HFW PANATTONI

European Logistics & Supply Chain Sustainability Report 2022

Contents

Analytiqa

All figures and data relating to the European Logistics & Supply Chain Sustainability Report have been researched by Analytiqa.

Analytiqa is a market analysis company providing reports, bespoke research and strategic advisory for multinational clients across all sectors and industry verticals of the global supply chain.

Analytiqa delivers high quality, commercially relevant research to assist clients to grow and profit in challenging and competitive markets.

www.analytiqa.com

Introduction

HFW and Panattoni, in conjunction with Analytiqa, are delighted to publish the first European Logistics and Supply Chain Sustainability Report, assessing Environmental, Social and Governance (ESG) strategies and activity across Europe, focusing on logistics and supply chain operations.

The launch of our report comes at a time when the profile of the supply chain sector has, arguably, never been higher, in part due to the realisation of society's reliance on logistics during the Covid-19 pandemic. A number of trends are driving behavioural change in the sector and performance improvements, not least the growth of eCommerce, widespread skills shortages and the role of technology and digitalisation. Alongside these, the importance and role of sustainability is a driving force and at the top of the agenda for boards in companies across most sectors.

Senior decision makers have expressed their views and insights to facilitate this important industry research. Respondents included CEOs, Managing Directors and senior management of some of the largest logistics service providers and buyers of logistics services and we are grateful to all those that took the time to contribute their views.

The resulting report examines key ESG metrics and indicators for businesses operating within the logistics and supply chain sector. We have segmented the findings into four broad sections: current dynamics; expectations for the future; legal and contractual perspectives and developments in warehousing and transport.

It is fair to say that companies are now more focussed on ESG initiatives than ever before. Our research does not measure companies' performance in achieving ESG credentials. From a strategic perspective, across both operational and commercial outlooks, we aim to identify and understand attitudes to, challenges of, and future expectations for sustainability investments, objectives and activity. Importantly, it provides insights from both logistics service provider and buyer perspectives giving us a 360-degree view of sentiment.

Whilst wider business challenges and headwinds undoubtedly remain in the months ahead, logistics service providers, manufacturers and retailers are continuing to invest in infrastructure, assets and technology to grasp growth opportunities. They are working hard to become better employers and offer a more attractive career proposition for the next generation. And doing all of this in a more sustainable and environmentally friendly way.

We trust you will enjoy reading this inaugural edition of the European Logistics and Supply Chain Sustainability Report.

MATTHEW GORE
Partner, HFW

ANITA PIETRYKOWSKA
Head of Marketing & Communications Europe, Panattoni

CATHERINE EMSELLEM-ROPE
Legal Director, HFW

EMILIA DĘBOWSKA
Sustainability Director, Panattoni

About us

SUSTAINABILITY IN OUR SECTORS

We have over 600 lawyers working across the Americas, Europe, the Middle East, Asia and Australia. We take a progressive approach to our roles in commercial business – thinking creatively and pragmatically to support our clients.

Whether we are solving complex issues within the construction, aviation or shipping industries, or providing advice across insurance, commodities and energy we are specialist lawyers here to add value to our clients. We think about the commercial solution first, and then underpin our advice with a solid foundation of legal expertise.

Our clients, across every sector – Aviation, Commodities, Construction, Energy & Resources, Insurance and Shipping - are impacted by our climate-challenged environment, driven by tough net zero ambitions and related issues.

The path to achieving fully sustainable business solutions will involve a combination of technical and financial innovation, revised regulatory frameworks and a continuous commitment of the industry participants to deliver on what is now being demanded. This is creating both challenges and opportunities for our clients as they seek to navigate their way through an ever-evolving and multi-tiered regulatory landscape.

We continue to support our clients, to adapt and comply with the sustainability challenges being thrown up by international, regional and national regulatory bodies which seek to regulate and limit GHG emissions and waste, the use and availability of alternative fuels and the efficiency and effectiveness of transit orientated performance. HFW further supports clients working on developing new projects and products designed to drive and gain commercial opportunity from this evolving legal and technological landscape.

We have a proven track record of working with our multi-sector clients, understanding their business, and guiding them through their transition to sustainable business models.

As the largest developer in Europe, we provide full-service commercial real estate property solutions. Our expertise encompasses all sectors of the commercial property market, with a particular focus in assisting our clients with their specific requirements.

