

# Trends in disclosures around sustainable procurement & supply chains.

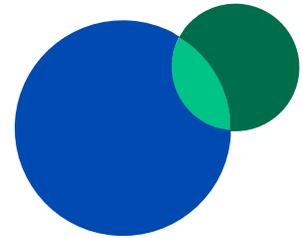
September 2023



**LABRADOR**

Transparency by design

# Table of Contents



- 3 Introduction
- 4 Disclosure Trends
- 4 Focus on Climate Change and Related Metrics
- 5 A Key to Decarbonizing
- 6 Emphasis on Transparency
- 6 Cooperation Across Supply Chains
- 7 Example Disclosures

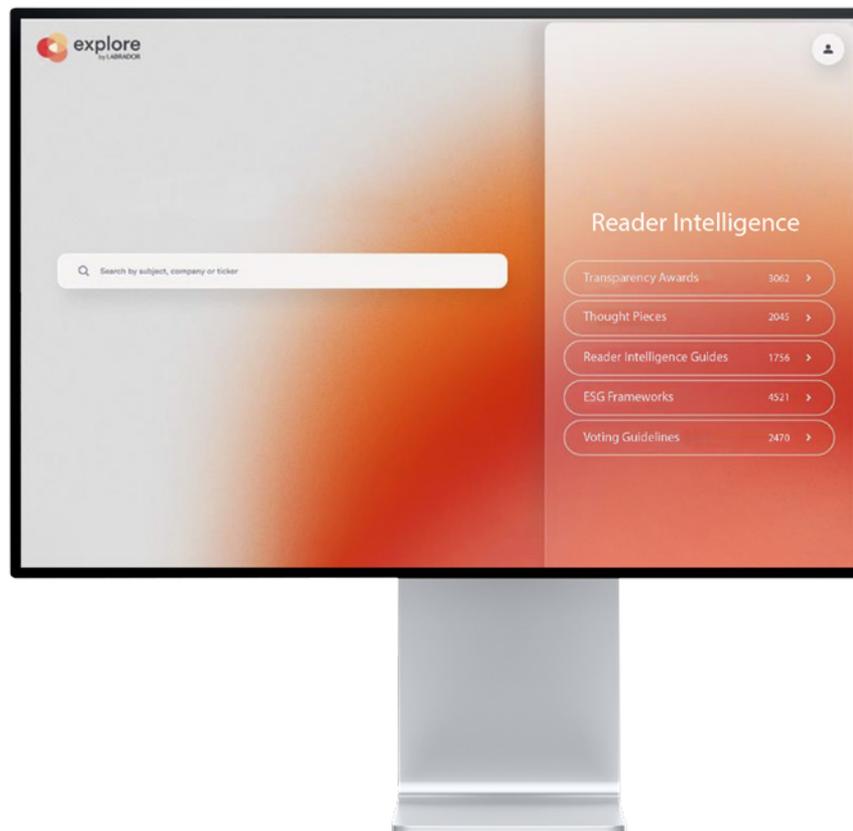
## Explore

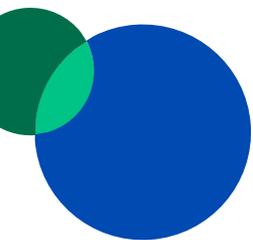
Dive into the world of informed decisions.  
Our unique database offers:

- On-demand benchmarking of graphics across Fortune 250 ESG Reports, Annual Reports, and Proxy Statements
- Text search across Fortune 250 disclosures
- Searchable Reader Intelligence Guides for Annual Reports, ESG Reports and Proxy Statements

Learn more at <https://labrador-explore.com>

For a demonstration and your log-in details contact [labrador.pm@labrador-company.com](mailto:labrador.pm@labrador-company.com)





# Introduction

Sustainable procurement is an organization's engagement in making purchasing decisions both that meet their needs and minimize environmental impact. An effective sustainable procurement program supports an organization's effort to manage sustainability risk and compliance, drive Scope 3 decarbonization, and create further sustainable value and impact.

The concept of supply chain engagement as a means to scaling impact is not new. In 2017, the International Organization for Standardization (ISO) developed ISO 20400 which provides guidance for organizations focused on integrating sustainability into their procurement process. In 2021, 40% of the S&P 50 had a supply chain goal related to environmental sustainability, such as supplier emission reductions and water diversion. Almost all companies within the S&P 50 publicly disclose their supplier code of conduct containing expectations regarding supplier practices, with 70% discussing an audit of the code and adherence to practices.

