

2016

# SUPPLY CHAIN IMPACT ANALYSIS

STRATEGIC PARTNERSHIPS & SOURCING

# SUPPLY CHAIN SUSTAINABILITY IMPACT ANALYSIS

## PURPOSE

The purpose of this supply chain sustainability analysis is to help Nielsen understand the sustainability risks and opportunities of its supply chain and its purchasing. Nielsen uses the term sustainability here to encompass environmental, social, governance (ESG) and ethical/economic impacts. This analysis, conducted in the first year of our supply chain sustainability program, serves as the baseline for measurement for supplier sustainability performance within the Nielsen supply chain.

This analysis is aligned with the Sustainable Purchasing Leadership Council's *Principles for Leadership in Sustainable Purchasing*, which states as its first principle to:

**“USE BEST AVAILABLE SCIENCE,  
INFORMATION AND EXPERT KNOWLEDGE  
TO ASSESS RELEVANT IMPACTS OF  
ITS PURCHASING AND IDENTIFY  
PRIORITY SPEND CATEGORIES ACROSS  
ORGANIZATION-WIDE SPEND.”**

*Principles for Leadership in Sustainable Purchasing v2.0*  
Sustainable Purchasing Leadership Council

The goal is to understand what the impacts are and to devise strategies to address them.

# METHODOLOGY

This analysis was derived from the following data sources:

- **ESG EcoVadis Scorecards generated from Nielsen supplier self-assessments from March 2016 – September 2016**

Supplier scorecards address the following issues:

- **Environmental issues** - Energy consumption and waste management practices and results
- **Social Issues** - Human rights and discrimination policies and practices and results
- **Governance/Ethical** - Business ethics, data privacy, security, anti-corruption and bribery
- **Sustainable Procurement** - Integration of environmental and social factors in supply chain management.

These issues are reflected in supplier scores by the corresponding four themes: Environment, Social, Governance/Ethical and Sustainable Procurement.

Each supplier is scored for each theme and is given an overall score. The scorecard ranges are from from 1 to 100 (1= High Risk; 100=Best in Class). The color code visually refers to the level of performance of the supplier. An overall score is calculated based on the theme scores and their relevance to a supplier’s industry/sector. For example, the ethics theme will be more highly weighted in financial services companies, while the environmental theme will be more highly weighted in energy companies.

## SUPPLIER SCORECARD RANGES AND DEFINITIONS

8-24	25-44	45-64	65-84	85-100
High Risk	Medium Risk	Engaged	Medium Opportunity for Collaboration	High Opportunity for Collaboration

- **Risk/Impact References - The following references were used to understand the specific impacts/risks facing each major supplier segment.**

***Global Reporting Initiative Relevant Impacts by Sector, 2013***

- Professional Services – Relevant Impacts  
<https://www.globalreporting.org/resourcelibrary/15-Professional-Services.pdf>
- Other Segment Relevant Impacts  
<https://www.globalreporting.org/resourcelibrary/sustainability-topics.pdf>
- Air Transportation – Airlines – Related to Nielsen’s Travel Sector
- Banks, Diverse Financials and Insurance – Related to Nielsen Benefits Companies Sector
- Hotels, Restaurants and Leisure, and Tourism Services – Related to Nielsen’s Travel Sector
- Real Estate – 1 Real Estate Vendor for Nielsen – JLL
- Software and Services – Related to Nielsen’s Technology Suppliers

***EcoVadis General Risk Profiles by Related Segments, 2015***

- Activities of Call Centers
- Advertising and Market Research
- Computer Programming Consultancy & Related Activities
- **Dialogue and Peer Feedback**

Once we completed our analysis, Nielsen consulted supply chain sustainability professionals in peer companies, (All State, Baxter, Deloitte, PG&E, etc.) and with subject matter experts in industry associations (Sustainable Purchasing Leadership Council and the Electronic Industry Citizenship Coalition).

# SUPPLIER SAMPLE

The approximately 60 Nielsen suppliers who participated in this process and provided information on their ESG Performance are suppliers who met at least one of the following criteria:

- Are critical to our core business of measuring what consumers watch and what they buy
- Encompass the largest percentages of our spend
- Have high risk exposure in environmental, social or governance performance

The sample for this analysis included the strategic suppliers in the major supplier segments of Nielsen's supply chain:

- Technology
- Professional Services
- Contract Manufacturing of Measuring equipment
- Operational Services (Marketing research and Data collection)

