Welcome
Welcome
Supply Chain Sustainability Forum
Sustainability as a Supplier: What Your Customers Want

Presented by

New York State Pollution Prevention Institute
in partnership with
Nixon Peabody LLP
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Supply Chain Sustainability Forum
Sustainability as a Supplier: What Your Customers Want

Agenda

8:00 – 8:30: Registration, Breakfast & Exhibiting
8:30 – 8:35: Welcome
   • Anahita Williamson – Director, New York State Pollution Prevention Institute
   • James Bourdeau - Partner, Nixon Peabody, LLP
8:35 – 8:45: Introduction – “What is a Sustainable Supply Chain”
   • Trish Donohue, Senior Engineer & Sustainable Supply Chain & Technology Program Manager, NYSP2i
8:45 – 9:15: Keynote – “Leveraging Your Company’s Sustainability Advantage”
   • Mark Buckley - Vice President of Environmental Affairs, Staples, Inc.
9:15 – 9:20: Mini-Break
9:20 – 10:00: Panel Session: “Sustainability Traits Customers Want from Suppliers & How to become a Preferred Supplier”
   • Michael McGrath - Supply Chain Social Responsibility Project Leader, IBM, Corp.
   • Dan Bena - Head, Global Sustainable Development, PepsiCo
   • Larry Gelb - Director, Global Sustainability, Bausch + Lomb
   • Jeff LaBarge - Partner, Nixon Peabody, LLP
10:00 – 10:15: Break
10:15 – 10:55: Break-out Session #1 (Attendees will participate in one of the following sessions)
   A. Developing a Sustainable Supplier Program – Room 2120
   B. Good Policy, Good Practice, More Customers – Room 2130
   C. Telling the Sustainability Story and Gaining Customers – Room 2240
   D. Selecting Suppliers: Sustainability Criteria – Room 2230
10:55 – 11:05: Break
11:05 – 11:45: Break-out Session #2 (Attendees will participate in one of the following sessions)
   A. Developing a Sustainable Supplier Program – Room 2120
   B. Good Policy, Good Practice, More Customers – Room 2130
   C. Telling the Sustainability Story and Gaining Customers – Room 2240
   D. Selecting Suppliers: Sustainability Criteria – Room 2230
11:45 – 12:15: Exhibiting open
12:00: Networking Luncheon
1:00: Tour of Golisano Institute for Sustainability (optional)
Defining “Supply Chain Sustainability”

The United Nations Global Compact defines **supply chain sustainability** as “the management of environmental, social and economic impacts (sustainability), and the encouragement of good governance practices (accountability), throughout the lifecycles of goods and services (supply chain)”

“The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market.”

Impacts of Supply Chains

“Environmental, social and economic impacts occur during every stage of supply chains. In addition, governance, which is how an organization demonstrates accountability for its stakeholders, is important at every stage”

UN Global Compact, “A Practical Guide for Continuous Improvement for Small and Medium Enterprises”
Benefits of a Sustainable Supply Chain

• Ensures compliance with laws and regulations
• Enables company to meet customer requirements
• Differentiates company from their competition
• Adheres to and supports international principles for sustainable business conduct
• Improves social, economic and environmental impacts
• Acts in the company’s own interests, the interests of their stakeholders, and the interests of society at large

Keynote

“Leveraging Your Company’s Sustainability Advantage”

Mark Buckley - Vice President of Environmental Affairs, Staples, Inc.
Panel Discussion

“Sustainability Traits Customers Want from Suppliers & How to become a Preferred Supplier”

Michael McGrath - IBM, Corp.

Dan Bena - PepsiCo

Larry Gelb - Bausch + Lomb

Jeff LaBarge - Nixon Peabody, LLP
Break-Out Sessions

A. Developing a Sustainable Supplier Program – Room 2120

B. Good Policy, Good Practice, More Customers – Room 2130

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Leveraging “The Sustainability Advantage” in Supply Chains

RIT

July 30, 2013
Staples Inc.

- Staples founded in Brighton, MA in 1986
- World’s largest reseller of office products and services
  $25 billion sales
- Operations in 26 countries
- 85,000 Associates worldwide
- Business is comprised of Retail, Contract and International
- Operate 2nd largest e-commerce site in the world
Sustainable Business Approach

Legal Compliance

- Don’t get in legal trouble
- Led by Legal
- Most Companies

CSR, Environmental Protection, Philanthropy

- Be a good corporate citizen
- Led by staff (e.g. CSR, PR)
- Separate from the business

Tap into new sources of value

- Good for business
- Good for the world
- Business Value from Smaller Footprint and Solving World’s Challenges
- Driven from the top
- Led by line management
- Integrated into the business

Traditional Business

Social Responsibility

Sustainability Leadership

Tap into new sources of value

- Good for business
- Good for the world
- Business Value from Smaller Footprint and Solving World’s Challenges
- Driven from the top
- Led by line management
- Integrated into the business
Sustainable supply chains, why now?

- Resource depletion of raw materials, energy resources
- Commodity price volatility
- Regulatory pressures ...REACH, RoHS, WEEE, Prop 65, carbon tax, cap and trade etc.
- Supply chain risks...climate, social/ civil conflict impact interdependent global supply chains
- Increased requirements in transparent reporting and corporate governance
- Create competitive advantage regardless of company size.....sustainability “the great equalizer”
Sustainability within the “4 Walls “of our business

• Energy and carbon management
• Waste reduction and recycling
• Building in operational efficiencies at every level of our business data centers, call centers, distribution centers, fleets and support operations.
Green building design and operation

- Cross functional design for sustainability engaging multi-stakeholder team including Operations, Construction, Facilities, Energy Management, Design and Procurement
- Investment in EMS and energy retrofits
- 26.3% reduction in energy intensity sq ft since 2006.
- (9) LEED certified facilities
- (513) Energy Star certified facilities met goal of 500 buildings by the end of 2012
Renewable Energy

- EPA # 6 Green power purchaser
  100% of all electricity from renewables
- 640,000 MWh in direct renewable and Green-e certified non-vintage wind RECs
- 15 + MW solar installed or in development (43 locations)
- 1st company to sign 3rd party Solar PPA
- 2 MW Low/ Zero Carbon Fuel Cells installed or in development
- Energy independence and long term hedge value
Fleet Operations

- 58 All Electric Delivery Trucks in Fleet
- 10 CNG Tractor Trailer Units in Southern California
- 30% improvement in fuel economy since 2006 within existing fleet.
93% of the GHG footprint\(^1\) is embedded in the products we sell

Greenhouse Gas (GHG) Environmental Footprint\(^1\) (mtCO2e)

- Printer cartridges: 58%
- Paper: 35%
- Laptop computers: 7%
- Desktop computers: Remaining

**Note:** Product footprint analysis is based on economic input-output (EIO) life-cycle assessment (LCA) model that provides order-of-magnitude comparisons; further analysis using a hybrid LCA model would likely result in refined and adjusted figures.

