

Turning ambition into action

An introduction to our
sustainability framework

FUTUREPROOF



Our society is facing environmental challenges on a scale and at a pace the world has never seen before and social inequality is widespread.

The time for talk has passed. History will remember us for the actions we take now.

At Hempel, our purpose is to shape a brighter future with sustainable coating solutions.



As a trusted global producer of paint and coating solutions, we have a responsibility to advance our own performance and standards in the field of sustainability. A constant drive for all of us that underpins our purpose at Hempel; to shape a brighter future with sustainable coating solutions.

Our customers demand it too, through products and services that help them achieve their own sustainability goals and through partners who can prove they have embedded sustainability in their value chain. And our current and future employees also expect it. They want to work for businesses that are part of the solution.

It's not easy. It's not overnight. But transformation is critical in every industry, including ours. New practices. New technologies. New mindsets. The leaders of tomorrow will be those that make sustainability the very foundation of their business model.

We firmly believe that we will succeed as a business only if we place sustainability at our heart. Not only is it the right thing to do, it will strengthen our competitive position, make us more resilient and reduce our risk.



Transformation

is the

answer.

Our strategy to double by 2025 makes our commitment to sustainability even more important. We will grow as a company, while reducing our environmental footprint and amplifying the benefits we create for society.

Specifically, this means;

- Breaking the link between our growth and our environmental footprint. For example, we will drive our CO₂ emissions for our own operations to zero, even as we grow.
- Anticipating and adapting faster than ever to the environmental and commercial challenges we and our customers face.
- Creating smarter, more efficient solutions that help reduce CO₂ emissions and better protect assets, enhancing them and prolonging their life.
- Accelerating the development of circular products and services for our customers
- Fostering a thriving culture of safety, fairness, inclusivity and health to attract and develop the best people.

We will do this as we grow,
and we will grow by doing this.



Detaching growth

from our

environmental

footprint





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Futureproof is the framework through which we will deliver on our strategic goal of sustainability leadership, turning our ambitions into actions.

Futureproof sets our course and will guide our goals, innovations and investments.

Our framework reflects our ambition to shape the future and go beyond compliance.

Turning
ambition
into action



Our ambition is to radically advance our environmental and social performance so our company, customers and employees thrive now, and in the future.

We won't rest until sustainability is at the heart of how we do business.

Hard work lies ahead and we are committed to making it happen. As our founder himself said, "It's the will to want that creates the skill to do".

Hempel is owned by The Hempel Foundation, which is dedicated to making a positive difference around the world. This unique ownership structure enables us to take a long-term perspective on growth, sustainability and corporate responsibility.

- Futureproof is about being a step ahead, so we can better serve our customers, shape new solutions to environmental challenges, ensure equal opportunities for employees and grow our business.

It's about developing the products and services that will proof and protect our customers' assets for the demands of the future.

It's about delivering the proof to back up our performance and progress, and the reassurance that must underpin our innovations.

Always ensuring we earn the trust of our customers and partners.

To achieve our ambition we must integrate sustainability into every aspect of our business. We must make sustainability the responsibility of every one of us.

Guided by the values of Hempel at Heart – inspiring confidence, connecting to customers, constantly challenging and being socially committed – and building on our progress to date, we are starting on the journey of our five year strategy.

Our journey is both a marathon and a sprint, so we must accelerate progress on many fronts. Our goals are the foundation on which we will continue to build and evolve, pushing our own performance standards forward at pace.

We will use our passion for innovation, our commitment to training and development and our determination to work collaboratively within our organisation and beyond.

We will focus our efforts and commitments where we can have the biggest impact, constantly pushing for leadership across four areas: Performance, Products, People and Partners.



We are

ready to

accelerate

For our performance we will

- Be carbon neutral in our own operations by 2025
- Introduce a five-year plan for reducing and phasing out hazardous raw materials
- Accelerate our efforts towards biocide-free products in all segments
- Achieve zero waste to landfill by 2025
- Halve the amount of scrapped finished goods and raw materials even as we double in size
- Introduce a water programme in 2021

Performance

We are futureproofing our business growth by radically reducing our environmental footprint.

Products

We are futureproofing our solutions to help our customers achieve their sustainability ambitions and to advance both our and our customers' competitive position.

For our products we will

- Make sustainability a key driver of all product development and innovation
- Reduce customer emissions with at least 30 million tonnes CO₂e by 2025
- Ambitiously reduce customer waste
- Introduce comprehensive circularity roadmap in 2022
- Achieve 50% recycled content in primary plastic packaging by 2025

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Turning ambition into action

With our partners we will

- Reduce CO₂ emissions in our value chain based on science-based targets in accordance with the 1.5°C pathway
- Promote and further good ethical behaviour and environmental practices in Hempel's supply chain
- Engage systematically and proactively with our customers to establish sustainability partnerships

Partners

We are futureproofing our value chain through open and positive partnerships.

People

We are futureproofing our culture by setting ever higher standards on safety, fairness, inclusivity and healthier working practices.

