

THE CHEMICAL INDUSTRY INITIATIVE
FOR **SUSTAINABLE SUPPLY CHAINS**

ACTIVITY REPORT 2019

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Foreword

Dear TfS Members, Friends and Supporters,

In 2019, TfS delivered on its mission to improve sustainability performance in the supply chains of the chemical industry.

This is thanks to the engagement of our 23 member companies, their procurement teams, and the commitment of the 50+ team members leading TfS activities across the globe.

We expanded our influence, based on a new set of targets, **delivering more than 4,800 supplier evaluations**. 1,700 of those suppliers assessed improved their sustainability performance, resulting in a direct impact in the supply chain of all 23 member companies. These results reflect our belief: **An Audit / Assessment for ONE is an Audit / Assessment for ALL**. Regional activities were also strengthened as we welcomed our first Chinese member company: Wanhua Chemical Group Ltd. This marks the start of an exciting new journey in the region.

Close cooperation with our key partners, EcoVadis, Intertek, SGS, DQS Group, ERM has been essential to deliver on our mission and commitments, to learn and further evolve.

In May 2019, we elected a new Steering Committee that - together with all member companies - will lead TfS for the next two years. We are fully committed to capitalising on the tremendous experience, mindset and foundations TfS developed since 2011.

I look forward to announcing our strategic priorities for TfS 2020+ during the next TfS General Assembly in May 2020.

On behalf of the entire TfS community and Steering Committee, I would like to thank all our members, supporters and friends for their tremendous support. Let's engage together in a new decade of major importance and opportunities.

Sincerely,

Bertrand Conquéret

President Together for Sustainability

Highlights



TfS ASSESSMENTS Top 3 Countries

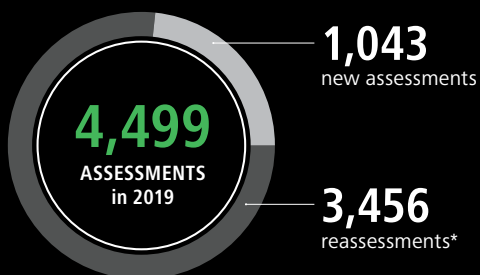
China	19%
Germany	16%
USA	13%

TfS AUDITS Top 3 Countries

China	42%
Germany	12%
Brazil	9%



Let's engage together
in a new decade of
major importance and
opportunities



* Including 302 re-used assessments from outside TfS

309 TfS Audits were
conducted and shared
across the TfS membership
base **in 2019**

One common industry vision

TfS - The concept

We live in unprecedented times where chemical industry stakeholders - consumers, society, government, investors, owners, employers - demand plans and solutions for a cleaner, healthier and better future.



A chemical company's operations, procurement included, have profound implications on issues such as **human rights**, child labor, and the **effects of climate change**.

Many chemical companies decided to build a sustainable company culture by integrating Board-approved sustainability goals into their core processes. For the chemical industry, supply chain practices are a major opportunity to improve a company's sustainability performance.

Hence the Together for Sustainability (TfS) concept. Created in 2011 by six leading chemical companies – BASF, Bayer, Evonik Industries, Henkel, Lanxess and Solvay – TfS delivers a groundbreaking framework for transparency in the environmental, social and governance performance of chemical industry supply chains. The TfS concept is based on strong partnerships and commitments of member companies, standardized processes to manage complexity, and a joint vision to improve sustainability practices in the supply chain.

Through cross-company cooperation, TfS develops and implements a global program to assess, audit and improve sustainability practices in the supply chains of the chemical industry. The TfS program creates synergies among its members so that resources can be used more efficiently.

TfS builds trust among the chemical industry's many stakeholders

Driven by the vision to build a better future, bold chemical industry leadership introduced the TfS concept to build trust between the chemical industry and its many stakeholders, including suppliers. "Trust" meaning that the chemical industry demonstrates transparency of, and responsibility and accountability for, its actions. "Trust" implies that the chemical industry is a credible and reliable partner and stakeholder in the joint and global societal quest for a better environment, higher standards for labor and human rights, higher ethical standards and sustainable procurement.



