

Survival of the fittest: a mentality!
Sustainability: from a qualifier to a differentiator

NEVI Procurement Day 2022

Ton Geurts

Date: 01/11/2022

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BISCI

Introduction



Ton Geurts,
Business Director,
BISCI
2019 - Current

1986 – 2007: Multiple executive roles
@ DSM Nutritional Products (former Roche Vitamins)
- Legal Counsel, General management, building Internet capabilities, Acquisition Integration, Purchase / Supply Chain Integration management

2007 – 2014: Procurement executive
@ AkzoNobel, paint and performance coatings (B2B & B2C)
- Chief Procurement Officer, Key Supplier Account Management, setting up joint ventures, Integration management (ICI)

2011 – 2018: Chairman Advisory Board / Board Member
@ Solidaridad, Dutch-based global NGO for social & ecological supply chains, with ~900 employees

2014 – 2019: CPO and SVP Supply Chain
@ Bekaert, Steel wire transformation and coatings, active on 90 sites in 40 countries, with various joint ventures in Latam, China and EU

Agenda

I. BISCI introduction

II. Global trends form a burning platform

III. Drive towards meaningful change, with a Program Management Office (PMO)

IV. Circularity and its benefits



I. BISCI Introduction

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Our Strategy Journey

Extraordinary Supply Chain Innovation

The Brightlands Institute for Supply Chain Innovation is about bridging...

Research, impact & education

- Reinforcing collaboration between research, impact and education
- Enabling researchers to engage in business-driven projects, aiming to use these results in high-level academic output
- Delivering cutting edge sustainable and digital supply chain innovation for stakeholders in public and private domain
- Creating career paths to reward an active role in BISCI projects

Organisations of Fontys, TNO and UM

- Cooperation between the various organisations
- Joint research projects, combining expertise
- Joint development of educational activities/materials



Roman water management > 2000 years ago

Maastricht University

Fontys University of Applied Sciences

TNO

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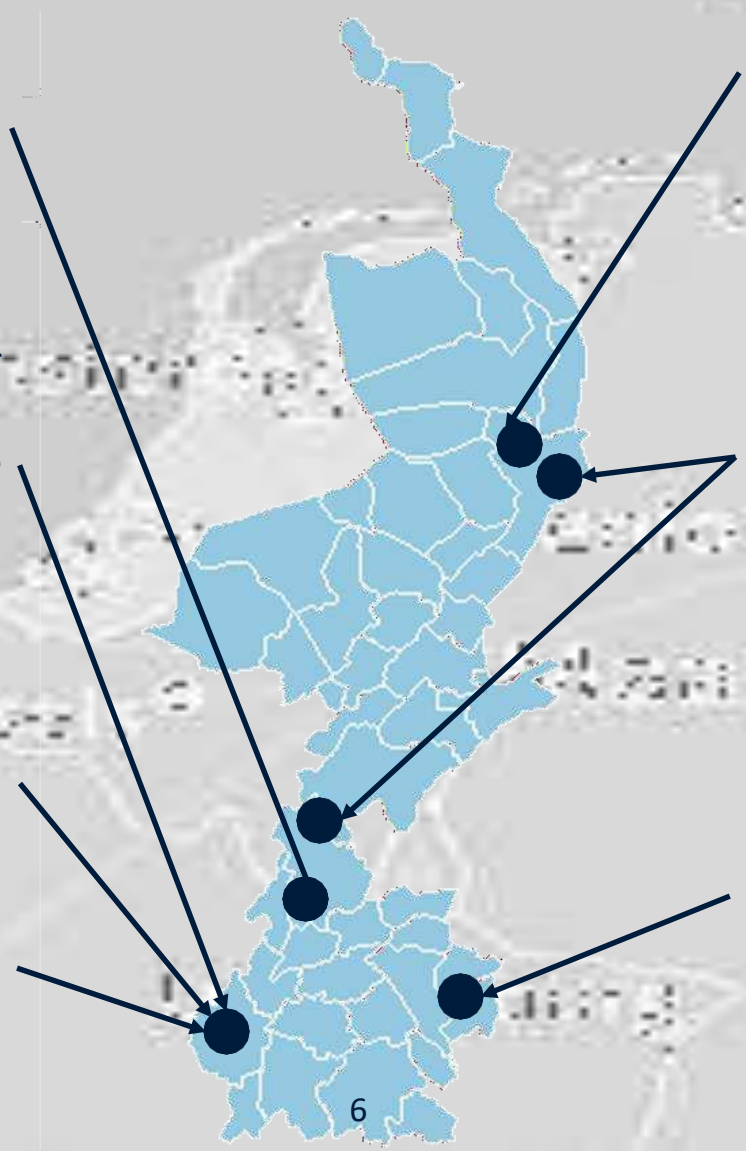
Short overview of the industry ecosystems we focus on

Chemical Ecosystem: BISCI is collaborating with Groene Chemie coalition in the National Groeifonds, alongside Brightsite, TNO, Corbion, Cosun and Chemelot to develop a biobased feedstock, circular economy and recycling of waste as feedstock models, including supply chain and logistics consequences.

An international ecosystem*: Through our Fair and Smart Data spearhead we are fostering an international ecosystem for Sustainable transitions for smallholder farmers through transforming global commodity supply chains.

Scope 3 CO_2 research ecosystem: Cross-cutting research themes have started research on Scope 3 CO_2 emissions, investigating SBTi, registration methodology with our ecosystem partners and municipalities in our region.

Circularity ecosystem: Under development and foreseen to begin in 2023



Agrofood Ecosystem: Several research projects are in the funding stages to research sustainability of international supply chains, from Africa. Healthy Primary School of the Future project completed.

Logistic Ecosystem: BISCI, having co-created Supply Chain Valley, now supports the further development of the logistics hub of North Limburg into a leading knowledge and capability centre for logistics in Northern Europe. We will develop a home for various transformational initiatives in the region such as Pioneers EU, Top Corridors and Regiodeal Noord Limburg. VDL Modal shift support was a key project.

Healthcare Ecosystem: The Healthcare Hub has been created between Boston Scientific, Arvato SCS, Philips and BISCI. The collaboration to improve hospital inventory management processes is in full swing, with early proof of concepts having been successful. Scaling up with Dutch/Limburg hospitals ongoing.

