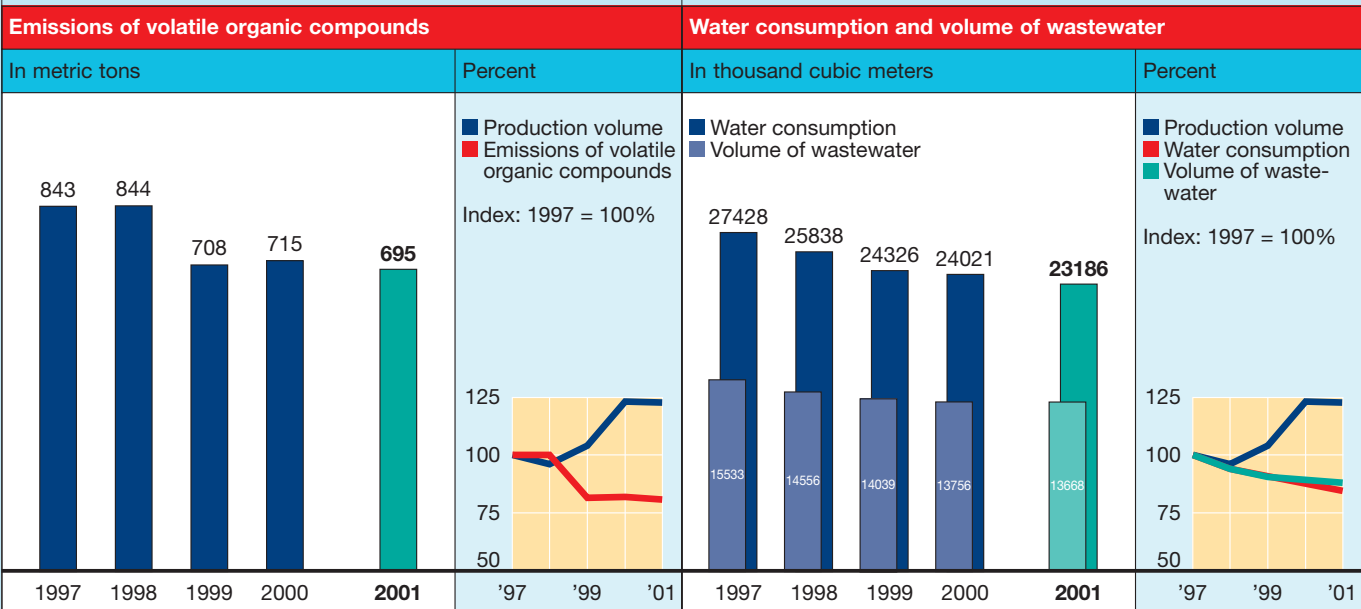


Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel Group activities. The given values include carbon dioxide formed during the generation of bought-in, i.e., externally generated, energy at non-Henkel sites. The amount has been estimated with the help of generally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

