

# Modern Slavery Statement for the 2023 Fiscal Year



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## INTRODUCTION

This report is submitted pursuant to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the “**Act**”). This statement outlines the approach of Henkel Canada Corporation (“**HCC**”), an indirect subsidiary of Henkel AG & Co KGaA, to identify and address the risks of forced labour and child labour in its business operations and supply chains during its 2023 fiscal year which commenced on January 1, 2023 and ended on December 31, 2023 (“**FY2023**”).

HCC is committed to sustainable and equitable business practices that model social responsibility and positive values. HCC is committed to respecting human rights and labour standards that allow all to participate meaningfully in society and/or employment. With respect to its supply chain and procurement processes, HCC is committed to ensuring that forced and/or child labour is not involved in HCC’s supply chain.

This report adopts the Act’s definitions of child labour, entity and forced labour. As is explored and relied on in this report, the Act’s definition of child labour and forced labour largely subsume the substantive definition of child labour and forced labour as articulated by the International Labour Organization (the “**ILO**”) and as included in the internationally acknowledged Ethical Trading Initiative (“**ETI**”).

## ENTITY PROFILE

HCC is an indirect subsidiary of its ultimate parent company Henkel AG & Co. KGaA (“**Henkel KGaA**”), a German multinational chemical and consumer goods company. HCC’s head office is located at 2515 Meadowpine Blvd, Mississauga, Ontario. HCC sells Henkel consumer goods and adhesive products in Canada.

### Governing Body

HCC is a corporation incorporated pursuant to the laws of Canada. HCC is governed by its Board of Directors, which include four (4) directors. HCC’s Board of Directors are employees of different affiliate companies of Henkel KGaA.

## ACTIVITIES

HCC’s main business activity is the sale of commercial and retail products through two (2) business units. Through the business unit of Adhesives Technologies (“**Adhesives**”), HCC sells adhesives, sealants and functional coatings to industrial customers as well as to consumers and craftsmen. Through the Consumer Brands business unit (“**Consumer Brands**”), HCC sells laundry, home care and haircare products to both businesses and retail consumers. HCC does not undertake the manufacturing of the products it sells through its Adhesives and Consumer Brands business units and therefore in practical terms, HCC forms part of the supply chain of Henkel KGaA.

## SUPPLY CHAIN ASSESSMENT

Most of the products sold by HCC are made in or by plants owned or operated by Henkel KGaA or its corporate affiliates. Approximately 50% of the products sold by HCC are manufactured in the USA, whereas some products are also produced in other countries like Colombia, Germany and Mexico. A portion of the products sold by HCC are manufactured by third party manufacturers.

Given that HCC's essential business is the sale of Henkel products in Canada, much of HCC's supply chain is essentially a subsection of the supply chain of Henkel KGaA or its affiliates. However, as HCC is not able to direct or control the other Henkel KGaA affiliates that actually manufacture the products that HCC sells, in HCC's view, the most effective approach to an audit of its own supply chain is participation in Henkel KGaA's global supply chain audit as detailed below. In addition, HCC provides its employees with training to report to HCC if there is any suspicion of any violation of any labour standards in its activities. Based on HCC not being alerted to any risk of forced labour or child labour in its activities or supply chain by Henkel KGaA, HCC assesses that the risk of forced labour or child labour being involved in any of its internal activities is extremely remote.

## DUE DILIGENCE MEASURES

### 1. Participation in Henkel KGaA's supply chain assessment

Given the level of integration of HCC's operations with those of the rest of the Henkel organization, and the lack of control or direction HCC can exercise over Henkel KGaA's various production partners in different geographic locations, HCC has traditionally participated in Henkel KGaA's audits and assessments of its global supply chains.