Sustainable supply chains - a strategic business differentiator for global chemical operations

TfS member companies believe that sustainable supply chains add real value to their business operations. They not only ensure a company's resilience, safeguarding a corporation's position as a competitive market player, but they also provide real opportunities for growth.

Therefore, TfS member companies put sustainability at the heart of their operations. It secures business continuity and compliance with current and future laws and regulations, anticipates and addresses stakeholders' concerns, and manages investors' expectations.

Responsible sourcing – the changing mindset

TfS is a vehicle to drive sustainability through a company's supply chains, ensuring that sustainability is an integral part of all processes and decisions, from dealing with suppliers to customer relations. TfS enables all member companies to, through dialogue, assess and develop their supplier base to drive impact along the value chain.

TfS provides the tools to assess the sustainability progress and achievements of chemical companies' suppliers and strives to work together on improvements. Sustainable, responsible sourcing becomes an integral part of TfS member companies' procurement and supply chain management processes.

Framework

Groundbreaking framework with robust tools.

The supplier landscape of the chemical industry is complex and diverse. **TfS developed a globally applicable and harmonized framework to create transparency on the sustainability performance of chemical companies and their suppliers;** a first step on the path to continuous improvement.



While driving sustainability through the chemical supply chain, the Tfs program creates efficiencies and leverages synergies between Tfs member companies and with their suppliers. One of the crucial aspects of Tfs is the sharing of results of supplier sustainability evaluations with all members. Done in agreement with the suppliers, this results in a reduction of customer requests to suppliers, lessening the bureaucratic burden and enabling a more efficient allocation of resources, with more time left to focus on actual improvements. Both Tfs members and their suppliers benefit as a result.

Tfs Assessments

A Tfs Assessment involves an evaluation of a supplier's corporate sustainability management approach and performance. A typical industry-specific Tfs Assessment is conducted via an online questionnaire. Documents are requested as proof of implementation and reviewed by specialized analysts. Tfs decided to implement a simple process based on international Corporate Social Responsibility (CSR) standards and to provide CSR experts' feedback to both members and suppliers.

To ensure a consistent and reliable supplier assessment approach, Tfs chose EcoVadis, a global leader for CSR assessments, as its partner and service provider. The Tfs Assessment results are consolidated on a dedicated scorecard that is accessible to both suppliers and Tfs Members on a web-based platform.

Each scorecard indicates strengths and improvement opportunities in four areas (environment, labor & human rights, ethics, sustainable procurement). This allows the supplier to prioritize their improvement actions and to decide on their individual Corrective Action Plan (CAP). There is also the possibility for both supplier and customer to communicate on progress on corrective actions.

Tfs Audits

A Tfs Audit is an on-site examination of a company's sustainability practices by an independent third-party auditor. The scope of a Tfs Audit typically covers a single or combined business location such as a production site or a warehouse. Within the Tfs Audit process, the supplier's sustainability performance is verified against a set of audit criteria on management, environment, health & safety, labor & human rights, and governance issues. The audit protocol has been defined by Tfs and is tailored to the requirements of the chemical industry.

Tfs Audits are not a certification scheme or a "pass or fail" exercise for suppliers; they are a starting point for a constructive dialogue between the supplier and the Tfs Member. The outcome of a Tfs Audit is a CAP through which the supplier can work on tangible improvements.

Footprint

TfS Assessments and TfS Audits cover an ever-increasing percentage of a chemical producer's supplier base.

This provides TfS members with deeper insights into the sustainability performance of their supplier base, as well as additional opportunities to adjust the sustainability performance of their own operations.

TfS creates transparency and responsibility

TfS has evaluated more than 14,000 suppliers globally according to sustainability criteria regarding environmental, health and safety, as well as social and ethical business conduct. By analyzing this information, TfS provides transparency on how a significant portion of the chemical industry supplier base is operating in terms of sustainability. With this transparency comes the responsibility to work with suppliers on a path of continuous improvement whilst also "raising the bar", both for suppliers and TfS members. TfS has therefore defined and implemented a set of ambitious KPIs to drive this change from transparency to positive impact.

TfS KPIs

The set of TfS KPIs for Assessments, implemented from January 2019, track three dimensions: 1. the number of valid assessments currently in the shared TfS pool, 2. the influx of new assessments being shared in the TfS pool, and crucially, 3. the percentage of suppliers who show improvements, as documented through re-assessment.

