

# CLIMATE & SUSTAINABILITY READY FOR ACTION?

2 December, 2022

# AGENDA



11.30 - 11.40

*Federico Arcelli*

## **WELCOME AND SPEAKERS' INTRODUCTION**



11.40 - 12.00

*Simon Cooper*

## **TRANSITIONING OF THE REAL ECONOMY: ANTICIPATE TO LEAD**



12.00 - 12.15

## **Q&A TIME**



12.15 - 12.35

*Federico Ucci*

## **PROCUREMENT'S JOURNEY TO SUSTAINABILITY: FIRST SIGNS OF SYSTEMIC CHANGE**



12.45 - 12.50

## **Q&A TIME**



12.50 - 13.00

*OW and Banca d'Italia*

## **WRAP-UP AND CONCLUSIONS**

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## **WRAP-UP AND CONCLUSIONS**

# INTRODUCING TODAY'S HOSTS



**SIMON COOPER**

*Partner, Financial Services and Climate*

Simon has over 25 years consulting experience with Oliver Wyman, working with financial institutions and supervisors in the UK and major European markets as well as not for profit organizations.

Simon is now helping to drive Oliver Wyman's broad response to climate change with financial institutions, Central Banks, broader associations and not for profits, leading the Oliver Wyman Forum Climate & Sustainability initiative and co-leading the EMEA FS Climate & Sustainability Platform.



**FEDERICO UCCI**

*Partner, Operations and Procurement*

Federico has over 10 years experience in consulting and his expertise is focused on large cost transformation programs, Supply Chain and Procurement in passengers' and freight transportation as well as aerospace, with a focus on highly engineered products and operations.

Federico is involved in promoting discussion on Sustainable procurement and has recently hosted a roundtable on Supply Chain Sustainability, which involved 10+ executives from multiple industries.

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# INACTION ON CLIMATE CHANGE IS NO LONGER AN OPTION

**-15%**

**WORLD ECONOMY IN 2050**

if Net-Zero not met, with  
Asia most exposed



**200M+**

**CLIMATE REFUGEES**

by 2050<sup>1</sup> (vs ~5M  
Ukrainian refugees)



**17 YEARS**

**LEFT<sup>2</sup>**

until earth runs out  
of **fresh water**



**\$320 BN / YEAR**

**GLOBAL NATURAL DISASTERS**

Equivalent to Denmark  
yearly GDP



**30+**

**MAJOR PORTS AT RISK<sup>3</sup>**

from rising sea levels (Amsterdam,  
London, Dubai, Shanghai, Djakarta,  
New-York, Miami...)



**-50%**

**ANNUAL FISHERY YIELDS**

From +1.5°C to 2°C



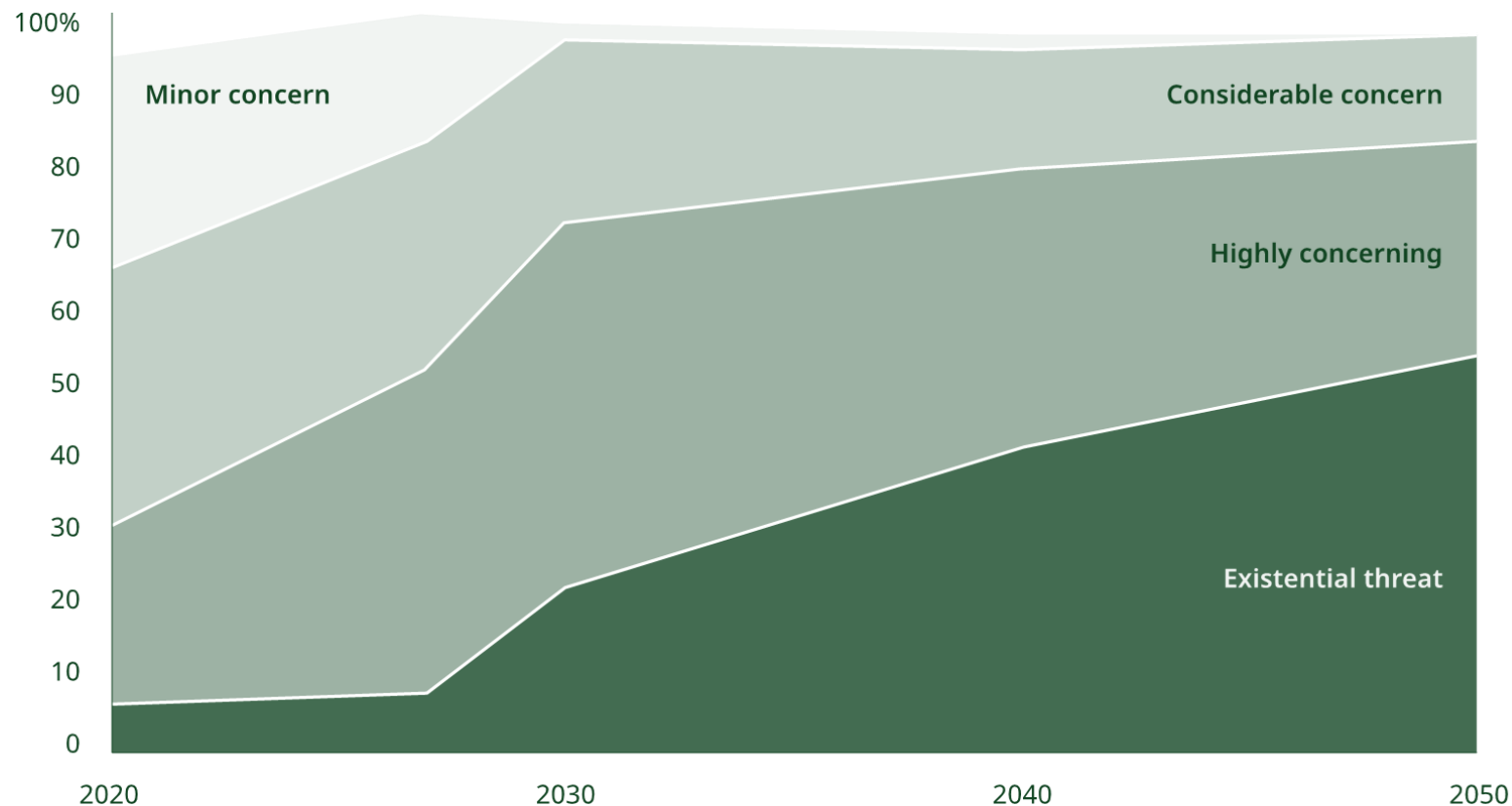
1. Estimated in September 2021, 2. Worldwide water shortage forecasted by 2040, 3. Considering a 1.5m sea level rise and a +3°C global warming |Source: The World Bank, NASA, Aarhus University researches, IPCC Sixth Assessment Report, 2022 ; SwissRe Institute, The Economics of Climate Change, 2021; OECD ; Bill Gates, How to avoid a climate disaster, 2021; CDP Whitepaper – Missing the Mark

# CORPORATES RECOGNIZE CLIMATE CHANGE AS A SIGNIFICANT THREAT THAT NEEDS TO BE TACKLED...



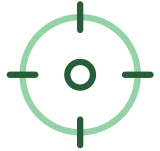
**PRACTITIONERS SEE A  
SERIOUS THREAT COMING TO  
THEIR BUSINESS**

In your opinion how much of a challenge will climate change be to your business in years to come?



Source: Survey of 30+ major corporates for 'Getting Going: Breaking through the barriers to corporate climate action', Oliver Wyman Oct 2022

# ...BUT ARE STRUGGLING TO MAKE MEANINGFUL PROGRESS



## Attention



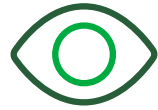
*Why should I focus on this?*

**Confusion:** I don't know what to do

**Distraction:** I want to help but I have other priorities

**Passivity:** This is not my thing

**Opposition:** I don't want us to do this



## Vision



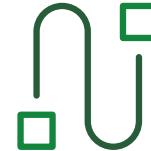
*Where are we going?*

**Uncertainty:** I don't know what the world is going to look like

**Scope:** I don't know how ambitious I should be

**Indecision:** I don't know which route to take

**Incoherence:** I'm being pulled in two directions



## Operations



*How do we get there?*

**Financials:** I don't have the funds to act

**Technology:** The solutions I need aren't available

**Scale:** I feel like I'm fiddling around the edges

**Ideas:** I don't know how to approach this



## Accountability



*Who is responsible for what?*

**Misdirecting metrics:** I've over or under committed

**Ownership:** No one is driving this change

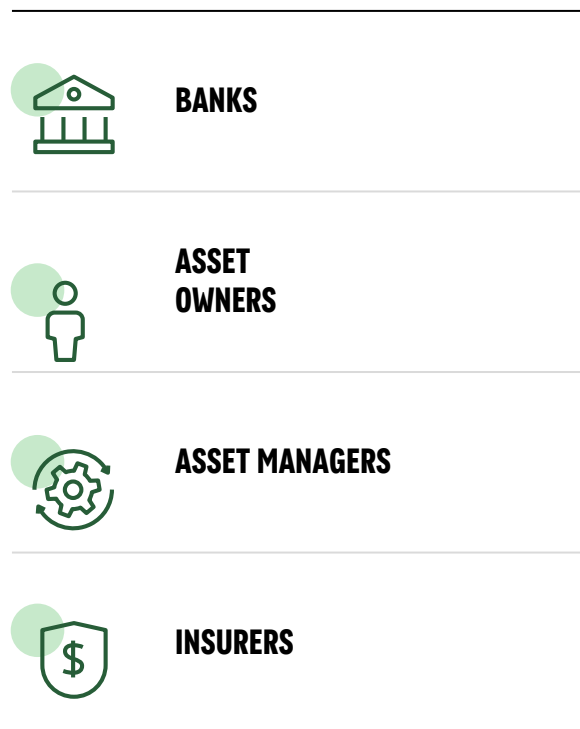
**Box-ticking:** All my time is spent reporting, not doing

**Exposure risk:** I'm scared to act in case I'm criticized



# LEADING FINANCIAL INSTITUTIONS ARE FOCUSED ON TRANSLATING NET ZERO COMMITMENTS INTO REAL ECONOMY IMPACT...

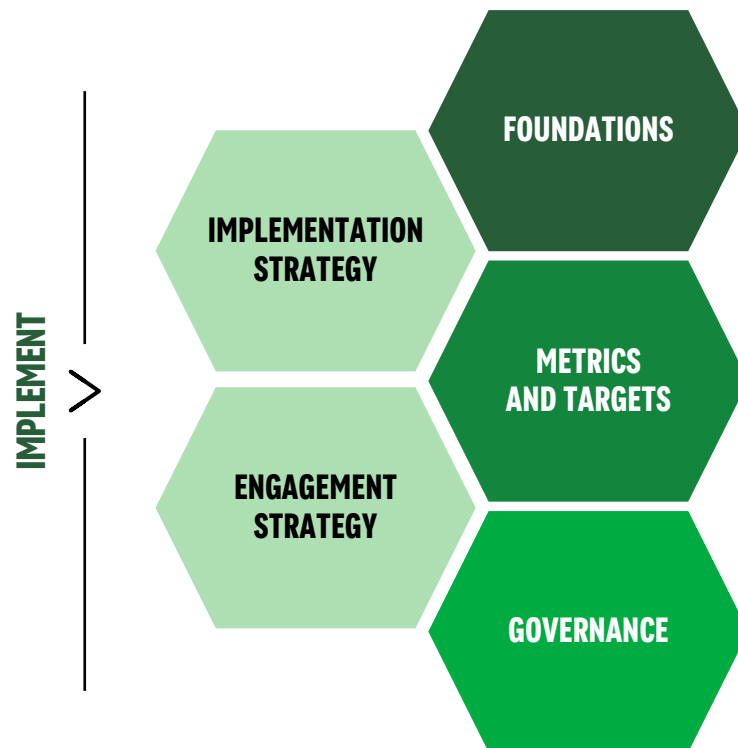
## Financial institutions with net-zero commitments



**TAKE-AWAYS**

GFANZ aims to raise **pan-sector net-zero standards** (and engage with regulators), noting the investor community is relatively advanced.

## Net zero transition plans



The GFANZ framework **has 5 broad themes**, made up of 10 components. It focuses on the **implementation** and **engagement** as these are the key drivers of financing decisions.

## Net-zero financing approaches

Approach	Description
<b>CLIMATE SOLUTIONS</b>	Technologies, services, and tools that mitigate, eliminate or remove GHG emissions
<b>1.5°C ALIGNMENT</b>	Entities that are already on or below a 1.5°C pathway
<b>COMMITMENT TO 1.5°C</b>	Entities that are committed to align to a 1.5°C pathway
<b>MANAGED PHASEOUTS</b>	High-emitting physical assets that require an accelerated managed phaseout





TO FINANCE AND ENABLE

These four financing approaches are a **critical lens** for FIs to consider in **determining their impact** on **reducing real economy emissions**, not just portfolio emissions reductions.

AND THEREFORE, REDUCE GHG EMISSIONS IN THE REAL ECONOMY

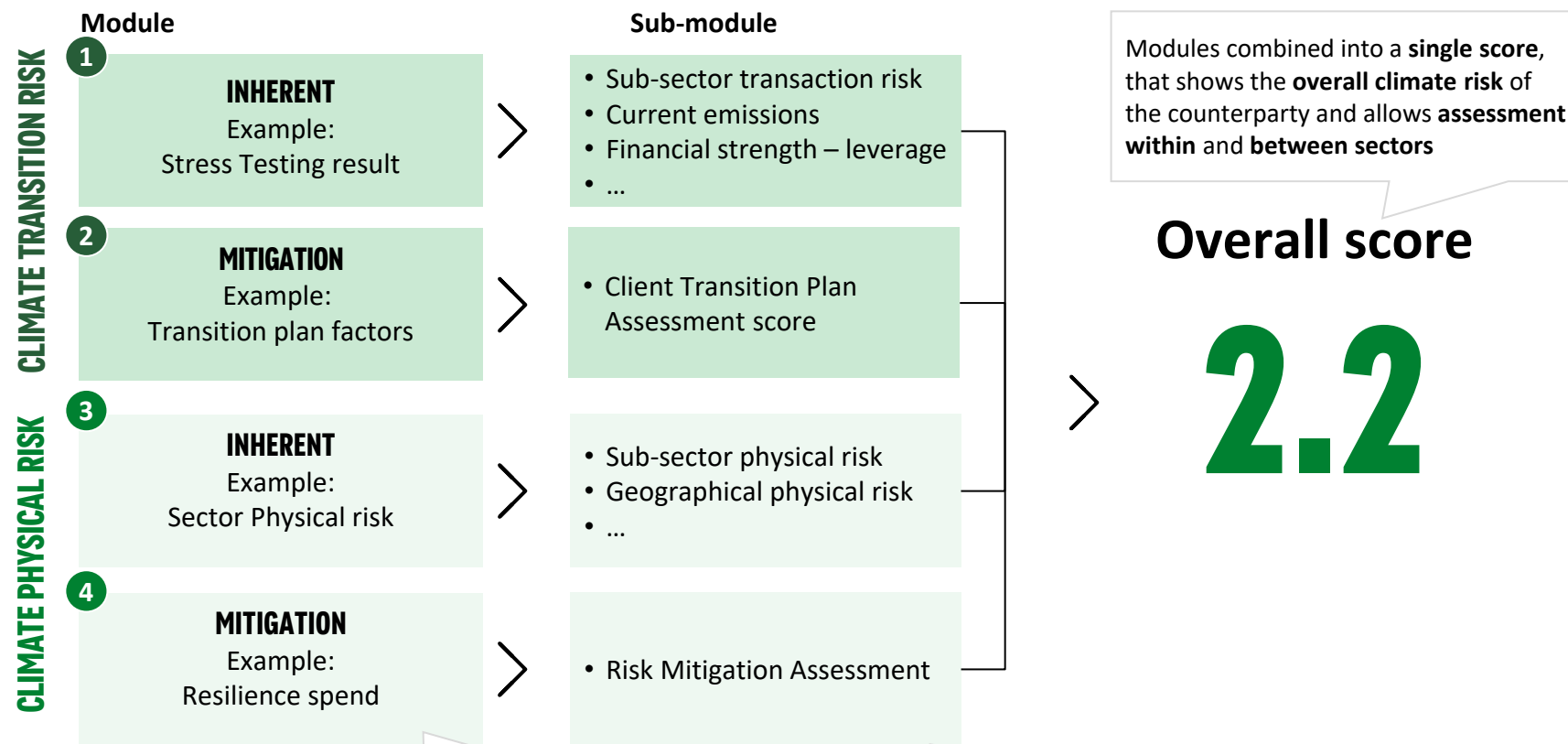
# ... AND ARE DEVELOPING CUSTOMER TRANSITION PLAN ASSESSMENT FRAMEWORKS TO ASSESS CORPORATE CLIENT EMISSIONS ...

