

LINK YOUR FREIGHT SUPPLY CHAIN

4TH
WEBINAR
IN 4-PART SERIES



TO CORPORATE RESPONSIBILITY

November 29, 2017



Today's Guest Speakers

Lisa Ellram, Ph.D.

*Distinguished Professor
of Supply Chain Management,
Miami University, Ohio*

Daniel Perry

*Senior Account Executive
EcoVadis*

Additional discussion:

*Buddy Polovick, EPA SmartWay
Irene Queen, SmartWay CSR Analyst*



Outline for Today

- Emerging trends and challenges
- Corporate Social Responsibility (CSR) in the freight supply chain
 - Barriers, links, & solutions
- Environmental, social and governance (ESG) strategy
 - Risks and performance assessment
- Takeaways, questions and discussion



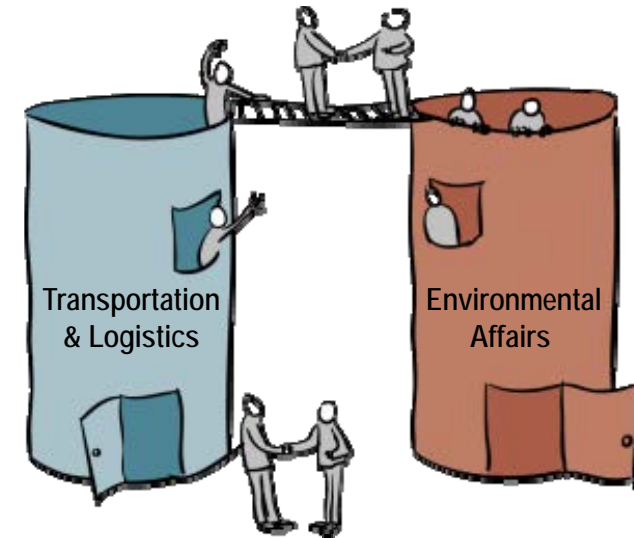
Freight Supply Chain's Dynamic Landscape

- Globalization and competition
- Consumer demands, technology, regulation
- Risks and rewards
- Value opportunities for customers and shareholders



Freight and CSR: Barriers and Opportunities

- Where does CSR fit in firm's priorities?
- Challenges of data access & reporting
- How is the freight supply chain "material"?
- Opportunities to reduce energy use and costs while increasing efficiency and competitiveness





MIAMI
UNIVERSITY
OXFORD OHIO

FARMER SCHOOL OF BUSINESS

Why freight transportation is important to CSR and the environment

Lisa M. Ellram

Rees Distinguished Professor of Supply Chain Management



MIAMI UNIVERSITY

FARMER SCHOOL OF BUSINESS

The “real” Miami University



Brief Agenda

- Why do I care about freight transportation emissions?
- Some barriers to focusing on emissions reduction
- How to overcome barriers and get full benefit

My interest and concerns

- Research in sustainability in 1990s
 - Sometimes there was not much to study
- Study of CSR reports 2008-2010
 - Little on transportation

My interest and concerns

- Focus specifically on transport sustainability
 - Looked specifically at companies recognized as leaders
 - Carbon disclosure project, EPA SmartWay and Global Environmental Management Initiative; Fortune 500
 - Yielded 76 companies that were in both CDP & GEMI; included all SW
 - Scoured websites, CSR reports and Annual reports for any mention of transport emission
 - 44 had some mention
 - 25 specifically mention decreasing impact of freight transportation
 - Very positive about impact on costs, productivity, greater responsiveness (through waste reduction)

Why isn't everyone working on reducing freight transport emissions?

