Improving Environmental Sustainability in Supply Chains: Best Practices Webinar

Friday, September 9, 2016

Presented by:
Melissa Klein, U.S. EPA
Nena Shaw, U.S. EPA
Verena Radulovic, U.S. EPA

Guest Speakers:
Melissa Bouilly, Dell
Rick Love, United Technologies Corporation
Kathleen Shaver, Cisco Systems

Supporting organizations in GHG measurement and management • www.epa.gov/climateleadership
Webinar Agenda

• Introduction and webinar logistics
• Speakers
  – Melissa Klein, Communications Lead, Center for Corporate Climate Leadership, U.S. Environmental Protection Agency
  – Nena Shaw, Acting Office Director, Office of Strategic Environmental Management, U.S. Environmental Protection Agency
  – Verena Radulovic, Product Lead, ENERGY STAR Electronics, U.S. Environmental Protection Agency
  – Melissa Bouilly, Program Manager, Supply Chain Responsibility, Dell
  – Rick Love, Manager, Environmental Sustainability, United Technologies Corporation
  – Kathleen Shaver, Director of Sustainability and Risk, Cisco Systems
• Q&A
• Post-webinar survey
Webinar Logistics

• Attendees are muted to reduce background noise.
• Submit questions and comments in writing via the online control panel. ➔ ➔ ➔
• To minimize or maximize the control panel, click on the button at the top left of the tool bar.
• Post-webinar survey on this webinar and topics for future webinars.
• Today’s presentations will available at:

https://www.epa.gov/climateleadership/improving-environmental-sustainability-supply-chains-best-practices
About the Center

- A resource center for organizations of all sizes looking to expand their work in the area of greenhouse gas (GHG) measurement and management.
- Provides technical tools & guidance, educational resources, opportunities for information sharing (e.g., Webinars) and peer exchange.
- Promote practices that reduce GHG emissions, drawing upon the successes of Climate Leadership Award recipients and innovations by organizations.
- Support the implementation of E.O. 13693.
The U.S. EPA Climate Leadership Awards is a national awards program that recognizes and incentivizes exemplary corporate, organizational, and individual management and reduction of GHG emissions—both in internal operations and throughout the supply chain.

- Now in its sixth year, the awards highlight leadership in reducing carbon pollution and building resilience to climate change.
- Six categories: Excellence in Greenhouse Gas Management - Goal Setting & Goal Achievement; Innovative Partnerships; Supply Chain Leadership; Individual Leadership; Organizational Leadership.
- EPA’s Center co-sponsors the awards with NGOs: Center for Climate and Energy Solutions (C2ES) and The Climate Registry.
- Award application period closes 9/26/16. Awards dinner to be held 3/2/17 during the Climate Leadership Conference in Chicago, IL.

https://www.epa.gov/climateleadership/climate-leadership-awards
Nena Shaw
Acting Office Director
Office of Strategic Environmental Management
U.S. EPA
EPA’s Interest in Supply Chain Work

- Supply chains often represent a large percent of an organization’s environmental footprint, e.g., approximately 40%-60% of a manufacturing company’s and 80% of a non-manufacturing company’s carbon footprint.

- As companies extend or expand their markets into emerging and growing country economies, their supply chains will likely become more disperse, globalized, and complex, resulting in greater environmental impacts.

- It is important for EPA to consider supply chain impacts, including shifts and movements of pollution, when the Agency manages or oversees programs, develops policies, makes national and regional regulatory and non-regulatory decisions, takes actions, and makes enforcement decisions.

- Environmental impacts from supply chains can be strategically integrated into EPA’s activities such that the Agency works more effectively to fulfill its mission.
EPA’s Current Supply Chain Efforts

Over the past 20 years, EPA has undertaken a number of supply chain efforts:

- Developing the former Green Suppliers Network
- Participating in third-party organization development of sustainability standards
- Recognizing organizations for their supply chain work through the Center for Corporate Climate Leadership’s Supply Chain Leadership Award
- Exploring strategies to improve freight supply chain efficiency through the SmartWay program
- Sustainable Marine Transport Initiative
Recommendations for Future Supply Chain Efforts

- Identify opportunities to consider supply chain impacts in EPA programs, policies, actions, decisions, and tools through the creation of an overall strategy.

- Build EPA's supply chain capability by developing an internal network of EPA programs and staff working on or interested in supply chain issues.

- Engage with the private sector, non-governmental organizations, and other stakeholders (including other government agencies) for EPA to learn about their supply chain sustainability efforts and to network and identify opportunities for EPA to share their leading practices and help build supplier capabilities.