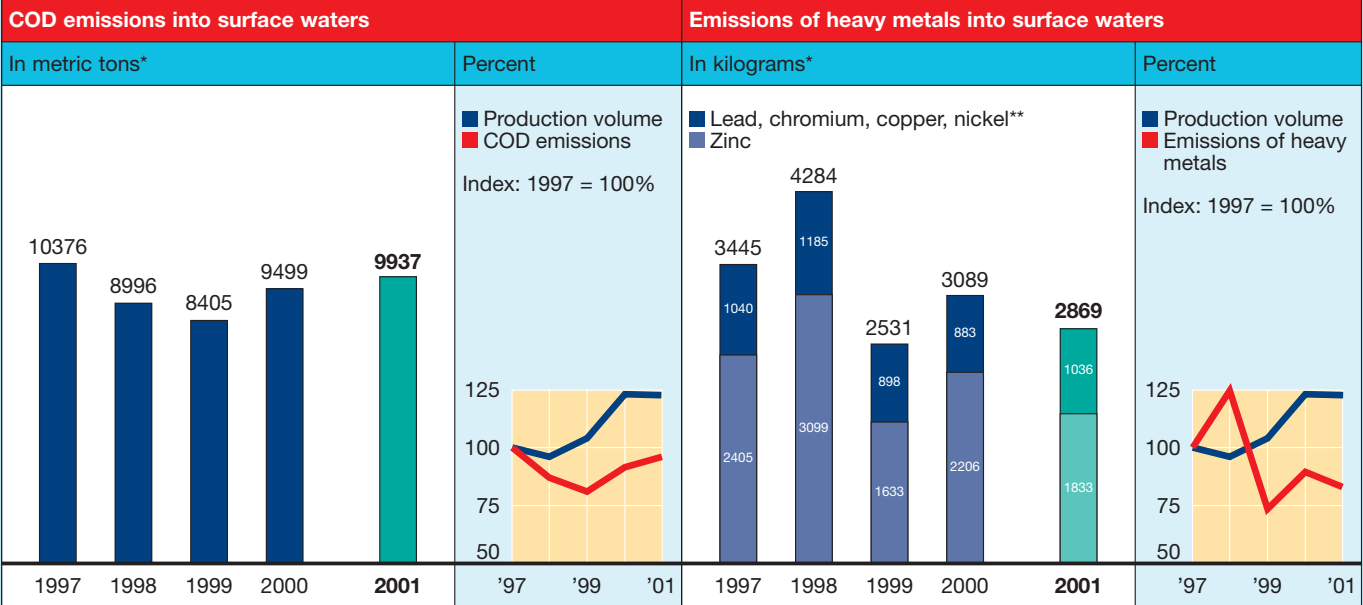
* Calculated as nitrogen dioxide



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



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.



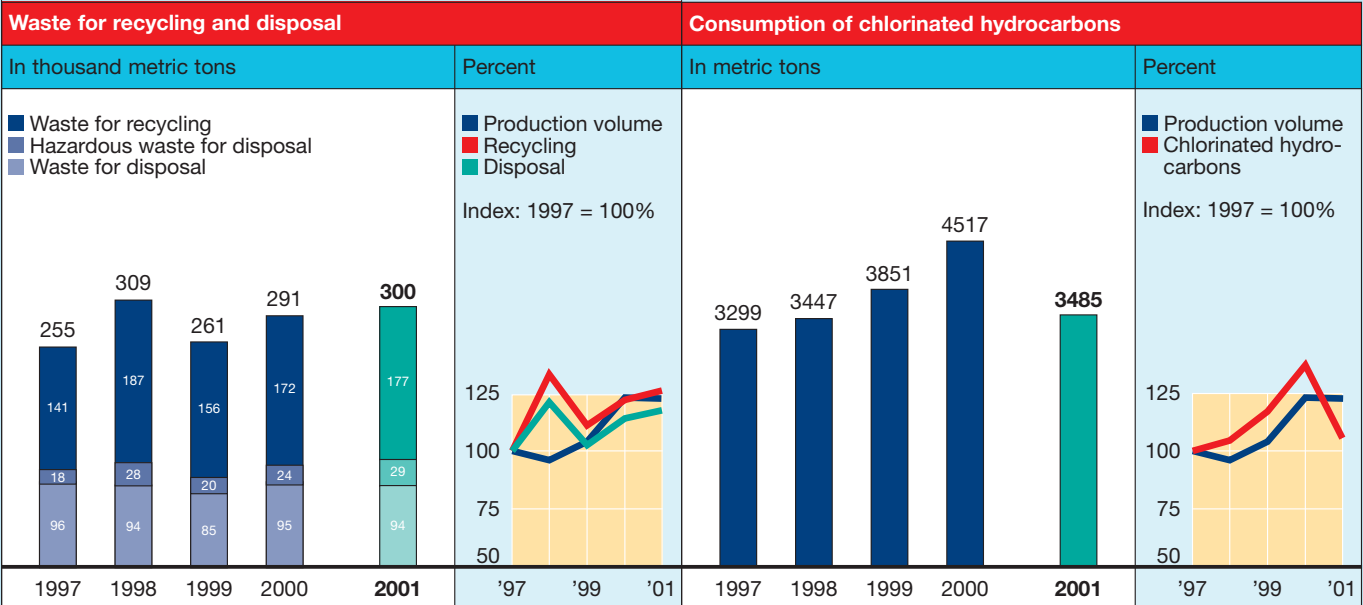
COD = Chemical oxygen demand
Measure of the pollution of wastewater by organic substances.

* Indirect dischargers included pro rata

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

* Indirect dischargers included pro rata

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



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

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


Objectives

Sustainable development calls for ambitious objectives

Corporate objectives

Henkel's business portfolio is organized along business sector lines. It is, therefore, the business sectors that primarily define the Company's globally applicable sustainability objectives. These objectives are listed on pages 37 and 38. They show how Henkel develops innovative solutions contributing to sustainability in its own and its customers' operations and thus aims to generate competitive advantages. Objectives that apply to all business sectors are listed as Group objectives.

Site objectives on the Internet

More and more production sites are publishing site objectives of their own. In the year 2001, 108 of them did so. Henkel reports in detail on all of these objectives – and their achievement status – on the Internet. 



“Approaching colleagues every day and raising their awareness of occupational health is the only way to achieve continuous improvement.”

