

Henkel Sustainable Palm (Kernel) Oil Position

Responsible Sourcing and Engagement along the Value Chain



1. Executive Summary

Henkel is actively driving progress toward fully sustainable palm and palm kernel oil, ensuring our actions benefit both the planet and the people and communities connected to our supply chain. Henkel sources ingredients based on palm and palm kernel oil for many of its products. Palm kernel oil, for example, is an important basis for industrially produced surfactants. For this reason, Henkel is committed to ensuring that the ingredients for its products are made from sustainable palm oil and palm kernel oil.

2. Background

Palm (kernel) oil is one of the most widely used vegetable oils in the world. It is used as an ingredient in foods, as biofuel and as feedstock for raw materials for cosmetics and cleaning products due to its versatility, stability and other physio-chemical properties. Its popularity is also caused by the high production yield and, along with that, low production costs. Oil palm trees produce around four to ten times more oil per hectare than other crops like soy, sunflower, or rapeseed. The production of palm (kernel) oil is a significant contributor to national economies, especially in Indonesia and Malaysia, and provides livelihoods for millions of smallholder farmers and workers in producing countries. However, these positive effects can only be levered if palm (kernel) oil is sourced sustainably.

Contradicting, if done unsustainably, palm (kernel) oil production has significant negative environmental and social impacts. Large areas of tropical rainforest in Indonesia and Malaysia – producing ~85% of global palm (kernel) oil – have been cleared for plantations. Illegal burning practices also contribute to transboundary haze pollution, affecting human health across Southeast Asia. Clearing forests, especially peatlands, releases huge amounts of carbon dioxide and methane. Therefore, oil palm cultivation has been a major contributor to Southeast Asia's greenhouse gas emissions. The ongoing deforestation also destroys critical habitats for endangered species like orangutans, tigers, elephants, and rhinos. Monoculture plantations drastically reduce biodiversity compared to natural forests. Soil health, water systems, and pollinator populations are negatively affected. Apart from the negative environmental impacts of oil palm farming, reports of exploitative labor conditions, child labor, and land conflicts with Indigenous peoples are linked to the palm (kernel) oil industry.

Palm (kernel) oil remains a debated raw material: while its cultivation can lead to deforestation, emissions, biodiversity loss, and social challenges, it is also highly efficient, versatile, and economically important. The main debate therefore is not whether palm (kernel) oil is inherently causing negative impacts, but whether it can be produced more sustainably and ethically compared to its alternatives, such as coconut oil or shea butter. Certification schemes like RSPO (Roundtable on Sustainable Palm Oil) aim to improve practices, reduce deforestation, and ensure fair labor. Some companies and NGOs push for deforestation-free

supply chains. With better management, palm (kernel) oil could be more sustainable than alternatives, if demand continues to rise.

3. Henkel Position

3.1. Relevance for Henkel

Henkel recognizes its responsibilities regarding the purchase and use of ingredients based on renewable raw materials, including palm (kernel) oil. Palm (kernel) oil and derivatives thereof are used as ingredients for a variety of products, for example, as an important basis for industrially produced surfactants. The derivatives used at Henkel are at the end of a long and often highly complex supply chain. In total, Henkel uses less than 0.2 percent of the palm oil and palm kernel oil produced worldwide (status 2024).

Henkel started its journey towards the responsible sourcing of palm (kernel) oil two decades ago. Back in 2003, Henkel attended the first meeting of the Roundtable on Sustainable Palm Oil (RSPO) and started engagement with World Wildlife Fund (WWF) and other stakeholders to prevent the destruction of rain forests in Indonesia. When the first volumes of RSPO-certified palm oils were available in 2008, Henkel became a member of the RSPO, an important step toward sustainable palm (kernel) oil sourcing and started to purchase certified palm oil, palm kernel oil and their derivatives. In 2011, the company targets already included a commitment to source RSPO certified palm (kernel) oil. In 2012, Henkel began a collaboration with the development organization Solidaridad to promote sustainable practices among smallholders. Together with other companies like Rewe and Unilever and the WWF, Henkel co-founded the "Forum Nachhaltiges Palmöl" (Forum for Sustainable Palm Oil, FONAP) in 2013. In 2014, the palm (kernel) oil target was revised to include also traceability of palm (kernel) oil. A first pilot project on the traceability of palm (kernel) oil was carried out in 2015. Henkel became a founding member of Action for Sustainable Derivatives (ASD) in 2019. Together with Orbital Insight, Henkel launched a pilot project in 2020 to use satellite imaging for palm (kernel) oil traceability. In 2021, Henkel set new targets on responsible palm (kernel) oil, committing to 100 percent responsibly sourced and traceable palm and palm kernel oil.

