

Integrating Social Responsibility into Purchasing : how to lever the strengths of short term purchasing and long term SD tools ?

13th to 14th March 2008 Workshop EIPM

Agenda

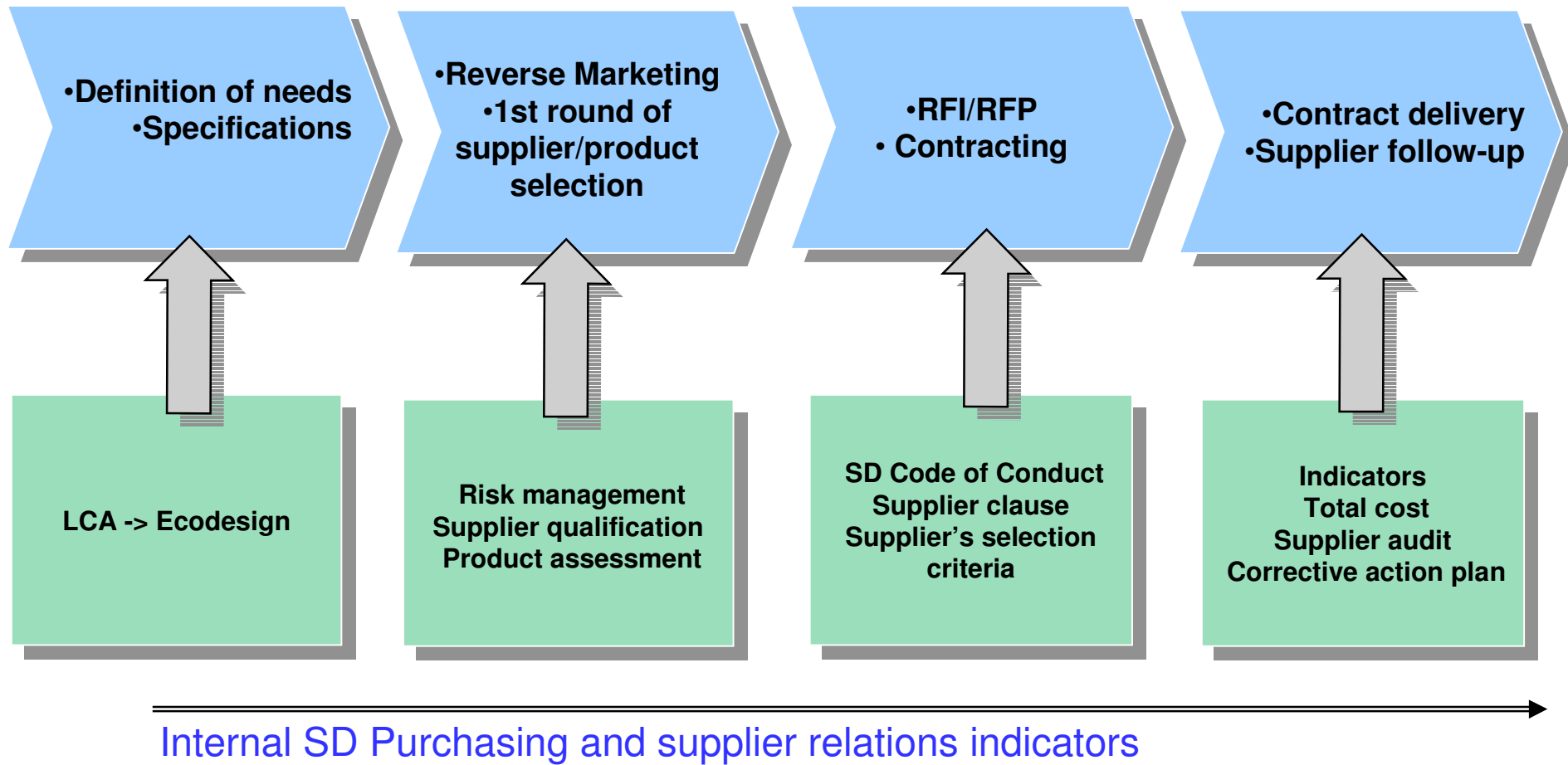
- **What are the current CSR Purchasing Practices and the benefits ?**
- **CSR Change Management and implementation : some lessons learned, how to assess the effectiveness of integrating CSR into Purchasing practices ?**
- **Appendices**