- Provide information internally and externally to share the importance of considering supply chain impacts and examples of what EPA, the private sector, non-governmental organizations, and other stakeholders are doing to reduce these impacts.
Environmental Sustainability in Supply Chains

A Dialogue with Leading Stakeholders and EPA

May 3, 2016 Highlights

Verena Radulovic
Product Lead, ENERGY STAR Electronics
U.S. EPA
Overview

Public, Private, Nonprofit Participants
Accenture; CDP; Cisco; Clif Bar; Dell; Electronic Industry Citizenship Coalition; GM; HP; IBM; Johnson Controls; Johnson & Johnson; Lockheed Martin; Mars; Steelcase; Suppliers Partnership for the Environment; Sustainable Purchasing Leadership Council; United Technologies Corporation; World Resources Institute; GSA; DOE; CEQ; EPA: ENERGY STAR, Green Power Partnership, Center for Corporate Climate Leadership, SmartWay, OCSPP, OP, OLEM

Panels

- **DO**: Strategies for Sustainable Supply Chain Management
- **MEASURE**: Data and the Value-Add: Charting Accomplishments
- **DRIVE**: The Triple Bottom Line: Policy, Procurement, and Standards Setting
Selected Insights

Strategies for success
- Collect data essential to improve performance
- Leverage common reporting platforms
- Target measurements on biggest impacts
- Set science-based environmental goals
- Reward performance and innovation
- Benchmark success

Barriers to success
- Unclear business case
- Supplier survey fatigue
- Lack capability to measure progress
- Difficult to engage small suppliers with limited resources
- Lack standardized metrics across sectors
- Hard to penetrate organizational culture, build support and encourage innovation
Possible EPA/Federal Action to Advance Supply Chain Sustainability

Participants’ Suggestions:

• Articulate agency support (at top levels) for supply chain sustainability

• Simplify access to EPA tools and resources

• Engage SMEs through established resources and programs (i.e., Lean toolkit)

• EPA needs to share information, be engaged, and sit at the table alongside leading companies and NGOs
Dell
Social and Environmental Responsibility in the Supply Chain
We are partnering with suppliers to drive the 2020 Legacy of Good plan and continuing to offer customers innovative solutions.
We are working toward full transparency of social and environmental issues in the supply chain

We have a 2020 goal to reach 100% transparency on all issues in our Supply Chain

- Publish our supply chain audit findings and partner with suppliers to improve performance
- Share demonstrated improvements across the supply chain to drive best practices
- Collaborate with customers and NGOs to drive continuous improvement.

Trust and collaboration are the essential building blocks of a transparent supply chain
We are building a stronger supply chain through collaborative projects, capability opportunities, and open dialogue.

- **SER Champions engage with suppliers directly**
- **Provide capability-building opportunities**
- **Build value to expand business opportunities**
The Champions team drives engagement on issues of social and environmental responsibility throughout procurement

The challenge
We increased supplier EICC audits by 88%. Without a process to engage suppliers and build capabilities, we were finding more risk than we were mitigating.

The solution
We implemented a Champions Team across procurement to drive engagement and accountability for SER into the category management strategy.

The impact
This has effectively quadrupled the number of people we have working directly with suppliers on SER issues.
We offer a wide range of capability-building opportunities to our suppliers – and our offerings are expanding

**Specialized trainings for SER Practitioners**
Equip SER professionals with the sophisticated skills necessary to implement Dell requirements

**New Supplier Orientation**
Educate prospective suppliers on the EICC Code and Dell expectations

**E-learning via the EICC Academy**
Obtain targeted knowledge for CAP management and specific issue remediation

**SER Networking and Seminars**
Build a supplier network to share best practices and a communication network to cascade Dell SER messages

**Trainings targeted to regional issues**
- Protecting vulnerable workers
- Water risk mitigation plan development
- Air quality and waste water treatment

**Engaging directly on a wide range of issues**
- Worker engagement initiative
- Hotline for grievances or counseling
- Anonymous worker surveys
Customers expect forward-looking actions and sustainability leadership will open new opportunities in the future

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<th>Regulations and standards</th>
<th>Requirements</th>
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<td>• New laws in UK, US, China</td>
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<td>• Stricter EICC standards</td>
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<td>• Water risk mitigation plans</td>
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<td>• Global Reporting Initiative</td>
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<td>• Innovative materials</td>
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<td>• Sustainable packaging</td>
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<td>• Circular economy</td>
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<th>Value-add to business</th>
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<td>• Prevent operational disruptions</td>
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<td>• Increase efficiency</td>
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<td>• Reduce turnover</td>
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<td>• Develop innovative processes</td>
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**Proof points**

- 81 suppliers reduced 7M tons CO₂ for $41M savings
- 27 suppliers realized energy savings of $54.6M
UTC Supplier Sustainability