Henkel KGaA has its own supply chain reporting obligation under Germany's *Act on Corporate Due Diligence Obligations in Supply Chains* (the "**German Act**"). HCC's understanding is that the German Act specifically prohibits the involvement of forced labour and/or child labour in any entity's activities such as to make the German Act substantially similar to Canada's Act. HCC's understanding is that the German Act imposes specific and defined due diligence obligations on all business entities that are centrally administered in Germany, and that the German Act requires businesses to implement preventive and remedial measures, makes complaint procedures mandatory and regularly reports on their supply chains. HCC's understanding is that Henkel KGaA's responsibilities under the German Act extend to auditing the entire supply chain HCC is a part of, and that Henkel KGaA is also required to publish a report under the German Act.

HCC understands that Henkel KGaA has published its policy statement in response to the German Act, which can be found [here](#). HCC's best understanding is that Henkel KGaA did

undertake the due diligence and audit measures prescribed by the German Act in the 2023 fiscal year, but that the resulting report is not yet publicly available and not required to be publicly posted until June 1, 2024.

The German Supply Chain Due Diligence Act, which focuses on → **human rights due diligence**, came into force in 2023. We will be publishing a separate report for the first time accordingly. The issue of corporate responsibility is also gaining importance in the media. There has also been great progress toward a shared understanding of global priorities at the political level, for instance, at the United Nations and in relation to topics like climate and biodiversity.

*Exhibit 1: An excerpt from page 12 of Henkel KGaA's 2023 Sustainability Report, as found [here](#).*

HCC's understanding is that Henkel KGaA periodically audits the majority of its suppliers using a company called Ecovadis. Henkel KGaA or its affiliates initiate Ecovadis audits for vendors/suppliers. Responses provided by the vendor/supplier are stored by Ecovadis, and Ecovadis generates an assessment of the vendor's/supplier's environmental, social and governance performance which includes a consideration of whether forced labour or child labour is involved. Ecovadis is a subject matter expert that conducts holistic assessments of Henkel KGaA's vendors which includes an assessment of overall environmental impact. Where suppliers do not score well on Ecovadis, they are asked to make improvements and provided time to do so and they are eventually reassessed.

HCC's understanding is that Henkel KGaA also conducts *ad hoc* risk analyses to identify potential human rights risks in its business activities. HCC's understanding is that Henkel KGaA has an early warning system in place to identify risks in its global supply chains which includes defining the risk potential in procurement markets and evaluating value chains across sectors. HCC believes that Henkel KGaA focuses on countries that international institutions have classified as risk countries, and based on such classifications, Henkel KGaA identifies elements of its supply chain that are to be assessed and/or audited.

## **2. Suppliers are bound to Henkel's legislated obligations and Henkel's Responsible Sourcing Policy**

Given that Henkel KGaA is based in Germany, as its subsidiary company, HCC is also bound to the standards established by the Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. ("**BME**") i.e. the Association for Supply Chain Management, Procurement and Logistics which is based in Germany. The BME requires bound corporations to require that their vendors and suppliers are compliant with the BME's principles and Code of Conduct,

which specifically rely on the ILO’s labour standards and require the elimination of forced labour and the abolition of child labour. BME’s Code of Conduct requires bound corporations to reject any form of forced labour and to comply with all of the ILO’s conventions prohibiting child labour. HCC’s best understanding is that prior to contracting with Henkel KGaA, prospective suppliers/vendors are required to provide representations of compliance with the German Act and the BME’s Code of Conduct as part of Henkel KGaA’s due diligence in its “onboarding” process.

In addition, Henkel KGaA has implemented many of the supply chain due requirements of the German Act into its Responsible Sourcing Policy which HCC understands a significant proportion of Henkel KGaA’s suppliers and vendors are bound to.



*Exhibit 2: Excerpt from the Responsible Sourcing Policy specifically prohibiting the involvement of forced labour and/or child labour in the supply chain.*

HCC’s understanding is that most of HCC’s standard vendor contracts and Henkel KGaA’s standard supplier contracts contain specific terms that require suppliers/vendors to agree to act in a manner consistent with the Responsible Sourcing Policy and to provide access to any internal and external auditor or Henkel KGaA representative for the purpose of any compliance audit. Below are the relevant contractual terms:

- Supplier acknowledges that Henkel’s image and reputation, as a company that operates in an ethically and legally appropriate manner, is inseparable from the

conduct of each of its contractors. Therefore, Henkel has set up and published under <https://www.henkel.com/partners-and-suppliers/suppliers> a certain number of binding codes and standards, which Supplier hereby acknowledges and with which Supplier agrees to comply.