In line with their sustainability strategy and ambition, each TfS member company defines their own figures to contribute to the KPIs for TfS as a whole. The aggregation of each of these targets forms the global KPIs that TfS is working towards. The KPIs reflect the idea that whilst each TfS Member has its own individual strategy, the synergistic effect of their individual contributions at the TfS level is stronger and demonstrates the power of collaboration.

Like the Assessment KPIs, each TfS member company strives to complete a number of audits including follow-ups on the resulting corrective action plans with their suppliers, thus contributing to TfS overall Audit and follow up ambitions.

TfS continues to implement tools to create further transparency and continuous improvements with suppliers. The suppliers, through sharing their sustainability results of either TfS Audits or Assessments, build the foundation for TfS to enable a dialogue on improvements between customers and their suppliers. Many suppliers have demonstrated sustainability improvements after an evaluation through the TfS program.

TfS Assessments & TfS Audits - regional representation

TfS member companies prioritise those suppliers who represent the highest sustainability risk for a TfS Assessment or TfS Audit.

TfS Assessments Top 3 Countries

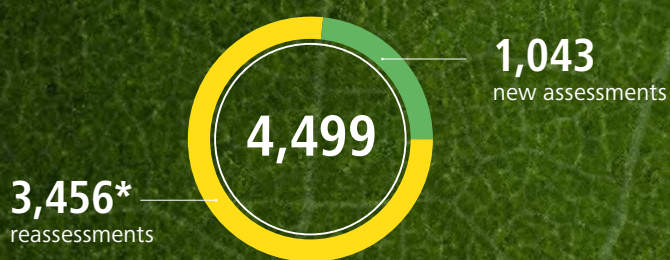
China 19%
Germany 16%
USA 13%

TfS Audits Top 3 Countries

China 42%
Germany 12%
Brazil 9%

Activity in 2019

TfS Assessments conducted and shared across the TfS membership base



* Including 302 re-used assessments from outside TfS

TfS Audits conducted and shared across the TfS membership base



TfS Pool as of 31/12/2019

TfS Assessments actively managed by TfS members

9,434**

** Includes all score cards not older than 3 years

TfS Audits actively managed by TfS members

533

Supplier improvements documented in TfS Assessment or TfS Audit follow-up or re-audit

2019

1,700

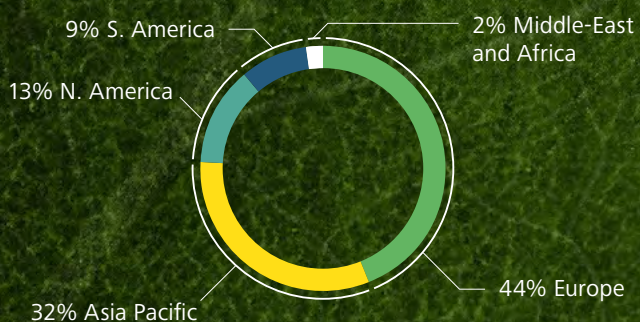
TfS Assessments

2017 - 2019

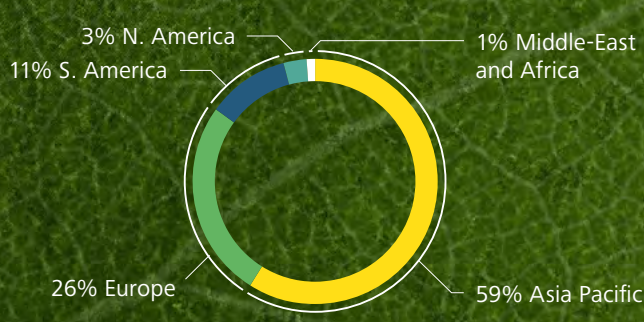
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TfS Audits

