IBM’s Social & Environmental Management System and Requirements for Suppliers

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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/docsw/view/file22feb10+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