- Still early in push for green- 2010
- Green house gas protocol
 - Scope 1, 2, 3 reporting— based on organizational boundaries
 - 1 internal- direct emissions; own equipment
 - 2 purchased electricity, heat or steam
 - 3 indirect emissions, including purchased transport, product use
- Internal focus

Barrier #1- Reporting Protocol

Barrier #2- Magnitude is confusing

- New Belgium- thought transport, was refrigeration
- Others outsource all shipping---not my problem
- Often invisible
- Second in overall impact only to generation of energy
- Something nearly all companies have!
- Huge potential

Barrier #3- Has not received as much attention

- Low stakeholder pressure
 - “If my customers demanded it, I would do it,” B2C company
- Mainly outsourced--- (outside of scope 1)
 - Lack of expertise on how to improve

Barrier #4- Lingering belief that being green costs money

- Can't afford it
- Some types of green transport can be expensive
 - Verify latest technologies for payback
 - Attractiveness changes with Diesel pricing
- Biggest benefits attributed to: behavioral changes
 - Driving
 - Packaging
 - Routing

To overcome barriers

- Visibility of impact from corporations
- Success stories
 - Websites
 - CSR reports
 - Advertising
- Partnerships like EPA SmartWay
 - Educate, provide tools
 - Encourage and support carriers to join-- shipper

Company Success Story

- Air products (own fleet 700 trucks)
- Specific transportation activity
 - Replacement of pre-emission engines
 - Increasing the amount of product loaded in each trailer
 - Improving miles per gallon through driver behavioral programs
- Outcomes
 - Significantly reduced our emissions of CO₂ (12%), NO_x (83%) and PM (97%) per loaded mile since 2009.
 - Cumulative emissions avoided of 43,000 tons CO₂ e, 2,000 tons NO_x and 280 tons of PM (2009-2015).

Method Products

- Maker of soaps and cleaning products
- Green transport very important platform for them
 - Joined SmartWay- SmartWay Carriers
 - Purchased biodiesel trucks for their primary carrier
 - Work on improving all aspects of transport efficiency, package light weighting
 - Local sourcing
- Report results on website
 - <http://methodhome.com/blog/greenskeeping/biodiesel-fleet/>
- Emissions education information on outside of trucks/trailers
 - In process of being acquired by SC Johnson



http://methodhome.com/blog/wp-content/uploads/biodiesel_back_side.jpg 19

Huge area of potential impact

- As more companies require SW certification of carriers, it will become pervasive
- Way to have a huge impact on one of the largest sources of scope 3 emissions of your company
- Excellent place to start in tackling scope 3
- Win for your organization and the environment



Environmental Social and Governance Risks Facing Freight Industry

Derailed train caused one of the biggest ethanol spills on record

The crash is 1 of 9 “notable major” rail-related ethanol spills for the years

between 2008 and 2012. The spill involved 1.2 million gallons of ethanol. The crash, which occurred in Iowa, was surrounded by

Ikea truck drivers found to be paid less than £3 an hour

Ikea and several other companies are under fire after a report found that low wages in Europe have led to a shortage of vehicles for

How shipping hubris and the Korean govt broke Hanjin

The company’s demise is largely due to overcapacity; wild growth in the number and capacity of container ships has outstripped the amount of goods to be carried as global trade has slowed. The industry as a whole will lose as much as \$10 billion this year..

