



THE SUSTAINABILITY PLAYBOOK

LEVERAGE YOUR SUPPLY CHAIN PARTNERS TO ACHIEVE YOUR ESG TARGETS AND CREATE VALUE

DHL Supply Chain



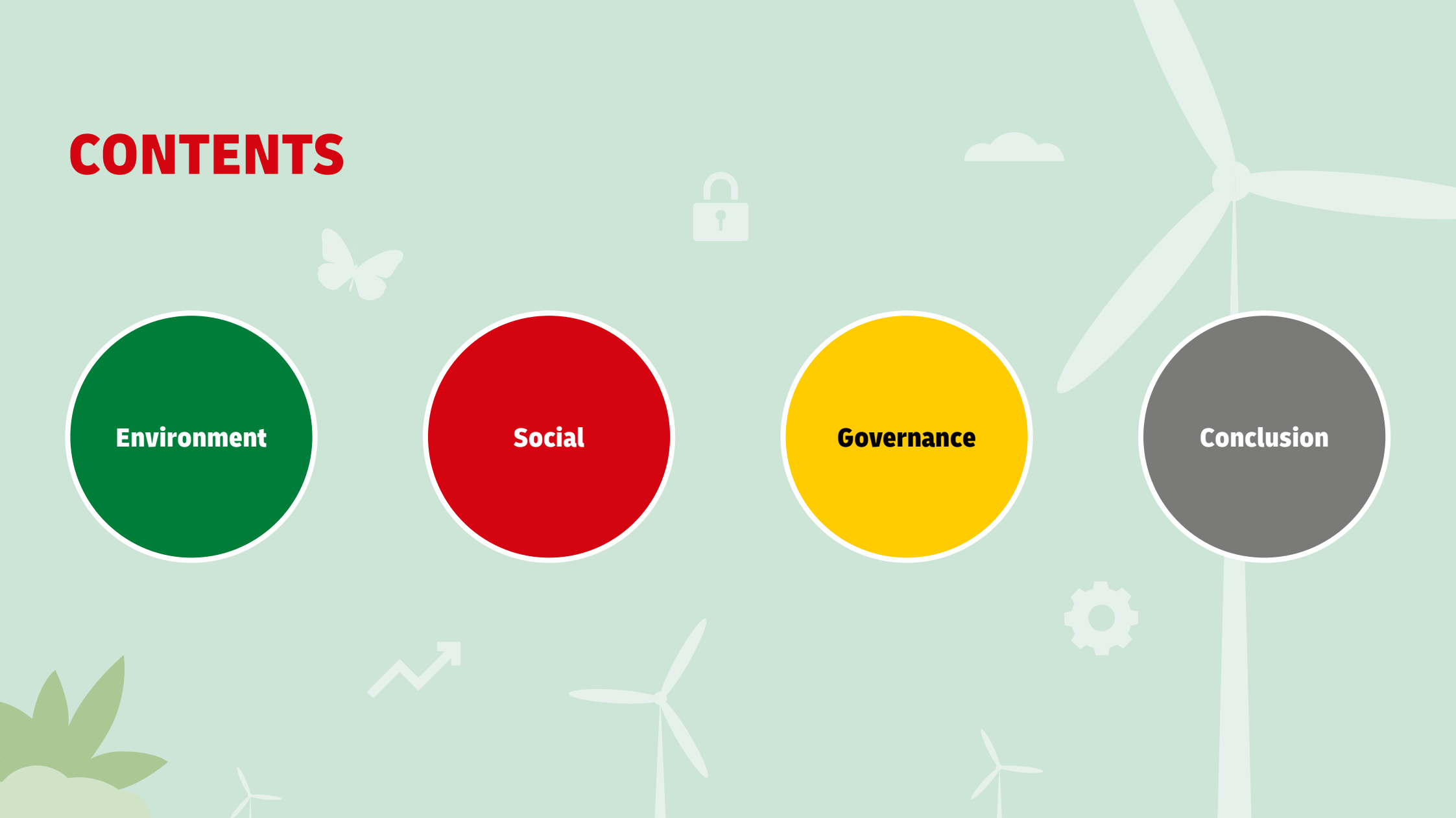
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INTRODUCTION