## Key features

-  **1**
  - High level design structure agreed across business, Finance, Risk and Sustainability stakeholders
    - Based on emerging industry standards and guidance
    - Considering a range of use cases – helping clients, meeting net zero commitments, integrating with risk management
-  **2**
  - A modular structure that can be consistently applied across corporate clients
    - **Current emissions:** How well is the customer performing today and against it's peers?
    - **Emissions targets:** Is the customer committed to reducing emissions in line with net-zero goals?
    - **Transition plan:** Does the customers have a clear transition plan and is it delivering against the plan?
-  **3**
  - For each module a set of assessment factors was defined and calibrated (in some cases differentiating across industries), based on data availability, practicality, fit with emerging guidance, and discriminatory power
-  **4**
  - Standardisation of key inputs and outputs to ease integration into business, risk management and steering processes

# ... AND CLIENT-LEVEL CLIMATE RISK ASSESSMENTS

## Climate Risk Scorecard Framework



• Factor Thresholds **calibrated by expert judgement, quantitative calibration**, or a combination of **both**

• Factor Weightings decided on a **case-by-case basis**, varying by sector

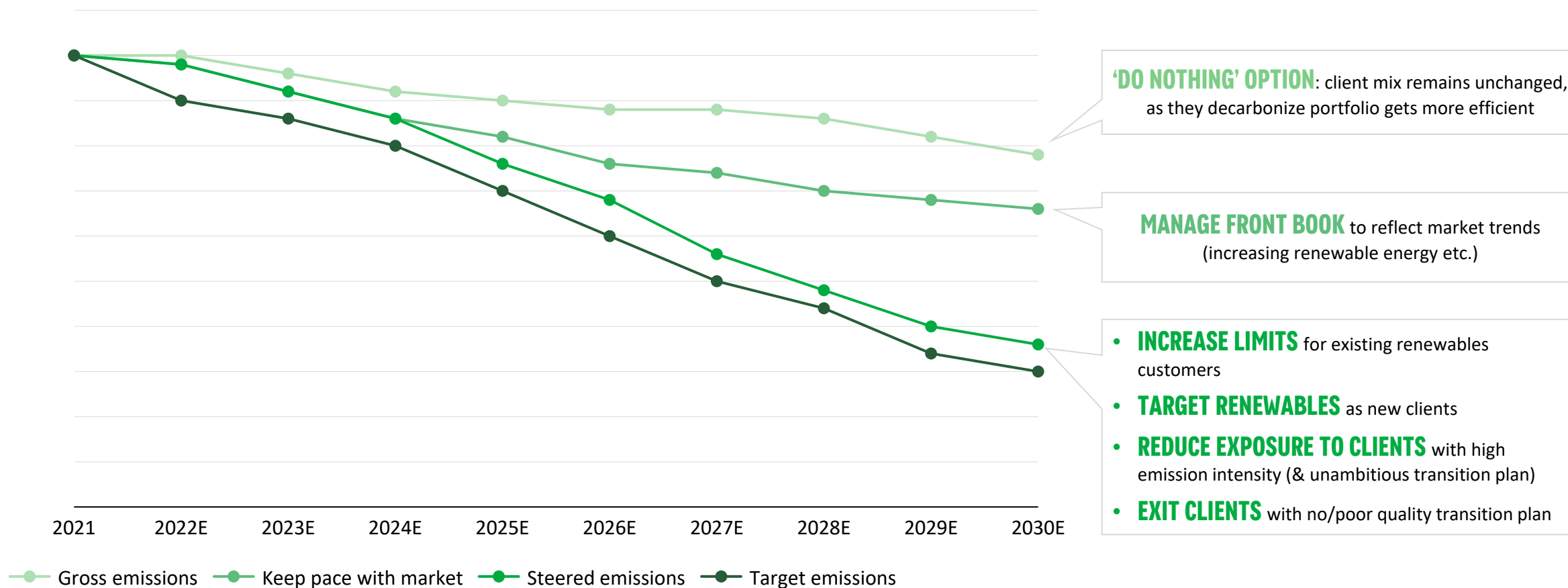
• **Sector specific factors considered** to reflect differences in risk drivers between sector. **Transition vs Physical risk weighting** calculated at a **sector level**

• **Inherent vs Mitigation risk split** to enable strong mitigating actions to counteract poor inherent climate risk

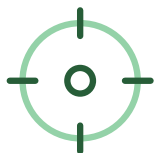
# THE IMPACT? CORPORATES NEED TO DEVELOP CREDIBLE TRANSITION PLANS TO BE CONFIDENT IN SECURING EFFICIENT FUNDING FROM NET ZERO ALIGNED FINANCIERS

Client example: Wholesale portfolio

Portfolio emission intensity



# WHAT CAN CORPORATES DO?



## Attention



*Why should I focus on this?*

- **Framing:** Framing the case for climate action in commercial terms, and integrated with the broader ESG sphere
- **Education:** Training sessions for the board and employees across the organization and relating climate to the individual
- **Champions:** Visible champions among senior leadership and across internal network
- **Incentives:** Climate KPIs rewarded in an individual's pay, particularly at senior leadership level



## Vision



*Where are we going?*

- **Bravery:** Considering transformative or radical change to the existing business and embracing uncertainty
- **Leadership:** Identifying when to be a pioneer, and innovate, and when to learn from others
- **Influence:** Engaging in and influencing groups that span the ecosystem, beyond the company
- **Integration:** Ensuring that climate vision and business goals go hand in hand



## Operations



*How do we get there?*

- **Glide path:** Breaking down the vision into manageable, actionable steps, while keeping the end goal in sight
- **Internalization:** Use of carbon pricing (or similar) to encourage implementation and ease integration into existing policies
- **Collaboration:** Influencing and innovating across the supply chain and engaging in pre-competitive collab. with peers
- **Agility:** Fostering creativity and fail-fast mentality



## Accountability



*Who is responsible for what?*

- **Transparency:** External and internal reporting against KPIs, ensuring understanding of the choice of climate efforts
- **Standards:** Working with peers, industry bodies and regulators to set and follow unified reporting standards
- **Operating model:** Setting out shared but clear roles and responsibilities across the organization
- **Impact:** Designing KPIs & targets that drive the change needed

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## DISCLOSING TRANSITION PLANS ALIGNED TO GFANZ GUIDANCE WILL SUPPORT ENGAGEMENT WITH FINANCIAL SERVICES PROVIDERS

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Source: Survey of 30+ major corporates for 'Getting Going: Breaking through the barriers to corporate climate action', Oliver Wyman Oct 2022

# WHAT CAN SUPERVISORS DO?

Climate continues to represent a significant challenge for the FS industry



## UNCERTAIN RISKS

- Risk measurement techniques are still developing – risks likely underestimated (i.e., poor data, optimistic assumptions)
- Risk appetite is unclear



## LACK OF AWARENESS

- Still many institutions where climate and environmental risk is dealt with by a small group and overall organizational awareness is limited



## INTERNAL COMPLEXITY

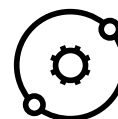
- Business initiatives on strategy often disconnected to group targets and risk
- Capabilities often not yet embedded in core processes



## RETICENCE TO ENGAGE CLIENTS

- Due to above uncertainties

How can supervisors help?



## RAISING AVERAGE LEVEL OF BANKING CAPABILITIES

by sharing/driving minimum practices and helping ensure there are no outliers mispricing across the market



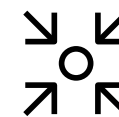
## PUSHING FOR CLIENT ENGAGEMENT

risks will only be understood if this dialogue happens



## HELPING DRIVE COMMON STANDARDS

- Multinationals struggle with answering requirements from multiple local supervisors
- Supporting initiatives such as common data standards and collection



## DRIVING ALIGNMENT OF ACCOUNTING AND CAPITAL REGIMES

to reflect the potential future risks of climate change

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**QUESTIONS**



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## **WRAP-UP AND CONCLUSIONS**

# SUSTAINABILITY WAS IN THE MOUTH OF EVERYBODY IN THE LAST DECADE, BUT THE DISCUSSIONS ON THE TOPIC GENERATED PARTIAL RESULTS



Numerous conferences on the topic

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Numerous initiatives started

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But what was the outcome?



- “Code of Conduct” on the website
  - A few more questions on RFIs
  - Exclusion of clear No-Go-Suppliers (child labour,...)
- 

**NOT A LOT COMPARED TO THE “NOISE” THE TOPIC MADE, RIGHT?**

# THE BIGGEST BARRIER ORGANIZATIONS FACE IN THEIR CLIMATE TRANSITION JOURNEY IS MEASURING AND REDUCING SCOPE 3 EMISSIONS

What have been the biggest barriers to progress in your organization's climate transition journey?

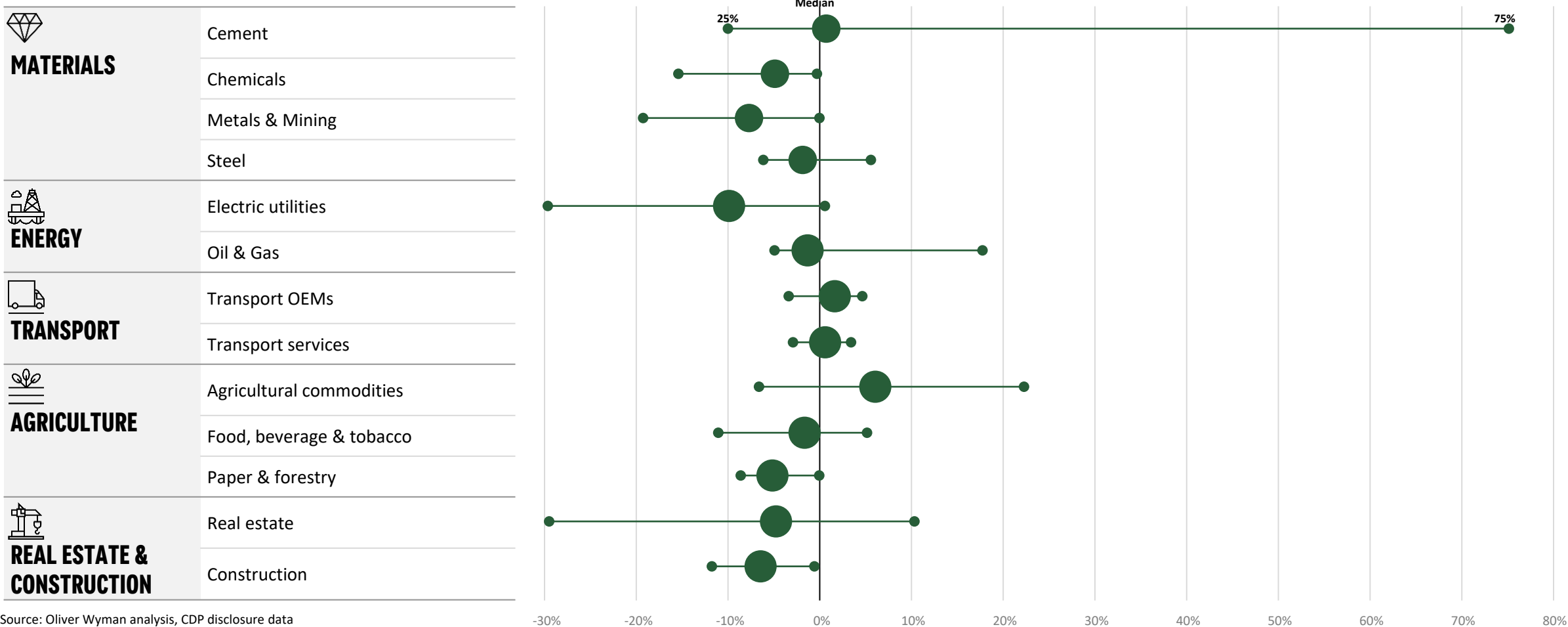
■ "Doing" barrier ■ "Commitment" barrier



# FOCUS FROM COMPANIES TO-DATE HAS BEEN PRIMARILY ON REDUCING DIRECT EMISSIONS (SCOPE 1) AND THOSE RELATED TO THE ENERGY SUPPLY (SCOPE 2)...

## Year-on-year reduction in scope 1 and 2 emissions

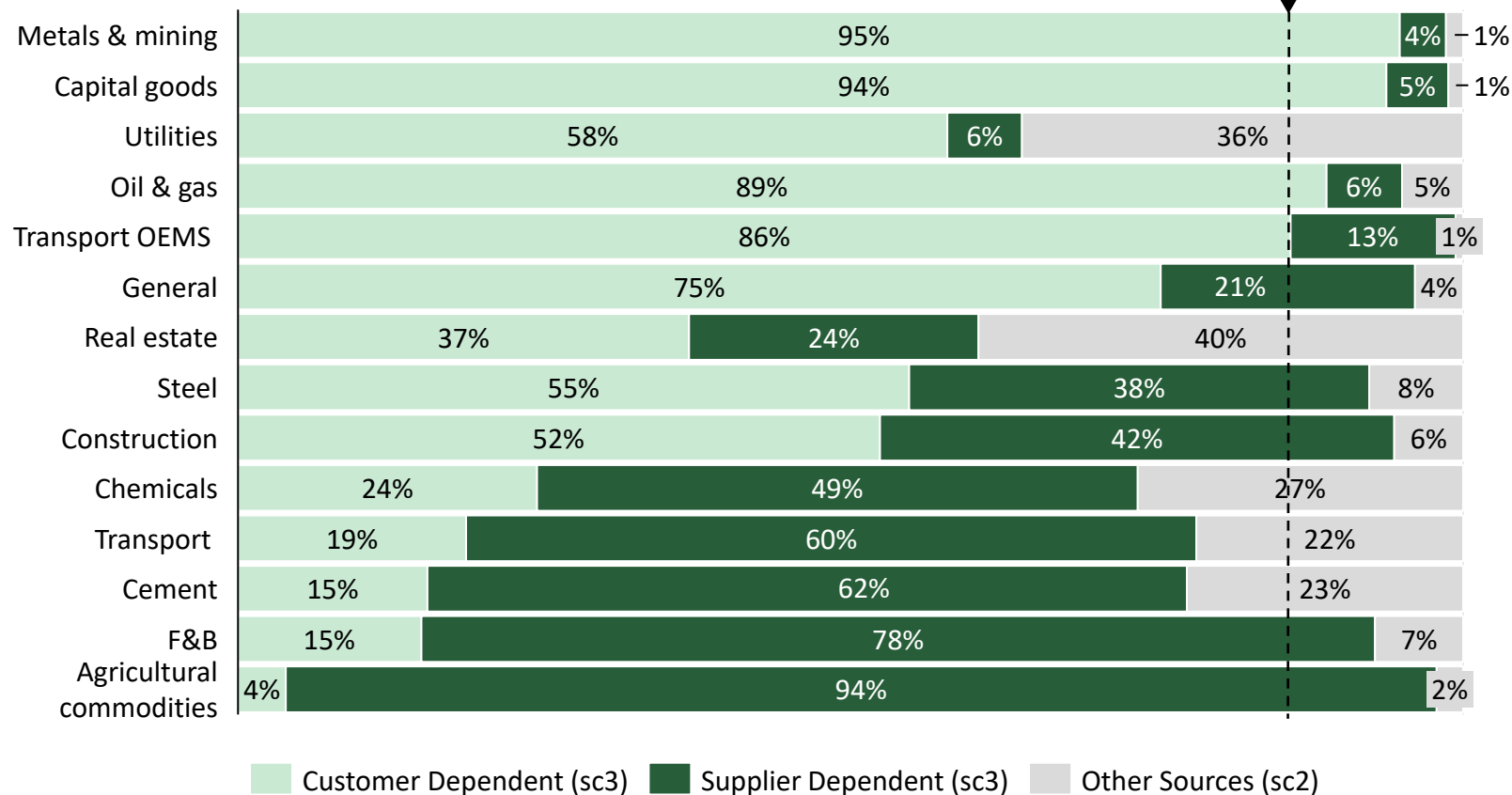
Range and median ("big bubble") of change in GHG emissions in each economic sector



Source: Oliver Wyman analysis, CDP disclosure data

# ...EVEN THOUGH MOST OF THE EMISSIONS ARE RELATED TO THE COMPANY VALUE CHAIN (SCOPE 3) – SUPPLIERS CONTRIBUTE ON AVERAGE TO 36% OF TOTAL SECTOR EMISSIONS

**AVERAGE SCOPE 3 SUPPLIER DEPENDENT EMISSIONS= 36%**



## CARBON AS A SERVICE

will be a licence to sell and operate

Sustainable procurement  
**GENERALIZATION**

Note: MN tons CO<sub>2</sub>e (Scope 3), % of total Scope 3 CO<sub>2</sub>e by sector, current year  
Source: Oliver Wyman analysis; CDP data

# SO, LET'S HAVE A LOOK AT HOW WELL COMPANIES ARE HANDLING THIS PROCUREMENT CHALLENGE. 300+ ORGANIZATIONS PARTICIPATED IN OUR "ESG MATURITY SURVEY"

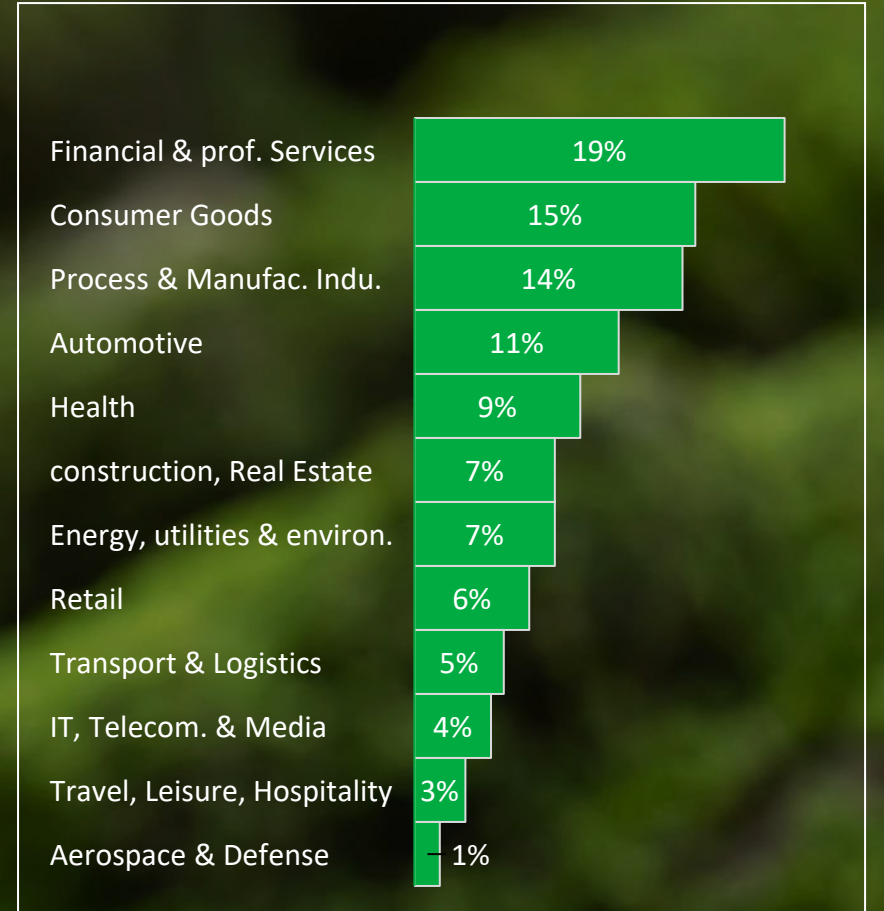
## Number



## Geography



## Sector

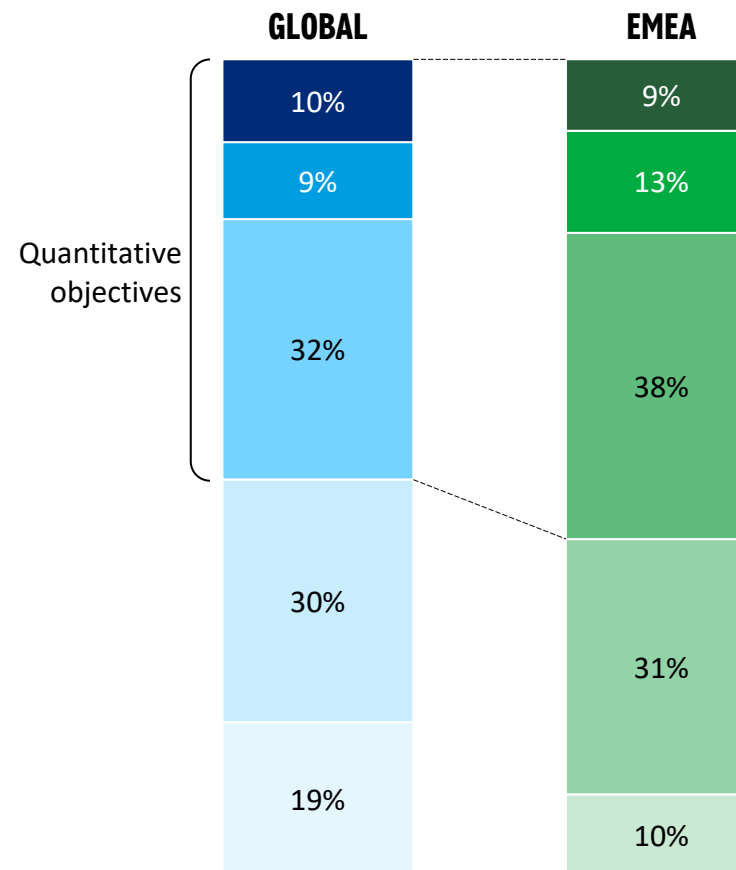


# 60% OF RESPONDENTS CONVERT ESG-RELATED COMPANY AMBITIONS INTO QUANTITATIVE PROCUREMENT STRATEGIC OBJECTIVES

*Italian results broadly in line with EMEA ones*

How ESG-related company ambitions are converted into procurement strategic objectives?

