

Royal London

Climate actions in supply chains



29th August 2023

Alan Sheail & Ben Jeffery

Royal London Group. Procurement & Supplier Management

Who we are

- Set up in 1861, we are the UK's largest life, pensions and investment mutual, and offer these products to customers across the UK and Ireland.
- We look after 8.7 million policyholders, and are entrusted to manage £147bn* of customers' assets. We help build financial resilience while championing how we move fairly to a sustainable society.
- As a proud, committed and modern mutual, we take a longer term view, ensuring we deliver positive, enduring change on behalf of our members and customers and their families, helping to protect the standard of living for this and future generations.
- We have around 4,500 employees, working in a hybrid manner across offices in the UK and Ireland.
- We work with 1,100 suppliers, spending c.£400 million each year on various products and services.



Our supply chain and climate actions

Our suppliers

We have a relatively non-complex supply chain, typical of most financial services companies, comprising:

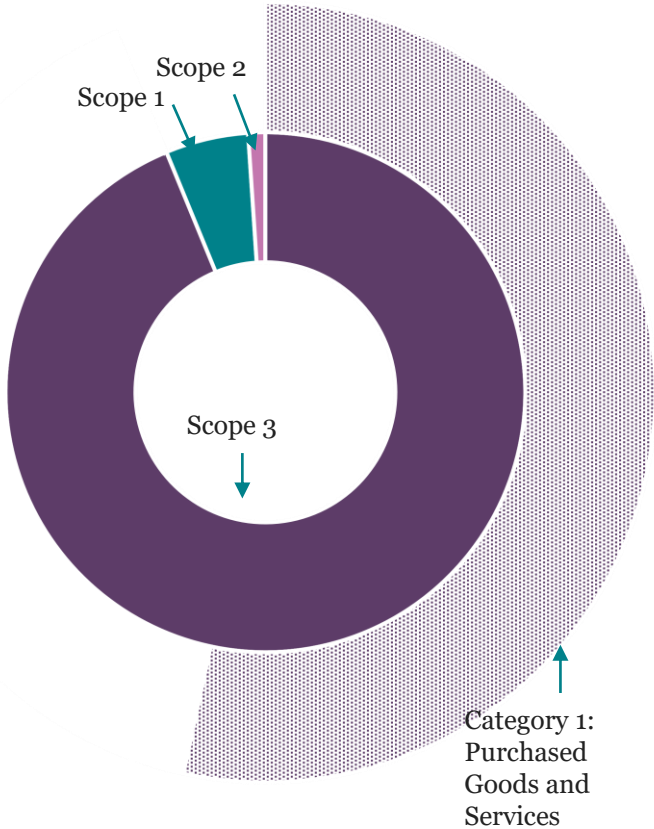
- Large IT suppliers, professional services suppliers, business process outsourcers, print & mail providers, facilities maintenance and a selection of other specialists.

Facilities, IT hardware, and print & mail are our key ‘physical’ aspects our chain.

We recognise that each of our suppliers will have their own climate related strategies and targets, and we need to understand and work with them.

Our emissions

The emissions in our supply chain represent around 53% of our total emissions (excluding investments).



Our climate actions

Our focus to date has been on engaging suppliers on emissions targets and actions.

We are currently considering other areas: e.g. their actions/strategy for a Just Transition, water use.

Our targets

At a Group level, we have two clear targets at present that impact what we do with our suppliers:

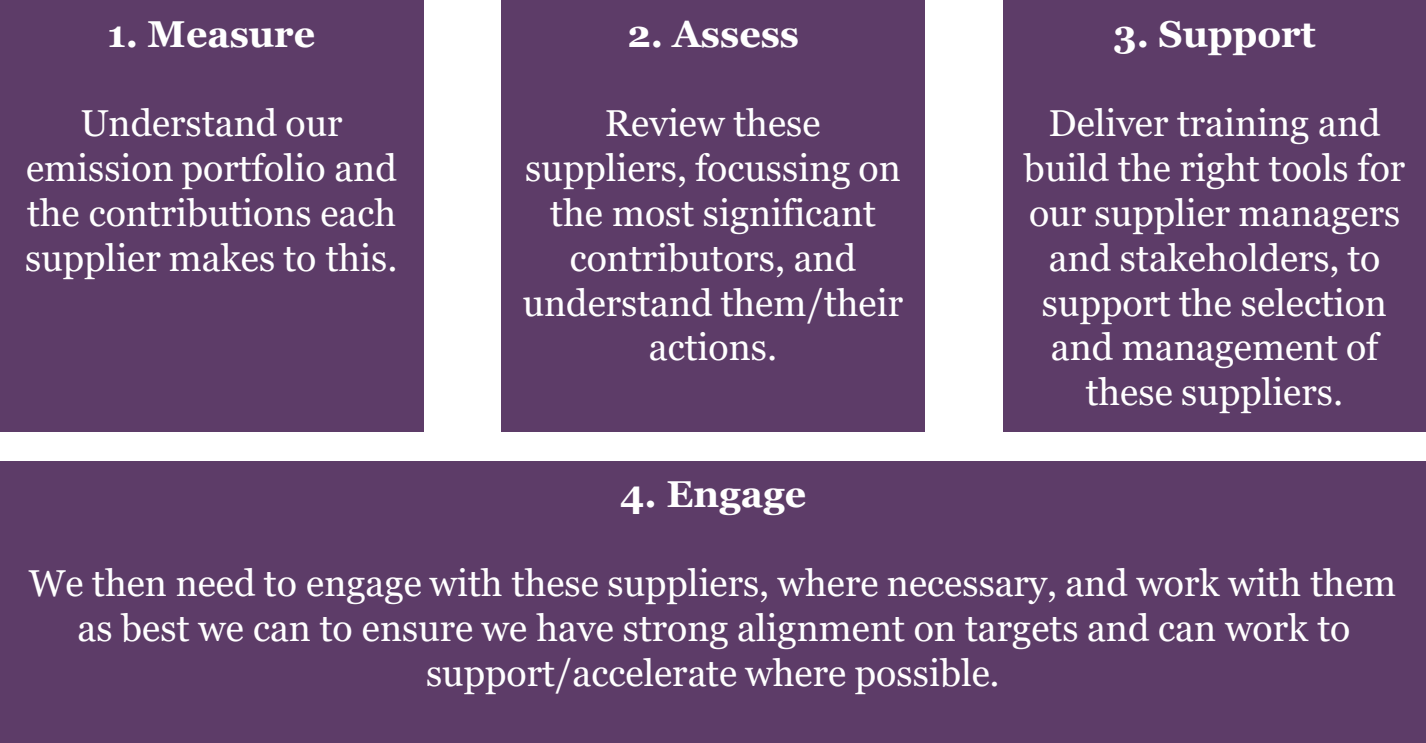
- A 50% reduction (on 2019 baseline) by 2030 and then,
- Net Zero by 2050

Our approach

Our strategy is to choose to work with suppliers who support our Purpose, including ‘moving to a sustainable world’. To do this, we need to focus on overall Procurement lifecycle:

Supplier Selection: Ensure we select the right suppliers to work with
Supplier Management: Manage these suppliers well throughout the lifetime of the relationship

Our key focus has been on Supplier Management, and is broken into 4 key areas:



The data, our assessments, our tools and then initial engagement will allow us to categorise suppliers into different management approaches (our treatment strategy), allowing us to target efforts where they are required. This should alter over time.

Example Attributes	Treatment strategy
Mis-aligned targets, poor or unknown performance and improvement areas.	Active Management
Aligned targets, strong performance, areas of collaboration and innovation	Light Management
Aligned targets, strong performance, Limited areas of collaboration	Monitor only

Supplier Management

1. Measure



We have worked with a partner to understand our share of suppliers' emissions.

This has provided us with data, allowing us to determine the largest contributors in our supply chain emission, and undertake various comparisons. Key factors in the largest contributors are:

- Spend – percentage of our total spend with a supplier
- Industry/Category – more resource intensive industries typically create more emissions.

2. Assess



We reviewed our greatest contributors, using various data including CDP disclosures to build a picture of that supplier e.g.:

- Do they have targets?
- Are they measuring emissions and are they dropping?
- What actions/activity are they progressing.
- How do they compare to competitors?

3. Support



Prior to engaging with our suppliers, we reviewed who would do this/what support they would need

We have dedicated supplier managers across the Group, managing suppliers with whom we have higher spend or strategic plans, and most relationship development is through them or similar business owners.