**Source:**
1. Product footprint based on Climate Earth’s Comprehensive Environmental Data Archive (CEDA), Climate Earth analysis, and Blu Skye analysis of 2009 US COGS (excludes US Corporate Express Contract data) by product department; Operations footprint based Blu Skye analysis of 2009 US electricity, natural gas, diesel (based on mileage), business travel (rental car, commercial air, corporate jet), and HQ employee commuting.
Sustainability leadership requires examining the entire value chain.
Lifecycle assessments help companies understand where the major environmental impacts are:

<table>
<thead>
<tr>
<th>Impact</th>
<th>Raw Materials</th>
<th>Manufacturing</th>
<th>Distribution/Retail</th>
<th>Consumer</th>
<th>End of Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gases and air pollution</td>
<td>X</td>
<td></td>
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<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Soil and Land Use</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>Water</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Natural resources, waste &amp; recycling</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Harmful substances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Biodiversity</td>
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</tbody>
</table>
**Language**

**lan·guage** (lan’gwij) n. [< L lingua, tongue] 1 human speech or the written symbols for speech 2 a) any means of communicating b) a special set of symbols used in a computer 3 the speech of a particular nation, etc. [the French language] 4 the particular style of verbal expression characteristic of a person, group, profession, etc.
“A woman without her man is nothing!”
“A woman, without her, man is nothing!”
Business

Mature
Cost of Capital
Gross Margin
Sales
P&L
Amortization
Conservative
Balance sheet
Depreciation
Cash Flow
RONA
IRR
Taxes
ROI
GREEN

Trendy
Liberal
Treehugger
Hippies
Limited Appeal
Groovy
Radical
"The Dead"
younger generation
Poor quality
More expensive
How can we communicate in this new language of sustainability?

There is a gap in many businesses today about how to talk about sustainability. We lack a common vernacular or language.
What do our customers want?

• Customers look to Staples to provide them the products that they need to improve their productivity meeting quality, fit, form, function and competitively priced above all else.

• Contrary to popular belief the reality is that very few Retail customers are willing to pay a premium for a more “sustainable” product.

• Many Contract customers, however, have sophisticated environmental and social criteria built into RFPs and seek comprehensive reporting relative to their spend.
Many of our products conform to leading eco accreditation standards.
Toner Cartridges

Objective was to compare the life cycle environmental impact of a new toner cartridge to that of a remanufactured cartridge.

- Toner cartridge life cycle: cradle-to-grave for a single customer use. (equal number of similar quality pages printed)
- Model shows that remanufacturing provides significant life cycle benefit compared to new
  - Major benefit from part material and process recovery, with some materials recovered during remanufacturing which are not typically recycled.

Life Cycle Stage Contribution to Energy Demand

Life Cycle Environmental Impact (normalized to OEM)

[Graphs showing energy demand and environmental impact across different stages and categories]
Staples is developing category specific scorecards for all product categories and committed to removing chemicals of concern, designing products based upon a life cycle approach and reducing energy/carbon and material impacts for all products and packaging.

**Today**

- Fewer SKUs
- Bronze
  - Silver
  - Gold
- Min. Entry for Sustainability
- “Unsustainable” SKUs

**Tomorrow**

- More SKUs
- Gold
  - Silver
  - Bronze
- Fewer SKUs
- Min.
Packaging
Packaging moves

- Eliminate clamshell packaging and improve cube efficiency in master and break packs
- Packaging eliminates PVC and where required replace with recycled PET paperboard containing minimum 65% pcw and recyclable.
Packaging Concepts
Right size Packaging
Product Design
Recycled and Alternative Fibers in the Production of Paper Products

- Increased competition for resource from non-traditional industries such as energy for biomass fuel
- Agricultural waste and rapidly renewable fibers such as sugar cane (bagasse), wheat straw, flax straw, bamboo
- Post consumer recycled paper and textile wastes
Remanufacture, Recycle and “Downcycle”

**Step 1:**
- Sort empty cartridges
- Disassemble non-usable
- Grind plastic

**Step 2:**
- Ship recycled plastic pellets to manufacturer

**Step 3:**
- Recycled plastic pellets used to injection mold new parts

**Step 4:**
- New product is assembled and ultimately sold at Staples
End of Life Solutions
Recycling and responsible end of life solutions

• EPA Plug into e-Cycling founding member and e-Steward certified collector

• First national retailer to offer everyday e waste program in 2007

• e Steward and R2 certified no export
Ink and Toner Recovery

**Recycle**
1. Cartridges sorted by material type
2. Cartridges disassembled to component level
3. Components recycled
4. Plastic cartridge parts ground up
5. Raw material can be used to manufacture new products

**Reuse**
1. Cartridges qualified and sorted through ISO 14001:2004 inspection process
2. Cartridges remanufactured and quality tested
3. Remanufactured cartridges inspected, tested and packaged
4. Cartridges ready for reuse
Transparency and Reporting
Environmental Purchases Report

Purchases Summary for 7/1/2011 – 6/30/2012

<table>
<thead>
<tr>
<th></th>
<th>All Products</th>
<th>Paper Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total product purchases:</td>
<td>$1,064,303</td>
<td>$418,472</td>
</tr>
<tr>
<td>No environmental features</td>
<td>$652,168</td>
<td>$142,551</td>
</tr>
<tr>
<td>Basic eco features ¹</td>
<td>$91,880</td>
<td>$51,432</td>
</tr>
<tr>
<td>Advanced eco features ²</td>
<td>$320,245</td>
<td>$224,490</td>
</tr>
</tbody>
</table>

1. **Basic**: recycled content less than 30%, "industry standard" eco certifications or features (SFI, AP nontoxic, solar powered, Indoor Advantage, rechargeable batteries, etc.)

2. **Advanced**: 30%+ post-consumer recycled content; remanufactured; certified to following (BPI compostable, Cradle to Cradle, Energy Star, EcoLogo, EcoSense (EPEAT), Fair Trade, Forest Stewardship Council, GreenSeal level, Rainforest Alliance, USDA Organic); or contain >= 30% bio-based plastics, rapidly renewable content, or agricultural residues.
Uncommon Collaboration
The Paper Working Group

Environmental Performance Assessment Tool

EPAT

Life Cycle Reporting Tool for Paper Purchasing
Uncommon Collaboration
Where is your business today??
You can’t improve performance on a base that you don’t understand!

• Establish base level performance metrics
• Convert existing business data to corresponding environmental impact
• Systemically capture data going forward
• Focus on metrics that you can control i.e. consumption versus pricing alone.
Strategies to consider

• Focus on waste and energy first
• Link social and environmental performance with key company strategies
• Leverage Federal, State and Industry resources to assist in developing your plan
• Engage with vendor, supplier community and share goals and objectives
• Create value based *versus* strictly transactional relationships with suppliers
• Create transparency in the supply chain
• Locate the true win/wins and communicate them enthusiastically!!!
Final Thoughts

• Taking a life cycle approach reduces waste, improves efficiencies and reduce costs and builds resilience into supply chains

• The approach identifies supply chain risks and uncovers hidden opportunities.

• Uncovering “Uncommon Collaboratives” leads to long term strategic partnerships with non traditional stakeholders

• Accelerates the development of transformational business models and markets

• Lead, compete and win in a 21st Century economy!
Thank You!!!!
IBM’s Social & Environmental Management System and Requirements for Suppliers

Louis Ferretti, IBM, Project Executive, Integrated Supply Chain
Product Environmental Compliance & Supply Chain Social Responsibility
Setting the Scene

Putting in place and deploying a supply chain sustainability strategy will become a condition of doing business going forward for companies and their suppliers.