Panattoni is part of the Panattoni Development Company, one of the largest industrial developers in the world, with 49 offices globally. To date, Panattoni have delivered almost 544 million sq ft of modern industrial space in many European countries including; Poland, the Czech Republic, Slovakia, Germany, the United Kingdom, Netherlands, Spain, Portugal, France, Hungary, Italy, Sweden and Austria.

Panattoni are committed to drive forward the 'Green Revolution'. We treat sustainable development broadly, as well as our 'Go Earthwise with Panattoni' strategy, sustainability is part of many other areas that we operate in.

We conduct numerous activities which minimise the negative effects of our business and at the same time go beyond the minimum required by law. We work for local communities by expanding the road infrastructure in the cities we operate, supporting access of education or supporting art and culture.

Our carefully considered decisions take into account three areas: the environment, society and corporate governance, each of which is important to us and our business partners. International guidelines and regulations applicable around the world concerning ESG investment have helped us in selecting the appropriate Sustainable Development Goals (SDG's) and EU objectives and compliance with taxonomy.

Our goal is to make a positive long-term impact. One of the many ways in which we plan to do this, is by committing to be net zero carbon in all of our developments by 2025.

Measuring ESG Sentiment

The insights recorded in our report take a dual perspective across the sector, with responses collected from those operating as logistics service providers' (third party logistics providers or 3PLs) and also buyers of these services (manufacturers and retailers).

The research was conducted across Europe. Responses from 12 countries were received, including Belgium, Czech Republic, Denmark, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, Switzerland and the UK.

Conducted across the first quarter of the year, there were a total of 100 respondents to our 2022 research from two groups, of which 58% were from 3PLs and 42% manufacturers and retailers (25% manufacturers and 17% retailers).

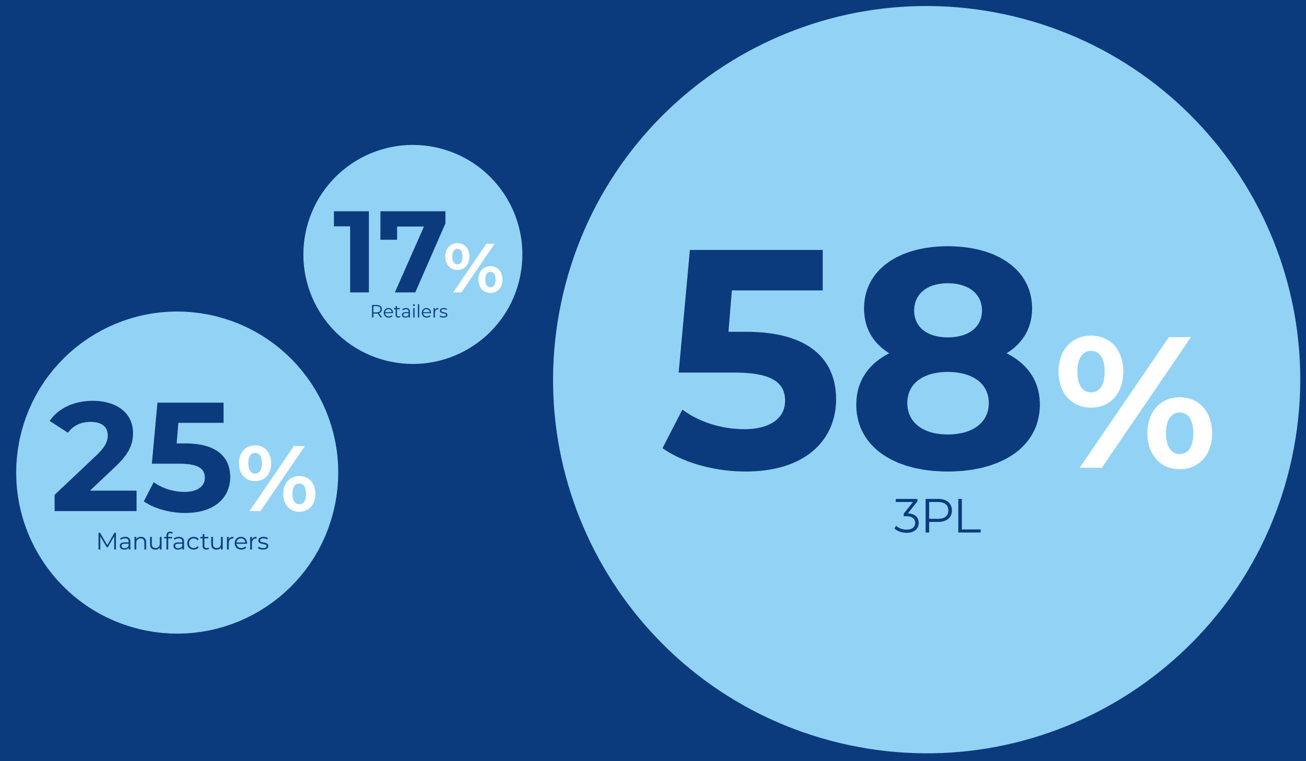
On the logistics service providers side, respondents were derived from operators of all sizes. The world's biggest companies, active across multiple countries, service sectors and industry verticals, took part in the research, alongside 'local heroes' or country specialists operating in either road transport, contract logistics, freight forwarding and / or the courier, express and eFulfilment sectors.