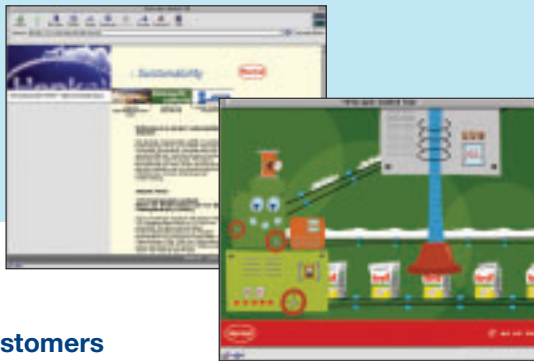
Björn Neuschäfer, 30, Foreman and Safety Officer, Henkel Bautechnik, Unna, Germany.

	Objectives	Status
Laundry & Home Care		
  	<p>Use of eco-performance indicators for complete evaluation of the environmental impacts of laundry detergents throughout their life cycle</p> <hr/> <p>Achievement of the targets of the European soap and detergents association AISE by the end of 2001 (basis 1996)</p> <ul style="list-style-type: none"> • 5 percent reduction in energy consumption per wash cycle • 10 percent reduction in the amount of detergent per wash cycle • 10 percent reduction in the amount of packaging per wash cycle 	<p>Project completed; substance-related evaluations have been integrated in the product development process.</p> <hr/> <p>Reductions achieved within the AISE framework by the end of 2000:</p> <ul style="list-style-type: none"> • Reduction in the amount of detergent: -4.6 percent • Reduction in the amount of packaging: -5.9 percent <p>Basis: European per capita consumption, determined by an independent auditor in the fall of 2001. AISE will present the final results of the project during the second half of 2002, including the energy consumption values, for which no interim results have been determined.</p>
	<p>New: Continuous innovation focusing on greater convenience, better performance, and lower dosages</p> <hr/> <p>New: Group-wide certification of environmental management systems to international standards</p>	<p>See examples on page 19.</p> <hr/> <p>16 sites certified in Europe and 1 in India; other sites preparing for certification.</p>
Cosmetics/Toiletries		
	<p>Use of renewable raw materials, preferably vegetable-based</p> <hr/> <p>Further development of testing methods that make no use of animals</p>	<p>Newly-developed emulsifier systems on a purely vegetable basis (lipid-protein system) have been incorporated in various skin care products.</p> <hr/> <p>Alternative methods are already being used (e.g. for skin and eye compatibility); extension to other fields of testing and securing of official acceptance.</p>
Consumer and Craftsmen Adhesives		
 	<p>Group-wide certification of environmental management systems to international standards</p> <hr/> <p>Permanent revision and consistent optimization of the entire range of products in line with SHE considerations</p> <hr/> <p>Preferential use of renewable raw materials</p> <hr/> <p>New: Increase in the proportion of extremely low-emission dispersion-based flooring adhesives with the EMICODE EC 1 quality mark to 90 percent by the end of 2005</p>	<p>7 European sites certified; other sites preparing for certification.</p> <hr/> <p>Current focus: Development of toxicologically harmless reaction adhesives that are not subject to labeling requirements.</p> <hr/> <p>OLEOLINK project completed at the end of 2001; new focus is on water-soluble polymers based on starch and cellulose.</p> <hr/> <p>Continuous expansion of the range of extremely low-emission flooring adhesives (see page 21).</p>

	Objectives	Status
Henkel Technologies		
	<p>Group-wide certification of environmental management systems to international standards</p> <hr/> <p>Expansion of the market for solvent-free adhesive systems in the shoe manufacturing sector</p>	<p>28 sites certified worldwide; other sites preparing for certification.</p> <hr/> <p>Conversion of uppers manufacturing by leading sports footwear manufacturers is complete; extension to sole bonding has started.</p>
	<p>Expansion of the market for solvent-free laminating and coating adhesives in cooperation with customers</p> <hr/> <p>Development and marketing of chrome-free conversion processes</p>	<p>Global leadership strengthened (see page 22).</p> <hr/> <p>Several steel producers and automotive suppliers have switched over in Europe; continuous expansion of customer base in the construction sector.</p>
	<p>Elimination of nickel from rinse water in car-body pretreatment</p> <hr/> <p>Development and expansion of the market for biodegradable water treatment products</p>	<p>First production plant installed; preparations for operation of several pilot plants in Europe and America (see page 22).</p> <hr/> <p>Successful transfer to process water circuits in the food industry.</p>
	<p>New: Development of PVC-free coating and sealing systems for car bodies</p>	<p>Test vehicles equipped for long-term tests.</p>
Henkel Group objectives		
	<p>SHE audits at 45 more sites by the end of 2001</p> <hr/> <p>Long-term objective: Zero occupational accidents Medium-term objective, by the end of 2005: 25 percent reduction (Base year 2000: 1.6 occupational accidents per 200,000 hours worked)</p> <hr/> <p>New: Continuous expansion in the number of training courses available online within the Henkel Group. By the end of 2003, 20 percent of training courses should be available online.</p> <hr/> <p>New: Expansion of Group-wide SHEQ (safety, health, environment, quality) management to establish a sustainability management system by the end of 2004</p> <ul style="list-style-type: none"> • Standards • Audits • Reporting 	<p>SHE audits carried out at 48 sites; continuation of audit program.</p> <hr/> <p>1.5 accidents per 200,000 hours worked (see page 32).</p> <hr/> <p>International rollout of "Click & Learn" learning portal implemented (see page 17).</p> <hr/> <p>SHEQ management system with standards, audits and reporting established (see page 9).</p>

Open dialogue

Alignment to sustainability thrives from a dialogue with the various stakeholders. Henkel utilizes and continuously develops both new and traditional communication channels.