** FSD is currently a UM ecosystem*

Projects overview

Project completed

- Modal shift phase 1 risk assessment and phase 2 feasibility study (VDL Nedcar)
- Best practice warehouse KPIs (SCV, vidaXL)
- Sustainability journey and CO2 measuring and reporting (SCV, Arvato SCS)
- Sustainability governance and risk management process (Synthomer)
- Sustainability governance (vidaXL)
- Sustainability governance/rating (Dundee Precious Metals)
- Sustainability governance/rating/KPI Dashboard (Capri Holdings; Michael Kors)
- Sustainable governance/KPIs/ procurement development (Pon.Bike)
- McKinsey Global Procurement Excellence 360 Tool Analysis and Study

Projects ongoing

- Healthcare Hub – Digitisation
- Feedstock Transition (Chemelot, Brightsite)
- Safety for Fresh Food
- Sustainability governance roadmaps
- Sustainability procurement support
- Circular economy strategy workshops with Bertelsmann Arvato
- McKinsey Global Procurement Excellence Tool training and development, CPO checklist
- Ongoing collaboration with Supply Chain Valley

Projects upcoming

- Healthcare Hub Phase 4 and further projects, new application via Geostick/Flemish bloodbanks
- Modal shift Phase 3 (VDL Nedcar)
- Execution TopCorridors Programme
- Sustainability Governance Support (vidaXL, Michael Kors, Synthomer)
- Sustainability executive training (UM-MBA)
- GHG Scope 3 CO2 training (Synthomer)
- Procurement development (Hytrol, Tata Steel EU/Ijmuiden)

arvato BERTELSMANN · Boston Scientific · PHILIPS · synthomer · MICHAEL KORS · vidaXL · Dundee PRECIOUS METALS · VDL · Solidaridad · Rabobank · DSM · Deloitte. · BOSCH · McKinsey & Company

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II. Global trends

Difficult Times for Procurement!



