

ecovadis

Henkel

Henkel Leverages Ratings To Increase Transparency and Drive Performance Across a Global Supply Chain



Headquartered in Düsseldorf, Germany, Henkel operates worldwide with leading innovations, brands and technologies in three business areas: Adhesive Technologies, Beauty Care and Laundry & Home Care. Founded in 1876, it continues to build on its more than 140 years of success, holding leading positions with its three business units in both industrial and consumer businesses thanks to innovations and technologies embodied in brands such as Persil, Schwarzkopf and Loctite.

The company officially embarked on its sustainability journey in 1991 by signing the ICC Charter for Sustainable Development and becoming one of the first companies in Germany to publish an environmental report the very next year. In 2020, EcoVadis recognized Henkel’s continued commitment to sustainability, awarding it the Sustainable Procurement Leadership Award. This case study explores how they achieved this.

52,950
employees

179
production sites in

57
countries

\$19.3 billion
annual revenue

Suppliers from **123** countries

“The global pandemic has presented us with many new challenges in 2020. It has revealed what we can achieve together. We have further improved our sustainability performance and anchored sustainability even more firmly into our company’s strategy.”

Carsten Knobel
Chairman of the Management Board, Henkel

OBJECTIVES, DRIVERS AND CHALLENGES

Pioneers at Heart for the Good of Generations

It all started with a dream. 145 years ago, Fritz Henkel, an entrepreneur and courageous pioneer at heart, revolutionized the everyday lives of the people around him. With that, he launched a legacy of care: for his employees, for society, and for the environment. Long before the concept existed, he put sustainability first.

Consequently, Henkel integrated sustainability, one of its five corporate values, throughout its supply chain operations at a very early stage in its development. The organization has since monitored its progress continuously against ambitious internal targets and standards.

Henkel’s supplier base, underpinned by millions of workers worldwide, represents one of the organization’s most important strategic resources and significantly influences its environmental footprint. To effectively leverage this resource and create sustainable value for its wide range of stakeholders, Henkel is moving beyond compliance and building a more transparent supply chain.



Building the Foundation for Supplier Sustainability Engagement

- ✔ Henkel’s 100% Responsible Sourcing Strategy is built on the foundation of its robust risk management and compliance pillar.
- ✔ In addition, three fundamental focus topics are set in scope: becoming climate-positive, promoting a circular economy and supporting social progress. Collaboration, innovation, transformation and empowerment have been identified as the four strategic enablers that will help them achieve these goals.
- ✔ The company’s Responsible Sourcing Policy is fully integrated into all purchasing processes and is reflected in key pillars of compliance, transparency and impact.
- ✔ Henkel’s six-step Responsible Sourcing Process enables the company to measure the sustainability performance of its suppliers and identify where targeted cooperation is needed to drive improvement.
- ✔ A core team of three dedicated senior sustainability staff and one manager in Purchasing steer the global responsible sourcing strategy. In addition, a group of 20+ global sustainability experts aligns and steers comprehensive and ambitious sustainability targets with key initiatives across regions, business units (BUs) and material groups (MGs).
- ✔ As a founding member of TfS, an initiative to drive sustainability across the supply chain of the chemical industry, Henkel has been strategically partnering with EcoVadis since the initiative’s inception.
- ✔ Henkel’s evaluation system, the “[Henkel-Sustainability#Master®](#)”, combines a variety of tools to ensure transparency by identifying hot-spots for every product category to increase its value while reducing the environmental footprint. Special task forces then collaborate with suppliers to improve sustainability in areas such as palm oil, plastics, mica and conflict minerals.



A Framework for Driving Continuous Supplier Improvement

Henkel has developed a six-step Responsible Sourcing Process to help suppliers continuously improve. Managed by Purchasing's internal Sustainability team, the process is implemented in all Business Units and Material Groups across the company's operating regions and covers 91 percent of purchasing in packaging, raw materials and contract manufacturing. The process is an integral part of Henkel's commitment to sustainability, enabling them to establish clear environmental and social standards for new suppliers and identify areas of improvement for existing suppliers.

