



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. Of more than 2,000 academic studies on the topic of sustainability, around **70 percent** of them find a positive relationship between ESG scores and financial returns, whether measured by equity returns or profitability, or valuation multiples. A strong ESG proposition also translates to about **10% lower cost** of capital because it reduces the risks that affect businesses' ability to operate.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/business-functions/strategy-and-corporate-finance/our-insights/why-esg-is-here-to-stay>

ENVIRONMENT

The Environmental pillar has been where supply chains have long concentrated their focus for obvious reasons. Eight supply chains – food, construction, fashion, fast-moving 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.

The post-pandemic world is bringing environmental responsibility to the forefront, ensuring it is no longer a separate, optional business strategy but a clear component of an organization's success. **23%** of Fortune 500 companies have made a public commitment that by 2030 they will be carbon neutral, using **100%** renewable power or meeting a science-based internal emission reduction target.³ This represents a four-fold increase since the Paris Agreement was signed in 2015. With the 2021 landmark ruling against Royal Dutch Shell ordering the company to slash its carbon emissions by **45%** by 2030, in line with the Paris Agreement, it is clear that no company is safe from climate litigation.

Responsible consumption is also driving more organizations to strengthen sustainability within their businesses. A recent global study found that **54%** of consumers are willing to pay a premium for sustainable and/or environmentally responsible brands.⁴ Sustainability is not only the right thing to do but also a crucial factor in staying in business.

Consumers are driving the future of sustainability

60%

of consumers are buying more sustainable or ethical products than they were before the pandemic, with most of that group saying that they will keep doing so.⁵

54%

of consumers are willing to pay a premium for brands that are sustainable and/or environmentally responsible.⁶

Online shopping accounts for

36%

lower (on average) carbon emissions than in-store trips.⁷

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

³Deeds Not Words – The Growth of Climate Action In The Corporate World – Natural Capital Partners, Sep 2019

⁴<https://www.ibm.com/downloads/cas/RVXZZX3L>

⁵<https://www.weforum.org/reports/vision-towards-a-responsible-future-of-consumption-collaborative-action-framework-for-consumer-industries>

⁶<https://www.ibm.com/downloads/cas/RVXZZX3L>

⁷Logistics Real Estate and E-Commerce Lower the Carbon Footprint of Retail – Prologis Research, Jan 2021



“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. 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.



“People want to see evidence in real initiatives, how businesses are investing in improving the environmental footprint of their products and not just in noble but random causes that sit outside of their core business. Many of our customers are engaged, or ready to engage, in their sustainability agenda. They recognize that those who take action now have the best chance of future-proofing the longer-term success of their organizations. And they also acknowledge the power of having the right partners to help them achieve those objectives.”



Stephan Schablinski,
VP 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. Considering that by 2030, **70%** of the workforce will comprise generation X and millennials, human kindness and respect need to be at the core of an organization's social priorities.

A sense of belonging and equity is an essential component of an organization's diversity and inclusion efforts. One study found workplace belonging can lead to an estimated **56%** increase in job performance, **50%** reduction in turnover risk and **75%** decrease in employee sick days. In addition to diversity and inclusion, workplace health and safety contribute to generating future loyalty and emotional employee engagement.

These are the winning components that lead to employee satisfaction, which positively correlate with shareholder returns. A London Business School study found that Fortune's "100 Best Companies to Work For" list generated 2.3 percent to 3.8 percent higher stock returns per year than their peers over a greater than 25-year horizon.

⁸ <http://www.futureworkforum.com/the-working-world-of-2030-a-better-place/>

⁹ <https://www2.deloitte.com/global/en/insights/focus/human-capital-trends.html>

¹⁰ <http://www.futureworkforum.com/what-role-will-hr-adopt-in-the-new-world-of-work-and-business/>

¹¹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=985735

¹² <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave>

¹³ <https://www2.deloitte.com/global/en/insights/focus/human-capital-trends/2021/workforce-trends-2020.html/#designing-work-well-being>

¹⁴ <https://www2.deloitte.com/global/en/insights/focus/human-capital-trends.html>

The future of work is sustainable

70%
of employees said that
their sense of purpose is
defined by their work ¹²

80%
of nearly 9,000 survey
respondents identified
wellbeing as important or
very important to their
organization's success. ¹³

56%
Increase in job performance
related to workplace belonging
as part of organizational
diversity and inclusion
efforts. ¹⁴



“Sustainability is a no-brainer. Whether talking about diversity and inclusion, human rights, or the sustainability agenda as a whole, it’s the right thing to do for our employees, for our customers and our communities. Developing people creates highly engaged employees who are willing to learn which helps our business and our customers innovate more. At DHL, connecting people, improving lives is what we talk about and what makes us proud to work for this organization.”