3.2. Henkel Palm (Kernel) Oil Commitments

Henkel is actively driving progress toward fully sustainable palm and palm kernel oil, ensuring our actions benefit both the planet and the people and communities connected to our supply chain. For this reason, Henkel is committed to ensuring that the ingredients for its products are made from sustainable palm oil and palm kernel oil.

Building on the long-lasting engagement to ensure responsible sourcing of palm (kernel) oil, Henkel stays committed to the following actions that address the key priorities for successfully transforming the palm oil industry:

- **Cover 100 percent of our demand with palm and palm kernel oil responsibly sourced and certified**

Henkel continues to promote and expand the share of palm-based raw materials certified in accordance with the principles of the RSPO Standard, the RSPO Next Standard or the RSPO Independent Smallholder Standard. All palm and palm kernel oil used as a basis of the ingredients shall be derived from sustainably cultivated sources. Preferably, segregated material is selected, but due to limited availability and economic feasibility Henkel accepts material produced under the RSPO's mass balance model. Derivatives account for the majority of the palm-based materials used by Henkel, for which there is still a lack of availability of RSPO-certified raw materials in some markets. In these circumstances, Henkel seeks dialog with the relevant suppliers to identify purchasing options for responsibly sourced raw materials.

- **Establish full traceability and transparency of the palm oil and palm kernel oil used in our Henkel products.** Henkel continues to collaborate with partners and other stakeholders to achieve 100 percent traceability of the used palm oil and palm kernel oil back to refinery, mill and plantation, whereas the traceability to mills remains the core KPI. A list of mills potentially connected to the Henkel supply chain of main sourcing volumes of palm (kernel) oil-based derivatives and a list of key palm (kernel) oil suppliers is published annually on the Henkel website.

- **Improve the livelihood of smallholder farmers.** Smallholder farmers produce 40 percent of the world's palm oil, yet their productivity and quality levels are much lower compared to large plantations. They often lack access to technical knowledge and to financial services that are crucial to improving their production. Some smallholder farmers are also concerned that access to the palm (kernel) oil market will be limited if their harvests do not meet the criteria set out by the RSPO. This is because many major buyers of palm (kernel) oil have committed to buying only oil products that are certified as sustainable. Henkel continues collaborative projects with smallholder farmers and will continue strengthening the commitment to integrate raw materials delivered by these smallholder farmers into our supply chain. Greater consideration is also given to supporting climate-friendly agriculture.

- **Drive progress toward achieving sustainable practices across the palm (kernel) oil industry and along the entire value chain.** Although Henkel uses less than 0.2% of global palm and palm kernel oil production, the company actively drives transformation through strong supplier engagement and multistakeholder collaboration. The derivatives used as raw materials are at the end of a long and often highly complex supply chain. Henkel exerts influence on the palm (kernel) oil supply chain by cooperating with suppliers and other partners such as smallholders, which can e.g. be supported by the purchase of independent smallholder credits or targeted projects in sourcing regions. Henkel supports the industry's physical transformation and the market's transformation towards certified sustainable palm (kernel) oil products. A multi-stakeholder approach is at the core of Henkel's initiative for sustainable management of palm oil and palm kernel oil.

- **Protect primary forests and natural ecosystems.** Henkel does not accept deforestation in its supply chain and is thus committed to deforestation-free sourcing. Henkel recognizes that achieving a fully deforestation- and conversion-free supply chain is a long-term transformation, requiring a stepwise approach. As a milestone, Henkel aims for a global zero net deforestation sourcing of palm oil, palm kernel oil and derivatives, while always complying with regional legislation and sourcing deforestation-free material wherever possible. The zero net deforestation approach allows the purchase of mass balanced certified material while at the same time allowing for reforestation actions in relevant regions to balance potentially caused deforestation, while the latter shall not be applied to more than three percent of the total volume of palm and palm kernel oil sourced. This commitment includes transparency along the value chain in line with the commitment to establish full traceability and transparency of the palm oil and palm kernel oil, no conversion of natural ecosystems to agriculture or other land uses, no burning or use of fire for land clearing/replanting, and a zero net deforestation or DCF (deforestation and conversion free) or NDPE (No Deforestation, No Peat and No Exploitation) commitment of suppliers.
- **Carefully consider alternative feedstocks and ingredients.** Henkel continuously assesses opportunities to diversify renewable feedstocks and reduce environmental and social risks across its value chain. Any potential alternatives to palm (kernel) oil are evaluated holistically by the Business Units in close cooperation with the Henkel Global Sustainability Team, taking into account their full environmental and social footprint. This includes land use, greenhouse gas emissions, biodiversity impacts and social considerations. As different renewable feedstocks come with different trade-offs, Henkel applies a science-based, life-cycle perspective to ensure that substitution decisions contribute to positive outcomes overall and do not result in unintended negative impacts.