Review of SD tools

- **Code of Conduct - Purchasing guidelines**
- **Supplier clause**
- **Specifications**
- **LCA & Ecodesign**
- **Risk assessment and supplier questionnaire**

- **Supplier's selection criteria**
- **Supplier audit**
- **Total cost**
- **SD Key Performance Indicators (KPI's)**

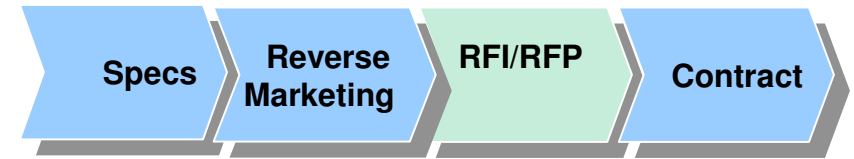
SD tools and purchasing process



Philips – how to integrate CSR in Purchasing : lessons learned from a step by step process

- **Step 0 : Establish a Corporate CSR Policy – Corporate commitment by joining Global Compact, DJSI, etc.**
- **Step 1 : Define a CSR Purchasing Policy - Philips Supplier Sustainability program**
- **Step 2 : Explain your motivations to suppliers and the reasons they have to align**
- **Step 3 : Show the impact of the CSR Purchasing Policy → supplier's adherence to Code of Conduct, suppliers audits**

Communication on SD issues with suppliers – example Philips



Dear Supplier,

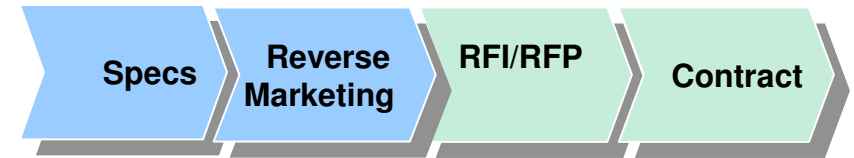
We are pleased to announce that Philips has improved its sustainability performance in the Dow Jones Sustainability Indexes... and recognizes the growing impact of the One Philips Supplier Sustainability program we launched in 2005. As a valued supplier, we count on your support to further drive this Program

We also need to maintain our rigorous approach to Restriction of Hazardous Substances (RoHS), and be **ready for the introduction of the more stringent REACH** (Registration, Evaluation and Authorization of Chemicals) regime. **This is a substantial change: RoHS covers just six substances, whereas REACH covers around 1500!**

Finally, we need to start **looking deeper into sustainability issues in order to meet customer expectations for sustainable business**. This means, for example, working together to reduce the carbon footprint of manufacturing operations.

Philips has made a firm commitment to sustainability, and I count on you to be part of our push for cleaner, greener business.

Philips : Supplier Sustainability Involvement Program



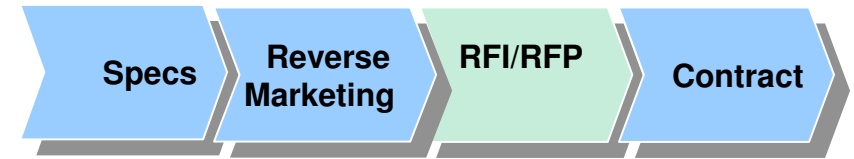
Self-assessment and audits

- « **Our current suppliers and all our new suppliers are asked to *sign the declaration* and to fill out a *self-assessment tool*.** This allows suppliers to gain awareness of our expectations and to make an initial evaluation of their compliance to our requirements. **It may be followed by on-site audits.**
- **These audits are based on a certification process and system standardized across Philips. This includes interviews with the supplier's management and staff,** carried out during on-site factory visits by **Philips' qualified assessors or third-party auditors.** »

www.philips.com

The PHILIPS Supplier Sustainability Declaration

- Electronic Industry Code of Conduct (1) – (2)



