



ELECTRIC UTILITY INDUSTRY SUSTAINABLE SUPPLY CHAIN ALLIANCE

SUPPLY CHAIN SUSTAINABILITY: THE VALUE PROPOSITION WHITE PAPER

“ A proactive approach to supply chain sustainability provides Exelon with clear strategic value. This includes: reduced supply chain risks from the alignment between our suppliers’ and our values; identification of innovative solutions; and increased brand value with our customers, investors, stakeholders and regulators. The Alliance has been critical in helping us to realize this value efficiently and effectively. Through our deep involvement we’re able to stay on top of key emerging trends and successful practices that accelerate our performance. As a founding member of the Alliance it has been exciting to see how the group has matured and continues to drive the substantial change in the industry we had aspired to. ”

– Bridget Reidy, Sr. VP and Chief Supply Chain Officer, Exelon Corporation

In this brief paper we outline the case for greater investment in supply chain sustainability; as well as, ongoing & progressing support of the Alliance.

SUPPLY CHAIN SUSTAINABILITY: THE CURRENT SITUATION

Supply Chain Sustainability is at a similar stage to where procurement was 15, and diversity was 5-7 years ago. Organizations are working to understand what sustainability means for them and investigating how to reap strategic benefit from it. Leaders are already realizing clear benefits from their efforts and are providing models for others to follow.

GROWING INTEREST OF KEY STAKEHOLDERS

Stakeholder understanding of sustainability in general and the role of utility supply chain sustainability continues to grow rapidly.

INVESTORS, motivated by ensuring licenses to operate, limited business interruptions, and leading management practices – are increasingly incorporating sustainability criteria into decision-making processes.

CUSTOMERS are increasingly expecting us to support our thousands of suppliers in embracing sustainability – including people, planet and profit.

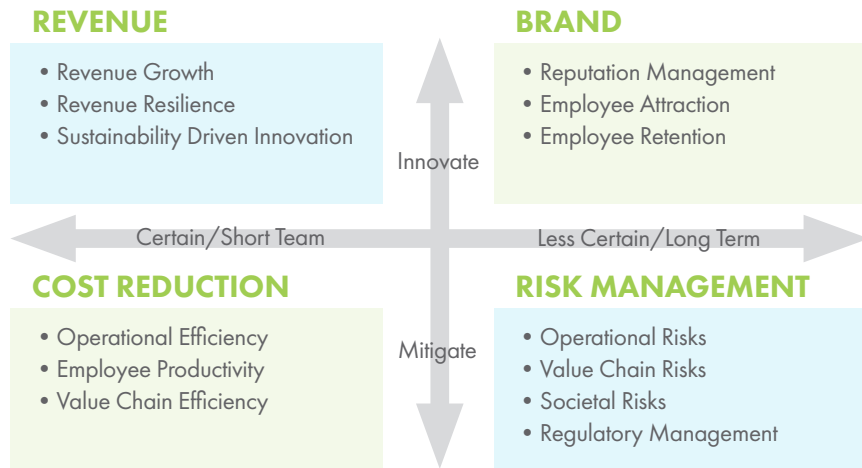
SUPPLIERS at the Alliance’s annual supply chain sustainability conference have moved from skepticism to genuine interest in understanding how to execute or grow their sustainability efforts.

EMPLOYEES appreciate their roles in environmental stewardship. Sustainability and the alignment of values between an organization and its employees are critical in both attracting and retaining the best talent.

REGULATORS’ growing sustainability requirements (e.g. CPP, TSCA, etc.) have direct implications for supply chain efforts from energy efficiency of operations and T&D, to remediation efforts, to minimizing liabilities through product selection, to many more.

THE TANGIBLE BUSINESS VALUE OF SUPPLY CHAIN SUSTAINABILITY

BUSINESS VALUE FRAMEWORK



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There are clear opportunities to align sustainability practices with the business objectives of utility organizations resulting in:

ENHANCED REVENUE STREAM

To the extent that environmental concerns drive customer decisions, and the perception of environmentally responsible practices can be improved by individual utilities – there will be market advantages to being sustainability leaders.

DIRECT COST REDUCTION

There are specific, documented and demonstrable cost reduction opportunities in the areas of:

- Operational Improvements (e.g. recovering value from previous spend)
- Direct Costs (e.g. extending the life of existing equipment)
- Life Cycle Implication (e.g. cost versus price effects)
- Development and Adoption of Innovation

RISK MITIGATION

Engaging suppliers and helping them see value in sustainability helps to align the suppliers' relationship with utilities that value sustainability, as well as reduces societal and regulatory exposure.