The world has become very turbulent



Natural disasters

e.g. Drought, increase in forest fires, more hurricanes



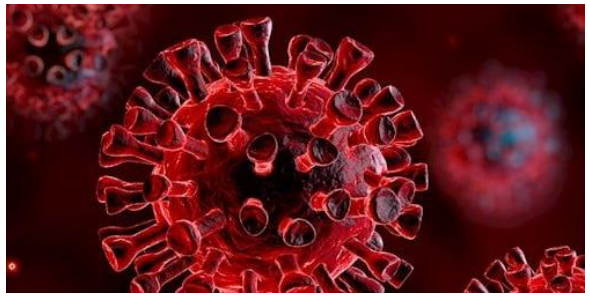
Regulatory pressure

e.g. Joe Biden set target for net zero emissions by 2050



Companies ask suppliers to decarbonize

e.g. BASF climate neutrality by 2050



COVID pandemic

*"66% say it's more important to limit climate change after **COVID-19**."*



Communities advocating for action

e.g. Greta Thunberg at UN Climate Summit

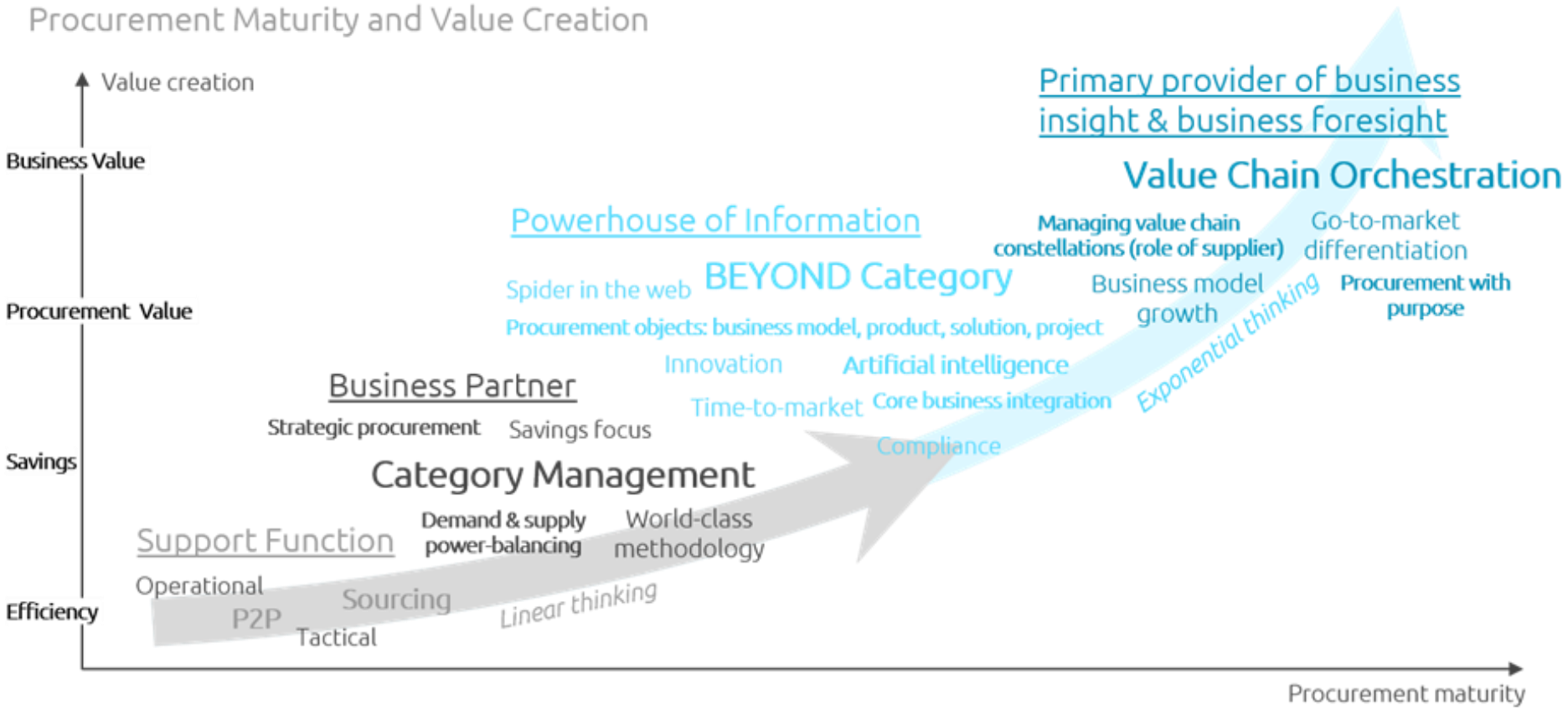


Geopolitical Issues

e.g. Russia – Ukraine Conflict

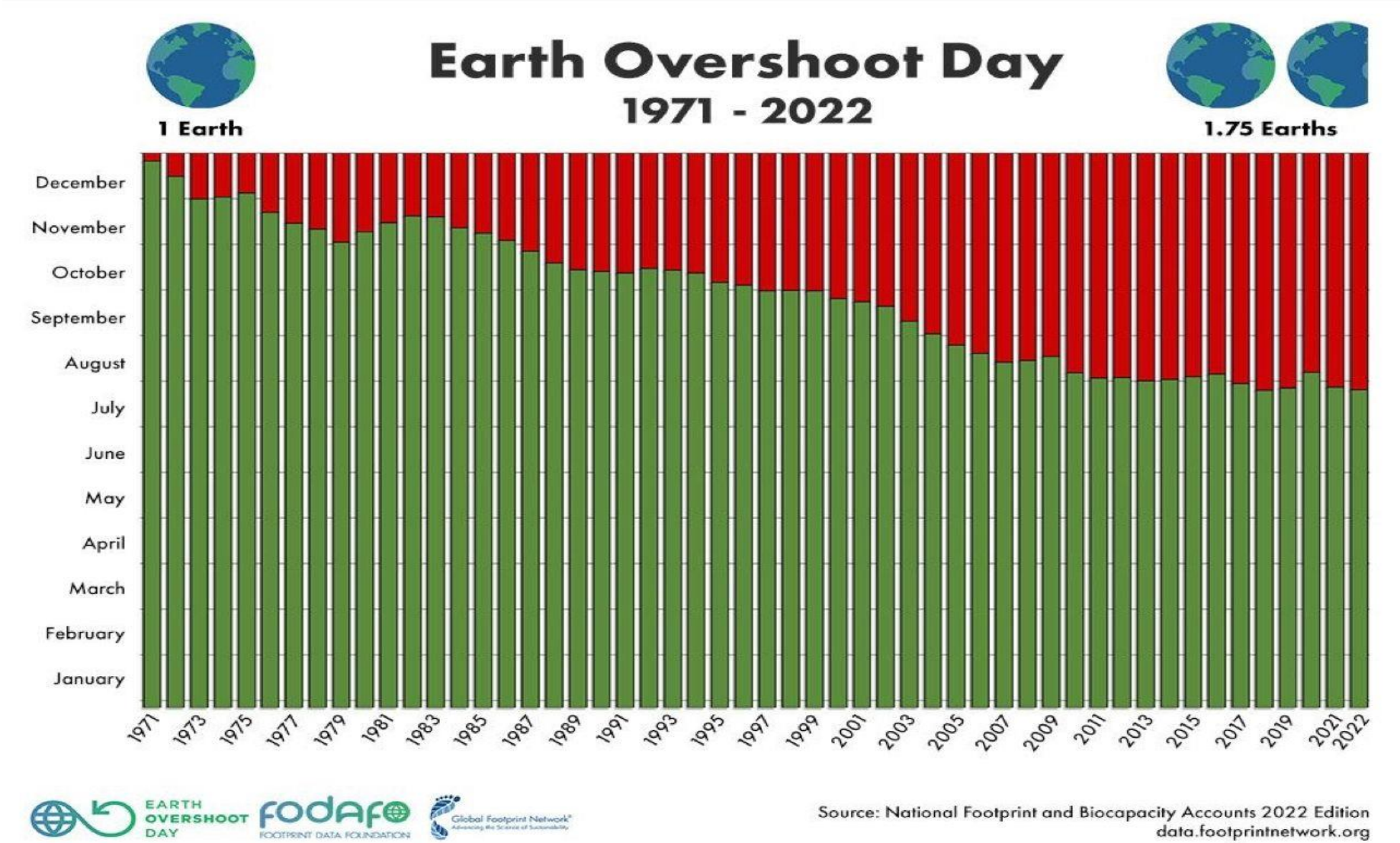
Value Chain Orchestration

- Value Chain Orchestration is the new norm.
- New fashion: Suppliers moved up the value chain and became partners. Built trust and a shared vision.



Source: akirolabs

Earth overshoot days – Mother Nature calls



Will other megatrends also change as a result?

Gigantism

Negative impact from gigantism seen in the recent Suez Canal Crisis and the irrelevance of Airbus A380.

Regionalisation/Nationalisation of certain production areas will be realised sooner or later (PPE, Microchips, Medicine, Batteries etc.).

"Size could become a handicap"



De-Globalisation

Globalisation **operates mostly in the interests of the richest countries**, which continue to dominate world trade at the expense of developing countries

Transnational companies, with their massive economies of scale, may **drive local companies out of business**

Supply chains become long and unsustainable. Products manufactured in one part of the world, supplied to another and after use returned to a different country for recycling e.g. electronics, clothing, heavy machinery etc.

Increased Regulations push Industry towards Green Actions

Increased Regulatory Pressure

- REACH, RoHS (EU, US, China)
- Conflict Minerals (US, EU)
- Human Trafficking (US, EU)
- Corruption (UK Bribery Act)
- European Green Deal
- Paris Agreement

Increased Transparency & Reporting

- GRI Standards
- EU directive on reporting (4/14)
- Integrated Reporting (US)
- Social Networks
- Global Compact

