Setting Environmental Goals for Supply Chains
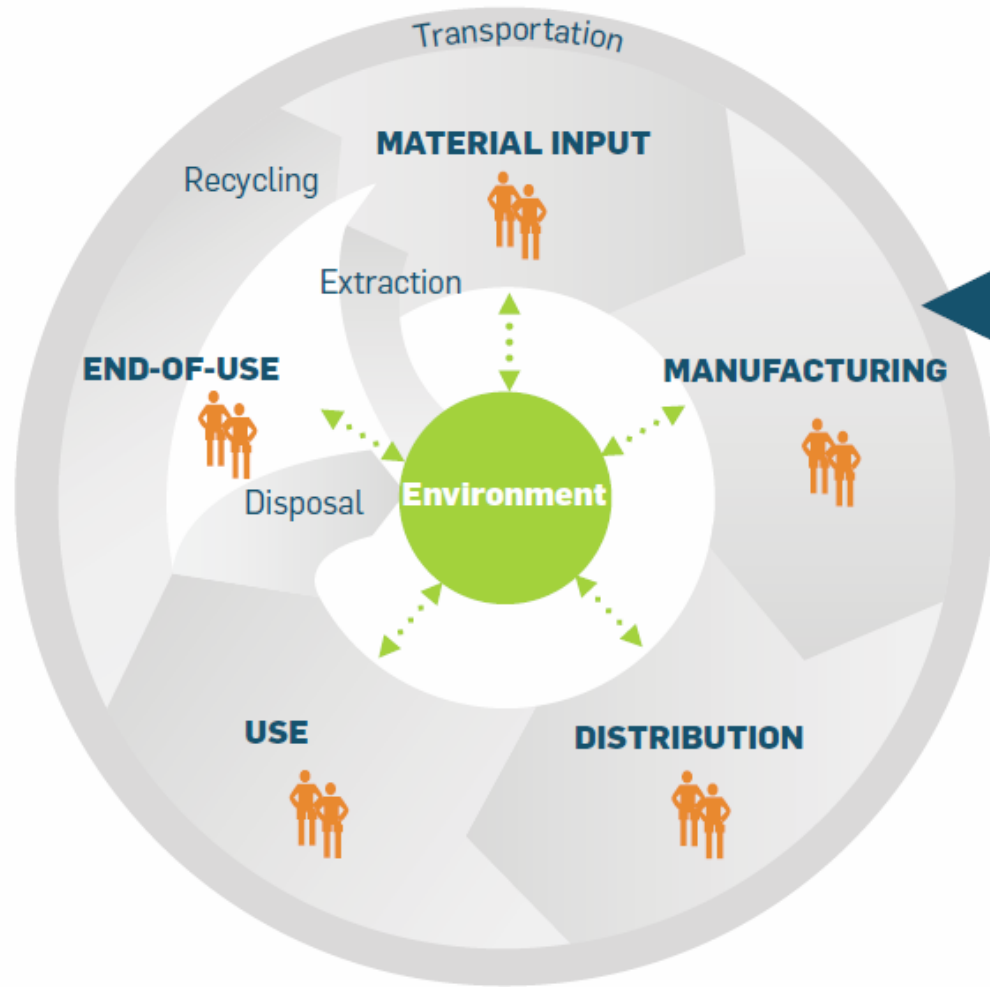
- BSR Contribution to OECD Workshop on Climate Change

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Responsible Supply Chain Management

- Issues covered:
  - Human rights and working conditions
  - Anti-corruption
  - Consumer protection
  - Environmental impacts

- Components of business approaches:
  - Internal alignment and integration of procurement and other business functions
  - Building supplier ownership of performance and continuous improvement
  - Empowering workers to protect their rights
  - Engaging in public policy forums