- Supplier further acknowledges that Henkel is committed to leadership in sustainability and that Henkel is a member of the Together for Sustainability (“TfS”) initiative. Accordingly, Henkel expects that Supplier will, and Supplier agrees to, act in a manner consistent with Henkel’s sustainability requirements as set forth in Henkel’s “Responsible Sourcing Policy” which can also be found under above mentioned link.
- Supplier shall ensure that its employees and subcontractors are fully aware of the codes and standards set out above and shall obligate them to be bound to them in the same manner as Supplier.
- Therefore, Supplier grants Henkel, Henkel’s internal and external auditors and their respective designees acting on behalf of Henkel (“TfS Auditor”), the right to assess and audit Supplier’s and/or Supplier’s subcontractors’ operations, processes, productions and delivery of services and products for its compliance with above mentioned codes and standards (“Compliance Assessment”). In order to enable the exercise of TfS Auditor’s rights, Supplier agrees to maintain complete and auditable documentation, and hereby grants Auditor the unrestricted right:
  - to access and inspect all of Supplier’s locations, including sites at or from which Supplier’s subcontractors provide services and products as well as related accommodations and transportation systems;
  - to access and inspect all documents, media, data and systems related to the services and products, as well as to social, labor, human rights, government, environmental and safety & health aspects;
  - to inspect all internal processes that are relevant to the services, products and social compliance.
- Supplier will cover all costs related to the Compliance Assessment (with the exception of Henkel’s internal audit resources).
- The results of the Compliance Assessment related to the TfS initiative will be shared with the members of the TfS initiative with anonymized name of the TfS-initiative member who commissioned the Compliance Assessment.

### **3. Training of employees regarding awareness and reporting of suspicions of use of forced labour and/or child labour in the organization’s activities**

HCC provides training to employees on many topics which does include training specific to the prevention of forced labour/child labour involvement in HCC’s activities. HCC provides all its employees with Social Standards and Code of Conduct training which emphasizes HCC’s prohibition of and opposition to forced labour and/or child labour being used in its supply chain or activities. HCC’s Social Standards absolutely prohibit the

involvement of forced labour and child labour in HCC’s activities, whereas HCC’s Code of Conduct requires employees report to their supervisor, the Purchasing or Legal departments regarding any suspicions of breaches of the Social Standards, which would include any suspicions of the presence or involvement of forced labour and/or child labour in any of HCC’s activities.

**Social Standards**  
Key requirements (2/3)

Child Labor	Child Labor	Forced Labor
<ul style="list-style-type: none"> <li>Employment of children <b>under 15 years of age</b> (“child”) shall not be accepted.</li> <li>Young workers (15-18 yrs. old) shall <b>not be engaged in hazardous work.</b></li> </ul>	<ul style="list-style-type: none"> <li>Any young worker’s school, work and transportation time shall <b>not exceed a combined total of 10 hours per day.</b></li> <li>In no case shall young workers work more than 8 hours a day.</li> </ul>	<ul style="list-style-type: none"> <li>Extraction of labor from any person under the menace of any penalty and for which the said person has not offered himself voluntarily will not be tolerated.</li> </ul>





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Exhibit 3: A slide from HCC’s Social Standards Training.

## EXAMPLES & FURTHER READINGS

### HUMAN RIGHTS, LAWS & SOCIAL NORMS

#### HUMAN RIGHTS

*Imagine... An employee of one of our major suppliers told us that she is required to work very long hours. She wants to quit her job but says that the employer is holding her work visa and has threatened to deport her if she doesn't comply with the company's requirements. Should I report this?*

Yes, please report immediately to Purchasing, the Compliance Office or Global Sustainability/HGS. The employee cannot be forced to remain at the company against her will, nor does the employer have the right to hold her personal documents. This appears to be a serious labor trafficking violation and should be investigated further immediately. Henkel has a zero-tolerance approach regarding any kind of violation of Human Rights.