The manufacturing respondents were represented by companies from the automotive, construction, fast moving consumer goods (FMCG), food and drink, industrial (engineering, chemicals etc), pharmaceuticals and healthcare sectors, whilst retailer participants included a mix of 'bricks and mortar' companies, together with omnichannel and online operators.

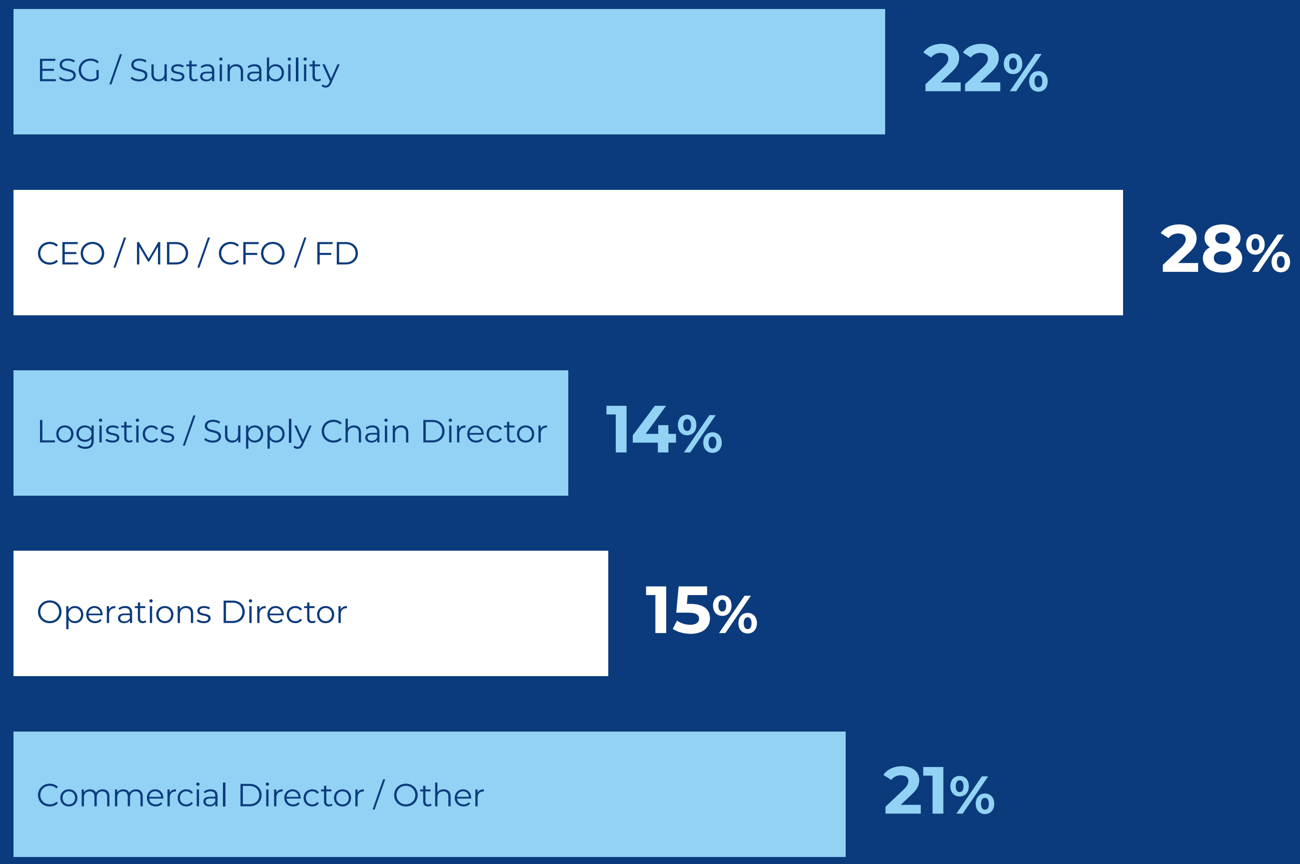
This report was supported by senior decision makers. 28% of respondents were classified as either CEOs, Managing Directors, CFOs or Finance Directors, while a further 22% of respondents were senior professionals in Sustainability roles. The remaining respondents included people in senior supply chain, logistics, operational and commercial roles.