CSR coverage

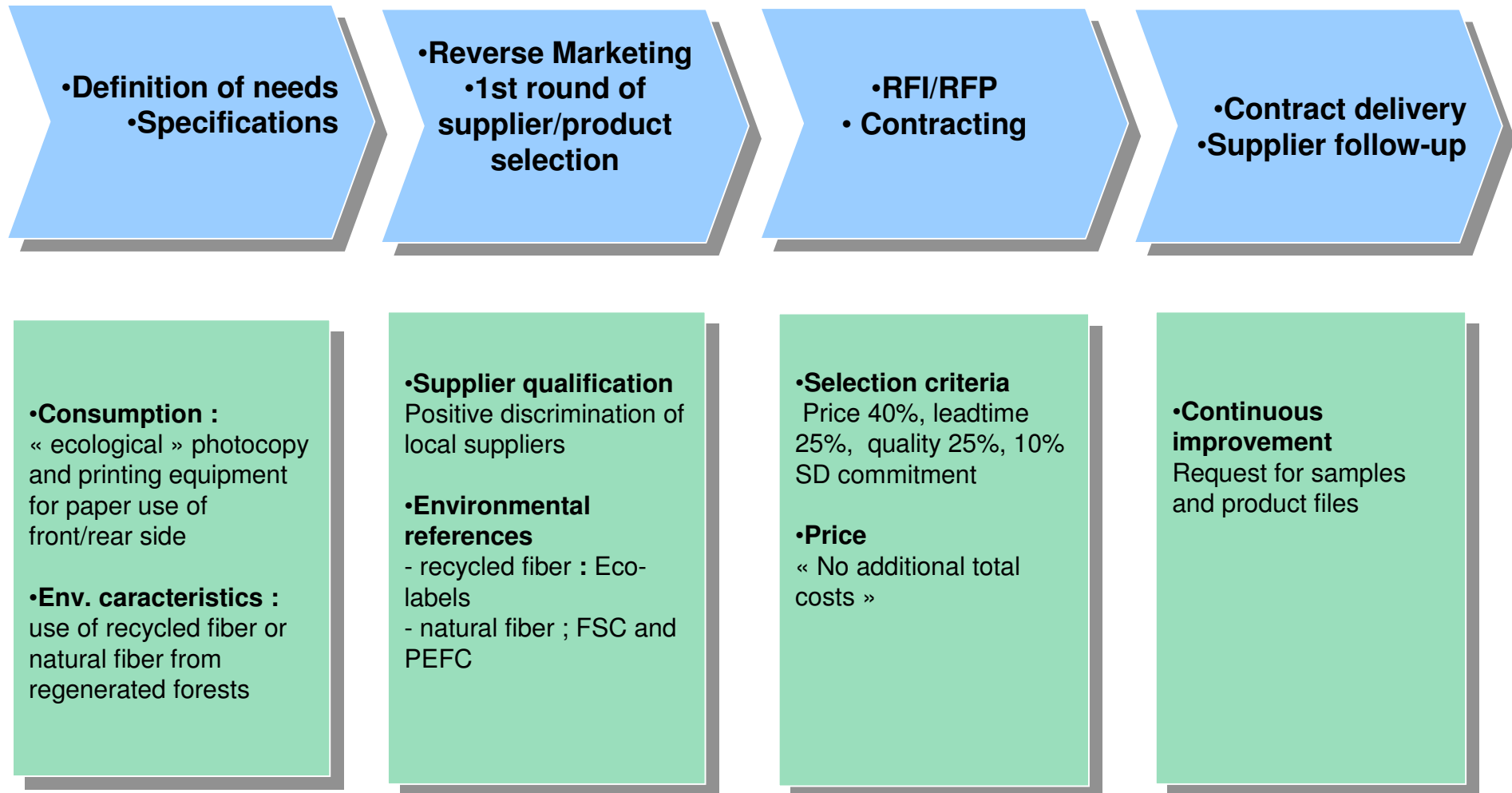
- LABOR
- HEALTH and SAFETY
- ENVIRONMENTAL
- MANAGEMENT SYSTEM
- ETHICS

International SD standards used in preparing this industry wide Code : Global Compact, ILO, OECD, etc. This code – he has to be signed by Philips suppliers.