Roxi Corp,
Global Diversity & Inclusion Lead,
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 use of technology in our workplaces has advanced and accelerated enormously over the past three to four years. Most of our digital and technology implementations have taken advantage of our operators’ experience in dealing with inventory, warehousing, transport, the movement of goods and service delivery. Those implementations have complemented our employees’ roles and removed some of their more strenuous or time-consuming physical aspects. That’s played to our strengths, and to our employees’ strengths, and we’ve had very few displacements because of technology.”



Rob Rosenberg,
Executive Vice President
Human Resources
at DHL Supply Chain



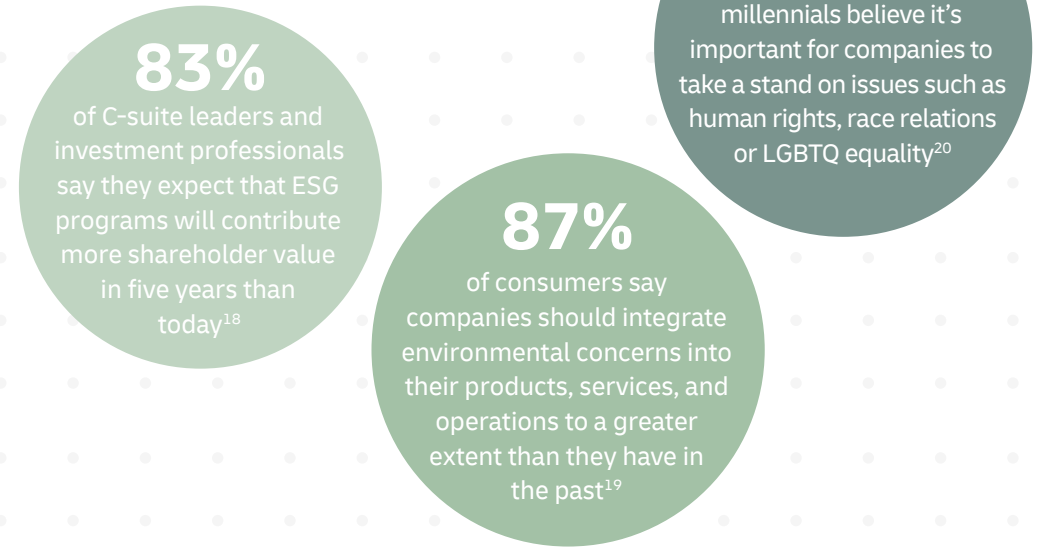
GOVERNANCE

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. Consumers feel more positively about brands that integrate environmental concerns into their products, services and operations. Potential employees may look at an employer's brand promise even beyond remuneration.

Multiple studies show that developing a strong governance program has a positive long-term contribution. Evidence shows companies that manage sustainability issues well (including through sustainability disclosures) achieve superior financial results.¹⁶ **83%** of C-suite leaders and investors believe these results will continue as they expect ESG programs to contribute more to shareholder value in the next five years.¹⁷

The positive long-term contribution of sustainability



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

¹⁶ More than values: The value-based sustainability reporting that investors want – McKinsey, Jul 2019

¹⁷ <https://www.mckinsey.com/business-functions/sustainability/our-insights/the-esg-premium-new-perspectives-on-value-and-performance>

¹⁸ <https://www.mckinsey.com/business-functions/sustainability/our-insights/the-esg-premium-new-perspectives-on-value-and-performance>

¹⁹ <https://www.bcg.com/publications/2020/pandemic-is-heightening-environmental-awareness>

²⁰ To Affinity and Beyond: From me to we, the rise of the purpose-led brand – Accenture



“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 Strategy,
DHL Supply Chain



FOR FURTHER INFORMATION

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