Gone are the days when sustainability was just a beautifully crafted statement on the corporate website. The thriving business of the future must **respond to profit, people, and planet imperatives**, expanding beyond accountability to shareholders to a broader stakeholder obligation. And more than ever, stakeholders demand demonstrable action. Consumers hold organizations accountable for their end-to-end operations and increasingly make their decision on which brand to choose based on how well the company can demonstrate its commitment to responsible business practices that contribute to communities and positively impact the environment. Those brands inevitably look to their supply chains to ensure their business models demonstrate sustainability and social responsibility.

A sustainability strategy with concrete Environmental, Social, and Governance (ESG) targets represents enormous commercial value for an organization. It enables it to attract and retain the best talent, generate investor interest, manage supply chain risk, ensure operational continuity, and create customer loyalty. More than two-thirds of McKinsey's Global Survey respondents say their organizations have achieved broad impact from their ESG efforts in the past three years, and 43 percent report that their organizations have captured financial value from their ESG investments over that span.¹

Tackling sustainability challenges requires an **ecosystem of players along the supply chain** that work together to mutually achieve ESG targets. In this playbook, we provide you with a guide to **leveraging partners to achieve these goals**. We look at each ESG pillar and how you can assess potential partners' ability to support your sustainability strategy.



¹<https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/esg-momentum-seven-reported-traits-that-set-organizations-apart>



ENVIRONMENT

The Environmental pillar has been where supply chains have long concentrated their focus for obvious reasons. Eight supply chains – food, construction, fashion, fastmoving consumer goods, electronics, automotive, professional services and freight – account for more than **50%** of global emissions.² Climate action has been the traditional standard to measure a company’s sustainability success story.

Environmental responsibility is at the forefront for businesses today, no longer an optional business strategy but a clear component of an organization’s success. Across industries, geographies, and company sizes, organizations have been allocating more resources toward improving ESG, with more than 90 percent of S&P 500 companies now publishing ESG reports in some form, as do approximately 70 percent of Russell 1000 companies.³ The Science Based Targets initiative (SBTi) reports companies with committed SBTi targets have collectively reduced Scope 1, 2 (direct) and 3 (indirect) emissions by 29% between 2015 and 2020.⁴ And in 2022, more than 18,600 companies around the world disclosed climate change data through CDP in 2022 – a 42% increase on 2021.⁵

Responsible consumption also drives more organizations to strengthen sustainability within their businesses, even through economic recession and crisis. While 51 percent of consumers say cost of living increases have made environmentally sustainable and socially responsible decisions more difficult in the last 12 months, roughly 6 in 10 say at least half of their purchases were branded environmentally sustainable or socially responsible in the same timeframe – and nearly half have paid a price premium for environmentally sustainable or socially responsible products in the last year.⁶ Sustainability is the right thing to do and a crucial factor in staying in business.

²<https://www.weforum.org/reports/net-zero-challenge-the-supply-chain-opportunity>

³<https://www.mckinsey.com/capabilities/sustainability/our-insights/does-esg-really-matter-and-why>

⁴<https://sciencebasedtargets.org/reports/sbti-progress-report-2021>

⁵<https://www.cdp.net/en/research/global-reports/scoping-out-tracking-nature-across-the-supply-chain>

⁶<https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/esg-data-conundrum>

⁷<https://www.mckinsey.com/capabilities/sustainability/our-insights/scaling-green-businesses-next-moves-for-leaders>

⁸<https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/sustainable-operations-consumer-products>

Consumers are driving the future of sustainability



Nearly **50%** of consumers have paid a price premium for environmentally sustainable or socially responsible products in the last year.⁶



Net-zero offering could generate up to **USD 12 trillion** in annual sales by 2030 across various sectors.⁷



62% of consumers say they’re willing to change their purchasing habits to reduce environmental impact.⁸





“Consumers today are wiser and more educated than ever when it comes to making purchasing decisions. They want to know everything about the product they’re buying, from the carbon footprint to whether it’s been tested on animals. This shift in consumer behavior is driving organizations to take real, tangible initiatives and invest in sustainability. Many businesses, including some of our customers, are taking bold action by making investments with a longer term gain they might not immediately see.”