<b>5</b>	Corporate <b>ESG goals</b> are translated into <b>quantitative Procurement strategic objectives on most or all ESG dimensions and cascaded to all buyers</b> as part of their performance objectives
<b>4</b>	Corporate <b>ESG goals</b> are translated into <b>quantitative Procurement strategic objectives on most of all ESG dimensions</b>
<b>3</b>	Corporate <b>ESG goals</b> are translated into <b>quantitative Procurement strategic objectives on selected ESG dimensions</b>
<b>2</b>	Corporate <b>ESG goals</b> are translated into <b>qualitative Procurement strategic objectives</b> (e.g. through Procurement department manifesto, general procurement policies..)
<b>1</b>	Corporate ESG goals are not translated into qualitative Procurement strategic objectives

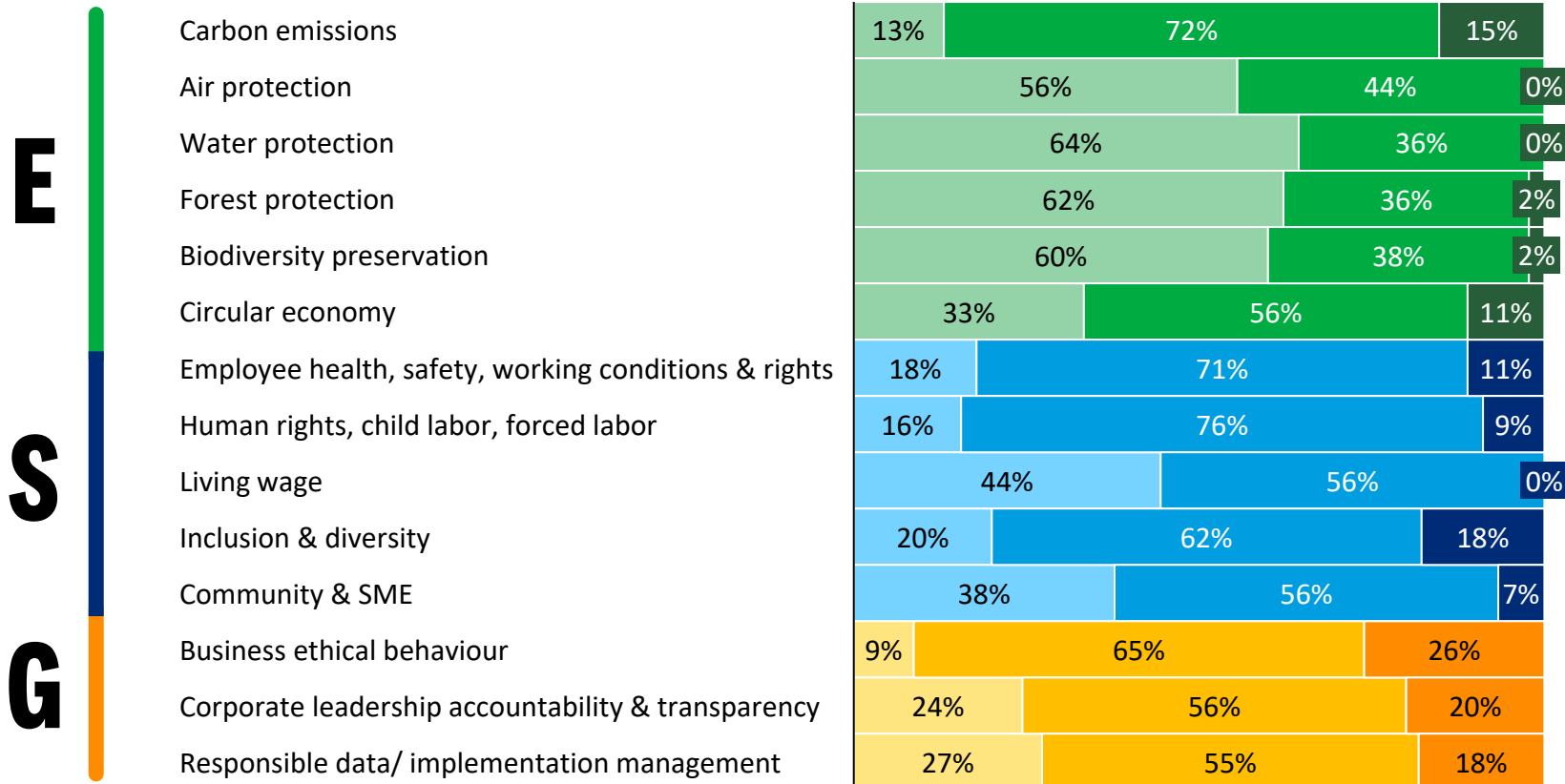


Source: Oliver Wyman 2022 sustainable procurement maturity survey

# ENVIRONMENTAL-RELATED QUANTITATIVE PERFORMANCE OBJECTIVES HAVE BEEN SCARCELY IMPLEMENTED ACROSS RESPONDENTS

*Italian results broadly in line with EMEA ones*

For each ESG dimension, how are quantitative performance objectives implemented?



**LEVEL 1:** No objective

**LEVEL 2:** Collective objective for the Procurement Function

**LEVEL 3:** Individual objectives for category managers

Source: Oliver Wyman 2022 sustainable procurement maturity survey



# ~60% OF EMEA RESPONDENTS REPORT TO HAVE NOT SET A QUANTIFIED BASELINE ON KEY ENVIRONMENTAL-RELATED DIMENSIONS

*Italian results broadly in line with EMEA ones*

Have you established a quantitative baseline on each of the ESG dimensions?

**E**  
**S**  
**G**

	Level 1	Level 2	Level 3	Level 4	Level 5
Carbon emissions	24%	30%	28%	9%	9%
Air protection	58%		28%	8%	4%
Water protection	64%		24%	8%	3%
Forest protection	64%		23%	8%	4%
Biodiversity preservation	65%		19%	15%	1%
Circular economy	43%	29%	20%	3%	5%
Employee health, safety, working conditions & rights	29%	20%	21%	20%	11%
Human rights, child labor, forced labor	28%	18%	22%	17%	14%
Living wage	45%	20%	17%	13%	5%
Inclusion & diversity	40%	17%	21%	15%	7%
Community & SME	41%	26%	21%	11%	
Business ethical behaviour	23%	20%	8%	22%	27%
Corporate leadership accountability & transparency	26%	23%	14%	23%	14%
Responsible data/ implementation management	29%	22%	22%	14%	13%

**LEVEL 1:** No quantified baseline

**LEVEL 2:** Quantified baseline on standard data per category (e.g. CO<sub>2</sub> emission defined at category level)

**LEVEL 3:** Level 2 and refined for some categories/suppliers with supplier level generic information (self-declared by suppliers a qualified through audits on independent 3 parties)

**LEVEL 4:** Level 3 and refined for most categories/supplier-level generic information (self declared by suppliers or qualified through audits or independent reviews)

**LEVEL 5:** Level 4 and refined for most categories/suppliers with specific data relative to supplier and client business relationship

Source: Oliver Wyman 2022 sustainable procurement maturity survey

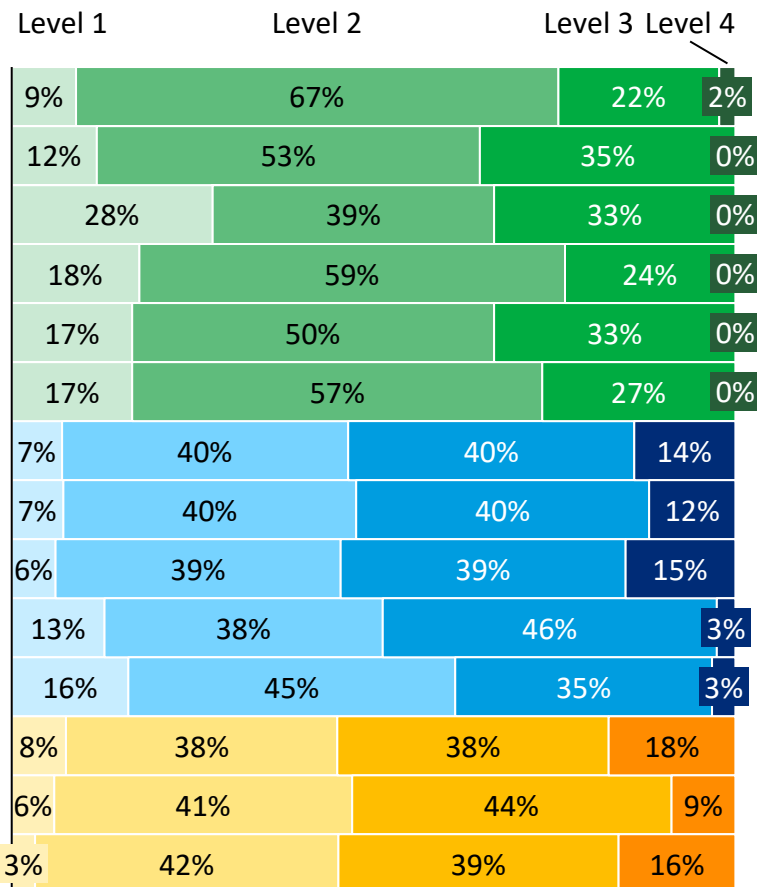
# EMEA RESPONDENTS HAVE NOT INTEGRATED INDEPENDENT SUPPLIERS AUDITING ON KEY ENVIRONMENTAL-RELATED DIMENSIONS OF PROCUREMENT PERFORMANCE MONITORING

*Italian results broadly in line with EMEA ones*

On dimensions for which you have implemented quantitative KPIs, what are the sources used for these KPIs?

**E**  
**S**  
**G**

- Carbon emissions
- Air protection
- Water protection
- Forest protection
- Biodiversity preservation
- Circular economy
- Employee health, safety, working conditions & rights
- Human rights, child labor, forced labor
- Living wage
- Inclusion & diversity
- Community & SME
- Business ethical behaviour
- Corporate leadership accountability & transparency
- Responsible data/ implementation management



- LEVEL 1:** Buyers qualitative judgment only
- LEVEL 2:** Supplier questionnaire (self assessment)
- LEVEL 3:** 3<sup>rd</sup> party assessment (e.g. Ecovadis, CDP)
- LEVEL 4:** Independent supplier audit

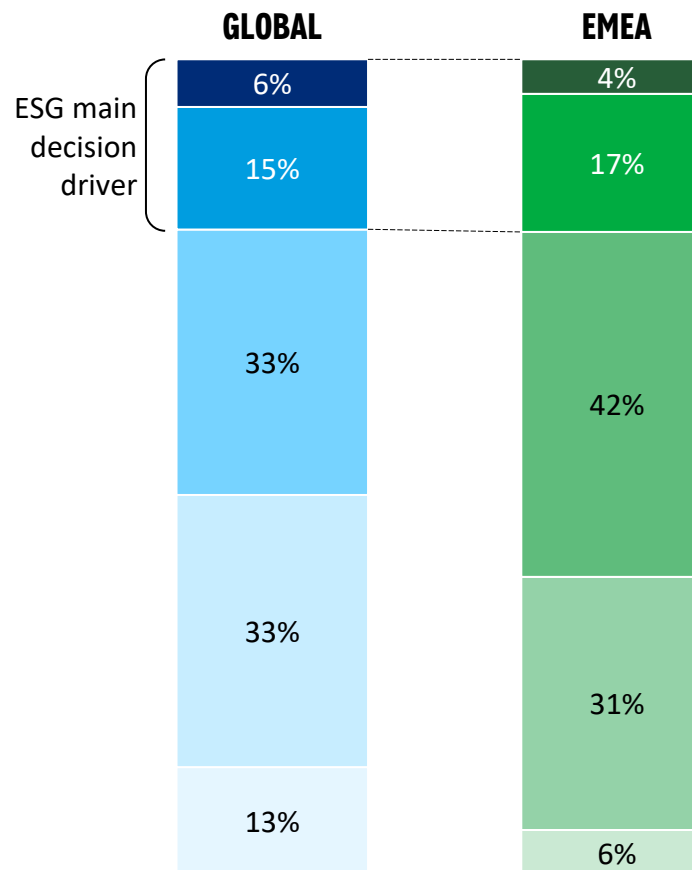
Source: Oliver Wyman 2022 sustainable procurement maturity survey

# IN ~80% OF CASES ESG IS NOT A KEY DRIVER FOR STRATEGIC DECISION MAKING IN MOST PROCUREMENT CATEGORIES

*Italian results broadly in line with EMEA ones*

How is ESG embedded in category strategy?

<b>5</b>	ESG is <b>quantitatively</b> integrated in category strategies, and is the <b>main strategic decision driver</b> for <b>most</b> categories
<b>4</b>	ESG is <b>quantitatively</b> integrated in category strategies and is the <b>main strategic decision driver</b> for a <b>limited</b> number of selected categories
<b>3</b>	ESG is <b>quantitatively</b> integrated in category strategies, however ESG performance is <b>not a key driver</b> for strategic decision making (e.g. cost, service level or risk remain the main decision drivers)
<b>2</b>	ESG is <b>qualitatively</b> integrated in category strategies (general direction and ambition, no quantitative performance objectives)
<b>1</b>	Category strategies do not cover/address ESG dimensions



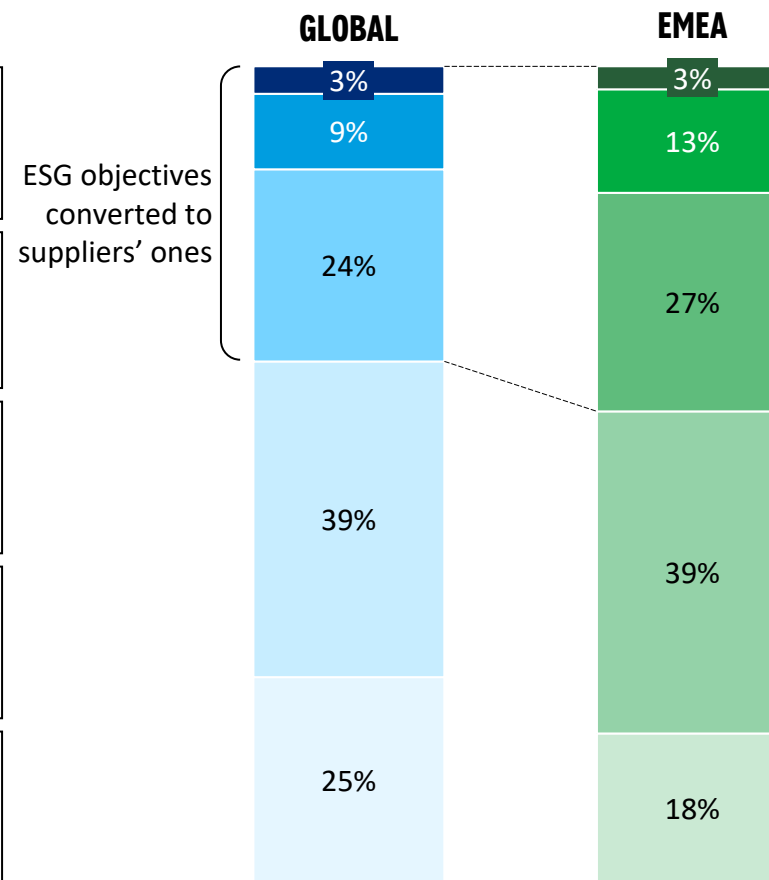
Source: Oliver Wyman 2022 sustainable procurement maturity survey

# LESS THAN 50% OF EMEA RESPONDENTS HAVE ARTICULATED INTERNAL ESG-RELATED PROCUREMENT OBJECTIVES INTO SUPPLIERS' REQUIREMENTS

*Italian results broadly in line with EMEA ones*

How explicitly do you state your goals and pledge to your suppliers?

<b>5</b>	ESG-related objectives are <b>converted</b> into suppliers' objectives and <b>differentiated</b> per category <b>and</b> per supplier
<b>4</b>	ESG-related objectives are <b>converted</b> into suppliers' objectives and <b>differentiated</b> per category
<b>3</b>	Company's ESG-related procurement objectives are explicitly shared with suppliers and <b>converted</b> into suppliers' objectives ( <b>same for all</b> )
<b>2</b>	Company's ESG-related procurement objectives are explicitly <b>shared</b> with suppliers (e.g. in suppliers' conventions, business reviews...)
<b>1</b>	Company's ESG-related procurement objectives are not shared with suppliers



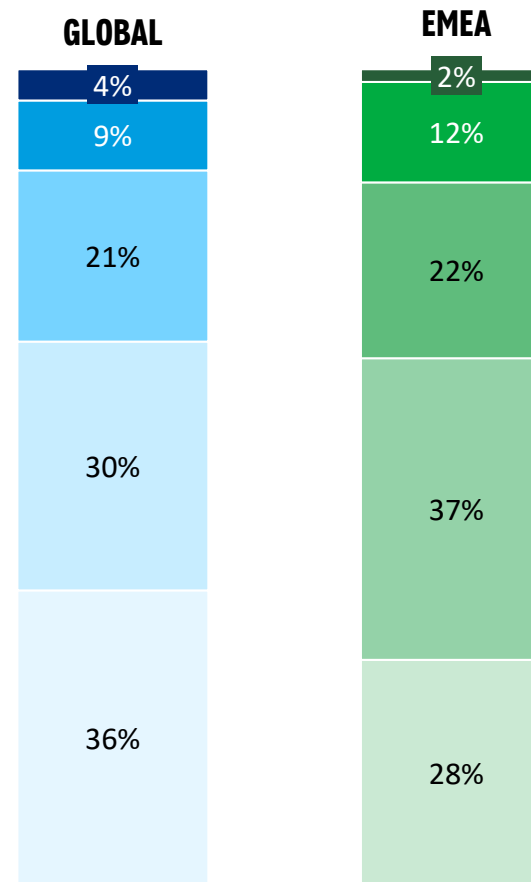
Source: Oliver Wyman 2022 sustainable procurement maturity survey

# 65% OF RESPONDENTS LAG BEHIND IN THEIR UPSKILLING JOURNEY, WITH ZERO TO LITTLE ESG TRAINING BEING PERFORMED TO THEIR PROCUREMENT TEAMS

*Italian results broadly in line with EMEA ones*

How do you upskill teams to better engage suppliers on sustainability?