Pre-risk assessment:

- Early warning system for sustainability risks in global purchasing markets.

Onboarding:

- Anchored in a globally uniform registration system that provides a standardized summary of the company's sustainability requirements.

Initial assessment/audit:

- Conducted by EcoVadis and/or Tfs.

Analysis of the performance assessment:

- Leading to the identification of different sustainability risk clusters.

Corrective actions and continuous improvement:

- Independently of the results, all suppliers are requested to work on corrective action plans.

Re-assessment/re-auditing:

- Suppliers are requested to do a reassessment to demonstrate improvements.



Henkel's Award-Winning Stakeholder Engagement

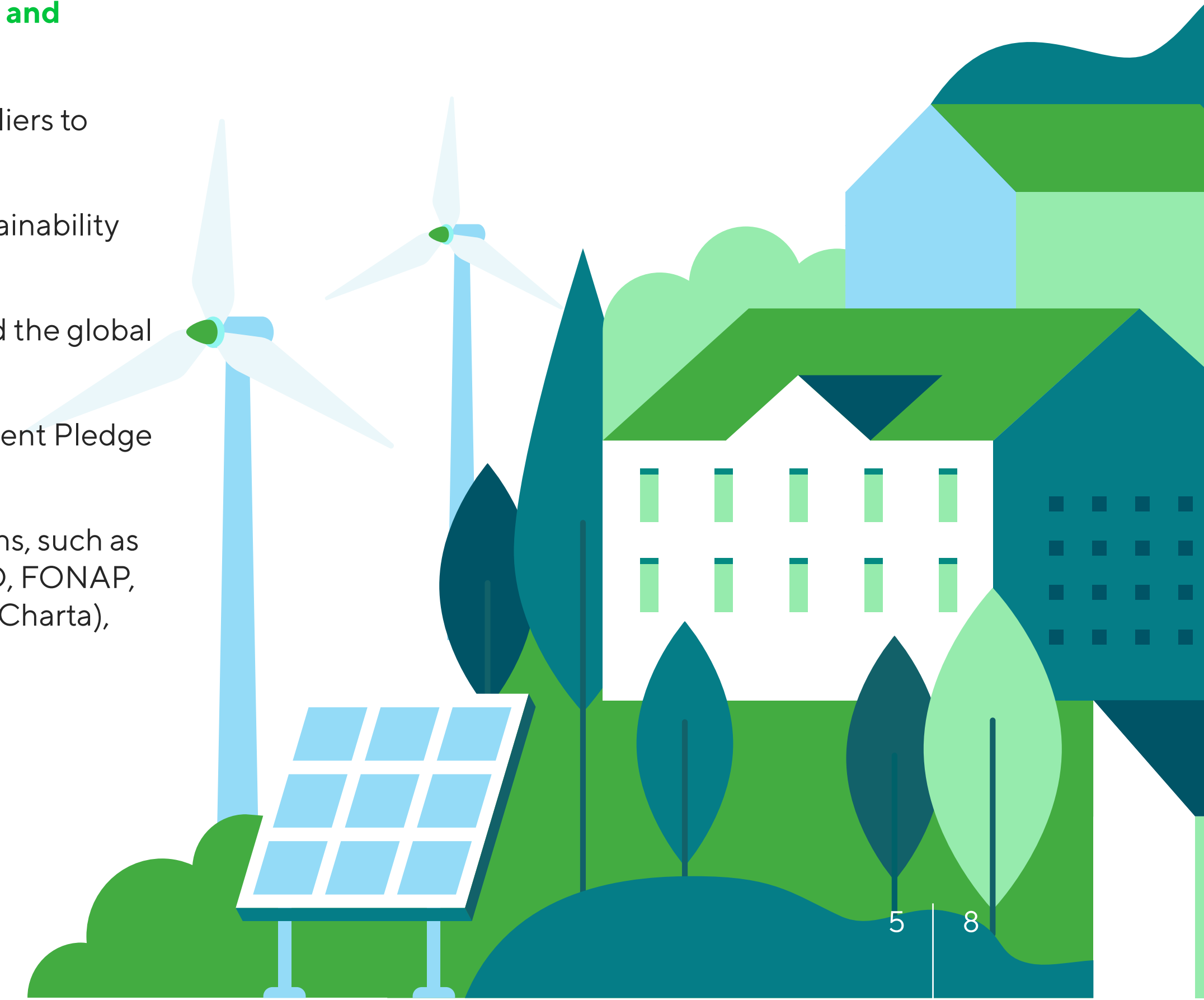
In 2020, Henkel earned the EcoVadis Sustainable Procurement Leadership Award for “Best Internal Stakeholder Engagement”. It drives this engagement through a number of channels, including the Central Responsible Sourcing Platform embedded in its main buyer tool (the global Purchasing Workplace). The platform provides key information from EcoVadis assessments and TfS audits, as well as an internal KPI dashboard and capacity-building tools such as e-learning modules, webinars and training sessions.

