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Technology Companies Succeed with a Data-Driven Approach to Sustainable Procurement

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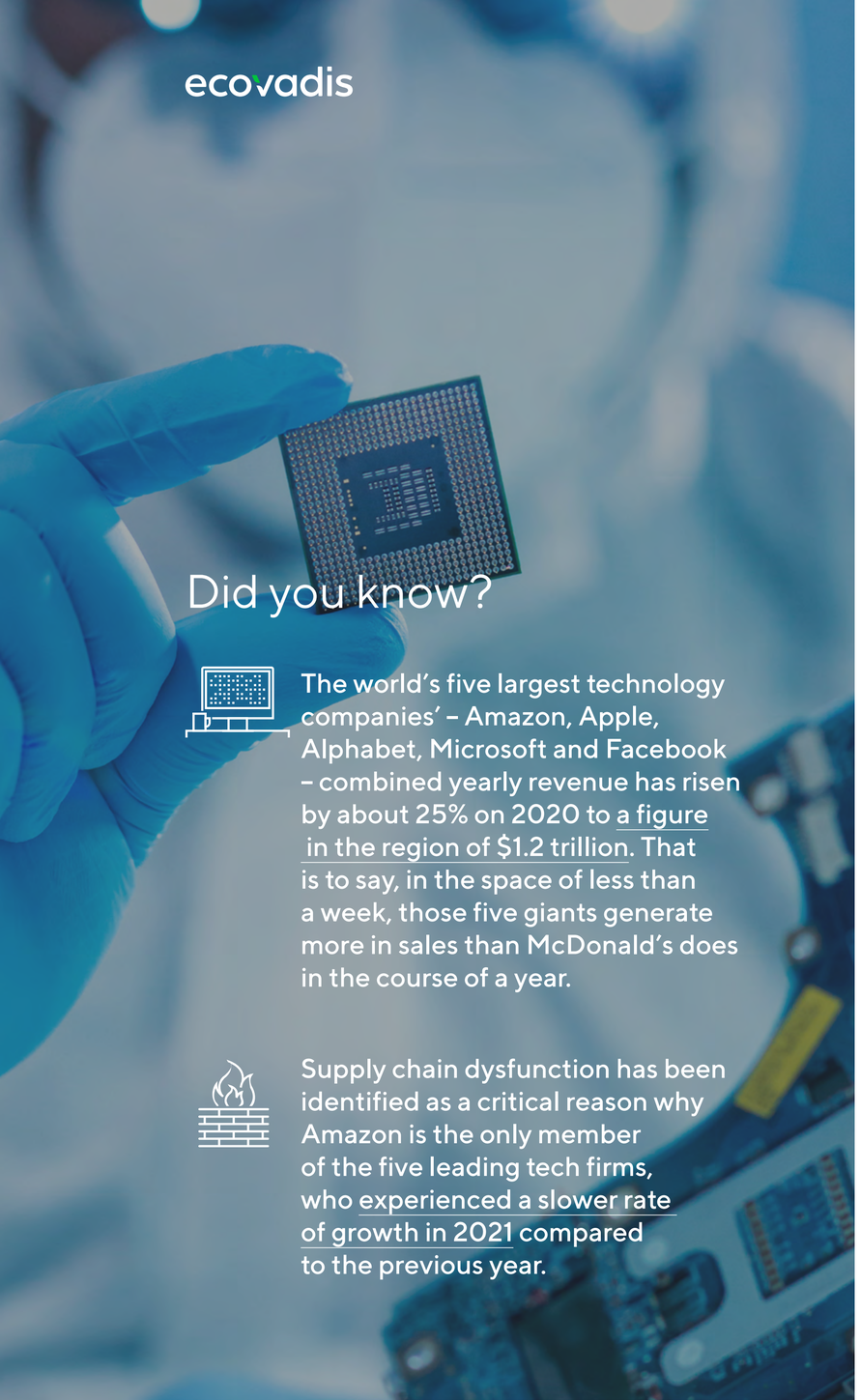
Sharpening the Focus on Procurement



Did you know?

The world's five largest technology companies' – Amazon, Apple, Alphabet, Microsoft and Facebook – combined yearly revenue has risen by about 25% on 2020 to a figure in the region of $1.2 trillion. That is to say, in the space of less than a week, those five giants generate more in sales than McDonald's does in the course of a year.

Supply chain dysfunction has been identified as a critical reason why Amazon is the only member of the five leading tech firms, who experienced a slower rate of growth in 2021 compared to the previous year.

For many companies operating in the "tech" meta-sector, the experience of the past two years has been characterized by a series of profound contrasts. On the one hand, most tech industries have, despite the challenges posed by the COVID-19 pandemic, maintained top line growth. On the other, such growth on the demand side has, in many cases, been offset by the emergence of new contingencies and the increase in long-standing vulnerabilities. This includes logistical challenges connected with labor and supply shortages, as well as human-and climate-related risks linked to shortfalls in the global supply base.

These developments are pushing procurement processes and supply chain management into ever sharper focus among tech industry leaders. As many as 93% of respondents to a recent McKinsey survey of tech executives stated that they plan to make their supply chains more resilient, including by building in redundancy across suppliers, nearshoring selected critical operations, reducing the number of unique parts in the manufacturing process, and regionalizing their supply chains. This sentiment was echoed in the EcoVadis Sustainable Procurement Barometer 2021, which found that 94% of respondents view supply chain resilience as a critical driver behind their sustainable procurement programs.

