

Supplier Engagement: Leveraging the Power of Suppliers

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- ▼ Context – the importance of supplier engagement.
- ▼ Supply Chain Report Findings
- ▼ How CDP's supply chain program works
- ▼ Strategy: How to leverage the power of suppliers
- ▼ Next steps for sustainable supply chains: Technology and engaging the chain.

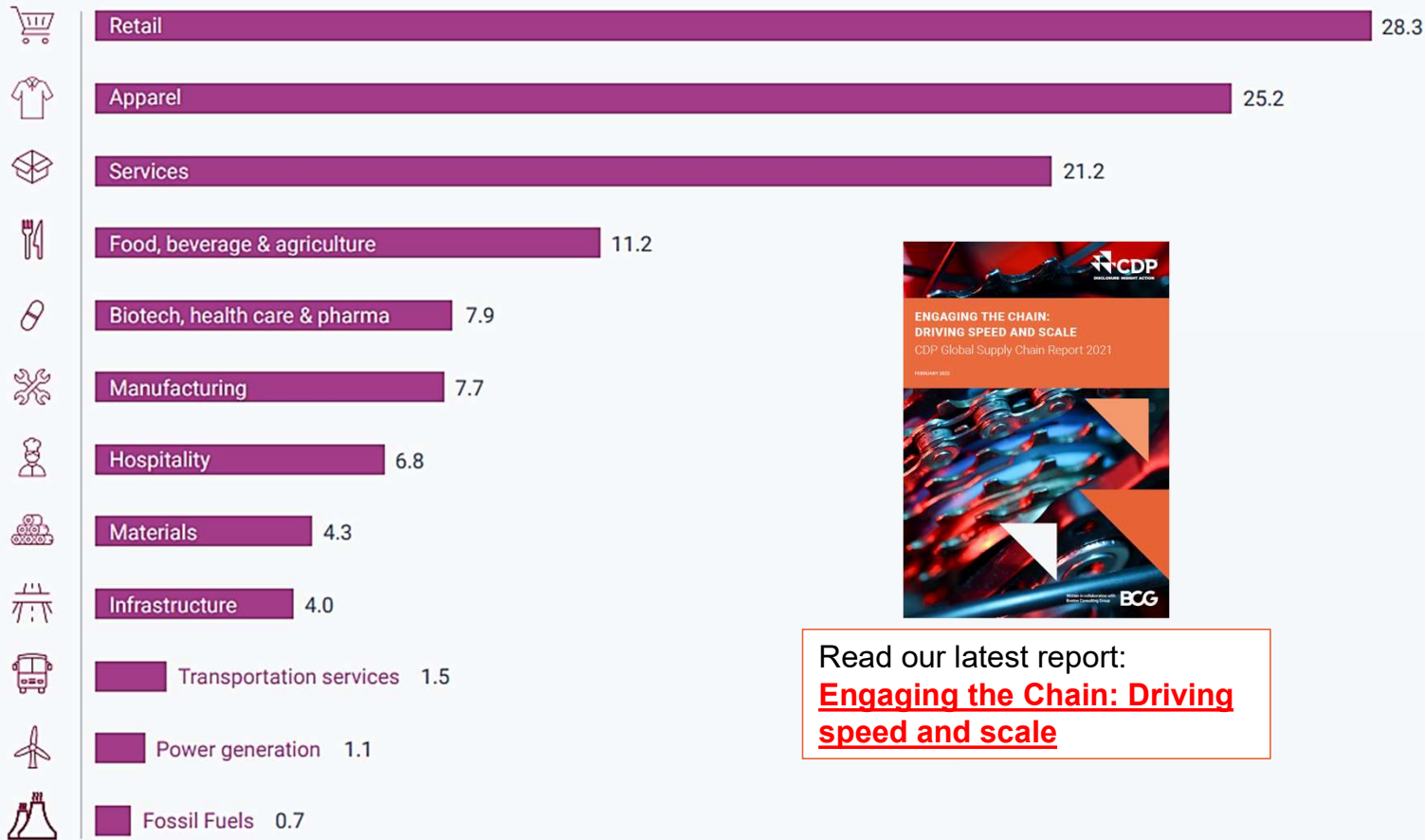
The importance of engaging your supply chain