To support them in their engagement we have provided training and support materials including:

- Enrolment on a course run with Edinburgh University.
- Regular slot at our monthly supplier management “all hands” working groups, focussing on different concepts (e.g. what is off-setting, what is covered in scope 3?)
- Drop in learning sessions, run by specialists.

We then created a Power BI dashboard and supporting material to provide relevant information and guidance for each supplier, to ensure colleagues were sufficiently informed, and understood how they could engage.

Supplier Management contd.

4. Engage



How we engage with each supplier is determined by several factors e.g.:

- Are they actively managed within our business?
- What do they provide us with?
- Do they have strong targets and performance already?
- Can we learn from work they are doing?
- Can we work on joint targets, or support doing things in a more climate supportive way?

We use these factors to provide supplier managers and business owners with guidance, and what questions to ask. Our dashboard gives them recommendations, and we provide support and guidance whenever it's requested.

We tailor the 'ask, depending on their industry /what they provide us with. Whilst our initial ask is focussed on emissions, we are also gathering other data.



Commitments

Our engagement approach has focussed on what suppliers are currently doing and their future plans – both for their general business and the product/services that we receive. As part of this, we are also looking at both generic and specific commitments from suppliers:

Code of Conduct

We currently ask suppliers to agree to our Code or have an equivalent one, which includes climate actions, and we are regularly reviewing the content of this code. We also look for suppliers to have this for their own supply chain.

CDP/Data disclosures

We ask our suppliers to disclose information via CDP, or provide us with equivalent data. We have added clauses to our standard contracts, requiring suppliers to participate in such disclosures and are looking at additional clauses for larger/more impactful contracts.

Ongoing governance

Where this is in place with a supplier, we have added Sustainability, and climate emissions and actions more specifically, to meeting agendas. The frequency and discussion will vary depending on the supplier relationship, ongoing projects etc.

Working on joint actions

We are updating joint account plans to include specific actions on climate, where there is an opportunity to undertake changes together. Our focus on this space has recently been on print & mail, and our facilities suppliers.

Challenges

Key challenges that we've faced and are working on at present.

Non responsive suppliers

We request that around 120-130 of our suppliers respond to CDP each year, and have a response rate between 55-60% (high for our industry sector).

More and better data allows for a richer understanding of our supply chain, and to better target the right suppliers.

To address this we have:

- Discussed nil response with suppliers and started to work on feedback
- Included the potential for this request in our contracts
- Added this to governance forums with certain suppliers, giving plenty of advance notice
- Shared knowledge with the supplier, including access to CDP support webinars
- Reviewed alternative ways to obtain this data
- Contributed to CDP forums, to apply collective pressure on suppliers

Data quality

Data completeness and accuracy is important, as is knowing how it's been verified.

Without an understanding of these points, we can't be confident in supplier targets or the accuracy of reporting, which impacts on our own.

To address this we have:

- Captured in our assessment stage, how a supplier verifies information
- Cross-referenced data with other public disclosures
- Looked at competitor examples to understand broader sector issues
- Raised the challenge with suppliers: are they planning on 3rd party verification or science based targets?

Next Steps

We recognise that we're at an early part of our journey, and have learned a lot going through this process. Our key next steps are:

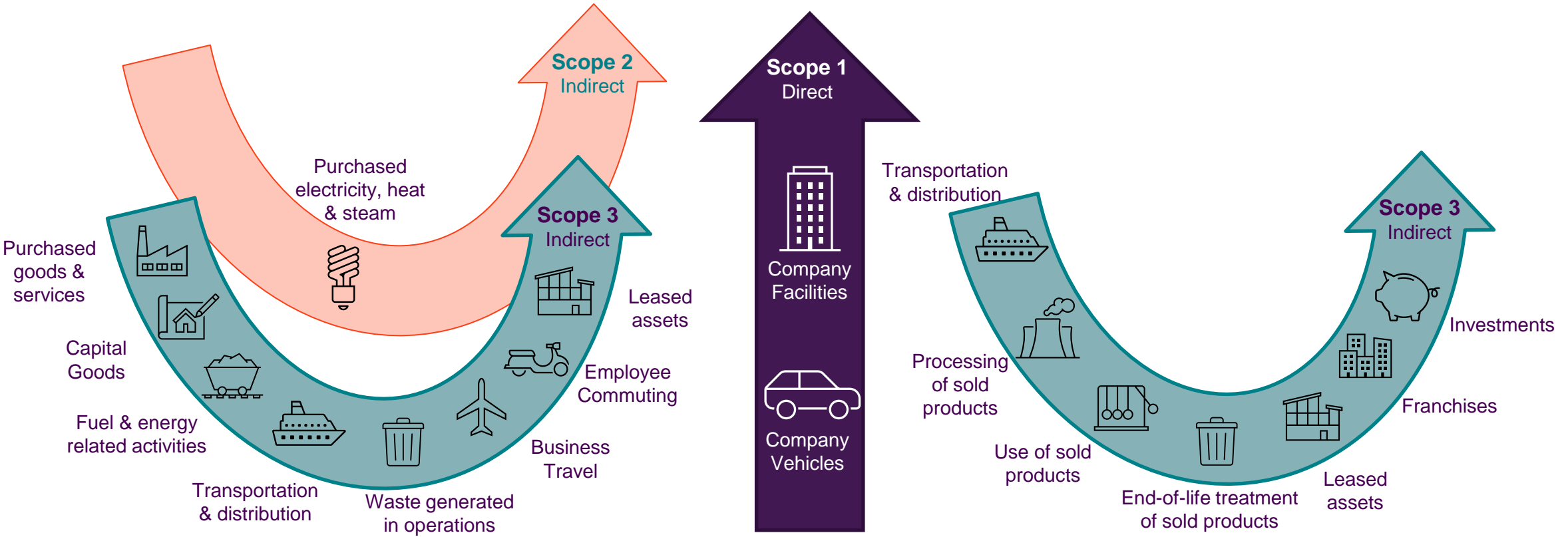
- **Tools:** Continuing to develop our Power BI dashboard, at both a supplier and category level, to support better decision making.
- **Engagement:** Continuing to engage with suppliers and apply an appropriate treatment strategy.
- **Support:** We're currently writing a Sustainability guide, which will be used by our supplier managers and procurement managers, as well as other stakeholders in the procurement lifecycle.
- **Expansion of scope:** We're already obtaining different data points from suppliers (e.g. water use) and will start to include this on our dashboards, and look at how they are approaching Just Transition plans.





Q&A

GHG Protocol Scopes





ICMIF Sustainability Forum

Benenden Health: ESG in the supply chain

Adele Spencer, Head of Procurement & Legal

29/08/2023

Where to start?



Tactical Approach

Taking Practical Steps

- We established some principles, for example:
 - ESG will usually be a consideration, not the primary factor when selecting suppliers
 - Our approach will be proportionate and reasonable
 - We will ensure our approach can be absorbed and delivered within existing headcount
- We targeted relevant suppliers
 - Established supplier approach by spend & sector
 - Limited number of suppliers to ensure data is manageable & meaningful
 - Identified what we needed to measure first (carbon emissions)
 - Gathered a wide range of information from suppliers

Taking Practical Steps

- We made some “Quick Wins” with process changes
 - Applied to the more generic aspects of ESG
 - Reviewed & updated due diligence questionnaires
 - Reviewed service contract templates to strengthen basic requirements
 - Added an ESG schedule into our contracts
 - Included ESG as a standard agenda item in supplier reviews
 - Identified which suppliers had an ESG champion or job role
- We’ve done quite a lot of research
 - Gathered info and ideas from other similar organisations
 - Attended webinars and conferences
 - Designed and issued a supplier questionnaire to obtain info and case studies

A woman with blonde hair, wearing a blue long-sleeved top, is lying on her side on a dark grey couch. A brown dog is curled up next to her, resting its head on her arm. The scene is dimly lit, creating a cozy atmosphere. A large, curved graphic element in shades of pink and blue is on the right side of the image.

Where are we now?



What's Next?

- **Supplier Summary/ Dashboard**

- E.g., x % of our top 20 suppliers have a formal ESG strategy or policy
- E.g., total carbon emissions for 2022 was x
- E.g., X % have ISO 14001, B Corp status, etc.
- Examples of innovative initiatives

- **Deciding what to measure & replicate**

- What do we want to adopt?
- What's workable for other suppliers to adopt. Plus, how, and when?
- Designing and discussing KPIs with suppliers

Finally...