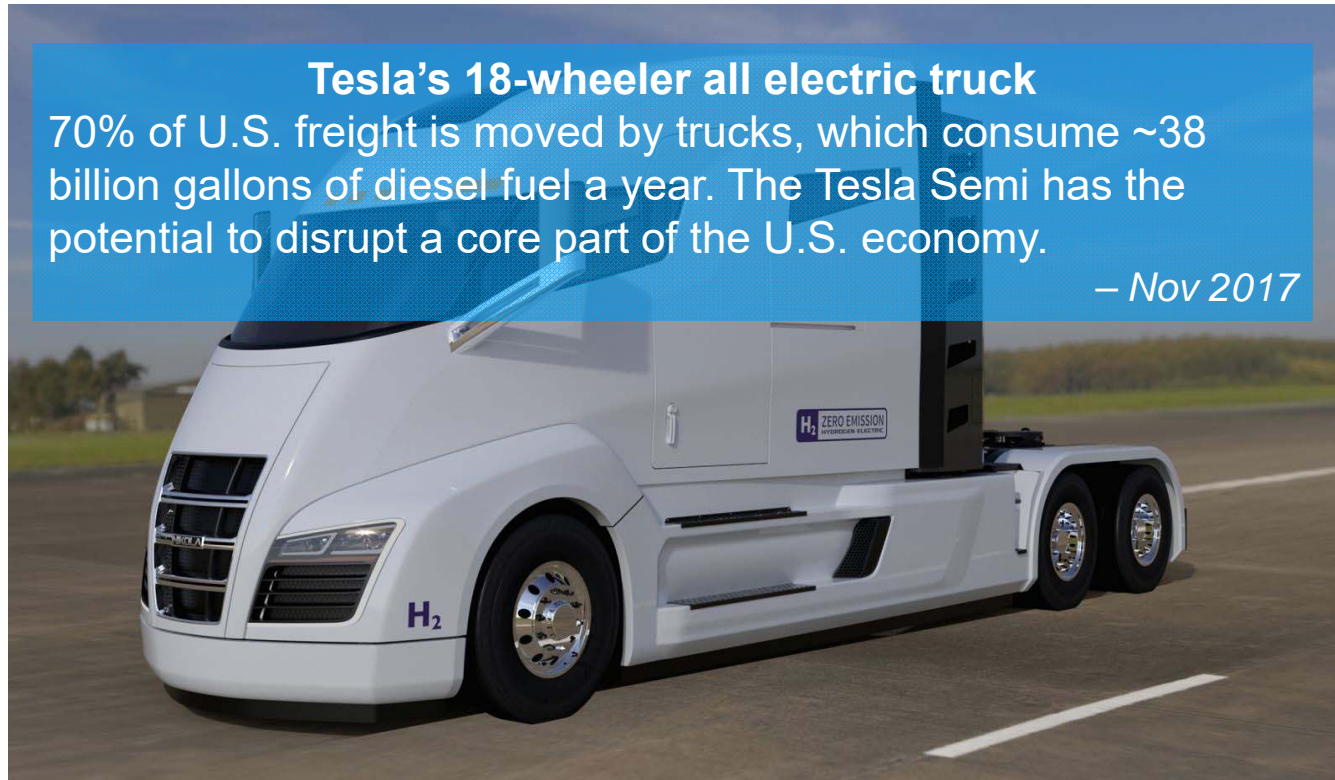
– Sept 2016

Environmental Social and Governance Risks facing Freight Industry

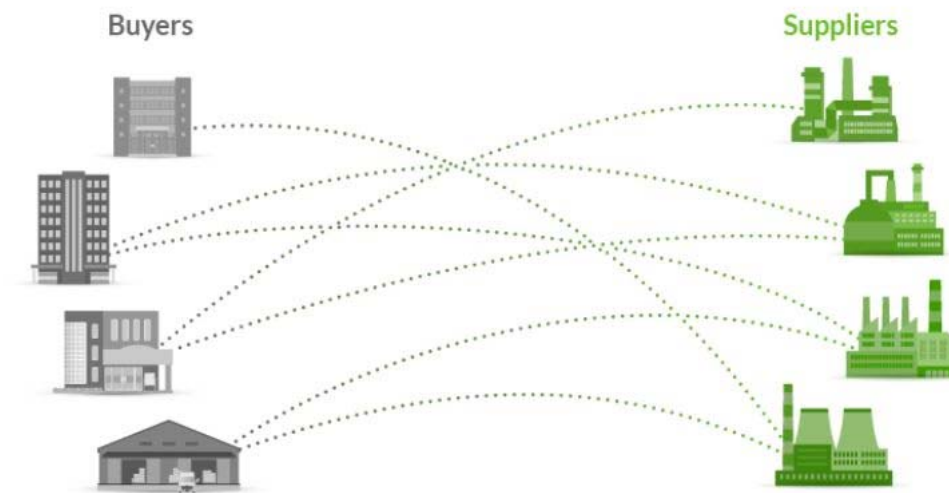
Tesla's 18-wheeler all electric truck

70% of U.S. freight is moved by trucks, which consume ~38 billion gallons of diesel fuel a year. The Tesla Semi has the potential to disrupt a core part of the U.S. economy.