TfS Assessments per region 2019



TfS Audits per region 2019



Global Growth

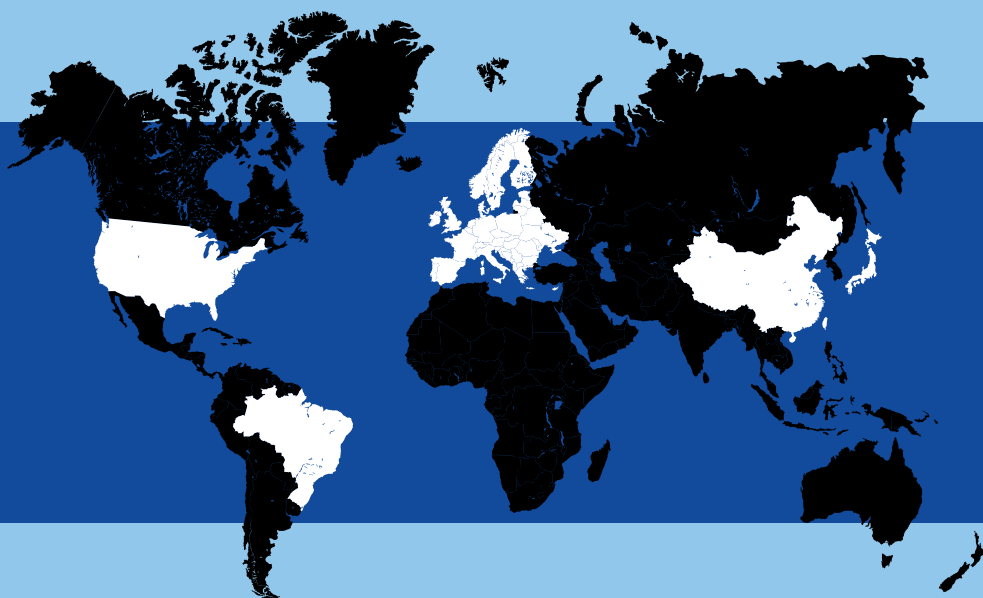
Global integration of chemical supply chains requires a global approach. **TfS is on an expansion course**, extending its strategic and geographic reach. In 2019, TfS increased its value to members by expanding its activities in Asia, North and South America.

To implement this global growth strategy, TfS put a suitable structure in place. Through the development of strategic partnerships and the creation of a network of regional TfS teams in China, Japan, the North and South American regions, global chemical supply chains will become more sustainable and this to the benefit of the TfS members as well as their many supplier companies.

The activities of TfS regional teams enable the development of region-specific topics; a close link to the global Work Streams ensures that TfS progresses towards its global targets.

The global standard for sustainable chemical supply chains

The vast and ever-growing global pool of suppliers that have successfully participated in a TfS Assessment or TfS Audit demonstrates the global applicability and usefulness of the program. TfS is confident that it will grow into the global standard for chemical supply chains.



Strategic partnerships with regional chemical associations

TfS strengthens and fosters strategic partnerships with regional chemical associations to jointly improve sustainability in chemical supply chains.

From the start, TfS has been a partner company of CEFIC (European Chemical Industry Council) and cooperates with VCI (German Chemistry Council).

China plays an important role as a sourcing region for global chemical manufacturers and is the largest chemical market. To further expand its activities in China, TfS is intensifying its relationship with CPCIF (China Petroleum and Chemistry Industry Federation). Through a cooperation agreement, TfS and CPCIF work together to raise awareness and promote TfS in China. This includes encouraging suppliers to participate in the TfS program, organising annual joint supplier training and participating in conferences.

Wanhua – first TfS member company in China

The TfS China team and CPCIF jointly promote TfS membership to potentially interested Chinese chemical companies. In 2019, TfS proudly welcomed Wanhua Chemical Group Ltd as the first Chinese TfS member company. Wanhua has grown into a crucial partner to raise awareness of the TfS concept with Chinese chemical suppliers and potential TfS member companies.



Path Forward

2020 brings with it a newly defined strategy for TfS, transitioning from the previous workplan covering the years 2016-2020.

The strategy beyond 2020 aims to **enhance and develop TfS' core strengths**, ensuring we continue to thrive as a strong, collaborative initiative with a shared vision: that of improving sustainability across chemical industry supply chains.

The focus of the strategy is therefore on the core pillars that characterize TfS' main features. The first pillar places emphasis on ensuring that TfS is recognized as a strong group of leading companies where collaboration is key: the community aspect of TfS will be developed further. The second pillar focuses on helping achieve full value and transparency from the sustainability data accessible to TfS, and how digital technologies can support this.