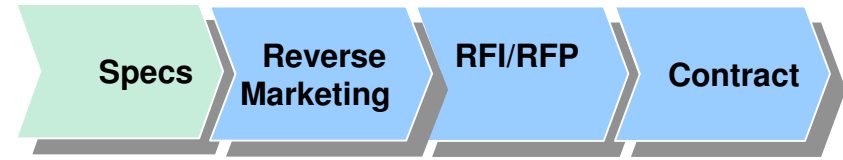
(1) www.eicc.info

(2) www.philips.com

Sustainable purchasing - supplier's selection criteria for office paper

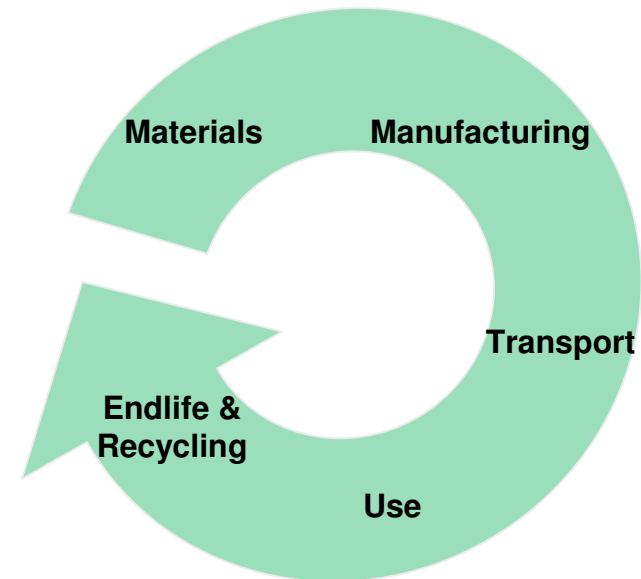


Life cycle assessment (LCA eco-design, innovation and ROI

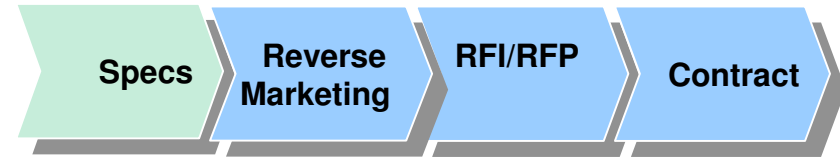



- Objective : optimize the ratio service impacts
- Cost reduction by reducing materials and energy input for manufacturing and use (Philips, Michelin, Steelcase, Kinnarps, etc.)
- Increase in market share

Product life cycle : integration of environment into design and specs

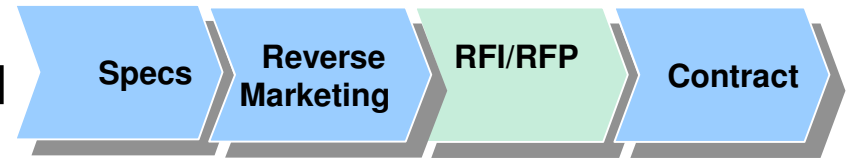


Benefits of ecodesign – example



Cycle analysis	Levers and indicators (example office furniture)	
<p>Manufacturing, materials and transport</p>	<p>30 % weight and volume reduction</p> <p>Transport costs and CO2 emissions reduction</p> <p>Increase of recycled material input, 24 → 44%</p> <p>Tracing of plastic components for recycling</p> <p>Reduced amount of components for streamlined assembly</p> <p>Exclusion of lead, cadmium, PVC... (ROHS)</p>	
<p>Use and endlife</p>	<p>More extended life cycle and opportunity of selective component replacement</p> <p>99% recycling – use of integrally recyclable material</p> <p>Quick disassembling of products</p> <p>Reuse of products</p> <p>Source : www.steelcase.com</p>	

Supplier questionnaire for electrical and electrical components (www.bt.com)



WEEE INFORMATION SECTION

- Is the product subject to the EU directive on the Waste Electrical Electronic Equipment (WEEE) Directive?
- What is the WEEE directive category / name of the product? Will your company be offering an *end of life take back option* for the products?
- If Yes - You have stated you will be offering a take back option. Please indicate *how* this will operate. Under this scheme will the product meet WEEE recycling targets?
- Will take-back form part of your contract?

RoHS INFORMATION SECTION

- Does the product contain materials above the maximum concentration values stated in the RoHS Regulations
- If Yes - Specify RoHS materials : Lead, Mercury, Cadmium, etc.
- Are you able to provide evidence that the product is *RoHS compliant* within 28 days if requested by BT

MATERIALS CONTENT SECTION

- Does the product contain or use materials listed on BT's Black List / Grey List of materials? Specify list materials

- Are you able to supply *detailed breakdown of materials content* for the product?

PRODUCT DESIGN SECTION

- Is the product commercially repairable / upgradeable / reusable / recyclable
- Has *Design for Environment principles* been used in the design of this product? Specify Design for Environment principles
- Does the product conform to a recognised *environmental standard*?
- Does the product require any peripheral equipment / consumables under normal operation?
- Does the product require any consumables under normal operation?
- What is the estimated technical / commercial life span of the product

ENERGY USE SECTION

- What is the primary energy source?
- Is there a secondary energy source?
- Power requirement - standby / power down / in use

CORPORATE COMMITMENT

- 1.1 Can you provide an audit report or an independent certification about your global sustainable development process?**
- 1.2 Did you formalize sustainable development actions within specific processes?
- 1.3 Are you committed to a sustainable development policy?

