Building a Sustainable Future for the Electric Utility Supply Chain

Gun Shim
VP Supply Chain Management, Pacific Gas and Electric Company
Our vision.
To be known as the leader in developing voluntary standards for a robust and sustainable electric utility industry supply chain including advancing the maturity level of utilities and stakeholders.

Leading the way to a sustainable future.
• Voluntary Standards
• Sustainability Frameworks
• Successful practice sharing
• Delivering business value
• Utilities are the largest contributor of CO2
• Regulations & Regulators looking for reductions
• Significant opportunities with suppliers to:
  • Meet customer and leadership expectations
  • Reduce sustainability risks
  • Encourage product innovation
  • Drive cost savings
• Benefits from working together to green the supply chain
We are industry leaders.
Environmental Sustainability Framework for Utilities and Suppliers

- Developed to gauge maturity levels of corporate environmental & sustainability programs
- Provides framework of environmental practices considered core to strong management

Initiating ➔ Progressing ➔ Optimizing ➔ Leading ➔ Transforming
## Environmental Sustainability Framework for Utilities and Suppliers

<table>
<thead>
<tr>
<th>Category</th>
<th>Environmental Practice</th>
<th>Initiating</th>
<th>Progressing</th>
<th>Optimizing</th>
<th>Leading</th>
<th>Transforming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributes</td>
<td></td>
<td>Awareness of sustainability, with some ad hoc, non-systematic efforts</td>
<td>Systematic structure and formal processes</td>
<td>Advancing internally with continuous improvement</td>
<td>Integrated within company; demonstrates and recognized for some leading industry practices</td>
<td>Developing and implementing innovative practices that transform industry sustainability expectations</td>
</tr>
</tbody>
</table>

### 1. CORPORATE ENVIRONMENTAL MANAGEMENT

| 1a) Policy, Accountability, and Responsibility | Management engagement & commitment | There is minimal management support.                          | Support is visible and clearly demonstrated. | Executive management reviews environmental performance, risks and opportunities, and endorses/sets goals. | The Board of Directors annually reviews environmental performance and sets or endorses goals. | Executive management sponsors transformative change in industry sector and beyond. |
|                                              | Roles, responsibilities and accountabilities | Roles are not clearly defined, but may be informally recognized. | Key roles are clearly documented and assigned. | Dedicated senior/ top management and cross-functional teams manage continuous improvement. | Accountability lies with Board of Directors. | Company leadership actively drives industry innovation. The company serves as a motivator and model for other industries. |
Management engagement & commitment

• Initiating
  • *There is minimal management support.*

• Optimizing
  • *Executive management reviews environmental performance, risks and opportunities, and endorses/ sets goals.*

• Transforming
  • *Executive management sponsors transformative change in industry sector and beyond.*
Survey to benchmark members & set a baseline of current performance

• Survey results show where to focus activities and allow members to compare performance to peers
Sample question from the survey:

How developed is your organization's Environmental Policy?

- The general policy includes a commitment to meet applicable environmental legal requirements.
- A written environmental policy is in place that commits to environmental sustainability beyond compliance.
- The policy addresses sustainability issues specific to the nature and scale of company operations, including key upstream impacts.
- The policy addresses upstream supplier and contractor performance, as well as the impact of product use and end-of-life.
- There is a policy level commitment to transform environmental performance in the industry.
- Don't know
Sample question from the survey:

How rigorous is your organization's Environmental Management System?

- The system is primarily informal.
- The system is documented, contains validation components, and undergoes annual internal review.
- The system conforms to a recognized international standard e.g. ISO, includes continuous improvement, and is audited internally or by 3rd party auditor.
- The system is periodically updated with benchmarked best practices.
- The Company participates in updating and revision to recognized management system, reporting and other standards.
- Don't know
Benchmarking the Framework

Benchmark results

• Each company assigned a letter so aggregated results can be shared anonymously
• Table shows members’ placement on framework
• Understanding where members are highlights where to focus our activities

<table>
<thead>
<tr>
<th></th>
<th>Initiating</th>
<th>Progressing</th>
<th>Optimizing</th>
<th>Leading</th>
<th>Transform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication of</td>
<td>JK</td>
<td>ABCDFL</td>
<td>I</td>
<td>G H</td>
<td></td>
</tr>
<tr>
<td>environmental expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>ACDK</td>
<td>BEHJ</td>
<td>FG1</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Performance improvement</td>
<td>DEJ</td>
<td>ABCFI</td>
<td></td>
<td>G HL</td>
<td></td>
</tr>
<tr>
<td>Performance report</td>
<td>ACFDJ</td>
<td>BEH</td>
<td>IL</td>
<td>G</td>
<td></td>
</tr>
<tr>
<td>Performance recognition</td>
<td>ABCDEJ</td>
<td>H</td>
<td>FG1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example: communicating aggregated results
For attributes where majority of members are initiating:

- Developing guidance to increase member maturity
- Using the experience of leading members

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Initiating</th>
<th>Progressing</th>
<th>Optimizing</th>
<th>Leading</th>
<th>Transform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication of environmental expectations</td>
<td>JK</td>
<td>A B C D F L</td>
<td>I</td>
<td>G H</td>
<td></td>
</tr>
<tr>
<td>Performance evaluation</td>
<td>A C D K</td>
<td>B E H J</td>
<td>F G I</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Performance improvement</td>
<td>D E J</td>
<td>A B C F I</td>
<td>L</td>
<td>G H L</td>
<td></td>
</tr>
<tr>
<td>Performance report</td>
<td>A C D F J</td>
<td>B E H</td>
<td>I L F G I</td>
<td>G</td>
<td></td>
</tr>
<tr>
<td>Performance recognition</td>
<td>A B C D E J</td>
<td>H</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example: communicating aggregated results
2015 – 2018 Strategic Plan

• To encourage the sustainability of members’ own supply chain operations, the Alliance commits to achieving the following by 2018:
  • Each member improve by one (1) maturity level in three (3) attributes of the Utility Framework
Come share leading practices and insights at our Annual Signature Event

• Who? Over 150 Utility and Supplier Representatives
• Where? Astor Crowne Plaza in New Orleans
• When? September 30th – October 1st 2015

Visit www.euissca.org for information as it becomes available
Thank you