


# CARBON DISCLOSURE PROJECT Supply Chain Report 2010

Working with Suppliers to Achieve Carbon Emission Reduction Goals



2010 ISM Sustainability and Social Responsibility Conference  
Lake Buena Vista, FL  
November 4, 2010









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A.T. Kearney Overview

## A.T. Kearney is a leading management consultancy, with a robust sustainability practice

### A.T. Kearney Firm Overview

Overview	Sustainability Publication Excerpts		
<ul style="list-style-type: none"> <li>• Founded in 1926</li> <li>• &gt; \$850 million revenues</li> <li>• ~2,500 consultants with 51 offices worldwide</li> <li>• 90+ sustainability practitioners globally, with 80+ projects in last 2 yrs</li> <li>• \$5 Million in research and IC investment</li> <li>• Research affiliation with WRI, Economist, ISM, CDP,...</li> <li>• First management consultancy to become carbon neutral by 2010</li> </ul>	<b>Studies</b>   	<b>Business Issue Papers</b>  	<b>Executive Briefs</b>   

***"A.T. Kearney has clearly established itself as the leader in the profession around sustainability"*** (Joe Kornik, Editor-in-Chief of Consulting Magazine, February 19, 2008)



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A.T. Kearney Overview

## We remain at the forefront of research and methodologies through multiple collaborative relationships

### Selection of Our Global Sustainability Research and Benchmark

	<b>Industry Perspective &amp; Benchmark Tool:</b> Joint A.T. Kearney and Economist Survey, 1,200 companies in database
	<b>"Sustainability Map":</b> Stages of Excellence across all stages of Value Chain (based on our global project experience and German Sustainability Award learning)
	<b>Assessment of Sustainable Procurement:</b> 50 companies in database (incl. P&G, GSK, Nike, Adidas), joint study with ISM
	<b>"Earnings At Risk Estimator" scenario based tool:</b> Simulator of Input material cost development on P&L of CPG companies (together with WRI)
	<b>"Carbon Disclosure Project" Supply Chain Report 2010:</b> A.T. Kearney was chosen as Research Partner for the CDP 2010 Report and analyzed over 700 suppliers regarding low-carbon supply chain practices

Source: A.T. Kearney; ISM = Institute for Supply Management, WRI = World Resources Institute

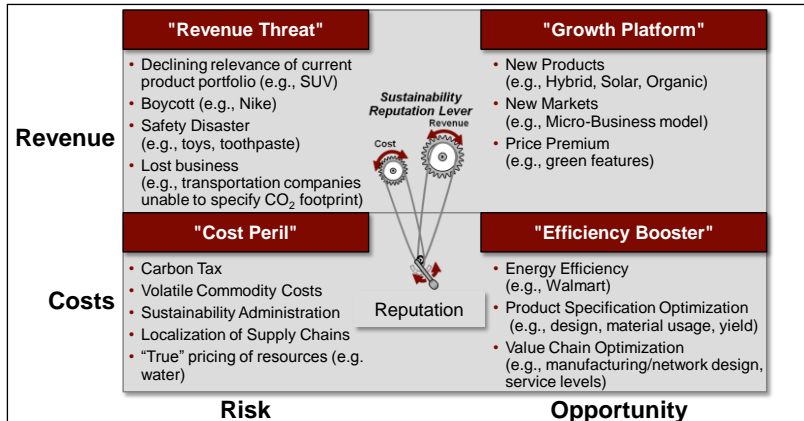
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A.T. Kearney Overview

