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.
Corporate Responsibility

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 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

IBM’s Global Environmental Management System
- Corporate Environmental Affairs

Global Supply S&EMS: Central repository for all Global Supply’s Social & Environmental Programs

1. Based on direction and requirements IBM’s Global EMS document

2. Suppliers document their own mgmt system
3. Requirements from IBM to be included
4. Review suppliers’ mgmt systems

GS S&EMS Team educates and trains councils

GS S&EMS Team helps prepare education material for councils to present to suppliers

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