For people we will

- Build an even stronger safety culture and eliminate all Lost Time accidents and other injuries
- Champion and promote physical and mental health, and wellbeing
- Achieve the target of 30% women in general workforce and management by 2025
- Promote inclusion and diversity in relation to gender, age, culture, ethnicity, physical and mental abilities, religious beliefs, sexual orientation
- Create a framework for fair compensation, equal pay for equal work and insurance
- Provide flexible benefits to fit employee lifestyle & preferences
- Introduce an extended family support programme

On performance

We are futureproofing our business growth by radically reducing our environmental footprint.

Like all companies, we have a responsibility to reduce the emissions and waste our operations create, and the amount of resources we use. As a coatings company, our focus is also to continuously reduce and phase out hazardous raw materials. We need to do this at the same time as we intend to double the size of the business.

The only answer is that we must break the link between our growth and our environmental footprint.

We will do this by relentlessly improving our efficiency, but also by transforming how we – and our value chain – works.

So our operations will perform better, with much lower environmental footprint, as our business grows.

Goals and actions

Be carbon neutral in our own operations by 2025

- Transition to 100% renewable electricity at all our owned and operated buildings
- Cut CO₂ emissions from company cars by at least 50% by transitioning towards electric or hybrid vehicles
- Reduce overall energy consumption annually by 3-7% per 1000 litres of paint produced

Introduce a five-year plan for reducing and phasing out hazardous raw materials

- In 2021, introduce a 5-year strategic plan for reducing and phasing out prioritised hazardous raw materials. Expand criteria for hazardous substances classification and take proactive action to ensure phase out takes place ahead of legal requirements

Accelerate our efforts towards biocide-free products in all segments

- Pursue environmentally benign antifoulings and biocide free options
- Establish a biocide taskforce in 2021

Achieve zero waste to landfill by 2025

- Finalise roll-out of smart scales during 2021 to improve waste data reporting and help optimise recycling
- Expand collaboration with secondary paint manufacturers
- Introduce additional circularity measures as part of our circularity roadmap in 2022

Halve the amount of scrapped finished goods and raw materials by 2025, even as we double in size

- Promote knowledge-sharing across sites
- Increase collaboration with both suppliers and secondary paint manufacturers e.g. return of surplus raw materials to suppliers
- Introduce additional circularity measures as part of our circularity roadmap in 2022

Introduce a water programme in 2021

- Harmonise best practices for waste water treatment
- Analyse current and future water resources at production sites, e.g. water scarcity
- Analyse microplastics impact and create action plan for mitigation

On products

We are futureproofing our solutions to help our customers achieve their sustainability ambitions and to advance both our and our customers' competitive position.

Customers increasingly expect their suppliers to help them deliver on their own sustainability commitments. Hempel products already help customers make their ships more efficient, keep buildings cooler, potentially save lives through increased fire safety and extend the lifetime of their assets. We have a strong story to tell already, but we are only just getting started.

We will constantly evolve our offer and build compelling new value propositions for our customers; pioneering new ways to combine services, digital technology and products to deliver transformative solutions that support customers' sustainability goals. These new platforms protect and power-up our competitive advantage.

Goals and actions

Make sustainability a key driver of all product development and innovation

- Introduce Sustainability Product Scorecard to guide product development
- Establish technology research programmes focusing on sustainability
- Harness Hempel's new innovation incubator, GrowHub, to drive sustainability options for new business products and services

Reduce customer emissions with at least 30 million tonnes CO₂e by 2025

- Reduce CO₂ through fuel saving products and services for our Marine customers
- Introduce products and services that reduce emissions during application or use phase across all segments
- Reduce VOCs across segments

Ambitiously reduce customer waste

- Expand can return scheme for our Decorative customers
- Promote refillable packaging formats for Marine, Energy and Infrastructure customers
- Introduce additional circular packaging options as part of our circularity roadmap in 2022

Introduce comprehensive circularity roadmap in 2022

- Create circularity roadmap in 2021-2022, covering paint and packaging

Achieve 50% recycled content in primary plastic packaging by 2025

- Increase the amount of recycled content from 26% to a 50% average by 2025 in primary plastic packaging

On people

We are futureproofing our culture by setting ever higher standards on safety, fairness, inclusivity and healthier working practices.

For over one hundred years, the Hempel family has always been about shared trust, mutual respect and support. But we need to go much further than this if we are going to attract and retain the outstanding people we need to accelerate our future growth.

Safety will remain our number one priority. We will foster a safety culture to ensure we always safeguard the health of employees and the partners we work with.

We will invest in social sustainability programmes that improve the health and wellness of our employees and enrich the experience of working at Hempel. We want to make Hempel not only a great place to work and to develop a fulfilling career, but also an example of how true inclusivity, fairness and respect leads to better business performance and broader benefits to society.