## Sustainability remains a key topic on the CEO's agenda

### Sustainability can be a ...



<b>Revenue</b>	<b>"Revenue Threat"</b> <ul style="list-style-type: none"> <li>Declining relevance of current product portfolio (e.g., SUV)</li> <li>Boycott (e.g., Nike)</li> <li>Safety Disaster (e.g., toys, toothpaste)</li> <li>Lost business (e.g., transportation companies unable to specify CO<sub>2</sub> footprint)</li> </ul>	<b>"Growth Platform"</b> <ul style="list-style-type: none"> <li>New Products (e.g., Hybrid, Solar, Organic)</li> <li>New Markets (e.g., Micro-Business model)</li> <li>Price Premium (e.g., green features)</li> </ul>
<b>Costs</b>	<b>"Cost Peril"</b> <ul style="list-style-type: none"> <li>Carbon Tax</li> <li>Volatile Commodity Costs</li> <li>Sustainability Administration</li> <li>Localization of Supply Chains</li> <li>"True" pricing of resources (e.g., water)</li> </ul>	<b>"Efficiency Booster"</b> <ul style="list-style-type: none"> <li>Energy Efficiency (e.g., Walmart)</li> <li>Product Specification Optimization (e.g., design, material usage, yield)</li> <li>Value Chain Optimization (e.g., manufacturing/network design, service levels)</li> </ul>
	<b>Risk</b>	<b>Opportunity</b>

Source: A.T. Kearney

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## The Carbon Disclosure Project hosts the world's largest set of self-reported corporate climate change information

- 2500 companies across the globe reported their greenhouse gas emissions and climate change strategies
- CDP collects this information on behalf of:
  - 534 institutional investors with \$64 trillion under management
  - 60 global purchasing organizations from public and private sectors

Source: CDP CDP Supply Chain 2010 Report 6


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CDP Overview

## The 2010 CDP Supply Chain Report evaluates the carbon management performance of 750 Members and Suppliers

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project  
Supply Chain Report 2010



Report written for  
Carbon Disclosure Project by  
**ATKEARNEY**

Carbon Disclosure Project  
www.cdproject.org  
+1 855 22 7445 0000

Source: CDP Supply Chain Report 2010

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**44 Members participated**

- Views on climate change and carbon management
- Importance of supply chain emissions
- Challenge of achieving transparency

**710 Suppliers were surveyed**

- Strategic awareness
- Carbon reduction ambition
- Reporting capabilities
- Implementation practices

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CDP Overview

## Some of the world's largest organizations worked with their suppliers to complete the 2010 CDP Information Request

Example Members



Source: CDP Supply Chain Report 2010

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CDP Supply Chain 2010 Report


## CDP Members recognize that cradle-to-grave carbon management has a direct impact on Enterprise Value

### Most Cited Reasons to Measure Supply Chain Emissions


**Customer Demand**



**Risk Management**



**Stakeholder Pressure**



**Carbon Management has an impact on revenues, costs, employee relations and shareholder confidence**

Source: CDP Supply Chain Report 2010

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CDP Supply Chain 2010 Report

