Global trends in supply chain management

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#CDPsupplychain | @CDP
Overview of CDP’s supply chain program
How CDP works

Regulatory and policy environment

Use information to make investment and purchasing decisions that reward companies with superior environmental performance, driving further action by companies.

INVESTORS AND COMPANIES

Request environmental information and action

Make transparent critical information on their environmental impacts, risks, opportunities, investments and strategies

COMPANIES AND SUPPLIERS

Use information to improve environmental performance

Measure their environmental impact

Companies reduce GHG emissions, safeguard water resources and prevent the destruction of forests

Climate change

Water

Forests
2018 supply chain members: 120+ companies, USD 3tr+ in combined purchasing power, requesting 10,000+ suppliers
Confirmed new members for 2018 include

- VM Ware
- Royal Bank of Canada
- CVS Pharmacy
- Target
- LADW
- AB InBev
- Ambev
- Wells Fargo
- International Flavors and Fragrance
- Gatwick Airport
- Tesco

- Michelin
- Honda Motor Co Ltd
- Honda North America
- Honda UK
- Mitsubishi Motor
- Fujitsu
- HTC
- Chunghwa Telecom
- Avianca Holdings
- AMBev

+ More tbc
2017 - more companies & action than ever before

- 4858 responders up from 4366 last year
- Double the number of SER leaders
- 15% rise in suppliers disclosing water data
- 51 industry groups
- 86 different countries
- 88 forest responders
- 551 million metric tonnes removed

Report findings

CDP supply chain report 2018
Closing the Gap: Scaling up sustainable supply chains

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Companies are going beyond their direct operations

“Delivering on the ambitions of the Paris Agreement will require businesses to play a key role to reduce emissions, manage water resources and limit deforestation within their operations and their supply chains,”

- Patricia Espinosa, Executive Secretary, United Nations Framework Convention on Climate Change
Emissions savings and cost reductions

551 million tonnes of CO₂ cut by suppliers more than Brazil’s total emissions in 2016.

Cutting emissions saved suppliers a reported US$14 billion.
CDP’s Supplier Engagement leader board recognizes 59 organizations for their work to reduce emissions and lower environmental risks in their supply chain, double the 29 in 2017

Accenture
Acciona S.A.
Adobe Systems, Inc.
Advanced Micro Devices, Inc.
Ajinomoto Co. Inc.
Apple Inc.
Atos SE
Bank of America
BNY Mellon
Bridgestone Corporation
BT Group
Coca-Cola HBC AG
Companhia de Concessões Rodoviárias - CCR
Cisco Systems, Inc.
Daikin Industries, Ltd.
Fujitsu Ltd.
 Hankook Tire Co Ltd
Hewlett Packard Enterprise Company
Honda Motor Company
HP Inc
Husqvarna AB
Imperial Brands
ING Group
Intel Corporation
Interserve Plc
ISG plc
Johnson & Johnson
Juniper Networks, Inc.
KAO Corporation
Kellogg Company
Konica Minolta, Inc.
Koninklijke Philips NV
MetLife, Inc.
Metso
Microsoft Corporation
Nestlé
NRG Energy Inc
Owens Corning
Pacific Market International
Panasonic Corporation
PG&E Corporation
Philip Morris International
Philips Lighting
PricewaterhouseCoopers LLP
Red Eléctrica S.A.U.
Reyners Label Printing
Rolls-Royce
Sky plc
Société Générale
Sodexo
Taiwan Semiconductor Manufacturing
TD Bank Group
Tech Mahindra
Tereos
TETRA PAK
Tokyo Gas Co., Ltd.
Unilever plc
United Microelectronics
Yokohama Rubber Company, Limited
Global CDP Supply Chain Data

Although more organizations disclose climate change data than water data ...

