

Sustainability Report 2007

Corporate Social Responsibility at Henkel

Our commitment



Henkel

A Brand like a friend

Sustainability performance

Sustainability performance from 2003 to 2007

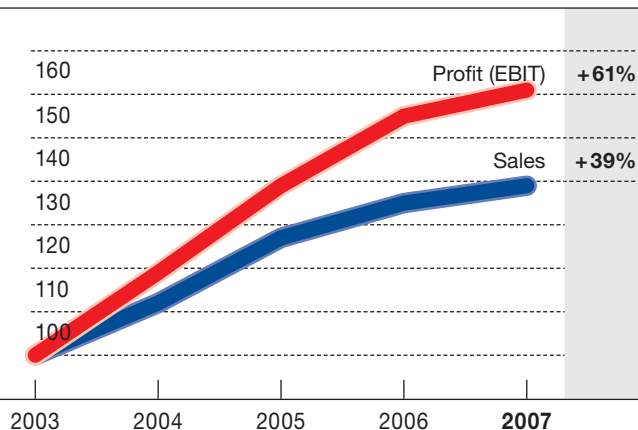
Environmental indicators per metric ton of output*

Occupational accidents	-72%	↓
Heavy metals	-57%	↓
Waste	-32%	↓
Energy	-21%	↓
Sulfur dioxide (SO ₂)	-17%	↓
Water	-15%	↓
Carbon dioxide (CO ₂)	-15%	↓
Volatile organic compounds (VOC)	-9%	↓
Wastewater load (COD emissions)	15%	↑

* Occupational accidents per million hours worked

Business performance from 2003 to 2007

Percent; index 2003



Company overview

With our brands and technologies, we operate in three business areas:

- ▶ **Laundry & Home Care**
- ▶ **Cosmetics/Toiletries**
- ▶ **Adhesives Technologies**

In 2007, our total sales amounted to 13.074 billion euros. 81 percent of our 53,107 employees were employed outside Germany. In all three business areas, we enjoy leading positions in our markets.

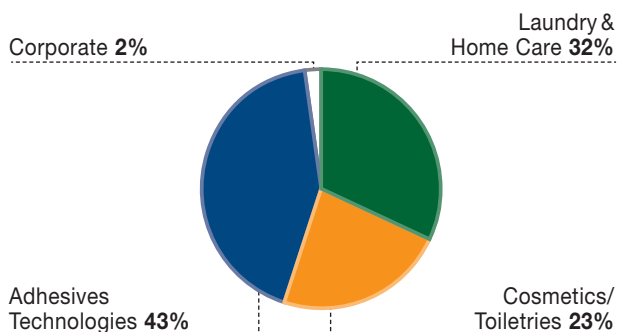
Key elements in our long-term business strategy are the concentrated regional expansion of our presence in the North American market and a strong focus on the growth markets of Eastern Europe, Africa, the Middle East, Asia-Pacific, and Latin America.

Contents

Our philosophy in word and action	2
Our objectives	8
Values and management	10
Sustainability stewardship	13
Sustainable products	20
Production and logistics	30
Employees and jobs	38
Social commitment	44
Stakeholder dialogue	48
External ratings	50
Contacts and credits	51

Sales in 2007 by business sector

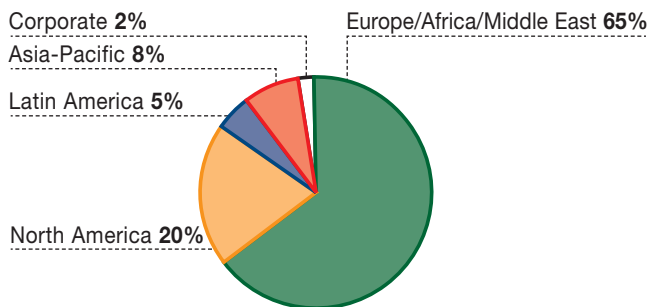
in million euros



Total sales 13,074 (100%)

Sales in 2007 by region

by location of companies/in million euros



Total sales 13,074 (100%)

www.henkel.com/sr2007 → Annual Report

Our commitment



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

Satisfying the needs of a continuously growing world population, while ensuring the availability of water, energy, and other resources, is a major concern to the world's governments. Sustainable development is a global challenge. Yet it can only be achieved if each and every one of us does our best to promote sustainability and social responsibility at a local level. This naturally holds true for Henkel as well. And this is why we have made this principle binding for all of our employees and anchored it in our corporate values.

In generating our sales and profits, we conduct all of our business in a socially responsible manner – throughout the entire value chain. This is because we are convinced that effective environmental protection and social responsibility are essential for our long-term success as a company.

By joining the United Nations Global Compact in July 2003, we publicly emphasized our commitment to respect human rights and fundamental employment rights, to promote environmental protection, and to work against all forms of corruption.

Viable solutions for sustainability can only be developed through a dialogue with all social groups – locally, regionally, and at the corporate level.

Since 1992, we have presented facts and figures in our annual Sustainability Report to document our contributions in the areas of energy and climate, water and wastewater, materials and waste, safety and health, and social progress. Having already achieved a great deal over the past decade, over the next five years we aim to reduce energy consumption by another 15 percent, water consumption by another 10 percent, and waste by another 10 percent (per metric ton of output in each case). Furthermore, when developing new products, we ensure that they will make an additional contribution to the conservation of resources.

Through the committed work of all of our employees and through our products, we are doing our part to shape a future worth living.

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

Dr. Wolfgang Gawrisch
Chief Technology Officer (CTO), Research/Technology
Chairman of the Henkel Sustainability Council

Our philosophy in word and action

Sustainability at Henkel – as demonstrated by Persil

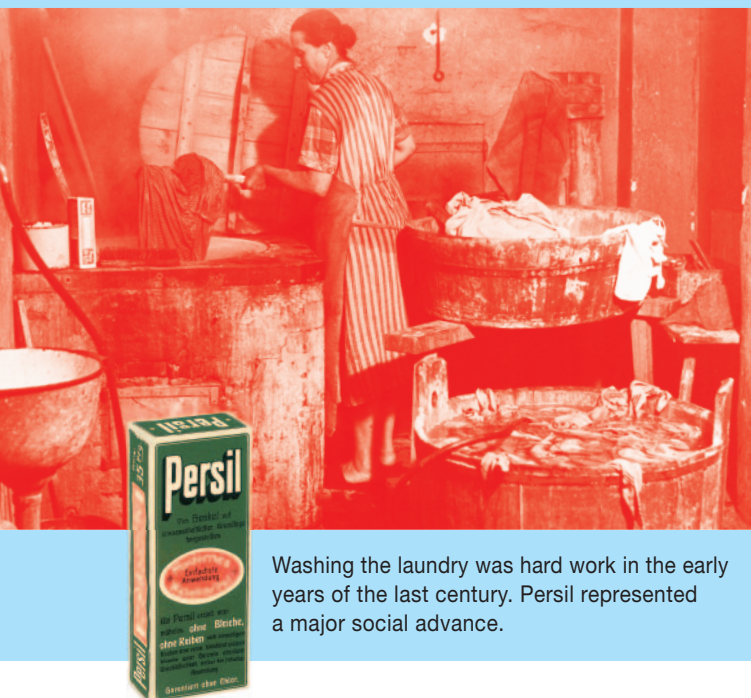
Many rankings and awards acknowledge Henkel as a global leader in sustainability and corporate social responsibility (CSR). And because we embraced these ideals many decades ago, we are in fact already working on solutions to the problems of our age, such as the growing threat of climate change. With this in mind, we are consistently optimizing all of our brands and technologies in three phases of their life cycle: research and development, production, and use.

We put the highest priority on acting responsibly throughout the value chain. The crucial factor here is how a company behaves in generating its profits, and whether it conducts its business in a responsible manner.

This fundamental attitude is not new at Henkel, but has been part of our DNA ever since the company was founded in 1876. Fritz Henkel's ambition was to produce laundry detergents that would take

The limited availability of water, energy and other resources has been recognized as a global challenge. We have taken up this challenge, and we confront it by taking action locally in more than 125 countries. We aim to make a valuable contribution to society. The basis for this is our vision to make people's lives easier, better and more beautiful with our brands and technologies. Our way of achieving this in a sustainable and socially responsible manner is to combine excellent performance with responsibility toward people and the environment.

the drudgery out of doing the wash. Together with his sons, Fritz Henkel, Jr., and Dr. Hugo Henkel, he accomplished this "washday revolution" in 1907 with Persil – the world's first self-acting detergent. It washed and bleached without using chlorine. Persil not only did away with the physically strenuous task of rubbing the laundry by hand, which caused the fabrics to wear, but also improved household hygiene. These were directly tangible contributions that Henkel made to social progress.



Washing the laundry was hard work in the early years of the last century. Persil represented a major social advance.



Washing the laundry with Persil in 2008.

Innovation and responsibility

Yesterday's progress soon becomes routine. One wonderful invention is not enough. What is needed is a steady stream of ideas for even better and totally new products. A prime example of our innovative strength is our premium laundry detergent brand, Persil, which celebrated its 100th birthday in 2007 in more than 70 countries.

The decisive factor behind the market success of Persil and all our products is their performance, which we continuously strive to improve through innovation. Innovations are also key to sustainable development. They express our conviction that it is essential to always strike a healthy balance between economic, ecological and social objectives.

This is a long-established belief at Henkel. As long ago as 1972, at the Hannover Fair, Company CEO Dr. Konrad Henkel warned that "companies that only think in terms of profit will soon have a lot to lose." The members of the Henkel family, as majority shareholders, have constantly inspired both top management and the company as a whole to follow this model of a naturally profit-oriented entrepreneur who is also aware of the ecological

and social dimensions of his actions and careful to fulfill his obligations as an employer. We regard this tradition as a distinguishing characteristic of Henkel and as a competitive advantage.

Our dedication to sustainability and corporate social responsibility is demonstrated in many different ways. This is because we have already been working for decades on what we consider to be the big issues.

Water

"Water is the gold of the 21st century." This statement expresses the growing worldwide concern regarding water resources and their conservation.

This topic has long been of vital importance to Henkel. Back in the 1950s, for example, textiles and clothing made of fully synthetic fibers were becoming increasingly popular. Nylon, Perlon® and other new materials were the "hit" fabrics of the day. In response to this trend, synthetic laundry detergents were launched and we, too, brought out synthetic versions of Persil. Our researchers developed formulations in which natural soap was replaced by synthetic washing active substances.



Synthetic detergents, however, foamed not only in the machine but also in the discharged wastewater, because there were too few sewage treatment plants and the surfactants in the detergents were poorly biodegradable. As a result, rivers and lakes were crowned with mountains of foam. As the market leader in Germany, we reacted promptly. In 1958 – 50 years ago – we started to analyze the water in the Rhine and its tributaries systematically to determine the levels of washing active substances. Beginning in 1959, we introduced regular ecological quality checks for all our laundry detergents and household cleaners.

Our innovative pioneering spirit was also demonstrated by the launch of phosphate-free Persil in 1986. Our researchers had discovered in the 1960s that, although phosphate in laundry detergents acts as a water softener, it can also result in nutrient-rich surface waters. This encourages excessive growth of algae, which may seriously disrupt aquatic ecosystems. A research program was started, which eventually resulted in the development of zeolite (brand name: Sasil), a phosphate substitute. This was a milestone in the history of laundry detergents.

Our expertise in water management and the protection of surface waters now stretches back over fifty years. We have used the knowledge gained to develop high-performance and more environmentally compatible laundry detergents. Today, the accumulated data tell the story of how Henkel innovations have contributed to keeping our surface waters clean. We also use these data internationally, to enable computer programs to simulate the pollution of surface waters in Europe.

Energy and climate

Everyone who opens a newspaper or watches the news on television knows that ensuring the provision of adequate energy supplies will be a major challenge in the future. Closely connected with this are emissions of carbon dioxide (CO₂) and the threat of climate change. Henkel has always been aware of the relevance of these issues – not least in the context of production costs and the electricity bills of customers and consumers.

The basis of our contribution to reducing the energy needed to wash laundry is the pioneering work in enzyme research that we have carried out



Late 1950s: Foam on rivers – caused by laundry detergent surfactants in wastewater.



since the 1970s. At that time, one third of laundered items were made of synthetic fabrics. New, colored textiles were steadily replacing the typical, usually white, natural fabrics washed at high temperatures. The new textiles could not be hot-washed, so laundry detergent manufacturers were faced with a problem: how to make sure that the fabrics would be washed thoroughly at lower temperatures. Conventional heavy-duty laundry detergents, however, were only really effective at high washing temperatures. Henkel identified the problem early on and launched Persil 70, a bioactive heavy-duty laundry detergent. With the help of enzymes, Persil 70 was able to remove even stubborn protein stains at low washing temperatures.

The use of enzymes also made a major contribution toward saving energy. Lower washing temperatures reduced domestic energy consumption. In fact, electricity consumption per machine load has been halved since 1970, thereby decreasing carbon dioxide emissions by 1.5 million metric tons in Germany alone.

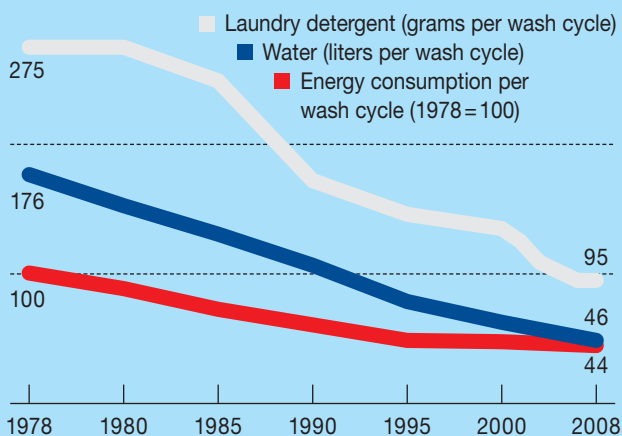
The high performance of modern laundry detergents at low washing temperatures would be unthinkable without the help of highly effective

Enzyme research

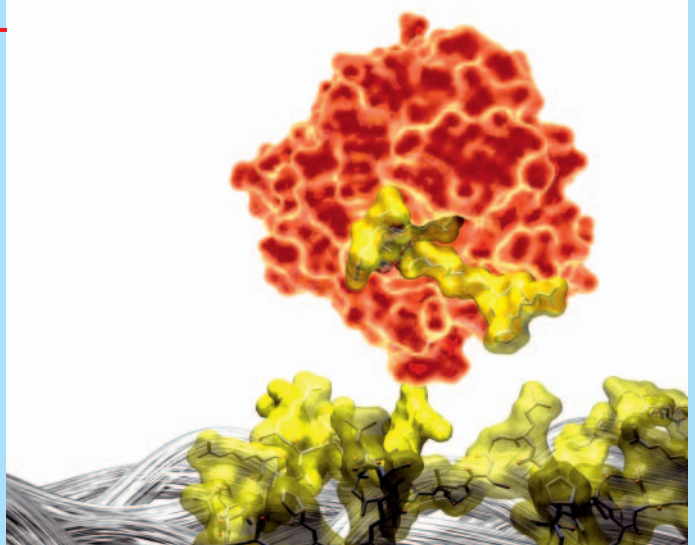
The great effectiveness of modern laundry detergents would be unthinkable without the help of highly efficient enzymes. Enzymes are natural proteins that speed up biochemical reactions. They break down protein-based stains and dissolve grease. Enzymes also help to save energy when laundry is washed. This is because heating the water in the washing machine is the biggest factor in the energy balance of the washing process. We want to reduce this without compromising product performance. This is why we carry out continuous research aimed at developing new enzymes to achieve increasingly better washing performance while consuming less chemicals and less energy.