- The world is facing a future of constrained resources:  
  - energy, minerals, water, and food

- If growth markets develop as the US and Europe did, they will consume 5 times the available natural resources
  source: [http://www.worldpopulationbalance.org/3_times_sustainable](http://www.worldpopulationbalance.org/3_times_sustainable)

- Our historic path of development is "unsustainable"  
  - The future will not look like the past  
  - Business is expected to create a sustainable future

Businesses are discovering that **doing good** earns returns:

- Consumers are switching brands to more ethical alternatives
- Investors decisions are becoming more "sustainability" related
- Companies can gain a competitive advantage
- Provides permission to enter new markets – local and global legislation
- Attraction and loyalty of talent

= Sustainable Growth!
Why “Sustainability” is a Business Imperative

- Has become a major factor influencing business leaders and key decision-makers to act within a socially responsible agenda driven by increasing customer demands and legislations

- Is an enabler in opening up and gaining significant share of new and growing market segments

- A key competitive differentiator for positive brand image

- Opportunities for revenue growth, reduced costs, increased efficiencies

- Offerings and company policies need to be appealing to ethical consumers and attracting top-talent millennials

- And because it is the right thing to do!

How is “Sustainability” defined?

The ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental and social challenges” - Institute for Supply Management

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs” - UN World Commission on Environment and Development, 1987
A 40 Year History of Commitment

To environmental leadership and corporate responsibility

“We accept our responsibilities as a corporate citizen in community, national and world affairs; we serve our interests best when we serve the public interest....We want to be at the forefront on those companies which are working to make our world a better place.“

…Thomas J. Watson, Jr., IBM chairman and chief executive officer, 1969

April 2010
HP, IBM Battle for Environmental High Ground
reference to: IBM Global Supply’s Social and Environmental Requirements for Suppliers - Greentech Media

October 2010
Newsweek published its environmental ranking of the top international and US-based companies, and IBM is number one on that global list. Companies ranked on their overall "green score" based on an accumulated score of three components: Environmental Impact Score (EIS), Green Policies Score (GPS) and Reputation Survey Score (RSS).

November 2010
new Sustainability Funds name top companies, IBM #1 or at the very top in all three financial/investor reports re. "sustainability" performance.. Gartner Survey looked at companies’ commitment to managing the environmental aspects of their internal operations and their supply chain
The issues we are addressing—from clean water, to safe food, to sustainable and vibrant cities, to smarter work, to empowered communities—are not a choice between business strategy and citizenship strategy. They are both.
Procurement Leaders web article re. John Paterson on Sustainability, May 14, 2009

Procurement no longer has a choice when it comes to focusing on sustainability. It’s now a business imperative, according to John Paterson, CPO of technology-giant IBM.

Paterson claimed that environmental and economic factors were driving sustainability to the top of procurement's agenda, and that the various stimulus packages announced by governments across the world would merely accelerate the adoption of more sustainable procurement practices.

He claimed that supply shortages and the rising price of raw materials were also forcing companies to reappraise and adopt a more environmentally-savvy approach.

And citing the findings of a recent study that suggested that if emerging markets continue to grow at their current rate then the world would need the resources of five planets, Paterson claimed that it was clear that change was needed.

"For me it's clear that there are financial benefits to be had for procurement organisations across the world to get innovative with suppliers," said Paterson. "Over the long-term the only thing that's going to happen to the oil price is that it's going to go up. We've seen huge increases in raw material prices and we have issues with water and food. We don't have five planets and every day resources are diminishing."

"For as long as we're in business, and as long as we're on the planet, then sustainability is going to be on the agenda," he said.
2012 Production and Services & General Procurement Spend by Category Totals = $12.01B + $23.4B = $35.5B
Global Supply Social & Environmental Management System - Strategic Approach

- Suppliers document their own management system
- Requirements from IBM to be included
- Review suppliers’ management systems

GS S&EMS Team helps prepare education material for councils to present to suppliers
Why is a sustainable supply chain so important to PepsiCo?
“Performance With Purpose Underpins Our Goal To Deliver Long-Term, Sustainable Financial Performance.”

--Indra K. Nooyi
Chair & CEO
PepsiCo, Inc.
More than 3,000 products offer convenient, nutritious & affordable choices around the world…

Global Beverages

Global Snacks

Global Nutrition

Performance

Brands

Scale

People

More than $66 billion revenue

22 billion-dollar brands

>200 countries & territories

~300,000 employees
One of the largest agricultural enterprises in the world

Grows or sources 4 million tons of potatoes for Frito-Lay

Uses 600,000 tons of oats for Quaker

Sources 3 million tons of oranges and other fruits & vegetables for Tropicana, Naked, and SoBe

Conducts agricultural operations in more than 30 countries
In case these **GLOBAL REALITIES** aren’t compelling enough…
WATER/FOOD INSECURITY, AGRO volatility, rising GHG, FAILURE TO ADAPT to climate change are among RISKS with the HIGHEST IMPACT over the next five years.

Top 5 Global Risks in Terms of Impact:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
<th>2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Asset price collapse</td>
<td>Asset price collapse</td>
<td>Asset price collapse</td>
<td>Asset price collapse</td>
<td>Fiscal crises</td>
<td>Major systemic financial failure</td>
<td>Major systemic financial failure</td>
</tr>
<tr>
<td>2nd</td>
<td>Retrenchment from globalization</td>
<td>Retrenchment from globalization (developed)</td>
<td>Retrenchment from globalization (developed)</td>
<td>Retrenchment from globalization (developed)</td>
<td>Climatological catastrophes</td>
<td>Water supply crises</td>
<td>Water supply crises</td>
</tr>
<tr>
<td>3rd</td>
<td>Interstate and civil wars</td>
<td>Slowing Chinese economy (&lt;6%)</td>
<td>Oil and gas price spike</td>
<td>Oil price spikes</td>
<td>Geopolitical conflict</td>
<td>Food shortage crises</td>
<td>Chronic fiscal imbalances</td>
</tr>
<tr>
<td>4th</td>
<td>Pandemics</td>
<td>Oil and gas price spike</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Asset price collapse</td>
<td>Chronic fiscal imbalances</td>
<td>Diffusion of weapons of mass destruction</td>
</tr>
<tr>
<td>5th</td>
<td>Oil price shock</td>
<td>Pandemics</td>
<td>Fiscal crises</td>
<td>Fiscal crises</td>
<td>Extreme energy price volatility</td>
<td>Extreme volatility in energy and agriculture prices</td>
<td>Failure of climate change adaptation</td>
</tr>
</tbody>
</table>

Source: World Economic Forum
1600 EXPERTS across 117 countries identify supply-related areas as the HIGHEST-PRIORITY issues for focus