Amanda Williamson,
Global GoGreen Program Office Manager, DHL Supply Chain



HOW TO LEVERAGE YOUR PARTNERS TO ACHIEVE ENVIRONMENTAL TARGETS

Collaboration with a network of trusted partners along your supply chain will help bridge the gap between your sustainability plans and demonstrable action. The right partners will enable you to optimize your environmental impact jointly. But how do you know if your partners can help you achieve this? Here are a few points to consider:

1. How does your potential partner demonstrate their environmental commitment?

Most organizations will have decarbonization targets over the next 20 to 50 years, some of these may include committed and validated targets by SBTi. But how are they tackling climate action right now and what have they already achieved? Look at how they source raw materials, curb emissions during manufacturing, and their transport and packaging solutions that reduce or eliminate waste. The best place to look for evidence of environmental commitment is to find out how they've helped other customers achieve their environmental targets. And beyond assisting specific customers, look for how they scaled those best practices across multiple customers. One example could be a successful zero waste to landfill program implemented on one site and the subsequent roll-out to more locations.

2. How much of your potential partner's standard business offering is already environmentally responsible?

It's no secret that environmentally responsible solutions will require investment, and you're probably ready to have the conversation about cost. Look for how much of their existing standard offering is already environmentally friendly. For example, a potential logistics service provider could already have carbon-reduced fleets or energy-efficient warehousing as part of their standard solution portfolio. That way, your investment discussions can shift into more forward looking initiatives that could help you accelerate reaching your targets in other areas.

3. How can you work together with your potential partner for a greener future?

The right partner will be ready to foster a collaborative environment and help you grow your environmental commitment at the right place and the right time. Look for partners who already invest in innovative long-term solutions to tackle environmental challenges and how they enable their customers to roll these out over time. The expertise of the right partner will help you leverage these technologies where they will make the most commercially viable sense. For example, your provider could help you optimize your packaging equipment to be more energy efficient in the first year and help you transition into alternative packaging materials that reduce or eliminate the use of plastics completely.

4. How does your potential partner's organizational culture support environmental priorities?

The success of any sustainability strategy will be driven mainly by the organizational culture. Are workers in your potential partner's operations knowledgeable about, empowered to act on, and committed to sustainability? Is top management creating awareness and providing the tools to foster an environmentally responsible organization? Environmental awareness communication and training are crucial elements to ensure your partner can deliver on its sustainability promise internally and help you achieve your targets jointly.



“In the new era of sustainable logistics, the need for businesses to address their environmental sustainability strategy is greater than ever before. For our customers – many of them with science-based targets, just like the DHL Group – achieving decarbonization targets along their supply chains requires working with trusted partners who can provide sustainable logistics solutions, stay ahead of regulatory requirements, deliver competitive advantage and create value.”

Jakob Wegenast,
Head of Global GoGreen, DHL Supply Chain



SOCIAL

People are at the core of a successful supply chain, from the employees who contribute to everyday operations to the communities that are impacted along the way. The Social pillar is vital to enable the purposeful work experiences current and prospective employees value, particularly among the younger generations. Gen Z, which will comprise 27 percent of the workforce by 2025, cares greatly about work-life balance, diversity, equity and inclusion and representative leadership.⁹ In fact, one Manpower Group report shows 68 percent of Gen Z workers are unsatisfied with their organization’s progress in creating a diverse and inclusive work environment, and 56 percent would not accept a role without diverse leadership.¹⁰

Gen Z may be driving the trend towards more inclusive, safe and fulfilling workplaces, but these needs are intergenerational. A global 2022 Deloitte report showed that 64 percent of workers would be more attracted to and remain at an organization that creates value not just for shareholders but for workers as human beings and the greater society.¹¹ Workers are also increasingly seeking fulfillment through skills development, particularly as technology advances and job profiles require more complex problem-solving. The World Economic Forum estimates that 44 percent of workers’ core skills are expected to change in the next five years,¹² thus, organizations that succeed at an effective skills-based approach to workforce management will drive greater value.

