

# Responsible Sourcing Policy



# Introduction

Our supplier base is one of our most important strategic resources. Therefore, we develop and maintain supplier relationships that are ethical, based on mutual benefit and focused on a shared commitment to meet or exceed our customers' requirements. Sustainable and ethical business practices are the foundation for this. For this reason, we consider the performance, commitment and continuous improvement of our suppliers in these areas when selecting and developing them. We expect our suppliers to communicate this policy to all relevant departments and employees.

The Henkel Responsible Sourcing Policy is a key element of our commitment to leadership in sustainability. It is based on our globally applicable Corporate Purchasing Standards, our Safety, Health and Environment (SHE) Standards and our Social Standards. Compliance with the cross-industry Code of Conduct of the German Association of Materials Management, Purchasing, and Logistics (BME) is mandatory for all of Henkel's suppliers worldwide.

Sustainable and ethical practice by our suppliers is an essential element of Henkel's commitment to the UN Global Compact, which comprises ten principles in the areas of human rights, labor rights, the environment and anti-corruption. Henkel is actively supporting the achievement of the Sustainable Development Goals, engages in initiatives such as Together for Sustainability and participates in networks such as the Consumer Goods Forum.

We strive to initiate positive change based on continuous improvement throughout the value chain, through training programs and joint projects on process optimization, development of responsible product innovation as well as improvements in environmental and social standards. The Responsible Sourcing Policy supports the Henkel sustainability strategy to deliver more value – for our customers and consumers, for our shareholders and for our company – while reducing our environmental footprint at the same time.

Bertrand Conquéret  
Chief Procurement Officer

## **Supplier requirements**

Our suppliers must ensure sustainable and ethical business practices through policies, targets, management systems and processes that reflect the impacts and opportunities of the organization. In addition, they must strive for continuous improvement of their sustainability performance. Our suppliers must comply with applicable laws, rules and regulations as well as the standards relevant for their business. This requires systematic documentation and records. Non-conformities must be identified and addressed through appropriate controls.

Henkel's suppliers are evaluated with respect to their ability to meet Henkel's requirements and specified expectations. More specifically, Henkel assesses and audits suppliers in fields such as environmental performance, health & safety, human rights, ethics and fair competition. Suppliers who repeatedly fail to meet the defined requirements will be identified and corrective actions will be taken.

Henkel has defined a Responsible Sourcing Process that focuses on two main challenges. First, ensuring that all of our suppliers comply with our defined sustainability standards. Second, we aim to purposefully work with our strategic suppliers to continuously improve sustainability standards in our value chain.

The Responsible Sourcing Policy addresses the following key elements:

### **1. Fair working conditions**

Our suppliers are required to ensure fair working conditions. This includes:

- Giving employees the right to rest and recuperate, and providing them with fair compensation and benefits.
- Prohibiting discrimination relating to, but not limited to, race, color, gender, sexual orientation, religion, political affiliation, trade union membership, disability, nationality, social origin or age.
- Respecting the rights of employees to freedom of assembly and association.
- Demonstrating zero tolerance for forced labor based on the following three principles:
  1. Every worker should have freedom of movement
  2. No worker should pay for a job
  3. No worker should be indebted or coerced to work
- Prohibiting child labor as defined in ILO Convention No. 138.

## **2. Plant and process safety**

The design and operation of our suppliers' production plants and manufacturing processes must be safe for their employees, the public and the surrounding communities.

Risk assessments must be carried out for all production facilities. Processes that may lead to serious incidents must be identified, and their hazards and risks must be thoroughly analyzed. Adequate corrective actions must be taken to minimize identified risks.

This also includes the handling, storage and transportation of materials, which must be conducted in a manner that is safe for human health and the environment.

## **3. Product safety**

Our suppliers' products must be safe for their intended use in terms of human health and the environment. They must also ensure that the information necessary for the safe handling and use of their products is available. Special attention must be paid to hazardous materials. In this case, product safety must be evaluated in a risk assessment process.

## **4. Fair competition and anti-corruption**

Our suppliers are required to be honest in their dealings with others, obeying all applicable laws and corresponding regulations governing fraud, bribery and corruption. Our suppliers must be committed to the principles of fair competition and comply with the antitrust and fair competition laws of the countries in which they conduct business.

## **5. Environmental impact reduction**

Henkel is committed to reducing its environmental footprint in areas such as energy, waste and water as well as driving progress toward a circular economy. We expect our suppliers to support us in achieving our goals and to set themselves targets that are as ambitious as our own.

We are also committed to zero net deforestation by 2020 and we expect our suppliers to support this aim. Some materials require specific attention, e.g. palm oil or pulp and paper. Our goal is to avoid deforestation of primary and secondary forests with significant ecological value. This includes "High Carbon Stock" forests and peat lands.

Henkel acknowledges that the extent of environmental management varies between suppliers because the nature of our suppliers' operations varies widely.

## **6. Supply chain transparency**

Henkel strives to create supply chains with complete traceability in order to assess and monitor associated risks. We expect our suppliers to work with us on this traceability target to comply with our Responsible Sourcing Policy.

## **7. Conflict-free supply chains**

We are committed to ensuring conflict-free supply chains for our materials and expect our suppliers to support this goal. Conflict minerals, i.e. minerals and metals including tin, tungsten, tantalum and gold, require specific attention. Our commitment includes zero tolerance for sourcing from regions in which military conflicts are taking place.

We require our suppliers to provide documentary evidence that all of the materials they source are conflict-free and that they do not obtain or process metals from critical regions.

## **Reporting on breaches**

Suppliers, their workers and contractors are required to report actual or suspected breaches of this Responsible Sourcing Policy as quickly as possible to Henkel's Compliance Department, by phone or e-mail.

## **Corporate Compliance**

[compliance.office@henkel.com](mailto:compliance.office@henkel.com)

+49 211 797-0

All reports submitted are treated confidentially.

Note: This "Responsible Sourcing Policy" represents fundamental principles to which Henkel is committed. However, this document should not be misinterpreted as providing an independent basis for assertion of contractual rights against Henkel.

Düsseldorf, October 2018

