



Supply Chain ESG Solution Sets New Standard for Working Capital Optimization



Adam Smith Awards Winner - Best Supply Chain Finance Solution

Many sustainability frameworks, commitments and goals are made; few are realized. Bridgestone's Europe, Middle East, India and Africa (EMIA) operations and J.P. Morgan partnership is a rare example of an initiative which has delivered beyond plans and promises to become a successful, scalable scheme delivering tangible ESG results.

Introduction

Bridgestone EMIA is one of the world's largest tire manufacturers and continues to grow, evolving from a tire manufacturer to a multifaceted provider of mobility solutions, and required an innovative trade finance and Environment, Social, and Governance (ESG) solutions that can meet its ambitions.

The challenge

As part of their growth Bridgestone EMIA has developed a highly ambitious ESG and sustainability agenda and expects to achieve more than merely meeting standard KPIs. They wanted a supply chain finance program where sustainability was placed front and center - not just as an ancillary benefit - but as an integral driver of the product.

The Supply Chain Finance ESG solution also had to empower all suppliers - from the largest to the smallest - to be able to accelerate their own ESG progress and strengthen their relationship with Bridgestone EMIA. Building strong, sustainable and collaborative relationships with suppliers was imperative to supporting and cultivating partnerships that drive value.

J.P. Morgan was tasked with creating a bespoke, first of its kind supply chain finance program that provided ESG improvements at every level of the company's supply chain and delivered measurable long-term results.



Optimizing Cash Flow and Working Capital

As a global enterprise with a complex cross-border supply chain, Bridgestone EMIA seeks to streamline cross-border payments and fund their operations more efficiently.



Advancing Environmental, Social and Governance Priorities

Measuring and assessing sustainability and societal impact is a key Bridgestone EMIA priority and one they seek to advance by digitizing their supply chain.



Increasing Visibility and Process Enhancement

With suppliers by leveraging the Taulia platform to provide suppliers with enhanced visibility and communication related to invoices in the pipeline



TREASURY AND PAYMENTS

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The solution

Together Bridgestone EMIA, J.P. Morgan and Taulia created and delivered a collaborative, global and accessible state-of-the-art supply chain finance solution - with positive social and environmental change acting as the engine and the inspiration for their sustainability efforts.

As consolidating partner, J.P. Morgan together with Taulia developed and delivered the program in under six months, with the first supplier going live on the program on December 31, 2020. The unique four-party collaboration between EcoVadis (the third-party ESG ratings agency), J.P. Morgan, Taulia and Bridgestone EMIA was explicitly designed to be replicable for other companies who wish to achieve similar levels of supply chain efficacy and sustainability transparency in the future.

The innovative solution was the J.P. Morgan and Bridgestone EMIA Sustainable Supply Chain Finance (SSCF) program, which utilizes ESG-linked pricing to provide preferential discounts to suppliers who can demonstrate high ESG ratings via global sustainability rating platform EcoVadis.

An easy on-boarding process was essential, as Bridgestone EMIA wanted to extend the solution not only to direct material suppliers, but the middle and smaller suppliers. Technology provider Taulia was chosen to provide its market-leading platform and software that made it simple to capture, access and onboard suppliers and quickly integrate them into the program. It takes just 90 seconds for a supplier to register and join the platform.

“While we were driving the discussion on sustainability, I felt that all of the big banks were, in fact, capable of delivering what we required on the sustainability side. Even though none of them had done something quite like this before they all were more than keen to do it, given the obvious scalability of the approach.”

- Julle Pedersen, Treasury Director for Europe, the Middle East, India and Africa (EMIA), Bridgestone

Bringing EcoVadis into the collaboration was essential. The inclusion of an external ratings agency is an integral part of the system. Bridgestone EMIA wanted to remove subjectivity from ESG rating calculations; by shifting away from internal KPIs or metrics to a proven and reliable third-party ratings methodology, far higher levels of transparency and objectivity are achieved.



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Moreover, Bridgestone EMIA has been using EcoVadis ratings and scorecards for its sustainable procurement program since 2018, to monitor environmental, social and ethical performance, identify and evaluate qualified suppliers, and promote best practices. Having a common rating standard greatly simplifies the process for suppliers, and aligns internal functions.

Furthermore, many small and medium-sized companies do not have the time, knowledge and resources to implement effective ESG solutions. Bridgestone EMIA's collaboration with EcoVadis equips even the smallest of suppliers with market leading external ESG benchmarking and advice. This approach of 'bringing everyone into the fold' makes for a flexible, comprehensive and egalitarian supply chain financing model.

The Results

The main objective of supply chain finance is to provide access to working capital when it is needed. Thanks to this program, Bridgestone EMIA is giving suppliers access to early payments at far more attractive rates as compared to more expensive borrowing lines they commonly use.

A key benefit of this program is the long-term, sustained drive towards ESG improvements it provides. The program features a tiered pricing methodology, linked to the supplier's ESG scorecard. This methodology is structured in a way to incentivize suppliers to continue improving their rating on a year-on-year basis.

The use of EcoVadis' scorecard system, which measures and charts the actions businesses are taking towards operating in a more socially responsible manner, means Bridgestone EMIA and its suppliers now have quantifiable, external evidence of their ESG standing. They are now empowered with the ability to measure progress against themes including the environment, human rights, labor and sustainable procurement. The Sustainable Supply Chain Finance program was a natural way for suppliers to improve sustainability and to work together with Bridgestone EMIA to achieve their collective ESG goals.

Supplier engagement in the program has been high, with suppliers from India, the US and Europe participating. The program is already provoking widespread inspiration and discussion, featuring in a [January 2021 Euromoney article](#) as one of the only major sustainable supply-chain finance solutions in the world.



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