<b>5</b>	Procurement function is the main promoter of ESG performance in the company. Category leads drive ESG-related initiatives and provide training to internal stakeholders
<b>4</b>	Procurement teams attend frequent trainings on ESG and have access to experts (internal or external) for ESG category-specific deep dives
<b>3</b>	Procurement teams attend frequent trainings on ESG, to follow-up on latest developments (market trends, new regulations...)
<b>2</b>	Procurement teams receive ESG introductory training ("101") as part of their onboarding
<b>1</b>	Procurement teams are not specifically trained on ESG



Source: Oliver Wyman 2022 sustainable procurement maturity survey

# CHALLENGES EMERGED IN THE "ESG MATURITY SURVEY" WERE ALSO DISCUSSED AT THE OLIVER WYMAN "SUSTAINABLE SUPPLY CHAIN" ROUNDTABLE IN MILAN. THREE PRIORITY LINES OF ACTION FOR PROCUREMENT HAVE BEEN IDENTIFIED



## TALENT UPSKILLING AND ATTRACTION

- Identify **needed skill-set** and **best training model** to fully address complexity
- Foresee **specialized ESG inlays** to internalize external expertise



## QUANTITATIVE TARGETS SETTING AND MONITORING

- Translate procurement objectives in **quantitative requirements**
- Conduct **external audits** on suppliers to **monitor** and **quantify KPI**



## ALIGNING STRATEGIES AND INCENTIVES

- Develop **purchasing strategies** for single **product/service category**
- Review **MBOs of managers** from an ESG perspective

# AGENDA



11.30 - 11.40

*Federico Arcelli*

## **WELCOME AND SPEAKERS' INTRODUCTION**



11.40 - 12.00

*Simon Cooper*

## **TRANSITIONING OF THE REAL ECONOMY: ANTICIPATE TO LEAD**



12.00 - 12.15

## **Q&A TIME**



12.15 - 12.35

*Federico Ucci*

## **PROCUREMENT'S JOURNEY TO SUSTAINABILITY: FIRST SIGNS OF SYSTEMIC CHANGE**



12.45 - 12.50

## **Q&A TIME**



12.50 - 13.00

*OW and Banca d'Italia*

## **WRAP-UP AND CONCLUSIONS**

**QUESTIONS**



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## **WRAP-UP AND CONCLUSIONS**



**THANK YOU!**

# **ANNEX 1**

## **SELECTED OLIVER WYMAN BIOS**



**ANGELO FEDERICO  
ARCELLI**  
Partner, Public Policy

Angelo Federico Arcelli is a Partner in the Public Sector and Policy practice of Oliver Wyman. He is mainly engaged with multilateral agencies, governments and central banks. He also hold (and held) several positions in academic, public and multilateral institutions. Inter alia:

- At the European Investment Bank (“EIB”, Luxembourg) he has been senior adviser to the vice president (2004-2008) and senior advisor to the EIB governor for EBRD (2006-2008).
- At the World Bank Group (“WBG”, Washington, DC, USA) he has been adviser and member of the Executive Board of the World Bank (2008-2009) and adviser in the Independent Evaluation Group (2009-2010).
- He is a full member and member of the executive committee of Aspen Institute Italy (Rome). He is member of the executive committee of the IEP “Institute d’Etudes Politiques” (Vaduz, Liechtenstein). He is senior fellow at the Center for International Governance Innovation (“CIGI”, Waterloo, ON, CN). He is senior fellow at ISEA (Rome). He is senior fellow at the Transatlantic Leadership Network (Washington, DC – USA).
- He has been director for Government Relations (Europe) for Marsh and McLennan Companies (2014-2016) and is still part of the team. In 2020-2021 he has been chairman of CAI RE (a 130m Euro total assets RE fund promoted by Coldiretti, the Italian peasants’ association).
- He served as a member in the Italian Government consultative committee (“observatory”) on the projected EU constitutional treaty (2003-2004).
- He is currently a full professor at Università Marconi (Rome) and lecturer at Università Cattolica (Piacenza). Federico holds a degree in economics (MSc) from Bocconi University (Milan) and a PhD in economic history from the same university.



## MARTINA CARIDI

Consultant

Martina Caridi is a Consultant in Oliver Wyman's Milan office. She joined Oliver Wyman in April 2022 and has collaborated to multiple projects, mainly in the banking arena. Prior to OW she worked in the Digital Compliance function at Intesa Sanpaolo and contributed to the digitalization of key internal processes of the Bank. She graduated in April 2021 in Management Engineering and holds a double degree at Alta Scuola Politecnica.

### Selected projects are

- Design of the Governance model of a leading family-owned Italian Fashion Group. The project involved benchmarking against best practices for corporate governance bodies and the definition of an operating framework and key governance processes. More significantly, Martina conducted an analysis on the duties of the Board Committee and focused on key roles and composition of the ESG committee.
- Support in updating and publishing the Strategic Plan of one of main Italian Banks. The assignment involved conducting market analysis and assessment of the Bank's positioning. More precisely, Martina was involved in the analysis of the value proposition of the Bank's bancassurance offer. She analyzed main aspects of current VP (incl. products, commercial conditions, innovativeness) and compared against best practices in the Italian market. Based on the results of this analysis, she performed a quantification of benefit from alternative service models.
- Analysis of IT Capex and Opex spending of a leading European Banking Group. The project involved deep-dives into investment lines, including an assessment of the "top spender" divisions and categorization of investments by purpose. The analysis was completed by an assessment of consequent IT running costs and comparison with peers, based on disclosed, public data, other than expert interview.

### Qualifications and prior professional experience

Martina holds a Msc in Management Engineering at Politecnico di Torino, where she graduated in April 2022 with laude. She holds a double degree within the Alta Scuola Politecnica program (joint program of Politecnico di Torino and Politecnico di Milano) and, as part of her training, she developed a blockchain-based application for EDISON. She studied at KTH Royal Institute of Technology in Stockholm as an exchange student. Prior to joining Oliver Wyman she worked as a Compliance Digital Transformation Junior PM at Intesa Sanpaolo.



## **SIMON COOPER**

Partner

Simon has over 25 years consulting experience with Oliver Wyman, working with financial institutions and supervisors in the UK and major European markets as well as not for profit organisations. Simon is now helping to drive Oliver Wyman's broad response to climate change with financial institutions, Central Banks, broader associations and not for profits, leading the Oliver Wyman Forum Climate & Sustainability initiative and co-leading the EMEA FS Climate & Sustainability Platform. He was previously head of the EMEA Finance & Risk practice and was co-founder of Oliver Wyman's Social Impact practice

### **Selected projects are:**

- Led our work for a Global Bank to design and implement a strategic climate risk scenario analysis operating model and capability to meet internal and regulatory (including Bank of England CBES) exercises
- Developed a risk strategy, implementation plan and business case for a Global Bank to identify phased target capabilities for climate risk to support ambitious climate strategy, meet multiple regulatory requirements and expected medium term best practices
- Led work to design capabilities to embed climate into decision making across a leading domestic bank, including climate risk assessment, client transition plan assessment and the blueprinting of an internal charging for carbon framework
- Led development of OWF's Climate Action Navigator – an interactive web-based tool that identifies the drivers of the 2030 gap between projected and required global emissions at region and sector level and identifies the specific actions that together can close the emissions gap.
- Supported Major Bank to identify Board-level climate risk appetite, including undertaking survey of climate risk appetite practices
- Supported NGOs in social finance, healthcare, financial inclusion, social mobility, poverty, climate offsetting to develop and implement strategies
- Led engagement with the WEF on corporate social innovation culminating in the report "Social Innovation: A Guide to Achieving Corporate and Societal Value"
- Member of Big Society Capital's Community Investment Steering Group – aimed at developing a shared vision for capitalizing CDFIs to meet the needs of small businesses across the UK

### **Qualifications and prior professional experience**

Simon holds a BEng (Hons) (Electronic Engineering) from the University of Southampton and a D. Phil (Robotics and statistical estimation techniques) from the University of Oxford. Personal advisory roles include trusteeship of the Climate Bonds Initiative and membership of the strategic advisory board of AskIf (a financial inclusion focused fintech platform)



## **MICHELE PAOLO D'ANGELO**

Partner

Michele Paolo D'Angelo is a Partner in the Private Capital Team in our Milan Office at Oliver Wyman. He has more than 18 years of performance improvement experience across industries and more than 11 years of management consulting experience across Europe, supporting PE investors and management of industrial companies in the design and implementation of EBITDA improvement and transformation programs.

### **Selected projects are:**

- Lead an Operations EBITDA improvement program for a food company (0,5B€ turnover) including multisite manufacturing optimization, logistic footprint optimization, product and packaging complexity reduction
- For an Italian fresh food company (1B€ turnover), lead the implementation of a transformation program including multisite manufacturing optimization, logistic footprint optimization, purchasing cost reduction and the reorganization of the central functions
- Lead the implementation of an EBITDA improvement program for a 300M€ turnover durables consumer goods company with focus on purchasing optimization, forecasting and production planning redesign, manufacturing cost reduction, sales force effectiveness, and product complexity reduction
- For an Automotive player, lead the design and the implementation of an EBITDA improvement program both on top line and bottom line, focusing on sales strategy, sales effectiveness, forecasting optimization, spare parts new business unit creation, manufacturing flows reorganization, purchasing optimization, product modularization and standardization
- Lead a transformation program for a food company, implementing an extensive performance improvement plan and review the strategic plan and industrial plan to prepare the exit phase
- Logistic footprint optimization for fast growing DIY retailer (1,5B€ turnover)
- Cost reduction plan for a healthcare company (5B€ turnover) working on six manufacturing plants and two R&D units

### **Qualifications and prior professional experience**

Before joining Oliver Wyman Michele was Director at Alix Partners (2015-2021). Prior to that, Michele was a consultant at Bain & Company (2011-2014). He started his career working at IVECO (Organization and Change management, Production management, Industrial Governance, Supply Chain management). Michele graduated in Electronic Engineering and Computer Science Engineering at CentraleSupélec, Paris (France) & Politecnico di Torino, Turin (Italy) (Double Degree Program) in 2002. Additionally, Michele obtained a Master in Company Management and Organizational Development (2006) and an MBA degree at Bocconi University (Milan) (2008)



## LUIGI DE SANCTIS

Partner

Luigi De Sanctis is a Partner in the Oliver Wyman Italian Office and leads the Credit Risk Service Line within the Finance & Risk Practice at EMEA level. Luigi has significant experience in all the aspects of credit risk management (processes, organization, tools, methodologies) across the end-to-end process spectrum (underwriting, monitoring, collection/workout), with focus on retail and SME customers. Luigi has led some of our most important credit process transformation programs

### Selected projects are:

- Led our work for a Global Bank to design and implement a strategic climate risk scenario analysis operating model and **Re-design and implementation of the credit processes for small business customers – Leading European bank**
  - Detail design of the new processes to pursue simplification and large automation of the credit assessment and decision process; defined roles, responsibilities and modus operandi across 5.000 branches
  - Produced detailed IT specs; coordinated multiple stakeholders involved in the project (Business, Credit, Risk Management, Organization, IT, Legal, Audit)
  - Developed the new rating model for automation of credit assessment and decision
- **End-to-end credit process and organization re-design for consumer finance – Leading European bank**
  - Defined the new end-to-end credit processes (underwriting, monitoring, collection) for consumer finance, with a largely automated approach
  - Re-defined the methodology for credit assessment and decision for the “doubtful cases” and written the new credit manual
  - Defined the new organizational blueprint and detailed the staffing requirements
- **Re-design and implementation of the new credit collection/workout processes for retail and SME customers – Mid-size Southern European bank**
  - Performed the detailed design of the new process
  - Defined the detailed IT requirements; managed a team of 30 IT specialists for the IT implementation
  - Developed analytical models for problematic customers segmentation
  - Trained 150 collection specialists on the new processes; monitored the pilot and roll-out phase

### Qualifications and prior professional experience

Prior to joining Oliver Wyman, Luigi has worked in McKinsey for 8 years and holds an MBA from INSEAD and a Laurea degree in Physics “cum laude” from the University of Rome “La Sapienza”



Umberto Fuso is a Partner at Oliver Wyman (F&R practice) based in the Milan Office. He joined the firm in 2011 after several years of professional experience in the Financial Services Industry on topics related to risk management and capital markets. Umberto has worked as consultant for major Italian and International banks and supervisory authorities with the main focus on Capital optimisation, AIRB validation programs, the design and implementation of the ICAAP (Internal Capital Adequacy Assessment Process), stress testing and asset quality review

**Selected projects are:**

- RWA strategic review: for a SSM bank, gap analysis of the methodological approaches used for RWAs calculation vs. international practices and emerging regulatory requirements, impact analysis and definition of a roadmap plan for their resolution
- ICAAP review: for a SSM bank, analysis of the ICAAP framework given the new EBA SREP guidelines, gap analysis and identification of the areas of improvement, definition of the roadmap plan for their implementation
- Advisory support to several AIRB migration programs and RWA optimisation programs
- Capital Optimisation: responsible to manage and coordinate multiple work streams (more than 40 FTEs involved) within the Basel 2 program of a SSM bank. We supported the client in the development of credit risk models for the retail segment and for the acquisition finance portfolio and in the identification of levers for the optimisation of the regulatory capital.
- Basel 2 AIRB Validation and Capital Optimisation: responsible to manage and coordinate multiple work streams (more than 50 FTEs involved) within the Basel 2 Program of a SSM bank. We supported the client to get regulatory approval for the adoption of credit risk models for capital requirements calculation providing strategic guidance to the program and being in charge of the development of PD/LGD models for the Corporate and Retail portfolios and of the identification of RWA optimisation levers.
- Stress Test and Asset Quality Review: for a National Competent Authority (NCA) project management lead of the Asset Quality Review and Stress Testing exercise within the ECB Comprehensive Assessment (more than 400 FTEs involved)
- Bottom-up stress testing: for an European Supervisory Authority, design and implementation of the methodological framework for the system wide stress testing (more than 400 FTEs involved)
- Basel 2/3 implementation: for a leading Russian universal bank, leading the review of the Basel implementation program in the risk management area and definition of the requirements for Pillar 1 / 2 / 3 submission and reporting at the light of local and international capital requirement and adequacy regulation

**Qualifications and prior professional experience**

Umberto has a degree studies in Economics granted by the Bocconi University of Milan with the highest grade



**UMBERTO FUSO**

Partner



## **SIMON GLYNN**

Partner and co-lead,  
Climate & Sustainability

- Simon is a Partner with Oliver Wyman and co-lead of the firm's Climate and Sustainability platform globally, as well as chief strategy officer of Lippincott, the firm's brand and innovation specialists. Simon established Lippincott's business in Europe and the Middle East and led its growth over fifteen years.
- Simon has thirty years of consulting experience, and over the past fifteen years has helped clients to develop and communicate their sustainability strategies and propositions. Simon's work links business purpose, brand, innovation and proposition design with deep insight into how people engage with climate change and sustainability – as customers, colleagues, and citizens.
- In climate and sustainability, Simon has worked both with commercial clients such as IKEA, Nokia and HSBC, and non-commercial clients such as the World Business Council for Sustainable Development, the Potential Energy Coalition, The Climate Group and HRH The Prince of Wales. He supported the creation of the We Mean Business coalition and more recently the World Business Council for Sustainable Development's Vision 2050 program.
- Simon's writing and observations have appeared in the Financial Times, the Sunday Times, and the Economist.

### **Selected projects are:**

- Developing the overarching message pyramid, audience targeting and proof points for diverse clients, including Invest Qatar, Johnson Controls, Marcus by Goldman Sachs, Nokia, the Royal Navy, Saudi Aramco and Walt Disney Parks and Resorts
- Developing the sustainability communications strategy and messaging for IKEA, based on global, quantitative research into customer and co-worker audiences to understand what messages resonate with whom and how best to integrate sustainability messaging in the shopping journey (and where not to)
- Incubating a non-profit organization working with the U.S. media industry to change how America thinks about climate change, researching persuadability in different segments of the public and designing campaigns to turn latent concern into active behavior
- Supporting the World Business Council for Sustainable Development on the update and renewal of their Vision 2050, conducting workshops of 20-30 corporate members of the Council to shape the Vision's messages and reach the optimal trade-offs between ambition and realism, and between leadership and consensus.

### **Qualifications and prior professional experience**

Simon holds an MA in Physics from the University of Cambridge. Prior to joining Oliver Wyman 25 years ago, Simon held various positions at Arthur D. Little, Cable & Wireless and BT



## **CHIARA GORINO**

Engagement Manager

Chiara Gorino is an Engagement Manager based in Milan. During her 6+ years of experience at Oliver Wyman she has mainly focused on high impact transformational projects for mid-to-large players in the Financial Services space with a vertical expertise on NPE topics (from financial transaction management to operating model design), public policy/regulatory topics (e.g. PNRR), strategic planning and organizational transformation.

Chiara spent significant time abroad supporting end-to-end the four Greek Banks in a joint initiative aimed at setting up a common NPE management Platform, from the blueprint through the negotiation until the transaction closing (2€Bn, 90+ stakeholders involved)

### **Selected projects are:**

- UTP post-Covid systemic solution design for the Italian State development Bank (project informed some regulatory measures that have been launched)
- Project Solar for the four Greek systemic banks
- 4-year strategic plan for a mid-size Italian servicer, with growth levers focused on Early Warning/high risk loan and industrialized/ AI-enabled management of small tickets
- Impact assessment of calendar provisioning on UTP management strategy for Italian servicer
- NPE Unit operating model design for several banks
- Commercial DD on an Italian servicer for a primary international investor
- Servicer selection process for long term partnership at mid-size Italian bank
- Strategic and restructuring plans for mid-size Italian banks (3 in 2022)
- Organizational design and Corporate governance, with a focus on C-suite and BoD for mid-size Italian bank
- Agile top line growth and commercial effectiveness for top Italian telco

### **Qualifications and prior professional experience**

Chiara joined Oliver Wyman in mid 2016. Prior to OW she interned at Deutsche Bank in the Equity Research department in London, at Vodafone Portugal in Lisbon and at Unicredit Group in the Supervisory and Regulatory Impact assessment team in Milan. She is currently an active Aspen Junior Fellow.