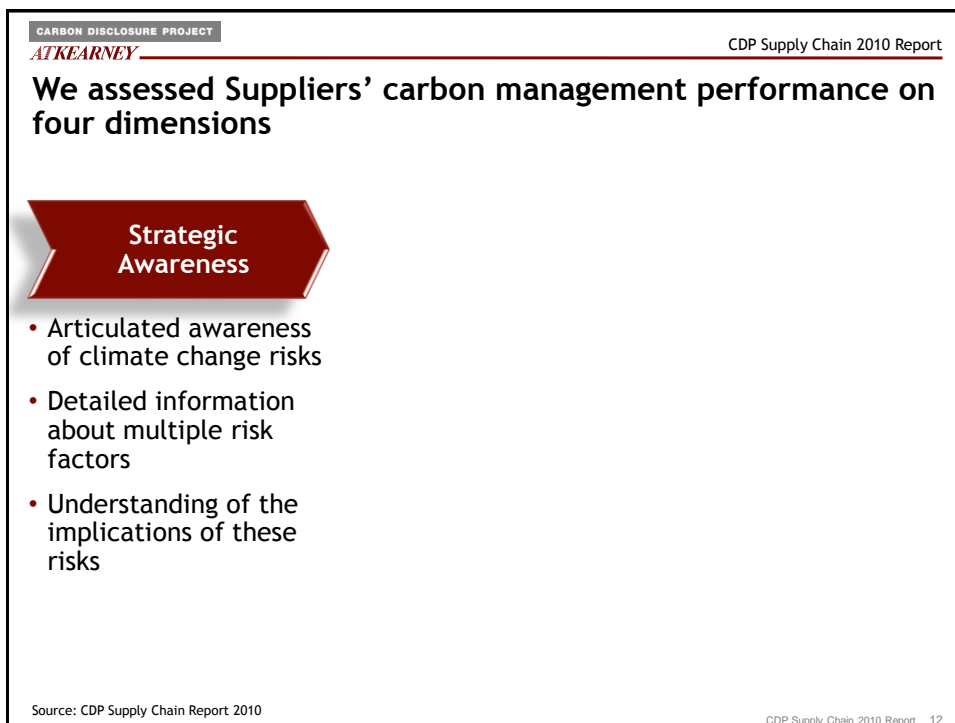
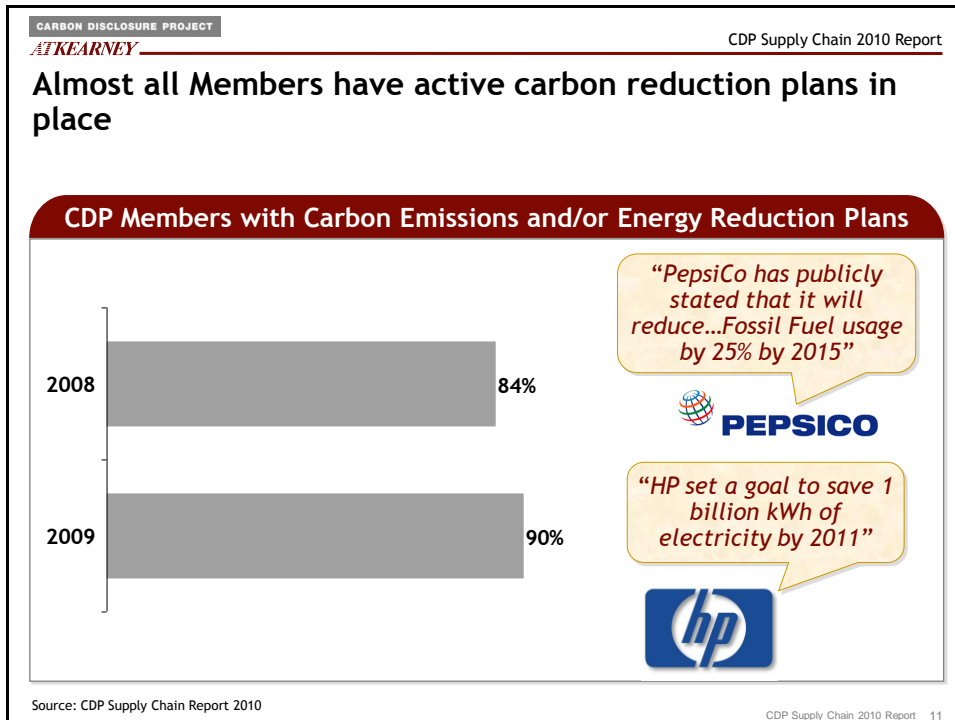
## The focus of this presentation will be the key findings from the recent CDP Supply Chain 2010 report

- What are major global corporations doing to reduce carbon in their supply chains?
- How well are their suppliers responding?
- What does this mean for business?

