


VMware: Scaling Climate Action Through Supplier Collaboration with EcoVadis




Company Overview

Headquartered in Palo Alto, California, 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 they need to build a more sustainable, equitable and secure world.

Despite driving for sustainable excellence internally, a recent greenhouse gas inventory revealed that over 70% of emissions are attributed to the company’s wider supply chain. The 2030 Agenda was created as a direct response to these findings, making sustainable procurement a top priority.

Sustainable Procurement Score:
70



2022 Company Figures:

Industry:	Employees:
Technology	38,300
Headquarters:	Suppliers:
United States	3,588
Revenue:	EcoVadis Customer Since:
\$13.3 Billion	2010

2030 Agenda: 10 years, 30 targets

At the end of 2020, VMware committed to fulfilling 30 ambitious, cross-functional ESG targets by the close of the decade. This ESG strategy is focused on achieving three core outcomes – Sustainability, Equity and Trust – each of which comprises 10 targets. For the supply chain organization, these targets range from achieving net zero carbon emissions across the company’s internal operations and supply chain, to increasing VMware’s spend and number of diverse-owned suppliers.

The scope of VMware’s ESG strategy is well aligned with the structure of the EcoVadis rating methodology and scorecards, helping the company to ensure transparent and accurate sustainability reporting. VMware first underwent the EcoVadis ratings process in 2010 and has since been awarded a Silver Medal (2023) in recognition of the company’s transformative and impactful sustainability journey.

The organization has worked continuously to drive progress across the 4 assessment areas and to look for innovative ways to enhance their ESG performance. In the most recent assessment, VMware’s sustainable procurement score improved from 60 to 70.

VMware recognizes that it is the actions of companies and their networks that have the potential to shape the future of climate change. Since setting these targets, the company has introduced a plethora of initiatives to support and engage suppliers, while monitoring their progress.

“We are already well on our way to meeting our 2025 goal, and with the direct engagement and education offered through our scaled program, we are confident we will hit our target.”

- VMware's Responsible Sourcing Senior Manager



Responsible Sourcing with VMware

The Responsible Sourcing Program aims to overcome ESG challenges by fostering an environment of collaboration and innovation with trading partners. The program constitutes a core element of the company’s procurement strategy, prioritizing spend with suppliers who have aligned with the company’s values, and the ESG strategy.

To accurately gauge the ESG practices of the company’s supply base, all suppliers with material spend are required to complete an annual EcoVadis assessment. The reassessment process allows VMware to review metrics and identify potential risks within the supply chain. If detected, these risks can then be mitigated with the help of Corrective Action Plans (CAP).

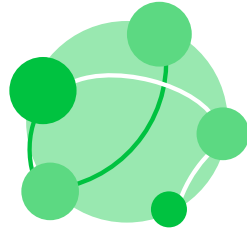
The detailed framework has been developed to leverage their supply base in service of outcomes that build Sustainability Equity and Trust; each of these three pillars has its own primary goal.



Sustainability:
Achieve

75%

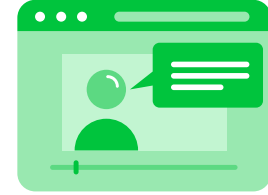
of its annual spend with suppliers who have set science-based sustainability targets by 2025.



Diversity:
Spend

\$1.5

billion with diverse-owned suppliers by 2030.



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



Baseline Target Setting and Kick-Starting Supplier Engagement

The Responsible Sourcing program includes an ongoing rating and improvement cycle with a deep dive into climate action initiatives through the Carbon Action Module (CAM). To ensure the company’s suppliers have a comprehensive understanding of the CAM solution and are able to engage in proactive discussions concerning their results, VMware introduced a progressive training regime designed to upskill and galvanize supplier relations.

Having identified a general lack of urgency regarding Greenhouse Gas (GHG) emissions within the service sector, VMware set out three main levers to engage suppliers and support the introduction of concrete decarbonization targets.



1 Enable: Begin collaborative work with suppliers to progress towards VMware’s own science-based target, and drive climate impact by generating increased corporate action.

