

Global trends in supply chain management

Dexter Galvin

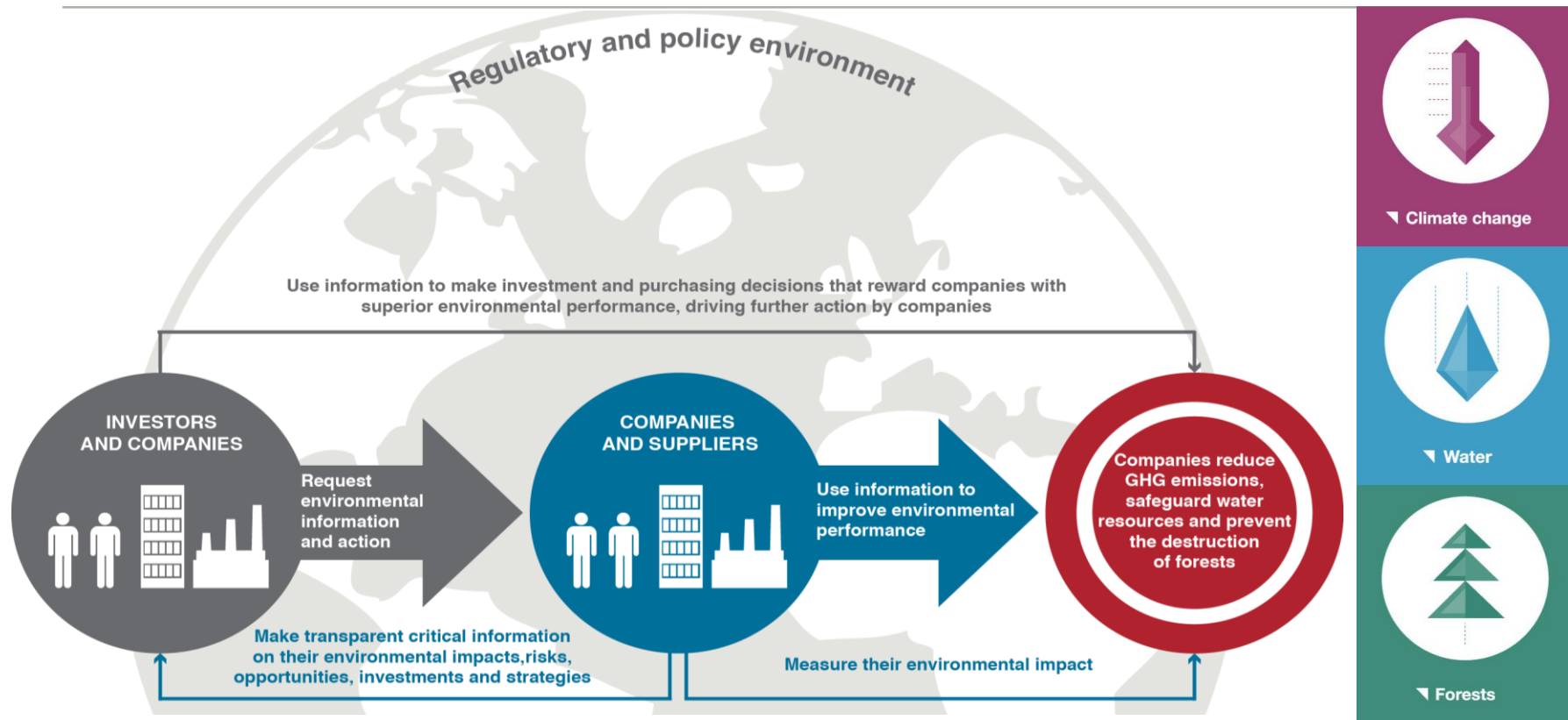
Global Director of Corporations & Supply Chains

