



Case Study | Consumer

Henkel AG & Co.



An Industry-first in Sustainable Supply Chain Financing

Balancing economic success, environmental sustainability and social responsibility has been a priority for Henkel throughout its history. The company has produced annual Sustainability Reports for the past 30 years. Today, its aims are to become climate-positive by 2040 and create a positive impact on communities. By 2030, Henkel aims to become three times more efficient compared with 2010, tripling the value it creates across its environmental footprint. But the company cannot do this alone: establishing - and financing - common environmental and social standards across its supply chain is essential to achieving these ambitions.



The Challenge

Henkel's regional treasury team in Asia Pacific recognized that a sustainability-linked supply chain finance (SCF) program could help increase sustainability across Henkel's large supplier ecosystem in the region. The program would have two key aims:

- to incentivize environmental and social improvement;
- to enhance supply chain resilience by ensuring that suppliers had better access to liquidity

Citi has recently executed deals in North America and is building infrastructure to deliver sustainability in the supply chain, working closely with a certification agency to continuously monitor suppliers under the agreed charter with buyers. Henkel therefore decided to work with Citi to pioneer a sustainable SCF structure, leveraging its expertise in sustainable sourcing and the bank's innovative approach to financing.



The Solution

Henkel already had a successful SCF program in place, which continues to operate. Treasury's intention was to convert it into an enhanced program to attract a wider spectrum of suppliers that shared Henkel's sustainability commitments. Suppliers that demonstrate strong or improving sustainability performance in line with independent vendor assessments can access financing at a preferential rate. Henkel has partnered with a leading global provider of sustainability assessments to evaluate performance. Sustainability is measured according to 21 criteria which are linked to the United Nations Sustainable Development Goals, with varying measures according to supplier geography, industry and scale.

As an 'industry first', Henkel, Citi and Henkel's supplier community needed to become familiar with the additional requirements to operate and manage a sustainability-linked SCF program. Henkel and Citi worked closely to map and digitize the data flows, such as supplier sustainability scores, to allow automated financing at the appropriate rate. To maximize the success of the program, Citi also supported Henkel with supplier communication, digital supplier onboarding and constructing a pricing scheme that is attractive to suppliers.

"Sustainability is at the heart of Henkel's corporate strategy. This sustainability-linked SCF program is an enabler of this strategy, whilst optimizing working capital, and enhancing the resilience of our supply chain. We structured the program to meet the particular needs and challenges in Asia Pacific. As such, the communication, program structure and objectives closely match the cultural and financial needs of suppliers in the region and provides a valuable means and incentive for suppliers to invest in their own sustainability ambitions."

Sophie Yang, Regional Treasurer, Asia Pacific, Henkel



The Result

Henkel has seen a surge of interest in this industry-first, sustainability-linked SCF offering, including from small and medium-sized enterprises (SMEs) that had not qualified for SCF previously. The program was first launched in Australia and New Zealand with active participation from major suppliers. Based on the program's success, it is now being rolled out in China, which hosts Henkel's biggest supplier base in Asia Pacific, to be followed by other countries.

The new program incentivizes investment in sustainability, but also encourages a closer relationship with Henkel through shared values and access to competitive financing. The program achieves a variety of benefits:

- Secures Henkel's reputation as a sustainability-led corporation
- Positions Henkel's treasury team in Asia Pacific as an innovator and pioneer of sustainable financing in the region
- Leverages Henkel's financial strength to
 - i) provide cost-effective financing to suppliers, improve relationships and encouraging more business
 - ii) boost supply chain resilience,
 - iii) effectively invest in improving sustainability performance across the supplier community
- Harnesses digitization to automate supplier communication, onboarding and financing linked to sustainability scores

The program, based on the combined efforts of Henkel and Citi, provides a model for other corporations in the region, and demonstrates how to create a virtuous cycle of economic, environmental and social value.

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