The third pillar seeks to maximize the level of collaborative action to be achieved by TfS, towards the delivery of tangible impact. This means, for example, working on supplier development opportunities that are not only targeted and relevant, but that also consider emerging trends. Lastly, the work plan identified that a strategic extension into a vital market – Asia – will be crucial for the ongoing success of TfS.

The strategy was developed by gathering extensive input through interviews of the TfS members; Chief Procurement Officers (CPO)s and members of the TfS Work Streams as well as TfS Regional Teams contributed their views. In addition, stakeholders of TfS were interviewed. TfS aims to shape a vision that is actively supported by and is representative of all the members of TfS.

A strategic extension into a vital market – Asia – will be key for TfS' ongoing success



Sustainable procurement seeks to combine the least environmental impact and most positive social results.

TfS Aspirations

1

TFS IS RECOGNIZED AS A STRONG GROUP OF LEADING COMPANIES WHERE COLLABORATION IS KEY

2

HELPING ACHIEVE FULL VALUE AND TRANSPARENCY FROM THE SUSTAINABILITY DATA ACCESSIBLE TO TFS, AND HOW DIGITAL TECHNOLOGIES CAN SUPPORT THIS

3

MAXIMIZE THE LEVEL OF COLLABORATIVE ACTION TO BE ACHIEVED BY TFS, TOWARDS THE DELIVERY OF TANGIBLE IMPACT.

Community – Tfs: A Member-Driven Organisation

A peer-to-peer network

TfS is a network of chemical business leaders in Europe, China, Japan, North and South America. TfS member companies are united by a strong belief in the power of collaboration. As a member-driven organisation, the contribution of TfS member companies and their combined resources make a real difference and drive the TfS concept forward. TfS functions as a peer-to-peer network, a platform for Chief Procurement Officers of global chemical companies to meet, share ideas, exchange best practice, learn from and get inspired by peers; but also to take concrete action. TfS strictly adheres to anti-trust and related laws and is assessed by an external law firm every second year (most recently in 2019).

The TfS member companies shape the future of the chemical industry together.

TfS Work Streams

The work within TfS is driven by 4 TfS Work Streams. Each TfS Work Stream takes responsibility for developing and managing different projects and aspects of the TfS initiative, and is composed of staff from various member companies, making this a truly member-driven initiative. TfS Work Streams also submit proposals to the TfS Steering Committee for ongoing projects. Active participation from the TfS members is crucial for the success of the initiative.

The TfS General Assembly meeting in Amsterdam, 23 May 2019.



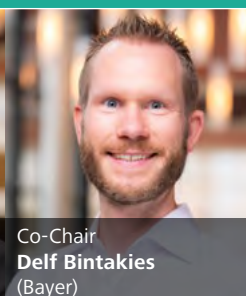
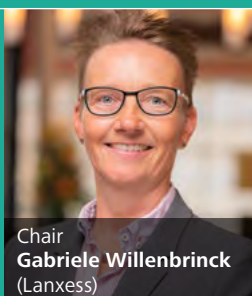
Global Work Streams

WORK STREAM 1

GOVERNANCE AND PARTNERSHIPS

Areas of responsibility:

- Definition of governance structure of the initiative
- Coordination Tfs external partnerships

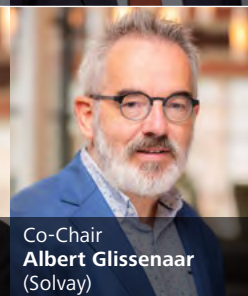
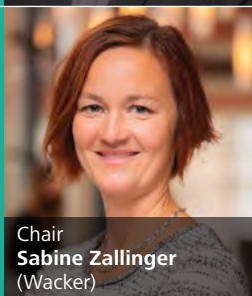


WORK STREAM 2

TFS ASSESSMENTS

Areas of responsibility:

- Development of assessments
- Management of the relationship with service provider EcoVadis



WORK STREAM 3

TFS AUDITS

Areas of responsibility:

- Tfs Audit program and process
- Management of audit companies, together with Tfs office