Important Sustainability Issues to Prioritize
Sustainability Experts, 2012

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring access to adequate water supplies</td>
<td>44</td>
</tr>
<tr>
<td>Creating more equitable societies</td>
<td>43</td>
</tr>
<tr>
<td>Improving resource efficiency</td>
<td>43</td>
</tr>
<tr>
<td>Reducing greenhouse gas emissions</td>
<td>42</td>
</tr>
<tr>
<td>Ensuring food security</td>
<td>41</td>
</tr>
<tr>
<td>Protecting biodiversity</td>
<td>38</td>
</tr>
<tr>
<td>Preparing for climate change</td>
<td>34</td>
</tr>
<tr>
<td>Improving citizen participation in governance of sustainable development issues</td>
<td>30</td>
</tr>
<tr>
<td>Increasing corporate responsibility</td>
<td>27</td>
</tr>
<tr>
<td>Improving economic wellbeing</td>
<td>25</td>
</tr>
<tr>
<td>Ensuring access to adequate energy</td>
<td>24</td>
</tr>
<tr>
<td>Improving human health</td>
<td>22</td>
</tr>
<tr>
<td>Empowering women</td>
<td>21</td>
</tr>
<tr>
<td>Mobilizing youth to address sustainable development</td>
<td>21</td>
</tr>
<tr>
<td>Sustainable transportation of goods and commodities</td>
<td>12</td>
</tr>
<tr>
<td>Sustainable personal transportation</td>
<td>10</td>
</tr>
<tr>
<td>Educating the population on climate change</td>
<td>1</td>
</tr>
</tbody>
</table>

Many are areas where PepsiCo can have significant POSITIVE IMPACT

“In thinking about making progress globally on sustainable development, please choose the five issues that are most important to prioritize over the next five years.”
The GENERAL POPULACE also SEES SUPPLY-related topics as SERIOUS societal problems—all OPPORTUNITIES for PepsiCo

Seriousness of Challenges to Society
“Very Serious,” Average of 22 Countries,* 2012

- Water pollution: 62
- Crime/violence: 59
- Shortages of fresh water: 59
- Unemployment: 59
- Depletion of natural resources: 57
- Economic problems/uncertainty: 54
- Poverty/homelessness: 53
- Loss of plant/animal species: 51
- Climate change: 49
- Education: 48
- Health care: 47
- Human rights: 43
- Animal welfare: 33

*I includes Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Japan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, Panama, Peru, Poland, South Korea, Spain, Turkey, UK, and USA
For the globally conscious CONSUMER, ENVIRONMENT tops the list of important CAUSES for COMPANIES to SUPPORT.

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WHO IS THE GLOBAL, SOCIAL-CONSCIOUS CONSUMER?

- **Younger** 63% under the age of 40
- **Green** 66% willing to pay more for socially responsible products/services

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Ensure environmental sustainability 66%
Increase access to technology 50%
Eradicate extreme poverty and hunger 53%
Provide relief following natural disasters 52%
Support small business and entrepreneurship 50%
Increase access to clean water 48%
Promote gender equality and empower women 45%
Protect animals 45%
Achieve universal primary education 46%
Combat non-communicable diseases such as cardiovascular diseases, cancers, chronic lung diseases and diabetes 44%
Combat HIV/AIDS, Malaria and other diseases 44%
Develop a global partnership for development 43%
Undertake development projects that benefit the communities around their offices or manufacturing units 44%
Improve maternal health 39%
Improve scientific, technology, engineering and math training and education 56%
Increase access to cultural institutions (such as the arts, museums and performances) 38%
Reduce child mortality 38%

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Source: Nielsen Global Survey of Corporate Citizenship, Q3 2011
Socially-conscious consumers defined as those who expressed willingness to pay extra for products and services from companies that have implemented programs to give back to society.
When given ONE CHOICE for how COMPANIES should CHANGE, global CONSUMERS SAY they should SOURCE materials more RESPONSIBLY.
And, while still a gap between INTENT and BEHAVIOR, consumers ARE ACTING based on a company’s CONSCIENCE.

### Intent vs. Behavior

**Consumers want to get engaged with corporate social responsibility efforts:**

- If given the opportunity, I would buy a product with a social and/or environmental benefit: 92%
- If I learned of a company’s irresponsible or deceptive business practices, I would stop buying its products: 90%
- I would tell my friends and family about a company’s CSR efforts: 84%
- If given the opportunity, I would donate to a charity supported by a company I trust: 78%
- If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g., provide comments on the company’s website or blog, review products): 78%
- If given the opportunity, I would volunteer for a cause that a company I trust supports: 77%

**In the past 12 months, consumers indicate they have:**

- If given the opportunity, I would buy a product with a social and/or environmental benefit: 67%
- If I learned of a company’s irresponsible or deceptive business practices, I would stop buying its products: 55%
- I would tell my friends and family about a company’s corporate responsibility efforts: 50%
- If given the opportunity, I would donate to a charity supported by a company I trust: 88%
- If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g., provide comments on the company’s website or blog, review products): 32%
- If given the opportunity, I would volunteer for a cause that a company I trust supports: 37%
If you take away only one thing:

A SUSTAINABLE SUPPLY CHAIN is NOT OPTIONAL, and the level of RIGOR, METRICS, and VERIFICATION required will only increase!
A little history…

- World class EHS Compliance and Management Programs
- Formal sustainability program approved by leadership in 2009
- Competitive analysis – all sustainability program aspects
History

- Partnered with global procurement in 2010
- Sustainable purchasing added as requirement to Policy 10
- Tier 1, direct suppliers only; “tie breaker”
- Rolling out new supplier risk assessment program
- Opportunity to add sustainability and social responsibility aspects to supplier risk assessment.
Sustainable Business
Bausch + Lomb will conduct business in such a way that meets the needs of patients, customers, consumers, and stakeholders today while preserving, protecting, and sustaining the community, the environment, and natural resources so they are available for future generations.

Sustainable Purchasing
We will give purchasing preference to environmentally sustainable products and services that are comparable to their standard counterparts in quality, price, and performance. Where environmentally sustainable products are unavailable or impractical, secondary considerations will include the environmental management practices of suppliers and producers.

The purchase of environmentally sustainable products is a core component of Bausch + Lomb’s long-term commitment to sustainability. We will effectively communicate this commitment to our suppliers to promote and support wider adoption of environmentally sustainable purchasing practices.
## Risk Assessment

### Social Responsibility

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Section Total</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier follows the principals set forth in the Universal Declaration of Human Rights</td>
<td>Yes = 1; No = 10</td>
<td>1</td>
</tr>
<tr>
<td>Supplier is operating in compliance with all applicable Federal, State, and local laws, including health, environmental and safety regulations.</td>
<td>Yes = 1; No = 10</td>
<td>1</td>
</tr>
<tr>
<td>Supplier has been subject to government investigation and/or enforcement actions within past 10 years.</td>
<td>Yes = 10; No = 1</td>
<td>1</td>
</tr>
<tr>
<td>Supplier has a documented policy on speaking up (whistle blowing) within the organization or provides a means for raising issues that could include criminal conduct/illegal activity, dishonesty, theft/fraud, environmental or safety concerns, integrity of financial reporting, conflicts of interest, and/or regulatory compliance.</td>
<td>Yes = 1; No = 10</td>
<td>1</td>
</tr>
<tr>
<td>Established Sustainable Business Policy and Goals</td>
<td>Yes = 1; No = 10</td>
<td>1</td>
</tr>
<tr>
<td>Energy, Water, Waste, and Carbon tracking and management system; Supplier submits to GRI</td>
<td>Yes and GRI = 1</td>
<td>10</td>
</tr>
<tr>
<td>Sustainable Procurement/Supply Chain Program (providers to the supplier)</td>
<td>Yes = 1; No = 10</td>
<td>10</td>
</tr>
<tr>
<td>LEED, BREEAM, Energy Star or equivalent internal Green Building Program</td>
<td>Yes = 1; No = 10</td>
<td>10</td>
</tr>
<tr>
<td>If providing electronic components, comply with RoHS and WEEE?</td>
<td>NA = 0; Yes = 1; No = 10</td>
<td>0</td>
</tr>
<tr>
<td>Minimizes environment impact in product and process design, and/or has environmental product or packaging claims or certifications (FSC, Green Seal, Green-E, ISO 14021, biocompatible, biodegradable)</td>
<td>NA = 0; Yes = 1; No = 10</td>
<td>1</td>
</tr>
<tr>
<td>Alternative energy program (solar, wind, thermal, purchased credits or off-sets)</td>
<td>Information Only</td>
<td>No</td>
</tr>
</tbody>
</table>
## Supplier Risk Score