Chiara holds a Bachelor Degree in Economics and Social Sciences and a Master of Science in International Management from Bocconi University. She has been visiting student at The University of British Columbia in Vancouver, at the Nova School at Business and Economics in Lisbon and at Kelso High Campus in Bathurst (Australia).

She is Italian native speaker, proficient in English, with conversational knowledge of Portuguese and French



## LAUREN LEVINE

Consultant

Lauren Levine holds a first class degree in Philosophy, Politics and Economics from Brasenose College, Oxford where she focused on Metaphysics and Epistemology. She joined Oliver Wyman in 2022.

Prior to OW she worked as the Marketing and Partnering Director at Where You At (WYA), a women's nightclub safety app featured in the Guardian, Time Out and Daily Mail. She has also interned at Goldman Sachs (focusing on ESG and Scope 3 Emissions), EdPlus (an educational app) and Newton Europe.

She has a working knowledge of Spanish

### **Previous Projects:**

#### **Finance and Risk:**

- **PMO** for the Risk Transformation Program of a big 4 bank; working on designing the roadmap for program delivery.

#### **Insurance**

- Review of a bulk pen

#### **Energy and Resources**

- Worked on the publication 'Trading Our Way to Net Zero'
- Strategy piece for a major commodity trader, focusing on the implication of the energy transition for commodity trading, and emerging players
- Internal PMO of strategic activities, co-ordinating the publication of multiple reports, updates to marketing materials etc.
- Co-authored the 'Getting Going' report, interviewing leading corporate players, and working with Simon Glynn to write the eventual output. Attended NYC Climate Week.



## **XAVIER NOUGUES**

Partner

Xavier Nougues is a Partner with Oliver Wyman based in Paris and in charge of the Global Oliver Wyman's Value Sourcing Practice. He has 20 years of professional experience in consulting. He has worked across a broad range of industries, including financial services, automotive, retail, consumer products, utilities and telecom. He has acquired a strong expertise in procurement optimization, demand management and has participated in large corporate purchasing projects, business development cases and organizational transformation assignments

### **Selected projects are:**

- For a European bank, he led the redesign of the procurement operating model (vision, governance, organization, processes, HR, IT roadmap)
- For a large European telco operator, he led the 2023 strategic roadmap including benefits at stake per category and evolution of the procurement operating model to secure the performance delivery
- For a North American cable operator, he led a large procurement transformation program including the design of the procurement operating model and savings achievements
- For a worldwide car manufacturer, he led the 2022 strategic procurement roadmap and transformation program design
- For a European retailer, he led a company wide purchasing transformation program of GNFR (Good Not For Resale) (€ 300 M savings / year) including the design and implementation of the new purchasing operating model and spend cube design
- For a major beauty care product manufacturer, he led a purchasing project focusing an performance improvement and reorganization of the purchasing department
- For a European rail network operator, he led a company wide purchasing transformation program design including performance work streams by category and operating model redesign
- For a worldwide chemical player, he led a company wide purchasing transformation program (€ 350M savings/year) and the design and implementation of the new purchasing operating model, including indirect spend and spend cube design
- For the France's leading property developer, he led a purchasing and building costs optimization program (€ 100M savings / year) and the redesign of the purchasing operating model
- For a worldwide leader in building materials, he led a company wide purchasing transformation program

### **Qualifications and prior professional experience**

Xavier holds an engineering degree from the Ecole Centrale. He is fluent in French and English and has working knowledge of German.



**KLARA JANDOVA**  
Partner

Klara Jandova is a Partner in the Finance&Risk practice in Oliver Wyman's Milan Office. Klara has over 11 years of experience in consulting to leading financial institutions and authorities in Europe. During her projects, Klara focuses on a number of topics related to model development, IRB migration programs, credit risk measurement and management and RWA Accuracy.

**Selected projects are:**

- Credit risk model development and validation:
  - Development of forward-looking simulation based model for Project finance, Real Estate finance and Acquisition Finance portfolio for an SSM Italian bank
  - Methodology support in regulatory alignment of simulation based models to latest EBA and ECB guidelines for DG-1 SSM bank
  - Validation of PD model suite for a mid-size Italian bank
  - Development of LGD models for retail and corporate portfolios for a mid-size Italian bank
- Programme management and advisory on IRB migration programs for banks under SSM supervision:
  - Strategic advisory on number of IRB validation programs in Italy with key focus on: modelling methodology, RWA Accuracy, overall programme management and preparation of interaction with the supervisor
  - Methodological and project management advisory on a model development for a Dutch bank
- RWA Accuracy:
  - Conducted RWA diagnostic and benchmarking for several European banks (Italy, France, Netherlands)
  - Managed identification and implementation of RWA accuracy initiatives for a number of banks
- Credit risk assessment and forecasting
  - Support to a National Competent Authority in the ECB Comprehensive Assessment exercise
  - Credit loss forecasting and stress testing methodology development for a Greek Bank

**Qualifications and prior professional experience**

Klara holds a double Master degree in Finance and Strategy from Sciences-Po, Paris and from Bocconi University, Milano.



**ROBERTO SCARAMELLA**  
Partner

Roberto Scaramella is a Partner in the Oliver Wyman's Rome office. He focuses on Transportation, Aerospace & Defense, covering clients across Italy, and throughout Europe and the Middle-East. He joined Oliver Wyman in November 2018. Roberto coordinates the practice in Southern Europe and is co-leader for the SEE region of all the industrial practices.

**Selected projects are:**

- Roberto focuses on transformation programs, corporate strategy, commercial development and effectiveness, cost & cash optimization, operational efficiency, organization restructuring, M&A. He serves clients in multiple sectors with key focus on Aerospace & Defense, both OEMs and Tier1/2 players

**Qualifications and prior professional experience**

Roberto is an experienced executive in the industry. Before joining Oliver Wyman, he was chairman of Enav, the Italian air navigation service provider. Previously he held the role of Director of the aviation business unit at the Aga Khan Fund for Economic Development (leading airport and airline businesses in Africa and in Europe), the role of CEO of Meridiana Airlines, and CEO of ALA - Advanced Logistics for Aerospace.

Prior to that Roberto worked for ten years at Bain & Company as Partner; there he worked on the Transportation and Pharma sectors, covering themes spanning across strategy, M&A, operations improvement, organization, marketing and commercial. At Bain Roberto played a key role in building and leading the EMEA aviation practice.

In his earlier professional years, he worked for 10 years at Procter & Gamble Europe in the Engineering and Product Supply Division and in Research and Development for multiple products in the Laundry and Household Cleaning categories.

Roberto currently serves as non-executive director in two non-profit organizations in Italy.

He holds a Magna Cum Laude degree in MSc Chemical Engineering from the University of Naples (Italy), his hometown



## **CLAUDIO TORCELLAN**

Partner, Market Leader, South-East  
Europe

Claudio Torcellan is a Partner in the Corporate & Institutional Banking practice at Oliver Wyman. He is Head of Financial Service in South-East Europe. During his fifteen years with Oliver Wyman he has acted as lead project manager on numerous consulting assignments in the areas of general strategy, organization optimization and development. Before that, he has worked for major financial institutions, with relevant experiences both in commercial and investment banking.

### **Selected projects are:**

- Claudio Torcellan is a Partner in the Corporate & Institutional Banking practice at Oliver Wyman. He is Head of Financial Service in South-East Europe.
- During his fifteen years with Oliver Wyman he has acted as lead project manager on numerous consulting assignments in the areas of general strategy, organization optimization and development. Before that, he has worked for major financial institutions, with relevant experiences both in commercial and investment banking.
- For a top 3 Italian bank, developed the business case and the organizational blueprint for the set-up of the credit portfolio management unit
- For an Italian investment bank, strategy review and benchmarking of product capabilities, distribution channel effectiveness, and market penetration/potential
- Various strategy cases, covering topics like product innovation, development of distribution strategies, development of market entry strategy, etc.
- Various organization cases, covering topics like coverage model redesign, production-network optimization, product factory rationalization and optimization, internationalization, etc.

### **Qualifications and prior professional experience**

Claudio received a degree in business and economics at Università Cattolica di Milano





**FEDERICO UCCI**

Partner

**Federico is a Partner in the Transportation and Mobility Practice of Oliver Wyman** and leads the Green Mobility platform at European level. He has 10+ years experience in consulting and his expertise is focused around strategy and transformation programs in passengers' and freight transportation as well as aerospace.

**Federico's recent experience encompasses :**

- **Green Mobility and sustainability, with a focus on hydrogen related strategies**
  - Building the green hydrogen mobility potential for a leading infrastructure player
  - Assessing the outlook and potential for different value chain elements of Hydrogen
- **Developing competitive strategies for rail, Mobility operators and airlines**
  - Building the Business Plan for a variety of Mobility Concessions in Europe
  - Defining the potential business case and market entry strategy for a High Speed player
  - Building the overall restructuring plan, network and alliances of a European flagship airline
  - Designing the joint growth plan for a Long Haul airline and a leading European Airport Group
  - Defining the global organization for a leading European mobility group
  - Supporting an incumbent regional rail carrier in bidding for two public tenders in Europe
  - Building and developing the Strategy for a High Speed and Conventional Rail operator
- **Helping OEMs achieve disruptive innovation and improved cost competitiveness**
  - Building the multi year transformation program for a leading European manufacturer
  - Redesigning the overall Supplier Relationship Model of a European aerospace player
  - Designing the Supply Chain and Purchasing organization for a European aerospace player
  - Building and delivering a multiannual cost improvement program for a global train OEM
  - Running Product Cost Down on a variety of highly technical aerospace commodities

Federico holds a Master's in International Management from ESCP Europe, where he has been Strategy Associate Professor and an Executive Program from the Wharton School & INSEAD. He also holds a Degree in Business Administration from University of Pavia (Italy). Federico is an Italian native speaker and is fluent in English, French and Spanish.

# **ANNEX 2**

**TRANSITIONING OF THE REAL ECONOMY:  
ANTICIPATE TO LEAD**

# OLIVER WYMAN IS HELPING DRIVE THE FINANCIAL SERVICES INDUSTRY RESPONSE TO CLIMATE CHANGE

We have worked with 50+ bodies and financial institutions (including banks, insurers and asset managers) over the last 24 months

## INDUSTRY ADVISORY

- Resourcing **TCFD Secretariat** and leading the efforts on the Task Force's 2021 work (incl metrics)
- WEF Financing the **Transition to a Net Zero Future** for hard to abate sectors
- Working with **UNEP FI** since 2017 to define industry approach to **transition risk** quantification
- Glasgow Finance Alliance for Net Zero** (2021) to support FI transition



Bringing cutting-edge industry thinking on climate to your programme

## CLIMATE RISK MEASUREMENT & MANAGEMENT

- Developing sector level **climate stress testing models** for 25+ global and regional banks, insurers and asset managers, covering transition and physical risks
- Partnership on **Climate Credit Analytics**
- Supporting **design of climate risk appetites** for DSIB and GSIBs and GSIs
- Developing **borrower climate risk scores and client questionnaires**



S&P Global



Extensive experience developing spectrum of bespoke bottom-up solutions

## NET-ZERO STRATEGY & TRANSITIONS

- Developing and calibrating **Net Zero measurement and target frameworks** – work with 15+ FIs in 2021/22, incl. 5+ in APAC as well as 5 of the top 10 global wholesale banks
- Commercial strategy to **drive engagement with clients** and develop new capabilities / propositions
- Designing and implementing **green and transition finance** frameworks
- Portfolio alignment and what if scenario tools** and **client level dashboards**



Existing emissions forecasting tools for key sectors to accelerate progress

## SECTOR-SPECIFIC EXPERIENCE

Experience delivering **climate transition strategies** across all key sectors, including: **O&G**: Enhanced biodiesel profitability

- Power**: Development of national energy transition strategy
- Transportation**: go-to-market strategy for Fuel Cell Vehicle / Battery Electric Vehicle solutions for a leading truck player
- C&BM**: sustainable construction strategy
- Metals & mining**: Decarbonization of steel industry
- Chemicals** Waste-to-chemicals plant feasibility assessment
- CRE**: rooftop solar strategy

Understanding of sectoral drivers brought into our work with Financial Institutions



Of all the engagements we have undertaken in recent years, **Oliver Wyman's commitment, capacity and performance has been the highest** and this has shown through in the results of the work which **today is considered one of the most important developments globally** in bank climate disclosure.”

-Eric Usher, Head, UNEP-FI

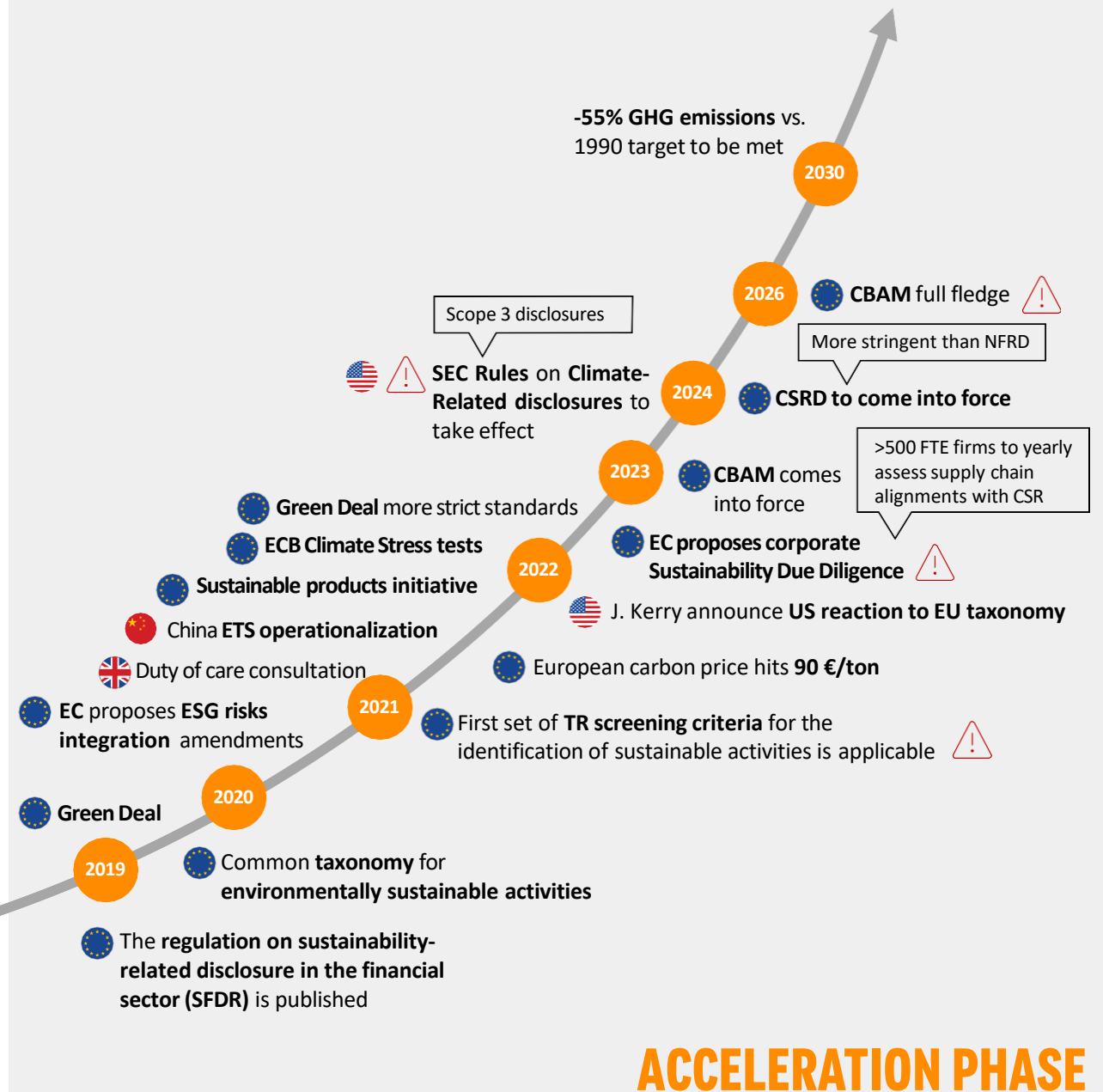
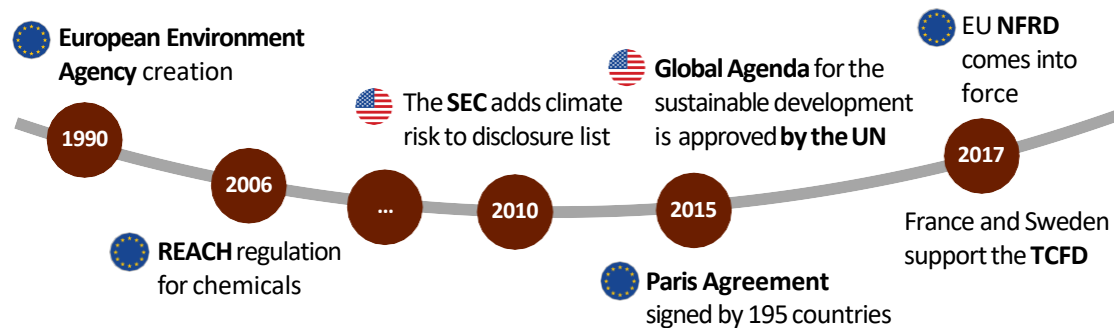
# UPCOMING A REGULATION

~20-30

## Regulations in the coming 5 years

EC: European Commission, CSRD: Corporate Sustainability Reporting Directive, TR: Taxonomy Regulation, SEC: Securities and Exchange Commission, SFDR: Sustainable finance disclosure regulation, SII: Solvency II, NFRD: Non-Financial Reporting Directive, TCFD: Task Force on Climate-related Financial Disclosures