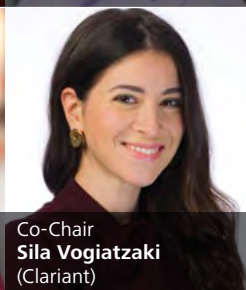
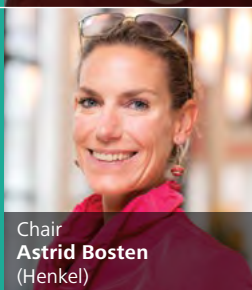


WORK STREAM 4

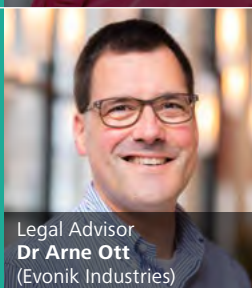
TFS COMMUNICATIONS AND SUPPLIER ENGAGEMENT

Areas of responsibility:

- Internal and external communications
- Activities relating to engaging suppliers, such as the development of the supplier academy and the organization of events



LEGAL ADVISOR



TfS Regional Operating Committees

TfS NORAM

Chair: **Rachel Sheridan** (Evonik)
Cross work stream responsibilities



TfS LATAM

Chair: **Sheila Tazinazzo** (Clariant)
Cross work stream responsibilities



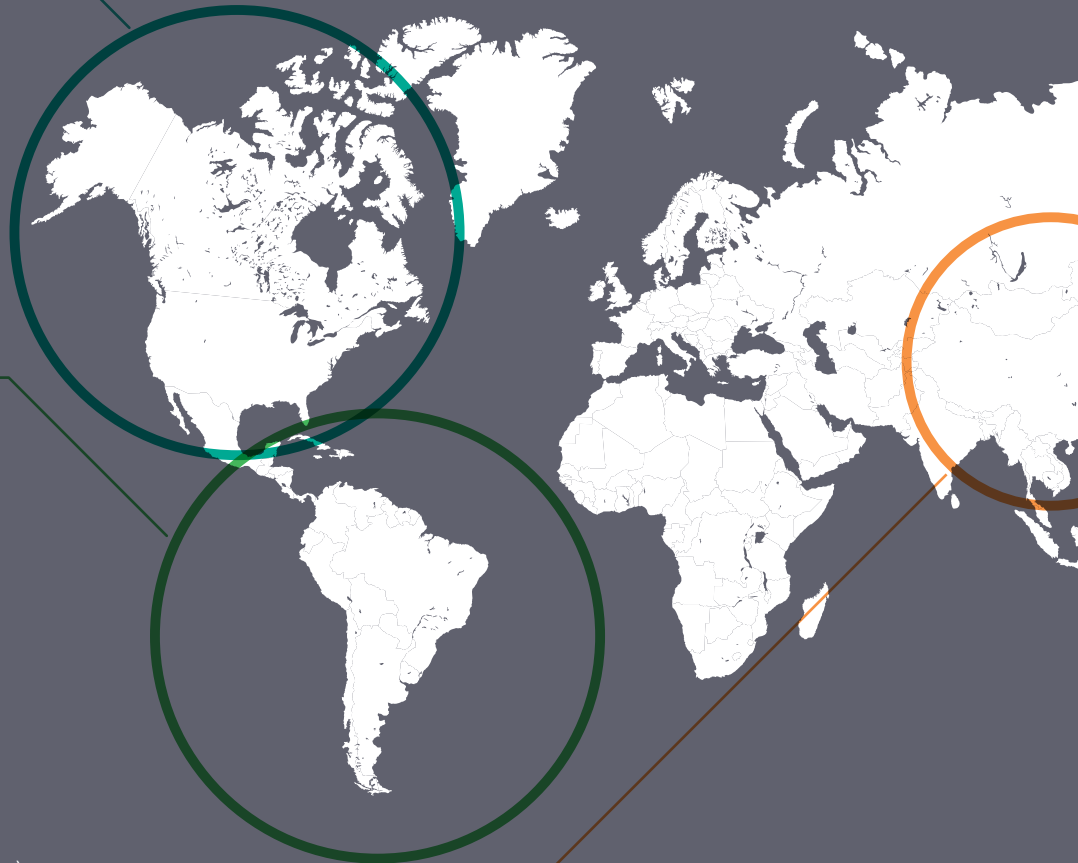
TfS APAC

Head TfS Regional Operating
Committee Asia: **Cheng Xu** (Lanxess)
Cross work stream responsibilities



TfS JAPAN

The TfS Japan team was established in 2019. Their organizational structure will be set up early 2020.



