

Transparency to Transformation: A chain reaction

Global Supply Chain Report 2020

CONTENTS

- ▼ Introduction
- ▼ Risks in the supply chain
- ▼ Climate: Encouraging trends, insufficient action
- ▼ Forests: Supply chains without chainsaws
- ▼ Water: Trickle improvements but a wave of change is needed





Sustainable Supply Chains

Addressing environmental risks through supply chain engagement is vital for companies to be competitive and resilient in the changing market and build back better from COVID-19.



▼ In 2020 8,000 disclosing suppliers reported approximately **US\$1.26 trillion** in environmental risks.

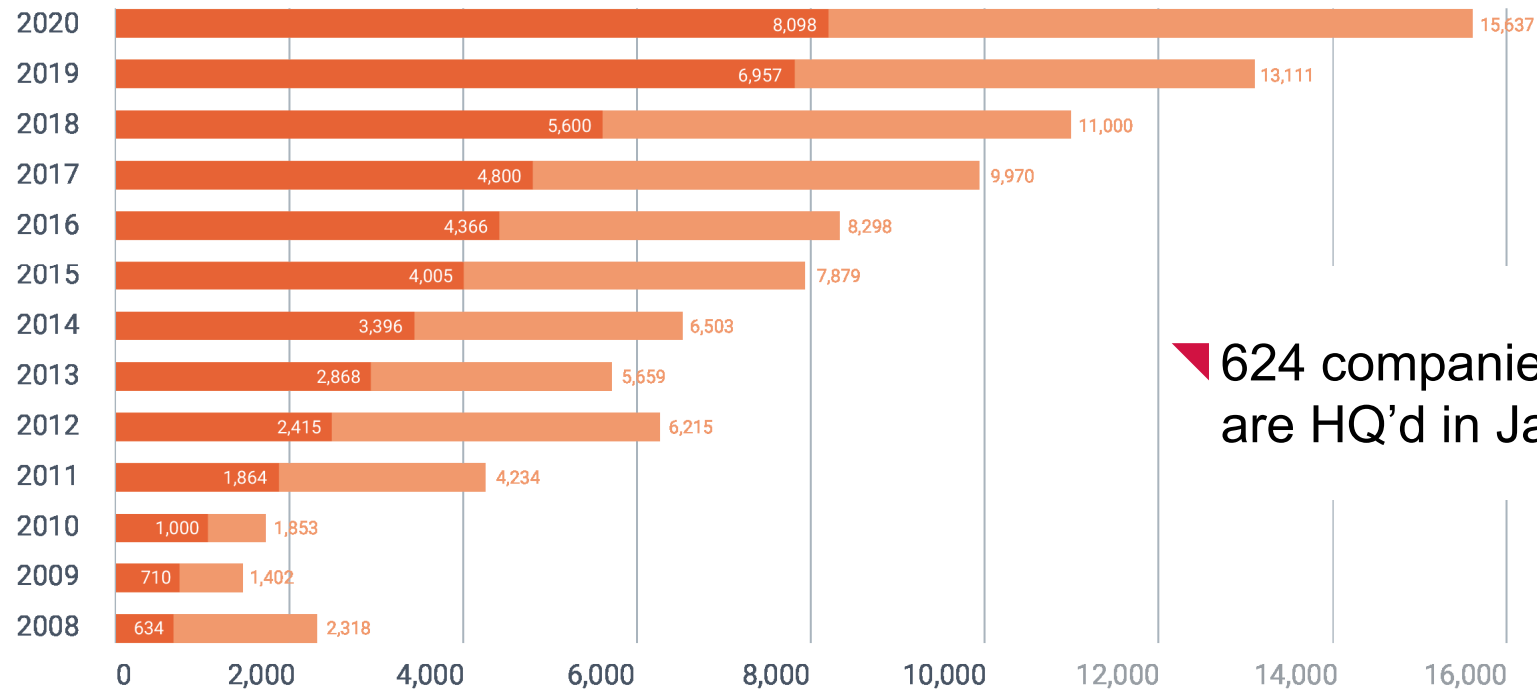
▼ Financial risks have a domino effect throughout the chain. Major corporate buyers could face **US\$120 billion** in increased costs in the next 5 years due to environmental risks in their supply chains.

A GROWING MOVEMENT



Growth in CDP Supply Chain disclosures, 2008 – 2020

Year



624 companies who reported are HQ'd in Japan

- Total suppliers who disclosed through CDP
- Total suppliers asked to disclose

Climate Change



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Transition to a Low-Carbon Economy



619 MtCO₂e

of emissions were reduced by
suppliers from 2019-2020...