[→ Henkel Social Standards](#)

*Imagine... On a visit to one contract manufacturing facility, I noticed children working alongside adults. When I asked the manager about it, she told me that the only way the parents can work is if the children work with them, since they have neither funds nor opportunities for day care. Besides, she said, the children only work part-time after school, mostly to have something to do. Should I pursue this?*

Yes. Tell the supplier that Henkel's Supplier Code specifically prohibits child labor, and that Henkel will follow-up through its Purchasing or Legal departments.

Exhibit 4: A slide from HCC’s Code of Conduct Training with an interactive scenario for employee training purposes.

HCC realizes that its employees are its best asset to assess potential indicators of forced labour or child labour on the “frontlines,” and that is why as part of its training HCC reminds its employees of their ability to anonymously report any violation or perceived violation of the Social Standards through a hotline which is operated by a third-party service provider to protect the privacy of any caller. The number for this hotline is posted

on bulletin boards on HCC's premises. Any reports received through this hotline are to be relayed to HCC, and HCC has never been contacted about any employee report submitted through this hotline which relates to child labor or forced labor.

### | Compliance Hotline for Exceptional Circumstances

- If you observe serious violations of laws, Henkel's Code of Conduct or other policies and standards...
- The compliance hotline is operated by an **independent service provider** (People Intouch).
- If you cannot address your concern to your supervisor, HR, Compliance Representative, Law Group member...
- The compliance hotline is **anonymous** (available via phone or online).
- Number is posted on bulletin boards within the office and plant



| Hotline: [REDACTED] or [www.henkelethics.com](http://www.henkelethics.com)

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*Exhibit 5: a slide from HCC's training providing details about the employee reporting hotline. The hotline's number has been redacted.*

## REMEDIATION

HCC has not needed to take any measures to remediate forced labour or child labour in its activities and supply chains, because based on Henkel KGaA's supply chain due diligence and the lack of reports of forced labour or child labour from its employees, HCC has not found any instances of forced labour or child labour being used. As HCC has not taken any remediation measures due to not being aware of any instances of forced labour or child labour to respond to, HCC has also not had any occasion to address the remediation of any potential lost income.

## SELF-ASSESSMENT OF EFFECTIVENESS

HCC assesses that its efforts to ensure that forced labour and/or child labour is not being used in its business and/or supply chains are effective based on:

- Lack of any incident of forced labour or child labour being reported by Henkel KGaA's due diligence measures under the German Act, which has more onerous due diligence obligations than the Canadian Act;
- The training HCC provides to its employees regarding HCC's Social Standards and Code of Conduct which specifically address that neither forced labour nor child labour is allowed in HCC's/Henkel KGaA's activities; and,



- The lack of reports from HCC’s employees regarding any suspicion of forced labour and/or child labour being involved in HCC’s activities or supply chain.

In other words, HCC assesses that its participation in and compliance with Henkel KGaA’s efforts to ensure that forced labour and/or child labour is not being used in HCC’s business and/or supply chains are effective based on the due diligence conducted by Henkel KGaA under the German Act, which is more demanding than the due diligence under the Canadian Act, as well as the lack of reports of forced labour and/or child labour through HCC’s established policies and processes.

## ATTESTATION

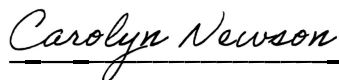
This statement is made pursuant to Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains* for the fiscal year ending on December 31, 2023.

The undersigned attests to the following:

This report has been reviewed and approved via resolution of the Board of Directors of Henkel Canada Corporation.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Henkel Canada Corporation.



Signature

**Full Name:** Carolyn Newson

**Title:** Director, Henkel Canada Corporation and Benefits Director and Pension Plan Administrator, Henkel Canada Corporation

**Date:** May 31, 2024