2 Mandate: Not all suppliers will act simply with enablement and will likely require direct negotiation and a levy of contractual obligations to take an actionable position on climate change.

3 Consolidate: Not everyone will prioritize climate action and ultimately, supplier change and consolidation may need to be considered when deemed necessary.

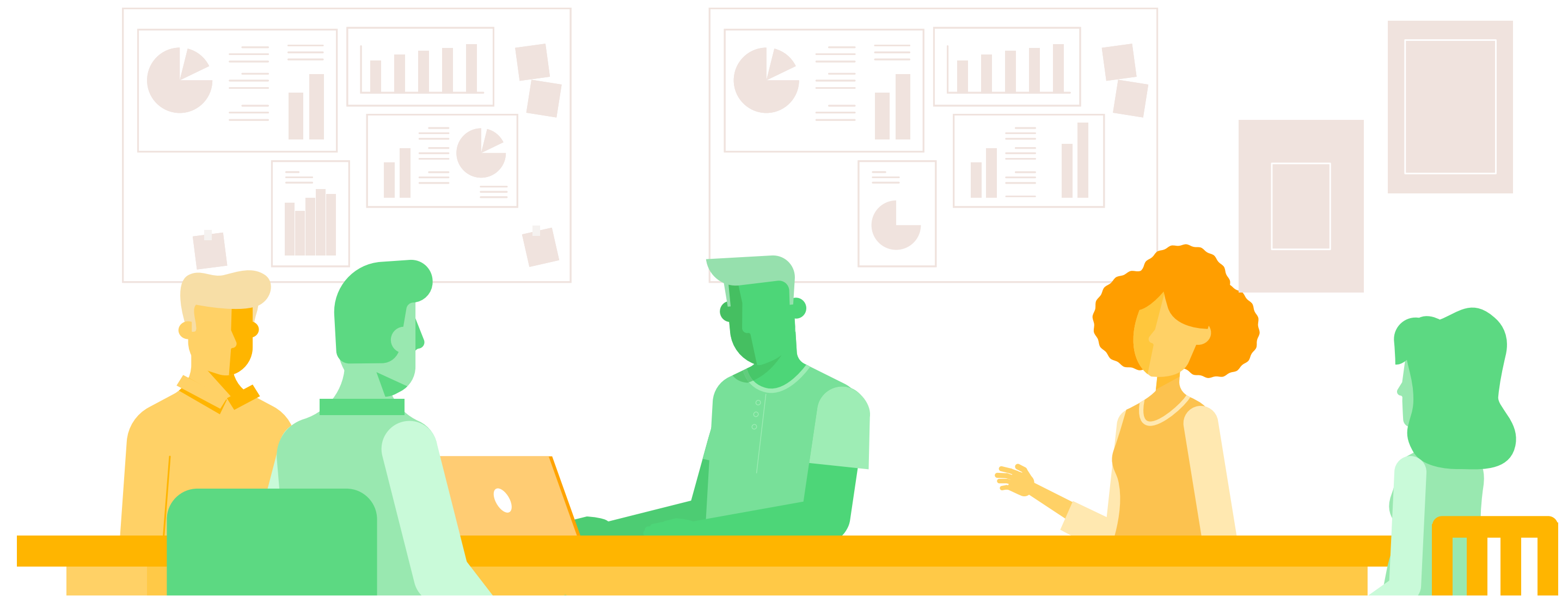
When we prioritize ESG in our internal operations, the impact is great, and our company can control that directly. But when we think of the supply chain and the spend leverage...we can really drive impact in the supply base by ensuring that we’re partnering with suppliers who align with our values. We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



Cultivating Sustainable Partnerships with the Science Based Target initiative (SBTi)

With only 5% of suppliers annually motivated to set independent SBTs according to CDP research, VMware began exploring novel ways to accelerate progress through procurement. These steps included strengthening their Supplier Code of Conduct (SCoC), direct supplier enablement and implementing contractual language with explicit sustainability requirements by announcing their Supplier Sustainability Addendum.