#CDPsupplychain | @CDP

Overview of CDP's supply chain program

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How CDP works



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



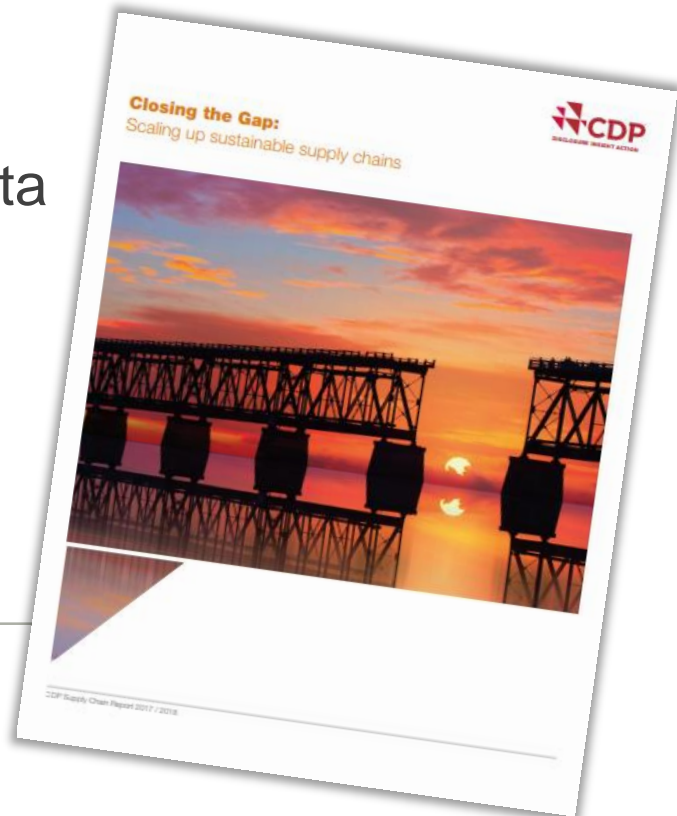
Confirmed new members for 2018 include

- ▼ 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

<https://www.cdp.net/en/research/global-reports/global-supply-chain-report-2018>



Report findings

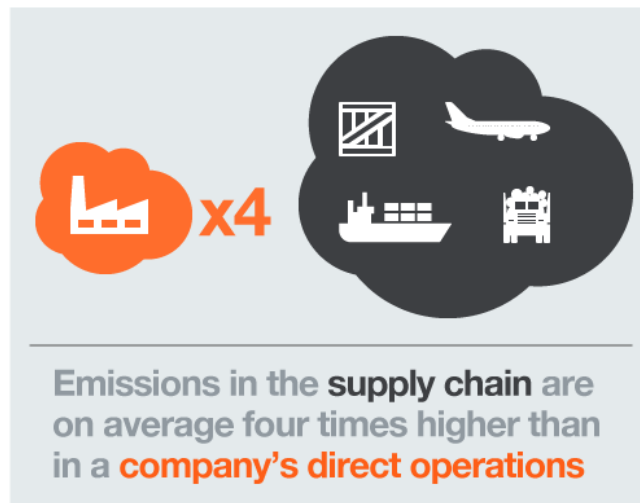
CDP supply chain report 2018
Closing the Gap: Scaling up sustainable
supply chains

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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