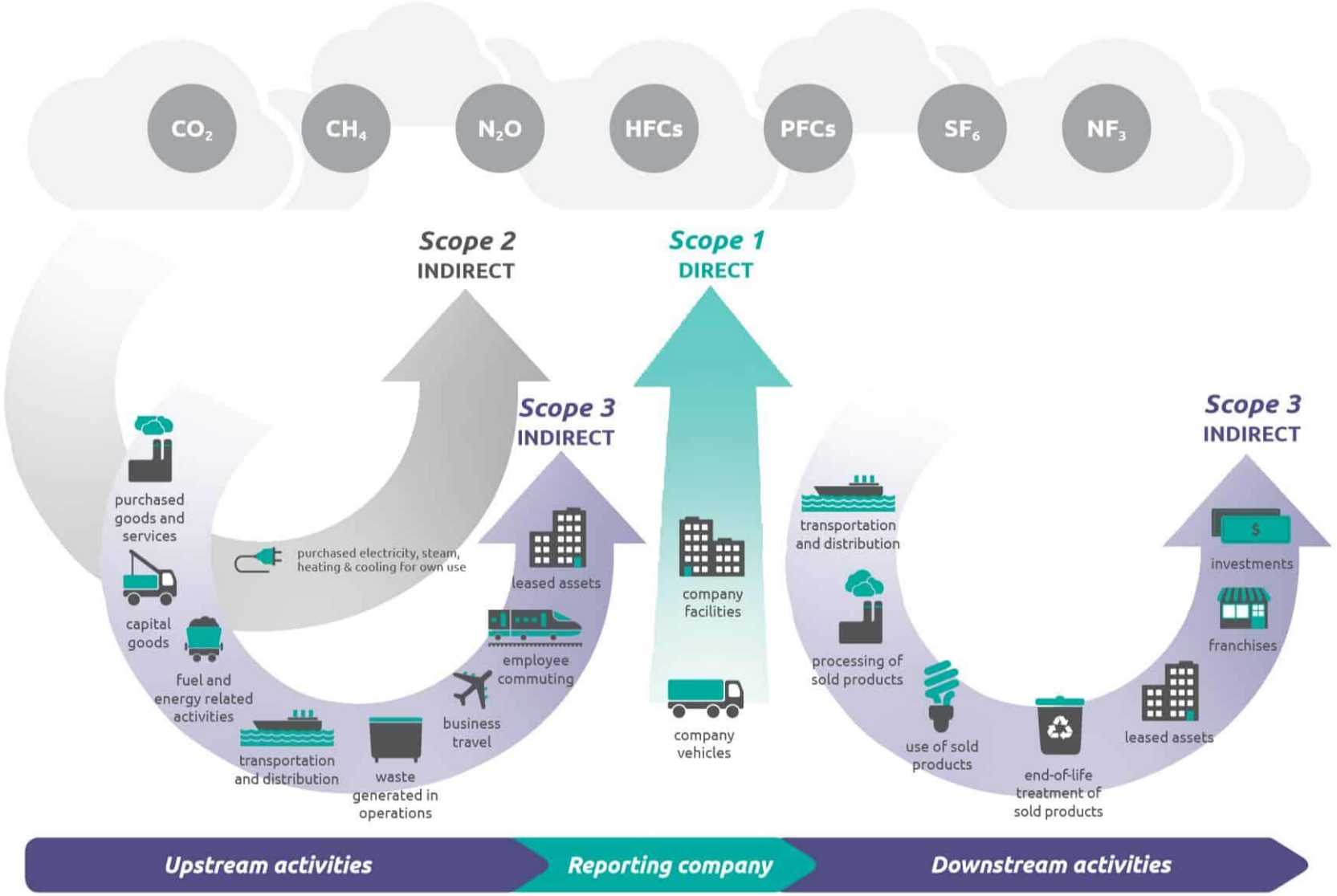
Industry Cooperation

- Other initiatives in other industries such as AIM Progress (FMCG),
  TfS (Chemical), GSCP (Retail)
- What about our industry?

Industry & National Commitments

- Industry commitment of 87 companies to 1.5°C (AstraZeneca, Burberry, SAP, HP etc.)
- National commitment to climate targets (China carbon neutral 2060, EU carbon neutral 2050)

Emission scopes 1-3



Where are you today?

"It is not a problem"

- Let's ignore or understate the problem
- Let's minimize our responsibility

"It is a problem"

- Let's minimize the problem & throw some money at it to show we're contributing
- It's about our reputation and how we are viewed in the world
- Our customers and shareholders are putting pressure on us to solve the problem

"Let's solve the problem"

- We need to add costs to monitor the issues
- We need to understand what is going on and be transparent in our results
- We can use our business capabilities to find solutions

"It's an opportunity to create shared value"

- We can lower costs, grow revenue or differentiate our value proposition by addressing social and environmental problems

Incorporating social and environmental issues into strategy and operations is the major transformation in management thinking now

Jump before it's too late





III. Drive towards meaningful change with a Program Management Office (PMO)

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Drive sustainability as a differentiator

Colead AkzoNobel to DJSI No°1	• Now leading their industry in terms of sustainability • Make it a leading member of Together for Sustainability
Get Bekaert Platinum in EcoVadis	• No°1 in metallurgic industry • Gold medal (>65 points) in EcoVadis as CPO • As of March 2022, Bekaert has a Platinum in EcoVadis
Chairman Board Solidaridad	• Global network NGO >900 employees funded with > €50 Mio per year • Deep impact in agro commodities from farmers to leading MNCs
Develop Fair and Smart Data	• Gain funding for challenge-driven research program, to create meaningful pricing for smallholders and data protection • Together with Solidaridad and Rabobank

Leadership in sustainability creates **more share of wallet & new business opportunities**

Where to start?

- **International Standards for Organisation (ISO)** are internationally agreed by experts
- E.g. Environmental management

- **Sustainable Development Goals (SDG)** by the United Nations (UN)
- From the 2030 Agenda for Sustainable Development

- **Global Reporting Initiative (GRI)** promotes economic, environmental & social sustainability
- Established in collaboration UN

ecovadis

Baseline → roadmap to improvement

How to start and reap benefits of sustainability



Establish a baseline

Based on:

- **Green Deal** targets by 2030
- GRI Directive
- **Scope 3 CO_2 responsability**



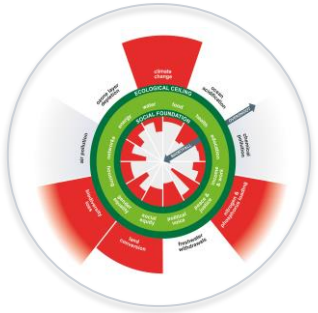
Track KPI measures

- Set bold but feasible targets
- Define **annual KPI targets** to reach targets
- **Integrate sustainability KPI** in business KPI for most success



Execute sustainable value chains

- Put together a **centralised sustainabilty team**
- Define concrete projects
- **Engrain sustainability** in every aspect of company