Rick Love
richard.love@utc.com

September 9, 2016

No technical data subject to the EAR or the ITAR
UNITED TECHNOLOGIES

FOUR BUSINESS UNITS: $56.4B

Heating, ventilating, cooling & refrigeration systems

Security & fire protection services

Elevators, escalators, moving walkways, people movers & horizontal transportation systems

Industrial & aerospace systems

Aircraft engines, gas turbines & space propulsion systems

No technical data subject to the EAR or the ITAR
UTC VALUE CHAIN IMPACTS

2014 GHGs
2 mmtCO2e

8 mmtCO2e

400 mmtCO2e

Operations
300+ factories

Suppliers
25,000+

Products
Jet engines
Chillers

No technical data subject to the EAR or the ITAR
SUSTAINABILITY PROGRAM VALUE

Supplier cost savings

Supplier EH&S performance & reliability

Engagement with suppliers

Health and Safety

Water

Energy

Compliance
ACTIONS AND SUPPLIER IMPACTS

- Requirements + Incentives
- Collaboration
- Requirements
- Questionnaire + corrective actions
- Questionnaires
- Expectation Statements

**Incentives**
- Quicker payment
- Less inventory
- More business

** EH&S costs, resilience **
RULES OF DEVELOPMENT

Nothing we don’t require of ourselves

Comparable to best-in-class programs

No unreasonable burden on suppliers

No extensive data analysis by UTC

No technical data subject to the EAR or the ITAR
2020 SUSTAINABILITY GOALS

United Technologies

2020 SUSTAINABILITY GOALS
MOVING THE WORLD FORWARD

REDUCE GREENHOUSE GAS EMISSIONS 15%
REDUCE WATER CONSUMPTION 25%
IMPLEMENT GLOBAL WATER BEST PRACTICES 100%
REDUCE HAZARDOUS WASTE GENERATION 10%
RECYCLE TOTAL WASTE 90%
ELIMINATE USE OF CHLORINATED & IRRADIATED SOLVENTS 100%
REDUCE ERGONOMIC RISK 50%
FURTHER REDUCE EXPOSURE TO HAZARDOUS SUBSTANCES 3x

SUSTAINABILITY GOALS
INCENTIVIZING KEY SUPPLIERS TO IMPLEMENT 11 SPECIFIC SUSTAINABILITY MEASURES

ENVIRONMENT, HEALTH & SAFETY COMPLIANCE GOALS

0 Enforcement actions, non-compliance
100% Inspections without enforcement actions
100% Annual permit & program evaluations
100% Passing compliance/assurance scores

No technical data subject to the EAR or the ITAR
1. Supplier has code of conduct for ethics and sustainability appropriate for its business
   Required for Gold: 2017

2. Supplier has formal CEO or Board level commitment to continuous EH&S improvement
   Required for Gold: 2017

3. Supplier uses an appropriate, written workplace EH&S management system
   Required for Gold: 2017

4. Supplier has a current injury incident rate < 3.0
   Required for Gold: 2017

5. Supplier uses root cause analysis following all serious or fatal injuries
   Required for Gold: 2017

6. Supplier has demonstrated annual improvements in its use of energy
   Required for Gold: 2017

7. Supplier has formal EH&S goals
   Required for Gold: 2018

8. Supplier has demonstrated annual improvements in workplace safety
   Required for Gold: 2018

9. Supplier has demonstrated annual improvements in its use of water
   Required for Gold: 2018

10. Supplier includes attainment of formal EH&S goals in executive compensation
    Required for Gold: 2019

11. Supplier has demonstrated annual improvements in its waste recycling rate
    Required for Gold: 2019

No technical data subject to the EAR or the ITAR
SUPPLIER BENEFITS

Based on UTC experience

- Decreased operating costs
- Improved worker safety
- Reduced environmental impacts
- Increased resiliency and reliability

+ UTC Gold = Financial incentives

No technical data subject to the EAR or the ITAR
Driving Innovation for Organizational Change

Kathleen Shaver
Director, Supply Chain Sustainability
Cisco’s Supply Chain

13 COUNTRIES
25+ LOCATIONS

- Manufacturing Sites
- Strategic Logistics Centers

30,000+ orderable items
20,000+ virtual teams
2,500+ orders daily
220,000+ items shipped daily
700+ active suppliers
62,000 components

Diverse Portfolio
Mass production to highly configured
Sustainability Enablement

The Speed of Innovation.

Simple Focused Strategy

Business Process Integration

Partner Value Proposition

Agile Problem Solving
Progress in sustainability requires bold ideas, persistence, and above all, collaboration.
Contact Us

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For more information, visit www.epa.gov/climateleadership
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