... disclosing organizations have made more progress in setting water related targets than climate change targets

SOURCE: CDP Supply Chain Climate Change Questionnaire, CDP Supply Chain Water Questionnaire, Team Analysis
Companies reporting emissions, %

- Scope 1: 78%
- Scope 2: 82%
- Scope 3: 51%

Insights and observations

- Highest response rate out of entire group and strong overall performance – majority of climate change and water responses were above average, if not leading the category.
- Second in reported T1 and T2 emissions magnitude.
- Appears to have very high managerial awareness for risk management, business strategy inclusiveness, and board level responsibility for climate and water concerns.
- Highest % of respondents for climate change targets in current reporting year and second highest for anticipated SBT setting <2 yrs.
- Well represented in official SBT values with over 40 companies either committed or have targets set.

Emissions YoY, %

- Decreased: 35%
- Stable or n/a: 24%
- Increased: 41%

Climate change practices, %

- Renewable target in reporting year: 28%
- Climate change target in reporting year: 77%
- Integrated risk management policies for climate: 70%
- Business strategy inclusive for climate: 55%
- Board level responsibility for climate: 57%

Science-based targets, %

- Approved: 59%
- To be set <2 yr: 12%
- Pend. app.: 48%
- n/a: 8%

Water practices, %

- Reported detrimental impacts related to…: 55%
- Water related risk assessments: 45%
- Exposed to water risks that may…: 61%
- Water policy with clear goals and…: 56%
- Company wide targets or goals for…: 65%
- Compliance issues: 30%
- Suppliers engagement: 5
- Water risk management…: 46
- 65

Country

Worldwide

Climate questionnaire response rate: 87%
Water questionnaire response rate: 49%
Forest questionnaire response rate: 100%

CO₂ eq. saved in reporting year: 56 million mt
Savings from initiatives implemented in reporting year: $3.8B

SOURCE: CDP Supply Chain Climate Change Questionnaire, CDP Supply Chain Water Questionnaire, Science Based Targets Initiative (SBT), team analysis
Increased percentage with risk management

#DisclosureWorks

- 43% of first-time disclosers have climate risk management procedures
- 56% of second-time disclosers have climate risk management procedures
- 71% of third-time or more disclosers have climate risk management procedures
More repeat disclosers with targets

#DisclosureWorks

- 28% of first-time disclosers have emissions reduction targets
- 43% of second-time disclosers have emissions reduction targets
- 56% of third-time or more disclosers have emissions reduction targets
More repeat participants reducing emissions

#DisclosureWorks

- 38% of first-time disclosers have emissions reduction initiatives
- 48% of second-time disclosers have emissions reduction initiatives
- 69% of third-time or more disclosers have emissions reduction initiatives
More repeat disclosers with targets and goals

50% first time disclosers have set company-wide targets and goals

60% of second time disclosers have set company-wide targets and goals

66% of third time disclosers have set company-wide targets and goals

#DisclosureWorks
Member use of data
Dell Inc.: Integration into procurement standards

Dell’s guidelines for suppliers:

- Report GHG emissions via CDP (minimum Scope 1 & Scope 2 - Scope 3 encouraged)
- Set public goals to reduce operational GHG impacts
- Tier 1 suppliers to establish GHG management and reporting requirements for their suppliers
- Report on water via CDP Water
- Publish a GRI-based sustainability report

Failure to meet these requirements can impact your supplier ranking and potentially diminish your ability to compete for Dell’s business.

Member Benefit
Use CDP data to embed sustainability requirements into balanced supplier scorecards
Engaging and training L’Oréal buyers has made it possible to mobilize suppliers and convince that measures aimed at reducing greenhouse gas emissions play an inevitable part of a company’s global performance. CDP’s supply chain scoring is then part of supplier’s evaluation. Suppliers’ performance on climate change is fully included in supplier relationship and challenged during business reviews.

Miguel Castellanos, Director of Global Safety, Health & Environment, L’Oréal
“How will we meet our new supply chain target? Close cooperation with our suppliers will be key. **We will be working together to help them switch to renewable energy, and encouraging more of them to report to CDP.** This is a critical first step towards action for suppliers, and the data they disclose will enable us to track emissions reductions and uptake of renewable energy in our supply chain”.