These elements that lead to employee satisfaction correlate positively to employer branding and financial return. Organizations that manage their workforce through a skills-based approach are 98 percent more likely to retain high performers and have a reputation as a great place to grow and develop and 52 percent more likely to be innovative.¹³ Ethnically diverse companies and gender diverse companies are 36% and 25% more likely to financially outperform (from a total return to shareholders perspective) organizations that are of average diversity in their industry.¹⁴

⁹<https://www.weforum.org/agenda/2022/05/gen-z-don-t-want-to-work-for-you-here-s-how-to-change-their-mind>
¹⁰<https://workforce-resources.manpowergroup.com/home/the-new-human-age>
¹¹<https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html#advancing-the-human>
¹²<https://www.weforum.org/reports/the-future-of-jobs-report-2023>
¹³<https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html#navigating-the-end>
¹⁴<https://www.weforum.org/reports/global-parity-alliance-diversity-equity-and-inclusion-lighthouses-2023>

The future of work is sustainable



64% of workers would be more attracted to and remain at an organization that creates value not just for shareholders, but for workers as human beings and greater society as well.¹¹



Organizations are **107%** more likely to place talent effectively when using a skills-based approach to workforce development.¹³



Gender diverse companies are **25%** more likely to financially outperform organizations that are of average diversity in their industry.¹⁴





“Companies with employees that feel a high sense of belonging at work will be more motivated, contribute more and be comfortable being themselves. This results in better performance, lower turnover, greater service quality and therefore happier customers. As a company powered by people, diversity, equity, inclusion and belonging go to the heart of everything we do at DHL Supply Chain.”

Roxi Corp,
Global Head of DEIB, DHL Supply Chain





HOW TO LEVERAGE YOUR PARTNERS TO ACHIEVE SOCIAL TARGETS

People are the engine that keeps the business running. The right partners keep employees engaged and motivated, protect their health and safety and ensure continuity of service. But how do you know if your partners create this environment for their people? Here are a few things to consider:

1. How does your potential partner's workforce represent the communities in which it operates?

Look at how your potential partner approaches attracting and retaining talent. Are their practices fostering diversity and inclusion and ensuring a level playing field for all? Look for recruitment practices that consider the diversity of gender, race, disability, sexual orientation and identity at all levels of the organization, from top management to front-line workers. A few examples include some organizations working with partners to boost the employability of military veterans or individuals with disabilities. Others coach youth from underprivileged communities to integrate successfully into the job market. Some organizations actively engage with their current minority employees to bring more representation into the workplace.

2. How does your potential partner show commitment towards the health, safety and overall wellbeing of its employees?

Beyond compliance to applicable health and safety regulations, look at how your partner empowers people with the processes and tools to ensure workplace wellbeing. These tools include workplace risk assessments, regularly instructing employees on potential risks and hazards, implementing preventive measures to protect employees, external workers and others from injury, and regular safety training. As part of a more comprehensive approach to health and safety, look at how your potential partner focuses on mental health and providing a healthy lifestyle for its employees.

3. How does your potential partner ensure human rights across the supply chain?

How does your partner tackle issues related to child and forced labor, freedom of association and collective bargaining, working conditions and data privacy? The right partner will provide you with the confidence that its end-to-end supply chain is robust and ethical. Your partner should train its people to address potential human rights issues and performs the necessary due diligence in all locations where it operate.