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk Score</th>
<th>High Threshold</th>
<th>Moderate Threshold</th>
<th>Level Multiplier</th>
<th>% Max Score</th>
<th>Raw Score</th>
<th>Level</th>
<th>Max Score</th>
<th>Weight</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>47%</td>
<td>60%</td>
<td>30%</td>
<td>1.0</td>
<td>47%</td>
<td>66</td>
<td>10</td>
<td>140</td>
<td>0.30</td>
<td>14%</td>
</tr>
<tr>
<td>Quality Systems</td>
<td>25%</td>
<td>60%</td>
<td>30%</td>
<td>1.0</td>
<td>25%</td>
<td>136</td>
<td>10</td>
<td>550</td>
<td>0.20</td>
<td>5%</td>
</tr>
<tr>
<td>Compliance Monitoring</td>
<td>17%</td>
<td>60%</td>
<td>30%</td>
<td>1.0</td>
<td>17%</td>
<td>15</td>
<td>10</td>
<td>90</td>
<td>0.20</td>
<td>3%</td>
</tr>
<tr>
<td>Performance Monitoring</td>
<td>0%</td>
<td>60%</td>
<td>30%</td>
<td>1.0</td>
<td>0%</td>
<td>0</td>
<td>10</td>
<td>110</td>
<td>0.20</td>
<td>0%</td>
</tr>
<tr>
<td>EHS&amp;S (Sustainability)</td>
<td>26%</td>
<td>60%</td>
<td>30%</td>
<td>1.0</td>
<td>26%</td>
<td>50</td>
<td>10</td>
<td>195</td>
<td>0.10</td>
<td>3%</td>
</tr>
</tbody>
</table>

Overall Score (Information Only): 25%
Challenges, enablers...

- Customer pressure at other end of value chain
- Historically, Sustainability has not been a key determining factor in selecting Tier 1 Suppliers (direct materials and production-related services)
- Front end research & development
- “Mom & Pops”
- Single source specialty suppliers
- Indirect and admin – not measured
- FDA, other regs
Questions?

Larry Gelb
Director, Global Sustainability
Lgelb@bausch.com

Break out: Telling the sustainability story and gaining customers

Rochester Institute of Technology

Dan Bena
Global Sustainable Development
July 2013
Rochester Institute of Technology
The Challenge: human DEVELOPMENT is OUT-OF-SYNC with the ECOLOGICAL LIMITS of the PLANET

Meeting the dual goals of sustainability
High human development and low ecological impact

African countries
Asian countries
European countries
Latin American and Caribbean countries
North American countries
Oceanian countries

Translation: This is where we need to be, and where no one is...

So, **EXISTING OUTSIDE** of the **PLANETARY BOUNDARIES** poses a series of **RISKS** to business, governments, and society at large...

Various sources; compiled in the WEF 2013 Global Risks Forecast
WATER/FOOD INSECURITY, AGRO volatility, rising GHG, FAILURE TO ADAPT to climate change are among RISKS with the HIGHEST IMPACT over the next five years.

Top 5 Global Risks in Terms of Impact:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization</td>
<td>Interstate and civil wars</td>
<td>Pandemics</td>
<td>Oil price shock</td>
<td>Major systemic financial failure</td>
<td>Major systemic financial failure</td>
</tr>
<tr>
<td>2008</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Slowing Chinese economy (&lt;6%)</td>
<td>Oil and gas price spike</td>
<td>Pandemics</td>
<td>Water supply crises</td>
<td>Water supply crises</td>
</tr>
<tr>
<td>2009</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Oil and gas price spike</td>
<td>Chronic disease</td>
<td>Fiscal crises</td>
<td>Geopolitical conflict</td>
<td>Food shortage crises</td>
</tr>
<tr>
<td>2010</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Oil price spikes</td>
<td>Chronic disease</td>
<td>Fiscal crises</td>
<td>Geopolitical conflict</td>
<td>Chronic fiscal imbalances</td>
</tr>
<tr>
<td>2011</td>
<td>Fiscal crises</td>
<td>Climateological catastrophes</td>
<td>Geopolitical conflict</td>
<td>Asset price collapse</td>
<td>Extreme energy price volatility</td>
<td>Water supply crises</td>
<td>Diffusion of weapons of mass destruction</td>
</tr>
</tbody>
</table>

Legend:
- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Source: World Economic Forum
Many, diverse STAKEHOLDERS are INTERESTED in SUSTAINABILITY and related topics....
1600 EXPERTS across 117 countries identify supply-related areas as the HIGHEST-PRIORITY issues for focus

Important Sustainability Issues to Prioritize
Sustainability Experts, 2012

- Ensuring access to adequate water supplies: 44
- Creating more equitable societies: 43
- Improving resource efficiency: 43
- Reducing greenhouse gas emissions: 42
- Ensuring food security: 41
- Protecting biodiversity: 38
- Preparing for climate change: 34
- Improving citizen participation in governance of sustainable development issues: 30
- Increasing corporate responsibility: 27
- Improving economic wellbeing: 25
- Ensuring access to adequate energy: 24
- Improving human health: 22
- Empowering women: 21
- Mobilizing youth to address sustainable development: 21
- Sustainable transportation of goods and commodities: 12
- Sustainable personal transportation: 10
- Educating the population on climate change: 1

Many are areas where PepsiCo can have significant POSITIVE IMPACT

• “In thinking about making progress globally on sustainable development, please choose the five issues that are most important to prioritize over the next five years.”
The GENERAL POPULACE also SEES SUPPLY-related topics as SERIOUS societal problems— all OPPORTUNITIES for PepsiCo.