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Gabrielle Ginér, Head of Sustainable Business Policy at BT Group

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We will reduce the carbon emissions Associated with our supply chain on 2016/17 levels by 29% by 2030
Since Walmart first launched our sustainability goals in 2005, we have learned that incorporating sustainability in everyday work is good for business, good for people and good for the environment. It has made us a better company and showed us that when we work with others, we can make a greater impact.

That’s why in 2016, Walmart set a new goal to reduce emissions in our supply chain by 1 gigaton (1 billion metric tons) by 2030. To achieve this goal, Walmart is launching Project Gigaton - an opportunity for suppliers and organizations to join Walmart in reducing greenhouse gas (GHG) emissions in the supply chain.
Government member case study:

“The seven largest Federal procuring agencies shall each submit … a plan to implement at least five new procurements annually [including] evaluation criteria, performance period criteria, and contract clauses that will encourage suppliers to manage and reduce greenhouse gas emissions, and shall be implemented as soon as practicable…”

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- Executive Order (E.O.) 13963 set 2025 targets for the US federal government’s own footprint, including Scope 3/Supply Chain

- GSA has taken the first step to engage suppliers through CDP’s Supply Chain program

- All large Federal agencies have also started including vendor GHG management provisions in contracts
GSA launched this public, interactive dashboard combining federal contract data with data about federal suppliers’ and contractors’ corporate-level sustainability practices.

All sustainability practices and performance data is reported to GSA through CDP Supply Chain, including:

- Climate & Energy Risks Reported
- Stakeholder Engagement on Climate & Energy
- Percentage of Operational Spend on Energy
- Annual Investment in Energy Projects
- Annual Savings from Energy Projects
- Renewable Electricity Consumption
- Renewable Electricity Targets
- GHG Intensity
- GHG Inventory & Targets
- GHG Emissions Direction

Supply Chain program members request key suppliers to disclose through CDP.

Suppliers are evaluated on disclosure and performance.

Supply Chain program members encourage increased levels of supplier action on emissions through Action Exchange.

Suppliers reduce emissions through Action Exchange.
Creative incorporated recommendations from CDP’s action plan into their sustainability goals/business plan and implemented them.

1. Replaced hydraulic machines with all-electric:
   a) 50% reduction in energy consumption
   b) Investment payback period: 2.5 years

2. Worked with a CDP recommended solutions provider – Phillips Lighting – to switch all lighting to LED.

Potential savings for Creative as a result of AEX

GHG reductions: 20,000 MtCO$_2$e

Cost: US$2million a year
The future of CDP supply chain
New Questionnaires

- Better corporate reporting
- Greater action
- More relevancy
- Improved accessibility
- Enhanced harmonization
- Reduced reporting burden
- Driving preparation

Disclosure in 2018
2018 and beyond

- All-new systems for 2018
- Globalisation: ORS is now available in Spanish & Portuguese (and guidance) as well as English, Chinese, Japanese.
- Closer alignment with SDGs
- Investigate Waste
- Global Climate Action Summit
- SEDEX
CDP supply chain program – 10 years old

- Aiming for 10,000+ suppliers this year
- Stories from our members
- Looking back and driving forward
Investors pay attention

“Sustainable business can’t be based on supply chains that are exposed to the risks that climate change poses.”

Dr Rhian-Mari Thomas
Chair Barclays Green Council
Barclays

“Increasing expectation of reporting and disclosure through frameworks such as TCFD will mean that companies won’t have anywhere to hide.”
Private equity pays attention

“In the last ten years we’ve seen a huge growth of interest in climate change and focus on the supply chain forms part of that. It has to

No longer can we just ignore the supply chain

Adam Black
Head of ESG & Sustainability
Coller Capital
CPO insights

“We absolutely exit suppliers if they don’t address environmental issues. We must take very serious measures. And the companies see who is no longer in the room.”

The focus of future supply chain sustainability is platforms like CDP’s supply chain program. Cross working platforms getting organization to work together.

Anna Spinelli
Senior Vice President Procurement
Philips Lighting
The focus of future supply chain sustainability is Science Based Targets (SBTs), capturing supply chain emissions or indirect emissions and improved reporting.
We are able to drive real action on this, because we’re the ones who pull the purse strings.