- ▼ Rapid rise in supply chain traceability initiatives.
- ▼ Resilience – what does it look like?
- ▼ Policy is changing...
 - ▼ Europe: Digital Products passport, Commission mandating environmental due diligence.
 - ▼ US: SEC will require companies to report scope 3.
 - ▼ ISSB, SBTi
 - ▼ ESG, sustainability financing.
- ▼ Nature and biodiversity: Actions must be holistic.
 - ▼ Biodiversity: COP26 – Environmental challenges are interconnected.
 - ▼ Water and forests require even greater understanding of localised impacts.
 - ▼ SBT FLAG (forest, land & ag)
 - ▼ Risks can very quickly cascade.

WHERE DOES YOUR BIGGEST IMPACT LIE?

Supply chain emissions are significantly higher than direct operations emissions



Read our latest report:
[Engaging the Chain: Driving speed and scale](#)

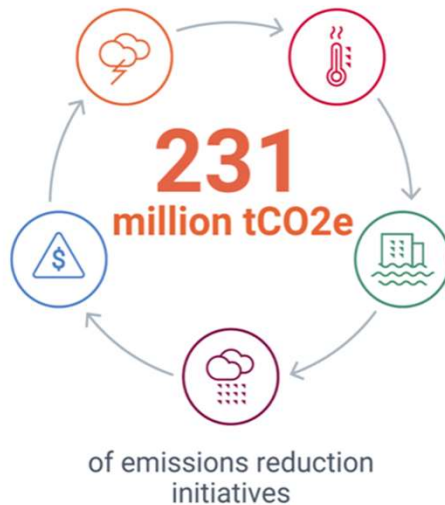


On average,
supply chain emissions are
11.4x higher
than operational emissions

Supply Chain Report: Key findings

- ▼ Small, but growing number of companies.
- ▼ Companies primarily focus on own operations, not indirect impacts from their supply chain.

Suppliers reported that engagement from CDP Supply Chain members drove...