– Nov 2017



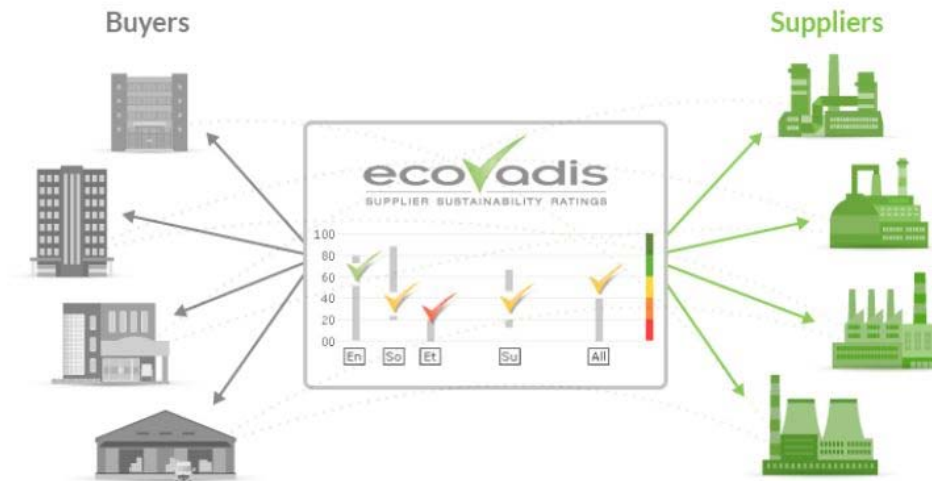
How Can Companies Understand Freight Suppliers ESG Performance?



Challenges

- × Duplication of efforts
- × Lack of consistent quality

3rd Party Corporate Social Responsibility Assessments



Benefits

- ✓ Risk reduction
- ✓ Reduce costs
- ✓ Protect brand image
- ✓ Market Advantage

CSR Methodology: 4 Themes, 21 Criteria

I. ENVIRONMENT

Energy Consumption & GHGs
Water
Biodiversity
Local & Accidental Pollution
Materials, Chemicals & Waste

Product Use
Product End-of-Life
Customer Health & Safety
Sustainable Consumption

III. ETHICS

Corruption & Bribery
Anti-Competitive Practices
Responsible Information Mgmt

II. SOCIAL

Employee Health & Safety
Working Conditions
Social Dialogue
Career Management & Training

Child & Forced Labor
Discrimination and/or
Harassment
Fundamental Human Rights

IV. SUPPLY CHAIN

Supplier Environmental Practices
Supplier Social Practices

CSR Methodology: 4 Themes, 21 Criteria

Freight Materiality

I. ENVIRONMENT

- Energy Consumption & GHGs
- Water
- Biodiversity
- Local & Accidental Pollution
- Materials, Chemicals & Waste

- Product Use
- Product End-of-Life
- Customer Health & Safety
- Sustainable Consumption



II. SOCIAL

- Employee Health & Safety
- Working Conditions
- Social Dialogue
- Career Management & Training

- Child & Forced Labor
- Discrimination and/or Harassment
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III. ETHICS