By harnessing the SBTi KPI on the EcoVadis platform, VMware is able to monitor SBTi engagement across its supply base. As of the end of Q2 FY23, 52% of VMware's suppliers by spend have set or committed to establishing science-based emissions reduction targets with the SBTi, placing the organization in a strong position to fulfill its 2025 sustainability target.



The Supplier Sustainability Engagement Program

At the beginning of FY23, VMware launched a pilot to inform their engagement strategy, with the goal of optimizing and accelerating supplier progression in carbon maturity and capacity.

The pilot enrolled 15 suppliers from the VMware network over a 23-week period and intentionally represented a diverse sample, with suppliers of various industries, sizes and ownership. In doing so, the company established a framework that highlighted nuances across different types of suppliers and ensured the organization was equipped to support everyone as they began to expand the program across their broader supply network.

This pilot showed great promise with 73% of participating suppliers interested or actively engaged in setting their own SBTs. The process demonstrated how supplier collaboration can significantly accelerate the organization and wider networks' collective climate action.

The pilot also became a driving force behind the VMware Responsible Sourcing Program, helping to develop an initial set of training resources to uplift suppliers' sustainability knowledge base. Five training modules were created as a direct result of VMware's interactions with pilot suppliers, helping the company acquire a deeper understanding of where their suppliers were on their sustainability journey and how the organization could help them reach new milestones. The net result of VMware's efforts was a comprehensive library of educational resources, with topics ranging from SBTs 101 to building a business case for sustainability. All of this material is now freely available to the organization's wider community on [VMware's Responsible Sourcing Website](#).



Having tried and tested the framework, VMware began scaling their efforts. With a vast supply network stretching across the globe, direct one-to-one facilitation was not an option. Instead, VMware leveraged their technological expertise to facilitate engagement and extend their reach to support the entire supply chain ecosystem. In May 2023, the company officially launched its pioneering, scaled Sustainability Supplier Engagement Program (SSEP), already engaging 90% of suppliers by spend (~350 suppliers) as a part of overall operations in FY23.

VMware has also launched a Supplier Sustainability Addendum (SSA) which is designed to drive supplier commitment to set SBT's as a part of the SSEP. The SSA is a tool used to drive decarbonization action for top suppliers, outlining supplier requirements and fueling participation in the SSEP.

The ultimate goal of the SSA is to enforce contractual requirements on suppliers to set SBTs by 2025. Although the hope is for all suppliers to set SBT's,

VMware anticipates that not everyone will engage in target setting. This is why the SSA has a provision to also drive consumption of renewable energy, and a Climate Cure Process which requires suppliers to offset their VMware based emissions through an approved partner. Presently, the SSA has been selectively deployed to highest spend suppliers, although the company has plans to further incorporate the addendum into the standard contracts for all top suppliers.



Results and Reflections

The preliminary sample from the SSEP pilot revealed 4 predominant challenges for the company to address:

Lack of greenhouse gas (GHG) understanding

Challenge: Dispelling the belief by suppliers who were not manufacturing physical products that they didn't meet the criteria for a climate action program.

Solution: Addressed through the EcoVadis Academy, which provides training and resource materials across multiple topics including GHG 101.