We also continuously improve the biotechnological production of our enzymes. Temperature, oxygen and nutrients must be precisely controlled to ensure that the desired enzymes are produced in high quantities and with high quality. In one research project, we are therefore optimizing the organisms used to produce our enzymes. The objective is to significantly decrease the consumption of energy, water and raw materials during production.

Sustainability in laundry washing: Progress from 1978 to 2008



By continuously improving our laundry detergent formulations, we have been able to steadily reduce detergent dosages as well as water and energy consumption.



Computer simulation: A laundry detergent enzyme (red) attacks the soil (yellow) on a textile fiber (gray).

enzymes. Laundry used to be washed at 90 degrees Celsius. Persil now achieves the same level of cleanliness and removes stains better than ever at just 20 degrees Celsius.

Raw materials and packaging

The needs of a continuously expanding world population and the sharp increase in world market prices of raw materials have drawn attention to the future availability of raw materials. From the very beginning, the responsible handling of resources has been standard practice at Henkel. This includes our systematic approach to waste management. Our motto for waste has always been “avoid, reduce, recycle.”

We have consistently used ingredients derived from renewable raw materials in our products. In the early 1920s, for example, when faced with a short-

age of the adhesives that were essential for closing our Persil packets, Henkel researchers quickly developed new starch-based adhesives, which were used within the company beginning in 1922 and marketed externally beginning in 1923. Starting from this emergency situation 85 years ago, we have now become the world’s biggest adhesives company.

We have also achieved major savings in raw materials, as shown by the steady decrease in laundry detergent dosages per wash cycle. Whereas 280 grams of conventional washing powder were needed for one wash cycle in the 1970s, just 67.5 grams of Persil Megaperls now suffice – about a quarter of the former amount. This progress is the result of the work of our researchers, who time and again have developed innovative raw materials and increasingly efficient formulations for our products.

In the laundry rooms of the industrialized world, which were dominated by large drums and cartons in the 1970s, a small, flexible pack of Persil Megaperls is now sufficient for 20 standard machine loads. Twenty grams of plastic film have replaced several hundred grams of cardboard.



Advertisement for the launch of phosphate-free Persil in 1986.

Auf dem Weg zur optimalen Verpackung



Since 1958, we have systematically developed our packaging. Advertisement for the eco-light package of 1992.

Employees, neighbors and customers

The safety of our employees as well as customers, consumers and the communities in which our sites are located, is a key component of our promise of quality. In 1927, we were the first chemical company in Germany to hire a safety engineer to systematically promote accident prevention and occupational health and safety. Since that time, we have continuously improved safety in the workplace. The occupational accident rate has now been reduced to just 1.7 per million work hours.

Quality and responsibility – Today for tomorrow

Our history points the way to our future. For Henkel, quality and responsibility are inseparably linked.

Our adhesives are helping to make modern cars lighter to reduce fuel consumption and carbon dioxide emissions. And our modern laundry detergents and cleaning products perform excellently even at low temperatures, enabling households to lower their energy consumption. These are just some examples of many smart solutions from Henkel. But the impact of such innovations ultimately depends

on the collective responsibility of individuals, with each person making a conscious decision to buy the more sustainable alternative.

Customers and consumers can rely on our products to deliver first-class performance. They have been extensively tested for safety and are environmentally compatible. They are made using water- and energy-efficient processes by qualified employees working in good conditions.

We as a company, and all our employees worldwide, are aware of the requirements of sustainable development. We act in conformity with these requirements and embrace our responsibility.

Sustainability is and will remain what we stand for – today and tomorrow.

Quality &
Responsibility

Henkel

For more than 130 years, our brands have combined top quality with respect for people and the environment. Our branded products offer both high performance and ecological compatibility. We manufacture them using as little water and energy as possible and under good working conditions. This is what we stand for – worldwide, today and tomorrow.



Our Objectives

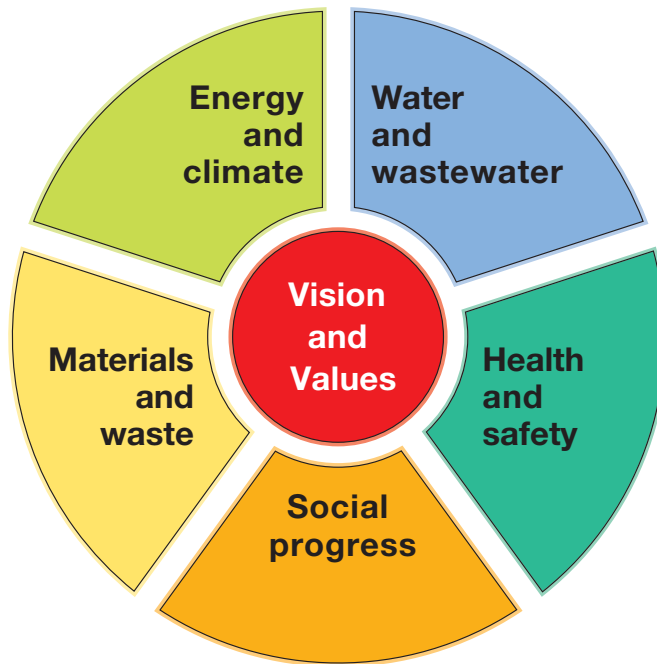
Focus on sustainability

We systematically focus our activities throughout the value chain on the challenges of sustainable development as they relate to our operations. We have grouped these according to five focal areas:

- Energy and climate
- Water and wastewater
- Materials and waste
- Health and safety
- Social progress

At the heart of all our actions are our “Vision and Values.” This shared commitment and its credible implementation in the marketplace strengthen our brands and the reputation of our Company.

Focal areas

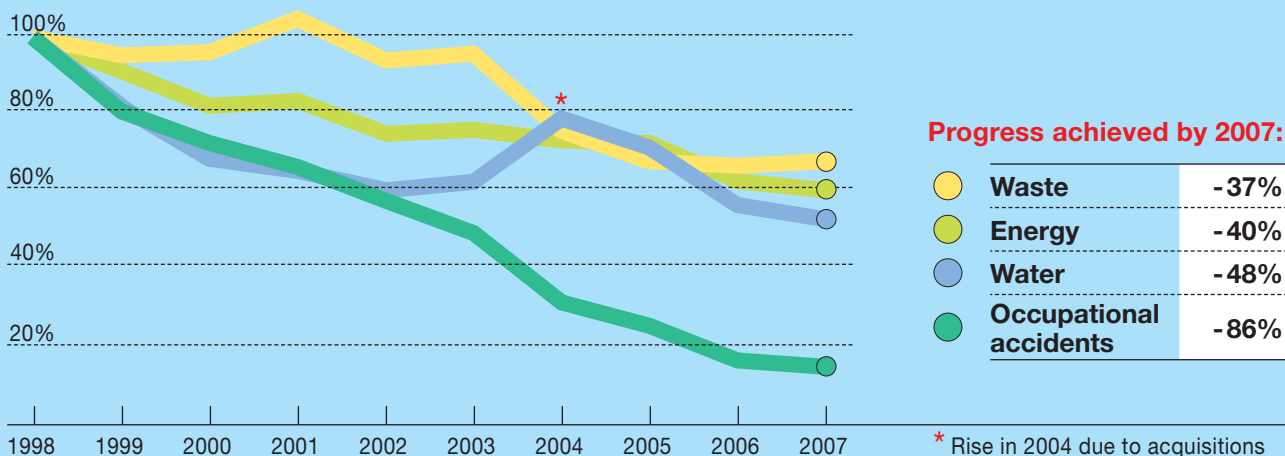


Through our business activities and our products, we make important contributions to sustainable development, with the focus on:

- ▶ the efficient utilization of energy resources, and hence climate protection,
- ▶ the conservation of available water resources,
- ▶ a safe and healthy environment for our employees, neighbors, customers and consumers,
- ▶ the efficient utilization of available raw materials and the avoidance of waste, and
- ▶ social progress for our employees, our customers, and all countries in which we operate.

Sustainability performance 1998–2007

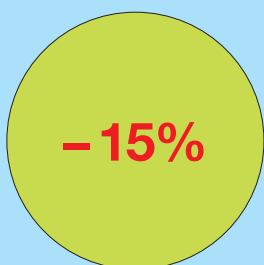
Environmental indicators per metric ton of output, occupational accidents per million hours worked



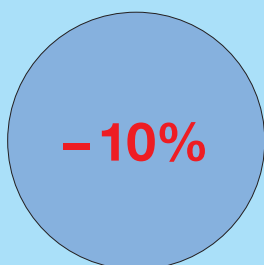
As long ago as the 1980s, in our “Principles and Objectives of Environmental Protection and Safety,” we committed to promoting occupational health and safety, conserving resources, and reducing emissions. Since then, we have continuously updated these aims at corporate and site level, achieving major improvements. In the past ten years alone, we have reduced occupational accidents by

86 percent, water consumption by 48 percent, energy consumption by 40 percent and waste generation by 37 percent. Thanks to the savings in energy consumption, we have also been able to reduce the associated carbon dioxide emissions by 33 percent.

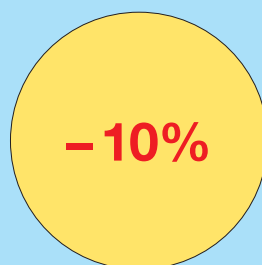
On the basis of the progress achieved, we have defined Company-wide targets for the next five years:



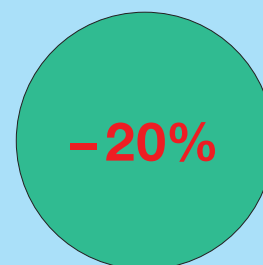
15 percent reduction in energy consumption per metric ton of output by 2012 – and in the associated carbon dioxide emissions (base year 2007).



10 percent reduction in water consumption per metric ton of output by 2012 (base year 2007).



10 percent reduction in the amount of waste generated per metric ton of output by 2012 (base year 2007).



Long-term objective: Zero occupational accidents. Interim target: reduction of 20 percent by 2012 (base year 2007).

Also central to our commitment are:

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

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

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

Further objectives relating to our products and production sites, together with the progress achieved, can be found on the Internet. www.henkel.com/sr2007 → Objectives

Values and management

Strategic focus on sustainability

At the core of our strategic focus on sustainability are globally uniform standards, integrated management systems, and an organizational structure with clearly defined responsibilities. The interplay of Company-wide control instruments and regional action programs, aligned to social challenges and priorities, is a decisive factor here. In conducting our business activities, we contribute to sustainable development throughout the value chain.

We are convinced that sustainable business practices help to increase Henkel's value long-term:

- ▶ With our brands and technologies, which combine top quality with responsibility toward people and the environment, we position ourselves positively in the market.
- ▶ Trust in Henkel and in our brands and technologies gives us entrepreneurial freedom and fosters our business success.
- ▶ Efficient and safe processes not only contribute to environmental protection and occupational health and safety, but also reduce resource consumption and costs.
- ▶ Sustainable business practices strengthen our employees' motivation and their identification with the Company.

Worldwide codes and standards

From our Vision and our ten Corporate Values, we have formulated globally binding behavioral rules which are specified in a series of codes. In all business areas and cultures in which we operate, they provide guidance for the behavior and actions of all employees. The Code of Conduct helps employees to respond correctly and appropriately when faced with ethical and legal issues. The Code of Teamwork and Leadership provides guidance for the conduct of managerial and non-managerial staff at all levels.

The Code of Corporate Sustainability describes our principles and expectations of sustainable business practices and corporate social responsibility. It is given concrete form by Company-wide standards. Besides the standards for safety, health and environment, they include social standards and purchasing standards. In these we have integrated central requirements derived from the Guidelines for Multinational Enterprises of the Organization

for Economic Cooperation and Development (OECD), the Social Accountability Standard (SA 8000), and the guidelines of the International Labor Organization (ILO).

Together, the Codes and standards are the basis for Henkel's implementation of the United Nations' Global Compact initiative.

www.henkel.com/sr2007 → Global Compact

Clearly communicated requirements

Henkel operates in a variety of markets and regions with diverse legal systems, social standards and customs. To establish a uniform understanding of our corporate values and behavioral rules among our employees, the staff members responsible for human resources and communications in the different countries have developed training and communication activities. Articles in employee newspapers explain the behavioral rules and their significance for the Company. Newsletters for special target groups contribute to knowledge transfer and point out where action is required. These activities are supplemented by courses designed specifically for the individual target groups.

Vision and Values

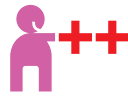
Henkel is a leader with brands and technologies that make people's lives easier, better and more beautiful.



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.

www.henkel.com/sr2007 → Vision and Values

In the USA, for example, all new employees must participate in an interactive online training course on the Code of Conduct. In Asia, Latin America, and North America, as well as at headquarters in Germany, the Corporate Internal Audit department organized seminars lasting several days in 2007 to familiarize top managers with the Company-wide standards.

ning to cover subcontractors and logistics centers as well. Our 2007 safety, health and environment audits resulted in the initiation of 34 binding corrective actions, whose implementation will be monitored by our auditors.

Consistently implemented requirements

In view of the increasing requirements and growing complexity, Henkel has merged previously decentralized compliance functions and appointed a Chief Compliance Officer. He steers compliance activities on the corporate level, monitors and reports on compliance with external and internal requirements, and helps the Company to continuously develop and implement its standards. He is assisted by the Internal Audit department, which also reports directly to him.

We carry out regular audits to ensure that our standards are implemented at our production and administration sites. The audits are a key instrument for identifying risks and potential improvements, and play a crucial role in the transfer of knowledge. To gain an integrated view of our regions, we are steadily expanding our audit plan-

Vision, values, codes and standards



www.henkel.com/sr2007 → Codes

Organization for sustainability



The Henkel Management Board bears overall responsibility for sustainability policy and aligns the Company’s business policy to the opportunities for and requirements of sustainable development. The Sustainability Council, whose members are drawn from all areas of the Company, steers the global activities in collaboration with the operative business sectors, the regional and national companies, and the corporate functions. www.henkel.com/sr2007 → Organization

In the course of audits by the Corporate Internal Audit department in 2007, some 800 individual actions were agreed with employees in Accounting, Purchasing, Sales/Distribution, Information Technology, Production, and Supply Chain Management in order to make processes even safer and more secure.

In addition to the audits, the results of specific surveys – e.g. concerning “especially dangerous processes in Production” – highlighted areas requiring improvement measures and programs.

In 2007, an external compliance hotline was set up, through which employees can anonymously report major infringements of our codes and standards. In particular, it should be used when incidents cannot be cleared up directly with the employee concerned or a supervisor. The hotline is run by the independent company People Intouch e.V. in the Netherlands.