Indeed, procurement and sustainability are increasingly coming to be regarded as two-sides of the same coin. The COVID-19 pandemic has illustrated vividly how the most sustainably-run companies are also those best placed to absorb sudden contractions in supply and demand. Plus, given that most companies' adverse social and environmental impacts occur in the upstream value chain, regulators, consumers and investors are increasingly demanding that organizations address sustainability issues in their supply chains.

This ebook takes a brief look at the supply chain challenges facing the tech sector and the factors which guide it in rethinking sustainable procurement systems before illustrating how tech companies are taking action. To do this, the ebook delves into EcoVadis' unrivaled, comprehensive data on the companies we rated over the past several years, providing insights into the positive impact they are making.

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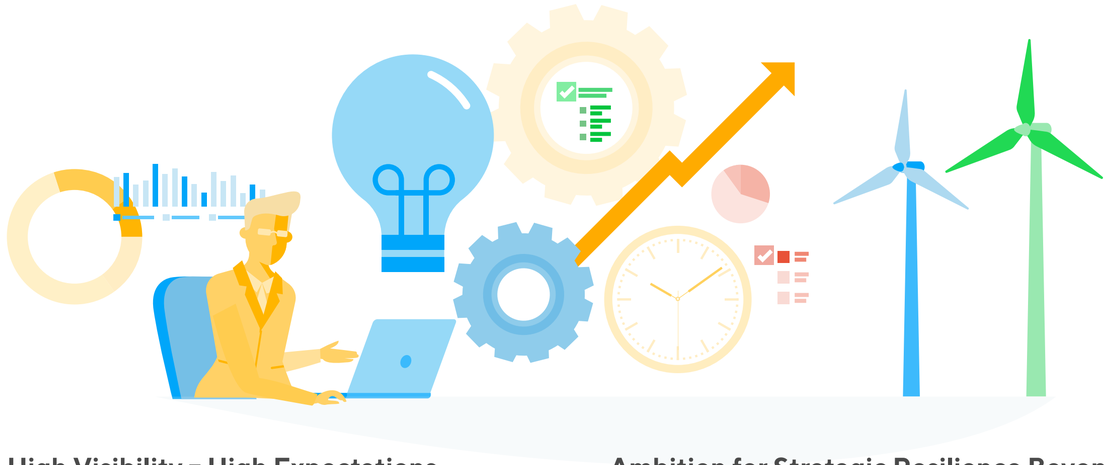
Challenges Facing Tech Companies

So What Are the Factors Guiding Tech Companies in Rethinking Their Sustainable Procurement Processes and Systems?



High Visibility = High Expectations

The industry is now worth over $11.5 Tn globally, and an ever increasing proportion of revenue is spent in the supply chain, or on outsourcing and services. This means that most tech sustainability impacts are "externalized" or, in other words, embedded in the value chain. And with strong margins and growth (in most sub-sectors), investors, boards, customers, consumers, regulators and industry peers are looking for tech players to make a positive sustainability impact at a speed and scale commensurate with their commercial success – and that includes the value chain.

Ambition for Strategic Resilience Beyond the Pandemic

The supply chain risk mitigation tactics deployed in response to the COVID-19 crisis – such as second sourcing, reshoring, compliance programs for COVID-safe working conditions, supplier finance programs, etc. – are still treating symptoms rather than addressing the root causes of long-standing structural vulnerabilities. As the pandemic recedes and climate change and labor issues come back into focus, a fundamental rethinking and rebuilding of value chains is needed to secure long-term strategic resilience.

Carbon Footprint Responsibility Extends to the Supply Chain

A typical company's supply chain accounts for over 80% of its greenhouse gas emissions, making the supply chain a key lever in the battle against climate change. After setting Science Based Targets (SBTi) and 'net-zero' commitments, companies are realizing the next steps for Scope 3 reductions cannot rely on predictive models, but rather direct engagement of the supply base – at scale – in an improvement journey that results in measurable emissions reductions.

From Digital First to Leveraging Synergies

Tech companies' bias for data-centric, digitally-enabled strategies for managing challenges favors quantifying sustainability into performance metrics that are benchmarkable and ready to integrate to other systems. Plus, given that technology is a significant and growing component of many other industries, many suppliers are a cross-industry resource. This suggests an approach that can connect all stakeholders on a common platform and ecosystem at a global scale.

It comes as no surprise that the tech industry supply base also has customers in many other industries — all of whom face similar challenges and have the same need for transparency, resilience and a will to drive impact.

"For us to be successful in contributing to sustainable solutions, it is just as important for our suppliers to do the same. To further this goal our objective is to work with as many suppliers as possible who are committed to having suitable environmental policies and guiding principles (use of alternative fuels, etc.), environmentally friendly processes (recycling, shipping, etc.), certifications (Green Business, LEED, etc.), standards (ISO 140001, EMAS, etc.), and reporting in place. To help us, we have recently brought on a provider of supplier sustainability health scores, EcoVadis, to assess and strengthen our sustainable sourcing and procurement practices."

splunk>

Splunk Inc. (NASDAQ: SPLK) brings data to every question, decision and action to help *#TurnDataIntoDoing*.

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Supply Chain Disruption and the Tech Sector

In the short-to-medium term, the tech sector is faced with many interconnected challenges. First of all, the recent contraction in the international supply base has exposed the sector's long-standing structural overdependence on Asia for the production of a high percentage of critical components, such as semiconductors, memory chips, touchscreens, and monitors.

This shortage has impacted most directly upon companies involved in the manufacture of technology hardware. But it has also entailed downstream effects, especially for the many internet, hosting and SaaS providers who rely heavily on such products in conducting their day-to-day business operations. As a result, issues connected with the "re-shoring" of supply chain functions and a broader strategic shift away from "just in time" manufacturing models are top of mind for many executives operating within the tech sector.