This thought piece looks at current trends in sustainable procurement and supply chain disclosure and the reporting mechanisms companies are using. We have included relevant examples of best practices.

# Disclosure Trends

## Focus on Climate Change and Related Metrics

Climate change is a key priority for many investors and, naturally, an increasing focus for businesses. This is evidenced by the importance of climate-related disclosures not only by the companies themselves but also their procurement and supply chain partners. This focus has led to increasing demand for standards and frameworks to guide companies in performance improvement and more considered decision-making. Companies are using these data and metrics to not only track internal use, but to also demonstrate their progress to investors and partners. A specific example is the examination and disclosure of greenhouse gas emissions, reduction plans and efforts to decrease this climate change impact across the supply chain footprint.



EcoVadis is an example of a rating agency that focuses on sustainable supply chain management as a means of mitigating risk and compliance, making progress and achieving corporate sustainability goals, and driving overall impact at scale by guiding the sustainability performance improvement of your company and your value chain.

# A Key to Decarbonizing

The performance of a company’s vendors and supply chain partners serves as one of the greatest levers of influence over indirect Scope 3 emissions. After all, a supplier's Scope 1 and 2 emissions are the purchasing organization’s Scope 3 emissions. This rationale is one of the primary drivers behind the increased engagement around sustainable supply chains.

Effective sustainable supply chain initiatives can help and organizations:

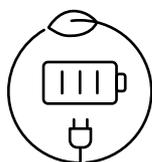
<b>Source from suppliers with lower emissions.</b>	Companies can use supplier sustainability assessments to identify suppliers with lower emissions and give them priority in their procurement decisions.
<b>Work with suppliers to reduce their emissions.</b>	Companies can collaborate with their suppliers to develop and implement emissions reduction initiatives. For example, the introduction of technological innovations can create greater efficiencies.
<b>Choose products and services with lower emissions.</b>	Companies can consider the environmental impact of products and services when making procurement decisions. For example, sourcing alternative (e.g. recycled) materials can have a large effect on emissions and overall impact.

## Emphasis on Transparency

Stakeholders are demanding transparency around procurement and supply chain practices. For an investor stakeholder, a company's supply chain has direct implication on risk exposure, and therefore influences investment decisions. A current or prospective employee may object to an employer sourcing products with impacts on biodiversity, limiting the organization's access to the talent pool. Stakeholders are looking for the environmental and social impacts of sourcing practices as well as the steps companies are taking to mitigate their impacts. Methods of engagement, spend by category, diverse supplier profiles, and human rights policies are examples of the types of information stakeholders are examining. Accessibility of this information is critical to the decision making process. Various policies, practices and progress toward publicly stated goals should be easy to locate, easy to understand, and preferably aligned with the practices of domestic and internationally recognized frameworks.

## Cooperation Across Supply Chains

Companies are collaborating with their suppliers, and in some cases competitors, to improve performance. They are setting common goals, sharing information and developing joint initiatives. The benefits of collaboration include:



### Reduced costs and increased profitability

Sustainable sourcing can help reduce costs in the long term by improving efficiency, reducing waste, and mitigating risks.



### Improved reputation

Consumers and businesses are increasingly looking to source from sustainable suppliers. Collaboration on sustainable sourcing can help to improve a company's reputation and attract new customers and partners.



### Increased innovation

Collaboration on sustainable sourcing can foster innovation and lead to the development of new products and services that are more environmentally and socially friendly.

# Example Disclosures

## The Home Depot 2023 ESG Report

The Home Depot practices sustainable sourcing which is supported from the top down. Sustainable forestry amongst suppliers is a top concern.



### Responsible Sourcing Starts at the Top

<b>BOARD OF DIRECTORS AND/OR BOARD COMMITTEE</b> provides general oversight; receives annual progress report on and reviews results of the annual internal audit of the responsible sourcing program	
<b>EXECUTIVE LEADERSHIP TEAM</b> sets the tone for our ethical standards and provides oversight and guidance, as needed	
<b>MANAGEMENT</b> responsible for owning and managing risks and implementing actions to ensure responsible sourcing objectives	
<b>THE HOME DEPOT GLOBAL SOURCING OFFICES</b> work with our supply chain to ensure compliance with our standards	
<b>THE HOME DEPOT'S RESPONSIBLE SOURCING TEAM</b> includes dedicated associates focused on ensuring factories adhere to our standards	
<b>THIRD-PARTY AUDITORS</b> conduct our responsible sourcing compliance audits	
<b>INTERNAL AUDIT</b> associates conduct annual audits to ensure our responsible sourcing program is effective and operating as expected	



# McDonald's 2022-2023 Purpose & Impact Report

The environmental impact of McDonald's supply chain is far-reaching. They examine procurement partnerships for sustainable farming, food processing and packaging.