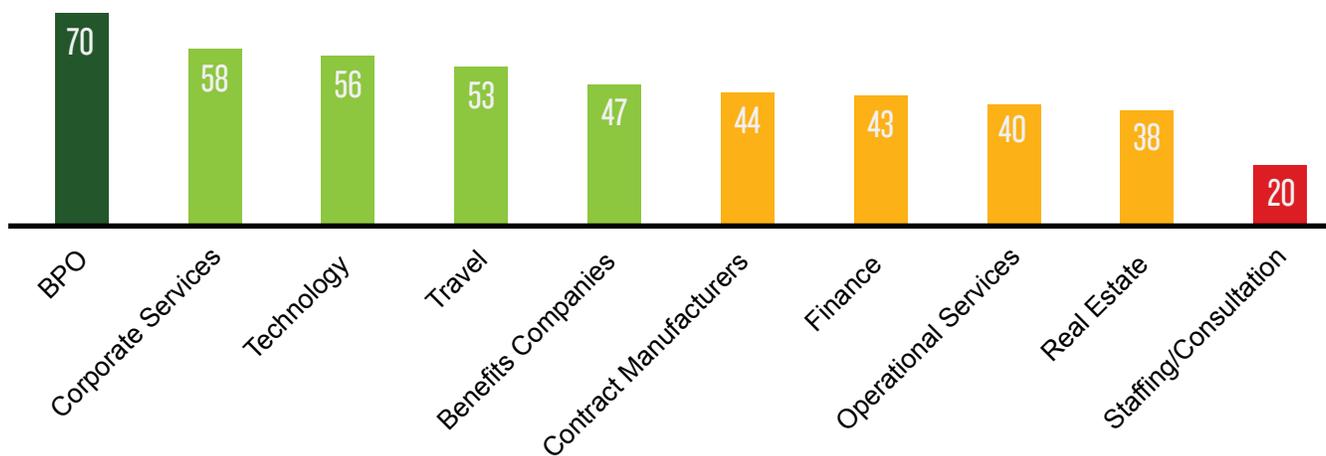
The majority of our suppliers in this sample were headquartered in the US, and the highest levels of spend were in the technology and professional services segments, along with one major supplier. Additional analysis of the results was provided by EcoVadis.

# KEY FINDINGS AND RESULTS

## Nielsen Supplier Assessment: Average Supplier Score = Engaged

As a whole, the initial 60 suppliers who comprise the majority of Nielsen's spend performed well at the company level. The average overall score was 49, above our target score of **45**. An overall score of 45-64 indicates engagement with ESG issues. ***We concluded that the top tier of our supply chain by spend, comprised mostly of indirect spend, is presently engaged in ESG issues, and the exposure to ESG risk is low-medium.***

## AVERAGE OVERALL SCORE BY SUPPLIER SEGMENT



### Nielsen Supply Chain: Top Impacts and Risks

Sustainability impacts and risks are determined by industry, sector, size, geographic location and company-specific practices and policies.

The **major environmental impact** within Nielsen's supply chain is the **energy use** within data centers, IT infrastructure and generally large commercial buildings, along with the **greenhouse gas emissions** from air travel.

The **major social impact** within Nielsen's supply chain covers **labor practices** - broadly speaking, the health and safety, and well-being of the temporary and permanent workers within our outsourced suppliers. The greatest risk in this category relates to human rights risk and labor violations such as working conditions (working hours, remuneration, benefits, etc.), and discrimination. The supplier category most exposed to this risk is the Contract Manufacturing supplier segment, which is made of electronics factories, primarily in Asia.

The **major ethical impact** within Nielsen's supply chain is third party **data privacy and security related to the collection of consumer data** at the core of all our business products. Data privacy and security breaches have been identified as major material impacts enterprise-wide and are substantially addressed by internal Nielsen teams who are dedicated resources for privacy and security. Our supply chain management processes identify where prospective suppliers trigger a risk in this area and route them into the overall management of data privacy by our legal, privacy and IT security teams. This risk is most prevalent with the category of suppliers who provide marketing research and data collection services.

Theme	Impact/Risk Identification	Opportunity Identification	Supply Chain Segment	Addressed By
Environmental	Energy Use/ Climate	Increase Energy Efficiency; Renewable Energy; Carbon Offsets; Energy Star	Data Centers, Real Estate, Travel, Electronic Devices	Supplier Code of Conduct; Environmentally Preferable Purchasing Policy; Metrics to Increase Energy Efficiency and Decrease Emissions
Social	Labor/Human Rights	Industry-Wide Collaboration	Contract Manufacturers	Supplier Code of Conduct and Social Compliance Program aligned with Multi-stakeholder Collaboration (Electronic Industry Citizenship Coalition)
Governance/ Ethical	Privacy and Cybersecurity	Industry Collaboration	Marketing/Research firms (Consumer Data); Employee Benefits Suppliers (Employee Data)	Supplier Code of Conduct; Management by dedicated Nielsen teams
Social/ Economic - Positive Impact	Economic Inclusion	Supplier Diversity	Real Estate Facilities Management	RFP Criteria and Supplier Selection; Supplier Diversity/Buy Local; Targets to Increase Diverse Spend
Social/ Economic - Positive Impact	Economic Inclusion	Impact Sourcing; Standard Setting	Business Process Outsourcing; Call Centers	Integration with Current Suppliers