Recent supply chain shortages have also exposed a widespread lack of digitization in procurement management systems and a consequent deficit of visibility into supplier activities. This is particularly problematic when one accounts for the fact that the overwhelming majority of human rights risks for tech companies are embedded in the upper tiers of the value chain, ranging from intransparent labor practices, such as a widespread prevalence of subcontracting, to an overdependence on conflict minerals in the manufacture of many ICT products.

Strikingly, this deficit of digitization in procurement management runs entirely counter to the predominant, sector-wide preference for data/technology-oriented solutions. Tech companies are, therefore, positioned strongly to ensure that suppliers are not left behind in their efforts to close the international "digital divide" and this may, in turn, mitigate the emergence of a "sustainability divide" through the promotion of digital sovereignty, open ecosystems and supply chain resilience.

Most gravely, perhaps, tech companies, like businesses in every other sector, are struggling to accurately measure and address adverse environmental impacts at a time when regulator, consumer and investor demand for sustainable business conduct has acceded to unprecedented heights. While several high-visibility industry leaders have generated headlines with eye-catching sustainability pledges, many firms are grappling with issues such as reducing energy and water consumption in data centers and better managing the sustainable processing of electronic waste.

Tech Companies Taking Action

Over 55 tech companies have adopted sustainability ratings to maximize the impact of their sustainable procurement programs. This includes both the largest players as well as mid-sized companies.

Collectively, these companies have engaged over 6,000 suppliers with a total of more than 13,000 rating scorecards, which comes to just over two assessments per rated supplier. Over half of those are small and mid-sized companies.

Below, we delve into this robust record of rated tech company data, looking specifically at the positive impact they're driving as a consequence of their engagement with the EcoVadis' ratings solution.

EcoVadis Ratings and How the Tech Sector Compares to Others

EcoVadis rates companies on a scale of 0 to 100, on 21 criteria in four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement.

- At an average overall score of 51.4, tech companies outperform EcoVadis' cross-sectoral average score by more than 6 points.
- 61% of tech companies that have been rated at least twice improved their overall sustainability rating score by an average of 3.5 points.
- At an average 44.6, tech companies outperform the cross-sectoral average in the Sustainable Procurement theme (38.0) by over 6 points.
- Reassessed companies increased Sustainable Procurement performance by an average of more than 2 points between 2016 and 2021.

	SUSTAINABILITY PERFORMANCE		LIKELY OUTCOME	
Best in Class	85-100	OUTSTANDING	High Opportunity	• Structured and proactive sustainability approach • Policies and tangible actions on major issues with detailed implementation information • Comprehensive sustainability reporting on actions & performance indicators • Innovative practices and external recognition
	65-84	ADVANCED	Medium Opportunity	• Structured and proactive sustainability approach • Policies and tangible actions on major issues with detailed implementation information • Significant sustainability reporting on actions & performance indicators
	45-64	GOOD	Engaged	• Structured and proactive sustainability approach • Policies and tangible actions on major issues • Basic reporting on actions or performance indicators
	25-44	PARTIAL	Medium Risk	• Minimum structured sustainability approach • Few policies or tangible actions on selected issues (reactive)
Increasing Risk	0-24	INSUFFICIENT	High Risk	• No policies or tangible actions regarding sustainability • Evidence in certain cases of misconduct (e.g., pollution, corruption)

> Since 2013, we have assessed 500 key suppliers through this partnership. EcoVadis validates suppliers' responses to their detailed questionnaire and researches information from other public sources to benchmark suppliers on their performance. When weaknesses are identified, we work with the supplier to create a corrective action plan to improve their current activities. Both Verizon and our supplier benefit from this partnership
>
> verizon

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Sustained Improvement Trends Across Themes

Sustainability Performance

Score Details by Theme & Country

6 103	13 243	51.4	52.6	53.2	50.0	44.5
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

Sustainability Improvement

Improvement by Details & Trend

6 103	9 971	+3.6	+2,9	+3.8	+4.3	+2.1
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

↗ 50% Improvement

Tech Sector: Score Improvement by Theme, 2016-2021

Of the more than 6,000 companies assessed on a combined >13,000 occasions during the five year period considered in this ebook, the overall average rating score for tech sector suppliers is 51.4, which, on the EcoVadis rating scale, corresponds to a "Confirmed" sustainability management performance. To put this figure into context, the overall average rating for all companies (74,714) assessed on a combined 119,521 occasions between 2016 and 2021 is 45.3.

In other words, tech companies' performance indicates a strong degree of commitment and broad adoption of a structured approach to tackling sustainability matters. And, significantly, tech companies' overall performance improvement trajectory is reflected across the four assessment themes:

Environment: At an overall average score of 51.4, tech companies outperform the cross-sectoral average by a full 6 points, and reassessed companies have improved their score by an average of 3.6 points compared with their initial assessment.

Labor and Human Rights: At an overall average score of 53.2, tech companies outperform the cross-sectoral average by over 5 points, and reassessed companies have improved their score by an average of 3.8 points compared with their initial assessment.

Ethics: At an overall average score of 50.0, tech companies outperform the cross-sectoral average by 7 points, and reassessed companies have improved their score by an average of 4.3 points compared with their initial assessment.

Sustainable Procurement: The most challenging of the four sustainability themes assessed by EcoVadis, tech companies lead the cross-sectoral average (38.0) by over 6 points (44.5) and reassessed companies have improved their score by an average of 2.3 points compared with their initial assessment.