Depending on their nature and gravity, infringements of our codes and standards may have far-reaching disciplinary consequences for the individuals concerned. In 2007, there were a number of dismissals for serious misconduct.

Corporate governance at Henkel

Taking into account the special aspects specific to its legal form and articles of association, Henkel KGaA complies with the main recommendations of the German Corporate Governance Code, with one exception. We do not list the individual shareholdings of members of the Henkel family on the Supervisory Board or on the Shareholders’ Committee. We publish further information, such as the details of the declaration of compliance and the remuneration report of the Management Board, in our Annual Report and on the Internet.

www.henkel.com/sr2007 → Corporate Governance

Sustainability stewardship



As a basis for the development of new non-animal in-vitro methods, the Henkel Research company Phenion uses its own proprietary human skin model, which is cultured in incubators. www.henkel.com/sr2007 → Phenion

Innovations are the basis for sustainability

The requirements of corporate social responsibility are incorporated into our research and product development activities from the very start. The focus is on novel product concepts that combine excellent performance and improved environmental compatibility, while also providing customers and consumers with tangible added value. Our aim is to continue to make people's lives easier, better and more beautiful, through innovative brands and technologies. This strategy requires a high degree of innovativeness to succeed. In 2007, Henkel invested 350 million

euros in research and development. Worldwide, some 2,800 employees work in research and product development.

To enable us to assume responsibility as comprehensively as possible, our experts analyze and evaluate our products “from the cradle to the grave,” with the aim of further improving safety and environmental compatibility in all phases of the product life cycle. Improvement measures should be applied, in particular, at the points where the consequences for the environment are especially relevant and improvements can be realized efficiently.

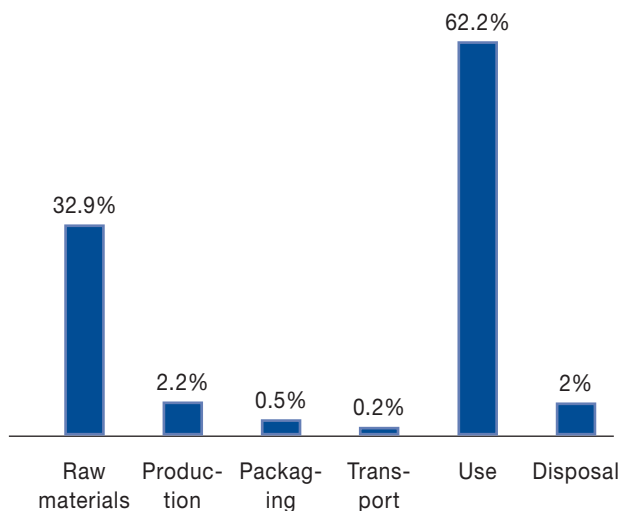
Focus on the product life cycle

A review of the life cycle analyses of our various product categories shows that suitable improvements often differ widely. For example, energy consumption and the associated carbon dioxide emissions have a very different significance in the life cycle of

a laundry detergent than in that of a household cleaner. The peak energy demand of a household detergent occurs during its use in a washing machine. Here, we focus on developing products that can be used in an energy-saving manner, e.g. for low-temperature washing. At the same time, we try

Life cycle analysis of an automatic laundry detergent, as demonstrated by Persil Megaperls

Energy consumption in percent



to influence the behavior of customers and consumers through targeted communication.

To encourage consumers to conserve resources, for example, we participate in the “Save Energy, Save Water” initiative of the International Association for Soaps, Detergents and Maintenance Products (A.I.S.E.). This initiative was launched to encourage consumers in Europe to save energy and water when using their dishwashers.

www.henkel.com/sr2007 → A.I.S.E.



The energy consumption and the carbon dioxide emissions associated with household cleaners, on the other hand, are relatively low throughout their life cycle and are not generally attributable to their use. The carbon dioxide footprint of a typical household cleaner is about 90 percent smaller than that of an all-purpose laundry detergent. In cases

such as these, we take different approaches to achieve improvements. These include greater use of renewable raw materials, the improvement of biodegradability, and the reduction and improvement of packaging materials (see product examples on page 24).

Making process improvements transparent

To enable us to demonstrate process improvements to our industrial customers in a transparent and easily understandable manner, we have developed a new tool: the Value Calculator. This helps us to identify potential savings in the consumption of energy, water and raw materials, and to improve our customers' processes.

The Value Calculator can be used to compare each step of a new process with those of an existing process. The resulting advantages and cost savings are apparent at a glance. The comparisons are based on detailed documentation of the process steps in the Value Calculator program. This makes it possible for the product developers' know-how to be utilized much more easily by the sales engineers. Even if customers have to pay more for an innovative Henkel product, the complete solution from Henkel means lower total costs, because it reduces resource consumption, wastewater costs, and waste costs, and extends the service life of the end products.



Consider Bonderite NT, for example. We developed this nanoceramic coating process for the metal industry as an alternative to iron phosphating. For decades, iron phosphating has been the standard method of protecting metal used in, for example,

refrigerators, office furniture, supermarket shelves, and agricultural machinery against corrosion. Bonderite NT not only offers optimal corrosion protection, but is also qualitatively, ecologically and economically superior to iron phosphating. The new process cuts energy consumption during processing by up to 30 percent. In addition, there are no emissions of heavy metals to wastewater, and the costs of wastewater treatment and disposal are reduced. Bonderite NT therefore significantly reduces the total costs while improving sustainability performance.

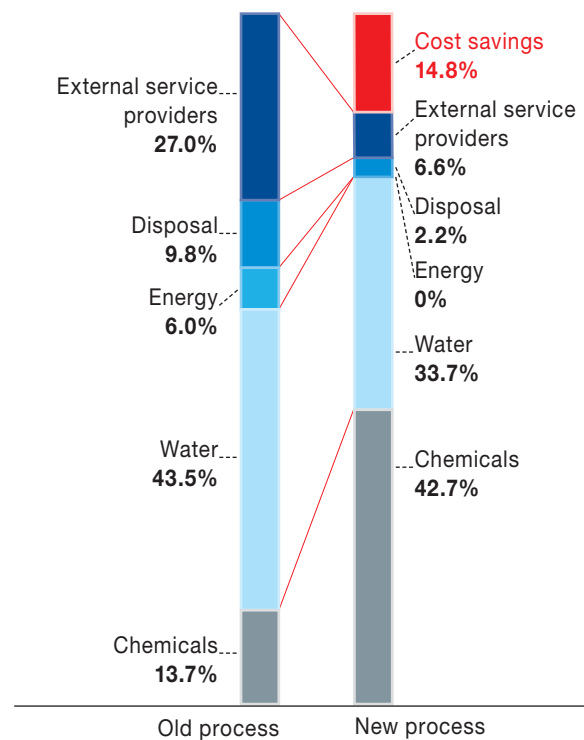
www.henkel.com/sr2007 → Bonderite

Product safety

The safety of products and their ingredients has become a keenly debated issue in recent years. Customers and consumers can be certain that Henkel brands and technologies have been extensively tested to ensure their compatibility with health and the environment when used as intended.

Value Calculator-Example: Bonderite NT

in percent



The graph shows how the new process using Bonderite NT can reduce total costs, by 14.8 percent in this example, despite the higher cost of the chemicals.

For us, product safety is just as essential to first-class quality as convenience and excellent product performance.

We therefore systematically assess new products at a very early stage, during research and development, to identify any potential risks. The properties of the individual ingredients are assessed, as are their concentration in the product, and the conditions in which the product will be used.

The use of substances with certain hazardous properties is prohibited from the outset for some applications. For example, substances that have been proved to pose carcinogenic, teratogenic or mutagenic risks to humans may not be used in consumer products.

Implementation of product safety



Regular audits are carried out to verify compliance with corporate product safety requirements and procedures. The business sectors are responsible for the implementation of product safety.

Moreover, our product developers and product safety experts monitor our products continuously in the market to identify new aspects and gain new insights that can be used to improve product assessment processes and thus enhance safety still further.

www.henkel.com/sr2007 → Product Safety

Implementation of the EU Chemicals Regulation

After several years of debate about the reform of the European chemicals policy, the EU's REACH Regulation came into force on June 1, 2007. REACH regulates the registration, evaluation, authorization and restriction of chemicals. Under the Regulation, all chemicals marketed in Europe will have

to be successively registered within a period of eleven years. Safety assessments must be carried out for chemicals manufactured in or imported into the EU, and submitted to the European Chemicals Agency. Risk management measures that may have to be taken when handling chemicals must be communicated to industrial users. Especially dangerous chemicals are additionally subject to an authorization procedure.

For the purposes of the REACH Regulation, Henkel is primarily a downstream user of chemicals. However, Henkel is also an importer and producer of chemicals and is therefore subject to registration obligations and the associated costs. To minimize these additional costs when the pre-registration phase starts in June 2008, we have already aligned our existing processes to the future requirements. We will therefore be able to integrate the REACH requirements for assessment of product ingredients into our existing assessment procedures.

www.henkel.com/sr2007 → REACH

Development of alternatives to animal testing

We have been developing alternatives to animal testing since the 1980s. In 2006, we consolidated these activities in our research company Phenion. New alternative test methods are being developed using, for example, the Phenion® Full Thickness Skin Model, which involves no animal testing.

As a result of the research carried out so far in the field of non-animal in-vitro test methods (tests carried out in a test tube), a series of new cell and tissue culture systems has been incorporated into general laboratory practice. These methods can be used, for instance, to study the effect of a substance on human skin.

www.henkel.com/sr2007 → Alternative Methods

Suppliers and other business partners

What we expect from our suppliers

In view of developments on the international purchasing markets, being able to rely on the support of a network of committed top suppliers is of considerable strategic importance. We expect our suppliers and other business partners to satisfy our standards of corporate ethics. When selecting suppliers, we therefore consider their performance in regard to sustainability and corporate social responsibility.



Early acceptance of responsibility

We acknowledged our responsibility throughout the value chain as long ago as 1997 when we formulated our corporate Safety, Health and Environment standards. Based on these standards, our corporate purchasing departments have established processes for assessing how our suppliers operate in regard to safety, health, and the environment. As part of this, audits are regularly carried out, as appropriate for the products and services supplied, the region, and the type of business relationship.

If our standards are not met, we come to an agreement with the supplier on improvement measures and, if necessary, carry out follow-up audits. If the supplier's performance is again judged to be inadequate, as a final resort we terminate the business relationship and seek an alternative source of supply. About 20 percent of our purchasing volume

is now accounted for by suppliers and other business partners whose production sites have been audited by Henkel.

Efficient structures

We purchase raw materials, products and services from suppliers and other business partners in 113 countries. Some 85 percent of the total purchasing volume comes from member countries of the Organization for Economic Cooperation and Development (OECD). We have consolidated responsibility for sustainability standards in the supply chain in our newly created Global Purchasing Sustainability department.

Status of supplier assessment

Our aim in 2007 was to assess the sustainability performance of 80 percent of our global purchasing volume of 5.6 billion euros (2006) for raw materials, consumables and auxiliary materials, as well as packaging materials, finished products, and bought-in services. We therefore began to survey the relevant suppliers and other business partners worldwide on the topics of safety, health, environment, quality, human rights, employee standards, and anti-corruption. At the same time, the questionnaire again clearly communicated our concrete expectations concerning sustainable and socially responsible business practices.

So far we have only been able to reach a certain proportion of the suppliers, as the survey proved more difficult than anticipated, especially with regard to locally purchased goods and small purchasing volumes. Priority will therefore be given this year to further improving our structures and programs for surveying suppliers, and to developing alternative concepts for assessing supplier sustainability performance.

Added value for society

Economic contribution

The value added statement clearly shows that large portions of the sales revenue flow back into the global economy: Most of the value added – 60.0 percent – went to the employees. Central and local government received 9.1 percent in the form of taxes, and lenders received 6.9 percent in the form of interest. 5.8 percent of the value added went to shareholders as dividends. The non-appropriated value added is available for investment and therefore for financing the future growth of the Company.

Contributions to regional development

Emerging and developing countries, in particular, expect multinationals such as Henkel to contribute to their economic development, in addition to paying salaries and taxes. Three categories are of special importance for us in this context.

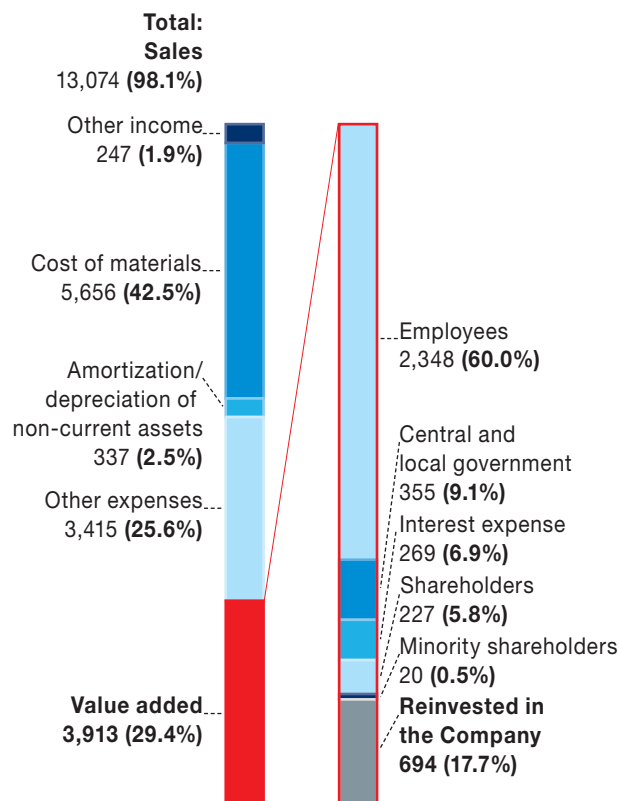
► Local business partner

Through our production and administrative sites around the world, we stimulate the economic development at the local level.

Over 30 percent of our workforce of 53,107 are employed in the growth markets of Eastern Europe, Africa, the Middle East, Asia-Pacific, and Latin America. In many places, therefore, we are a major employer and local business partner. In 2007, we strengthened our regional involvement by the opening of regional steering centers in China and Egypt. The building erected for Henkel in Shanghai, China, was created as new headquarters for all business activities in China and the Asia-Pacific region. The building can accommodate 700 employees and includes offices, laboratories, and training facilities for about 400 participants.

Value added statement 2007

in million euros/percent



The new regional center of the Laundry & Home Care business sector in Cairo, Egypt, enables us to tailor our business activities specifically to North African market and consumer needs.

► Knowledge and technology transfer

Through the transfer of knowledge and technologies, we encourage our employees and customers in all parts of the world to assume responsibility and act accordingly. The central elements include modern management methods, employee training, the introduction of safe products and production processes, and customer training programs.

In 2007, for example, the focus in production was on the assessment of potential safety, health and environmental risks in our production facilities. With the help of a special training program, we instructed employees worldwide in how to identify and assess risks, and how to initiate corrective actions.

By the end of 2007, a total of seven training courses had been held in Asia, Europe, North America, and South America.