Key Internal Stakeholder Communication and Engagement Activities:

- Regular push notifications, sent by the Chief Procurement Officer to communicate progress on the KPIs of global and regional BUs and MGs, success stories and the external sustainability incubator.
- Diverse Yammer groups (internal collaboration platform) to share and discuss sustainability topics.
- Corporate Sustainability Ambassador Program: more than 52,000 employees are certified sustainability ambassadors.
- ‘Say yes! to the future’ provides Henkel sales representatives from all businesses around the world with training on sustainability topics.

Key External Stakeholder Communication and Engagement Activities:

- Stronger collaboration with strategic suppliers to foster transparency beyond Tier 1.
- Joint supplier-buyer collaboration on sustainability innovations and new technologies.
- Acquisition of new TfS members to expand the global TfS footprint.
- Co-founding of the Sustainable Procurement Pledge (www.spp.earth).
- Corporate commitments and collaborations, such as Responsible Care, Solidaridad, RSPO, ASD, FONAP, Plastic Bank, Charta der Vielfalt (Diversity Charta), WBCSD and SBTi.



RESULTS

Steady Supplier Engagement

- ✓ 2,700 EcoVadis assessments in the Henkel supplier pool in 2019
- ✓ Assessments performed for all BUs and MGs across all regions
- ✓ 67% of suppliers improved their sustainability performance, as indicated by EcoVadis re-assessments
- ✓ 91% of direct spend coverage (raw materials, packaging and contract manufacturing)



Henkel in the first percentile of all companies assessed by EcoVadis, earning a Platinum Medal with a score of 78/100



Besides transparency on CSR performance metrics, EcoVadis offers a platform to strengthen business relationships – it enables supplier dialogue about sustainability and joint innovation opportunities to support Henkel’s purposeful growth strategy.

Katrin Feyerabend
Global Head Responsible Sourcing, Henkel

| | 2018 | 2019 | 2020 |
|-------------------------------------|------------|------------|------------|
| Number of assessed companies | 1235 (332) | 1505 (362) | 1653 (572) |
| Average score | 48 (39) | 48 (40) | 49 (42) |



Why EcoVadis?

- ✔ EcoVadis assessment drives a continuous improvement mindset at the supplier level to enable change and impact.
- ✔ Delivers customized questionnaires relevant to the supplier industry, size, and location, reducing the burden of in-house manual solutions for supplier sustainability monitoring.



About EcoVadis

EcoVadis is the world's most trusted provider of business sustainability ratings, intelligence and collaborative performance improvement tools for global supply chains. Backed by a powerful technology platform and a global team of domain experts, EcoVadis' easy-to-use and actionable sustainability scorecards provide detailed insight into environmental, social and ethical risks across hundreds of purchasing categories and countries. Industry leaders such as Johnson & Johnson, Verizon, L'Oréal, Subway, Nestlé, Salesforce, Michelin and BASF are among the thousands of businesses on the EcoVadis network, all working with a single methodology to evaluate, collaborate and improve sustainability performance in order to protect their brands, foster transparency and innovation, and accelerate growth. Learn more on [ecovadis.com](https://www.ecovadis.com), Twitter or LinkedIn.

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