Goals and actions

Build an even stronger safety culture and eliminate all Lost Time accidents and other injuries

- Roll out expanded safety programme "Safety Excellence 2.0" in 2021

Champion and promote physical and mental health, and wellbeing

- Expand local initiatives supporting healthy lifestyle
- Extend mental health support and training offerings

Achieve a target of 30% women in general workforce and management by 2025

- Strengthen inclusive and unbiased recruitment procedures
- Improve parental leave policies
- Introduce flexible work hour policies

Promote inclusion and diversity in relation to gender, age, culture, ethnicity, physical and mental abilities, religious beliefs, sexual orientation

- Strengthen inclusion, diversity and anti-harassment training
- Measure inclusion as part of annual engagement survey
- Ensure a work environment free from harassment

Create a framework for fair compensation, equal pay for equal work and insurance

- Ensure compensation meets living wage baseline in all countries
- Ensure equal pay in all job comparable positions
- Implement global minimum insurance standards for all employees

Provide flexible benefits to fit employee lifestyle & preferences

- Introduce flexible benefit packages for employees based on personal preference, e.g. additional pension contribution, buying/selling annual leave, child care support. Global roll-out 2023

Introduce an extended family support programme

- Provide support for education of children of employees
- Introduce support for spouses for up-skilling/re-skilling or start-up of own business. To be implemented end 2023

On partners

We are futureproofing our value chain through open and positive partnerships.

We can't achieve sustainability leadership in a bubble. We need to work in collaboration with our suppliers just as much as with our customers, raising standards, inspiring breakthrough innovation and challenging traditional practices.

We will actively seek new opportunities to partner with expert and influential organisations who can support our commitments.

Goals and actions

Reduce CO₂ emissions in our value chain based on science-based targets in accordance with the 1.5°C pathway

- Initiate and complete process for science-based target validation in 2021
- Reduce the CO₂ footprint of raw materials used in our products
- Screen and score suppliers covering 70% of total direct and indirect spend against sustainability criteria by 2025
- Support suppliers in improving their performance and move away from suppliers that don't live up to our requirements

Promote and further good ethical behaviour and environmental practices in Hempel's supply chain

- Screen and score suppliers covering 70% of total direct and indirect spend against sustainability criteria by 2025
- Include sustainability score as a parameter in the tendering process
- Support suppliers in improving their performance and move away from suppliers that don't live up to our requirements

Engage systematically and proactively with our customers to establish sustainability partnerships

- Train sales force to engage with customers on opportunities for sustainability collaboration
- Make sustainability an integrated part of our value propositions to customers
- Integrate sustainability into new partnership agreements

Compliance with laws and our own company policies is the absolute foundation for how we operate our business. We work with the highest level of transparency and integrity wherever we operate, regardless of what may be considered acceptable in local business practice.

Our Employee Code of Conduct clearly states our position on business ethics, human rights and the environment. To ensure effective implementation across all entities, all Hempel employees are trained on an annual basis and must commit to following and respecting our conduct policies.

We comply with local laws and have signed the United Nations Global Compact to further support compliance to the principles on human rights, labour, environment and anti-corruption.

All our suppliers, joint venture partners, toll manufacturers, distributors, agents, consultant and other must adhere to Our Business Partner Code of Conduct.



Compliance

is at

our core

Our sustainability framework is an integrated part of the Hempel corporate strategy 2021-2025. Progress on the goals and associated projects are integral to the monthly strategy progress reporting with our Executive Management Board (EMB). This ensures Hempel as an organisation will strive towards reaching these goals with the same vigour as our other strategic ambitions.

Sustainability will be wired into key decision-making processes, such as M&A and other investment decisions. We will also make sustainability an even stronger part of our overall KPI structure and embed our performance into incentives and bonus programmes.

Implementation of the goals and associated projects are anchored throughout the organisation in order to ensure a high-level of commitment and collaboration across the Hempel Group. Further strategic development is led by Group Sustainability and Government Affairs in collaboration with functions, regions and segments.



Wiring sustainability into decision-making and our business



Futureproof, our framework for achieving our sustainability leadership ambition, sets out many demanding challenges.

We have a great deal to do, both to strengthen our current performance and to set the business on a course where, for everyone, sustainability is at the heart of how we do business. A mindset. A reflex.

It's an imperative and it's an extraordinary opportunity to build a stronger business, demonstrate our leadership and shape a brighter future together.



An opportunity.

A must.



About Hempel

As a world-leading supplier of trusted coating solutions, Hempel is a global company with strong values, working with customers in the decorative, marine, infrastructure and energy industries. Hempel factories, R&D centres and stock points are established in every region.

Across the globe, Hempel's paints and coatings can be found in almost every country of the world. They protect and beautify buildings, infrastructure and other assets, and play an essential role in our customers' businesses. They help minimise maintenance costs, improve aesthetics and increase energy efficiency.

At Hempel, our purpose is to shape a brighter future with sustainable coating solutions. We firmly believe that we will succeed as a business only if we place sustainability at our heart. Not only is it the right thing to do, it will strengthen our competitive position, make ourselves more resilient and reduce our risk.

Hempel was founded in Copenhagen, Denmark in 1915. It is proudly owned by the Hempel Foundation, which ensures a solid economic base for the Hempel Group and supports cultural, social, humanitarian and scientific purposes around the world.

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