## Food Quality & Sourcing

**At McDonald's, we know that a better future cannot be achieved without making safe, sustainably sourced meals accessible globally. We recognize that food production can have significant impacts. That's why we're increasingly sourcing our ingredients from deforestation-free supply chains and sustainable, recycled or certified sources.**

Animal health and welfare is also a central focus of our sustainability strategy. By providing quality food, sustainable ingredient sourcing and careful menu choices, we can help ensure the continued well-being of generations far into the future.

### Responsible Sourcing

**We're using our scale and influence to help positively impact our planet, animals and the people in our supply chain, especially for our priority ingredients where we can have the greatest impact—beef, soy for chicken feed, fiber, palm oil, fish and coffee.**

The need to serving a McDonald's menu item to a delighted customer is long and complex. Our global supply chain spans countries, continents and industries. We approach responsible sourcing holistically, understanding that our work impacts the livelihoods of people, the health of our shared planet and the well-being of animals. We believe we must respect them all.

Our responsible sourcing approach is key to how we're taking climate action.

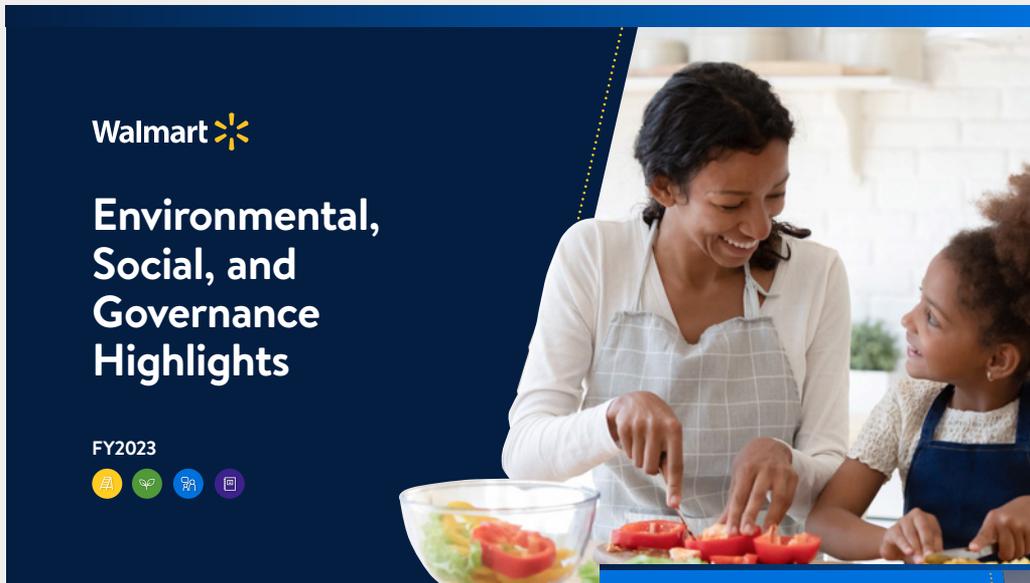
#### Sustainable Sourcing of Our Priority Commodities

Following the substantial achievement of our 2022 Responsible Sourcing Goals, we continue to work with our suppliers on what is outlined in these commitments, evaluating ongoing progress. Below is our 2022 data on our efforts.

- 92.2%** of our primary fiber-based guest packaging was sourced from recycled or certified sources in 2022.
- 98.5%** of beef sourced for McDonald's restaurants supported deforestation-free supply chains by the end of 2022.
- 100%** of soy sourced for the feed of chicken used in McDonald's products supported deforestation-free supply chains globally in 2022.
- 99.9%** of our ground and whole bean coffee was sustainably sourced in 2022.
- 100%** of the palm oil used in McDonald's restaurants, and as an ingredient in McDonald's products, supported the production of sustainable palm oil in 2022.
- In 2022, **88.8%** of the fish sourced for McDonald's Fish-Of-Fish came from sustainably managed wild-caught fisheries, assessed and verified annually against the McDonald's Sustainability Fisheries Standard by the Sustainable Fisheries Partnership.