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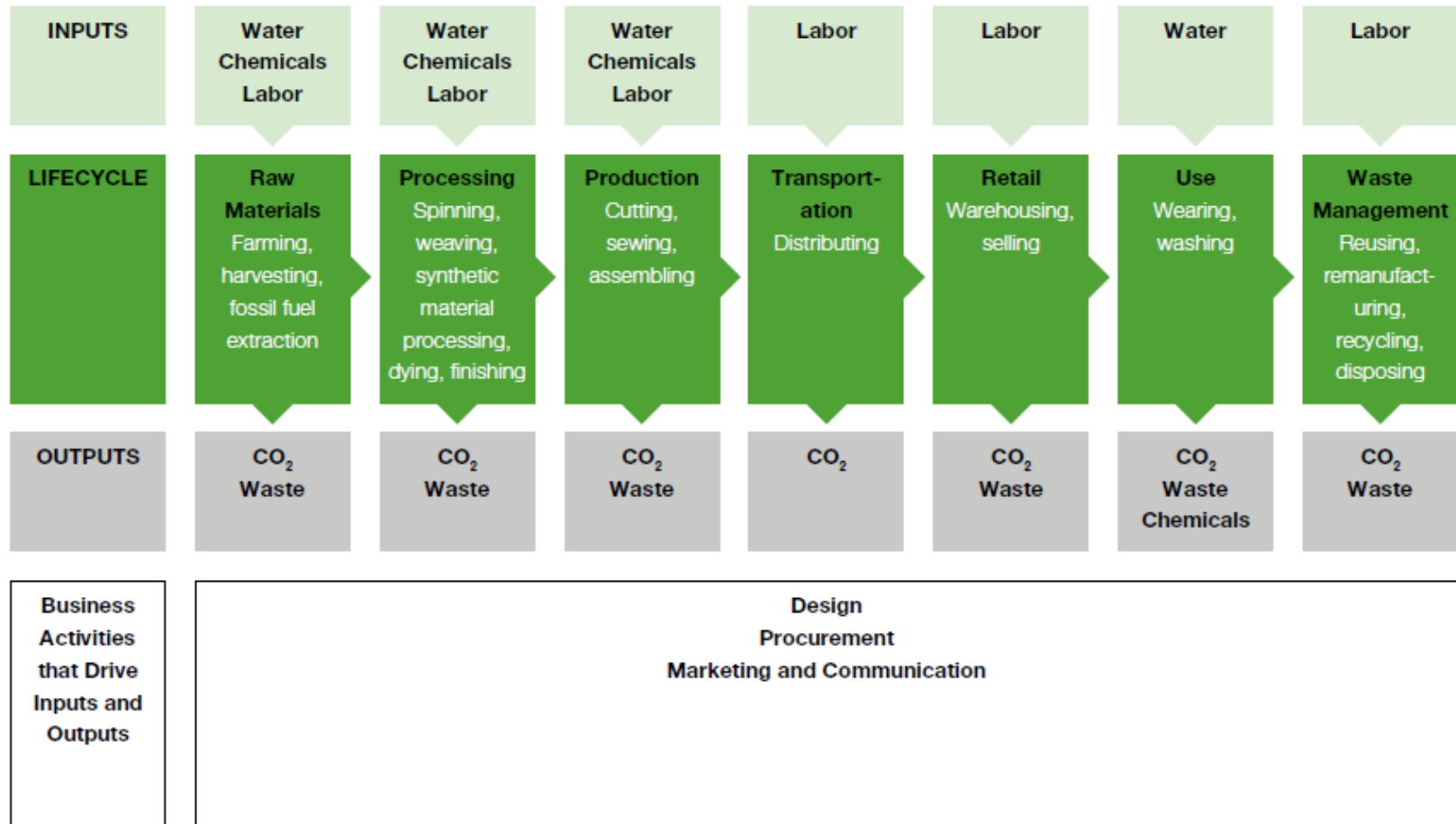# Applying Responsible Supply Chain Management Approaches to Environment

- Climate change / greenhouse gas emissions / energy efficiency is the top environmental issue