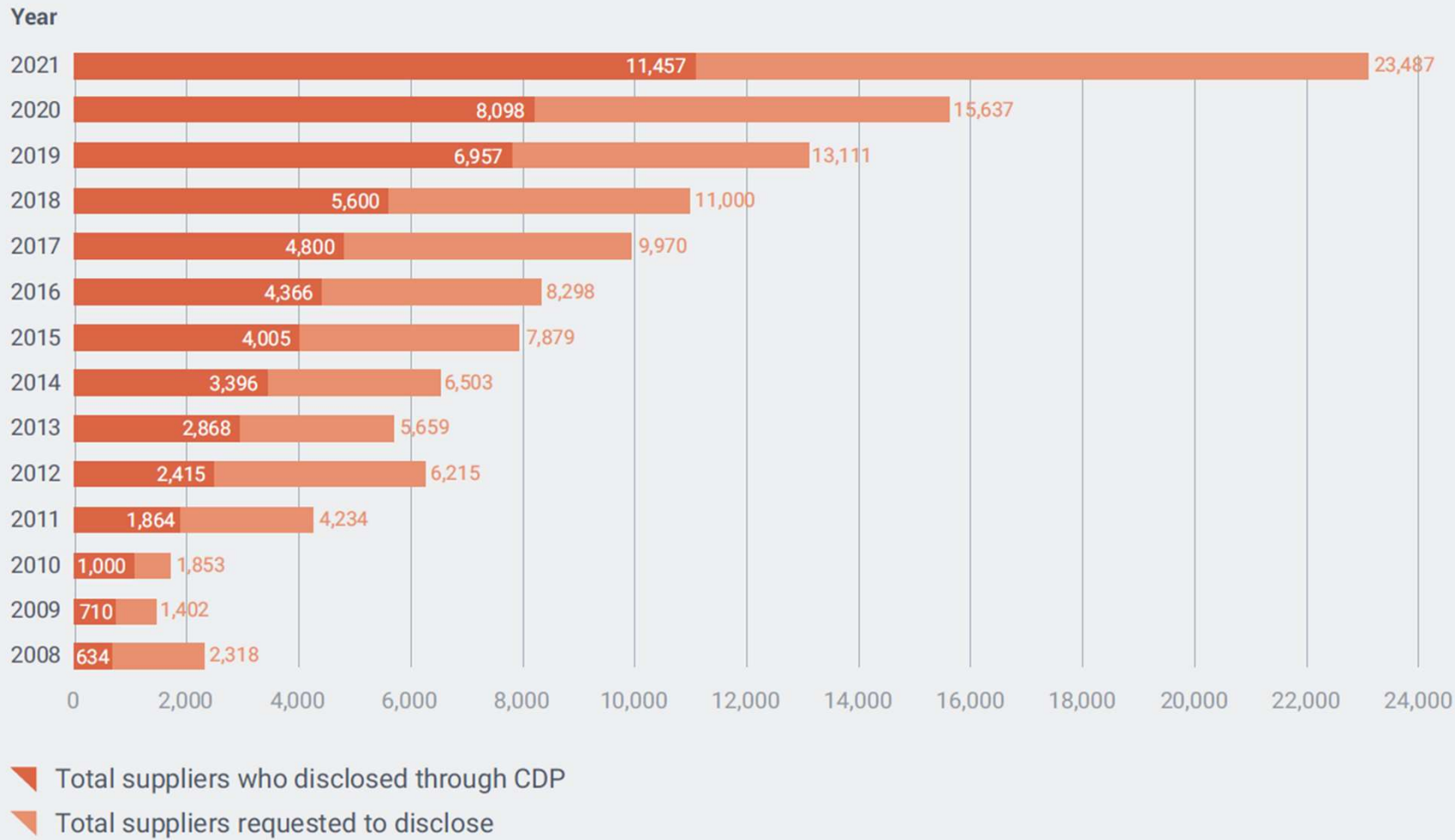


...while only

20%

reported on purchased goods and services emissions (Scope 3)

Growth in CDP Supply Chain disclosures 2008–2021



Small, but growing number of companies are trailblazing a path to truly meaningful environmental action. But they are a minority.

environmental action.



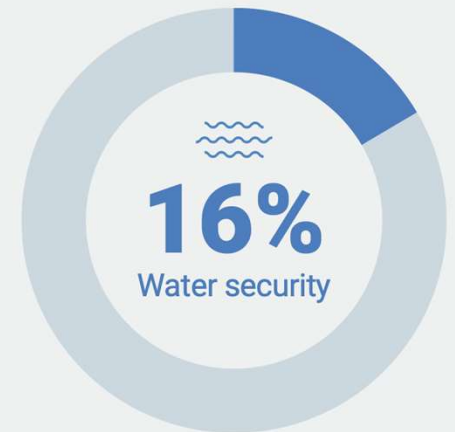
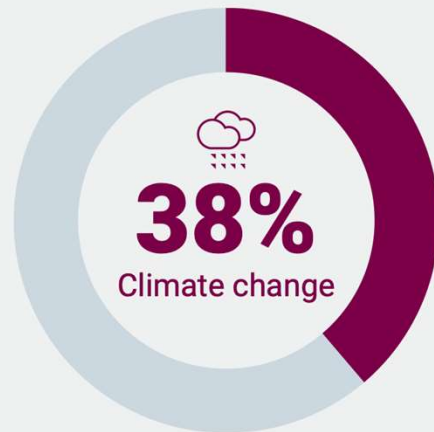
This year... 282 members, representing \$6.4 trillion, requesting over 40,000 companies.

The fail of the cascade



- ▼ Only 38% of companies are engaging suppliers on climate change.
- ▼ 16% for water.
- ▼ 47% downstream companies working beyond tier-1 suppliers

Companies that disclosed in 2021 and actively engage with suppliers on each theme:



*downstream companies (traders, manufacturers, retailers) working beyond their first-tier suppliers to manage and mitigate deforestation risks.

- Majority of suppliers do not have any climate targets.
- Currently a 5% increase per year. Would take another decade at this speed.
- Supply chain members can act as catalysts in driving change here.