4. How does your potential partner develop its people?

Diverse opportunities for career development and advancement are some of the best ways to show your potential partners' commitment and strength in the social pillar of sustainability. Look for training programs and certifications that focus on specific functional skills as well as those that develop leadership attributes. Worth noticing is how the organization approaches coaching and mentoring, its incentives to reward good performance and upskilling the workforce with the rise of digitalization and automation in the workplace. How many of these opportunities are available to front-line employees vs. higher levels of the organization?





“The future of work offers exciting opportunities for talent management in the workplace. As people increasingly work alongside digital technologies to help them do their work better, safer and more efficiently, so do the organizational needs to attract and recruit people with new skills. It also means upskilling the existing workforce on these new ways of working and creating more fulfilling workplaces.”

Lindsay Bridges,

Executive Vice President, Human Resources at DHL Supply Chain





GOVERNANCE



The difference between empty promises and real commitments when it comes to sustainability is governance. When done right, governance is the unsung hero into an organization’s commitment to sustainability. It’s the unassuming pillar that keeps businesses in check, ensures transparency, compliance and trust.

When governance is done incorrectly, the results can be catastrophic. The reputational impact of poor governance will severely erode customer perception and investor confidence. When organizations offer insincere commitments or overpromise transformation, they risk undermining the real work being done by others.¹⁵ Other pillars of a business’s ESG proposition can be affected by poor transparency and trust. For instance, one study found some of the most important ESG information for consumers to engage with organizations includes health and safety (73 percent), child labor and forced compulsory labor (70 percent), and human rights (69 percent), while 7 in 10 consumers would be more willing to apply for a job with a company they consider environmentally sustainable or socially responsible.¹⁶

Multiple studies show that developing a strong governance program has a positive long-term contribution. Inflows into sustainable funds rose from US\$5 billion in 2018 to more than US\$50 billion in 2020—and then to nearly US\$70 billion in 2021; these funds gained \$87 billion of net new money in the first quarter of 2022, followed by \$33 billion in the second quarter.¹⁷ And a Deloitte report showed 97% of profitable growth companies are prioritizing environmental sustainability, compared to 58% for all other companies.¹⁸



¹⁵<https://hbr.org/2021/03/an-esg-reckoning-is-coming>

¹⁶<https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/esg-data-conundrum>

¹⁷<https://www.mckinsey.com/capabilities/sustainability/our-insights/does-esg-really-matter-and-why>

¹⁸<https://www.deloitte.com/global/en/Industries/consumer/analysis/consumer-products-industry-outlook.html>

¹⁹<https://www.mckinsey.com/capabilities/operations/our-insights/buying-into-a-more-sustainable-value-chain>

²⁰<https://www.weforum.org/reports/global-cybersecurity-outlook-2022>

The long-term contribution of sustainability



97% of profitable growth companies are prioritizing environmental sustainability, compared to 58% for all other companies.¹⁸



2/3 of the average company’s environment, social, and governance footprint lies with suppliers.¹⁹



40% of cyber leaders have been adversely affected by a cyber incident stemming from a third party within their ecosystem.²⁰

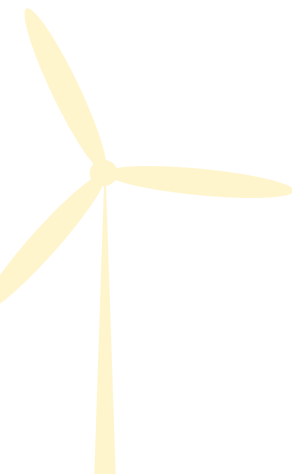




“The average individual today researches an organization that they have an interest in far more than ever before, often looking closely at their sustainability agenda. Strong governance brings intrinsic value to sustainability by emphasizing transparency and reporting that mitigates the potential for reputational and financial loss. Governance done badly has far-reaching consequences that will erode customer and investor confidence.”

