

## How Brenntag Harnessed EcoVadis to Move Beyond Compliance and Drive Positive Change in the Chemicals Industry

By partnering with EcoVadis, Brenntag, a global chemicals and ingredients distribution leader, is driving supplier sustainability improvement while being supported in ensuring compliance with the German Supply Chain Due Diligence Act (LkSG).

In an era of increasing global connectivity and heightened awareness surrounding environmental, social and governance (ESG) considerations, the landscape of sourcing and supply chain management is undergoing a distinct transformation. With a focus on promoting transparency, sustainability and ethical practices, new regulations are emerging to reshape the way businesses operate within these intricate networks. How are companies managing to navigate this new and uncertain terrain, and what does best practice really look like when it comes to sourcing and supply chain due diligence?

### Navigating New ESG Terrain



Brenntag is one example of a business that has succeeded in adapting its procurement processes to ensure compliance with ESG regulations and has been able to cascade best practices throughout its sourcing and supply chain and inspire positive change.



Founded in 1874, it has grown to become the global market leader in chemical and ingredients distribution with over 17,500 employees operating across 72 countries. Brenntag's vision is to “shape the future of our industry by empowering our partners within networks, driving collaboration, excellence and shared success.”

Headquartered in Germany, Brenntag is one of the many companies directly impacted by the new German Supply Chain Due Diligence Act (LkSG). Rooted in the UN Guiding principles, this Act imposes on companies specific risk visibility, due diligence, mitigation and remediation requirements to address human rights and environmental impacts in their supply base. Phase 1 of the law came into effect in January 2023 for companies with over 3000 employees, with Phase 2 impacting companies of over 1000 employees coming into effect in 2024.

### **Igniting a Chain Reaction of Positive Change**

Brenntag is committed to best sustainable practices and has been working closely with EcoVadis since 2014. The company started by first undertaking an EcoVadis assessment, expanding in 2016 to use EcoVadis Ratings in its sourcing and supply chain sustainability program. In 2022, Brenntag received and maintains a Platinum Medal for these efforts, a recognition granted to the top 1% of rated companies. As a global market leader, Brenntag feels an innate sense of responsibility and is determined to set the standard for sustainability in its industry, which requires a collaborative effort that engages

the entire supply chain. Brenntag views its suppliers as respected partners and encourages a synergetic approach by which they work together to realize their shared vision. For Brenntag, "modern legislations such as the LkSG share our very same objectives, allowing them to naturally cascade through our value chain. This dynamic presents a meaningful opportunity to authentically promote our values."

## Collaboration through Brenntag's Global Sourcing Organization (GSO)

A priority for Brenntag was establishing an open channel of communication with the entire supply base. This dialogue ensured the company could work with suppliers to identify risks and enhance their overall sustainability performance. One way in which Brenntag has been monitoring supplier engagement is by assessing whether partners are integrating the values and expectations detailed in their Supplier Code of Conduct. In order to track this continuously, Brenntag has started monitoring how many suppliers sign the Code of Conduct for the company's Global Sourcing Organization (GSO). To date, nearly 95% of the suppliers have signed the Supplier Code of Conduct and pledged their commitment to upholding the shared values.



*The ROI of an EcoVadis Rating lies in enhanced sustainability performance, risk mitigation and improved stakeholder trust.*

The GSO also assigns Product Managers to key suppliers. GSO's role is to act as a point of contact for suppliers wherever they are on their sustainability journey, including providing guidance through the EcoVadis assessment and support in implementing improvement plans.

All Product Managers receive internal sustainability training at least once a year to ensure they have the necessary skills to provide suppliers with detailed feedback and work collaboratively to mitigate risk. Engagement with their role is encouraged through incentivization, as it accounts for a significant part of the Product Managers' variable compensation.

Some examples of supplier improvement initiatives include targeted training, webinars and e-learning courses. Additionally, GSO holds annual performance reviews for the supplier pool. This allows them to monitor spend, get a clear picture of supplier improvement and prioritize partners for reassessment or a Together for Sustainability (TfS) audit.

These measures serve as best practice examples for the ongoing journey of enhancing sustainability throughout the whole organization. With sustainability firmly anchored in the company's business model and vision, Brenntag ensures those in positions of leadership are equipped to provide employees with support and guidance on a spectrum of ESG topics. Brenntag highlights how this approach has proved a huge motivator for the team and greatly improved its overall performance.

## **Opening Channels of Conversation with EcoVadis**

*“We firmly believe that sustainability is most effectively achieved through close collaboration, and involving EcoVadis helps nurture these partnerships.”*

Exercising due diligence across intricate supply networks is a complex task. With so many moving parts, compliance with ESG regulations like the LkSG isn't as straightforward as it seems. However, Brenntag's expertise is



managing complex supply chains and networks and, when it comes to ESG, EcoVadis plays an important role in managing supplier relationships. Involving EcoVadis meant viewing supplier performance in the form of actionable scorecards and gaining access to e-learning through EcoVadis Academy. Brenntag takes a risk-centric approach, allocating priority to suppliers that exhibit an elevated risk profile. EcoVadis can support Brenntag in identifying potential human rights violations and introduce preventative measures such as targeted Together for Sustainability (TfS) audits and training. The company explains that “EcoVadis serves as a gateway to more in-depth dialogues with suppliers, paving the path for collaborative endeavors that drive mutual prosperity for both people and planet”. At present, 75% of Brenntag’s chemical purchasing volume is covered by EcoVadis with 70% of suppliers having improved their score in comparison to the previous year.





For Brenntag, there is an indirect return on investment with EcoVadis. As the preferred partner for companies participating in the “Together for Sustainability” (TfS) initiative, EcoVadis “creates a standardized foundation for evaluating and enhancing sustainability” across the entire supply chain. In addition to this, the framework lends itself to the company’s risk-centric approach, enabling them to identify specific areas for improvement, reduce operational risks and align with partner expectations. This process has proven itself to foster long-term resilience, greater innovation and boosted the company's credibility. Brenntag is also using its Platinum Medal as a tool to transparently communicate its commitment to sustainability and enhance trust with stakeholders, investors and customers.

With EcoVadis, Brenntag ensures that the responsible business practices detailed in their Supplier Code of Conduct are embraced and upheld by suppliers. The important relationship with EcoVadis helped Brenntag in strengthening and tailoring its procurement processes for compliance.

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