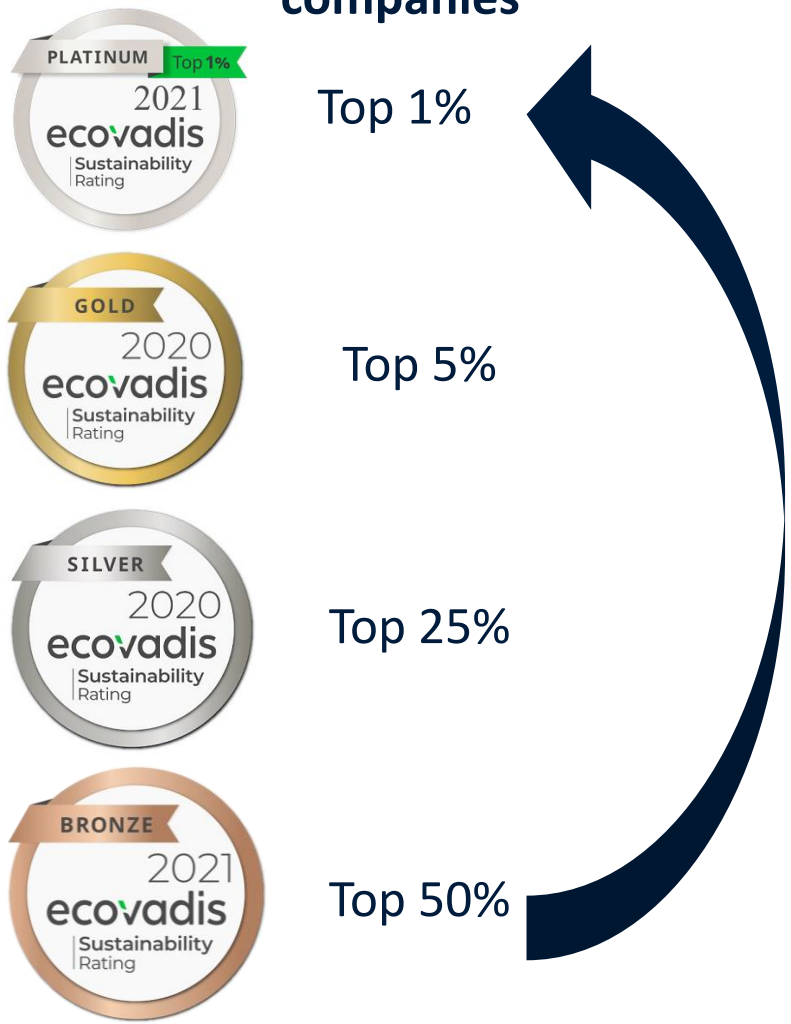
Learn to think in Circular Economy

- Analyse **reuse of material**
- New **business models**
- Find **competitive edge**

Use EcoVadis rating as a rating agency for suppliers

Dow Jones Sustainability Indexes

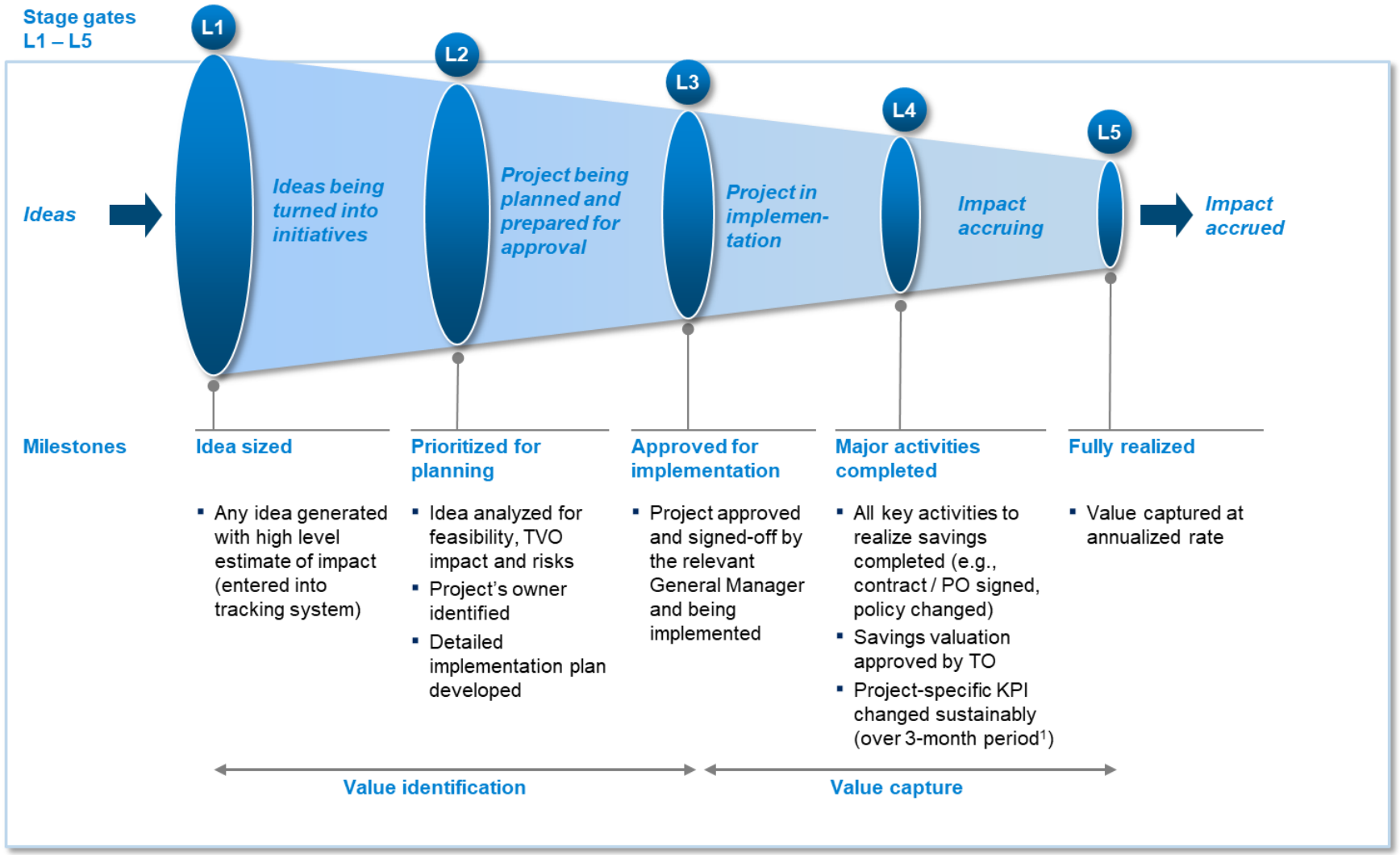
Sustainable companies



- EcoVadis is **established & widely used**
- Use **for yourself & your supply base**
- Requirements are to
  - adhere to a mandatory Code of Conduct
  - accept a EcoVadis self-assessment
  - regular audits
  - deliver transparency in CO_2 data

"How to go towards top 1%?"