**Please keep this discussion interactive by asking your questions or sharing your experiences**

Source: CDP Supply Chain Report 2010

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CDP Supply Chain 2010 Report

## We assessed Suppliers' carbon management performance on four dimensions

**Strategic Awareness**

**Carbon Reduction Ambition**

- Clearly articulated carbon reduction ambition
- Actionable level of detail in plans
- Time frames agreed to achieve targets

Source: CDP Supply Chain Report 2010

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CDP Supply Chain 2010 Report

## We assessed Suppliers' carbon management performance on four dimensions

**Strategic Awareness**

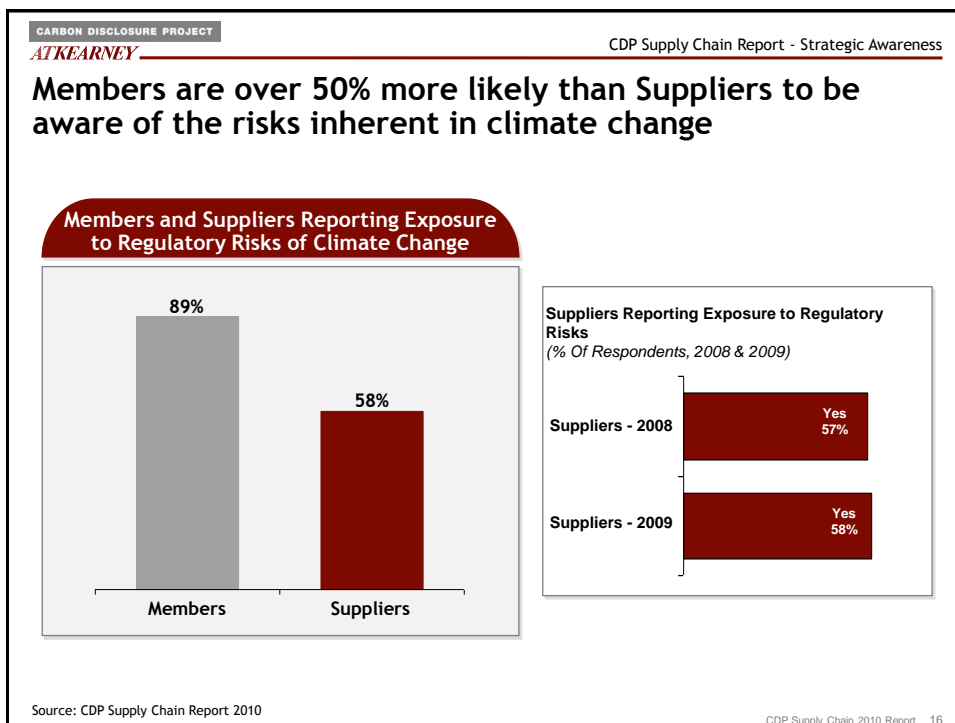
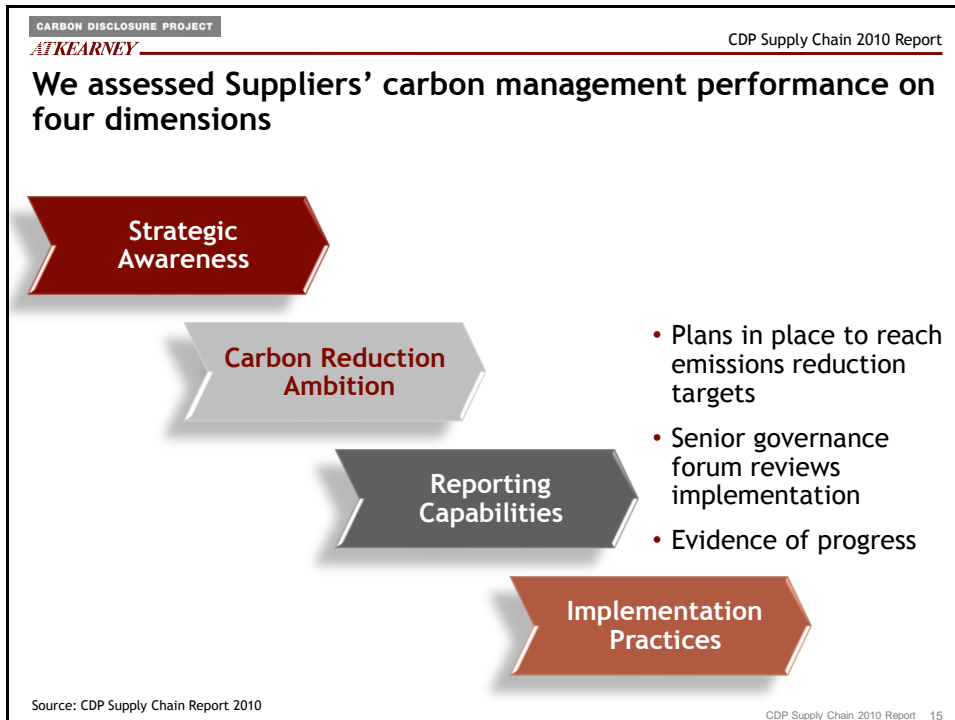
**Carbon Reduction Ambition**