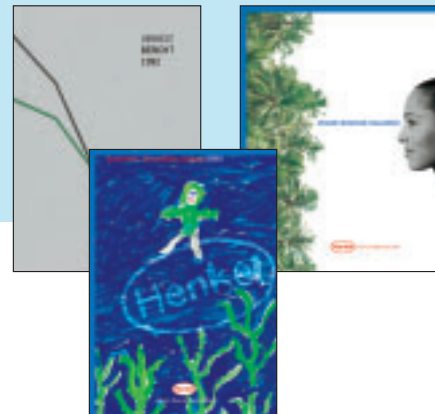


Focus on customers

Henkel has successfully produced and marketed brand-name products for more than 125 years. It is therefore fully aware that success depends on providing products and technologies that are precisely tailored to customers' wishes. This fundamental approach is equally relevant to the Company's communication with stakeholders. In the 1990s, Henkel developed a wide variety of instruments to satisfy the specific information needs of different target groups. One basic principle has always applied: Henkel informs the public regularly, candidly and fully – even when it has made mistakes.

Key target groups for sustainability communications

- Trade, industrial customers
- Politicians, government authorities
- Financial institutions
- Research institutes and environmental associations
- Media
- Employees
- Consumers




Growing demand for information

Henkel began publishing an annual environmental report in 1992. Since that time, the focus and content of the reports have been continuously adjusted to meet growing requirements. In the mid-1990s, the report was systematically expanded to cover safety, health and the environment. A survey of key target groups in 1998 and participation in international reporting initiatives furnished additional stimuli for the further development of the Company's reporting. ⓘ

It also became increasingly clear that there was a demand for single-source information covering both ecologically and socially relevant aspects. The annual "Safety, Health, Environment" report was expanded to include topics relating to social responsibility and thus evolved into the Sustainability Report. It complements the financial information provided in the Annual Report by describing the Company's ecological and social contribution to sustainable development.

Communicating sustainability – An overview



Employees, neighbors, analysts, government officials, and consumers – Henkel informs them all in as much detail  and topical relevance as they wish, through a broad portfolio of communication instruments.

A leader in Internet reporting



Henkel has taken a leading role in Internet communication and has won several awards for this. In 2000, the Institut für ökologische Wirtschaftsforschung (Institute for Ecological Economy Research) in Berlin named Henkel as one of only four companies in Germany that adequately utilize the opportunities of reporting on the Internet. In April 2001, Henkel received a gold Environment Online Award from the German environmental initiative B.A.U.M. This honor is conferred monthly for modern and successful environmental communication on the Internet. The Henkel site earned the second highest rating ever achieved since the award was introduced. Henkel uses the Internet to publish current developments in a timely manner. Current news, systematic background information, downloads of publications, and an invitation to engage in an online dialogue can all be found on the Internet at www.henkel.com/sustainability. Accessible and easily researchable information sources are available at all times to interested parties all over the world, and to professional users, such as sustainability analysts.

PR Oscar for guided tour

Henkel took yet another pioneering step in 2001 with its “Guided Tour” on the Internet. An animated film visualizes the Company’s commitment to environmental protection and sustainable development. The idea is to provide an entertaining introduction to these subjects, particularly for newcomers and non-specialists. The quality and creativity of the guided tour gained external recognition in October 2001, when Henkel was awarded the Goldener Pfeiler (golden pillar) of the German Public Relations Society. 

Always accessible – worldwide

No matter how many brochures and publications appear, they will never replace personal communication. Henkel actively seeks to engage in a wide-ranging dialogue with the public. At site and Group levels, interested parties can contact the appropriate person at Henkel directly via the Internet, by mail or by telephone. Questions, suggestions and constructive criticism are always welcome.

Credits

Henkel's sustainability pages on the Internet

Henkel's sustainability pages on the Internet on safety, health, the environment, and social responsibility and can be found at

www.henkel.com/sustainability

The site contains this and previous years' reports, and many other publications, all of which can be downloaded.

Sustainability information in German:

www.henkel.de/nachhaltigkeit

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Memberships

Henkel supports the following
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Sustainable Development



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- Henkel Group's Code of Conduct
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