159

...equivalent to the annual emissions
of 159 coal power plants



US\$33.7 bn

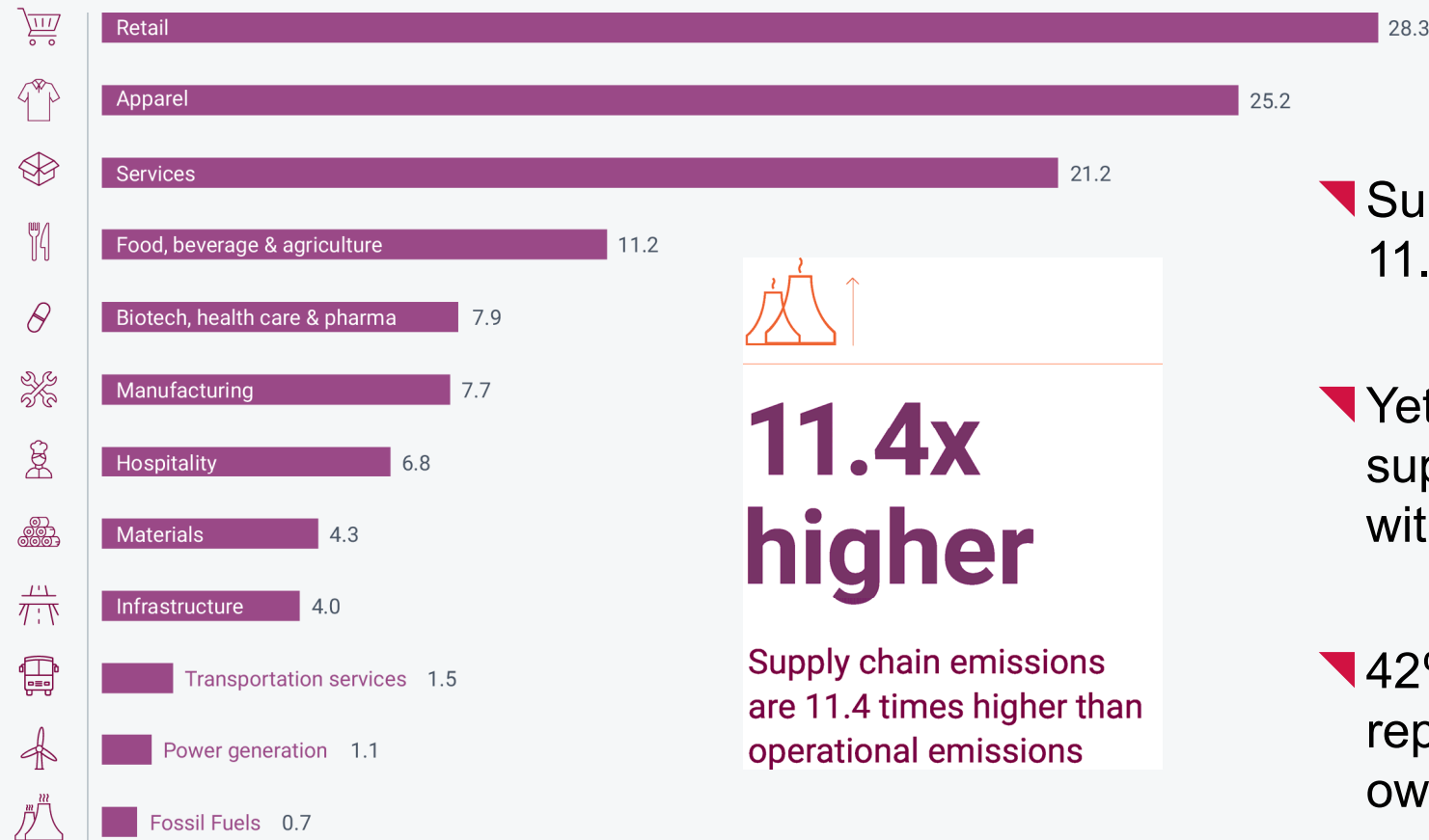
of savings from suppliers'
emissions reductions

- There was a 17% increase in disclosure from 2019 despite the unprecedented disruption of COVID-19. This shows an impressive level of commitment from companies and suggests that sustainability reporting is now considered core to business, not a nice-to-have
- Suppliers reported a total of **619 MtCO₂e** in emissions savings in 2020 and saved **\$33.7 billion** in the process.