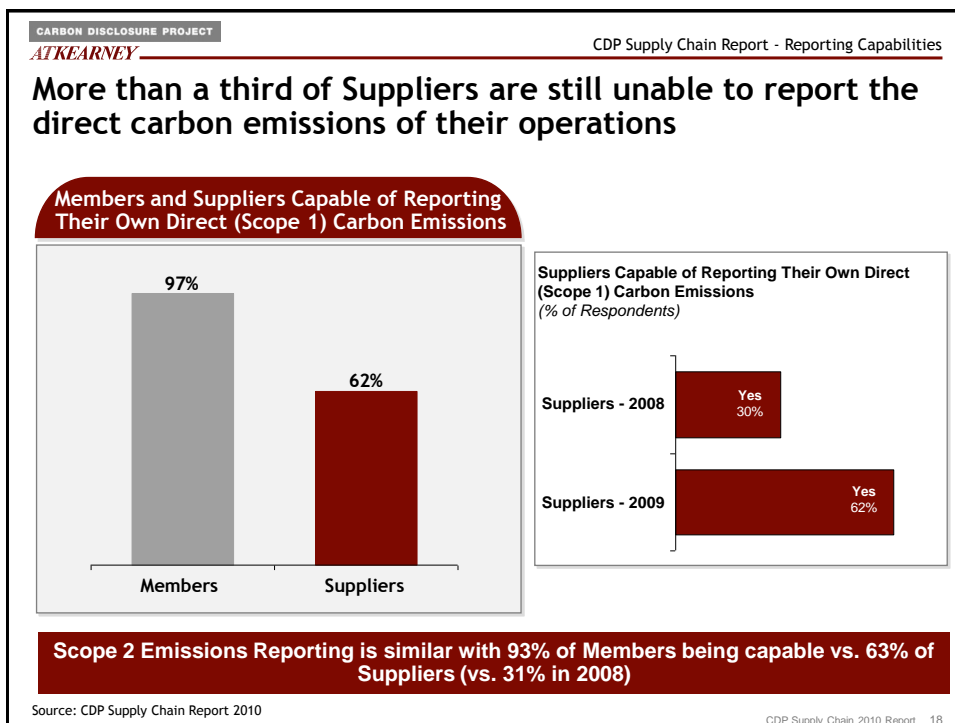
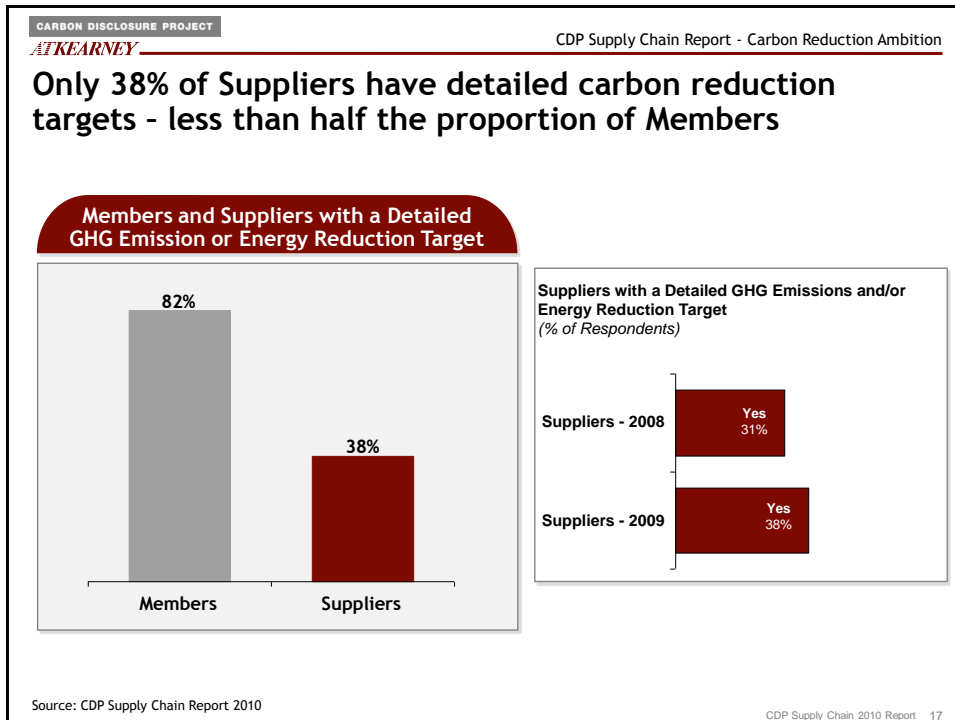
**Reporting Capabilities**