# FY2023 Walmart ESG Highlights

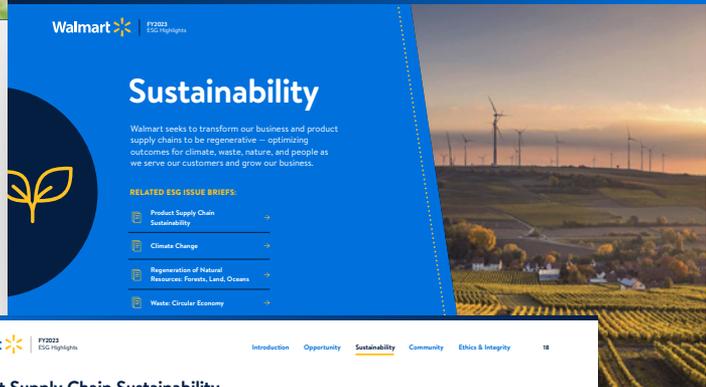
Walmart collaborates with their suppliers and peers to improve sustainable practices across the sector. They require their partners to measure and report their progress.



Walmart 

## Environmental, Social, and Governance Highlights

FY2023



**Walmart**  **FY2023**  
ESG Highlights

**Product Supply Chain Sustainability**

**Our aspiration:** accelerate progress on the sustainability of our own assortment and product supply chains across the retail and consumer goods industry

**STRATEGY**

- Set standards and requirements for product sourcing
- Engage and support suppliers to pursue social and environmental initiatives
- Lead consortia to accelerate collective action beyond Walmart
- Help customers make informed choices through labeling and clear signage
- Advocate for public policies that align with sustainable supply chain priorities
- Accelerate systems change beyond Walmart through philanthropic investments

**FY2023 HIGHLIGHTS**

- Achieved at least 95% "more sustainable" certification for several commodities, including fresh and frozen seafood, bananas, coffee, and tea
- Offered products that meet or exceed standards for personal well-being, our communities and the environment through the Bulk for Better initiative
- Relaunched Member's Mark brand — "Made with Our Member and Planet in Mind"
- Made steady progress across food, apparel, consumables, and general merchandise across climate, waste, nature, and people strategies

**2023 SUSTAINABLE COMMODITIES**

In 2023, Walmart announced "20x25" a goal to source at least 20 agricultural commodities more sustainably by 2025. Since then, we have been working on the following:

- Food & Produce:** Fresh flowers, apples, avocados, berries, grapes, leafy greens, pineapples, our Member's Mark, and tomatoes
- Specialty Crops:** Cocoa, coffee, and tea
- Textile, Paper, & Timber:** Cotton textiles, PVP, paper, and timber
- Ingredients:** U.S. corn, U.S. soy, South American soy, and palm oil
- Protein:** Seafood (wild, farmed, and farm raised), meat (cattle, American beef, U.S. beef, pork, and poultry), and dairy

**Our approach to more sustainably sourcing these commodities**

- Encouraging our suppliers to adopt more sustainable sourcing practices, including through product specifications and sourcing policies, as well as positions and policy statements
- Revising sourcing specifications and requiring certifications where available and aligned with our aspirations
- Collaborating with suppliers, other retailers, NGOs, and others to improve practices across the sector
- Asking suppliers to measure and report against progress
- Supporting place-based sourcing in critical ecosystems
- Measuring and reporting transparently

See our [Product Supply Chain Sustainability ESG brief](#) for more information.



LABRADOR

Transparency by design

# About Labrador

Labrador exists to offer the science of transparency to corporations wishing to communicate effectively with their readers.

Our experienced and passionate team is composed of attorneys, designers, project managers, thinkers and web developers. We collaborate together around a process that encompasses drafting, editing, designing and publishing across all digital and print channels.

We are thrilled that communications prepared by Labrador have contributed to trustful relationships between our clients and their readers, whether investors, employees or other stakeholders.

In turn, our commitment to our clients has resulted in meaningful long-term relationships with some of the most respected public and private companies in the world.

[contact-us@labrador-company.com](mailto:contact-us@labrador-company.com)

Labrador  
1737 Ellsworth Industrial Blvd NW  
Suite E-1  
Atlanta, GA 30318  
(404) 688 3584

Copyright © 2023 by Labrador

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law. For permission requests, email the publisher at [contact-us@labrador-company.com](mailto:contact-us@labrador-company.com).