Another key factor for knowledge transfer is customer training. In Central and Eastern Europe, for example, Henkel Ceresit has already established 140 training centers for craftsmen. In cooperation with education ministries and state vocational schools, new quality standards are being developed step by step for vocational and advanced training.

► **Strategies for growth markets**

Emerging and developing countries will be the main drivers of economic development in the coming years. Ensuring that economic development proceeds in a socially balanced manner will be a major challenge to society. In order to do justice to the differing needs throughout the world, we pursue different brand strategies according to individual market situations:

► **Globally uniform products**

Wherever customers and consumers around the world have the same needs and expectations, we offer globally uniform products. Examples include the internationally identical demands made on an instant adhesive or on our industrial adhesives.

► **Locally adapted products**

We adapt packaging units and distribution channels to local conditions, in order to make our products and our quality accessible to the broadest possible group of people. For example, our laundry detergent Mr. White and our dishwashing liquid Pril are available in single-use packs in India.

The same holds true for shampoos and deodorant creams in the South American market, which are offered in small sales units of 10 to 20 milliliters.



In 2007, the Schwarzkopf Academy (ASK) of Schwarzkopf Professional trained more than 220,000 hairdressers in 52 countries in cutting techniques, fashion advice, and management subjects. With this globally leading system of knowledge transfer in the hairdressing sector, we contribute to the establishment of the first binding training standards for hairdressers in many countries, especially in Asia and South America. www.henkel.com/sr2007 → ASK

Products that meet the needs of consumers in the lower income brackets not only have an enormous economic potential, but also make a positive social contribution in terms of, for example, domestic hygiene and health.

Different regional circumstances may also require adjustments to our product formulations. Our craftsmen and DIY products in Eastern Europe are one such case. Since the local building materials often differ from those in Western Europe, we offer locally adapted products such as the tile adhesive CM9 or the self-smoothing floor leveling compound Thomsit DA.

Cultural differences are also taken into account during product development. In many North African countries and in India, there is a tradition of wearing white garments. Our laundry detergents Nadhif for the North African market and Mr. White for the Indian market therefore contain ingredients that give the laundry a radiant white appearance.

Sustainable products



Focus on sustainability

Our shared commitment to the focal areas of energy and climate, water and wastewater, materials and waste, health and safety, and social progress and the translation of this commitment into consumer-relevant innovations strengthens our brands and the reputation of our company. This creates an important basis for trust in our brands and technologies – and for their success.

Together with global challenges, the main factors governing the alignment of our brands and technologies are the different requirements in our business areas and regional priorities.

One of the foremost objectives of our laundry detergent developers is the continuous improvement of cleaning performance, paired with ever lower detergent dosages and lower washing temperatures. Other contributions to sustainability

in this area include water-saving products, concentrates and refill products, and the use of renewable raw materials.

We are global leaders in adhesives and sealants – technically, ecologically, and in terms of health protection. Our innovative system solutions offer industrial customers benefits in regard to environmental protection and significant savings in energy, water and waste costs. Our surface treatments provide protection against corrosion and extend product life.

Well-tolerated, safe-to-use products are a prerequisite for the long-term success of our cosmetics. Efficacy is just as important here as compatibility to health and the environment. Through our use of renewable and natural raw materials, we contribute to the conservation of resources and address an increasing consumer requirement.

Energy and climate

The energy demand associated with our products is often at its highest during their use. We therefore focus on developing products and technologies that help to save energy while they are being used and thereby contribute to climate protection. Our know-how in adhesives, sealants and surface treatments helps to advance the worldwide development of new, clean sources of energy, such as fuel cells and solar cells.

Better than ever – at temperatures as low as 20 degrees Celsius

The permanent challenge facing the product developers of our laundry detergents and household cleaners is how to achieve better and better washing performance with even lower energy consumption. The key to success lies in skilful blending of the individual ingredients. As in an orchestra, all of the components must harmonize perfectly; even the slightest change can have a huge effect on overall performance.

In 2007, our product developers again succeeded in significantly boosting the performance of our premium solid and liquid laundry detergents in Europe by improving their formulations. The new formulations remove more than 20 types of stain, including lipstick, grease and coffee, more efficiently at just 20 degrees Celsius. One of the great-



est challenges was to assure the hygiene performance of the detergents at these low temperatures.

Since mid-2007, we have been using the new formulations for all varieties of our European premium laundry detergents Persil, Le Chat, Dixan and Wipp. This is a good example of how we have been working for decades to improve the environmental performance of our products in all phases of their life cycle (see page 14).

High-tech bonding for solar modules

Solar energy is steadily gaining in importance in the strongly expanding market for “clean” energy sources. Since 2002, we have established ourselves as a partner to the worldwide solar industry through a variety of collaborative projects.

As a long-term partner of one of the largest solar module producers in Europe, we helped to develop a new technology that converts 30 to 40 percent more energy than conventional solar mod-

The world's biggest sun-tracking solar power station: 1,408 solar modules at the former Erlasee vineyard in the vicinity of Arnstein near Würzburg, Germany. The solar modules were bonded using Terostat MS from Henkel.



ules. A two-axis motion system enables the solar modules to track the course of the sun. The challenge was to reliably bond galvanized steel mounts to the solar modules. In all tests, Terostat MS proved to be an excellent high-tech adhesive. It is weather resistant, even when exposed to extreme climatic conditions such as strong ultraviolet radiation and wind speeds of up to 140 kilometers per hour. Further applications for Terostat MS, such as bonding mirrors for thermal solar power plants, are already being planned.

USA: less pollution from cars

Our sealants support the automotive industry's efforts to produce increasingly efficient, energy-saving engines, and so to reduce harmful emissions. Oils for engine lubricants make a major contribution to cutting fuel consumption and help to minimize wear. However, some oils contain very aggressive ingredients that can corrode the sensitive sealing materials in the engine.

To satisfy the needs of the automotive industry, we have developed Loctite 5810A, a polyacrylate-based elastic sealant. It is nine times more impermeable to harmful volatile organic hydrocarbons than conventional sealants and far less sensitive to aggressive ingredients.

With the help of Loctite 5810A, one of our customers in the automotive sector has already succeeded in satisfying the stringent demands of the U.S. standard for low-emission vehicles ("partial zero emissions vehicles"). These are vehicles whose level of emission is 90 percent below that of an average new car.

Water and wastewater

We regard the reduction of water consumption during the use of our products as an important aim. This applies just as much to products used in the home as it does to technologies and processes used by our industrial customers. Our detergents, household cleaners, cosmetics and toiletries, which end up in wastewater after use, are designed to have a minimal impact on surface waters.

Fewer rinses

In all parts of the world, local consumer needs and washing habits make widely varying demands on laundry detergents. In North Africa, for example, doing the laundry is still hard work. Laundry is often washed by hand, and many homes have no running water.

The scarcity of water necessitates careful use of this limited resource. Henkel has therefore developed a fabric softener with special ingredients that enables washing foam to be rinsed out very easily by hand. In 2007, this technology – previously only available in the Latin American markets – was





introduced under the Vernel brand in Egypt and Tunisia. The reduction in the number of rinses can save up to ten liters of water per laundry load. Moreover, less effort is required for manual washing.

Gentle and economical

One innovative product for dry and sensitive skin is Diadermine Soft Mousse. This care foam has a well thought-out formulation containing almond extract and provitamin B5. The clever choice of cleansing ingredients means that the product cleanses very well, while providing care at the same time. The formula has the same pH as the skin. It contains neither soap nor alkaline components and is therefore highly skin compatible.

An additional advantage of Diadermine Soft Mousse is the innovative way in which it is applied. Pressing the pump valve immediately produces a light, airy foam. This pre-foaming reduces water consumption during use, as no water is needed to generate the foam. Diadermine Soft Mousse was launched in 2007 in Belgium, France, Germany, Luxembourg, the Netherlands, Portugal, Switzerland and Spain.



Materials and waste

Increasingly efficient formulations and ingredients enable us to reduce the quantity of product needed by industrial customers, craftsmen and consumers. We continuously improve our packagings to limit the amount of materials used and the resultant waste. Many of our products help to extend the service life of various goods and therefore to maintain their long-term value. For many decades it has been our practice to use ingredients based on renewable raw materials, wherever this is compatible with ecological, economic and social considerations.

Strong alternatives

A core objective of our research and development is to replace ingredients derived from mineral oil, and thus to reduce our dependence on this increasingly expensive raw material in the long term. We therefore seek alternative raw materials from renewable sources, such as those based on starch or cellulose.

Renewable raw materials are key components of the formulations of many of our products, from household cleaners to shower gels to wallpaper paste. The washing active substances (surfactants) in our laundry detergents and household cleaners are now derived to about 35 percent from renewable raw materials, such as coconut oil and palm kernel oil – an unusually high figure in the worldwide laundry detergent and household cleaner sector. At 45 percent, the proportion of renewables in shampoos and bottle labeling adhesives is also similarly high. The Pritt Stick, however, still leads



the field. Since the year 2000, its formulation has included 90 percent renewable raw materials relative to its dry weight.

To exercise our responsibility regarding the purchasing of ingredients based on renewable raw materials, e.g. surfactants, we take part in initiatives such as the Round Table for Sustainable Palm Oil (RSPO). This organization promotes the sustainable production of palm oil throughout the value chain.

www.henkel.com/sr2007 → RSPO

More than 50 percent renewable raw materials

In 2007, we optimized the basic formulations for our manual dishwashing detergents in Western Europe, including the Pril, Mistol, Mir, Nelson, Dixan Piatti, Per and Tolu brands. These changes increased the proportion of renewable raw materials in the formulations by ten percent, to more than 50 percent, relative to the dry weight. The products are now even more readily biodegradable and especially mild to the skin. We were also able to further increase the efficiency of the total formulation. Smaller amounts of raw materials are now needed to achieve the same powerful performance.

Pril Balance in Germany and Mir Nature Active in France are just two examples of this new generation of manual dishwashing detergents. In 2008, the new basic formulation will also be used for Pur, Mer and Pemolux brand products in Central and Eastern Europe and North Africa.



100 percent natural washing power

In the USA, too, we have worked intensively to improve the eco-efficiency of our laundry detergents. In 2007, all our liquid laundry detergents in the USA were reformulated as concentrates. The optimized formulation of Purex Ultra Concentrate now delivers the same washing performance with just

half the previous dosage. Consumers thus obtain the full washing power of Purex in a bottle only half as large as before. This not only saves water

and packaging material during production, but also significantly reduces transport weights and volumes, thereby saving several million liters of fuel during distribution.



With the new Purex Natural Elements liquid

laundry detergent, our product developers in the USA have gone one step further. Since August 2007, the formulation of Purex Natural Elements, which is also doubly concentrated, has provided the same washing power as all Purex products, but uses only surfactants (washing active substances) derived from renewable raw materials. The formulation contains natural fragrance extracts and is free of artificial colorants. All the ingredients are readily biodegradable.

Pure und natural

Increasing numbers of consumers value products with natural ingredients. To satisfy this consumer demand, we completely relaunched our U.S. range of Pure & Natural personal care products in 2007. The new soap and shower gel formulations contain up to 98 percent natural ingredients. Great care was taken to select only plant-based care and fragrance extracts that are suitable for sensitive skin. The ingredients used are also readily biodegradable.

And the cardboard pack in which the soap is sold is made from 100 percent recycled paper and therefore compostable.



Good for hair and the environment

The Gliss Oil Nutritive hair care line, which was launched in 2007, contains extracts of shea oil and argan oil, which especially protect long hair against breakage and split ends and give it an intensive shine and suppleness. Both ingredients come from Africa, where they are traditionally used to care for the skin, hair and nails. We cooperate with our suppliers and local stakeholders in order to support the long-term viability of the raw material sources and fair trade with the countries of origin.



Argan trees, for example, grow only in Morocco. Argan oil is extracted from the fruit kernels and is sold internationally. For the local population, the argan forests are an important source of income. They also play a key role in the ecological balance of the region, as they prevent encroachment by the Sahara. To conserve the argan forests and simultaneously develop the economic potential of the region, the Argan Program was launched in cooperation with local groups in 2001. Its objective is to protect the regional ecosystem and to ensure fair payment for the local population. By using argan oil in Gliss Oil Nutritive, we support the Argan Program through our suppliers. Gliss Oil Nutritive is available in many Western, Central and Eastern European countries.

www.henkel.com/sr2007 → Argan Program

“Natural” and “renewable” ingredients

The demand for products based on natural and renewable ingredients is continuously increasing. The different ways in which these terms are used in the market, however, often causes confusion among customers and consumers. Our aim is to provide transparent information about the composition of our products.

We draw attention to individual **natural** active ingredients and fragrances used in our products to emphasize specific characteristics – for example, the care properties of shea butter and yogurt or the soothing effect of aloe vera.

The proportion of **renewable** raw materials in our formulations relates to our contribution toward reducing reliance on mineral oil as a raw material. If, for example, ingredients derived from mineral oil are replaced in a formulation by starch-based substances, this increases the overall proportion of renewable raw materials, thereby saving mineral oil. For ingredients containing substances derived from both renewable raw materials and mineral oil, we include only the renewable proportion in our calculations. If possible, we calculate the proportion of renewable raw materials relative to the dry weight of the product. In some markets and product categories, however, the calculations also include the water contained in the formulation. For the purpose of fair comparison, in such cases we also include the water in our calculations, such as for the Pure & Natural product line from the USA (page 25).

Ingredients from certified organic crops

Carefully selected botanical ingredients characterize the new hair care shampoos Schauma Bio Mandel Intensivpflege (organic almond intensive care) and Schauma Bio Granatapfel Kraft & Pflege (organic pomegranate power & care). The formulations contain no artificial colorants or fragrances, and no silicones or mineral oil-based paraffin oils.



The Schauma Bio products achieve their effect through finely harmonized active and care ingredients, combined with plant extracts from certified organic crops. This means that the agricultural production of the ingredients is based on soil-conserving production methods, taking account of ecological and environmental protection factors and deliberately avoiding the use of crop protection agents and growth boosters.

Protecting the product and avoiding waste

The packaging of our branded consumer products becomes household waste after use. Throughout the Company, therefore, we follow three principles – prevention, reduction, recycling. We work together closely with our suppliers and customers to reduce packaging volumes at all stages. Returnable packaging systems in the form of reusable transport containers and secondary packaging, for example, are available for our industrial customers.

The requirements of transport safety and transport capacity utilization impose limits on reductions in transport and secondary packaging. The packaging materials we use must be sturdy in order to ensure that our products are not damaged during transport, and that our trucks and freight cars can be optimally loaded in terms of volume and weight.

To reduce the volume of packaging waste for customers and consumers, product developers in all our business sectors strive continuously to use less material without compromising quality and stability. Small steps often have a major impact. Overall, we have been able to halve the volume of our packaging material in Germany since the 1980s. We also work to progressively increase the proportion of our packaging that can be recycled. In addition, we monitor developments in bioplastics and regularly test their suitability as packaging materials.

www.henkel.com/sr2007 → Bioplastics

Less packaging, lower price

The various Mas product lines of liquid laundry detergents that we market in Mexico used to be offered in packaging units of at least one liter. Since 2007, all varieties of Mas have also been available in 500 milliliter stand-up pouches. This new packaging form has two advantages. First, the stand-up pouch itself weighs 74 percent less than the one-liter bottle and thus contributes to savings in packaging materials. Second, the reduction in product size and packaging material means that the product can be sold at a much lower price, making it more accessible to consumers in lower income brackets.