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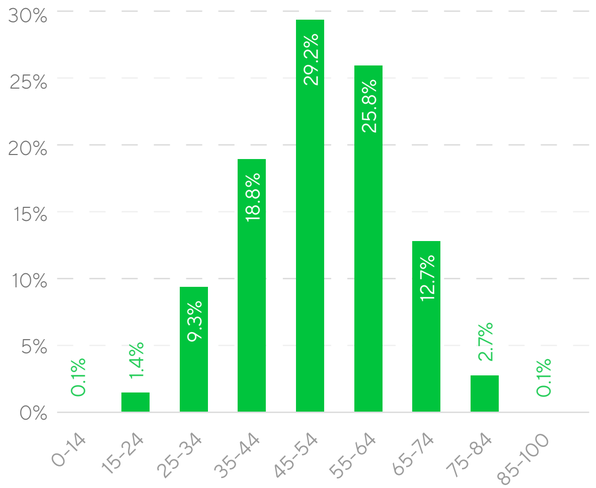
Mitigating Risk: The Distribution of Scoring

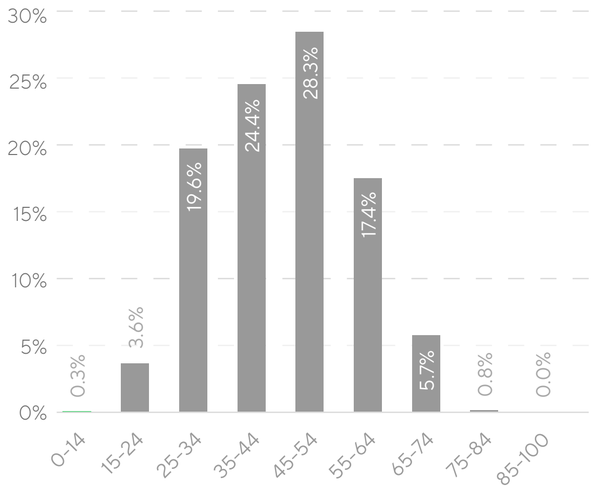
The tech sector performs substantially above the cross-sectoral EcoVadis ratings average and, significantly, fewer than 30% of the tech companies assessed during the past five years achieved a sustainability rating below 45 points – the threshold below which a trading partner is deemed to expose the purchasing company to varying degrees of operational, reputational and regulatory risk.

This figure contrasts with a cross-sectoral average of 47.9% of companies who did not obtain a score of at least 45 points. Furthermore, where a cross-sectoral average of fewer than 7% of companies achieved an "Advanced" or "Outstanding" rating score of 65 and higher, among the tech sector, over 15% of companies scored between 65-100 points.

Score Distribution - Tech



Score Distribution - Overall



"Our 2030 agenda envisions bold change for the future, which will require an equally bold desire to tackle some of the world's most complex challenges. That vision is the catalyst for the VMware Responsible Sourcing™ program, our global supplier environmental and social governance (ESG) program. Prioritizing purchasing decisions that align to our values and goals: We are partnering with EcoVadis to promote engagement and drive transparency on sustainable business practices and ESG progress with our suppliers

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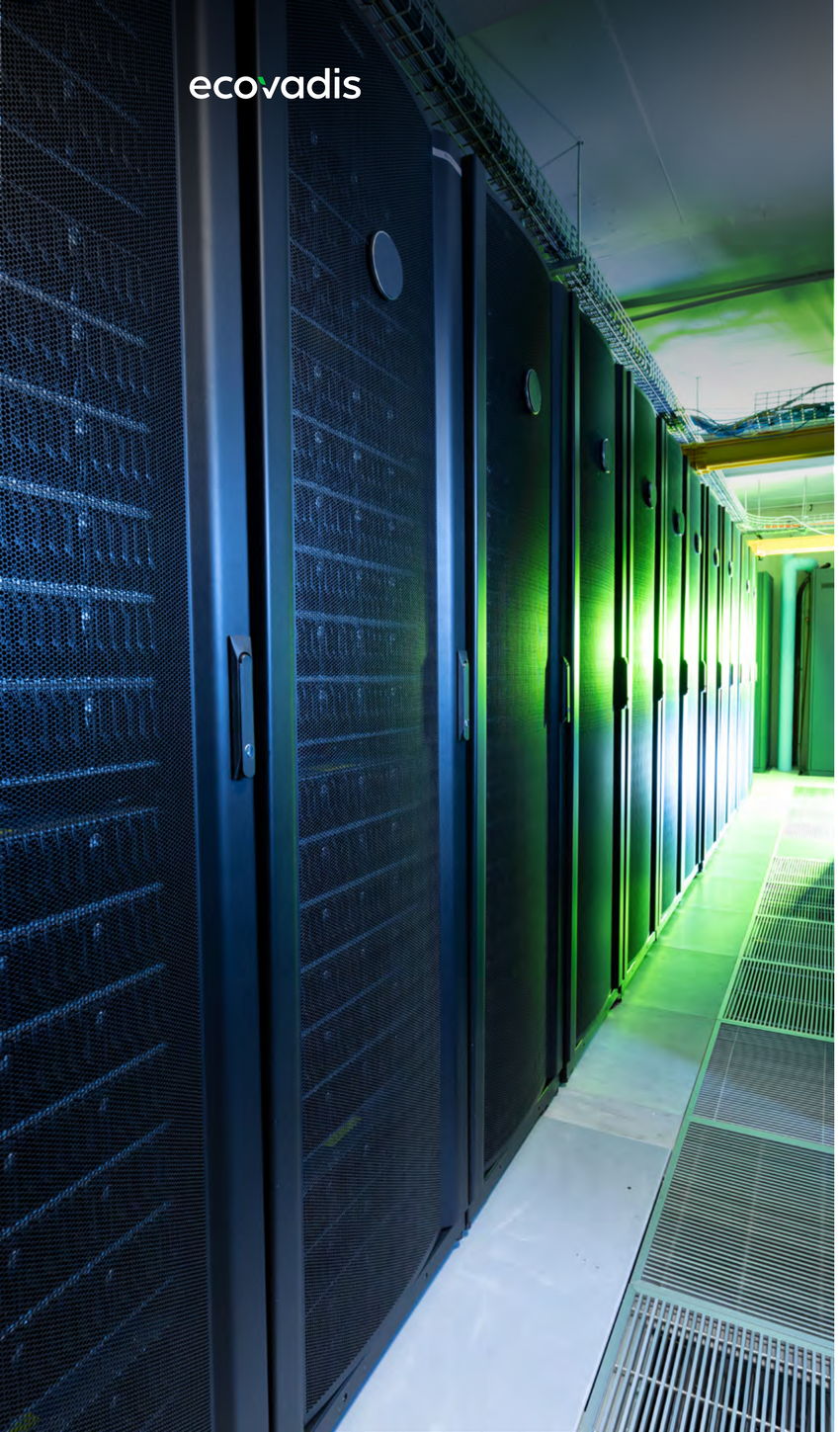
Our compute, cloud, mobility, networking and security offerings form a digital foundation that powers the apps, services and experiences that are transforming the world.