- Evidence of GHG emission data collection and analysis
- Transparency for stakeholders about GHG emissions
- Capabilities to report direct and indirect GHG emissions

Source: CDP Supply Chain Report 2010

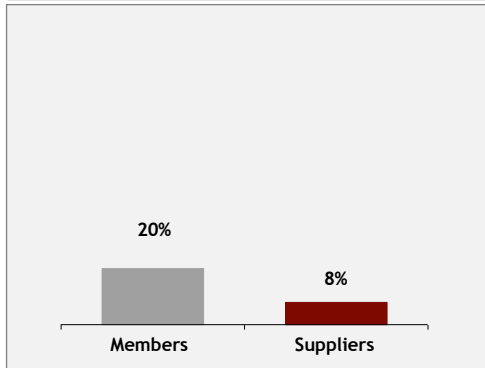
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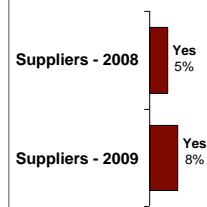


## And Scope 3 Supply Chain Emissions reporting remains a challenging task

### Members and Suppliers Capable of Reporting Scope 3 Supply Chain Carbon Emissions



### Suppliers Capable of Reporting Scope 3 Supply Chain Carbon Emissions (% of Respondents)

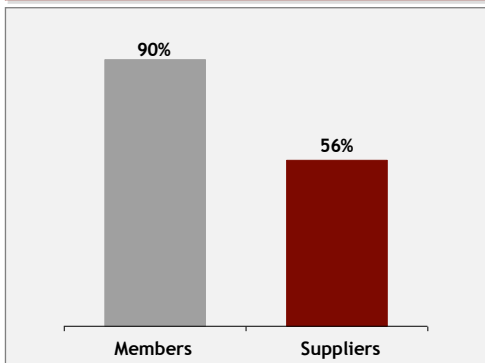


Source: CDP Supply Chain Report 2010

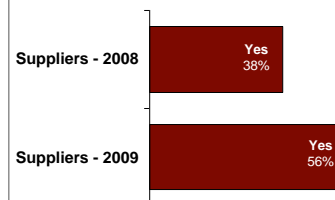
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## More than half of Suppliers have detailed plans to achieve their carbon targets...still significantly lower than Members