Stage-gating approach: disciplines and transparency



Closely track Sustainability Measures in KPI Dashboards

Financials

1. **Business impact:**
   - Total Annualized Savings
   - Incremental Annualized Savings
   - WC - payment terms
2. **Enablers/operational:**
   - Competitive edge/indices (month report embedded in business)
   - On time delivery

Procurement Excellence

1. **Compliance/Internal Audit**
   - CoC accepted by all B4 and above
   - Zero high non-conformity incidents
2. **Risk**
   - Establishing the ERM plan on identified cases of single sourcing & execute in year cases
3. **Audit**
   - # Suppliers audited together with quality department

Processes

1. **P2P efficiency (supported by the purchasing policy)**
   - PO coverage
   - PO creation efficiency
   - PO output efficiency
   - # exception flows/total invoices
2. **Select and implement new connectivity platform**
3. **Supply Chain processes/S&OP, Design & rollout NAM/other businesses**

Supplier Relations

1. **Partnerships**
   - Key supplier agreement (% of Wire Rod spend)
   - Roll out key supplier agreement (steering committee innovation, rolling for
   - % Suppliers code of conduct (% of spend)
   - Supplier Requirement Manual (Top 10 su "goods" categories)

Sustainability

1. **Compliance**
   - Comply with GRI G4 guidelines (impleme
2. **Supplier assessment**
   - Ecovadis: implementation of agreed actio vendors < 45)
   - Ecovadis: enroll new vendors (2 Latam, 2 Asia, 6/category)

People

	2015	2016	2017	2018	2020	2025
Supplier Code of Conduct	50% total spend coverage	75% total spend coverage				
Bekaert Code of Conduct	In development	100% Procurement				
EcoVadis	In development	35% spend coverage CONTINUOUS IMPROVEMENT	CONTINUOUS IMPROVEMENT	CONTINUOUS IMPROVEMENT	CONTINUOUS IMPROVEMENT	CONTINUOUS IMPROVEMENT
GRI	GRI 3.0	GRI 4.0 # 13 KPI at Procurement	GRI 4.0 # 19 KPI at Procurement	GRI 4.0 # 19 KPI at Procurement	Global Sustainability Standards # KPI at Procurement	Global Sustainability Standards # KPI at Procurement
Conflict Minerals	100% Tin Suppliers	100% Tin Suppliers	100% Tin Suppliers	100% Tin Suppliers	100% Tin (direct) Tungsten (non-direct)	100% Tin (direct) Tungsten (non-direct)
Supplier Audit	Ad Hoc No KPI	20	20	30	35	40
Supplier Evaluation	Ad Hoc No KPI	100% Action Plan for C + D Suppliers	100% Action Plan for C + D Suppliers	100% Action Plan for C + D Suppliers	100% Action Plan for C + D Suppliers	100% Action Plan for C + D Suppliers
Supplier Requirement Manual	Ad Hoc No KPI	Top 60 critical suppliers	80% spend coverage critical suppliers	90% spend coverage critical suppliers	95% spend coverage critical suppliers	100% spend coverage critical suppliers

Procurement Excellence

	Target 2017
1. Compliance/Internal Audit	
- Zero high non-conformity incidents	0
2. Risk	
- Develop the mitigation plans for the 2017 single Sourcing cases	100%
3. Quality	
- # Supplier audit (current suppliers)	20
- # Supplier audit (new suppliers)	5
- Supplier Requirement Manual % spend coverage (critical materials)	80%
- Supplier Evaluation:	
• Send results to the suppliers	95%
• Collect the action plans for C+D ratings	100%
• Follow-up the action plans	100%
- Specifications – creation of a spec. for each critical raw material for each supplier	100%

Sustainability

	Target 2017
- Bekaert Code of Conduct	100%
- Supplier Code of Conduct - % spend coverage	80%
- EcoVadis – Spend Coverage	40%
- EcoVadis – Average improvement on scores	5%
- GRI G4 guidelines implementation of agreed actions	100%
- Conflict Minerals: compliance to 2017 CFSI_CMRT versions	100%

Processes

	Target 2017
1. P2P efficiency	
- Spend coverage	
- Sourcing proactiveness (% materials ordered with source defined in SAP before PR comes in)	
- Throughput time PR/PO for stock materials longer than 5 working days	
- # of eSourcing events versus # SAP contract renewals	
2. Select and implement new connectivity platform (Wire Rod)	
3. Preparation for enhanced functional effectiveness and efficiency	
- % critical gaps versus standard resolved (16 activities needed to close gaps, i.e. 106 actions across the plants)	

People

	Target 2017
1. Talent management and well maintained succession planning and execution (Review and follow up by quarter on Succession plans with anticipated cases)	Completed
2. Procurement Academy	
- Focused Purchasing Training Curriculum (Sustainability, GRI, Supplier audit follow-up, Project management, Finance for non-financials)	100%

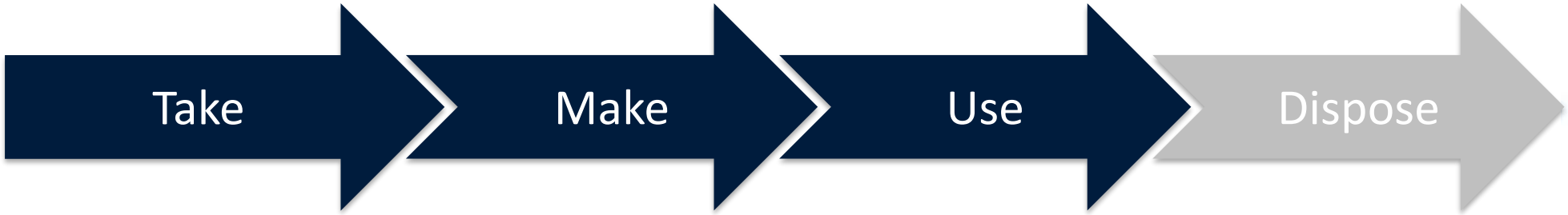
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IV. Circularity

The linear economy and negative externalities



Rainforest clearing

Biodiversity destruction

Environmental pollution

CO_2 Emissions

Micro plastics

Waste

- **Negative Externalities**
- **Waste** by design
- **Strong link** between resource extraction and growth
- **Strong dependence** on fossil fuels