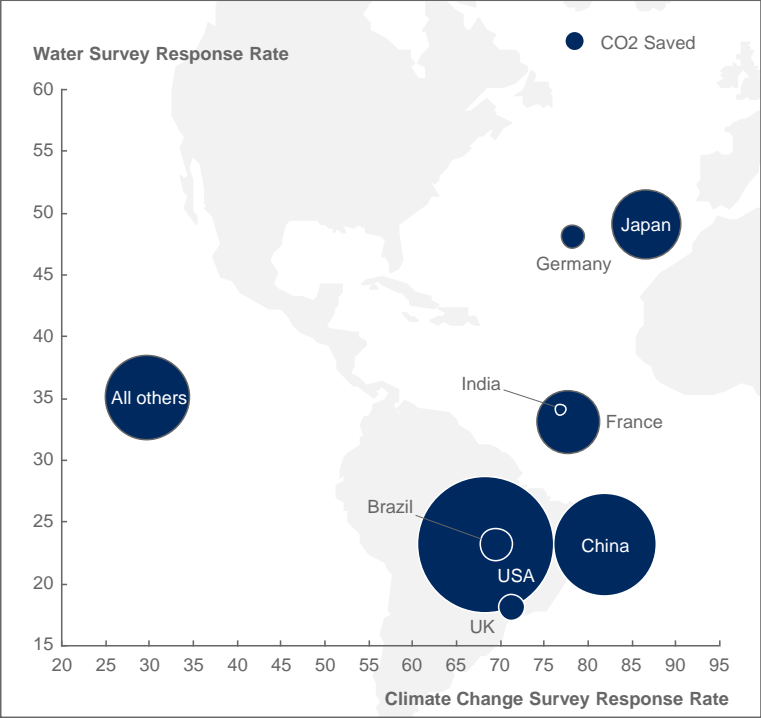
Supplier Engagement leader board 2018

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

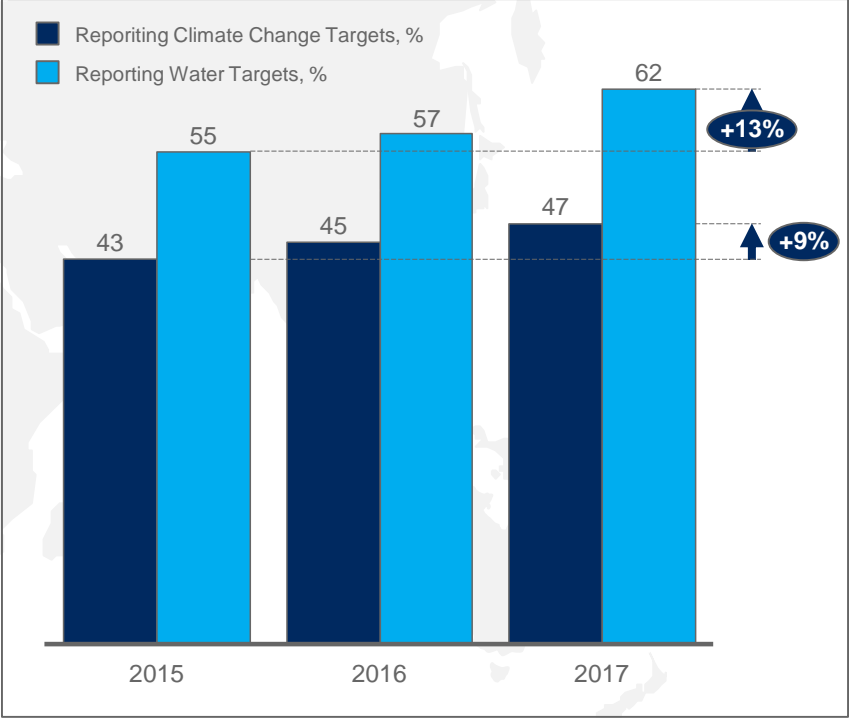
Accenture	HP Inc	Panasonic Corporation
ACCIONA S.A.	Husqvarna AB	PG&E Corporation
Adobe Systems, Inc.	Imperial Brands	Philip Morris International
Advanced Micro Devices, Inc	ING Group	Philips Lighting
Ajinomoto Co. Inc.	Intel Corporation	PricewaterhouseCoopers LLP
Apple Inc.	Interserve Plc	Red Eléctrica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



Asia|Japan|outlined

Climate questionnaire response rate: 87%

Water questionnaire response rate: 49%

Forest questionnaire response rate: 100%

CO₂ eq. saved in reporting year: 56 million mt

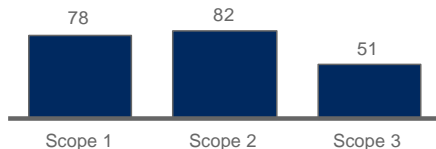
Savings from initiatives implemented in reporting year: \$3.8B

Country

Worldwide



Companies reporting emissions, %



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

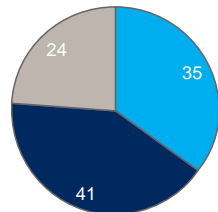
Second in reported T1 and T2 emissions magnitude

Appears to have very high managerial awareness for risk management, business strategy inclusiveness, and board level responsibility for CC and water concerns.

Highest % of respondents for climate change targets in current reporting year and second highest for anticipated SBT setting <2 yrs.