### Members and Suppliers with CHG Emissions and/or Energy Reduction Plans

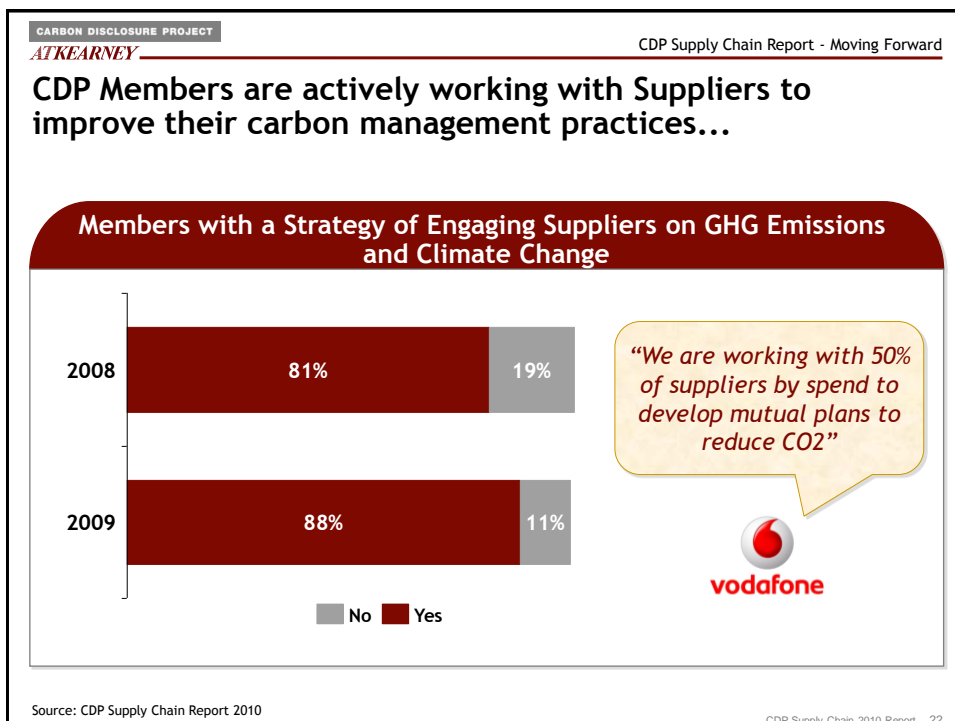
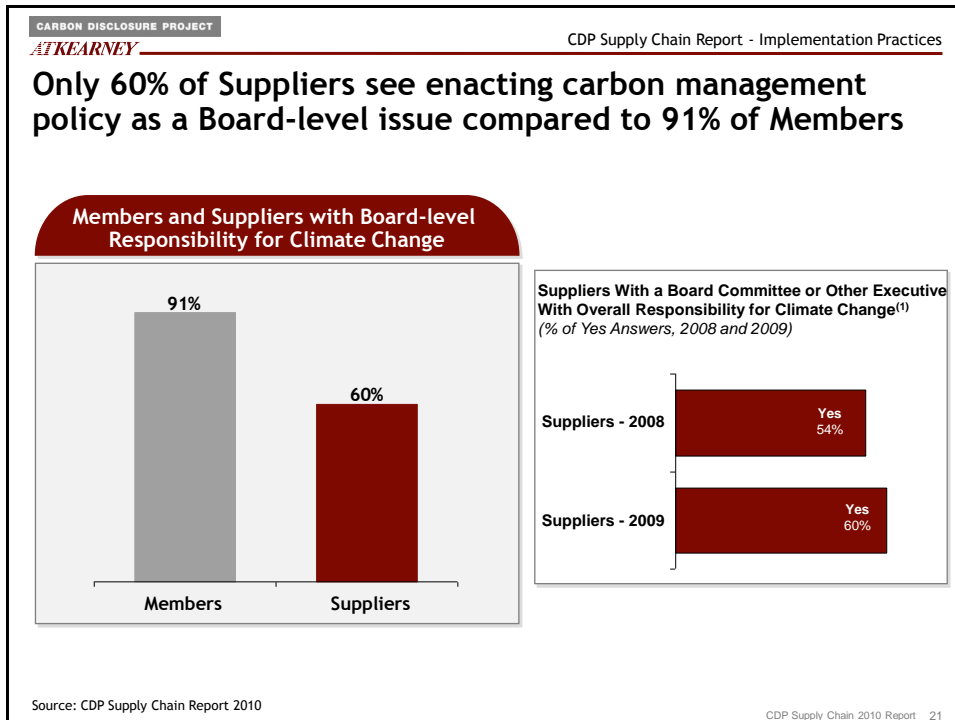


