



Henkel AG & Co. KGaA, Due Diligence Report for Raw Material Supplies in Year 2020 (in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflicted affected and High Risk Areas” Step-5 Report)

Note: This report from Henkel AG & Co. KGaA is considering the OECD (2016), “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” Third Edition, OECD Publishing, Paris. [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - OECD](#)

Company Information

Henkel operates globally with a well-balanced and diversified portfolio. The company holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market – across all industry segments worldwide. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2020, Henkel reported sales of more than 19 billion euros and adjusted operating profit of about 2.6 billion euros. Henkel employs about 53,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose to create sustainable value, and shared values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel’s preferred shares are listed in the German stock index DAX. For more details, please follow [Company \(henkel.com\)](#)

1. Company Management System

Globally uniform standards for Safety, Health, and Environment (“SHE Standards”) together with integrated management systems, provide the basis for our worldwide optimization programs. Our SHE Standards and our Social Standards apply to all Henkel sites. Our management systems ensure that these standards are implemented consistently across our global production network. We carry out regular audits at our production sites and at our subcontractors and logistics centers to verify compliance with our codes and standards. All audit results, including the monitoring of our SHE and Social Standards, are included in the Internal Audit department’s annual report to the Henkel Management Board. We have our management systems externally certified at the site level wherever this is required, expected and recognized by our partners in the respective markets. This embraces the internationally recognized ISO 14001, the ISO 9001, the ISO 50001 and ISO 45001 standard.

In our purchasing organization our six-step “Responsible Sourcing Process”, which assesses the sustainability performance of our suppliers, is a core element of our strategic risk management and compliance approach.



Responsible Sourcing Process at Henkel

This process is an integral part of our purchasing activities and is applied both at the beginning of any cooperation and in the repeated cycle for review, analysis and continuous improvement with existing suppliers as a regular check.

In addition, in 2011, Henkel and five other companies in the chemical industry established the initiative “Together for Sustainability – Chemical Supply Chains for a Better World” (TfS). It is based



on the principles of the United Nations Global Compact and the Responsible Care Initiative of the International Council of Chemical Associations (ICCA).

TfS aims to harmonize increasingly complex supply chain management processes regarding sustainability and to optimize dialog among worldwide business partners. Above all, synergies are to be created so that resources can be used more efficiently and with a minimum of administrative effort, not only among the member companies but also with all of our shared suppliers. As a member of the TfS organization, Henkel is regularly subject to a Corporate social responsibility (CSR) assessment, which is carried out by the TfS service provider EcoVadis on behalf of TfS.

For more details, please follow [Sustainability \(henkel.com\)](https://www.henkel.com/sustainability), [Together for Sustainability \(TfS\) - Initiative for environmental standards \(tfs-initiative.com\)](https://www.tfs-initiative.com).

2. Company Supply Chain Policy

As sustainability leaders we expect our suppliers' and business partners' conduct to be consistent with our sustainability requirements. This ambition encompasses all our company's activities along the entire value chain. In selecting and working with our suppliers and business partners, we also consider their performance with regard to safety, health, environment, social standards and fair business practices. This is based on our globally applicable SHE Standards, which were first defined in 1997. These standards represent our early commitment to responsibility along the entire value chain. Our corporate purchasing standards apply worldwide, and we supplemented these with a Responsible Sourcing Policy. Our aim is that 100 percent of our procurement spend is sourced in line with our Responsible Sourcing Policy. Compliance with the cross-sector Code of Conduct of the German Association of Materials Management, Purchasing, and Logistics (BME) is mandatory for all of Henkel's suppliers worldwide. Henkel joined the BME in 2009, as its code is based on the 10 principles of the United Nations Global Compact and can therefore be used internationally. The BME code serves as the basis for contractual relationships with our strategic suppliers. This means that they have either recognized the cross-sector BME code – and hence the principles of the Global Compact – or produced their own comparable code of conduct.

Based on the above, Henkel has implemented a policy of only purchasing raw materials that are conflict-free and that always meet the requirements of the OECD (relevant version of the "OECD Due Diligence Guidance for Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" ("OECD Due Diligence Guidance")), the "Regulation (EU) 2017/821" of the European Parliament and of the Council of 17 May 2017 (the "EU Regulation") and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The company is committed to addressing any OECD Annex II risks if identified. The Responsible Sourcing Policy was reviewed and approved by Senior Management, which committed to support its implementation.

For more details to the above-mentioned Henkel Policies please follow [Suppliers \(henkel.com\)](https://www.henkel.com/suppliers)



3. Conflict-free Mineral Management Process

Conflict-free supply chains are an integral part of our Responsible Sourcing Policy. Therefore, we do not have a separate conflict-free minerals policy. We require our suppliers to provide documentary evidence that all the materials they source are conflict-free. Since Henkel has no direct business relationship with the smelters, we expect our suppliers to engage with these smelters on a conflict-free verified basis with the requirement to use exclusively Responsible Minerals Initiative (RMI) validated sources (see Responsible Sourcing Policy).

Henkel requests all affected suppliers to provide a completely filled and up-to-date Conflict Minerals Reporting Template (CMRT) disclosing all smelters in our common supply chain showing that all these smelters participated in the Responsible Minerals Assurance Process (RMAP) and are verified as conformant smelter by the RMI. As a result, Henkel obtains direct confirmation that any minerals and metals* in raw materials we purchase for our products are in accordance with the requirements of the OECD Due Diligence Guidance, the EU Regulation and the Dodd-Frank Act. All the CMRT's are regularly reviewed, investigated and updated and published company-wide. The current CMRT can be found at [Conflict Minerals \(henkel-northamerica.com\)](https://www.henkel-northamerica.com/conflict-minerals).

For more details, please follow [responsible-sourcing-policy.pdf \(henkel.com\)](https://www.henkel.com/responsible-sourcing-policy.pdf)

**in the scope of the EU Regulation and the Dodd Frank Act*

4. Internal Systems of control

As mentioned above our six-step "Responsible Sourcing Process" is a core element of our supplier assessment approach. Through this process, we support our strategic suppliers in making their contribution to the continuous improvement of sustainability in the value chain through targeted cooperation – for example, through knowledge transfer and continued education about environmental and social standards. Using our Responsible Sourcing Process for the audit and assessment of the sustainability performance of our suppliers, we ensure that all our suppliers comply with our defined sustainability standards.

Grievance Mechanisms

Please follow Henkel website [Compliance contact form](#).

Record Keeping System

All relevant data (shipping documents, inventory etc.) are kept in SAP database system.



5. Risk identification:

Henkel uses an early warning system for sustainability risks in global purchasing markets. We begin by estimating the potential risks in a region or country. In doing so, we concentrate on countries identified by international institutions as being associated with heightened levels of risk. The assessment includes especially the criteria “human rights,” “corruption” and “legal environment.” Risk value chains are also assessed. These are related to industries and sectors that we consider to potentially represent a sustainability risk for our company. This helps us identify countries and purchasing markets that may require special precautions. With respect to risk identification for conflict minerals please refer to paragraph 3 above.

6. Risk Mitigation strategy

Raw material procurement is integral part of the Responsible Sourcing Process described above and is therefore subject to all the processes described regarding risk identification, mitigation and avoidance.