“ In EPRI's 2013 research, two-thirds of electric power respondents said that sustainability is important to manage regulatory or operational risk, and to strengthen corporate reputation. ”

– EPRI, 2013”

INCREASED BRAND VALUE

The expectations of stakeholders, investors and employees increasingly include sustainability considerations. Supply Chain practices are important manifestations of a utility's commitment to sustainability and performance excellence.

REDUCED IMPACT

The non-fuel spend of utilities, representing tens of billions of dollars, offers significant opportunities to reduce our negative supply chain impacts whether those are cost inefficiency, GHG emissions, waste, or risk to workers globally.

SUPPLY CHAIN SUSTAINABILITY SUCCESS STORIES

Here are a few examples of our members' supply chain sustainability successes.



WIRE & CABLE CHOPPING

As of June 2014, SRP had realized a 91% return in metal sales derived from the sale of the two materials (copper and aluminum). This is based on \$2.9M equipment and maintenance investment over 18 years and \$31.4M in sales of recovered metals.



NITROGEN BLANKET TO PROTECT INTERNAL COMPONENTS OF TRANSFORMERS

Since implementing this process in 2014, ComEd has been able to repair 39 units at a cost savings of \$500K and environmental benefits from reduced waste



WOOD POLE REPURPOSING

- 1500 Tons repurposed/eliminated from waste
- \$200,000 Hard Savings and \$311,000 soft savings
- 69% of wood poles are repurposed
- 2014 Keep Oklahoma Beautiful Environmental Excellence Winner



SUPPLIER INTEGRATION AND DIRECT DELIVERY

- Re-directed 75-100 weekly deliveries to the vendor integration model
- Reduced wire and cable scrap rate by over 15%
- Avoided \$30-40M expenditure on new warehouses
- Significantly reduced GHG emissions from Wire and Cable deliveries

WHY GET ACTIVE IN THE ALLIANCE?

Once utilities understand the importance of developing sustainable supply chain practices, a logical next step is active involvement in the Alliance. The access to information and insight you receive as members is exponentially increased by active involvement, as is the ability to recognize and implement successful, cost-effective sustainability practices.

Alliance members are able to reduce the overall costs of implementing sustainability programs by building on the experiences of others. The Alliance engages suppliers directly and supplies valuable information to members through its annual survey and scorecard, development of voluntary standards, and sponsorship of its Sustainable Sourcing Conference. The Alliance works to advance member implementation on a voluntary basis through: its community of practice approach; proactive sharing of successes and challenges; development of, and benchmarking against, the maturity framework, etc. (see chart)

ALLIANCE MEMBERS MEASURE CURRENT STATUS OF THEIR SUSTAINABILITY EFFORTS



In 2015 the Alliance benchmarked its members against the Sustainability Framework. Contact your Alliance representative to learn more about your relative performance and improvement plans.

CONCLUSION

The business case for supply chain sustainability – as evidenced by enhanced revenue, direct cost reductions, reduced negative impact on the environment, mitigated risk and improved brand perception – has been substantiated. Once utilities make the commitment to push forward into a more sustainable supply chain, the best practices developed by the Alliance provide the tools they need to engage suppliers efficiently and cost-effectively. Facilitating best practices for maximum implementation. The benefits of Alliance membership are directly proportional to each organization’s commitment and active participation.

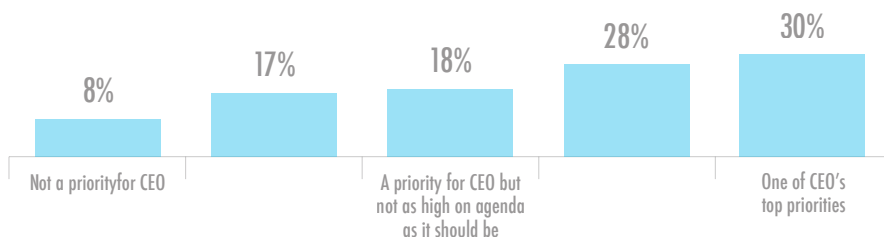
ARE YOU FOCUSED ON SUSTAINABILITY?

How are your current supply chain sustainability practices linked to the broader strategic direction of your company?

Where do you source leading practice information and insight on supply chain sustainability?

What are your key KPIs and can you make links to where sustainability contributes to them?

What role can the Alliance play in supporting you to realize the value of supply chain sustainability?



Answers of utility respondents (134 responses) to the question “Where is sustainability on your CEO’s agenda?”
Source: EPRI Business Case for Sustainability

FOR MORE INFORMATION ABOUT THE ALLIANCE,
VISIT OUR WEBSITE: <http://www.euissca.org/>