Category Focus



We assessed 123 companies grouped under ISIC Code 631, Data Processing, Hosting and Web Portals, on a combined 216 occasions between 2016 and 2021

Data Processing, Hosting and Web Portals

Overall improvement trends are reflected in many of the key tech supply categories. Here is a more detailed view of four of the top categories rated by the tech sector. Note: we use ISIC to classify each rated company category (e.g. business activity). Learn more about ISIC here.

We assessed 123 companies grouped under ISIC Code 631, Data Processing, Hosting and Web Portals, on a combined 216 occasions between 2016 and 2021.

With an average overall sustainability rating score of 47.0, it is clear the industry has work to do to achieve parity with the average of the tech sector as a whole (51.4). Indeed, an average overall Environment score of 43.7, allied to an average overall Sustainable Procurement score of 36.9, is highly concerning, especially given the significant sustainability issues connected with water and energy use in the data processing sector, as well as the intransparent labor practices that mark the activities of many upstream suppliers to the industry.

Sustainability Performance

Score Details by Theme & Country

123	215	47.0	43.7	47.5	51.4	36.9
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

Performance Trends - ISIC 631: Data Processing, Hosting and Web Portals

Still, Data Processing, Hosting and Web Portal companies exceed the cross-sectoral average under the Ethics theme (51.4 > 49.9) and, significantly, they exhibit a consistent performance improvement trend throughout the five-year period of this study. Indeed, more than half of the Data Processing, Hosting and Web Portals firms that underwent multiple assessments increased their scoring between 2016 and 2021, and over 65% achieved an EcoVadis medal in recognition of their sustainability performance.

Furthermore, when compared to their first assessment, companies arrayed into the Computer Programming, Consultancy and Related Activities industry group exhibited the following score improvement trends:

Overall scoring:	↗ 4.8 (47.0)
Environment:	↗ 3.6 (43.7)
Labour and Human Rights:	↗ 5.4 (48.5)
Ethics:	↗ 4.3 (51.4)
Sustainable Procurement:	↗ 1.0 (36.9)

Sustainability Improvement | Improvement by Details & Trend

123 Companies

124 Assessments

+4.8 All

+3.6 Environment

+5.4 Labor & Human Rights

+4.3 Ethics

+1.0 Sustainable Procurement

↗ 53% Improvement

Improvement Trends - ISIC 631: Data Processing, Hosting and Web Portals

This sustained improvement trajectory across assessment themes demonstrates how an ongoing engagement with the EcoVadis ratings process is providing Data Processing, Hosting and Web Portal companies with a framework to engage the value chain in driving positive impact at scale.

Manufacture of Electronic Components and Boards

A similarly eye-catching trajectory of performance improvement can be discerned in respect of the businesses arrayed under ISIC Code 261, those involved in the Manufacture of Electronic Components and Boards.

Although at 50.0 this industry group falls narrowly short of the sector's impressive overall average score of 51.4, it exceeds the sectoral average under both the Environment (54.3 < 52.7) and Sustainable Procurement (46.6 < 44.6) themes and has maintained a remarkably rapid and consistent pace of improvement over the past five years.

Sustainability Performance

Score Details by Theme & Country

361	759	50.0	54.3	49.8	46.6	46.5
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

Performance Trend: ISIC Code 261, Manufacture of Electronic Components and Boards

Indeed, over 40% of the 357 Electronic Components and Boards manufacturers who submitted to multiple assessments achieved an increase in scoring and, compared with their initial scorecards, the performance improvement trend reads as follows:

Overall scoring:	↗ 2.4 (50.1)
Environment:	↗ 2.3 (54.3)
Labour and Human Rights:	↗ 2.5 (49.7)
Ethics:	↗ 3.3 (46.7)
Sustainable Procurement:	↗ 1.4 (46.6)

Sustainability Improvement | Improvement by Details & Trend

361	587	+2.4	+2.3	+2.5	+3.3	+1.4
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

↗ 41% Improvement

Improvement Trend: ISIC Code 261, Manufacture of Electronic Components and Boards

Again this steep, sustained improvement trajectory illustrates how companies engaged in the Manufacture of Electronic Components and Boards have effectively harnessed the EcoVadis ratings network as a framework to engage suppliers to amplify positive impact through the value chain.