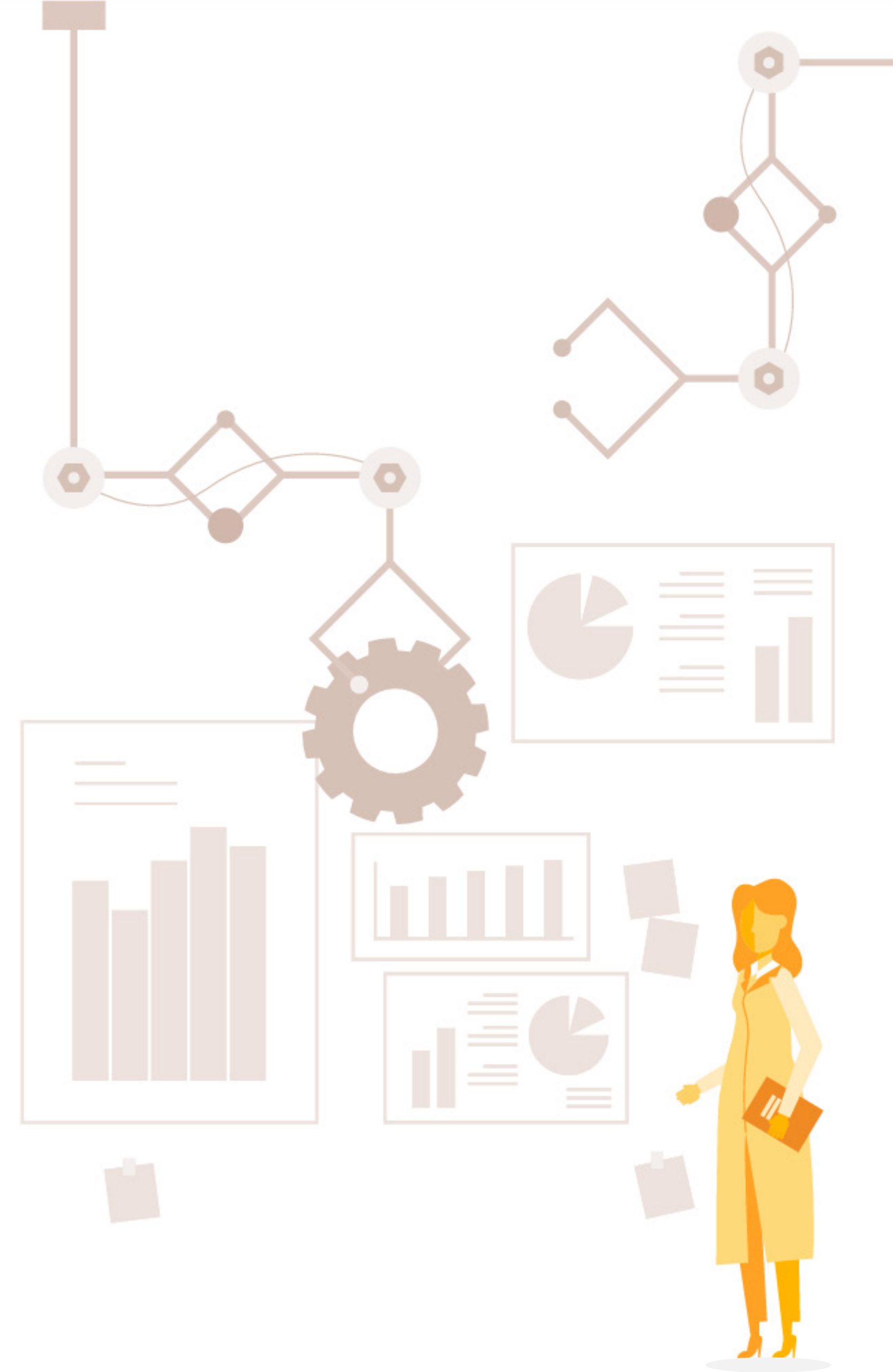
During the pilot, we noticed that the lightbulb clicked on when we talked about VMware's own journey as a software provider, and shared resources that expanded the idea that everyone has emissions. It seemed that people's minds had images of factories and polluting vehicles in their head, and we had to level-set a bit to change that.

Growth Mode

Challenge: Many suppliers had existing plans to rapidly expand their operations in coming years, making the suppliers feel incapable of establishing a baseline year for calculating GHG emissions.

Solution: Addressed by imparting a high-level overview of climate change, sharing the business case for corporate climate action and focusing on stories of customer demand, increasing risk, cost efficiencies and regulatory compliance. In addition, EcoVadis' Carbon Action Module (CAM) supports intensity-based calculations that take into account corporate growth.

The entire point of ESG is that we have grown and continue to grow unsustainably, and corporate growth is not an excuse to not act now.



Lack of Internal Resources

Challenge: The majority of small businesses operate without a dedicated ESG team and lack both the time and knowledge to successfully calculate a GHG inventory.