  - Among other issues including emissions to air, water use and wastewater discharge, resource use and waste, hazardous material handling and disposal, and impacts on biodiversity
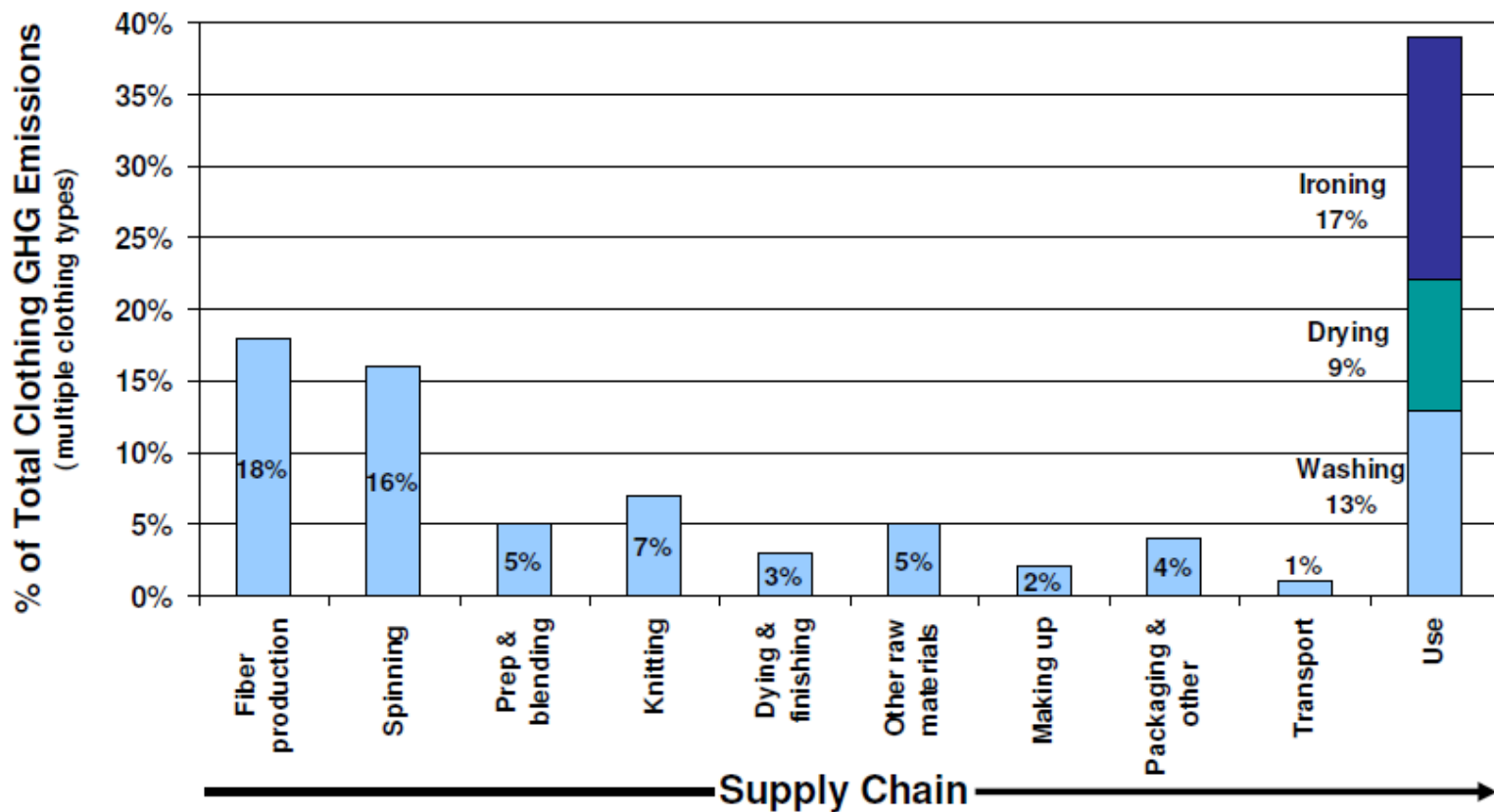
Understanding Where to Focus Effort

Figure 1
Key Inputs and Outputs by Node in the Value Chain.