Call Centers

Nevertheless, certain industries within the tech sector do face significant challenges with respect to sustainability performance, particularly at a time when consumer, investor and regulator demand for responsible business practice has acceded to unprecedented heights.

Sustainability Performance

Score Details by Theme & Country

72	167	46.9	44.7	48.7	51.6	36.6
Companies	Assessments	All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

Performance Trend: ISIC Code 822 - Activities of Call Centres

With an overall average rating score of 46.9, for instance, those companies arrayed under ISIC Code 822, dealing with the Activities of Call Centres, trail the tech sector's overall average rating score by over 4 points and, at 36.6, the industry's Sustainable Procurement performance indicates that such companies are exposed to significant reputational and regulatory risk in respect of their relation to a comparatively limited set of upstream suppliers.

An average Environment score of 44.7, trailing the sectoral average of 52.7, indicates that the industry can do more to capitalize upon the efficiencies facilitated by, for instance, the development of cloud technologies, self-service AI, and unified communications platforms that better connect the front office to colleagues in the middle and back offices. Similarly, a comparably low Labor and Human Rights score of 48.7 can be understood to reflect the industry's long-standing issues concerning high rates of staff turnover, high rates of absenteeism and a lack of continuous professional development programs.

Nevertheless, leaders operating in the industry can draw confidence from the fact that, despite these challenges, the sustainability performance of call centres has still grown across themes over the past five years:

Overall scoring:	↗ 4.0 (46.9)
Environment:	↗ 1.9 (44.7)
Labour and Human Rights:	↗ 3.5 (48.7)
Ethics:	↗ 6.4 (51.6)
Sustainable Procurement:	↗ 2.0 (36.6)

This trend illustrates that even those industries where deep-seated obstacles for sustainable business practices persist, sustained engagement with the EcoVadis ratings process can yield tangible performance improvement and associated positive social and environmental impacts.

Sustainability Improvement | Improvement by Details & Trend

72 Companies

131 Assessments

+4.0	+1.9	+3.5	+6.4	+2.0
All	Environment	Labor & Human Rights	Ethics	Sustainable Procurement

↗ 46% Improvement

Improvement Trend: ISIC Code 822 - Activities of Call Centres

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Sustainable Procurement Best Practices

Best Practice Checklist for Sustainable Procurement Success

The time is now to move beyond a compliance mindset and embrace a performance-management approach to sustainability. to create enduring change, and long-term value.

Align Engagement With Mutual (Buyer-supplier) Value Creation.

Creating value requires engagement. Most legacy supplier sustainability programs are based on a low-touch or low-tech, check-box approach, such as self-administered SAQs or on-site audits. Not only does this approach drain internal resources, but it also lacks the data validation, benchmarks and detailed feedback needed to improve. Leading programs are using validated sustainability indicators or ratings, delivered digitally, that are rich enough to enable procurement to collaborate, monitor and improve performance, create value and drive positive impact.

Holistic Approach: Depth, Breadth, Range of Sustainability Intelligence.

Ensure your supply chain indicators are comprehensive. They should cover: Adequate depth of sustainability topics across environmental, social and ethical practices; Full industrial breadth (e.g. 100’s of categories) of your supply base - including indirect and services spend; Geographic range (countries) to cover related language adaptations, as well as local/regional laws and CSR labels and standards.

Leverage a Digital and Data-centric Approach to Optimize Engagement

Now more than ever, it is essential that businesses choose tools and indicators that effectively quantify and benchmark sustainability performance. For at a time when concern is mounting regarding the impact and pervasiveness of corporate “greenwashing”, regulators and investors are placing an unprecedented emphasis on the accuracy and transparency of any sustainability performance data that companies do disclose. Furthermore, such a data-centric approach to measuring social and environmental performance facilitates the effective integration of CSR considerations into a broader corporate governance architecture, notably by enabling companies to embed sustainability performance indicators into a range of procurement softwares, such as Sourcing, Contract, Spend and Supplier Relationship management systems.

Collaborate to Accelerate: Act With Industry Peers

Collaboration with industry peers on sustainable supply can be a powerful force to create efficiencies, share best practices, and ultimately boost value chain sustainability -- all while creating benefits for their suppliers.

Seize This Moment To Engage Suppliers.

As companies rebuild their supply chains for resilience in the wake of the Covid pandemic, the recent IPCC report and COP26 summit are reminders that urgent, drastic action is required to factor climate readiness into their strategies. Consumers, investors and regulators now expect business to play a proactive role in the sustainable transformation of the global economy, while simultaneously adopting measures to address social inequalities connected with, for example, DE&I, as well as employee health and safety. It is precisely in this time of “global awareness” to engage the supply base and translate all the “ambition”, “planning” and “target setting” into improvement and positive impact.

“In 2020, we also began a partnership with EcoVadis to deepen the visibility of any social and sustainability issues in our supply chain. Approximately 30% of our suppliers, by sourceable spend, have participated in a comprehensive risk and performance assessment through the end of the year.”

T-Mobile

T-Mobile U.S. Inc. (NASDAQ: TMUS) is America’s supercharged Un-carrier, delivering an advanced 4G LTE and transformative nationwide 5G network that will offer reliable connectivity for all.