Nielsen Major Supply Chain Sustainability Impacts

# ADDRESSING OUR IMPACTS: MAPPING SUPPLIER RISK AND SUPPLIER ENGAGEMENT

Once the scorecards were completed, Nielsen’s Strategic Partnerships & Sourcing organization used them to assess the sustainability performance of the largest suppliers in our supply chain, to determine a baseline for overall improvement of our supply chain, and to map areas of sustainability strength and weakness in our supply chain. Specific **opportunities for improvement with the lower-performing strategic suppliers** in our supply chain and for **collaboration with the higher-performing strategic suppliers** were identified internally and then shared externally with both lower and higher scoring suppliers.

For the lower-scoring suppliers, Nielsen shared the results of individual company scorecards as well as **corrective action plans** in conference calls facilitated by Nielsen’s supply chain sustainability manager and attended by at least 1 of the Nielsen sourcing managers responsible for that supplier relationship. The supplier representatives on these calls included the day-to-day client representative and at least 1 additional company level representative, often at the highest levels of the company.

Supplier Segment	Performance	Addressed by
Technology (Large, publicly traded)	High Performers	Collaborate on Global Initiatives
Professional Services (Large, publicly traded)	Medium-High Performers	Partner to Increase Nielsen’s Supply Chain Performance
Contract Manufacturers (Smaller companies)	Medium-Low Performers	Corrective Action Plans & Supplier Development
Operational Suppliers (Smaller companies)	Medium-Low Performers	Corrective Action Plans & Supplier Development

Key Performance Indicators	Metric
# of Suppliers Nielsen requested to complete ESG assessment	57
% of Total spend addressed by ESG assessments	30%
% of Requested suppliers who responded affirmatively to Nielsen's ESG assessment request	91%
% of Assessed suppliers who were first time respondents to ESG assessment	32%
% of Assessed suppliers receiving detailed ESG scorecards	100%
% of Assessed suppliers receiving detailed Corrective Action Plans and access to Supplier Resource Toolkit. Corrective Action Plans were given only to lowest scoring suppliers and/or suppliers in high-risk industries/locations.	32%

Supplier Assessments Initiative - Key Performance Indicators

We will continue to track both company level risks and sector risks, and plan to address these accordingly through supplier engagement. We will use the following framework, illustrated in tables and based on the Sustainable Purchasing Leadership Council's Principles, to understand and address our material supply chain sustainability impacts and risks.

# NIELSEN SUPPLY CHAIN: IMPACT/RISK TABLES

Environmental Impacts/Risks				Environmental factors affect the natural systems on which life depends, now and in the future		
Risk Mitigation				Opportunity		Disclosure
Greenhouse Gas Emissions	Human Health impacts	Waste	Hazardous Materials/Waste Management	Energy Efficiency	Waste Reduction	Carbon Disclosure Project (CDP)

General Framework for Nielsen Supply Chain Environmental Impacts

Social Impacts/Risks			Social factors affect the social systems on which communities depend, now and in the future.					
Risk Mitigation			Opportunity				Compliance	
Forced Labor	Child Labor	Sourcing from Conflict Free Zones	Supplier Diversity (Economic Inclusion)	Worker Training	Worker Rights	Impact Sourcing (Economic Inclusion)	UK Modern Slavery Act 2015	Conflict Minerals Dodd-Frank Disclosure

General Framework for Nielsen Supply Chain Social Impacts

Governance/Ethical/Economic Impacts/Risks					Ethical/Economic factors affect the health of the markets on which commerce depends, now and in the future.				
Risk Mitigation					Opportunity		Compliance		
Fair Dealings	Corruption/Anti-Bribery	Conflicts of Interest	Data Collection/Privacy	Cybersecurity	Use of HUB Zones (Economic Inclusion)	Use of Local Suppliers	US Foreign Corrupt Practices Act	UK Bribery Act	EU General Data Protection Regulation

General Framework for Nielsen Supply Chain Governance, Ethical and Economic Impacts

Finally, to further identify the spectrum of ESG risks within each supplier segment, we completed a full impact matrix to internally identify potential risks typical of each major supplier segment within our supply chain. This matrix, *Nielsen Supply Chain Sustainability Summary of Top Impacts by Sector*, is used to capture potential risks and guide management in more detail by industry and sector.

## ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Nielsen Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit [www.nielsen.com](http://www.nielsen.com).