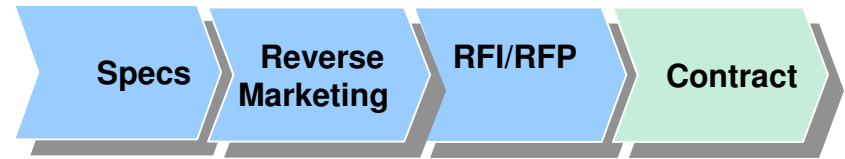
YOUR SUPPLIERS AND SUBCONTRACTORS

- 2.1 Did you implement a monitoring system of the sustainable development policy and/or consideration of suppliers and subcontractors certifications?**
- 2.2 Do you systematically formalize sustainable development policy commitments within your suppliers and subcontractors contracts?
- 2.3 Do you apply a specific Purchasing sustainable development policy?

ENVIRONMENTAL IMPACT OF THE PRODUCT

- 3.1 Has an environmental certification of your product been conducted by an independent party ?**
- 3.2 Do your specifications encompass environmental criteria or targets ?
- 3.3 Have you assessed the major environmental impacts of your product on its life cycle?

TCO - major cost components of Ecoproducts



- Purchasing cost
- SCM cost – transportation, handling,..
- Maintenance
- Energy consumption
- Consumables
- Additional supplies : packaging, ...
- End life & recycling

Example : recycled paper for printing and photocopy equipment

Product information

42% of industrial wood for paper production

Wood

+ Energy

+ Water

= Paper +CO2 emissions

Benefits of recycled paper

▶ **Manufacturing level : one ton of used paper = 900 kg of recycled paper**

- 50% energy savings
- 90% water savings
- 50% less CO2 emissions

▶ **End-life**

- Recycling several times

▶ **Eco-labels**



Source : inmac wstore

Additional costs and benefits for certified wood – Castorama (Kingfisher Inc.)

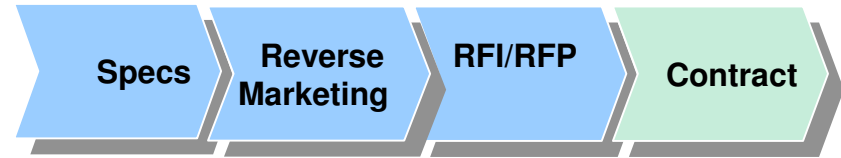
■ Castorama France works in partnership with WWF and FSC

- In March 2006, Castorama France signed a three-year partnership with the conservation organization WWF to promote sustainable products among consumers and support their campaigns on chemicals, timber and climate change.
- The WWF/Castorama France Partners for the Planet Logo is now shown on over 1,700 products. These include FSC certified timber, paint with the European Eco-Label and energy efficient products.

■ The challenge - implementation of a certified timber supply chain while keeping the consumer price stable

- FSC certified timber : 450 €/m³ vs. 225/m³ € for non certified timber
- Need of active communication with suppliers and integrated supply chain management (SCM) to avoid illegal timber
- Solution : LCA approach provides transport savings, better use of storage, etc. to offset the cost increase

Corporate SD Indicators at British Telecom



Categories *	Indicators	Targets
Suppliers	<p>Supplier Relationships – a measure of the overall success of BT’s relationship with suppliers</p> <p>Ethical Trading – a measure of the application of BT’s supply chain human rights standard</p>	<p>To run the survey on a bi-annual basis and achieve 90%</p> <p>To achieve 100% follow up within three months for all suppliers identified as high or medium risk</p>
Customers	<p>Customer Satisfaction – a measure of satisfaction across BT’s entire customer base*</p>	<p>To increase the number of extremely and very satisfied customers by 5%</p>
Environment	<p>Global Warming CO2 Emissions – a measure of BT’s climate change impact</p> <p>Waste to Landfill and Recycling – a measure of BT’s use of resources</p>	<p>Cap 2010 CO2 emissions at 25% below 1996 levels</p> <p>To reduce the tonnage of waste sent to landfill by 5%</p>

Categories *: 3 out of 7 – other categories : employees, integrity, community and digital inclusion.