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Your impact lies in your supply chain



- Supply chain emissions are 11.4x operational emissions
- Yet globally only 35% of suppliers report engaging with their own suppliers
- 42% of Japanese companies reported engaging with their own suppliers

Average of final ratio (Scope 3 [supply chain emissions] : Scope 1 +2 [operational emissions and direct emissions])

Low Carbon Supply Chains



▼▼ Toyota Motor Corporation became a CDP supply chain member in 2016 to support continuous environmental initiatives conducted with our suppliers. The program enables us to determine our supplier's risks, opportunities and their initiatives on climate change. Through such close collaboration with our suppliers, we received a 96% response rate for CDP climate change 2020 which accounts for approximately 84% of our total purchasing value in Japan. **Through our continuous efforts, we were pleased to report that approximately two-thirds of our suppliers reduced their CO2 emission intensity (total emissions/net revenues) in 2020 compared to the previous year.** Achieving the SDGs, including environmental sustainability, is a huge challenge for us all. To contribute to this shared goal, every Toyota person all over the world will be resolute in "Producing Happiness for All". ▼▼

Toyota Motor Company

Environmental Disclosure & Purchasing



▼▼ As a CDP supply chain member, we at Samsung Electronics hope to see more of our suppliers undertake actions to reduce emissions year on year. In 2020 we asked our key suppliers to disclose through CDP and received responses from 163 suppliers, with a response rate at 71%. We also provide incentives to suppliers to participate in CDP disclosure and set carbon reduction targets. In addition, Samsung Electronics operates joint educational seminars regularly with CDP, which share experiences to help suppliers reduce electricity, gas and carbon emissions. **We will continue our efforts to engage with more supply chain partners by making it easy to participate in carbon emission reduction activities.** ▼▼

Partner Collaboration Center, Samsung Electronics Co., Ltd

Sustainable Procurement



▼▼ Sekisui Chemical Group aims to achieve net-zero GHG emissions from its business operations by 2050, and we have set a science-based target which includes a 27% reduction of our scope 3 emissions by 2030. Sekisui Chemical Group engages in reducing GHG emissions throughout the supply chain by monitoring emissions at every stage, from raw material procurement to development, production, transportation, and use of products. The amount of emissions caused by purchased goods and services account for the largest proportion of our GHG emissions in Scope 3, at 50% or more. To reduce these indirect emissions, we will review the selection criteria when adopting new materials. **In addition, we are engaging with our suppliers by utilizing the CDP supply chain program, in order to identify the emissions reductions of our suppliers at the stage of raw materials production.** ▼▼

Sekisui Chemical Group

Cascading Action



Water management in our supply chain is key to achieving our commitment of becoming a regenerative company by 2040 and protecting 50 million acres of land and 1 million miles of ocean. This will depend on the collective action and transparency that we can encourage for our operations and suppliers. This year, 66% of our suppliers already include water security within their long-term business objectives, aligning with our shared vision and adopting good practices. An indicator of the importance of managing water resources is that 13% of these suppliers already identified some negative impact due to water risks during the 2020 reporting period. **48% of our suppliers reported that they also run water risk assessments with their own suppliers. This is cascading transparency and awareness down the chain.** Our goal is to take advantage of common opportunities and shared long-term strategies to mitigate water risks with our suppliers, as we seek to generate shared value through our value chain.

Claudia de la Vega Martínez, Director of Corporate Affairs, Walmart Mexico

Protecting our Forests



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Deforestation in the supply chain

Increased Transparency



448

suppliers disclosing
on forests at the
request of their buyers

5x

more suppliers (448 out
of 788) responded when
asked to disclose on forests,
compared to the pilot year
in 2017



US\$5bn

in reported deforestation-
related risks

236

suppliers reported
sourcing commodities
from forest risk
countries

- ▼ In 2020, **448 suppliers** disclosed their forest risks.
- ▼ This was a **5x increase** since the pilot year.
- ▼ Suppliers reported **US\$5 billion** in deforestation-related risks.
- ▼ **236 suppliers** reported sourcing commodities from forest risk countries.

Road to Zero Deforestation



▼▼ Corporate sustainability is vital for Sunner to achieve our business goals. Sunner mainly uses soybean, palm oil, and cattle products during the feeding, incubating, and processing period of our white feather chicken and beef products. **Disclosing information about forest conservation through CDP enables us to act on deforestation risks and incorporate ‘zero deforestation’ into our overall sustainable business strategy.** This goes beyond disclosure and transparency - we want to fundamentally reduce and manage deforestation risk and climate change impacts. We also work with CDP to provide capacity-building activities for our suppliers to enhance their awareness and management capacity for deforestation risks. ▼▼

Fujian Sunner Group

Water



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Water Stewardship in the Supply Chain

Water-related Risks

- Suppliers identified US\$248 billion associated with all water-related risks.
- a major increase in financial risk associated with reputational and market risks, which are now almost as high as physical risks.

These risks exist throughout the supply chain but action is not being cascaded

- 18% of suppliers globally engage their own suppliers on water stewardship



Types of risk