**Seriousness of Challenges to Society**

“Very Serious,” Average of 22 Countries,* 2012

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water pollution</td>
<td>62</td>
</tr>
<tr>
<td>Crime/violence</td>
<td>59</td>
</tr>
<tr>
<td>Shortages of fresh water</td>
<td>59</td>
</tr>
<tr>
<td>Unemployment</td>
<td>59</td>
</tr>
<tr>
<td>Depletion of natural resources</td>
<td>57</td>
</tr>
<tr>
<td>Economic problems/uncertainty</td>
<td>54</td>
</tr>
<tr>
<td>Poverty/homelessness</td>
<td>53</td>
</tr>
<tr>
<td>Loss of plant/animal species</td>
<td>51</td>
</tr>
<tr>
<td>Climate change</td>
<td>49</td>
</tr>
<tr>
<td>Education</td>
<td>48</td>
</tr>
<tr>
<td>Health care</td>
<td>47</td>
</tr>
<tr>
<td>Human rights</td>
<td>43</td>
</tr>
<tr>
<td>Animal welfare</td>
<td>33</td>
</tr>
</tbody>
</table>

*I Includes Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Japan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, Panama, Peru, Poland, South Korea, Spain, Turkey, UK, and USA
For the globally conscious CONSUMER, ENVIRONMENT tops the list of important CAUSES for COMPANIES to SUPPORT.
In North America, it’s all about **SUPPORTING SMALL BUSINESS & ENTREPRENEURSHIP**

**Table:**

<table>
<thead>
<tr>
<th>ASIA PACIFIC</th>
<th>EUROPE</th>
<th>MIDDLE EAST/AFRICA</th>
<th>LATIN AMERICA</th>
<th>NORTH AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Image]</td>
<td>![Image]</td>
<td>![Image]</td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
</tbody>
</table>

**Diagram:**

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, Malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development
- Combat non-communicable diseases such as cardiovascular diseases, cancers, chronic lung diseases and diabetes
- Increase access to technology
- Promote racial, ethnic and cultural inclusiveness
- Improve Science, Technology, Engineering and Math training and education
- Protect animals
- Support small business and entrepreneurship
- Increase access to clean water
- Provide relief following natural disasters
- Increase access to cultural institutions (such as the arts, museums and performances)
- Undertake development projects that benefit the communities around their offices or manufacturing units
When given ONE CHOICE for how COMPANIES should CHANGE, global CONSUMERS SAY they should SOURCE materials more RESPONSIBLY
And, while still a gap between **INTENT** and **BEHAVIOR**, consumers **ARE ACTING** based on a company’s **CONSCIENCE**

<table>
<thead>
<tr>
<th>Intent</th>
<th>Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers want to get engaged with corporate social responsibility efforts:</td>
<td></td>
</tr>
<tr>
<td>If given the opportunity, I would buy a product with a social and/or environmental benefit</td>
<td>92%</td>
</tr>
<tr>
<td>If I learned of a company’s irresponsible or deceptive business practices, I would stop buying its products</td>
<td>90%</td>
</tr>
<tr>
<td>I would tell my friends and family about a company’s CSR efforts</td>
<td>84%</td>
</tr>
<tr>
<td>If given the opportunity, I would donate to a charity supported by a company I trust</td>
<td>78%</td>
</tr>
<tr>
<td>If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g., provide comments on the company’s website or blog, review products)</td>
<td>78%</td>
</tr>
<tr>
<td>If given the opportunity, I would volunteer for a cause that a company I trust supports</td>
<td>77%</td>
</tr>
<tr>
<td>In the past 12 months, consumers indicate they have:</td>
<td></td>
</tr>
<tr>
<td>If given the opportunity, I would buy a product with a social and/or environmental benefit</td>
<td>67%</td>
</tr>
<tr>
<td>If I learned of a company’s irresponsible or deceptive business practices, I would stop buying its products</td>
<td>55%</td>
</tr>
<tr>
<td>I would tell my friends and family about a company’s corporate responsibility efforts</td>
<td>50%</td>
</tr>
<tr>
<td>If given the opportunity, I would donate to a charity supported by a company I trust</td>
<td>88%</td>
</tr>
<tr>
<td>If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g., provide comments on the company’s website or blog, review products)</td>
<td>32%</td>
</tr>
<tr>
<td>If given the opportunity, I would volunteer for a cause that a company I trust supports</td>
<td>37%</td>
</tr>
</tbody>
</table>
Collective benchmarking continues to profile and score company performance against a range of farm-based activities.

Add to this the **SCRUTINIZING EYE** of **EXTERNAL** organizations who provide **VISIBILITY** into **SUPPLY CHAINS**

Direct engagement, focusing on company based supply chains

*Brazil orange juice makers fined for labor violations*

A Brazilian judge has ordered four major orange juice producers to pay $2.7 million in compensation for a decade of illegal labor practices and ordered them to end outsourcing of orange picking. Sao Paulo state labor authorities said Tuesday that the March 19 ruling enjoins Socoritrico Cutral Ltda., Louis Dreyfus Commodities Agroindustrial S/A, Citrovita Agroindustrial Ltda and Fischer S/A to formally register more than 200,000 orange pickers.

The companies can appeal the ruling to a higher regional court.

Brazil, the world’s leading orange juice exporter, currently exports around 4.2 million tons of concentrated juice a year, with 70 percent going to Europe and 15 percent to the United States.
...so WHAT needs to CHANGE for extended LEADERSHIP?
One of the fundamental problems I think the C-suite actors in this space currently have is that as more and more of this becomes systemic, not just a single issue, it becomes dramatically more complex in terms of who does what, who’s got responsibility, where the risk and opportunities lie, what the role of this particular company might be moving forward.

*John Elkington*, Co-founder, SustainAbility and Executive Chair, Volans

If we achieve our sustainability targets and no one else follows, we will have failed.

*Paul Polman*, CEO, Unilever

Short sited vision continues to be the most important obstacle of today’s leadership. We don’t have enough leadership that is looking into the next 100 years.

*Yolanda Kakabase*, President, WWF International
According to sustainability EXPERTS, at the MACRO level, there needs to be SHIFTS in both CULTURE and PRIORITIES.
There is a clear desire for PRIVATE SECTOR leadership, with performance resulting from DIVERSE COLLABORATIONS...
...and there is good agreement on what **attributes** are needed to demonstrate **leadership**, ranging from the more **intuitive** and **straightforward**...

<table>
<thead>
<tr>
<th>Attributes &amp; Key Actions</th>
<th>What</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Vision</strong></td>
<td>Articulation of the company’s unique role and contribution in a sustainable future</td>
<td>To describe a compelling and relevant destination, and to inspire the company and its stakeholders to help achieve it</td>
</tr>
<tr>
<td>Focus + Inspire</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2 Goals</strong></td>
<td>Ambitious, specific, context-based thresholds for performance</td>
<td>To ground and drive progress against Vision; to unlock competition and collaboration to achieve greater impact</td>
</tr>
<tr>
<td>Define + Motivate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3 Offer</strong></td>
<td>Articulation of the company’s unique role and contribution in a sustainable future</td>
<td>To test and demonstrate new approaches, establish new markets and promote further innovation and impact</td>
</tr>
<tr>
<td>Innovate + Demonstrate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Changing Tack: Extending Corporate Leadership on Sustainable Development
...to the more **COMPLEX, SENSITIVE, and DIFFICULT TO ACTIVATE**