\*Source: European Commission website, press releases, Oliver Wyman analysis



ACCELERATION PHASE

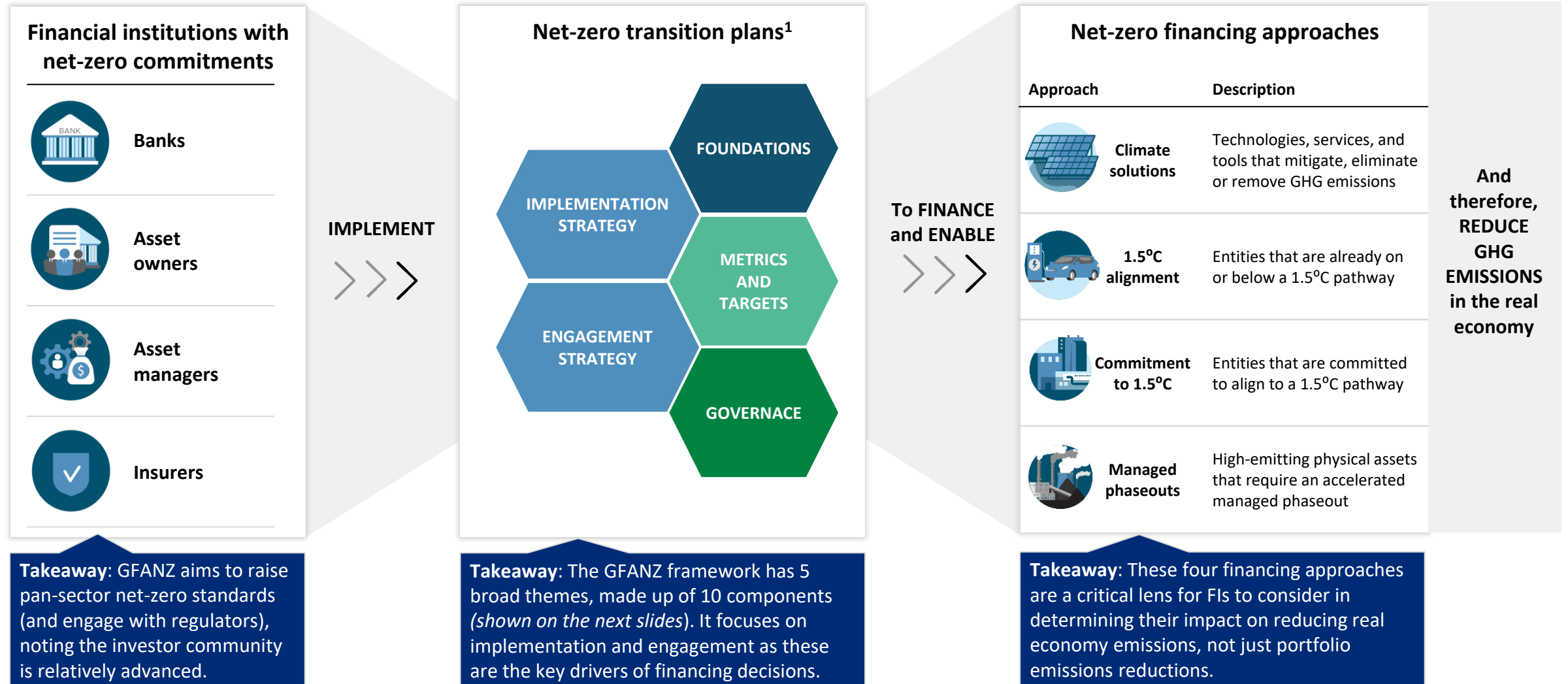
# A NUMBER OF JURISDICTIONS ARE REQUIRING MANDATORY TRANSITION PLANS, AS WELL AS CLIMATE-RELATED DISCLOSURES

Regulations and standards are developing to increase accountability and comparability of net-zero commitments including transition plan disclosures

Development	Description
Disclosure requirements	<ul style="list-style-type: none"> <li>• <b>EU</b> – Under CSRD guidance, all large and all listed companies are required to disclose a transition plan<sup>1</sup></li> <li>• <b>UK</b> – Large listed companies will be required to publish a transition plan from 2023</li> <li>• <b>G20</b> – 4 countries (Japan, EU, UK, Canada) have made TCFD-aligned climate disclosures mandatory. TCFD calls for disclosure of transition plans<sup>3</sup></li> <li>• <b>UN Race to Zero</b> – Members of the UN-backed global Race to Zero campaign are required to disclose a transition plan within 12 months of joining</li> </ul>
Minimum standards	<ul style="list-style-type: none"> <li>• <b>Global</b> – The International Sustainability Standards’ Board (ISSB’s) published a climate-related exposure draft (under consultation) which includes disclosure of transition plans</li> <li>• <b>EU</b> – The European Financial Reporting Advisory Group (EFRAG) has defined minimum standards for a transition plan to be disclosed as part of the EU’s proposed CSRD</li> <li>• <b>UK</b> – The UK Transition Plan Taskforce will develop a sector-neutral framework for transition plans</li> </ul>
Regulatory focus	<ul style="list-style-type: none"> <li>• <b>Central banks:</b> A few Central Banks and regulators (BOE and ECB) have more explicit, or clarified, mandates to support the net-zero transition. There is some recognition of the role of transition planning as a risk management tool but more work to be done to raise awareness</li> <li>• <b>Securities and conduct regulators:</b> There is widespread recognition among securities regulators, including via IOSCO’s vocal support of the ISSB, on the role of climate-related disclosures (including transition planning) to support information needs of end clients, investors, and depositors</li> </ul>

1. Under [CSRD guidance](#), a transition plan should ensure that a companies’ business model and strategy are compatible with the transition to a sustainable economy and the Paris Agreement goal. 2. Under the SEC [proposed rule](#), registrants that already conduct scenario analysis, have developed transition plans, or publicly set climate-related targets or goals, the proposed amendments would require certain disclosures to enable investors to understand those aspects of the registrants’ climate risk management. 3. TCFD reporting is also gaining traction in other G20 countries including Australia, Brazil, China, Indonesia, Mexico, South Korea and the US. This is evidenced through public statements of business leaders and related consortia (as in Mexico), or government efforts to increase climate-related disclosures (as in China). Other sources: [UK guidance](#), [Race to Zero campaign](#), [UK Transition Plan Taskforce](#), [ISSB’s climate-related disclosure draft](#)

# GFANZ HAS OUTLINED A FRAMEWORK TO GUIDE FINANCIAL INSTITUTION TRANSITION PLANS, FOCUSED ON TRANSLATING COMMITMENTS INTO REAL ECONOMY IMPACT



# FS INDUSTRY MATURITY AGAINST THE GFANZ FRAMEWORK IS MIXED (1/2)



Component	GFANZ recommendation (summary)	Banking perspectives	Industry level of maturity
1. Objectives and priorities	<b>Define the organisation’s objective</b> to reach net zero by 2050 and explain the priority activities to achieve this.	<ul style="list-style-type: none"> <li>Most banks have articulated an ambition within their vision and purpose, aligned to net zero by 2050</li> <li>Focus has now pivoted to translating the ambition into specific, actionable objectives and priorities in the short-medium term; leaders are thinking through strategies to achieve targets, evaluate the four financing approaches, and how to incorporate nature and just transition considerations</li> </ul>	
2. Products and services	Align <b>products and services to accelerate and scale</b> the net-zero transition in the real economy.	<ul style="list-style-type: none"> <li>Progress made in innovating to capture opportunities, e.g., green and sustainable finance, ESG and impact funds, carbon markets, data propositions and indices, etc. Yet many initiatives are not at the scale required or commercially impactful</li> <li>Sharpened focus on robust definitions and criteria to avoid greenwashing claims</li> <li>Retail products face additional challenge of customer engagement and uptake – customers currently not engaged and do not appreciate value</li> </ul>	
3. Activities and decision-making	Embed net-zero objectives into <b>core evaluation and decision-making</b> tools and processes.	<ul style="list-style-type: none"> <li>Some leading banks have started to update existing steering structures to take into account net-zero objectives and targets, and designing new ones where required</li> <li>Next steps need to embed net-zero considerations into decision-making criteria such as incentive / charging structures, and loan/investment approval processes</li> </ul>	
4. Policies and conditions	Establish and apply policies and conditions on priority sectors and activities, such as <b>thermal coal, oil and gas, and deforestation.</b>	<ul style="list-style-type: none"> <li>Many banks have public policies and conditions on fossil fuels (namely coal, some oil &amp; gas), with varying levels of completeness</li> <li>Next steps involve assessing policies for the level of ambition and inclusion of key elements (science-based timelines, exclusions, conditions, disclosure), as well as expanding the scope to other topics, e.g., deforestation and methane</li> </ul>	
5. Engagement with clients & portfolio companies	<b>Encourage clients and portfolio companies</b> to have net-zero aligned transition strategies, plans, and progress, and set appropriate escalation processes.	<ul style="list-style-type: none"> <li>Many banks have started engaging with their largest / most carbon-intensive clients; some engagement alongside climate risk efforts; but few have implemented systematically</li> <li>Focus now shifting to customer transition plan assessment capabilities which can be rolled out at scale for all types of client</li> <li>Adapting processes to engage on net-zero considerations dependent on the size and type of client (e.g. individuals, SMEs, large corporates) are largely still under development</li> </ul>	

# FS INDUSTRY MATURITY AGAINST THE GFANZ FRAMEWORK IS MIXED (2/2)



Component	GFANZ recommendation (summary)	Banking perspectives	Industry level of maturity
6. Engagement with industry	Exchange transition expertise and <b>work on common challenges</b> with peers as appropriate and represent the sector's views to external stakeholders.	<ul style="list-style-type: none"> <li>Building capacity within banks to actively participate in industry initiatives and prioritising ones that will deliver the most impact (e.g. net-zero alliances, GFANZ, SMI, PCAF)</li> <li>Alignment on methodologies and reporting standards to build confidence in metrics and disclosures</li> <li>Discussion on how to leverage the combined strength of peers to engage with clients, building on the success of CA100+ initiative</li> </ul>	
7. Engagement with government & public sector	<b>Advocate and lobby</b> for policies that support net-zero objectives, and review portfolio companies' advocacy and lobbying for consistency against their own net-zero objectives.	<ul style="list-style-type: none"> <li>Limited thinking to date on monitoring the lobbying activities of clients or portfolio companies, and establishing processes to escalate engagement activities based on the findings</li> <li>Some banks are contributing to industry public policy efforts</li> </ul>	
8. Metrics and targets	Set and monitor <b>a range of metrics and targets</b> including those focused on driving financing to support the real-economy net-zero transition; on executing the transition plan; and on measuring changes in client and portfolio GHG emissions	<ul style="list-style-type: none"> <li>Progress on first wave of net-zero targets, although with considerable variation in approach and narrow focus on portfolio emissions for high emitting sectors</li> <li>More to do on the next wave of targets, and on developing a wider set of metrics to track real economy emissions impact and explain non-linear movement towards net-zero portfolio emissions targets</li> <li>Banks are now looking to industrialise their approach to sourcing &amp; management of ESG data</li> </ul>	
9. Roles, responsibilities and remuneration	Define roles for <b>Board</b> and senior management to <b>own and oversee</b> net-zero targets, <b>assign employees</b> to design and deliver the plan, and set regular review intervals.	<ul style="list-style-type: none"> <li>Many banks have updated Board and senior management roles and responsibilities to include climate and net-zero considerations</li> <li>Banks are still working to cascade roles and responsibilities and building out teams and capabilities to set targets, develop a transition plan and deliver on the targets</li> <li>Explicit impacts on remuneration still too early to tell</li> </ul>	
10. Skills and culture	<b>Train employees</b> to design, implement and oversee the plan, and use <b>change management tools</b> to embed into the organisation's <b>culture and practices</b> .	<ul style="list-style-type: none"> <li>Focus to date on Board and senior management level training on climate / net zero</li> <li>Increasing net-zero awareness and understanding across the organisation</li> <li>More to do on rolling out across key mid-level decision makers and ensuring buy-in as well as building capability to implement the net-zero strategy</li> <li>Hiring efforts observed from non-traditional backgrounds (e.g. Public sector, NGOs, etc.)</li> </ul>	



# THERE ARE SEVERAL KEY AREAS OF FOCUS AMONGST OUR BANKING CLIENTS TODAY

Areas:	Lower ambition	Mid ambition	Higher ambition
<b>01</b> <b>BALANCE SHEET STEERING</b>	<ul style="list-style-type: none"> <li>Performance on net-zero targets in mgmt. dashboards</li> <li>Policies in place on coal</li> </ul>	<ul style="list-style-type: none"> <li>Climate considered in major transactions through joint business / credit / CSO committees</li> <li>Explored different steering approaches (e.g. green ratios, carbon pricing etc.)</li> <li>Extended policies to cover deforestation, Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>Begun to embed net-zero goals in shadow charges (capital adjustments or internal carbon pricing) and/or in budget</li> <li>Begun integrating climate risk into credit process, based on customer level risk assessment</li> </ul>
<b>02</b> <b>ASSESSING CUSTOMER TRANSITION PLANS</b>	<ul style="list-style-type: none"> <li>Simple framework applied to higher risk sectors</li> </ul>	<ul style="list-style-type: none"> <li>Customer ESG questionnaires in place</li> <li>Simple framework across several hundred major clients, anchored in emissions intensity</li> <li>Initial engagement with clients</li> </ul>	<ul style="list-style-type: none"> <li>Pilot developed for a quantitative customer transition plan assessment tool using current emissions, targets, and implementation data</li> <li>Engagement with clients to gather information and test emerging findings</li> </ul>
<b>03</b> <b>OPERATING MODEL DESIGN</b>	<ul style="list-style-type: none"> <li>Strengthening CSO role and grown supporting team</li> <li>Top-down push driven by CEO and CSO</li> </ul>	<ul style="list-style-type: none"> <li>Climate targets into embedded KPIs for selected key stakeholders (e.g. sector heads)</li> <li>Federated model with CSO, CRO, CFO and business all taking responsibility for key aspects</li> </ul>	<ul style="list-style-type: none"> <li>Embedded climate into BAU processes, roles and responsibilities in finance, risk and the business</li> <li>Created major new specialist units focus on transition technologies and client advisory</li> <li>Programme to coordinate &amp; deliver transition plan</li> </ul>
<b>04</b> <b>ENHANCING &amp; EXTENDING METRICS AND TARGETS</b>	<ul style="list-style-type: none"> <li>Net-zero targets in place for 2-3 of the highest emitting sectors (e.g. Oil and Gas, Power, Auto)</li> </ul>	<ul style="list-style-type: none"> <li>Net Zero targets in place for 4+ sectors</li> <li>Mix of physical intensity and absolute intensity metrics, accounting for differences in the nature of the sector and structure of the loan book</li> </ul>	<ul style="list-style-type: none"> <li>Net-zero targets in place for 7+ sectors</li> <li>Set a range of metrics (e.g. tracking climate solutions), to avoid pushing "paper decarbonisation"</li> <li>Defined green/transition lending framework</li> </ul>
<b>05</b> <b>DATA &amp; SYSTEMS</b>	<ul style="list-style-type: none"> <li>Tactical and manual collection of climate data and reporting</li> <li>Patchwork of external sources</li> </ul>	<ul style="list-style-type: none"> <li>Climate data requirements, sources, and use cases consolidated across the organisation</li> <li>Begun process of embedding data requirements into BAU processes</li> </ul>	<ul style="list-style-type: none"> <li>Integrated climate data into existing architecture, using flexible and scalable solutions that can support future datasets and use cases, with strong governance and oversight</li> </ul>
<b>06</b> <b>ACTIVATING AN ORGANISATION</b>	<ul style="list-style-type: none"> <li>Board training, e.g. climate-related risks, strategy, and regulation</li> <li>Senior management messages and town halls</li> </ul>	<ul style="list-style-type: none"> <li>Climate training for RMs and credit managers</li> <li>Resources and training available for internal teams on key climate topics</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive programme of RM training focused on climate risks, transition plans, regulation, identifying opportunities and navigating client conversations on the transition</li> <li>Cultural work to embed new metrics and processes</li> </ul>

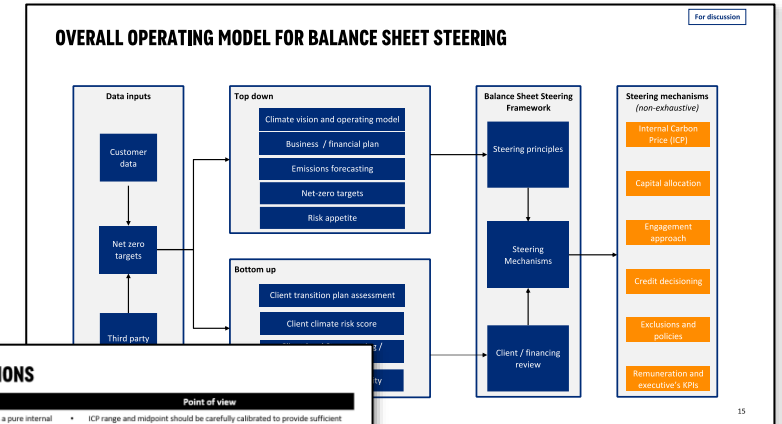
*Deep dives on following pages*

# CASE STUDY: INTERNAL CARBON PRICING

## WE HELPED DESIGN AND INTRODUCE AN INTERNAL CARBON PRICING SCHEME AS PART OF A WIDER BALANCE SHEET STEERING APPROACH

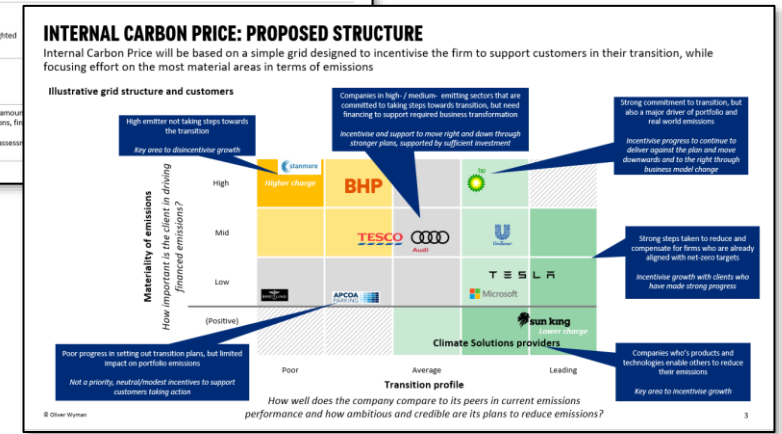
### Key features of our approach

- The bank wanted to introduce a framework to help steer the balance sheet towards its Net Zero commitments
  - To surface and address commercial trade-offs
  - To provide meaningful incentives within the main steering mechanisms used by the business today
- Working with stakeholders from the business, Risk, Finance and Sustainability, we converged on an Internal Carbon Price, having considered and evaluated a range of alternatives (e.g. capital charges, credit limits)
- We developed a framework to calibrate the emissions charge, aiming for something that would be flexible, easy to explain and would create the right incentives
  - **Transition profile:** Rewarding companies who are outperforming in terms of emissions reductions (and plans to reduce) relative to their industry peers
  - **Materiality of emissions:** Recognising that heavily emitting clients play a bigger role in driving overall financed (and real world) emissions
- The charge was calibrated based on internal and external considerations
  - Externally traded carbon prices, appropriate to scope 3 emissions
  - The scale of the impact on returns for different types of businesses
- A roll-out plan was devised to test, learn and scale over a 24 month period
  - Moving from shadow towards a synthetic charge (similar to economic profit)
  - Piloting in a handful of key sectors first before wider roll-out
  - Starting with higher level charges as bottom-up customer analytics is developed