CDP
DISCLOSURE INSIGHT ACTION

In 2021, suppliers disclosing through CDP reported...



↓

EMISSIONS REDUCTIONS OF
1.8 BILLION TCO₂E



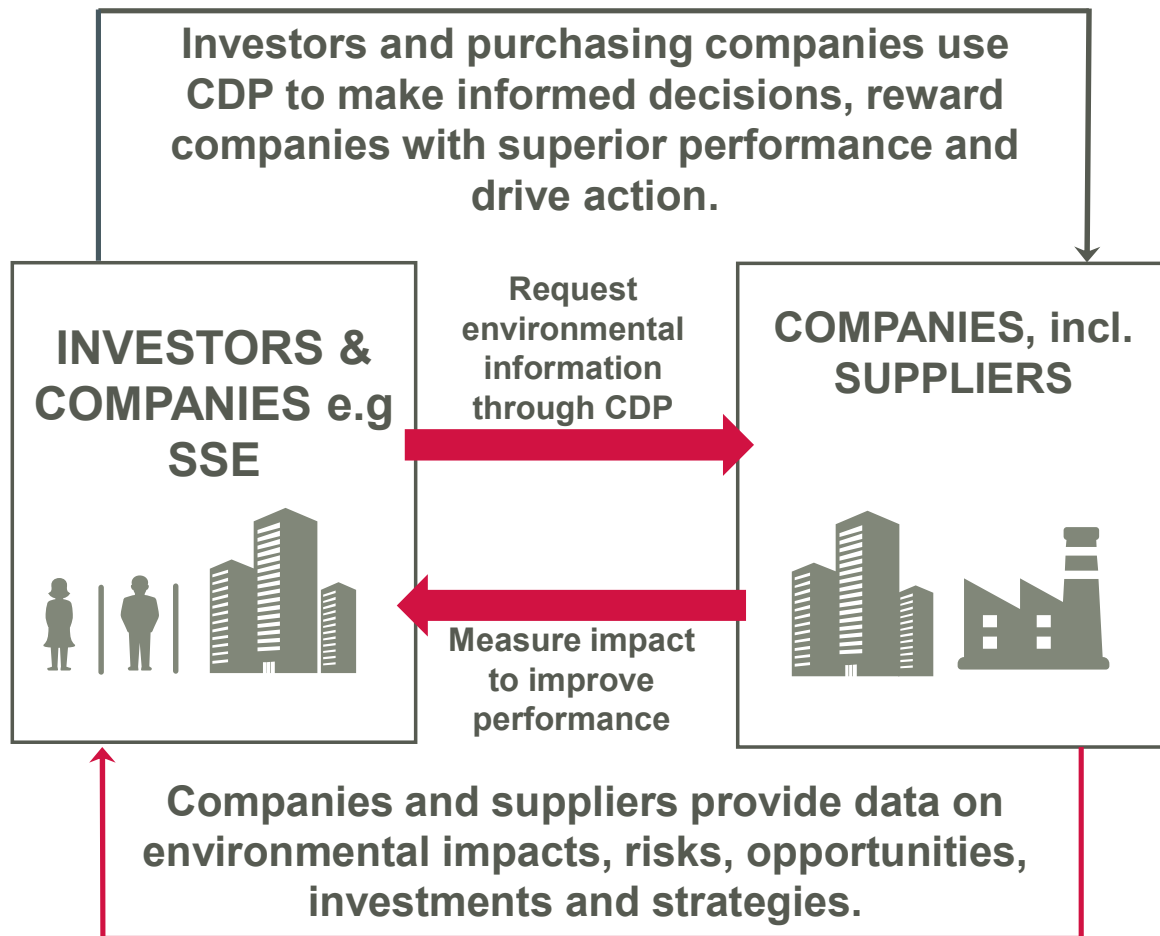
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SAVINGS OF OVER
US \$29 BILLION

CDP's supply chain program: How it works



About CDP



Companies take action to tackle climate change, safeguard water resources and prevent the destruction of forests.