We're a supplier too, so we're improving how we communicate the work we're doing to our clients



Thanks for listening

Questions & Discussion

Supply Chain Sustainability with Aviva and Aviva Investors

Gabi Silver & Jake Hague
29th August 2023



Sustainability in Aviva



Net Zero 101

Science-Based Targets (SBTi)

- Partnership between CDP, UN, World Resources Institute (WRI) and WWF
- Recognises Private sector must play a fundamental role in reducing GHG emissions
- Provides an externally recognised and validated target-setting framework for companies to support Net Zero



Key aspects

- Commit to become a Net Zero company by 2050 or earlier (1.5 °C outcome)
- Set targets which are grounded in scientific method
- Reduce direct ('scope 1 & 2') emissions each year and target 100% renewable electricity by 2030
- Include relevant indirect emissions in target– e.g. purchased goods and services, investments ('scope 3' emissions)
- Report on performance annually (e.g. via CDP, sustainability report, annual report)
- Use carbon removals (not offsets) to achieve Net Zero

What have Aviva committed to?

1. Become a Net Zero company by 2040
2. Achieve a 25% reduction in carbon intensity of assets by 2025, and 60% by 2030
3. **Have Net Zero operations and supply chain by 2030**
 - 70% of spend with suppliers who have approved SBTIs by Nov 2025



What Aviva is asking of Suppliers



£1m+ mandate already live

Focus on external Net Zero targets/direction – data later



Increased weightings

Product-level questions



Ecovadis -Holistic ESG lens

Progress tracking



New ESG schedule



Assessing our supply chain diversity

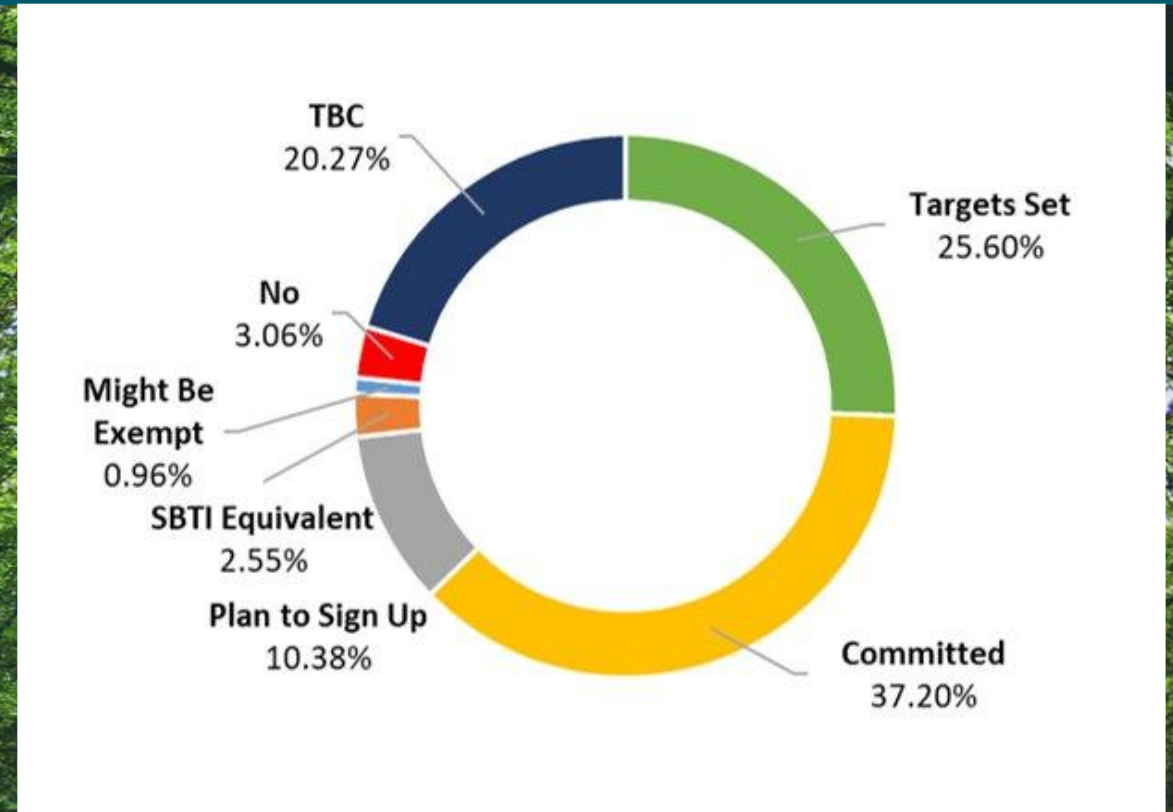
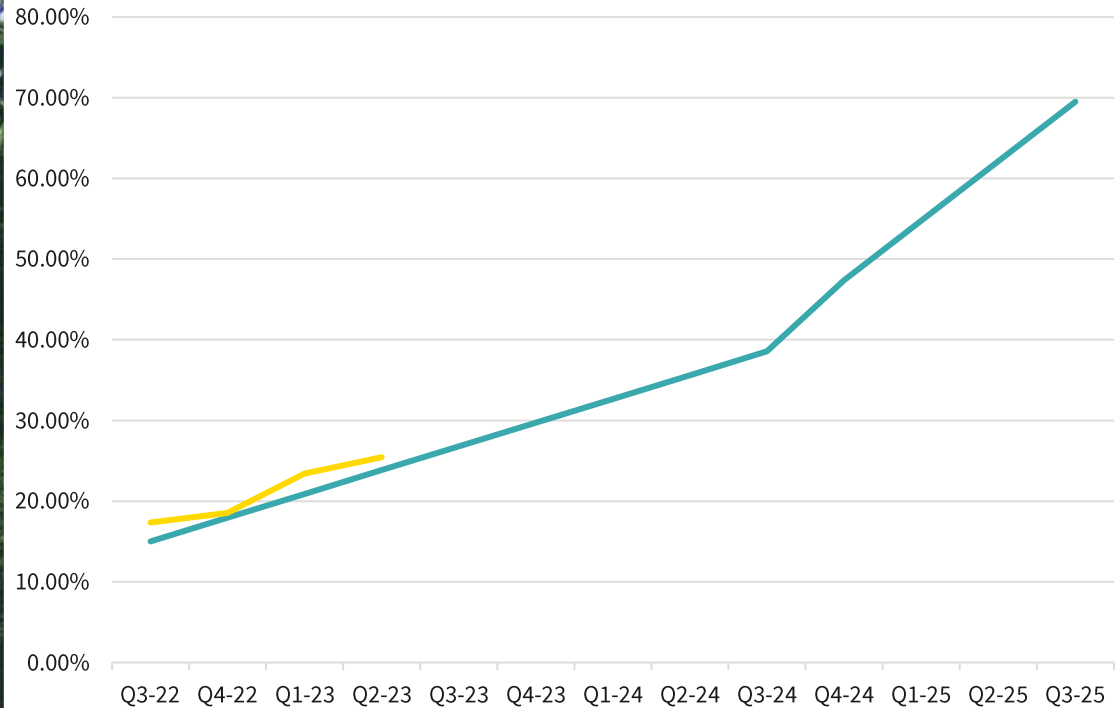