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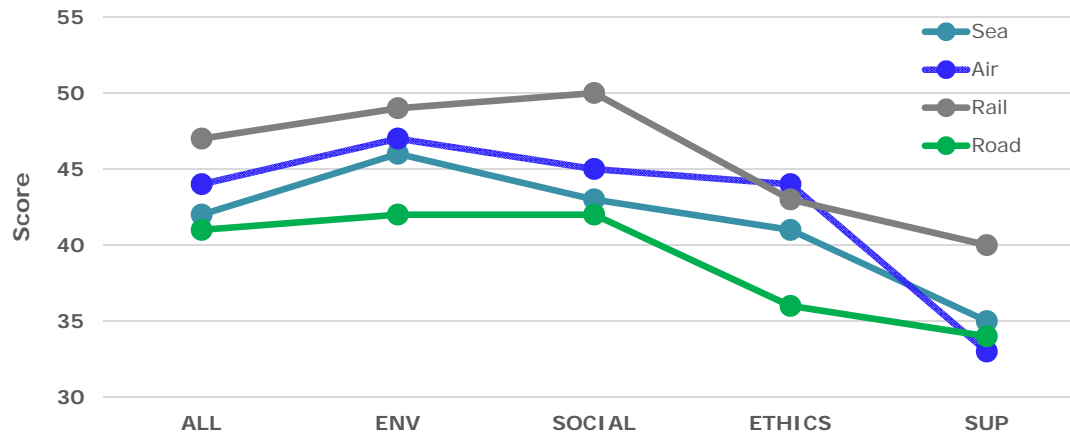