CDP CLIMATE CHANGE QUESTIONNAIRE

Key areas and questions



KEY AREAS

- ▼ Governance & Strategy
- ▼ Risks & Opportunities
- ▼ **Targets**
- ▼ **Emissions Data**
- ▼ **Energy**
- ▼ Value Chain Engagement
- ▼ **Supply Chain Module**
(customer specific information)

KEY QUESTIONS

C4.1 Active targets
C4.1a Absolute targets
C4.1b Intensity targets

C6 – Scope 1, 2 & 3 data
C10.1 external verification

C8.2 Energy consumption

C12.1 Value chain engagement

SC2.1 Collaborative opportunities

Streamlined version for first-time responding companies/suppliers

CDP WATER SECURITY QUESTIONNAIRE

Key areas and questions



KEY AREAS

- ▼ Context
- ▼ **Business impacts**
- ▼ Procedure
- ▼ **Risks and opportunities**
- ▼ Facility-level accounting
- ▼ Governance and Strategy
- ▼ Targets and Linkages
- ▼ **Supply Chain Module**
(facility details and risk, Product water intensity and collaboration)

KEY QUESTIONS

W2.1 Active targets
W2.1a Absolute targets
W2.2 Intensity targets

W4.1 – Risk exposure

W5.1 Water accounting

W6.1 Scope 1, 2 and 3
W6.2 Water Governance

SW2.1 Collaborative opportunities

Streamlined version for first-time responding companies/suppliers

CDP FORESTS QUESTIONNAIRE

Key areas and questions



KEY AREAS

- ▼ Current State
- ▼ **Business impacts**
- ▼ **Risks and opportunities**
- ▼ Long Term Strategy
- ▼ Targets and Linkages/Verification
- ▼ **Supply Chain Module**
(Consumption, Collaboration and Land Use)