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VMware Scaling Sustainable Improvement with EcoVadis: A Case Study

Key Figures (end of fiscal year 2021):

$11.8 billion
in global revenue

34,242
employees

1.2 billion
metric tons of carbon emissions avoided through VMware solutions

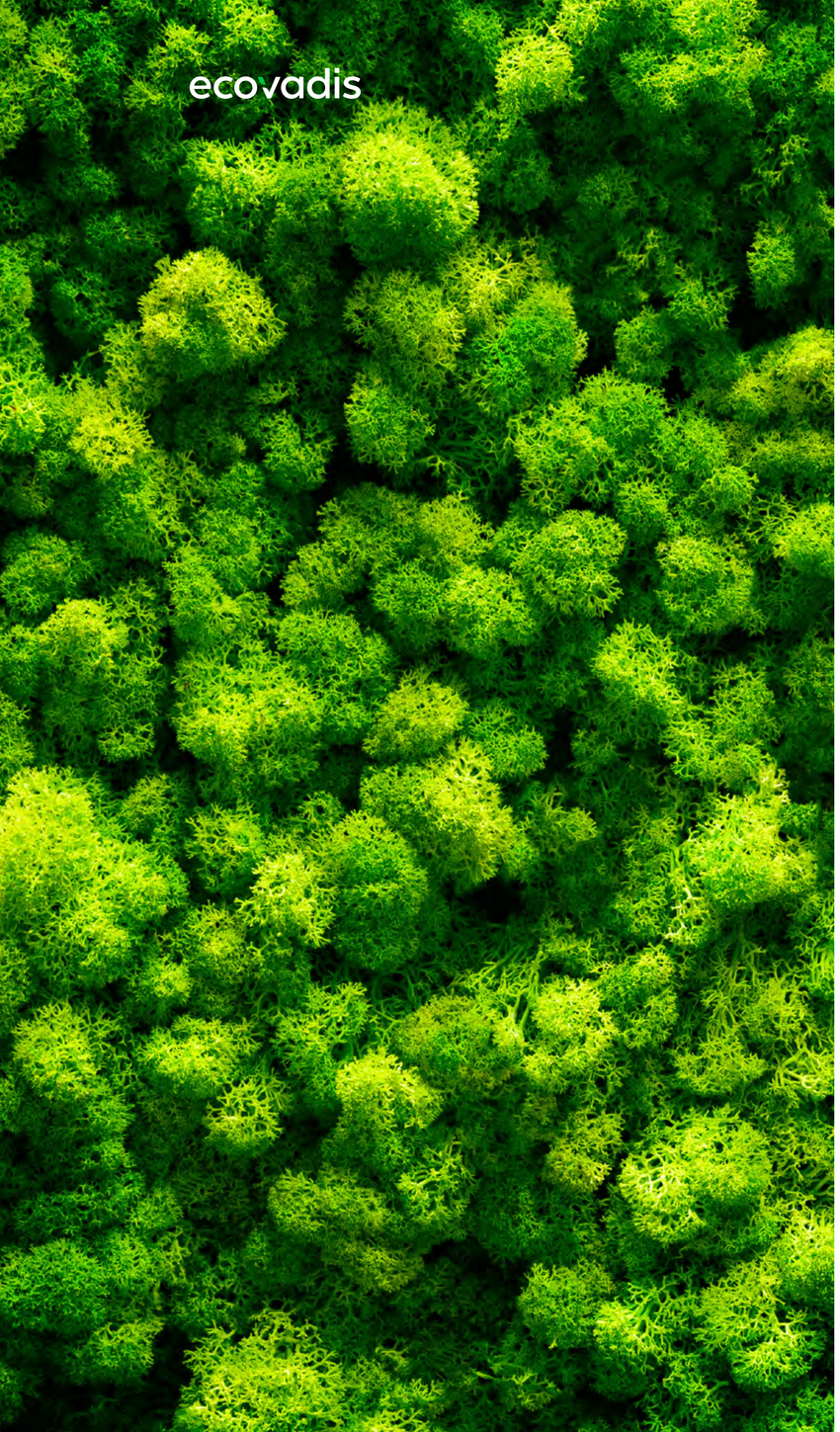
100%
powered by renewable energy

99%
pay parity between male and female employees

COMPANY OVERVIEW

VMware at a Glance

VMware is a leading provider of multi-cloud services for all apps, enabling digital innovation with enterprise control. As the trusted foundation to accelerate innovation, VMware software gives businesses the flexibility and choice they need to build a more sustainable, equitable and secure world. Headquartered in Palo Alto, California, VMware is committed to building a better future through the company's 2030 Agenda. For more information, please visit: www.vmware.com/company



COMMITMENTS AND TARGETS

2030 Agenda

VMware has, since its inception, championed a holistic conception of ESG, encompassing environmental and social factors. Conscious of the growing urgency of the climate crisis, the organization has recently accelerated its sustainability vision and committed at the end of 2020 to fulfilling 30 ambitious, cross-functional targets by the close of this decade – they refer to it as their 2030 Agenda.

Based on detailed materiality analyses, the 2030 Agenda is organized around achieving three core outcomes – Sustainability, Equity and Trust – each of which comprises 10 goals. Goals range from achieving net zero carbon emissions across the entirety of the company's internal operations and supply chain under the Sustainability outcome, to increasing VMware's number of and spend with diverse-owned suppliers under the Equity outcome, and accelerating investment in cybersecurity solutions under the Trust outcome.