Andrea Lattimore,

Divisional Compliance Officer, DHL Supply Chain





HOW TO LEVERAGE PARTNERS TO ACHIEVE GOVERNANCE TARGETS

How businesses act and invest in sustainability issues is critical for all stakeholders. Our communities and our planet demand that organizations be cognizant of their impact. A solid governance program can provide visibility of a company's sustainability commitments. The right partners will align with your sustainability promise and work with you to ensure transparency and trust. But how do you know if your partners are champions of your brand promise and reputation? Here are a few things to consider:

1. How well does your potential partner understand your core business and product portfolio?

The right partner's breadth of capabilities and expertise is essential to operate your business and understand the regulatory landscape that impacts your sector and industry. A good partner will be keenly aware of the issues that affect your stakeholders and will work together with you to stay in tune with these issues. Look for your potential partner's ability to establish relationships between your regulatory and compliance role counterparts. These contacts should engage with you to share best practices and identify risks and opportunities that can affect your business.

2. How does your potential partner provide end-to-end visibility of your operations?

Look at the technologies your partner provides to give you complete visibility of your operations and operational KPIs and how it ensures data protection, security and continuity of service. The right partner will have appropriate governance structures, guidelines, procedures and tools to safeguard all data. Your partner will also need to have contingency plans in place, related to disruption of service or cybersecurity threats.

3. How does your potential partner approach sustainability reporting?

Sustainability frameworks, reporting and ESG metrics are gaining increasing importance and many organizations will have these instruments in place to provide visibility in terms of sustainability commitments. Look at how your potential partner aligns its ESG targets to its core business and how it makes these transparent and straightforward for your business to understand and follow. The right partner will assess potential gaps between both organizations' compliance requirements and help you pragmatically bridge them. Remember, it's not enough to agree on specific requirements on paper; your business and your partner need to have the means to implement them, too.

4. How does your potential partner foster an environment of trust and transparency?

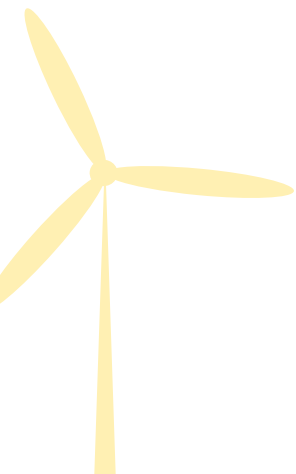
Look at how your partner empowers its people to do the right thing. See how it fosters a respectful and ethical culture and encourages employees to speak up when they see something isn't right without fear of retribution. Organizational culture will be a key driver of a transparent and trusting environment. This culture can only be achieved when leadership is driving the sustainability agenda, continuously communicating about compliance and providing the necessary training programs that equip employees with the knowledge of how to act and how to respond when issues arise.





“Good governance makes good business sense, it generates wealth for all stakeholders: investors, customers and society as a whole. In a great company culture every employee embraces compliance.”

Dietrich Franz,
CFO, DHL Supply Chain





CREATING A LASTING IMPACT THROUGH SUSTAINABILITY

“When we listen to our customers, they always convey the strong sense of responsibility they have towards the environment. Their customers are evolving and their buying behaviors are completely different from what we used to see a decade or two ago. The younger generation, in particular, are making decisions on aspects of a product that may be deemed unsustainable. Our customers’ approach to sustainability also embraces overall ESG targets, putting equal importance to those environmental priorities, social responsibility, and a governance foundation that aligns financial and societal performance.

We are inspired and committed to supporting our customers’ sustainability strategies and fulfilling our purpose to create long-term value as a partner. Our new Sustainability Roadmap will help us fully realize our sustainability ambitions and drive the implementation of our ESG agenda to benefit our customers, our employees and our investors.

We hope this guide supports your business’s sustainability journey and provides a blueprint to accelerate your ESG commitments and deliver a better future for all of us.”



Florence Noblot
Head of ESG Customer Solutions,
DHL Supply Chain



FOR FURTHER INFORMATION

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