3.3. Stakeholder Engagement

Henkel contributes to sustainable practices across the palm (kernel) oil value chain through targeted partnerships, supplier collaboration, and active participation in industry initiatives. Therefore, Henkel works with raw materials suppliers and with other partners such as NGOs engaging smallholder farmers to exert influence on the palm (kernel) oil supply chain. A multi-stakeholder approach is at the core of this initiative for sustainable management of palm oil and palm kernel oil. Through partnerships, projects and dialog, Henkel engages with key players and is expanding the contribution to sustainable practices in the palm (kernel) oil industry. This includes the industry's physical transformation and the market's transformation to certified sustainable palm (kernel) oil products.

As part of the company's supplier management activities, Henkel collaborates intensively with strategic suppliers to ensure the procurement of sustainable palm (kernel) oil. The Sustainable Palm Index (SPI), a tool provided by ASD, is used to assess the progress of strategic key suppliers with respect to their level of supply chain knowledge, sustainable sourcing practices

and compliance with the NDPE Principles and human rights. Based on SPI, a compliance profile of these suppliers of palm (kernel) oil-based raw materials and ingredients is created. Although the results cannot be generalized to all suppliers, they provide a good insight for the identification of potential improvements and definition of action plans together with suppliers.

Through engagements with other companies, NGOs, associations and political bodies Henkel advocates for finding ways to increase the proportion of sustainably produced palm (kernel) oil and improving existing standards and certifications. Therefore, Henkel is a committed founding member of the Forum for Sustainable Palm Oil ("Forum Nachhaltiges Palmöl", FONAP) in Germany and, along with other leading consumer goods manufacturers and companies in the oleochemical industry, is also a founding member of the cross-industry Action for Sustainable Derivatives (ASD) initiative. Henkel is also actively involved in the Roundtable on Sustainable Palm Oil (RSPO). The RSPO standard includes compliance with human rights along the entire supply chain, in addition to addressing environmental issues. Henkel regularly certifies its Global Supply Chain organization in line with the RSPO's supply chain certification standard. To uphold these standard yearly audits are conducted. Henkel partners with the civil society organization Solidaridad on several initiatives in palm (kernel) oil producing countries, focusing on improving palm (kernel) oil smallholders' livelihoods, incomes and resilience, simultaneously making a positive contribution to the environment and climate. The initiatives supported by Henkel are closely linked to our supply chain, for example in Malaysia, Indonesia and Colombia.

4. Call for Actions

Henkel calls for the industry's physical transformation and the market's transformation towards certified sustainable palm (kernel) oil products. This includes:

- Aligned regulations across nations to fight deforestation and conversion while avoiding uneven distribution of sustainable material between highly regulated nations and less regulated nations.
- Alignment of certification standards in terms of environmental and social requirements, especially inclusion of deforestation and conversion free requirements, to reduce the risk of greenwashing by unclear or misleading certificates.
- Increasing the amount of certified palm (kernel) oil globally, consequently increasing the available amount of physically segregated material along the value chain, to ensure a full transformation of the palm (kernel) oil industry, as well as deforestation and conversion free material.
- Increasing traceability and transparency along the value chain, using innovative tools like digital passports and global material flow modelling and working together in cross-industry initiatives.

- Better inclusion of smallholder farmers into the value chain by special support to obtain relevant certifications, introduction of regenerative agricultural practices and other income opportunities.

5. Further Reading

For further reference please see also our [Responsible-Sourcing-Policy](#), [Henkel Nature Policy](#) and [Zero Net Deforestation Policy](#). Also see our [Henkel Biomass Position](#). Other sources include:

- The [RSPO Website](#) for information and certificates
- The [ASD](#) and [FONAP](#) Websites for information on joint action of the industry
- The [Solidaridad Website](#) on relevant projects
- The [WWF Webpage on Palm Oil](#)

Henkel regularly discloses achievements regarding sustainable palm oil in the company's annual reporting as well as in external ratings and rankings, such as the [RSPO Annual Communication of Progress \(ACOP\)](#) and the [WWF Palm Oil Buyers Scorecard](#). Latest data can be found using these sources.