The Mas stand-up pouch contains 74 percent less packaging material than the bottle.

Health and safety

Health and safety have always been a priority at Henkel. Many of our products contribute to personal care and hygiene, while others help to improve hygiene in the home. We develop innovative products and technologies which offer customers and consumers health protection benefits – both during use and disposal. For many years we have been progressively replacing substances such as solvents and heavy metals with high-performance alternatives.

Lead-free soldering pastes

Electronic devices have become an indispensable part of our daily lives. In mobile phones and computers, in household appliances and cars, they store information and control processes. Traditionally, soldering pastes containing lead have been used to connect the individual components of these devices – chips and circuit boards – electrically to one another. In Europe, however, the use of lead in the electronics industry has been drastically restricted by law since 2006.

As early as 1997, collaborating intensively with our partners in the electronics industry, we began to develop alternatives and offer lead-free processes for manufacturing trials. Building on this, we were able to successfully market the first lead-free soldering materials in 2002. Since 2004, we have staged numerous workshops worldwide in cooperation with machine manufacturers in order to present the technology to customers in theory and practice, and to establish the products more firmly in the market.



The third generation of the lead-free soldering paste Multicore LF600 can be used to solder miniaturized components that are exposed to high levels of heat and humidity.

In 2007, we introduced the third generation of Multicore LF600, with an even better formulation, designed to meet increasingly demanding customer requirements. Multicore LF600 has enabled us to further increase our share of the market for lead-free soldering pastes.

USA: Green building and healthy living

Rising energy costs, the growing energy consciousness of Americans, and more affordable solutions for energy-efficient building are currently driving up demand for “green” building materials in the USA. A survey by Green Builder Media and Imre Communications shows that 11 to 25 percent of house builders value green building materials and are prepared to pay a higher price for them.

With our OSI Green Series we have launched a number of green adhesives and sealants in the U.S. market. Throughout the product range, we have cut the percentage by weight of volatile organic compounds from 25 to 35 percent to less than 2 percent while simplifying ease of use.

We were therefore able to meet the requirements for certification by the Greenguard Environmental Institute, an independent organization in the USA, which establishes indoor air quality standards for various kinds of products. The use of the OSI Green Series also helps to qualify buildings for LEED (Leadership in Energy and Environmental Design) certification of their energy efficiency. LEED is an officially recognized assessment system which exclusively certifies green buildings.



Brazil: Ban on toluene in consumer adhesives

In 2006, Henkel took over Alba, a Brazilian adhesives producer. Some of its contact adhesives contained toluene as a solvent, and could therefore be misused by young people for glue sniffing. Immediately after completion of the takeover, Henkel developed a strategy tailored specifically to the Brazilian market to replace toluene in the formulations of the contact adhesives.

In March 2007, we publicly presented the first Cascola brand contact adhesives in toluene-free varieties – well before the legal deadline set by the Brazilian health authority. Products for the DIY market that contain ingredients making them attractive to glue sniffers have been banned since early 2008.

Crucial to the success of the new toluene-free formulations is communicating the changes in a positive manner to consumers, in order to retain their trust in the performance of the products. For this reason we already launched an initiative in December 2006 under the motto “Commitment to the future” and organized a joint meeting with adhesives industry associations, the press, non-governmental organizations, customers, and local authorities. From the very start we were able to profit from our positive experience in Chile, where we have been successfully marketing toluene-free adhesive products since 1998.



Mold-free joints

When silicone sealants have been attacked by mold, they not only look unaesthetic, but can also degrade grout joints. And the mold spores are also a risk to health.

Indoor mold is caused by increased humidity due to changed habits such as frequent showering, and the increasingly efficient insulation of homes.



The silicone products available up to now contained active substances that washed out over time. To rob the mold of any chance of survival, our researchers analyzed the total life cycle of a mold fungus. The result is the Sista Schimmelblocker (mold blocker) with innovative triple protection. Biologically active substances specifically inhibit the spore formation of the mold fungi, and surfactants reduce the surface tension of the silicone so that mold spores are unable to settle. Inhibitors – fungicides – that are especially resistant to being leached out provide additional protection to prevent germination and growth. The Sista mold blocker will be launched in Germany in mid-April 2008 and will then be rolled out worldwide.

Styling for a sensitive scalp

Many people have a sensitive scalp. To avoid additional irritation, a lot of them do not use hair styling products. Taft has therefore developed a new styling line: Taft Sensitive. The dermatologically tested and approved formulation is aligned exactly to the needs of a sensitive scalp. The hair spray and mousse are perfume-free and odor-neutral. The formulations offer 100 percent hold and are at the same time especially gentle on the scalp. This makes

Taft Sensitive ideal for anyone with a sensitive scalp who does not want to do without styling.



Production and logistics



Our central warehouse in Vienna supplies customers in Austria, the Czech Republic, Slovenia and Slovakia with our laundry detergents, household cleaners and cosmetics. Thanks to centralized shipping, transport mileage was reduced by more than 200,000 kilometers in 2007.

Focus on sustainability

Henkel has production sites in 52 countries. By continuously improving our plants, processes and structures, we constantly increase production safety and efficiency while reducing resource consumption and the impact on the environment.

Through the transfer of knowledge and technology among our sites, we assure the global use of safe, efficient and resource-conserving production processes.

Our safety, health and environment standards apply to all of our sites worldwide. To ensure the implementation of our standards, we carry out audits throughout the Company (see page 11). In 2007, five regional health, safety and environment audits were carried out in North America, Australia and New Zealand, the Philippines and Malaysia, Tunisia, and Turkey. All in all, our auditors inspected 27 sites. A total of 648 audit

criteria were examined, and action was found to be needed in 34 cases. In one instance, a grave occupational health and safety risk resulted in the immediate shutdown of the concerned part of the plant. It was only restarted after the necessary corrective measures had been taken.

We have our environmental management systems at the individual sites externally certified, if this yields competitive advantages. At the end of 2007, about 57 percent of the production volume came from sites certified to the international ISO 14001 environmental management standard.

Our logistics planning is tailored to the nature of the products to be transported. For relatively bulky products, we reduce the transport mileage and the environmental burden by maintaining regional production sites. More compact products with a low specific weight make less demands on transport, so we produce them centrally in large quantities wherever possible.

Worldwide efficiency drive

With our “Excellence in Site Services” program, we have launched a worldwide effort to boost the efficiency of the infrastructures at our sites. The aim is to achieve the best possible balance between quality, safety and costs. After conducting a pilot project at the Düsseldorf site in 2006, we started to roll out the program internationally in early 2007. In addition to other sites in Germany, 14 sites in Austria, Belgium, France, Italy, Spain and the UK are now participating in the program.

So far we have identified more than 450 individual measures in the areas of energy; maintenance; facility management; safety, health and environment; plant logistics; and catering.

In 2008, more and more sites around the world are to join the program. Regular workshops and intensive communication ensure the rapid sharing of best practices, thus making knowledge and experience accessible on an international scale.

Maximizing production effectiveness

To further increase the efficiency of the production processes for our personal care products, we have



Excellence in Site Services: In September 2007, we honored our Spanish site in Montornés for its exemplary commitment to finding opportunities to improve efficiency. On behalf of the site, Jordi Cruz (left) accepted the prize from Kasper Rorsted, Vice Chairman of the Management Board.

developed a program based on the total productive management approach. This program helps to identify losses which have a negative impact on productivity. On the basis of detailed potential analyses, the sites define quantified targets and measures to maximize effectiveness, productivity and quality while simultaneously minimizing waste, energy consumption, and maintenance costs.

Successfully implemented measures are established as standard for all sites. The reduction in the amount of waste generated is an important indicator of the success of a measure, as waste, and therefore raw materials consumption, can only be minimized when processes run efficiently.

In 2007, we introduced the program successfully at two German sites – Wassertrüdingen and Viersen-Dülken – and at Maribor in Slovenia. Given the highly promising results and the positive response of the employees, the program is to be launched at additional cosmetics production sites.

Worldwide contributions to energy efficiency and climate protection

Over the past decades, we have developed and implemented effective energy-saving measures. In the period from 2003 to 2007 alone, we have been able to reduce energy consumption at our production sites by 21 percent per metric ton of output, and the associated carbon dioxide emissions by 15 percent. In 2007, we again carried out a large number of projects to improve energy efficiency at our sites, making numerous major and minor contributions to climate protection. Some examples are described below.

Italy: Energy audits for all six sites

Our six Italian sites already achieved a cumulative energy reduction of 18 percent per metric ton of output between 2002 and 2006 by taking numerous individual steps. In 2007, the sites launched a systematic energy audit program with the aim of drawing up an energy balance for each site. Such energy audits were carried out in 2007 at Lomazzo, Caleppio and Casarile.

Possible improvement measures for increasing energy efficiency include optimizing production lines, providing information and training programs for employees, and using energy from renewable sources. An Energy Manager will be appointed at each site to monitor implementation. In the future, energy consumption will be a binding criterion for approving new projects and investments.

Russia: On-site steam generation

At many Henkel sites, steam is used in production facilities and to heat buildings. This is also the case at our factory in Engels, Russia, where we mainly produce heavy-duty laundry detergents and industrial adhesives. The steam used to be supplied to the site by an external steam power plant. Considerable amounts of heat were lost as the steam was transported through long-distance pipelines, and the reliability of the supply was somewhat uncertain. As part of a comprehensive modernization project, the site was provided with its own steam generation plant. This has not only assured continuity of the energy supply to production, but has reduced annual energy consumption by up to 30 percent. The savings in carbon dioxide emissions amount to 2,100 metric tons.

France: Heat generation with a refrigerating plant

The products made by our Châlons site include water-based adhesives. During the production process, mixing operations are carried out at different temperatures. On the one hand, we generate cold water with the help of a compressor to cool the mixing vessels. On the other hand, we need hot water to clean the mixers. This used to be heated to 50 degrees Celsius by a gas burner. An analysis showed that the waste heat from the refrigerating compressor would suffice to generate the necessary hot water. Utilizing the waste heat from the compressor cuts gas consumption in production by 5 percent and results in an annual reduction of 50 metric tons in carbon dioxide emissions.

From Germany to Guatemala: Heat recovery in production

Throughout the world, we strive to recycle waste heat from production to our processes. At our cosmetics site in Wassertrüdingen, Germany, for example, we installed a new steam-driven heat exchanger in 2007. With the help of waste heat from the compressor, we now heat the test baths for hair and deodorant sprays. This enabled us to cut our energy consumption by about 6 percent in 2007 – equivalent to 250 metric tons of carbon dioxide emissions.

At our site in Mixco, Guatemala, we also invested in a new heat recovery system for the detergent production line. By using the 100 degree Celsius waste heat from the spray drying tower for the production process, we have reduced energy consumption by about 15 percent, corresponding to 800 metric tons of carbon dioxide.



The new Henkel headquarters in Shanghai for China and the Asia-Pacific region. The building is highly energy-efficient. Glass curtain walls and heat recovery circuits for the heating and air conditioning system save energy. The building thus consumes 60 percent less energy than comparable structures.

From Austria to the USA: Heating with process heat

At many of our sites, we use the captured process heat from production to heat buildings. One example is our site in Vienna, Austria, where part of the superheated steam from the detergent production lines is used to generate hot water to heat the raw materials warehouse. During the summer, this heat is fed into the public district heating network of the city of Vienna. As a result of this and other measures, carbon dioxide emissions went down by almost 700 metric tons in 2007.

Since 2007, the office buildings at our site in Montgomery, Illinois, USA, have also been heated using waste heat from production. This saves up to 1,750 megawatt-hours of energy per year, corresponding to about 350 metric tons of carbon dioxide emissions.

Germany: Energy from waste

One option for reutilizing waste is incineration. We commissioned the disposal company Entsorgungszentrum Düsseldorf-Süd to process waste from

our neighboring production facilities into fuel by crushing and, if necessary, pretreating it. Liquid waste, for example, must first be solidified by adding auxiliary materials such as sawdust. In 2007, 8,500 metric tons of waste were converted to fuel and thus to energy. In view of the drastic increases in energy prices, this form of waste processing is becoming more and more attractive. In the future, we intend to promote and build up the utilization and marketing of waste as fuel at other sites as well.

www.henkel.com/sr2007 → Climate Protection

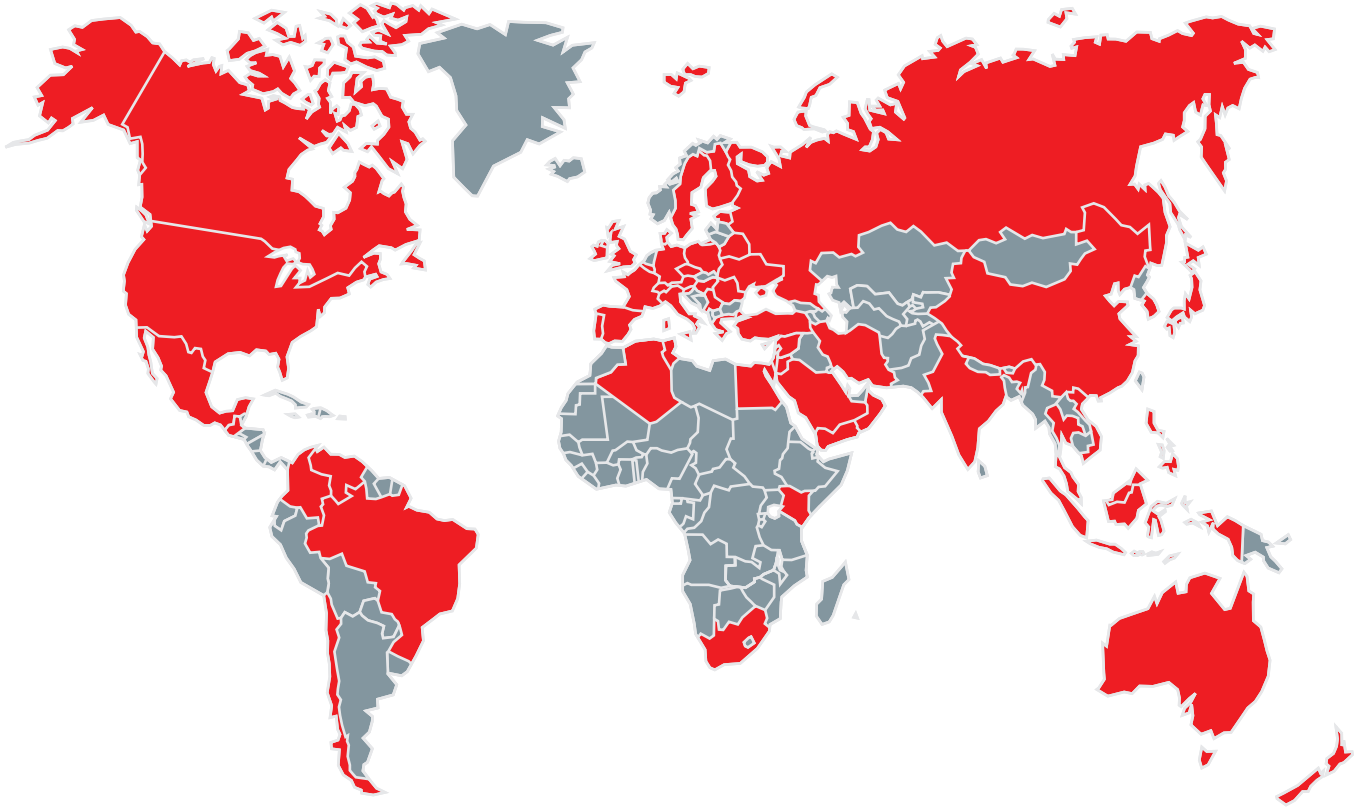
Worldwide contributions to saving water

Henkel has a long tradition of responsible use of water resources. Around the world, and especially at sites where water is scarce, we give priority to reducing water consumption and wastewater. Between 2003 and 2007, we were able to decrease water consumption per metric ton of output by 15 percent. The following examples illustrate just a few of the projects carried out in 2007.