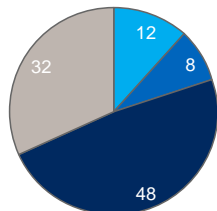
Well represented in official SBT values with over 40 companies either committed or have targets set

Emissions YoY, %



Decreased
Increased
Stable or n/a

Science-based targets, %

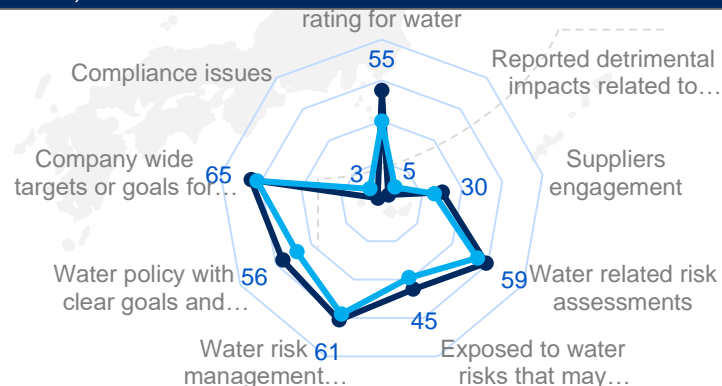


Approved
To be set <2 yr
Pend. app.
n/a

Climate change practices, %



Water practices, %



(1) Climate Change Questionnaire n = 452 (2) Water Questionnaire n = 222 (3) Forests = 2

SOURCE: CDP Supply Chain Climate Change Questionnaire, CDP Supply Chain Water Questionnaire, Science Based Targets Initiative (SBT), team analysis

Disclosure Works

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Increased percentage with risk management

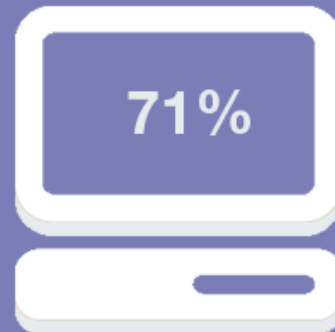
#DisclosureWorks



of first-time disclosers
have climate risk
management procedures



of second-time
disclosers have climate
risk management procedures



of third-time or more
disclosers have climate
risk management procedures

More repeat disclosers with targets

#DisclosureWorks



of first-time disclosers
have emissions reduction
targets



of second-time disclosers
have emissions reduction
targets



of third-time or more
disclosers have emissions
reduction targets

More repeat participants reducing emissions

#DisclosureWorks



of first-time
disclosers have emissions
reduction initiatives



of second-time
disclosers have emissions
reduction initiatives



of third-time or more
disclosers have emissions
reduction initiatives

More repeat disclosers with targets and goals

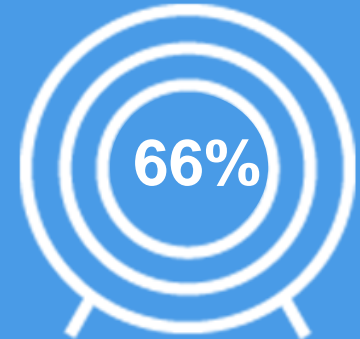
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first time disclosers have set
company-wide targets and
goals



Of second time disclosers
have set company-wide
targets and goals



Of third time disclosers have
set company-wide targets
and goals

Member use of data

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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.**

Dell



Member Benefit

Use CDP data to embed sustainability requirements into balanced supplier scorecards



L'Oréal: Scorecards and procurement training

Incomplete
response
scorecard

Supplier Module 2014 2013 2012

Disclosure Status: **Public** Questionnaire Type: **Full** Disclosure Score: **100/94** Performance Band: **A/A** # of requests: 16 Country: USA

Governance & Strategy

Climate integrated in business strategy: **Yes** Highest climate change responsibility: **Individual/Sub-set of the Board or other committee appointed by the Board** Reg. Phys. Other: **4 1 1**

GHG Accounting Methodology: **Yes** Engages value chain: **Yes** Opp's: **4 1 2**

Emissions Performance Reporting Period: 2012-10-01 to 2013-09-30 (yyyy-mm-dd) **Public**

Scope	Total Emissions (tCO ₂ e)	Verification	Proportion verified	>1 country or region?	Emissions Breakdowns
Scope 1	112000	Provided data	100%	Yes	By business division
Scope 2	663300	Provided data	100%	Yes	By business division
Scope 3		Provided data	100%		