www.bt.com

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SD implementation on Corporate and Purchasing level - the pitfalls and things not to do (1)

■ Greenwashing

- Sign Global Compact (1) without fulfilling minimum requirements of Communication on Progress (COP)
- P&R Marketing : SD communication without related customer & supplier policy
- Full respect of CSR commitments : « we are not responsible of our supplier's subcontractors »

■ Inefficient Purchasing SD Tools

- Supplier self-assessment questionnaire
 - « we have mailed several hundreds but our staff does not know what to do with the questionnaires the suppliers return » : credibility
 - « a set of 100 questions (5 pages) » : less than 10% suppliers providing information
- No objectives, no significant results and indicators
- Emphasis on communication :
 - « Worldclass supplier audit » : less than 5 audits
 - « We fully integrate SD in supplier selection » : only 3% CSR weight



(1) Global Compact

« This sign behind a company name indicates that

1. a participant failed to develop a Communication on Progress by the relevant deadline or has not yet provided a link to/description of their Communication on Progress; or
2. a participant refuses to engage in dialogue on a matter raised under the Global Compact integrity measures within three months of first being contacted by the Global Compact Office about the matter. »

SD implementation on Purchasing level - the pitfalls and things not to do (2)

- Getting lost in the Eco-label forest



Challenges towards sustainable purchasing

- ❑ **Perception of opportunities at corporate level : brand image, Financial SD rating (DJSI, FTSE4Good) vs. Purchasing benefits**
- ❑ **Purchasing Department with acknowledged contribution to corporate profitability to implement SD in business units/plants/agencies**
- ❑ **Performance : shift from a short to a medium / long term policy**
- ❑ **Adjustment of Purchasing methods and tools**
- ❑ **Assessment of additional costs and savings (Business Case)**

Purchasing categories with SD impact – savings and additional costs

Major SD impact ->	Environmental	Social and Community	Economical - Costs
Purchasing categories			
Commodities, utilities and components	X		↓
Travel, Car fleet, Transports	X		↓
Working clothes		X	→ ↑
Communication / marketing : promotional items, advertisement, etc.		X	↑
Professional office supplies and equipment : printing, IT hardware, etc.	X	X	→ ↑
Offices services : food services, cleaning, maintenance, etc		X	↑
Agencies for temporary labour		X	↑



Savings



Additional costs

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Selective SD abbreviations

- CSR : Corporate Social Responsibility
- EMAS : Environment Management and Audit System (Eco-audit)
- FSC : Forest Stewardship Council
- DJSI : Dow Jones Sustainable Index
- FTSE4GOOD : Financial Times Sustainable Index
- GeSI : Global Information and Communication Technology Sustainability Initiative
- GRI : Global Reporting Initiative
- ILO : International Labor Organization
- LCA : Life cycle assessment
- PEFC : Program for Endorsement of Forest Certification Scheme
- REACH : Registration, Evaluation, Authorisation and Restriction of Chemicals
- ROHS : Restriction of the use Of certain Hazardous Substances in electrical and electronic equipment
- SD : Sustainable Development
- SRI : Social Responsible Investment
- TCO : Total Cost of Ownership
- WBCSD : World Business of Corporate SD
- WEEE : Waste electrical and electronic equipment
- WWF : World Wildlife Fund

SD Website resources

■ International organizations and government

- www.unglobalcompact.org
- www.globalreporting.org
- www.ilo.org
- www.oecd.org
- www.europa.eu
- www.sustainable-development.gov.uk
- www.procuraplus.org

■ Private initiative and NGO

- www.wbcsd.org
- www.cfsd.org.uk
- www.sustainability.org
- www.wwf.org
- www.bsr.org
- www.csreurope.org
- www.innovestgroup.com
- www.Sam-group.com
- www.eiris.org
- www.intertek.com

■ Certification, labels, ecodesign

- www.blauer-engel.de
- www.Eco-label.com
- www.ecolabel.org
- www.environdec.com
- www.eu-energystar.org
- <http://ec.europa.eu/environment/ecolabel>
- www.fsc.org
- www.pefc.org
- www.tcodevelopment.org
- www.eicc.info
- www.gesi.org
- www.iso.org
- www.cepaa.org (SA 8000)
- www.sa-intl.org
- www.ethicaltrade.org/
- www.bsi-global.com/index.xalter (OHSAS 18001)
- www.quality.co.uk/emas.htm (EMAS)