aviva.com supplier site

Guidance pack & summit, training

SBTi Track and Forecast

SBTi Targets Set Progression (Group)



	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25
Targets Set	15%	18%	21%	24%	27%	30%	33%	36%	39%	47%	55%	62%	70%
Actuals	17.34%	18.53%	23.43%	25.43%									
Variance	2.34%	0.53%	2.43%	1.43%									

Aviva Investors Specific

- Covered by the 2030 Net Zero Operations and 2040 Net Zero Investments Commitments.
- Applies the Aviva Procurement & Outsourcing Standard taking into consideration Asset Management Peculiarities.
- Opportunities to combine engagement, Suppliers, Underwriters & Investments and Treating our Suppliers as Partners.
- Move to Strategic Relationships helping Support the Aviva Investors Operating Model.
 - Links between investment performance and an optimised and well governed Supply Chain supporting the work we do as an Asset Manager.
- Focus on SBTi Over Net-Zero within our Investments.
- Challenges arising as a result of industry specific factors, or aspects such as Politics or Geography.

Framework & Supplier Governance



Closing Thoughts

We are the first generation to understand climate change and the last generation to be able to stop it

Talk to your partners about this

Be prepared for the conversation – know your own organisation's credentials

Ensure carbon considered in tenders - engage existing suppliers too

Prioritise by materiality

Leverage procurement to drive change

Sourcing professionals now in central role in decarbonisation

New value frontier beyond savings, service and risk

Your role

Challenge thinking and advocate change

Make it part of your role and part of your goals

Don't leave it at the door