S1 & S2 / Revenue: 4.77e-005 (metric tonnes CO₂e/USD\$)

S1 & S2 / FTE: 10.6 (metric tonnes CO₂e/FTE)

Customer-Supplier Relationship

Offered collaborative opportunities: **No** Attributes emissions reductions to you: **No** Allocates emissions to you: **Yes**

Emissions Reductions & Reduction Targets

Absolute emissions direction: **Decreased**

Required investment: USD(\$): 1.74381e+006 Annual monetary savings: USD(\$): 686905

Emissions reduction activities: 75 (Implemented or committed activities only)

Target Type	Scope of target	Base Year	Target Year	%emissions in scope from base	%reduction from base	Base Year Emissions	Intensity Metric	Total # of targets
Absolute	Scope 1+2	2012	2013	100	3	797700		1
Intensity	Scope 1+2	2012	2013	100	6	48.1	metric tonnes CO ₂ e per unit revenue	2

Complete
response
scorecard

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.

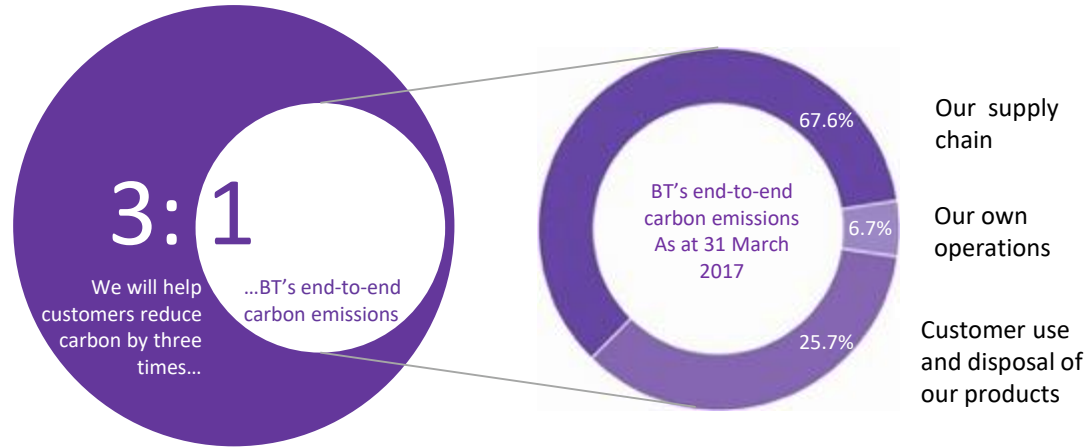
Miguel Castellanos, Director of Global Safety, Health & Environment, L'Oréal

L'ORÉAL

Example: BT using CDP Supply Chain to meet SBT targets

“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”.

Gabrielle Ginér, Head of Sustainable Business Policy at BT Group



We will reduce the carbon emissions
Associated with our supply chain on
2016/17 levels by 29% by 2030



Example High Profile Project



Project Gigaton

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:



Journey Progression

1

2

3



“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

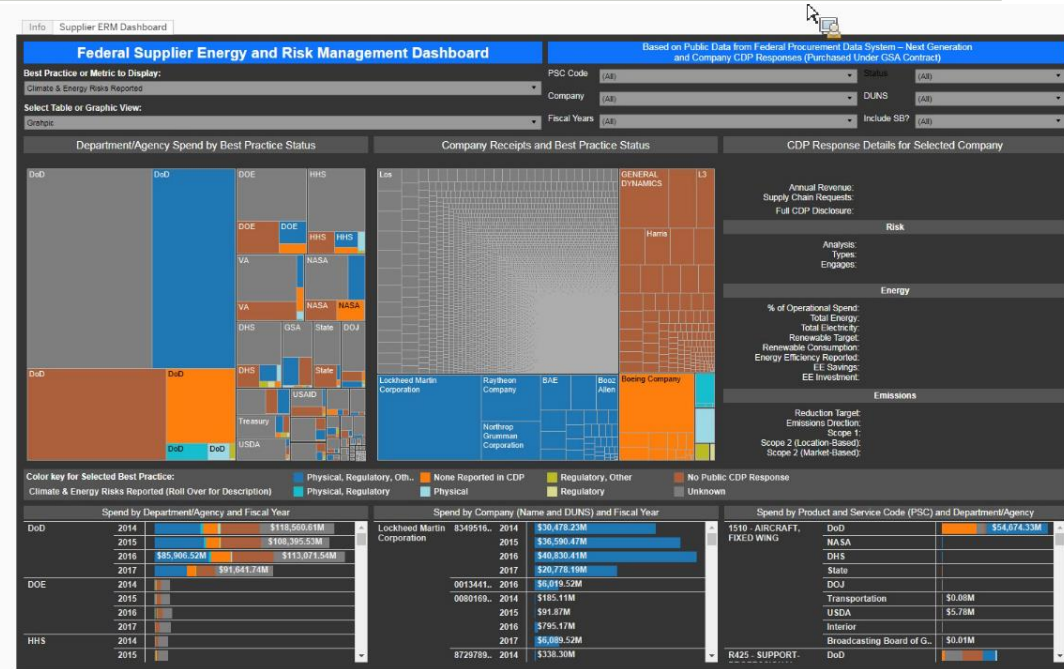
Federal Supplier Energy and Risk Management Dashboard



▼ 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



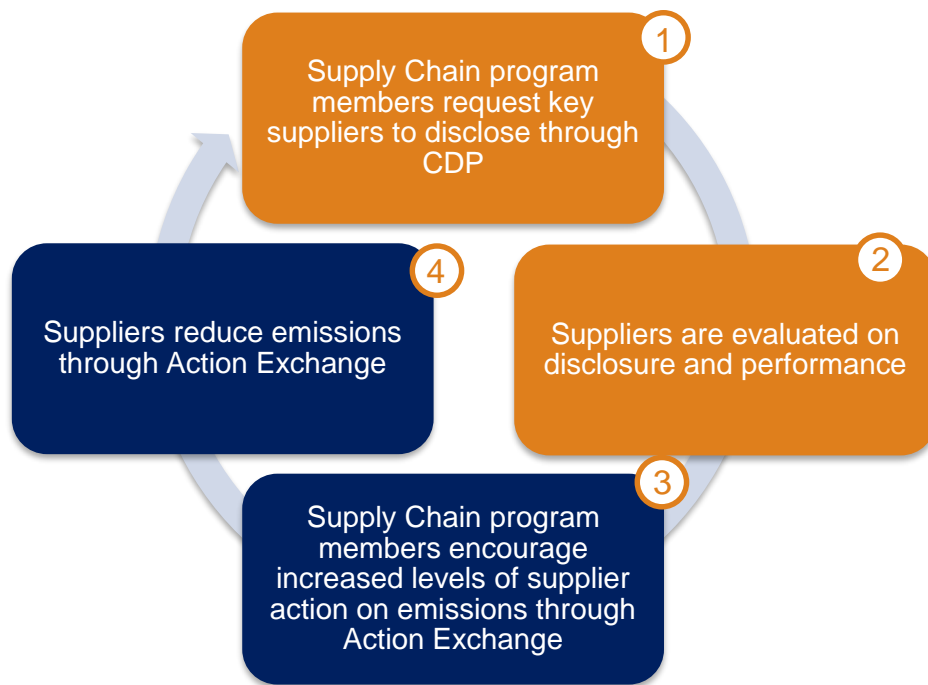
<https://d2d.gsa.gov/report/gsa-ogp-federal-supplier-energy-risk-management-erm-tool>

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Action Exchange



Action Exchange: Case study

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 MtCO₂e

Cost: US\$2million a year

Creative Group of Industries

Plastics manufacturer based in India

Requested by Unilever and Wal-mart

The future of CDP supply chain

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New Questionnaires

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




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
Collier 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

CPO insights



The focus of future supply chain sustainability is Science Based Targets (SBTs), capturing supply chain emissions or indirect emissions and improved reporting



Christina Vasili

Head of Procurement
KPMG



Al Williams

Chief Procurement Officer

Barclays



We are able to drive real
action on this, because
we're the ones who pull the
purse strings