KEY QUESTIONS

F2.1 Current State

F2.1 Risk assessment
F3.1 Opportunities assessment

F5.1 Long term strategy

F6.1 Quantifiable targets
F7.2 Verification

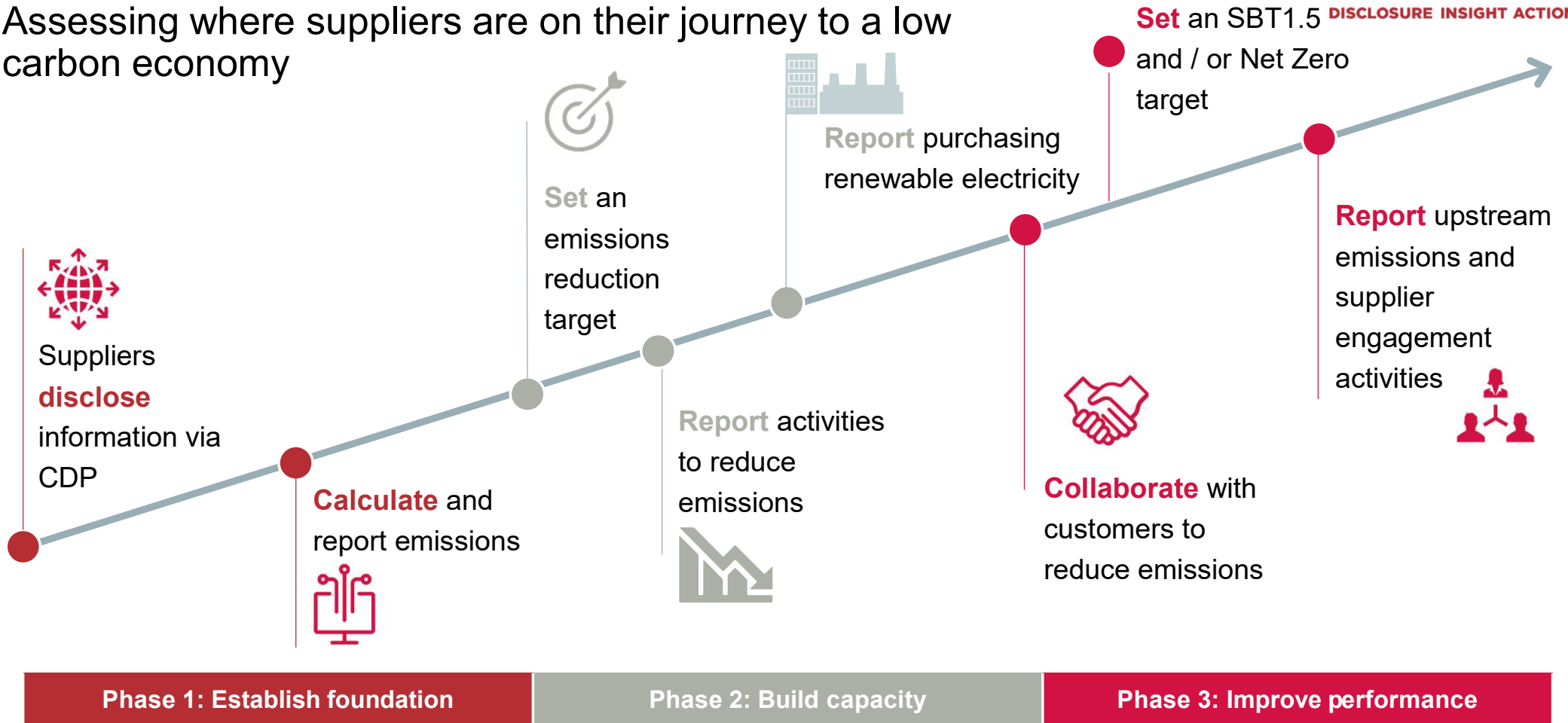
SF2.1 Collaborative opportunities

Streamlined version for first-time responding companies/suppliers

Typical CDP member Climate KPIs



Assessing where suppliers are on their journey to a low carbon economy



Strategy: Leveraging the power of suppliers



- ▼ No one size fits all.
- ▼ It is a process. Don't skip the steps.
- ▼ Engage your procurement team.
- ▼ Feedback loops with your suppliers. Communicate the value to them.

Supplier engagement

- ▼ **Foundation:** Key suppliers, using spend analysis to identify high impact suppliers.
- ▼ **Practice:** Initiate a general programme of engagement.
- ▼ **Embed:** Implement targeted engagement programme. With feedback loops between supplier and procurement.
- ▼ **Enhance:** Target key suppliers for intensive development and supply chain improvement programmes.
- ▼ **Lead:** Agree on KPIs with suppliers, reward progress and ensure C-suite engagement