### INTERNAL CARBON PRICE: KEY DESIGN QUESTIONS

Design questions	Choices for consideration	Point of view
1. How material should the charge be?	<ul style="list-style-type: none"> <li>Anchoring on external carbon pricing levels, as a pure internal carbon pricing mechanism</li> <li>Calibrating with reference to similar charges and the desired behaviour change</li> <li>Relevant indicators: Sustainability targets, performance metrics, profitability acceptable ranges, effectiveness of incentives, external climate metrics</li> </ul>	<ul style="list-style-type: none"> <li>ICP range and midpoint should be carefully calibrated to provide sufficient incentive to drive change, without pushing too hard too soon</li> <li>Appropriate level to be arrived at through testing at both portfolio and client level, and senior syndication</li> </ul>
2. How should the internal carbon charge be applied?	<ul style="list-style-type: none"> <li>Contra revenue or capital charge</li> <li>Contra-revenue could be a hard charge or synthetic KPI (e.g. shadow charge, economic profit within cost of capital or treasury-like charge)</li> </ul>	<ul style="list-style-type: none"> <li>The ICP should be a contra-revenue and evolve over time</li> <li>A first generation: shadow charge to create awareness, and build capability</li> <li>Second generation: synthetic charge impacting KPIs</li> <li>Third generation: possible move to hard P&amp;L transfer (tbd, may not be necessary)</li> </ul>
3. How should the charge be applied across the book?	<ul style="list-style-type: none"> <li>Front book or full stock of loans</li> <li>Loan book only or full balance sheet</li> <li>Applied sequentially or simultaneously</li> </ul>	<ul style="list-style-type: none"> <li>The shadow ICP should be applied simultaneously to full stock of loans to create awareness and incentives to achieve the sustainability targets</li> <li>Further discussion needed on non-lending business</li> </ul>
4. How should the charge differential be determined across the grid?	<ul style="list-style-type: none"> <li>Linear vs. points of inflexion</li> <li>X-axis dominant, Y-axis dominant, equally weighted</li> </ul>	
5. Appropriate level of granularity and how should it be managed?	<ul style="list-style-type: none"> <li>Business line, portfolio or customer level</li> <li>Timeline for roll-out of different iterations</li> </ul>	
6. What are the critical dimensions of the grid?	<ul style="list-style-type: none"> <li>Materiality: Absolute financed emissions/loan amount emissions economic intensity, absolute emissions, fit emissions</li> <li>Transition profile: sector transition plan / CTP assess Assessment adjusted by Climate Risk</li> </ul>	

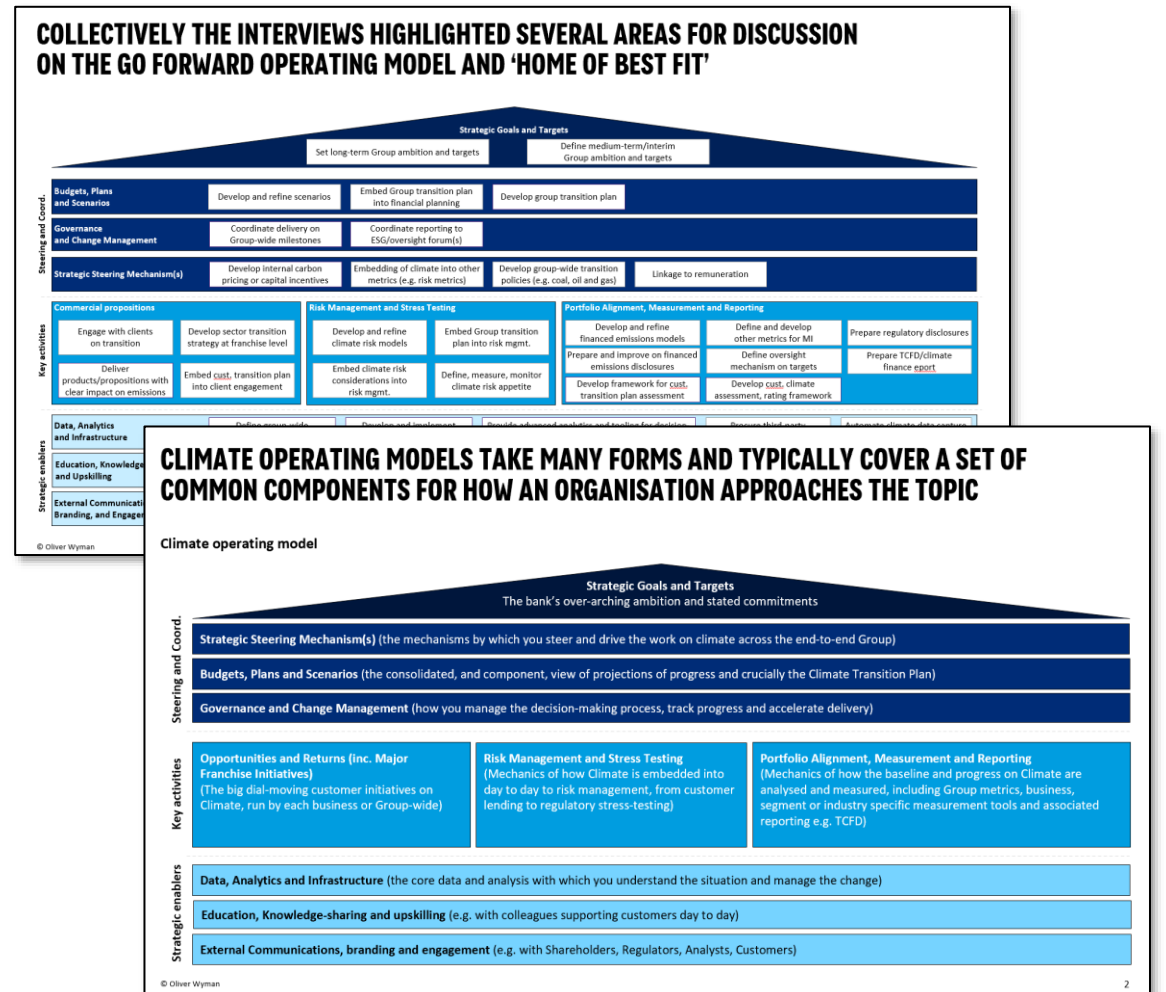


# CASE STUDY: CLIMATE OPERATING MODEL

## WE HELPED DEFINE A BANK'S OPERATING MODEL ACROSS FUNCTIONS TO DELIVER ITS NET ZERO TRANSITION PLAN

### Key features of our approach

- The bank had committed to launch a Net Zero Transition Plan at its next AGM and needed to define the operating model to deliver this
- OW conducted a review of the current set-up and interviews with executives across franchises and functions to identify
  - Key priorities, including climate-related factors, for the bank
  - Key climate-related activities, in relation to those priorities, planned for next year
  - Any climate-related activities they see as out of scope
  - Any gaps they see in the firm's climate policy
- OW used our climate operating model framework to organise and prioritise the multiple activities across the bank into a systematic and comprehensive view
- We held interactive, collaborative workshops to identify key design principles for the climate operating model, high priority activities, and key points of debate, based on themes identified from interviews. Focused on:
  - Areas of agreement / concordance across executives interviewed
  - Areas of differences / dissonance
- Final workshop to align on next steps and recommendations to the Executive Committee
  - Changes to roles and mandates
  - New projects and initiatives required to address key gaps



# CASE STUDY: EXTENDING METRICS AND TARGETS

## WE HELPED GFANZ DESIGN ITS GUIDANCE ON METRICS AND TARGETS, EXPANDING BEYOND PORTFOLIO EMISSIONS REDUCTIONS TO FOCUS ON REAL ECONOMY IMPACT



Monitoring progress in directing capital to real-economy net-zero transition activities as outlined in the four key financing strategies.



Monitoring transition plan implementation across the organisation, including its strategy, internal processes and functions, and client engagement



Monitoring financed emissions reductions with transparency, and linked to the real-economy emission reductions.

### Sample metrics:

- **Climate solutions:** # of sustainable aviation fuel plants financed, avoided emissions, amount/proportion of portfolio taxonomy aligned
- **Aligned:** certification by a third-party of alignment to a pathway, emissions trends
- **Aligning:** CAPEX, OPEX, or R&D allocated to transitioning, net-zero transition plan status
- **Managed phaseout:** engagement, proceeds and outcomes towards early retirement, avoided emissions

- **Foundations:** # of business departments with specific net-zero objectives within their strategy
- **Implementation:** amount of loan/investment decisions covered by net-zero objectives; proportion of a portfolio covered by key coal policies
- **Engagement:** # of client transition plans assessed, number of climate-related engagements
- **Governance:** remuneration KPIs for progress against net-zero targets, number of training sessions completed on climate and transition planning

- **Absolute:** mtCO<sub>2</sub>e
- **Intensity-based:** (economic or physical): mtCO<sub>2</sub>e / £ lent
- **Aligned-based:** portfolio alignment or capacity-based metrics
- **Beyond value chain:** % of companies using carbon credits (and of those, % using credits to achieve carbon neutrality)

# TO SUMMARISE, TRANSITION PLANNING IS FAR FROM JUST A DISCLOSURE EXERCISE - IT REQUIRES LARGE, SYSTEMATIC OPERATIONALIZATION ACROSS A BANK



With regulatory pressure and external expectations, banks will need to publish a transition plan in the coming years.



This raises strategic questions, as well as operational challenges in adapting core client-facing and decision-making processes.



To deliver the plan banks must define the target state across the key transition plan components and mobilise across the organisation to define and deliver this.

# **ANNEX 3**

**PROCUREMENT'S JOURNEY TO SUSTAINABILITY:  
FIRST SIGNS OF SYSTEMIC CHANGE**

# SUSTAINABLE PROCUREMENT IS A KEY DIMENSION OF OUR OFFERING, AND WE HAVE ONE OF THE BROADEST RESPONSIBLE PROCUREMENT EXPERIENCE

Sustainable procurement is a key dimension of OW procurement practice offering

VALUE CREATION		PROCUREMENT OPERATING MODEL		PERFORMANCE MANAGEMENT	
Category/Supplier Excellence	Demand/Specification Management	Fast Savings Generation	Operating Model (Re)design	Operational Excellence	Tracking & Monitoring Tools
Category strategies	Complexity reduction	Opportunity assessment and benchmark	Operating model assessment	"100 days of CPO"	Savings & Actions Tracking Tool
Goods For Resale management	Disruptive Product Cost Down	Sourcing cost reduction/negotiation	Organization design and governance	Procurement IT roadmap	GPS – Global Procurement Scorecard
Supplier relationship management	Active demand management	Supplier cash management	Procurement process redesign	Procurement subsidiarization	P&L & budget reconciliation
Cost modelling and advanced analytics	Make or Buy	Post-transaction synergies $\frac{1+1}{1}$	Procurement outsourcing strategy	Value Sourcing maturity assessment	Supplier Operational Performance
Supply Risk Management	Open innovation		Supplier value activation (PACT)	Procurement University	

**Sustainable procurement**

We have one of the broadest responsible procurement experience

*Non exhaustive list*

	<b>Worldwide CAR MANUFACTURER</b>	2018-2023 sustainable procurement strategy and implementation
	<b>European RAIL OPERATOR</b>	2025 sustainable procurement strategy and related operating model
	<b>Worldwide CPG LEADER</b>	2025 sustainable procurement roadmap
	<b>Worldwide CAR MANUFACTURER</b>	Benchmark of best practices on sustainable procurement
	<b>Worldwide HOSPITALITY PLAYER</b>	2020-2023 roadmap on sustainable procurement
	<b>Worldwide ENVIRONMENT LEADER</b>	2020-2023 procurement strategic plan including an extensive and ambitious responsible procurement roadmap
	<b>European CHEMICAL LEADER</b>	Procurement transformation plan including the sustainable procurement journey
	<b>European BANK</b>	2018-2023 sustainable procurement strategy and implementation
	<b>European UTILITY</b>	Sustainable procurement strategy

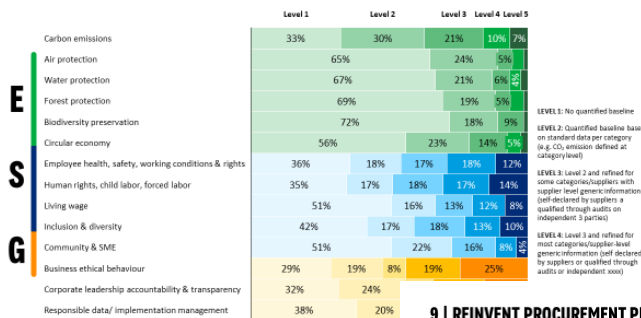
# WE HAVE DEVELOPED SUSTAINABLE PROCUREMENT FRAMEWORK AND BUILT AN ESG PROCUREMENT DATABASE TO ENABLE COMPREHENSIVE BENCHMARK ANALYSIS

## Overview of our Sustainable procurement framework, tools and benchmark database

### 2 | BUILD A ROBUST BASE LINE

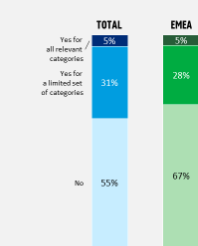
We carried out a survey to assess the level of maturity of procurement departments in the sustainable field

Have you established a quantitative baseline on each of the ESG dimensions ?

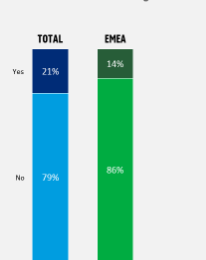


### 9 | REINVENT PROCUREMENT PERFORMANCE M

Have you implemented a Carbon-adjusted TCO in procurement performance metrics ?

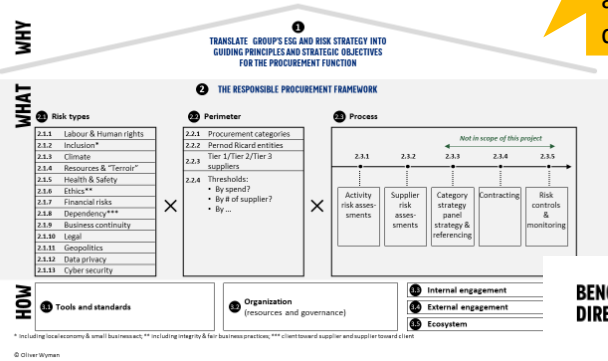


Is the carbon adjusted TCO the main driver of the decision making?

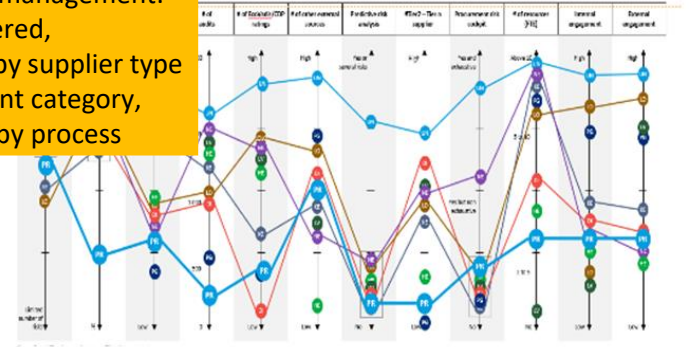


Over 300 companies, across 12 sectors and all regions, have participated to the survey providing a self evaluation of their procurement department

### THIRD PARTY RISK MANAGEMENT MUST INCLUDE VARIOUS ESG RELATED DIMENSIONS

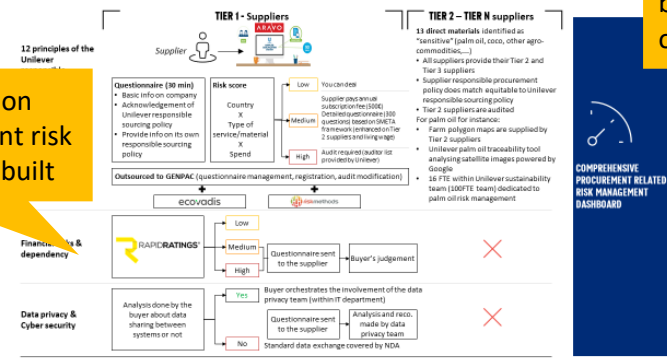


Developed an approach to integrate ESG dimensions into third party risk management: 13 risks considered, categorization by supplier type and procurement category, differentiation by process



### BENCHMARK #1 | UNILEVER GOES FAR BEYOND TIER 1 SUPPLIERS ON 13 SENSITIVE DIRECT MATERIALS WITH ADVANCED TOOLS AND DEDICATED RESOURCES