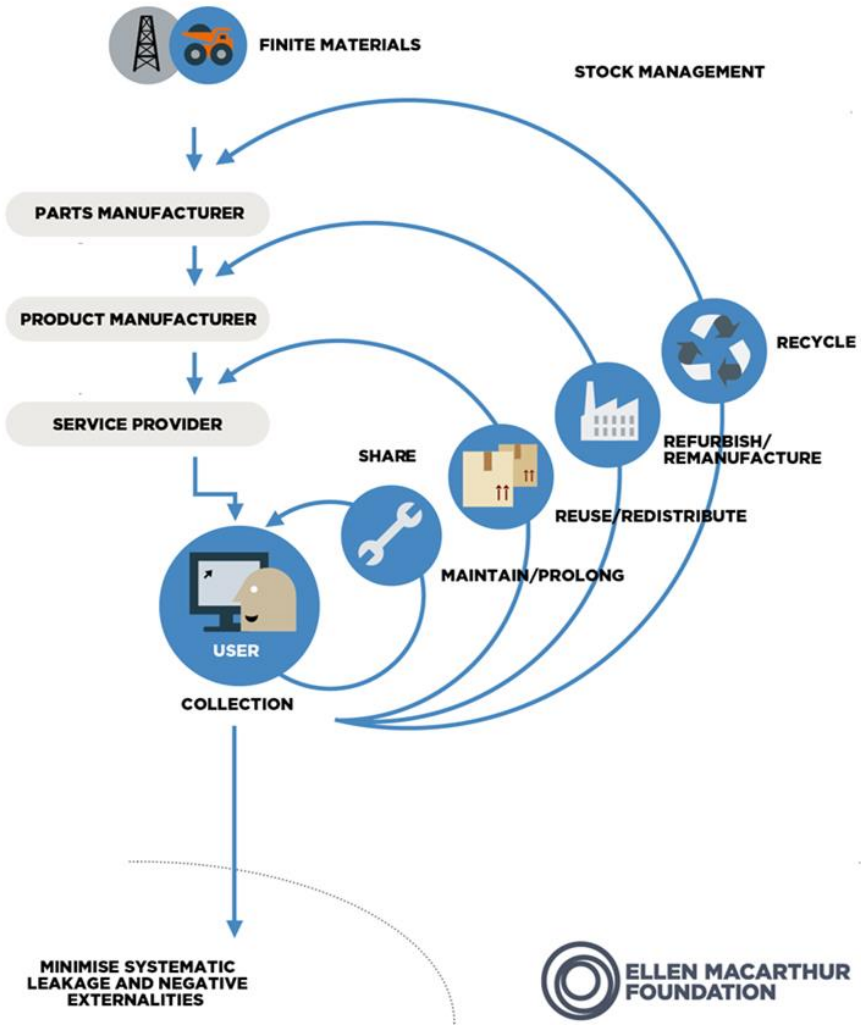
Source: Business Model Innovation Lab

Circular Economy as a solution

Encouraging companies to take on responsibility

Decoupling resource use and economic growth

Supporting quality of life by using extracted stock more efficiently

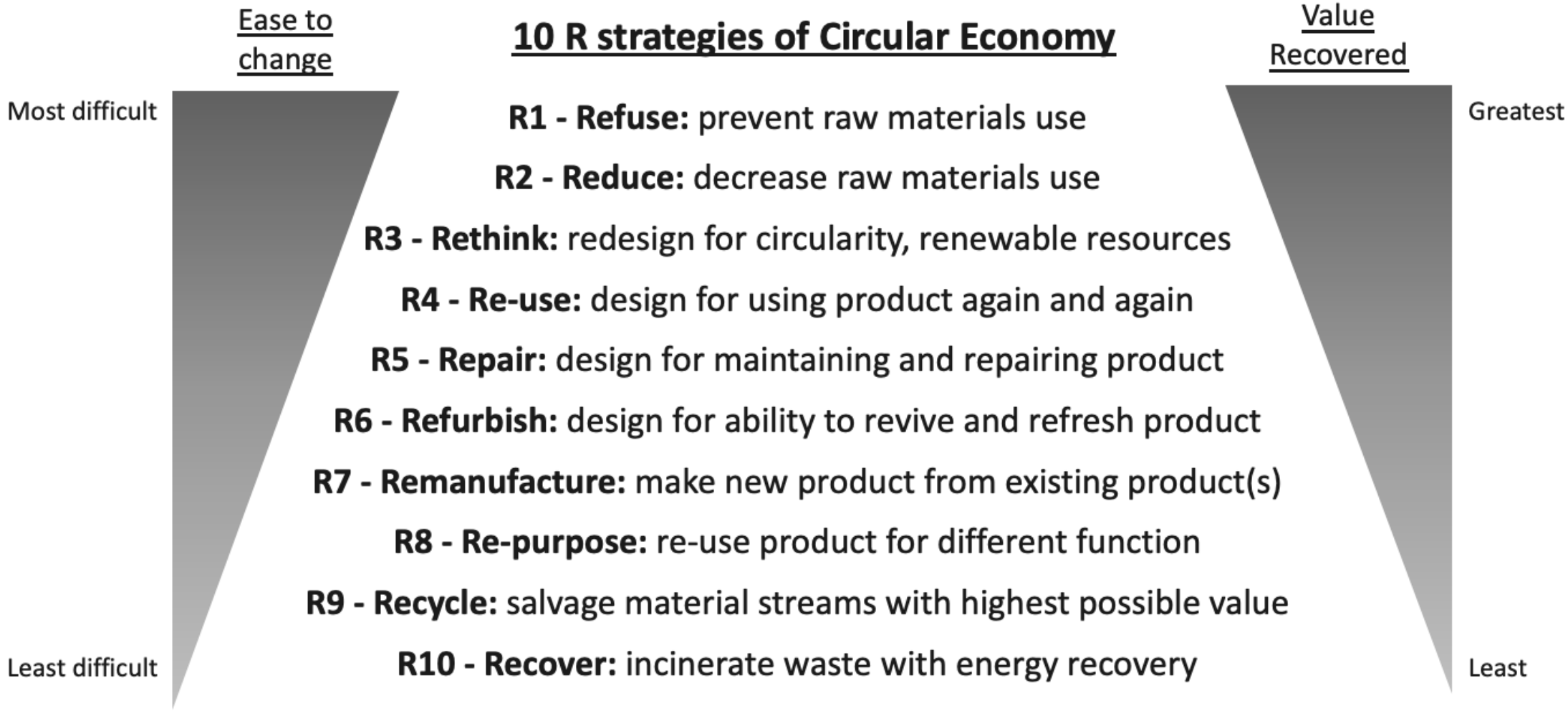


(Re)designing analogous to the natural ecosystem

Keeping material at the highest utility over the entire life cycle

Focusing on designs, services and access

Hierarchy of ‘10 R Strategies of the Circular Economy



Opportunities implementing Circular Economy



Emerging field

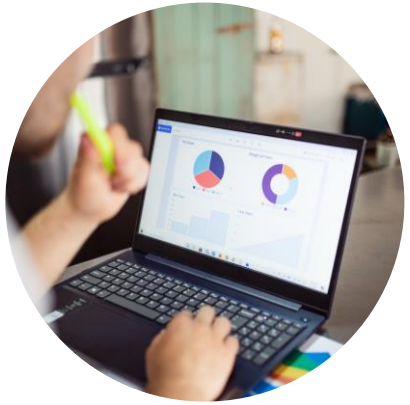
8.6% of our economy is circular…therefore there are business opportunities to **make the other 91.4% circular.** (CTI, 2020)
CE is a source of **innovation and collaboration**

Ensures **long term competitiveness** and **resilience**



Regain control

Procured materials represent 40% of consumer manufacturing costs. Better use of resources is a major **cost reduction opportunity**.
Maintaining ownership of products or regaining access secures future supply and **hedges against price volatility** of future resources.