Spain: Successful search

Already in 2006, we were able to reduce the absolute volume of wastewater at the Montornés detergent production site by 21 percent. The employees at the site followed up this achievement by seeking additional savings potentials and possible process improvements. As a result, a whole package of improvements was implemented in 2007. They include the treatment of wastewater from the liquid detergent production line and the rinsing water from the spray drying tower, reutilization of the cleaning water in production, and weekly monitoring of freshwater consumption in comparison with the previous year. Thanks to these intensive efforts, water consumption has been decreased by a further 6 percent.

Production sites in 52 countries



More detailed information on our production sites is available on the Internet at: www.henkel.com/sr2007 → Production Sites

Mexico: Newly established water committee

With a view to monitoring and steering water management more effectively in the future, the management of the Toluca site decided to take a new approach by appointing a site water committee. Composed of employees from production and administration, the committee is responsible for precisely monitoring total water consumption each month and devising ways of reducing both water consumption and the volume of wastewater. The efficiency of water use in the office buildings is considered just as attentively as the utilization of recycled water in production.



The employees of the three Brazilian sites in Itapevi, Boituva and Diadema organized three-day information campaigns to raise the awareness of all employees of the need to adopt a responsible approach to water as a resource. At Diadema, our employees also visited 250 apartments and houses in the neighborhood, where they distributed brochures with information and advice on saving water in the home.



Genthin – one of the regional warehouses in Germany for laundry detergents and household cleaners.

Efficient logistics structures

A modern distribution system has to satisfy multiple requirements. First, it must ensure that products are available for customers throughout the year in sufficient quantities. It must also be able to meet the short lead times required by retailers and maintain a high level of delivery service. As part of our “Optimization of Transport and Warehouses” project, we are continuing to improve the efficiency of our logistics concepts in Europe and throughout the Company as a whole.

In 2007, we were already able to achieve significant synergistic effects. For example, we have concentrated the warehousing operations in Germany for our Laundry & Home Care business sector in six large regional warehouses, and aim to reduce this number still further to just three warehouses by 2009. We supply the warehouses mainly by rail. We also increased shipments of raw materials by rail from our Düsseldorf site to the production facility in Genthin by 15 percent in comparison with 2006. Furthermore, we have switched the transport of laundry detergent exports from Düsseldorf to Sweden from road to rail. Currently, the greater part of the freight-car loads of exports go to Switzerland, then by combined road and rail transport to Italy.

A new central warehouse at the Vienna production site now supplies our customers in Austria, the Czech Republic, Slovenia and Slovakia. In 2007, the centralized shipping of our laundry detergents, household cleaners and cosmetics reduced transport

mileage by 200,000 kilometers. This corresponds to 70,000 liters of diesel fuel per year.

The reorganization and relocation of our Turkish detergent production site from Izmir to Ankara will enable us to reduce the mileage for deliveries to our customers by 1,360,000 kilometers. This is equivalent to about 445,000 liters of diesel fuel per year.

Furthermore, we are making increased use of the option of grouping our transport consignments with those of suppliers of similar products, thus making more efficient use of truck capacities.

Avoiding empty transports

Throughout Europe, we fill several hundred million PET, PE and PD bottles with liquid laundry detergents and household cleaners each year. PET, for example is a versatile, easily formable, unbreakable plastic, which can be recycled after use. To avoid long transports with consignments of empty plastic bottles for filling, many of the bottles required are manufactured locally – usually by specialized suppliers located close to our production sites. Because production is carried out locally, only the raw material has to be delivered, which can be up to twenty times more compact than the finished bottles. Overall, this saves 37,000 truck transport trips throughout Europe, thus avoiding some 13,500 metric tons of carbon dioxide emissions.

www.henkel.com/sr2007 → Logistics

Environmental indicators

Transparency

Throughout the Company, we use indicators to identify potential improvements, steer programs, and monitor target achievement. Indicators are also important as a compact and transparent means of informing the public of progress and performance. Our indicators are based on the environmental indicators of the European Chemical Industry Council.

In the Sustainability Report, we focus on the publication of globally relevant core indicators. Emissions of nitrogen oxides and dust and the consumption of chlorinated hydrocarbons are less relevant for us as global control variables and are therefore only published on the Internet. Also on the Internet, a GRI index refers to the reporting elements and indicators of the Global Reporting Initiative (GRI).

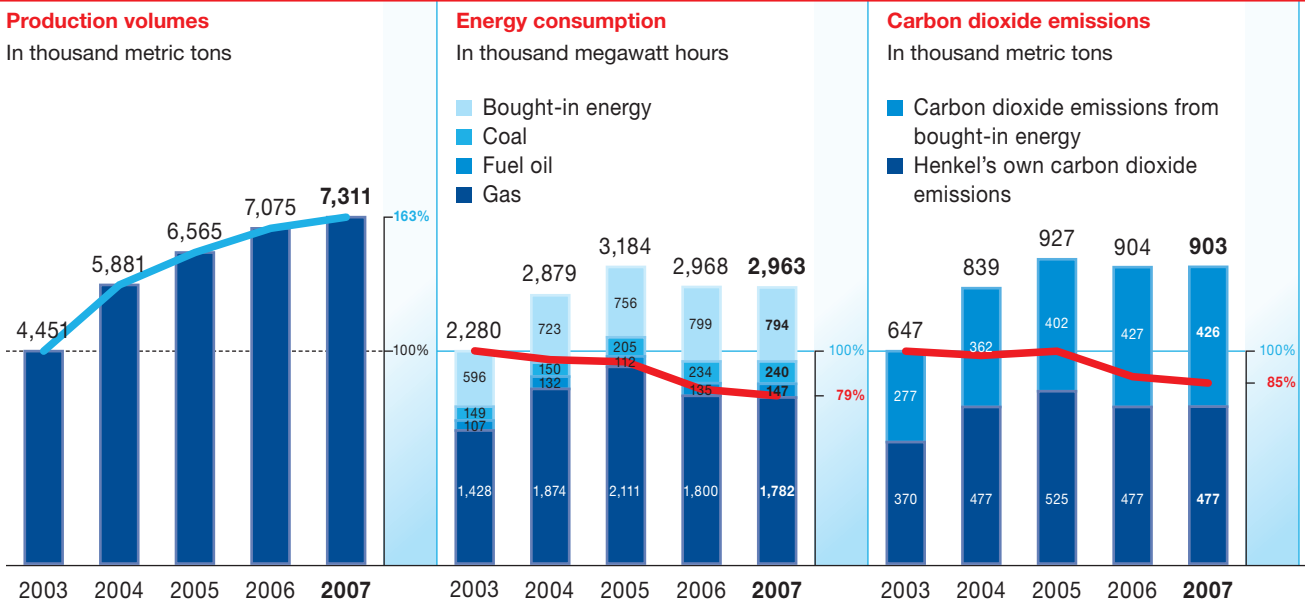
www.henkel.com/sr2007 → GRI

► A worldwide picture

The production-related data were determined at 166 Henkel sites in 52 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 98 percent of our worldwide production.

► A comparable basis

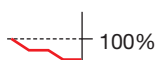
Henkel is growing, as is the number of sites contributing data to the environmental indicators – from 132 in 2003 to 166 in 2007. As growth does not occur at a uniform rate, there are jumps in the figures. To simplify interpretation of the figures, the graphs also show the progress of the indicators as an index relative to the volume of production (per metric ton of output). The base for these index curves is the year 2003 (= 100 percent).



The production volume rose by some 20 percent in 2004 as a result of acquisitions, particularly of Dial and Sovereign Specialty Chemicals.

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

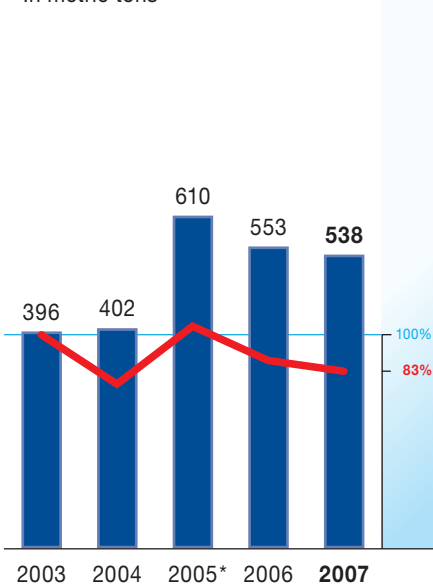
Energy generation accounts for almost all of the carbon dioxide released as a result of Henkel activities. The given values include carbon dioxide formed during the generation of bought-in energy at non-Henkel sites.



The index curve on the graphs shows the progress of the indicators relative to the volume of production (per metric ton of output). The base for the index curve is the year 2003 (= 100 percent).

Sulfur dioxide emissions

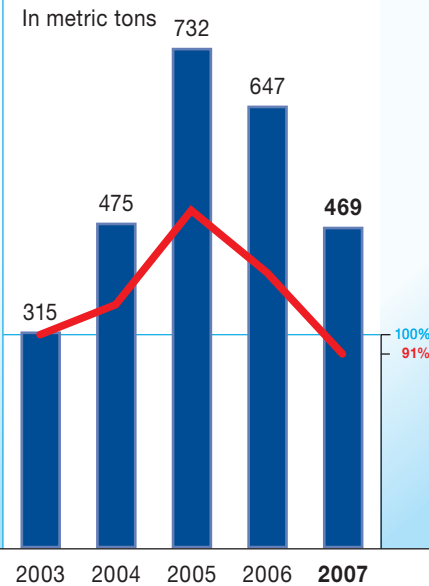
In metric tons



* Sulfur dioxide emissions rose due to changes in the fuel mix at certain sites.

Emissions of volatile organic compounds

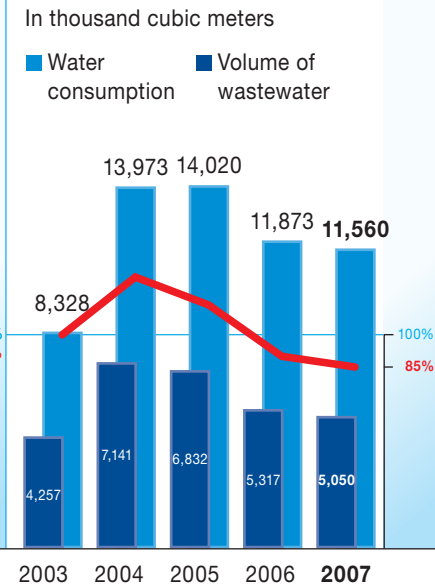
In metric tons



The increase in 2004 and 2005 is primarily due to acquisitions. In 2007, additional measures were implemented to reduce emissions of volatile organic compounds.

Water consumption and volume of wastewater

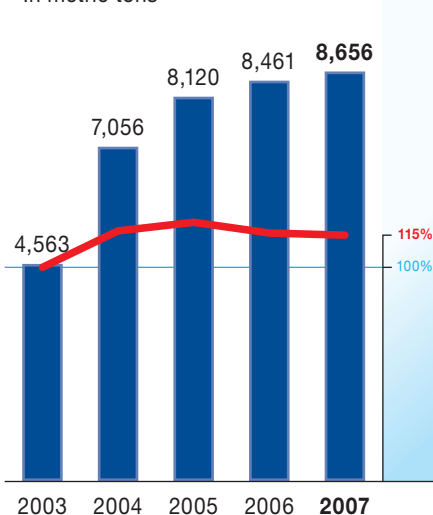
In thousand cubic meters



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 emissions to surface waters

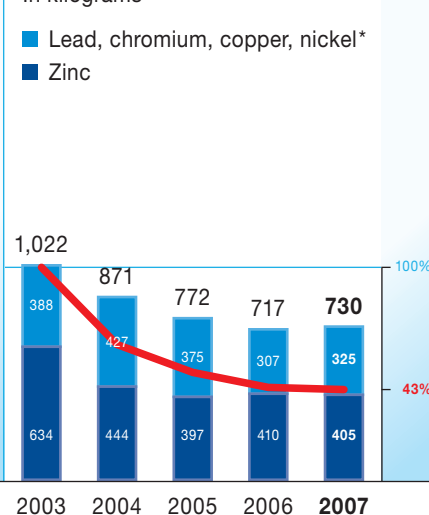
In metric tons



Chemical oxygen demand (COD): Measure of the pollution of wastewater with organic substances. The increase is essentially due to acquisitions in 2004 and another site included in the reporting for the first time in 2006.

Emissions of heavy metals to wastewater

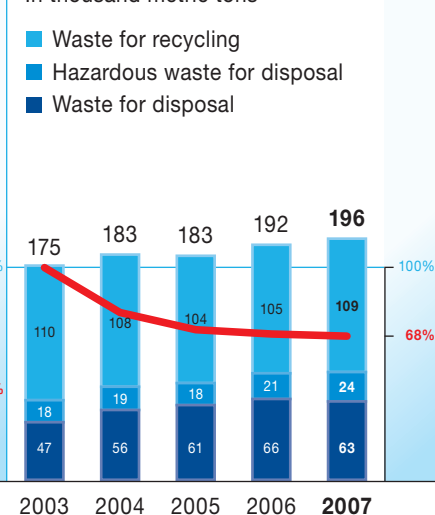
In kilograms



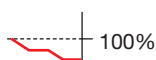
As zinc is usually less harmful than other heavy metals in terms of its effects on the environment, the zinc load is shown separately. * Particularly hazardous heavy metals, such as mercury and cadmium, are not relevant in our production.

Waste for recycling and disposal

In thousand metric tons



"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 at Henkel.



The index curve on the graphs shows the progress of the indicators relative to the volume of production (per metric ton of output). The base for the index curve is the year 2003 (= 100 percent).

Employees and jobs



Diversity has a long tradition at Henkel and is a component of our corporate culture: Participants at a diversity seminar from Brazil, Finland, Germany, Greece, Mexico and Poland.

Focus on sustainability

One of the key factors assuring the future success of a company is its ability to generate and retain the enthusiasm of its employees. We consistently foster our employees' development and link their personal commitment to the Company's success.

