



Operation Supply Chain: Assessing Risks in the Services Sector

ACCO Climate Change Leadership Series

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Science Applications International Corporation (SAIC)

For more than four decades, SAIC has created solutions to complex technical challenges worldwide. A Fortune 500® corporation, we are one of the leading systems, solutions, and technical services companies worldwide.

Our Core Values and Purpose



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Successes

- 41 years of continuous growth
- \$10.8 billion revenues fiscal year ended January 31, 2010
- Superb staff of qualified professionals, 45,000 worldwide,
- Advising public and private clients on greenhouse gas management issues in the following industries:
 - Energy
 - Transportation
 - Water
 - Waste
 - Manufacturing
 - Defense



What Is the “Supply Chain”?

- Different meaning for different sectors
 - Broadly: “ingredients” and processes
- The traditional concept usually applies to the upstream elements of industrial/manufacturing process
 - Raw materials, process energy, transportation, packaging
- In the service sector, the “supply chain” generally relates to purchasing practices and may include:
 - Office space – owned and/or leased
 - Vehicle fleet sourcing
 - Office products – for example, paper, electronics
 - Contractors
- Service companies may also *be a part of* the government’s supply chain
 - Executive Order 13514



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Why Do Service Organizations Care About Their Supply Chain?

- “Greening” a company’s supply chain may
 - Save money
 - Save resources
 - Be a prerequisite for business
 - Be required by regulation
- Consumers and shareholders are increasingly interested in how a company’s supply chain policies can
 - Positively impact other organizations’ behavior
 - Demonstrate risk management
 - Create opportunities to reduce indirect greenhouse gas emissions and climate risk
- Governments are also engaging in supply chain issues:
 - Directives – environmental procurement guidelines in Executive Order 13514 for federal agencies
 - Related programs – ENERGY STAR®, Electronic Product Environmental Assessment Tool (EPEAT®) certification
 - SEC disclosure requirements



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Executive Order 13514

- To create a clean energy economy that will increase our nation's prosperity, promote energy security, protect the interests of taxpayers, and safeguard the health of our environment, the federal government must lead by example.
- Federal agencies shall
 - Increase energy efficiency
 - Measure, report, and reduce their greenhouse gas emissions from direct and indirect activities
 - Protect water resources through efficiency, reuse, and stormwater management
 - Eliminate waste, recycle, and prevent pollution
 - Leverage agency acquisitions to foster markets for sustainable technologies and environmentally preferable materials, products, and services
 - Design, construct, maintain, and operate high performance sustainable buildings in sustainable locations
- Agencies must develop Strategic Sustainability Performance Plans annually from 2011 to 2021 to report on their progress
 - Includes greenhouse gas inventory

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Executive Order 13514 Government Contracting Provisions

- Section 13 of Executive Order 13514 instructs the General Services Agency to develop recommendations to Council on Environmental Quality and the Office of Management and Budget regarding the feasibility of:
 - Requiring federal government vendors and contractors to
 - Provide information to assist federal agencies in tracking and reducing Scope 3 greenhouse gas (GHG) emissions
 - Register with a voluntary registry or organization for reporting GHG emissions
 - Develop and make available their GHG inventory and description of efforts to mitigate GHG emissions
 - Use federal government purchasing preferences or other incentives that minimize GHG emissions
 - Employ other policies that encourage sustainable practices for reducing GHG emissions
- Federal agencies have committed to an average of 28 percent reduction of Scope 1 and Scope 2 GHG emissions by 2020



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Best Practices: Greening Service Sector Supply Chains

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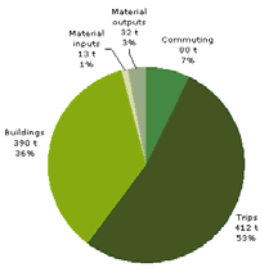
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Where to Start?