INPUTS	Water Chemicals Labor	Water Chemicals Labor	Water Chemicals Labor	Labor	Labor	Water	Labor
LIFECYCLE	**Raw Materials** Farming, harvesting, fossil fuel extraction	**Processing** Spinning, weaving, synthetic material processing, dying, finishing	**Production** Cutting, sewing, assembling	**Transport-ation** Distributing	**Retail** Warehousing, selling	**Use** Wearing, washing	**Waste Management** Reusing, remanufact-uring, recycling, disposing
OUTPUTS	CO_2 Waste	CO_2 Waste	CO_2 Waste	CO_2	CO_2 Waste	CO_2 Waste Chemicals	CO_2 Waste

Business Activities that Drive Inputs and Outputs	Design Procurement Marketing and Communication

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Chart 1: Aggregate Clothing Life Cycle GHG Emissions
(Clothing retailer: all clothing types)

Walmart's Energy Efficiency Program

BSR is working with 200+ factories in China to help Wal-Mart realize its goal to improve energy efficiency by 20% by 2012

BSR Led:
• Senior management buy-in
• Setting clear goals
• Tools and Capacity Building:
- Energy Analysis Tool
- Energy Management Training
- ESCO Partnerships
• Data Collection and Assurance:

Lessons learned so far:
•Suppliers are able to *voluntarily* participate in the program to assure ownership
•Operating within the local context helps create the right incentives
•This work can lead to a convergent standard for measuring energy efficiency in factories (through adoption of Sustainability Index)

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Energy Efficiency Partnership

Gap
H&M
HP
Levi Strauss
Li & Fung
Nike
Starbucks
Timberland

Energy Efficiency Partnership

The Energy Efficiency Partnership (EEP) is a business-to-business collaboration dedicated to helping suppliers modernize energy practices, gain a competitive advantage, and reduce their environmental impacts.

A BSR Working Group

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Setting Goals: Diverse Approaches

- Who sets the goal?
    - Top-down: explicit public targets then mandated for suppliers
    - Bottom-up: organic development based on local context and priorities

- Method of goal-setting will affect
    - Feasibility
    - Buy-in
    - Commitment of time and resources
    - Clarity of communication
    - Ownership of initiatives

Explicit Targets: Marks & Spencer Plan A

- Require our top 100 clothing factories to install more efficient lighting, improved insulation, and temperature controls, to reduce their energy usage by an estimated 10% by 2015.

- Work with food suppliers to ensure that all factories have an environmental action plan, so that by 2015, 25% of M&S food (by turnover) will be produced by factories that have improved energy efficiency by at least 20%.

- Work with M&S food suppliers to reduce waste to landfill, so that by 2015, 25% of M&S food (by turnover) is produced in factories that send no waste to landfill.

Explicit Targets: IKEA and Wal-Mart

- IKEA: …develop tools for increased energy efficiency at suppliers with the ambition to reduce suppliers' energy use by 30 percent or more by 2011. We have chosen to focus efforts on the largest suppliers that rank the highest in terms of energy consumption. Suppliers in six material areas are included: textile, glass, stone ceramics, plastics, board materials and aluminium.

- Wal-Mart: eliminating 20 million tons of greenhouse gas emissions in its supply chain over the next five years.

IKEA
PEOPLE & THE ENVIRONMENT
THE IKEA GROUP

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Principles for Guiding Companies on Climate Change and Supply Chain

- Consistency in standards

- Materiality

- Disclosure

- <u>Action</u> to integrate climate change into procurement strategies

- Remember that *consumers* have an important role to play

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