<table>
<thead>
<tr>
<th>Attributes &amp; Key Actions</th>
<th>What</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Brand</td>
<td>Developing products and services that are the optimal combination of “different” and “better”</td>
<td>To engage core values and mindsets, shifting behavior and driving greater demand for sustainable solutions</td>
</tr>
<tr>
<td>Connect + Engage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Transparency</td>
<td>Providing relevant, appropriate, timely signals to all market players</td>
<td>To optimize stakeholder understanding and decision-making, and ensure proper function of markets</td>
</tr>
<tr>
<td>Inform + Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Advocacy</td>
<td>Outspoken leadership aimed particularly at policymakers, investors, other companies and consumers</td>
<td>To mobilize key actors in order to reform policy, incentives and other system conditions to support sustainability</td>
</tr>
<tr>
<td>Lead + Mobilize</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Each of the **SIX LEADERSHIP ATTRIBUTES** brings with it tangible **ACTIONS** to implement for **SUCCESS**.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Actions: Vision</strong></td>
<td><strong>Key Actions: Goals</strong></td>
<td><strong>Key Actions: Offer</strong></td>
</tr>
<tr>
<td>Connect and address business risk, stakeholder expectations, competitiveness and innovation opportunities in an integrated vision of the company's role in sustainability</td>
<td>Develop absolute or science-based goals and standards, in order to tie organizational performance to performance of the whole system</td>
<td>Ensure credibility and impact by expressing sustainability ambition directly through core offer</td>
</tr>
<tr>
<td>Align and integrate sustainability vision with core strategy, culture and competencies, by evolving or extending current corporate vision and identity in the context of sustainability</td>
<td>Develop long-term goals that help set the course toward a truly sustainable future</td>
<td>Engage R&amp;D, business units, marketing and other key functions and collaborators to build and test solutions that are both different and better</td>
</tr>
<tr>
<td>Reach beyond incremental improvement to define your company's ideal, sustainable future, helping call out—and inspiring efforts to address—the large-scale systemic shifts required to realize it</td>
<td>Ensure goals are ambitious and require new thinking and approaches to meet them, which will drive much-needed competition, collaboration and innovation</td>
<td>Examine and embrace disruptive trends that may speed development of more sustainable products, services and business models</td>
</tr>
<tr>
<td>Invite important stakeholder organizations (competitors, industry associations, govs, ngos, etc.) to endorse and share your company's goals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
...with a significant OPPORTUNITY for consumer products companies to more SYSTEMATICALLY and COMPREHENSIVELY engage their BRANDS

### 4. Brand

<table>
<thead>
<tr>
<th>Key Actions: Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrate sustainability into core brand promise and messaging</td>
</tr>
<tr>
<td>Leverage brand, marketing and communications to engage and influence consumers and other stakeholders towards more sustainable behaviors</td>
</tr>
</tbody>
</table>

### 5. Transparency

<table>
<thead>
<tr>
<th>Key Actions: Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to evolve reporting and disclosure mechanisms to provide the right information, in the right format and at the right time, in order to optimize decision-making for all market players</td>
</tr>
<tr>
<td>Value and report on externalities, such as the use of natural capital, both to provide better signals to stakeholders and influence the development of policies to properly price externalities into markets</td>
</tr>
<tr>
<td>Explore ways that technology can connect customers more directly to key information and stories behind products</td>
</tr>
</tbody>
</table>

### 6. Advocacy

<table>
<thead>
<tr>
<th>Key Actions: Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in coalitions with civil society and other companies in order to push for vital shifts in policy to support sustainability</td>
</tr>
<tr>
<td>Leverage existing clout by mobilizing trade associations, both to lobby for more effective policy and to promote much higher standards across industries</td>
</tr>
<tr>
<td>Cultivate and encourage investors who are supportive of your long-term sustainability ambitions and near-term plans for how to achieve them</td>
</tr>
<tr>
<td>Openly communicate relevant information to consumers and the public about large-scale challenges, the need for systemic change and what can and should be done about it</td>
</tr>
</tbody>
</table>

* Arbitrary color code, based on author experience
The private sector is increasingly charting PLANS to ADDRESS these CHALLENGES—like WBCSD VISION 2050.

To a sustainable world in 2050

**Vision**
- One World: People & Planet
  - All products sustainable
  - Billions lifted from poverty
- Basic needs met
  - Externalities internalized
  - Output doubled
- True value
  - Better trade, yields & carbon management
- Enough food & biofuels
  - Deforestation halted
  - CO2 emissions halved
  - All buildings zero-net energy
  - Near universal access
  - 4-10 fold efficiency improvement

**Transformations Times**
- 2050: Measures of success
  - Sustainable living
  - Ecosystems & enterprises
  - True value markets
  - Better trade, yields & carbon management
- 2040: Visions
  - Carbon incentives
  - Re-adjusting energy mix
  - Energy efficiency
  - Holistic approach to mobility
  - Doing more with less
- 2030: Transformation
  - Forest protection & production
  - GHGs peak & decline
  - Smarter buildings & user
  - Smarter mobility
  - Closing the loop
- 2020: Turbulent Teens
  - Carbon incentives
  - Re-adjusting energy mix
  - Energy efficiency
  - Holistic approach to mobility
  - Doing more with less
- 2010: Must haves by 2020
  - Change through cooperation
  - Trust & inclusiveness
  - Redefining progress
  - Knowledge intensive agriculture
- 2010: New measures of success
  - Commitment to carbon cuts
  - Global carbon price
  - Tough energy-efficiency rules
  - Energy awareness

**People’s values**
- Economic empowerment of women
- Incentives for behavior change
- Opportunities for an aging population
- Integrated urban management
- Economic development
- People's values

**Human development**
- Training of farmers
- Freer & fairer trade
- Yield gains
- Water efficiency
- More agric R&D
- New crop varieties

**Economy**
- Global, local & corporate leadership
- Removal of subsidies
- Commitment to true value pricing
- Long-term financing models
- Dissemination of technologies

**Agriculture**
- Commitment to carbon cuts
- Global carbon price
- Agree on how to manage GHGs
- Cost of renewables lowered
- Integrated transport solutions

**Forests**
- Water efficiency
- Business models integrate all actors
- More efficient & alternative drivetrains
- Energy efficiency in production
- Landfills phased out

**Energy and power**
- Yield gains
- Yield gains
- Cost of renewables lowered
- Integrated transport solutions
- More efficient & alternative drivetrains
- Innovation with consumers

**Buildings**
- Energy awareness
- Infrastructure investment
- Integrated transport solutions
- More efficient & alternative drivetrains
- Innovation with consumers

**Mobility**
- Landfills phased out
- Closed loop design
- Value chain innovation
- Energy efficiency in production

**Materials**
- Landfills phased out
- Closed loop design
- Value chain innovation
- Energy efficiency in production
- Innovation with consumers

From business-as-usual
...and Vision 2050 also identifies BUSINESS DOMAINS for the NEXT DECADE – opportunities for PEPSICO

Areas for PepsiCo to lead & play:

- Tailored solutions for markets
- Consumer education/marketing
- Products for aging populations
- Smarter energy mix
- Access to water, education, health
- Reducing water waste
- Water management with forests
- Soil erosion prevention
- Habitat and biodiversity conservation
- Labeling/product certification
- Influencing policy, investments, and consumers
Bringing it all together:

• Start with a robust vision—balance short- and long-term elements
• Identify your specific risks, and how to attempt to quantify them
• Identify genuine opportunities, based on the core competencies of your organization
• Decide and align on your most important stakeholders
• Develop messaging that matters and is resonant to these audiences
  – Chances are, the delivery will be different
• Be transparent—sharing the good news as well as the bad news
  – Numeric goals help a great deal
• Bring others along through advocacy and collaboration
  – Public/private partnerships
• Have a “constant drum beat” of stories to keep top-of-mind
  – Leverage social media and digital channels; entrepreneurism; youth development
• Embrace an “adaptive” approach, since this is all a work-in-progress
IBM’s Social & Environmental Management System and Requirements for Suppliers

Michael McGrath, IBM, Supply Chain Social Responsibility Program Leader
New Management System - Requirement for IBM’s Suppliers
Supply Chain Responsibility - A Commitment to Collaboration

- IBM recognizes its sizeable purchasing power is a unique resource
  - Must manage responsibly
  - Provides an ability to influence supply chain performance

- IBM’s strong relationships with its suppliers provide an opportunity to:
  - Collaborate in defining standards — ethical, social and environmental — in the global IT supply chain.