TfS Office

The members of the TfS office – the General Manager and three Managers – support and drive the activities of the TfS Work Streams, prepare and facilitate the General Assembly and Steering Committee meetings of TfS and prepare and manage the approved budget.

The TfS General Manager assumes the day-to-day leadership of the TfS organization and manages the TfS office. The TfS Managers work on TfS tasks related to their area of expertise in or across Work Streams.

As TfS is growing into a global initiative, the TfS office has been reinforced by a full time Communications Manager. This move underscores the growing importance of communications and buyer and supplier engagement within the TfS organization.

The TfS office now counts 4 employees:



Dr Gabriele Unger
General Manager



Micol Tomassini Barbarossa
Manager



Maria De Rycke
Communications Manager



Marina Vese
Manager

Outreach

Communication activities



LinkedIn

TfS LinkedIn with weekly updates is driving the TfS community forward.

Press

A snapshot of a series of articles published in various publications:



Left to right: CheManager, September 2019, UmweltMagazin, September 2019, Chimie Magazine, October 2019



Videos

In 2019 TfS released a series of videos for various purposes:

Why TfS/Join TfS

This engaging video **tells the entire TfS story** and should motivate companies to become member of TfS.

In the video, the TfS President, CPOs of TfS member companies and the TfS General Manager explain how TfS member companies share one industry vision, as well as the benefits of the TfS program for suppliers.

TfS Explained

This video is for those who **seek to learn about** or **refresh their basic knowledge of TfS**.

The video explains the “why” of TfS and how TfS functions and includes a call to join the TfS membership. In an engaging way, TfS’s General Manager Gabi Unger speaks about the TfS initiative, its purpose, TfS Assessments and the TfS Audit process, achievements and results, supplier sustainability improvement, and the way forward for TfS.

TfS in Action

This video recognizes the **great contribution of all those individuals active in the Work Streams** and should motivate others to join in.

TfS in Action is a fun video filmed around the 2019 TfS Annual Workshop. Highlighting the different TfS focus areas, the video features the TfS Coordinators, Work Stream Chairs, Co-Chairs and members discussing, listening to presentations, debating and ... having fun. This TfS in Action video reflects the enthusiasm, commitment, drive and team spirit of all those people from TfS member companies and the TfS organisation.

Outreach

Supplier engagement



Improving sustainability performance within the supply chains of the chemical industry is at the core of TfS. To empower TfS suppliers, we offer a wide range of information and capability-building opportunities within the TfS Supplier Academy including eLearning, webinars, best-practice examples, brochure, fact sheets and face-to-face trainings. Furthermore, TfS expanded its capability offering by collaborating with 2degrees, a UK-based digital platform provider who aims to enable businesses to take measurable actions to deliver real sustainability progress through collaboration and technology.

TfS Supplier Academy

The **TfS Supplier Academy** is an information and knowledge environment on the TfS website that offers a spectrum of different learning and capability building opportunities for suppliers and other interested parties. These range from eLearning, to fact sheets, brochure, good practice examples and detailed FAQs about the TfS program, TfS Assessments and TfS Audits.

Four eLearning modules about the TfS program

In four different eLearnings, suppliers and other interested parties can get a comprehensive overview about the TfS program and its respective elements. In module 1 "**Sustainable Supply Chains**", TfS introduces the concept of sustainable supply chains in the chemical industry and the framework in which TfS is embedded. Module 2, "**Introduction TfS**", the initiative and its overarching program is introduced to the audience, while the modules 3 "**TfS Assessments**" and 4 "**TfS Audits**" provide detailed information about the respective process related to the one or other TfS evaluation element.