Henkel is constantly growing and developing. Its internationality requires the creation of worldwide human resources structures. One of the greatest challenges is the development of a global corporate culture that encourages all employees to think and act independently. At the same time, a number of social changes – such as the aging population of western industrialized states, with the associated shortage of prospective young recruits, and the rapid growth of many emerging economies – present the Company with major new challenges. To ensure our long-term success in this environment, we rely on our well-qualified, flexible, and highly motivated employees. Their experience, talents and skills reflect the diversity of our markets and customers. We achieve this through target-

oriented management, performance-related remuneration, regular assessments, and continuous learning.

Excellence in leadership is one of our key success factors. The demands placed on specialists and managers are steadily increasing. It is therefore crucial that we continuously foster the development of employees at different management levels in accordance with these demands.

In addition to our employees' motivation and personal development, our corporate culture and positive work climate contribute decisively to our corporate success. We recognize our obligation to respect the personal dignity and guard the privacy rights of all of our employees, and to apply the principles of equality and fairness. Both of these elements are embodied as essential behavioral rules in our Code of Conduct.

A top priority at Henkel is the health and safety of all employees. We strive to continuously improve occupational health and safety. Specially designed programs promote good health and ensure our employees' long-term capacity to work. This is an increasingly important factor, especially in countries with an aging population.

Development and continuing education

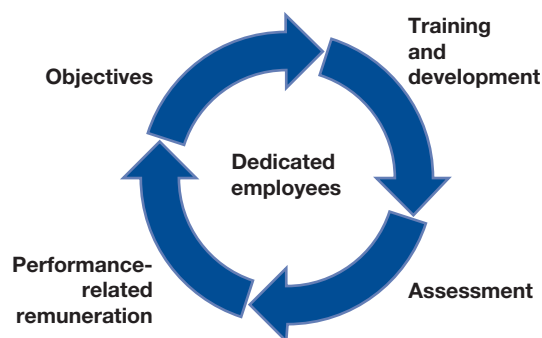
Systematic development and fostering of the diverse talents and abilities of our employees is vital for Henkel's success. For this reason, we invest in the knowledge, creativity, and social competence of our employees.

In 2007, training programs for our employees ranged from international research and development conferences for our product developers to regional workshops on financial reporting in accordance with international standards. Other examples include regular training courses for our sales and distribution staff to deepen their knowledge of the sustainability performance of Henkel's industrial products. We also organize targeted international job rotation programs. In 2007 alone, some 400 employees performed jobs outside their native country.

Regular employee assessments are an essential prerequisite. In confidential meetings between employee and supervisor, development potentials are identified and training measures defined. Since 1998, Henkel has been using the Management Competencies Assessment (MCA) worldwide as a tool for judging the performance of its managerial staff. We also use an assessment and development system for our non-managerial employees. This is tailored to the demands they face and is adapted locally by the national companies, which are also responsible for its implementation. In all cases, we systematically involve our employee representatives in the design of our personnel assessment tools.

www.henkel.com/sr2007 → Continuing Education

Drivers of corporate success



Improving leadership skills

To improve leadership quality, we have developed a globally uniform, modular training concept for employees with managerial responsibility. The programs are tailored to the requirements of the different management levels and are offered locally, regionally or centrally, depending on the target group.

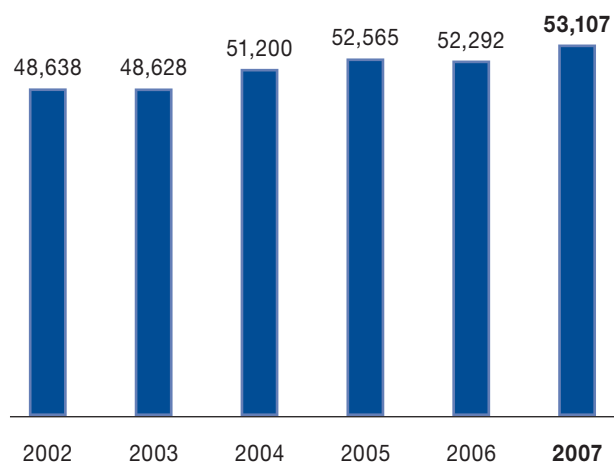
The People Leadership seminar provides basic knowledge, while the Team Leadership seminar is aimed mainly at improving performance through self and team management. For the top managerial level, we have developed a special, globally oriented Strategic Leadership program in cooperation with the Thunderbird Business School in Glendale, Arizona, USA.

Expanded feedback

Systematic and regular feedback is a key prerequisite for assessing and nurturing individual and team performance and leadership skills. In 2007, we therefore expanded our established feedback processes, focused them more strongly on the definition of improvement measures, and aligned them to our Code of Teamwork and Leadership. This code defines the general framework for leadership at Henkel.

Employees worldwide

As of December 31, 2007



Employees by region *

As of December 31, 2007

	2006	2007	in %
Europe/Africa/Middle East	33,799	34,166	64.3%
North America	6,651	6,438	12.1%
Latin America	4,297	4,268	8.1%
Asia-Pacific	7,545	8,235	15.5%
Henkel	52,292	53,107	100%

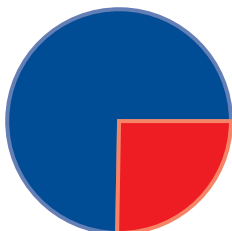
At the end of 2007, Henkel had 53,107 employees. The number of employees rose by 815 in the course of the year.

* Not including trainees, working students or interns

Managers

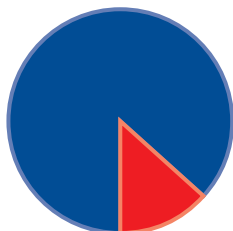
As of December 31, 2007

Total managers
9,200 employees
Average age: 42.3



80 nationalities
25.4% women

Top managers*
768 employees
Average age: 47.3



46 nationalities
13.4% women

* Management Board, Operating Management, Management Circles I and IIA worldwide.

In addition to the already existing Management Competencies Assessment and Leadership Dialogue that cover the interaction between managers and the staff reporting directly to them, it is now possible for colleagues and internal and external customers to be included in the feedback process. The feedback is collected anonymously and compared with the manager's self assessment. On this basis, strengths and weaknesses are then discussed in a dialogue, and an action plan is defined.

Recruitment

In view of the demographic development and growing competition for qualified employees, it is becoming increasingly important to ensure that Henkel is perceived as an attractive employer by the relevant target groups. This includes seeking out talented students around the world, addressing them on a personal basis, and forging close bonds with them as early as possible. By offering challenging internships, and through the "Career Track" student recruitment program, we aim to establish intensive contacts with university graduates and undergraduates. As part of our recruitment strategy, we also work closely together with universities and professors, co-supervise dissertations and diploma theses, and stage joint workshops.

All potential applicants – for positions as full-time employees, part-time employees, interns or trainees – can contact Henkel directly in their own language in more than 50 countries through our Internet portal. In Austria, this new portal – i@pply – was rated the best electronic recruiting program of the 150 largest companies.

Worldwide diversity management

Diversity Management has a long tradition at Henkel and is a component of our corporate culture. The proportion of employees working outside Germany is steadily increasing and is currently around 81 percent. The different cultures and skills of our employees help us to understand our markets better, underpinning our long-term success. Henkel has publicly demonstrated its commitment to diversity, for example by signing the Diversity Charter. And in 2007, we established an organizational unit for Global Diversity Management.

Balancing family and career is a topical socio-political theme in many countries today and is a focal aspect of diversity management. We know that we can only use the abilities and talents of our employees to the best effect by helping them to master the challenges of combining the demands of family and career.

In response to demographic developments in western industrial countries, we offer our employees an extensive range of services designed to promote healthy living. These include medical check-ups, lifestyle advice, and advice on making the transition from work to retirement.

www.henkel.com/sr2007 → Diversity

Promoting lifelong health and fitness

Since May 2007, a plant agreement on health management has been in effect at our Düsseldorf site. It focuses on raising the awareness of employees and managerial staff with regard to the importance of health. It also includes concrete measures for promoting health in the workplace, such as ergonomic improvements and special training courses, and for helping employees to recuperate from illness.



Further recognition of Henkel's family-conscious human resources policy. In Germany, we were presented with the "audit beruf und familie" (family and career audit) certificate of the non-profit Hertie Foundation. The audit – under the patronage of Federal Family Minister Dr. Ursula von der Leyen – is a management tool designed to promote and continuously improve a family-conscious corporate culture. It has come to be regarded as the seal of quality for family-friendly human resources policies.

Health management is a task that involves company doctors, human resources managers, occupational health and safety officers, members of works councils, and managers. Many sites also offer health promotion activities, or special activity weeks for shift workers.

Employee representatives worldwide

Our Social Standards include a commitment to support the freedom of association of our employees. The interests of 75 percent of our employees are represented by works councils, independent trade unions, or similar bodies. In countries in which no plant representation is provided for or has been established, a dialogue with our employees serves as a voluntary and informal instrument for ensuring an open exchange of views.

Employee representative bodies, local works councils, and trade union representatives form a common platform for exchanges of views and consultation with management.

We inform the employee representatives as promptly as possible, in as much detail as possible, and at regular intervals, about, for example, our corporate strategy and any planned acquisitions.

The information and consultation processes are most extensively established in Europe. 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 employee representatives at the European level.

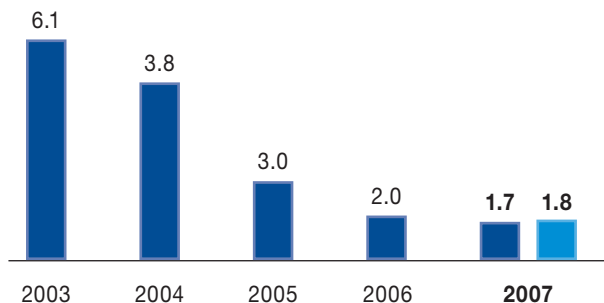
Occupational health and safety

In the year 2000, we already underlined the high priority of occupational health and safety throughout the Company by setting a target of zero accidents. The first interim target was a 45-percent decrease by 2005. In fact, we achieved a reduction of 67 percent, putting us well ahead of schedule. Our aim was to halve the number of accidents again by 2010, relative to the base year 2005. In 2007, we had already almost reached this second interim target by decreasing the incidence rate to 1.7 occupational accidents per million hours worked. Aligning the timescale to that of our corporate objectives for the next five years, we have now

Occupational accidents per million hours worked

At least one day lost (excluding commuting accidents)

- Henkel employees
- Contractors' employees (included for the first time in 2007)*



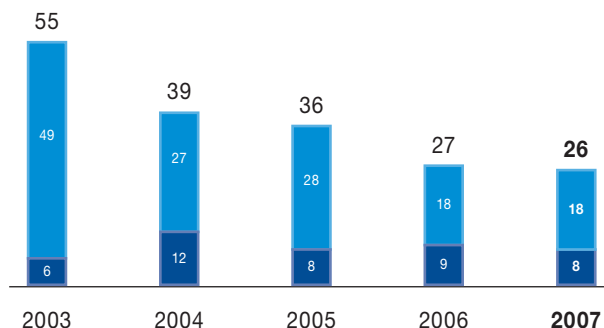
98 percent of Henkel employees were covered

* Employees of external companies who work at Henkel sites and are directly contracted.

Serious occupational accidents

More than 50 days lost

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



98 percent of Henkel employees were covered.

In 2007, no fatal occupational accidents were suffered by Henkel employees or employees of contractors carrying out work for a Henkel company at a Henkel site.

set ourselves a new interim target: a further 20-percent reduction in occupational accidents by 2012 (base year 2007).

To facilitate the achievement of our ultimate target, we intend to integrate newly acquired companies more rapidly into our corporate structure and to further expand training and support measures relating to occupational health and safety.

The early identification of risks and the avoidance of accidents play a key role here. Site-specific circumstances are taken into consideration through regional and local initiatives and actions.

Contractors' employees

Considerable efforts are still needed to integrate contractors and their employees who work at our sites. The basis for this is the provision of information to the companies and their employees about Henkel's health and safety requirements, and monitoring to ensure compliance with these requirements. In addition, we involve contractors' employees to a greater extent in existing training courses and address them through targeted programs. In order to be able to assess the success of the measures, we began, in 2007, to integrate contractors' employees who work at Henkel sites into the accident reporting system as far as possible, recording days lost due to accidents. Accidents concerning directly contracted employees of external companies are recorded in accordance with the same criteria as for our own employees.

Training in safety, environment and health matters

Leadership performance and the training and awareness of employees play a crucial role in focusing our activities on sustainability. In a special training program we therefore coach all plant managers around the world in managerial approaches to safety, health and environment concerns. The course content ranges from risk analysis and managing emergencies to stakeholder dialogue.

Besides imparting skills, the plant manager meetings foster better networking among the sites and provide an ideal opportunity to share examples of best practice from the various regions. Since 2006, we have trained more than 120 employees in all regions of the world in these special topics.



Safety training at the Toluca site in Mexico: Employees practice using fire extinguishers.

We regularly assess the training needs of our employees and integrate appropriate environmental protection and health and safety seminars in our basic and advanced training programs. Moreover, our sites and companies also carry out regular activities to promote awareness.

► **Italy:** Henkel Italy has developed a comprehensive communication concept with the aim of raising the safety awareness of employees throughout the year. The call to "create your safety motto" stimulated a further intensive involvement in this topic. The highlight of the activities was a "Safety Day" in May.

► **Kenya:** About 40 percent of all employees attended a five-day workshop at which they were instructed in occupational health and safety by external experts. Emergency evacuation and first aid were among the topics covered.

► **Mexico:** For the second time, a health, safety and environment week was held at our site in Toluca. A special aspect was that the integrated training course was organized not only for our employees, but also for our suppliers, contract workers and firefighters.

www.henkel.com/sr2007 → Occupational Health and Safety

Social commitment



MIT project: Henkel employees from China collected books for the libraries of elementary schools in remote mountain villages in China.

Focus on sustainability

Inspired by our founder Fritz Henkel and his family, social commitment has been a tradition throughout our history. It is firmly anchored in our corporate values and reflected in our daily activities. Henkel Smile provides the umbrella for the company's corporate citizenship activities extending beyond direct business interests. We place special emphasis on promoting long-term partnerships between Henkel and its brands and social institutions, with the aim of jointly addressing challenges.

This is based on the conviction that solutions which are jointly reached on a basis of partnership will benefit all concerned. To achieve enduring progress, we focus on helping people to help themselves. Employees and retirees are the impetus of Henkel's worldwide corporate citizenship engagement. They are at the core of any Henkel Smile project, from selection, organization and management, to active participation.

Henkel Smile makes valuable contributions on several levels. The bonds between employees and retirees are strengthened by their shared commitment to volunteer work. Regions and communities benefit from these volunteer efforts, as Henkel employees and retirees address local challenges and provide targeted support where it is needed. Worldwide, our projects make numerous contributions to achieving global development objectives, such as the United Nations' eight Millennium Development Goals, which are to be reached by the year 2015.

In late 2007, we restructured Henkel Smile around three core elements:

- ▶ Make an Impact on Tomorrow (MIT) – Employee engagement,
- ▶ Henkel Friendship Initiative (HFI) – Emergency fund, and
- ▶ Social Partnerships – Corporate and brand engagement.