New revenues

New customers attracted by circularity, convenience and/or sustainability.

New revenue streams related to valorisation of waste streams and (by-) products.



Increased retention

Client retention via image or longer relationships in PaaS or buy/take-back contracts.

Employee retention of talented and purpose-driven individuals

Incorporate circularity, e.g. BMW

- Set goal of making **95% of its car parts recyclable** by 2030
- Already have a closed loop in one plant:
  their supplier gets back the direct steel from BMW, and produces the same quality of steel
- Advantages:
  - Production process takes less energy
  - Cost reduction for supplier and producer
- BMW is named **sector leader in Dow Jones Sustainability Index** (2020)



Shift industries, e.g. DSM





- Dutch State Mines (DSM) evolved from coal mining into profitable vitamins / Lifestyle
- Foresee **megatrends of ubanisation**, nutrition depletion, what people need to thrive
- Purpose to **do something meaningful**
- Pleasant side effect: they are no longer dependent on cyclic basic chemicals
- Share price went up from €20 (in 2003) to €185 (september 2021)
- As of June 2022, DSM and Firmenich announced an intention to merge to become the leading creation and innovation partner in nutrition, beauty and well-being

Sustainability is your qualifier; opportunity to differentiate

Main benefit	Specific benefits	Examples (hyperlinks)
1. Manage Risks	• Supply chain disruptions costs • Remediation costs (« recalls ») • Brand protection	• Ethical problems are main hurdle in waste management • Appalachia coal mines cleanup • Patagonia wins circular economy mutlinational award
2. Reduce Costs	• Improved total cost of ownership • Reduced consumption • Sustainability compliance costs	• Bekaert tire cord innovation producing less CO_2 • BASF drastically reduces energy use and CO_2 emissions • Shell court ruling brings high costs (apealing etc.)
3. License to operate	• Cooperative government relationship • Collaborative stakeholder relationship • Increased access to financing	• Hard and Soft Regulations (GRI and ISSO standards) • Unilever Palm Oil Grievance policy • European Sustainability and ESG investment plan
4. Increase Revenue	• Product/service differentiation • Competitive advantage • Increase in shareholder value	• Levi's recycled jeans brings differentiation • Tesla has a large market cap • Paying attention to ESG drives financial returns
5. New business models	• Complete market shift towards Circular Economy • Finding new value propositions • Access to new consumer preference demographic	• Doughnut Economies by Kate Raworth; Mother Nature • Circular X, e.g. Nike, IKEA, service-based Swapfiets • Oatly, oat-based milk or trend of veganism
6. Productivity uplift	• Attract talent through greater social credibility • Boost employee satisfaction & motivation	• Moonen packaging chosen as attractive employer • Young generations aspire to have a job related to sustainability

Legend:

Qualifier | Differentiator

Sustainable practices have positive impact on profitability

- A review called The Impact of Sustainability Practices on Corporate Financial Performance (2018)
- **In 78% of the 132 studies the relationship is positive between having sustainable practices & profitability**
- Mainly empirical studies from top-tier papers from developed economies
- Sustainability in terms of Economical, Environmental, Social, Social-Environmental or full sustainability

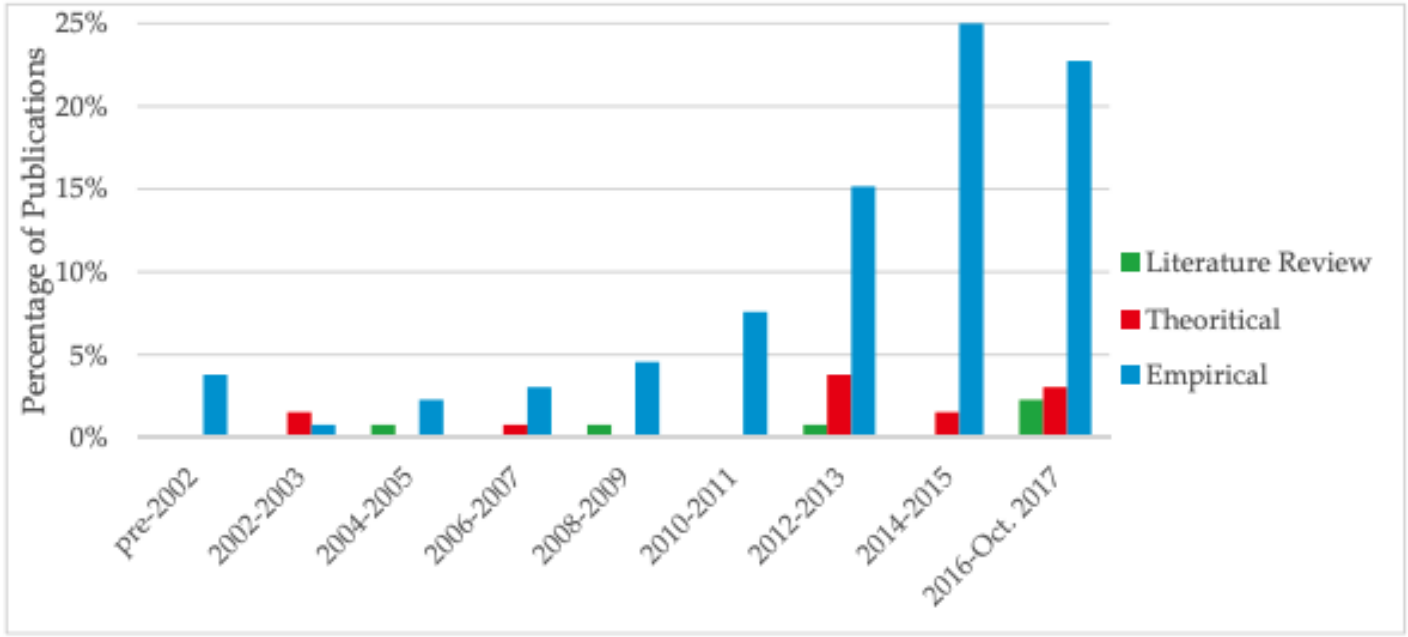


Figure 4. Percentage distribution of publications by research type.

Source: The Impact of Sustainable Practices on Corporate Financial Performance: Literature Trends and Future Research Potential, A Alshehhi, H Nobanee, N Khare, MDPI 2018



Questions?

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Thank You

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