IV. SUPPLY CHAIN

- Supplier Environmental Practices
- Supplier Social Practices



Freight Performance by Industry



Top scoring
in 3/4 themes

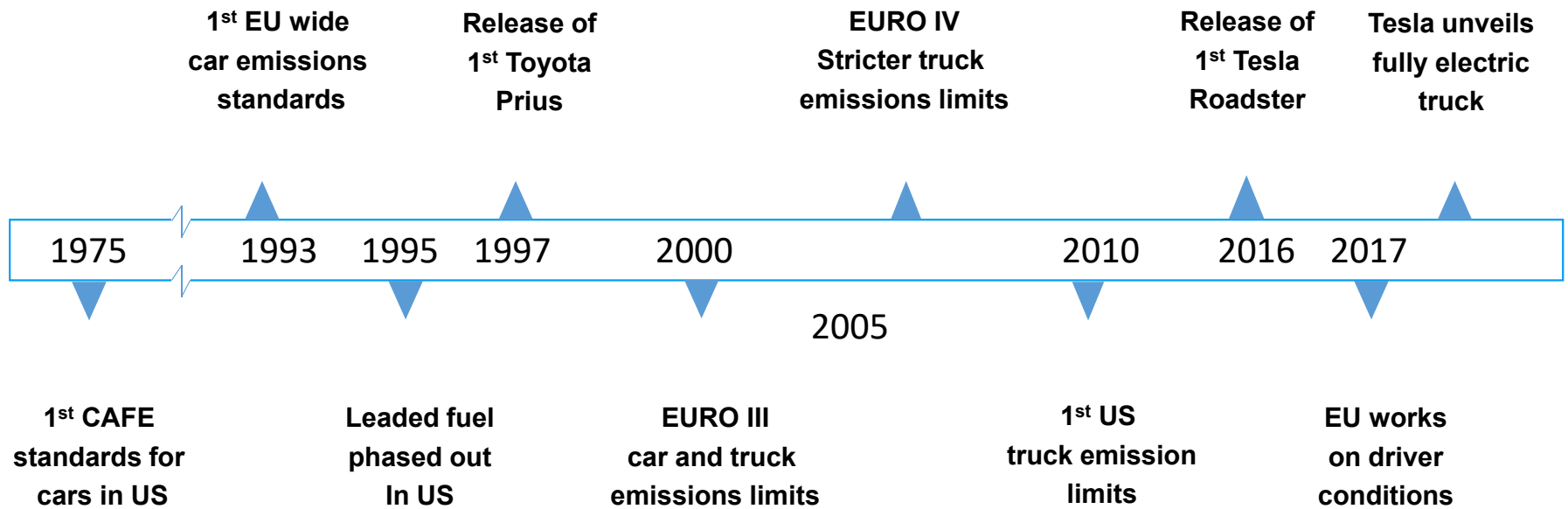


Most improved
Freight Industry

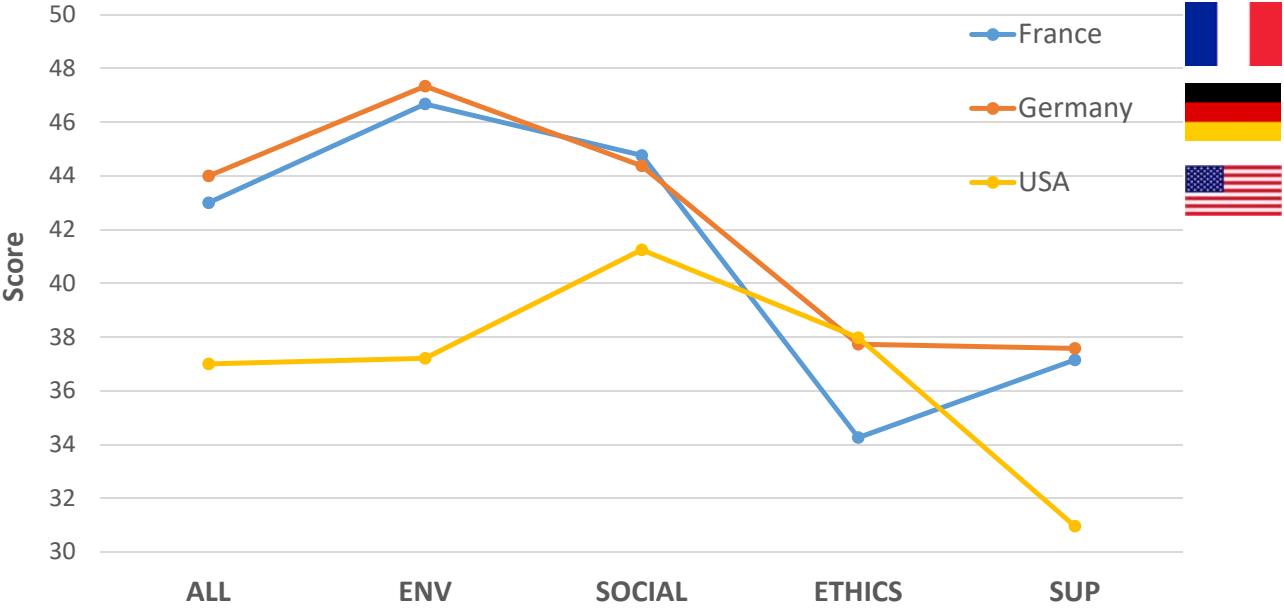


Road represents
88.5% of Freight
Assessments

Key Trends – Road



Top Performing Countries – Road Freight



Activities of a Risky Company



Risky company

No endorsements



Patchy documents



No certificates



Negative news

Warrant sought for driver in crash that killed 4-year old girl
– Nov 2012

OSHA penalties for H&S violations
– Mar 2015

Activities of an Industry Leader



Industry Leader

UN Global Compact
EPA SmartWay

Code of Conduct
CSR report

ISO 14001 or 50001
OHSAS 18001

No news
CSR related awards

EURO Label for Sustainable Transport awarded
– Feb 2015

Companies with the most workers age 50 and over
– May 2012

Case Study – US Freight by Road Supplier: Circa 2014



- ✓ Waste & GHG reporting
- ✓ Employee handbook
- ✗ No sustainability report
- ✗ No Code of Conduct
- ✗ No environmental policy

- ✗ No certificates

- No news

**MODERATE
RISK**

Case Study – US Freight by Road Supplier: Today



GOOD



- ✓ Code of Conduct
- ✓ CSR report
- ✓ Report on labor and suppliers
- ✓ Policies on all themes



- ✓ ISO 14001 certificate



- ✓ Awards for diversity



Summary of Freight Industry EcoVadis Assessments

1704

Total assessments
2012-2017

88.5%

Freight assessments
for road

77.8%

Re-assessments
increased in score

RESULT:

Procurement is Driving
Positive Change in
Freight Industry Sustainability



Key Takeaways & Findings

- Risk, barriers and opportunities
- Common platforms and protocols
- Can a firm outsource responsibility?
- Challenges of connecting silos
- CSR – a changing spotlight
- Value, brand, and reputation
- Measure, manage, report, repeat

Questions?





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SmartWay Helpline

734-214-4767