We support activities in the areas of engagement: social needs, education and science, fitness and health, arts and culture, and environment. In 2007, the total sum provided to foster these activities was some 7.5 million euros.



MIT project: Entertainment helps children in a hospital in Montluçon, France, to get better more quickly. Some of our employees spend their free time with the young patients. Group activities and visits from hospital clowns or singers help the children forget their worries and pain, and make them think of other things, at least for a while.



MIT project: Employees help disadvantaged street children in Bonga, Philippines. The musical talents of the children are discovered and fostered. Due to this support the Rondalla Group of young guitarists was founded in 2006. The MIT initiative made it possible to purchase the necessary instruments.

Make an Impact on Tomorrow (MIT) – Employee engagement

In 2008, the Make an Impact on Tomorrow (MIT) initiative is celebrating its tenth anniversary. Through MIT, we support the volunteer work of our employees and retirees with in-kind, product and financial donations, paid time off from work, and specialist advice from Henkel. Thanks to their voluntary initiatives, their dedication, their readiness to help, and their willingness to assume responsibility, concrete projects are supported and carried out. The main emphasis is on the extent of the volunteer engagement and the influence of the employee. The greater the involvement of the employee or retiree in the project, the greater the possible support by Henkel.

In 1999, to intensify the mutual exchange of experience, our employees established a competence pool, the MIT network. This idea arose during the first MIT Round Table, which has been held annually since then. Depending on the topics to be discussed, participants from various Henkel regions may attend, as well as external corporate citizenship experts.

Henkel Friendship Initiative (HFI) – Emergency fund

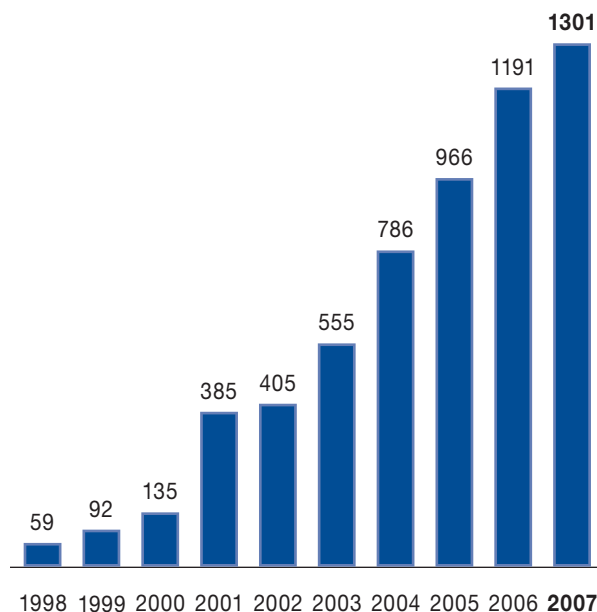
The Henkel Friendship Initiative e.V. (HFI) provides immediate aid for people in need. In a crisis or disaster affecting people and their communities,

HFI provides financial or in-kind assistance directly where it is needed most. Besides helping people to help themselves, HFI also supports long-term reconstruction measures in collaboration with the Henkel companies in the affected countries.

Social Partnerships – Corporate and brand engagement

Through social partnerships, we mainly support social initiatives in the communities where our sites are located throughout the world. In social

Make an Impact on Tomorrow (MIT) projects
Number per year





HFI project: In January 2007, the Indonesian capital, Jakarta, was struck by one of the worst floods of the past five years. After days of rainfall, some 70 percent of the city was under water. People needed immediate help. The financial support of HFI enabled food, water and medicine to be provided.



Social Partnership project: The “Im Tabrock” daycare facility in Soest applied for help to promote the early musical advancement of children. Persil’s “Project Futurino” responded to this call. The aim is for music to help overcome language difficulties and social and cultural differences. The daycare facility bought instruments, microphones and headsets for the children.

partnerships, Henkel and its brands support training and continuing education and facilitate access to knowledge.

Social partnerships strengthen the link between the steadily expanding social aspects of our sponsoring activities and our social engagement, while always maintaining a strict distinction between donations and sponsoring. We have been able to inspire numerous partners to join us in assuming responsibility and providing support for social projects.

In our Henkel Smile brochure, we report annually on selected projects.



Additional up-to-date information can be found on the Internet.

www.henkel.com/sr2007 → Henkel Smile

“Project Futurino”

The 100th birthday of Persil, celebrated under the motto “100 years of Persil – Better than ever,” was marked in Germany by “Project Futurino.” The aim of this project was to improve opportunities for development and education for children and young people. Consumers were asked to nominate children’s and young people’s projects that deserved to be supported. From more than 2,500 submissions, 197 non-profit projects were selected. Thanks to “Project Futurino,” more than 40,000 children and young people throughout Germany now receive special support. In view of its great success and the positive response, the project will be continued in 2008.



PROJEKT FUTURINO
Eine Initiative von **Persil**

Make an Impact on Tomorrow (MIT) projects by region and area of engagement, 1998–2007

Henkel region	Schools/ Education	Fitness/ Health	Social needs	Culture/ Leisure	Ecology	Total
Europe/Africa/Middle East	1,288	1,201	1,646	749	109	4,993
North America	62	56	79	35	7	239
Latin America	114	105	153	67	2	441
Asia-Pacific	63	48	61	30	0	202
Total	1,527	1,410	1,939	881	118	5,875
Percent	26	24	33	15	2	100



Social partnership project: In 2007, the Schauma brand started the “Education and life” project in Western Kenya in cooperation with UNESCO. Through the financial contribution and the coordination measures and help of the UNESCO staff in Kenya, HIV-infected orphans can now receive medical care and attend school. The children therefore have prospects for the future.



Social partnership project: In the USA, Henkel invited suggestions as to the community that was most urgently in need of clean-up and restoration work. Selected was the city of Gainesville, Texas, which had been ravaged by a terrible flood. 25 employees visited the city in September 2007, to help with the task of clearing up the damage.

www.henkel.com/sr2007 → **Henkel Helps**

50 years of investment in educating young people

Education and knowledge are the most important resources of any society. In our era of globalization, this applies more than ever. The Dr. Jost Henkel Foundation, which was founded by Henkel as early as 1958, helps young people to finance their university studies. Henkel has endowed the foundation with capital of 3.3 million euros for this purpose.

Preference is given to extremely gifted students who are unable to pay for their education either themselves or with the help of third parties. An average of 30 students are given scholarships each year. The recipients come from eleven countries, and 25 percent of the money provided is invested outside Germany.

In 2008, to mark its 50th anniversary, the Dr. Jost Henkel Foundation will increase its budget by 50 percent, so that it can finance additional activities.



Dr. Jost Henkel,
27 July 1909–7 July 1961



Dr. Konrad Henkel,
25 October 1915–24 April 1999

Promoting economics

The Konrad Henkel Foundation, founded by Henkel in 1985, promotes economics research and teaching in a variety of ways at the Heinrich Heine University in Düsseldorf, Germany, and encourages the international exchange of knowledge in particular. The foundation is administered in trust by the Society of Friends and Supporters of the University of Düsseldorf as a dedicated special fund. Henkel provided an endowment of 1.6 million euros for this purpose.

In 2007, on the initiative of a member of the Board of Trustees, academics from the Massachusetts Institute of Technology in Boston and Harvard University in Cambridge, Massachusetts, USA, presented guest lectures at the University of Düsseldorf on “The marketing of basic research results and their importance for economic growth.” Since 1990, the foundation has presented the Konrad Henkel Examination Prize twice a year to economics students with the best examination marks in their graduating class. The prize is accompanied by a 2,500 euros cash award.

Stakeholder dialogue

In dialogue with stakeholders

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

We regard this dialogue as an opportunity to identify the requirements of our markets early and define key areas for our activities. We use a large number of communication instruments for this purpose.

www.henkel.com/sr2007 → Direct Dialogue

Employees

To enable us to conduct our business activities responsibly throughout the world, the idea of sustainability must be embedded in the consciousness and daily activities of all employees. Modules on the subject of sustainability are a fixed part of basic and advanced training.

Workshops on specific themes – such as logistics, marketing, research and bioplastics – are intended not only to create a common basis of knowledge, but to ensure that the solutions generated take into account all aspects of sustainable development.

The “Save energy” and “Save gasoline” campaigns communicated through the Henkel intranet are designed to encourage all employees to think about their own actions. Current developments are also covered in the employee newspaper *Henkel Life* and the intranet news.

Customers and consumers

Our dialogue with customers and consumers generates important feedback for product development and marketing. An increasingly important commu-



At the presentation of the “Carbon Disclosure Project Reports 2007” in Berlin, Wolfgang Gawrisch, Chief Technology Officer (CTO) Research/Technology and Chairman of the Henkel Sustainability Council, spoke about the opportunities and challenges of climate change for businesses. In its reports, the project documents the companies’ responses regarding their carbon dioxide emissions. We publish our position on the issues raised by the Carbon Disclosure Project on the Internet.

www.henkel.com/sr2007 → CDP

nications theme is information about the resource-conserving use of our products. As in previous years, for example, we produced brochures and had consumer information stands to accompany the nationwide “Sustainable Washing” day in Germany.

In 2007, consumers and retailers showed a growing desire to know more about product-related carbon dioxide emissions. We therefore strive to promote understanding of the carbon dioxide footprints of products and the methods used to determine them.

Policy-makers and specialists

In 2007, Henkel again engaged in an exchange of views in many countries with experts from the fields of politics, business and science. In Brazil, for example, Henkel representatives participated in talks with the German Chamber of Foreign Trade, including a discussion with German President Prof. Dr. Horst Köhler about our understanding of social responsibility.



Hans-Günter Bredtmann (right), Head of Safety, Health, Environment and Quality Management at Henkel's Heidelberg site, presented the Heidelberg project "Sustainable Business" to visitors at the "Environment Week" held at the German Presidential Office in Berlin.

www.henkel.com/sr2007 → Environment Week

In the USA, our subsidiary Dial participated in the annual Thought Leadership Conference. Product developers from various companies and countries gathered here to discuss the theme "Innovate through sustainable technologies."

In November 2007, Schwarzkopf & Henkel's production site in Viersen-Dülken, Germany, welcomed European, national and local policy experts to an exchange of experience on the legal framework for cosmetics.

Government authorities and associations

Henkel engages in discussions with public and industry stakeholders on national and international levels with the aim of accessing new ideas for our Company and sharing our experience with others. In 2007, we participated in events to promote dialogue organized by the International Association for Soaps, Detergents and Maintenance Products (A. I. S. E.) and the European Partnership for Alternative Approaches to Animal Testing (EPAA).

To help formulate pragmatic implementation guidelines for the chemicals policy of the European Union (REACH), we actively participated in developing appropriate proposals.

Henkel is also a member of the strategic steering committee of the German Environment Ministry's Nano Commission, in which representatives from the scientific and business communities, government authorities, consumer organizations, and environmental groups exchange views on the opportunities and risks of nanotechnology.

www.henkel.com/sr2007 → Nanotechnology



John Elkington (left), founder and Chief Entrepreneur of SustainAbility, London, followed up his presentation to Henkel sustainability experts in Düsseldorf by describing the current challenges associated with the topic of sustainability.

Dialogue with experts

Exchanges with internationally recognized sustainability experts play a special role in Henkel's dialogue with its stakeholders. We have summarized the results of the dialogue conducted since 2004 with experts from Brazil, China, Germany, Hungary, India, Italy, Mexico, Russia, and the USA and placed them on the Internet.

In 2007, we continued the regional dialogue with expert Dr. Allen White of the Tellus Institute in Boston, Massachusetts, USA. At our sustainability press conference in Düsseldorf in March 2007, White and Brad Caspar, President and Chief Executive Officer of our subsidiary The Dial Corporation discussed current developments in the USA in the field of sustainability.

We invited experts Prof. Dr. Andreas Suchanek of the Leipzig Graduate School of Management, Germany, and John Elkington, founder and Chief Entrepreneur of the SustainAbility agency, London, UK, to workshops in Düsseldorf for the first time in 2007.

Also in 2007, Prof. Dr. André Habisch of the Catholic University of Eichstätt, Germany, again participated in the annual Round Table of Henkel's Make an Impact on Tomorrow (MIT) initiative in Germany.

www.henkel.com/sr2007 → Expert Dialogue

External ratings

Ratings and indexes

Henkel's performance in sustainability and corporate social responsibility impressed external experts again in 2007.

www.henkel.com/sr2007 → External Ratings



Dow Jones Sustainability Indexes
Member 2007/08

Zürich/New York: In 2007, Henkel was listed in the Dow Jones Sustainability Indexes DJSI World (worldwide) and DJSI STOXX (Europe) as the sustainability leader in the Nondurable Household Products sector.



FTSE4Good Index Series

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



Frankfurt am Main: In November 2007, Henkel occupied second place in the sustainability ranking of the companies in the German stock index "Deutscher Aktienindex" (DAX 30). The ranking was published by the sustainable investment research agency Scoris and the *Handelsblatt* business newspaper for the third time.



Paris: In 2007, as in previous years, we were again one of the 200 companies worldwide listed in the Ethibel Sustainability Index, in the Pioneer class.



Innovest
STRATEGIC VALUE ADVISORS

New York/Paris: The sustainability analysts of Innovest, Strategic Value Advisors, gave Henkel their top AAA rating for 2007 in their investment fund.



Zürcher Kantonalbank

Zürich: In the spring of 2007, the Zürcher Kantonalbank also awarded us the best possible rating, AAA.



ECPI E.Capital Partners Indices

Milan: In 2007, Henkel was again listed in the ECPI Ethical Index EURO and the ECPI Ethical Index GLOBAL. E. Capital Partners established the two ethical indexes in 1999.



"Founding fathers" and Advisory Board members in Hamburg. In September 2007, Henkel was included as one of the 50 companies worldwide in the new Global Challenges Index. The initiators of the index are BÖAG Börsen AG and the sustainability rating agency oekom research AG.



SARASIN

Basel: In 2007, the Bank Sarasin again assessed our corporate sustainability performance as "high."

Good Company Ranking

Hamburg: Henkel occupied second place in the Good Company Ranking 2007 of the 120 largest European companies, as compiled by *manager magazin*, Deloitte and Kirchhoff Consult.

Sustainability reporting

Our 2006 Sustainability Report took the Bronze award in the ranking published for the first time in 2007 by the publishing house Econ Verlag and the *Handelsblatt* business newspaper.

The Institute for Environmental and Sustainability Communication (INFU) rated our sustainability communication on the Internet as exemplary among the DAX 30 companies. And in this year's report rankings, the IÖW Institute for Ecological Economy Research placed our report at number 14 among 150 German companies.



Contacts and credits

Further information

At many places in this report, the link www.henkel.com/sr2007 points to further information on our Internet site www.henkel.com/sustainability. In addition, all sustainability reports published since 1992 are available on the Internet as downloads. We also have a GRI index on the Internet. This refers to the reported indicators of the Global Reporting Initiative (GRI) in the Sustainability Report and the Annual Report and on the Internet.

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Henkel

A Brand like a friend