The broad scope of VMware's 2030 Agenda targets aligns well with the structure of the EcoVadis rating methodology, and resultant scorecards, which score companies' sustainability management practices on a scale of 0-100 across four themes: Environment, Labor and Human Rights, Ethics and Sustainable Procurement. VMware has undergone the EcoVadis ratings process since 2010 and, in 2021, achieved a silver medal in recognition of its sustainability performance. They have worked each year to drive progress across these areas and continue to look for ways to increase performance.

Encouragingly, just a year into the 2030 Agenda, the initiative is already bearing fruit. In 2021 alone, VMware reduced its greenhouse gas (GHG) emissions by 19%, while facilitating more than 26,000 employees to engage in charitable events, and deepening its commitment to sustainability innovation within the Office of the CTO.

AMPLIFYING IMPACT IN THE VALUE CHAIN

Leveraging Procurement Spend

But for all the progress VMware has achieved by optimizing its internal sustainability management processes, the organization remains acutely aware of the need to engage suppliers on a sustainability journey to generate positive impact at maximal scale. Indeed, 88% of VMware's 2020 carbon footprint came from its supply chain, a circumstance that has made sustainable procurement a top priority for the company.

As Matt Eaton, Senior Manager of Responsible Sourcing at VMware, explained during the 2021 EcoVadis Sustain conference, procurement organizations must evolve from a narrow focus on cost and begin integrating sustainability criteria into supplier selection and management processes:

> When we prioritize ESG in our internal operations, the impact is great, and our company can control that directly. But when we think of the supply chain and the spend leverage...we can really drive impact in the supply base by ensuring that we're partnering with suppliers who align with our values. I don't think we can truly say we value ESG if we don't also address it in our supply chain."
>
> vmware®

In this regard, VMware has translated the organizing principles underlying the 2030 Agenda into a detailed framework to leverage its supply base in service of outcomes that build sustainability, equity, and trust: the VMware Responsible Sourcing™ program. The program has three pillars, each with its own initial goal:

Sustainability: Achieve 75% of its annual spend with suppliers who have set science-based sustainability targets by 2025.

Diversity: Spend $1.5 billion with diverse-owned suppliers by 2030.

Accessibility: Assess all new software and event suppliers for accessibility standards.

Goals are important – but action and impact are better, and VMware is taking specific actions on these goals, both through the EcoVadis platform and beyond it.

TAKING ACTION TO DRIVE RESULTS

EcoVadis Supporting VMware's Impact

In respect of the Sustainability goal, for instance, VMware has implemented a Supplier Enablement Program to share VMware's own experience and provide education to suppliers on the business case for climate action, how to calculate and track GHG emissions, how to set science-based targets, and insight on levers that can be used to reduce emissions. They have also introduced action plans with key suppliers to monitor progress and offer guidance as needed throughout their sustainability journey.

In this regard, VMware is harnessing the Science Based Targets initiative (SBTi) KPI on the EcoVadis platform to track the extent of SBTi engagement amongst its supply base. Already, as of the end of 2021, 37% of VMware's suppliers by spend that have engaged with EcoVadis have set, or are committed to establishing, science-based emissions reduction targets with the SBTi, placing the organization in a strong position to fulfill its 2025 target.

Similarly, VMware is using EcoVadis' Carbon Action Module to better understand its suppliers' maturity levels with regard to managing carbon emissions. Notably, VMware is drawing on the carbon calculator embedded in the solution as a tool to support smaller suppliers in calculating their carbon footprint. The insights generated through the Carbon Action Module thus help to provide VMware with a firm basis on which to develop enablement plans and provide supporting resources appropriate to each supplier's specific maturity level.

VMware also plans to leverage EcoVadis' new eLearning platform, the EcoVadis Academy, to support suppliers in reaching sustainability targets. In this regard, the four environmental courses provided on the platform – covering Environmental Policy, Environmental Reporting, GHG/Carbon Actions and GHG/ Carbon Reporting – will be crucial to enabling suppliers to build the institutional capacity required to act effectively on carbon.

VMware has, too, adopted comparably ambitious measures in order to fulfill its Diversity and Accessibility goals. For instance, the company established a formal supplier diversity program in the United States, which will expand globally in 2022, and partnered with external diversity councils to drive maximum impact. The Sourcing and Operations team has also partnered with VMware's Power of Difference communities (employee resource groups) to better drive the kinds of impactful supplier relationships that matter to employees.

Likewise, the Responsible Sourcing program has collaborated with VMware's internal Accessibility team to establish an accessibility policy, which includes a requirement for new internally used software to be assessed for accessibility standards, and to add contractual language for improvements to be made if found to be insufficient. They have also partnered with Disability: IN to provide training to the VMware Sourcing & Operations team on accessibility foundational skills.

Find out more about VMware's Responsible Sourcing strategy and the company's commitment to ESG at vmware.com/company/esg.

About EcoVadis: From Risk Mitigation to Performance and Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 160 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ maps your entire supplier landscape for inherent risk and identifies additional due diligence needs.

Sustainability Ratings & Monitoring

EcoVadis Ratings engage companies in benchmarking and monitoring, to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch that scans external inputs (e.g. trade unions, NGOs, watchlists, news, etc.), yield reliable ratings on a 0-to-100 scale – easy to integrate to procurement or business decisions.

Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. The Carbon Action Module engages deeper on measurement, reporting and action on reducing GHG emissions. The Corrective Action Plan enables collaboration with customers/ requesters to prioritize improvements. An e-learning Academy provides self-guided courses to build knowledge.

Service, Support and Community

Enterprise offerings include program management support — change management, journey mapping, global deployment, supplier/ rated company onboarding, dashboarding and reporting etc. — and training options for requesting (buyers, portfolio managers, etc.) and rated companies.