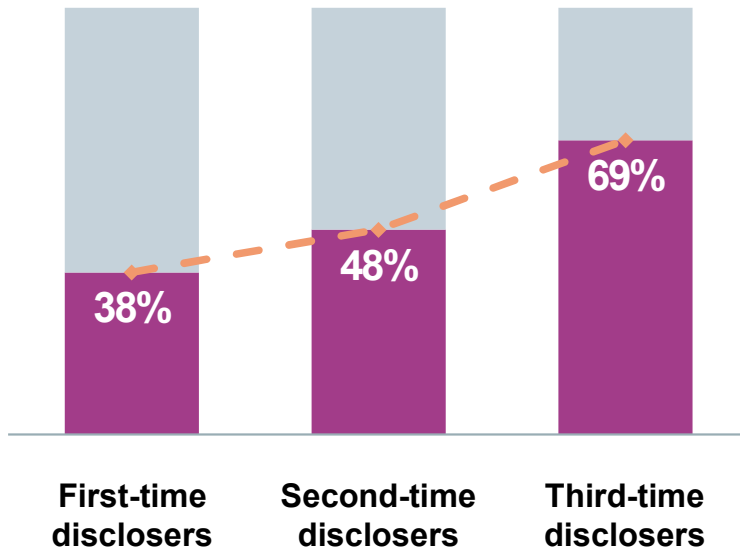


DISCLOSURE DRIVES POSITIVE CHANGE

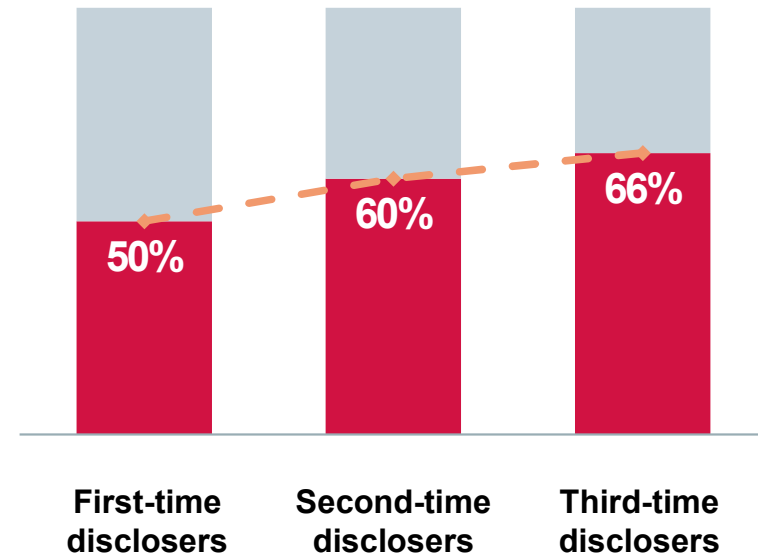
Suppliers gain environmental maturity through disclosure



Percent of disclosers who have emissions reduction initiatives



Percent of disclosers who have set company-wide targets and goals



What's in it for Your Suppliers?



Measure and reduce environmental impact and benchmark impact against peers



Identify cost savings and areas to improve operational efficiency



Identify risks and opportunities and communicate risk management practices



Propose collaborative opportunities and increase value from customer relationships



Demonstrate transparency and operational competence to their customers



One response for all customers and stakeholders



Free CDP disclosure support and guidance

BENEFITS FOR PROCUREMENT



Enable data-driven buying by integrating primary source data from your suppliers



Manage risks that affect your supply chain



Improve operational efficiency, identifying opportunities to reduce waste and cost