Solution: Addressed by reassuring suppliers that smaller firms have a significantly easier job in calculating emissions and setting reduction targets. The company also developed a resource kit available on the external website for anyone to use. In addition, they promote e-learning through supplier platforms, including beginning to provide EcoVadis Academy to support supplier knowledge building.

VMware is of the belief that every business, no matter how large, needs to be responsible for their planetary impact.

Competing Frameworks

Challenge: VMware monitors and tracks supplier engagement on sustainability using the SBTi framework, however there have been instances of individual GHG reduction targets that are not approved by the SBTi, particularly noted in larger businesses.

Solution: Although SBTi is the recommended system, the organization has been lenient on exceptions whereby the targets are audited and annual disclosure of the progress is shared. VMware has also leveraged EcoVadis' Carbon Action Module (CAM) which allows the company to track the targets and progress of their suppliers.

The Science-based Target Initiative is largely seen as the gold standard in GHG reduction target setting and VMware asks our suppliers to have their targets validated and approved through this framework.



Standout Achievements

Carbon neutral company
Since 2018

100%
powered by renewable energy

Over **50%**
of suppliers with a carbon scorecard at intermediate and above management levels

52%
of suppliers by spend have set or committed to SBTs as of Q2 FY23

65%
of EcoVadis suppliers have shared at least 1 GHG emissions metric

\$41 million
reduced CO2e as a result of reduced supplier emissions

229%
Return on Investment (ROI) through cost avoidance on CO2

19%
reduction in GHG emissions

Engaging suppliers on VMware’s sustainability journey has:

- ✓ Fostered stronger relationships
- ✓ Driven supplier innovation
- ✓ Increased transparency
- ✓ Seen reputational benefits
- ✓ Given a competitive advantage
- ✓ Generated cost savings
- ✓ Simplified risk identification



A Sustainable Future with EcoVadis

While the launch of VMware's SSEP and SSA proved hugely successful, the organization is determined to maintain momentum. Continuing to drive supplier participation in the SSEP and refining the execution of the SSA is a top priority.

By facilitating open dialogue with their suppliers, VMware hopes to continue receiving constructive feedback that enables deeper learning and fosters a more holistic understanding of how the company can best support their vast network. Currently, the company is developing a strategy to manage and monitor the top end sample of suppliers to ensure that GHG emissions decrease in coming years.

“Their emissions are our emissions, and we are determined to reduce them. As our suppliers set and commit to SBTs, we have the responsibility to ensure they are following through with those commitments... The sustainability goalposts are always moving, so VMware is very keen on innovating and challenging ourselves once we reach our goals. The work never stops!”

EcoVadis has been there from the very beginning, with the VMware Responsible Sourcing Program starting in conjunction with the launch of EcoVadis rating requirements for suppliers. This deliberate play allowed the company to acquire a richer insight into their ESG practices. Not only does the platform serve as an innovative tool to increase supply chain visibility and help mitigate risk, it is a real competitive advantage for the company, and one they intend to retain moving forward. Understanding where VMware excels and where the organization needs to focus their attention helps to shape ESG strategy and ensures continuous and evolving program growth. EcoVadis enables the company to rate their supply chain and provides the opportunity for self-analysis, which has proven an increasingly popular feature with the company’s customer base.

“We get many inquiries from our customers about our ESG efforts, including all things supply chain. EcoVadis provides us with data that we can use to show our due diligence processes.”



About EcoVadis

EcoVadis is a purpose-driven company dedicated to embedding sustainability intelligence into every business decision worldwide. With global, trusted and actionable ratings, businesses of all sizes rely on EcoVadis' detailed insights to comply with ESG regulations, reduce GHG emissions, and improve the sustainability performance of their business and value chain across 220 industries in 180 countries. Leaders like Johnson & Johnson, L'Oréal, Unilever, LVMH, Bridgestone, BASF and JPMorgan are among 130,000+ businesses that use EcoVadis ratings, risk, and carbon management tools and e-learning platform to accelerate their journey toward resilience, sustainable growth and positive impact worldwide.

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