- IBM believes its supplier management system initiative can help suppliers:
  - Enhance their operational excellence
  - Improve working conditions
  - Advance environmental performance

... Resulting in higher quality goods and services for our clients.
Chief Procurement Officer Letter to Global Suppliers

- Feb 22, 2010 to 28,000 suppliers in over 90 countries
- Generated significant interest and inquiries
  - Media
  - Clients
  - eNGOs

http://www-03.ibm.com/procurement/proweb.nsf/object/docsview/file22+feb+10+letter+to+s
uppliers+on+gs+s&ems/$file/letter+to+suppliers+on+gs+s+ems_22feb2010.pdf
Requirements for Suppliers

IBM's Requirements for Suppliers Regarding a Corporate Responsibility and Environmental Management System, Measuring Performance, Setting Goals, and Disclosing Results

- IBM asks its suppliers to:
  1. define, deploy, and sustain a corporate responsibility and environmental management system that identifies significant aspects of the supplier's intersections with these matters, including those articulated in IBM's Supplier Conduct Principles and the Electronic Industry Citizenship Coalition Code of Conduct
  2. establish programs (within the management system) to control operations that intersect with these matters and confirm compliance with applicable law, regulation and any particular contractual requirements
  3. measure performance associated with supplier's significant environmental aspects where applicable and include at a minimum each of the following aspects common to virtually all businesses:
     - energy conservation
     - scope 1 and scope 2 greenhouse gas emissions *
     - waste management and recycling
  4. set voluntary environmental goals to achieve positive results associated with significant aspects where applicable and include at a minimum one in each of the three aspects cited in item 3 above
  5. publicly disclose results associated with these voluntary environmental goals and other environmental aspects from the management system, including any regulatory fines or penalties that may have occurred
  6. train employees who are responsible for performing this work
  7. conduct self-assessments and audits as well as management reviews
  8. cascade this set of requirements to the supplier's suppliers who perform work that is material to the products, parts and/or services being supplied to IBM

*Note:
Scope 1 greenhouse gas emissions: direct emissions generated by the company
Scope 2 greenhouse gas emissions: indirect emissions that are associated with the generation of electricity that is purchased and consumed by the company

- Illustrative information about IBM's own Global Environmental Management System and Environmental Reporting and Disclosure can be found at:
  - http://www.ibm.com/ibm/environment/annual/ (Environmental Reporting and Disclosure)
Approach to Assessment of Suppliers’ Performance

- **Formally integrate requirements into existing business processes**
  - Governance under Global Supply Social & Environmental Management System Procedures Manual, and
  - Internal sourcing directives (IBM “Blue Book”) updated with the new requirements
  - Include in pre-sourcing checklist (used prior to award of business to new suppliers)

- **Extensive education and training material provided**
  - For IBM sourcing teams and suppliers

- **Owned and implemented by sourcing teams (Production and Indirect)**
  - Evaluation assessment template prepared used to assess whether a supplier meets these threshold requirements or not (no ranking of suppliers’ performance)
  - Time allotted for suppliers to update or establish a management system (if one not in place)
    - New suppliers - 12 months from award of business
    - Suppliers with existing management system may need augment what is in place to fully address all
      - 8 requirements

- **To-date, IBM’s production suppliers as well as its services and general procurement suppliers** associated with the majority of the company’s procurement spend have demonstrated that they have a management system in place to address their company’s social and environmental responsibilities.
Corporate Responsibility and Environmental Management System
-- Supporting Business Excellence

- Environmental Compliance
  - No: stop ships, revenue misses, customer sat issues, fines, penalties, etc.
  - All product designed and released meets/exceeds all applicable government regulations
  - All purchased product meets/exceeds IBM environmental requirements
  - Reduces overall cost of compliance

- Corporate Citizenship and Environmental Management System
  - Ability to respond to client RFI/Qs
  - Enables substantive and meaningful public disclosure
  - Enables effective dialogue with interested parties
  - Positive impact on brand image

- Voluntary Environmental Goals and Demonstrable Results
  - Evidence of leadership and positive example

...... Consistent with our values

*Socially responsible investors include individuals and also institutions, such as corporations, universities, hospitals, foundations, insurance companies, public and private pension funds, nonprofit organizations, and religious institutions. Institutional investors represent the largest and fastest growing segment of the SRI world.
Key Metrics and Reports

- Tracked and reported in senior executive monthly reviews
  - SCSR
    - Number of supplier audits conducted vs. plan
    - Supplier Improvement Plans received on time
    - Supplier performance against Supply Chain Provisions
  - CoE Product Environmental Compliance
    - Performance against regulatory requirements
  - Voluntary Goals
    - Status of meeting each goal
Lessons Learned

- Starts at the top – senior executive management to establish the vision and be the champion
- Appoint a global leader and assemble a cross functional team
- Identify the strategy, map out a plan to implement and support
- Link to Corporate Environmental Management System
- Outline a time line, milestones and executive read outs, track progress to plan
- Anticipate road blocks and that executing the plan will be harder that anticipated
- Be determined to stay the course
- Arrange for executive launch and communications
- Plan to communicate internally
  - the what, the why, how does this affect me, what am I supposed to do now that I have been educated, etc.
  - on-line education
- Plan external communications – with business and trade journals and have a formal press release prepared
- Develop follow up plan, monitor implementation and execution
1. IBM and the Environment
   http://www.ibm.com/ibm/environment/

2. IBM's Global Environmental Management System (EMS)
   http://www.ibm.com/ibm/environment/ems/

3. IBM Supply Chain Environmental Management
   http://www.ibm.com/ibm/environment/supply/

4. IBM's New Management System Requirements for Suppliers

5. Global Supply's Information for Suppliers (Environmental Requirements, etc.)
   http://www-03.ibm.com/procurement/proweb.nsf/ContentDocsByTitle/United+States~Information+for+suppliers#top

6. Global Supply's Supply Chain Social Responsibility (SCSR)
   http://www-03.ibm.com/procurement/proweb.nsf/ContentDocsByTitle/United%20States~Supply%20chain%20social%20responsibility

7. Global Supply's Supply Chain Environmental Responsibility (SCER)
   http://www-03.ibm.com/procurement/proweb.nsf/ContentDocsByTitle/United+States~Supply+chain+environmental+responsibility

8. Supplier Letters (Key CPO Messages to Suppliers)
   http://www-03.ibm.com/procurement/proweb.nsf/ContentDocsByTitle/United+States~Supplier+letters

9. Product Content Declaration for IBM Suppliers (PCD)

10. Baseline Environmental Requirements for Supplier Deliverables to IBM
Questions & Answers

Discussion