ESG procurement risk benchmark database outcome



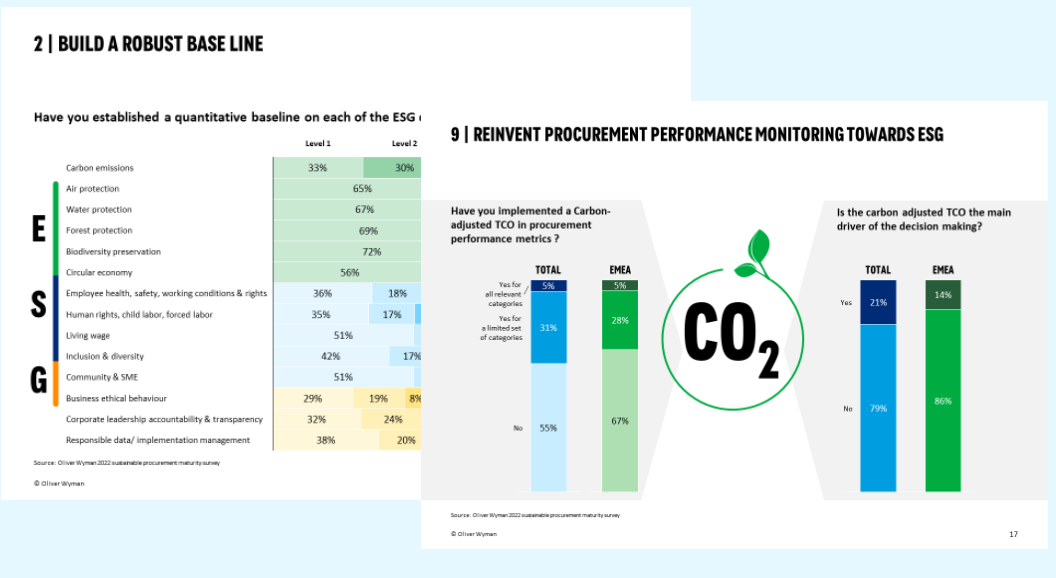


# SUSTAINABLE PROCUREMENT

1a

## CPO survey on sustainable procurement maturity level

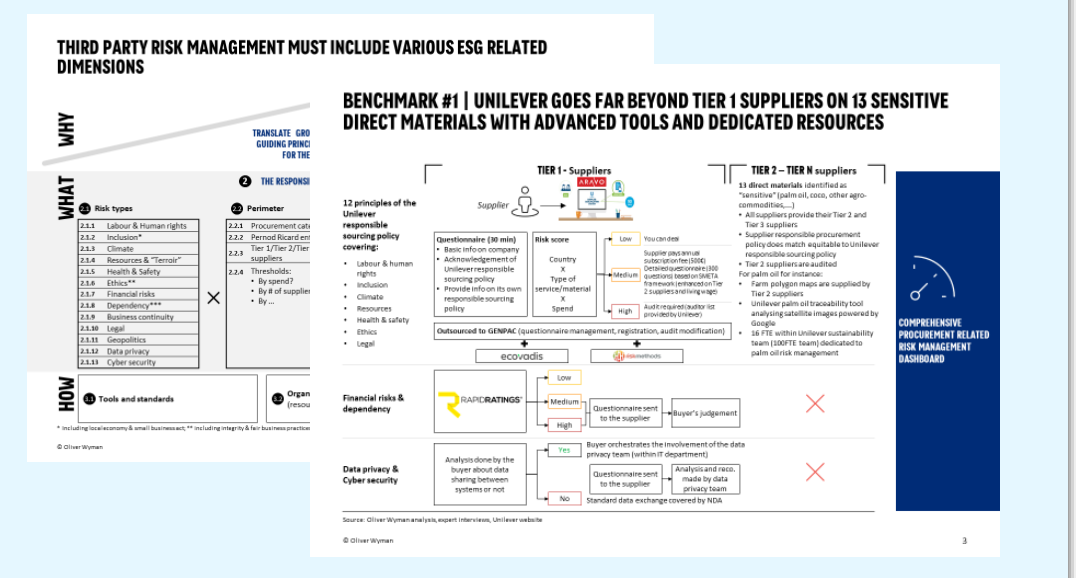
- Oliver Wyman has carried out a survey to assess the level of maturity of procurement departments in the sustainable field
- Over 300 companies, across 12 sectors and all regions, have participated to the survey providing a self evaluation of their procurement department



1b

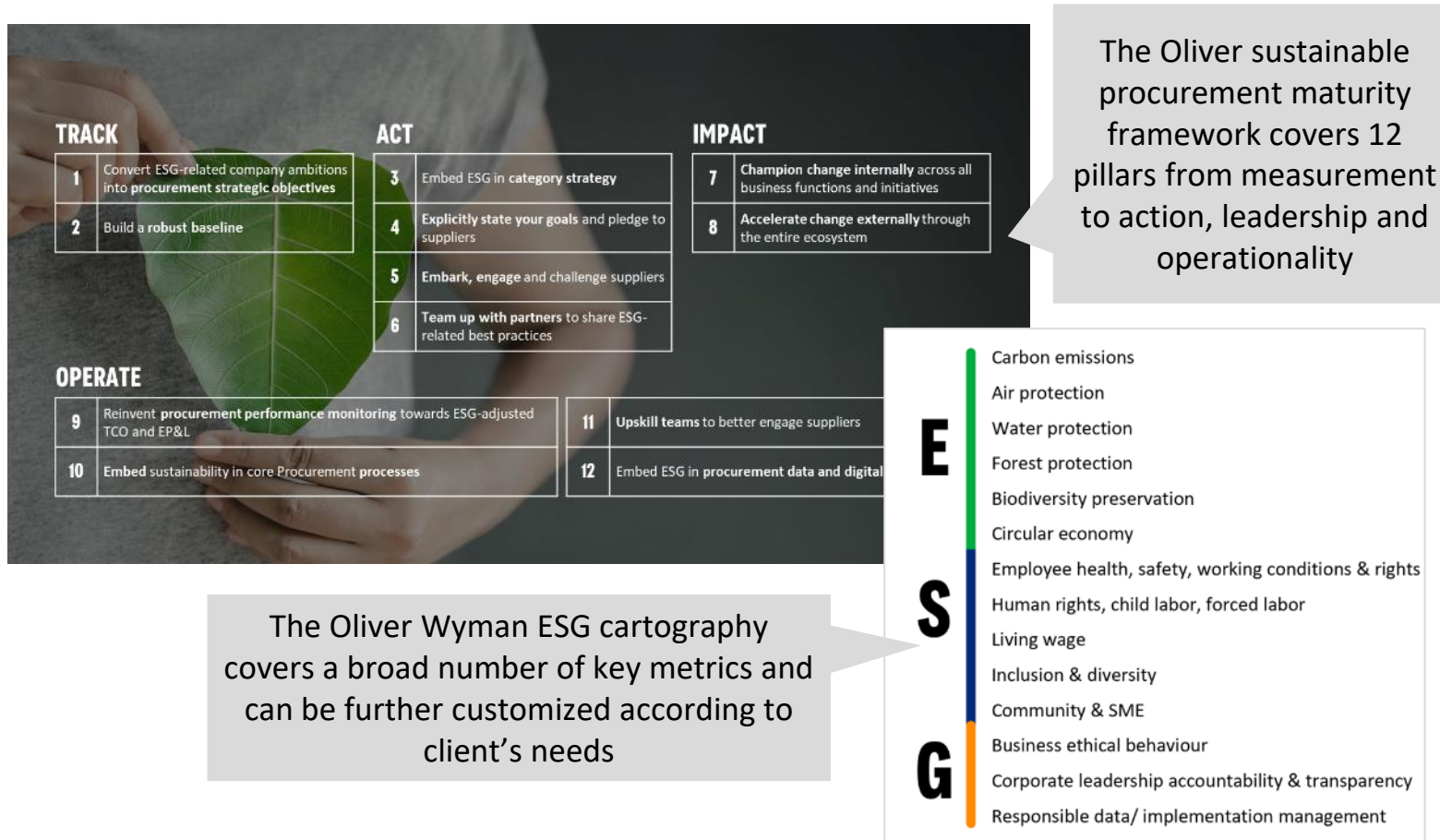
## Framework to integrate ESG component into procurement

- Oliver Wyman has developed an approach to integrate ESG dimensions into third party risk management: 13 risks considered, categorization by supplier type and procurement category, differentiation by process
- A benchmark database on ESG related procurement risk management has been built



# 1a CPO SUSTAINABLE SURVEY: A SPECIFIC MATURITY FRAMEWORK DEVELOPED TO ASSESS COMPANY POSITIONING ON ESG DIMENSIONS

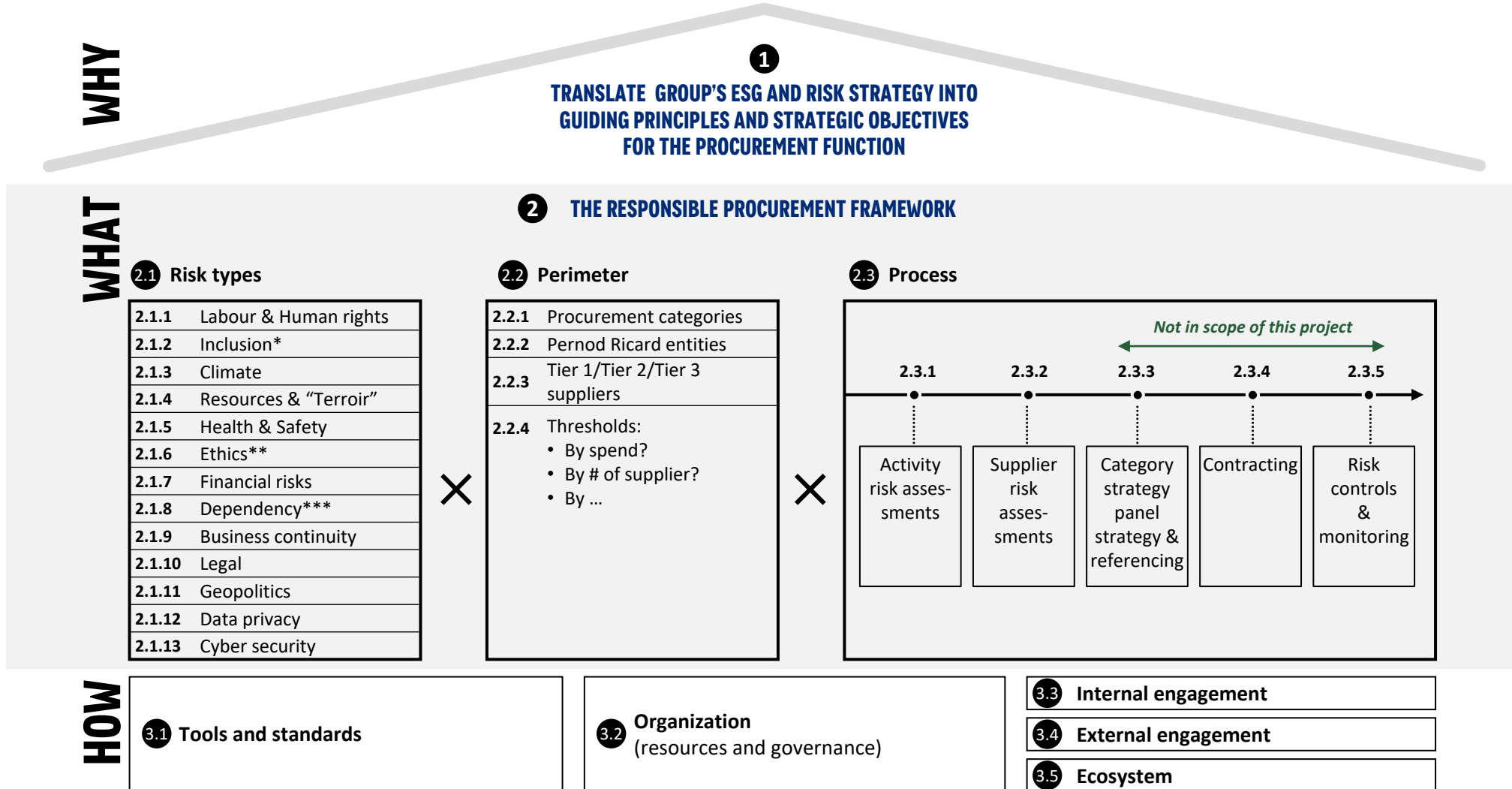
## OW sustainable procurement maturity framework



### Preliminary insights and next steps

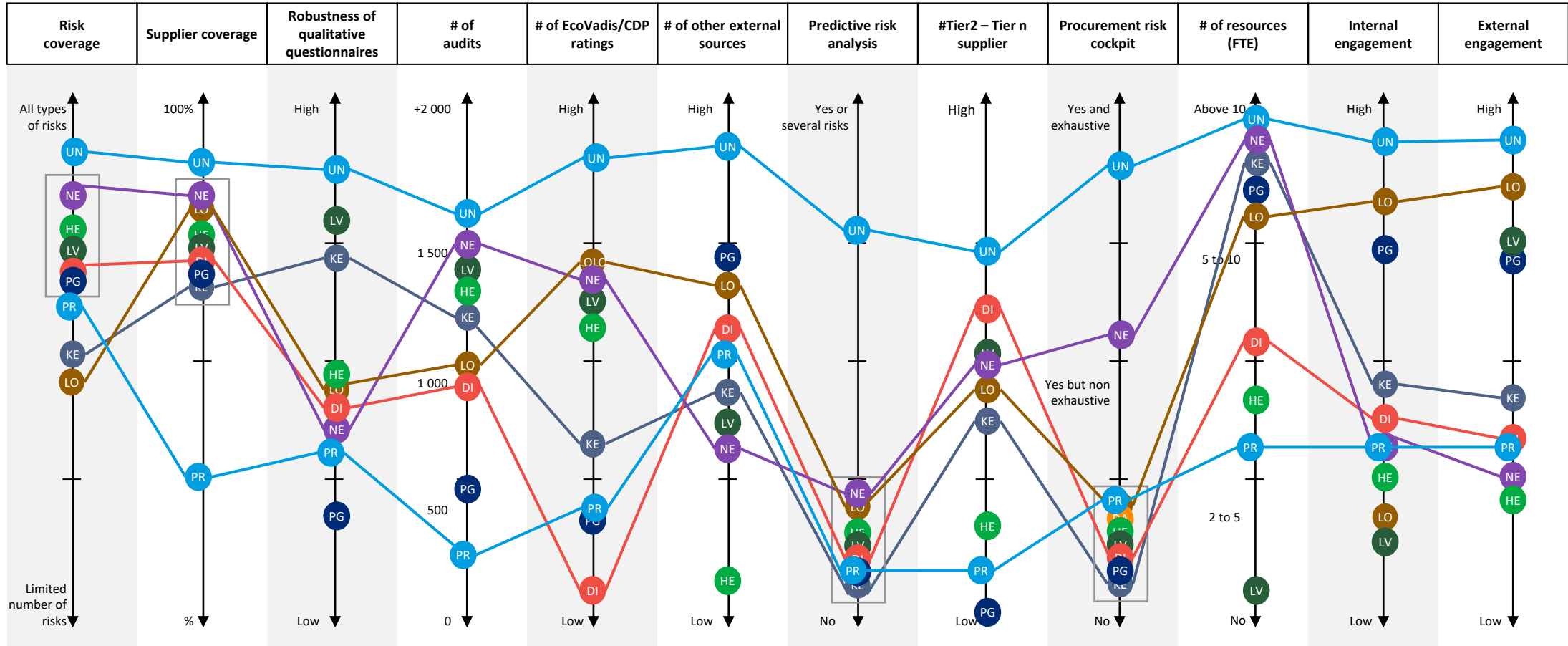
- Limited procurement maturity related to ESG topics despite high level of ambition
- Few players have already embedded ESG considerations into spending Category Strategy
- Initial teaser for CPG players drafted
- Next steps:
  - Built survey outcomes' report
  - Set up multiple events to promote survey results and create discussions
  - Enrich OW value propositions describing best practices for each pillar and sector

# 1b THIRD PARTY RISK MANAGEMENT MUST INCLUDE VARIOUS ESG RELATED DIMENSIONS



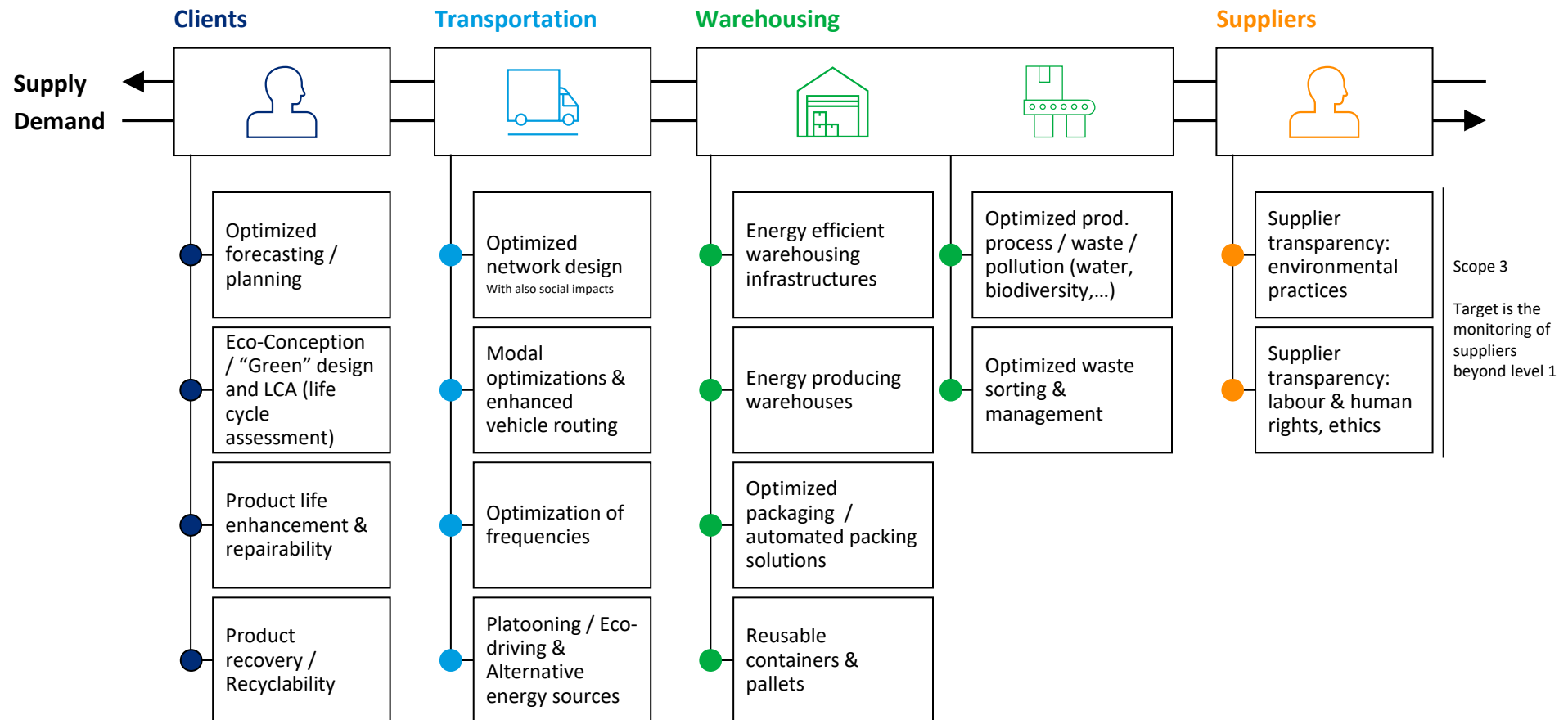
\* Including local economy & small business act; \*\* including integrity & fair business practices; \*\*\* client toward supplier and supplier toward client

# 1b WE HAVE NOW A BENCHMARK DATABASE ON ESG RELATED PROCUREMENT RISK MANAGEMENT



Source: experts interviews, Oliver Wyman analysis

# EXAMPLE DEEP DIVE SUPPLY CHAIN: AMBITION AND PROGRESS CAN BE ASSESSED AGAINST TYPICAL BEST PRACTICE LEVERS



Source: OW supply chain decarbonization framework



A business of Marsh McLennan