### Suppliers with CHG Emissions and/or Energy Reduction Plans (% of Yes Answers, 2008 and 2009)



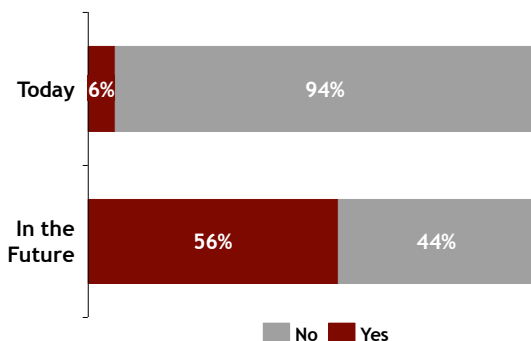
Source: CDP Supply Chain Report 2010

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## ...but 56% of Members expect to deselect Suppliers if carbon management performance does not improve

### Member Willingness to Deselect Suppliers for Failing to Meet Carbon Management Criteria



*"Suppliers must publicly disclose annual GHG emissions. Failure to do so can diminish their ability to compete for Dell's business"*



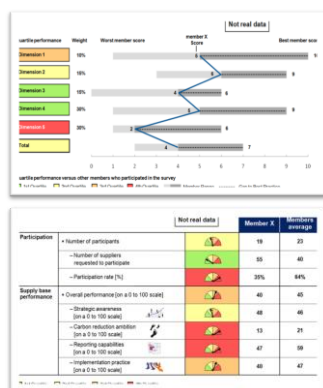
Source: CDP Supply Chain Report 2010

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## Members are using individual dashboards to drive performance improvement in their supply chain

Examples

### CDP Member Dashboards



#### Member 1:

- Reformulating their products to address the 70% of end-to-end supply chain GHG emissions which are attributed to consumers

#### Member 2:

- Focusing on miniaturizing products to become more sustainable, use fewer resources and have lower life-time emissions

#### Member 3:

- Working to localize sourcing and adjust metrics to account for long-term benefits of products with low environmental impact

Source: CDP Member Round-Table Discussion

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CDP Supply Chain Report - Moving Forward

## To meet customer demands, we recommend....

**Strategic Awareness**

- Undertake risk assessments to identify regulatory, physical and other business risks
- Establish carbon baseline

**Carbon Reduction Ambition**

- Create detailed reduction targets through forecasting and scenario analysis
- Create a prioritized implementation plan that encompasses end to end operations

**Reporting Capabilities**

- Embed data capture, analysis and reporting in day-to-day operations

**Implementation Practices**

- Establish senior governance forum to oversee progress
- Establish incentives that are aligned to implementation plans

Source: CDP Supply Chain Report 2010

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CDP Supply Chain Report - Moving Forward

## A CDP Member has recently undertaken a granular analysis of their supply chain leading to detailed reduction targets

Client Example

### Detailed Baseline and Scenario Analysis

Total Enterprise CO<sub>2</sub> Emissions

Scenario	2008	2020
Scenario 1	3.5	6.5
Scenario 2	3.5	5.0
Scenario 3	3.5	3.0

### Granular Targets at Product-group Level

CO<sub>2</sub> Emissions Per Product

Legend: 2008 (Grey), 2020 Target (Red)

Product	2008	2020 Target	Reduction (%)
Product 1	6.0	3.9	-36%
Product 2	5.0	2.9	-44%

Source: CDP Member Round-Table Discussion

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Closing

**How well are you meeting your customers' needs for end-to-end supply chain carbon management?**

**How well are your suppliers meeting your needs?**

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