Supplier Sustainability Spotlight

Brochure & Fact Sheets

While the brochure **“Health & Safety at the Workplace”** mainly addresses workers in a production site and gives practical guidance on how to prevent accidents and to prepare for emergency situations, the five fact sheets provide support and serve as reference guides for minimum requirements in different Health & Safety focus topics mainly addressing the management level of manufacturer sites. These five fact sheets cover the focus topics **“Emergency Response”**, **“Fire & Evacuation Safety”**, **“Chemical Safety”**, **“Worker Protection”** and **“First Aid”**. The brochure as well as the fact sheets are downloadable on the TfS website.



Webinars and face-to-face training help deliver sustainability progress through collaboration and technology.



TfS Assessment Webinar

In 2019, TfS organized a webinar for Chinese suppliers who participated in a TfS Assessment and showed areas for improvement. The objective of the webinar was to train suppliers how to improve their sustainability score. The interactive webinar focused on CSR issues and was attended by more than 200 participants. TfS will continue to offer these webinars in 2020.

Capability Building with Manufacturer 2030 (M2030) bee

Aiming at extending the supplier development portfolio, TfS started to collaborate with 2degrees, a UK- based digital platform provider who enable businesses to take measurable actions to deliver sustainability progress through collaboration and technology. In 2019, TfS introduced 2degrees' knowledge and collaboration platform "**Manufacturer 2030 (M2030) bee**". M2030 bee is a simple, web-based tool that helps TfS suppliers to tap into industry-leading support, benefitting from knowledge and resources to continuously improve their environmental performance in conformity with the TfS Assessment and TfS Audit requirements. The platform provides access to knowledge in the form of hundreds of actions, tips, case studies, and expert advice – all validated by practitioners and industry experts. In 2019, 25 users from six companies tested the platform. TfS will evaluate the pilot phase in 2020.

Face-to-Face training

On May 22, 2019, during the 11th Achema Asia International Expo in Shanghai, the TfS China team invited for the fourth time more than 300 chemical industry suppliers and representatives of TfS member companies to participate in a TfS Supplier Training event. The three-hour training contained detailed information about TfS, TfS Audits and TfS Assessments, as well as a best practice example of TfS' first Chinese member company, Wanhua Chemical Group, who shared their journey from participating in a TfS Audit to actively joining the TfS initiative in early 2019. The purpose of these regular face-to-face workshops is to provide information and knowledge as well as to share the TfS mission to improve the sustainability performance in the supply chains of the chemical industry. Topics of interest also include how suppliers can deal with the increasingly challenging international environment, policy orientation, how to make effective pre-judgment of risks, and continuous follow-up and improvements to enterprise management and cooperation with industry partners.

Join Tfs



Membership Benefits

Transparency and improvement/ advancement

- Receive valuable information about your positioning in all aspects of sustainability
- Benchmark supplier performance globally and across commodity / categories
- Identify sustainability improvement opportunities, both for member companies and their suppliers
- Showcase your results to other customers beyond Tfs
- Minimize risks associated with sustainability requirements

Quality

- Improved quality of assessment and audit execution as well as follow up on results

Efficiency

- Achieve efficiency through sharing audit and assessment results with many customers at once
- Save time and resources by avoiding multiple requests

Business opportunities

- Strengthen long term customer relationships
- Develop business opportunities as a respected company

Network and learning opportunities

- Best practice and knowledge-sharing within a network of leading companies in terms of supply chain sustainability
- Being part of the Tfs General Assembly allows members to contribute to the strategic agenda of the Association

Tfs Governance

Tfs is an international, non-profit association under Belgian law.

Tfs General Assembly

The highest decision-making body of Tfs is composed of one CPO representative per member company who holds the voting rights in the association.

Every two years, the Tfs General Assembly elects the Tfs President and Tfs Steering Committee. The results of the 2019 elections are mentioned opposite.

TfS Steering Committee

In 2019 after 4 years of TfS leadership, Rüdiger Eberhard of Evonik handed the baton of the TfS Presidency to **Bertrand Conquéret** of Henkel.

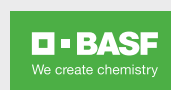


The Steering Committee is the executive body of the association.

TfS membership

TfS is steadily growing. On 31 December 2019, the TfS counts **23 member companies**.

























€ 399
billion

Global turnover of TFS companies
in the chemical industry¹

€ 266
billion

Global spend of TFS companies
in the chemical industry²

1 According to companies published financial reports
2 Estimated figures

tfs-initiative.com

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