Set environmental targets and track progress against them



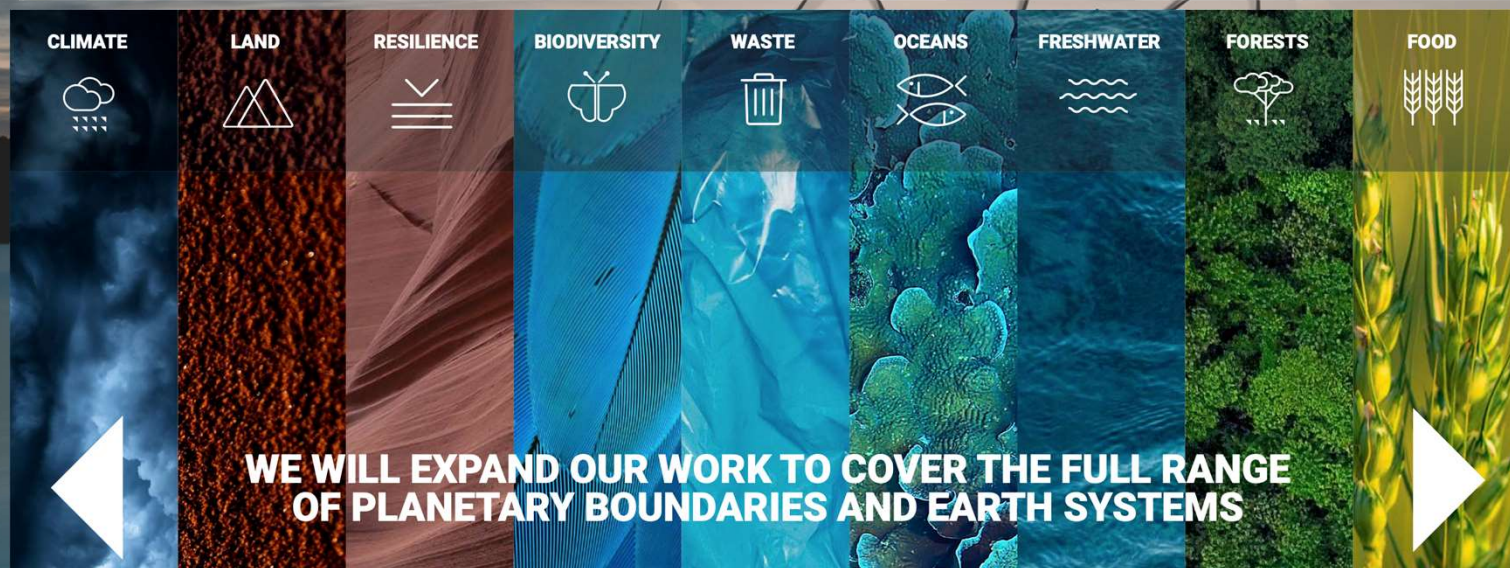
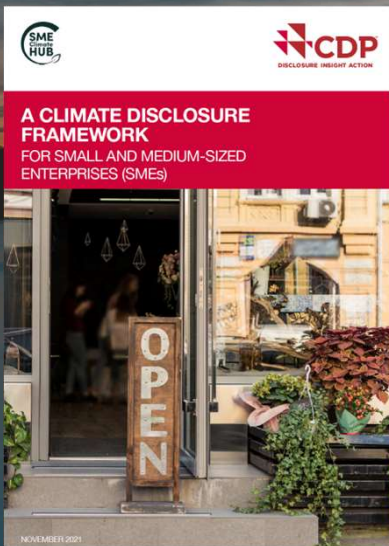
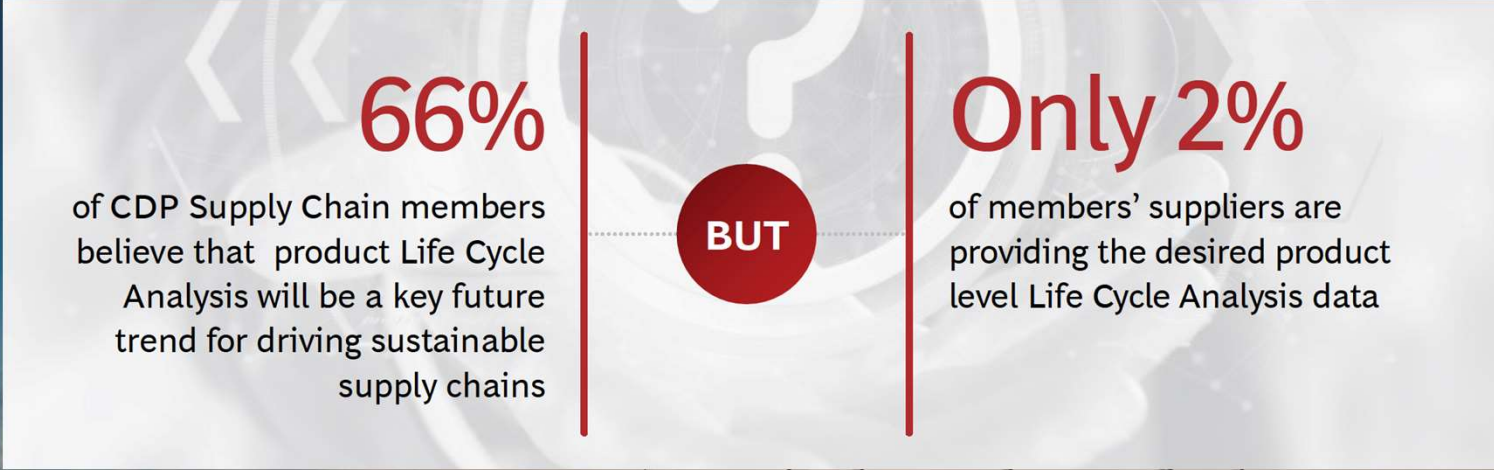
Build competitive advantage by demonstrating environmental leadership



Improve collaboration with suppliers and build better relationships

Future of supply chains

- ▶ Digital transformation of SCs
- ▶ LCAs
- ▶ Rethink strategic partnerships
- ▶ Looking beyond GHG emissions – holistic approaches and biodiversity.
- ▶ SMEs



Questions



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