- Resources: energy, water, materials
- Regardless of business sector, companies should focus on high impact segments of their supply chain first
 - Greenhouse gas (GHG) inventories identify major GHG emitting portions of the supply chain: Scope 3 emissions
 - What does the company use a lot of?
- Examples:
 - Juice manufacturer discovered that growing oranges is their most GHG-intensive step
 - Find growers using less fertilizer? Or less pumped irrigation?
 - Worry less at the start about packaging or shipping
 - An international non-governmental organization might find that their greatest impact is air travel
 - Increase web conferencing to reduce air travel
 - Worry about leased offices later



Category	Value (t)	Percentage
Trips	412	53%
Buildings	390	36%
Material outputs	32	3%
Communting	90	7%
Material inputs	13	1%

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Building a Sustainable Supply Chain Program

- Programs will evolve and improve over time
 - Start with one resource area or attribute
 - For example, “Buy Recycled™”
- Enhance efforts by adding additional program elements
 - Energy or water efficiency
 - Toxics
 - Life-cycle view
- Programs can take many forms
 - Purchasing policies
 - Printer paper must have more than 50 percent recycled content
 - Leased buildings must have an ENERGY STAR® rating
 - Specific product bans
 - No Styrofoam® products may be bought
 - Goals and targets not linked to specific products
 - Reduce energy consumption by 25 percent over 10 years



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Elements for Success

- Engage management and employee support
- Demonstrate value!
 - Resource savings
 - Cost savings
- Create transparency -- Public reporting and disclosure communicates efforts to stakeholders
 - Annual report
 - Sustainability report
 - Voluntary reporting to
 - The Climate Registry
 - Global Reporting Initiative® Index
 - Carbon Disclosure Project
 - Others



The Climate Registry

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Case Study: Greening the Supply Chain at Science Applications International Corporation

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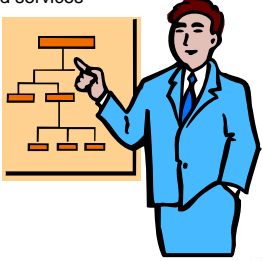
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Efforts Underway to Green SAIC's Own Supply Chain


- Science Applications International Corporation (SAIC) is committed to conducting business in an environmentally sound and sustainable manner
 - Currently developing an implementation plan for Executive Order 13514 compliance
- Key organizational components to SAIC's service-oriented supply chain include
 - Contracts
 - Requiring environmentally preferable products and services
 - Responding to client requirements
 - Real Estate
 - Lease provisions
 - Preference for LEED® buildings
 - Procurement
 - Office supplies/furniture
 - Vehicle fleet
 - Communications
 - IT/Data management



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Success = Series of Individual Steps

Office Furnishings

- 18,055 square yards of carbon-neutral InterfaceFLOR® carpeting
 - Results in 267 tons of greenhouse gas reductions
- Milliken® floor covering – polyvinyl chloride (PVC)-free carpeting
- Standard systems furniture and case goods produced in zero-waste facility

Office Buildings

- Building in green provisions in leases
- Preference for LEED® buildings
- Construction waste is recycled when possible



Office supplies


- Kitchen supplies
 - Cornstarch cups replaced foam
 - Reusable mugs
 - Recycled products
 - Environmentally safe cleaning supplies
- Recycled paper and products

Waste

- Recycling in all owned buildings
- Landfill-free headquarters building (recycling, composting, waste to energy)
- Electronics recycling

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Occasional Challenges

- Upfront costs for environmentally preferable products are sometimes higher than status quo
- May require systemic changes throughout the organization
- Activities create new data/information that must be managed and analyzed
- Determining what is the most sustainable solution to an environmental challenge might be
 - Communicating supply chain efforts in a clear and meaningful way



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Organizational Value

- Why Science Applications International Corporation (SAIC) values its sustainability measures:
 - Actions implement SAIC's Corporate Responsibility philosophy
 - Allows SAIC to lead by example
 - Meets government contracting compliance requirements
 - Demonstrates SAIC's corporate commitment to environmental protection
 - Actions identify waste and savings potential and, therefore, the potential to save money, both upfront costs and life-cycle costs
 - Creates more informed decision-making
 - Creates platform to demonstrate SAIC's sustainability solutions and perform pilot projects that can be shared with our clients
 - Helps to increase the demand for environmentally preferable products
 - Minimizes climate and environmental risks that may need to be disclosed
 - Good business practice

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