Our research collected hundreds of data points, from respondents. Each of these data points have their own interesting stories to tell, but limitations on space mean that we cannot cover them all. An Executive Summary selects just seven metrics analysed in the report, the key headlines, whilst a further four sections identify important trends across 20 or so topics that formed the basis of our research. At the end of the report, an appendix provides comprehensive coverage of the complete data set identified during the research process. We welcome your feedback, both on the data and its presentation in this report.

1. Sector of research respondents



2. Job titles of research respondents



Executive Summary

Post Covid-19, in 2022, supply chains are characterised by sustained high international freight rates as a result of capacity constraints and operational imbalances in global air and ocean markets. Together with highly competitive warehouse markets, rising costs, not least for fuel, energy, and labour and geo-political uncertainty, the threat of subdued economic growth remains.

Against this challenging backdrop, regulatory and legislative requirements are driving manufacturers, retailers and 3PLs towards more sustainable supply chains. Commercial threats also play a key role, with almost three-quarters of 3PLs stating that customer pressure is pushing them to improve the sustainability of their operations.

Markets are increasingly characterised by greater transparency in corporate reporting and a continued rise in prominence of ESG-related investments. Moves towards a more circular economy, though in their infancy, are developing fast, as an increasing number of industries and their supply chain partners look to incorporate a model of production and consumption that involves reusing, repairing, refurbishing and recycling existing materials and products.

However, the path towards greater sustainability is not an easy one. Rarely acknowledged as a profit centre, supply chains operate under intense cost pressures, with many 3PLs operating in highly competitive, low margin markets.

Almost two-thirds of companies state that the cost of providing sustainability solutions is a challenge for their business, whilst for many, experiencing a lack of resource to implement the desired initiatives is also a significant challenge.

Two-thirds of 3PLs are also troubled by the complexity of the ESG solutions that they aim to implement, significantly more so than manufacturers and retailers. Just under one-quarter of all companies feel that they are unable to quantify the benefits of ESG solutions and see this as a barrier to making greater progress.

Companies will face growing scrutiny regarding their efforts to deliver on their 'net zero' ambitions, or aspirations to be climate positive, or carbon negative. Establishing more sustainable supply chains will require integrated effort, linking solutions and initiatives of companies, consumers and governments. Supply chains can often be complex, multinational, multi-modal operations and identifying and collecting the data required to measure and report on sustainability initiatives can be difficult. Collating sustainability data for manufacturing, procurement and intermodal freight activities are the most challenging, whilst it is viewed as somewhat easier to obtain data for sea freight, road transport and warehouse operations.

Despite these challenges, companies recognise that embracing ESG can make them more attractive to investors, customers, employees and end-consumers. More than 80% of companies have goals and targets in place to support environmental programmes and employee welfare aims, three-quarters have measures to address corporate governance, while 71% and 67% have goals and targets for charity and social projects, and financial governance, respectively.

45%

of manufacturers and retailers believe that linking executive compensation to ESG targets would encourage improvements in the sustainability of their operations.

7th

Costs and affordability rate as the most important warehouse features for occupiers, with staff well-being and power supply also among key requirements. Sustainability only ranks seventh amongst 13 categories.

2/3

of 3PLs have won new business as a result of their strong ESG practices.

1/5

of companies identify that a lack of support from their leadership is a challenge facing their ESG activities, a figure that rises to one-third amongst manufacturers and retailers.

58%

of manufacturers and retailers and 49% of 3PLs have insisted on 'the right to terminate' relationships if obligatory ESG targets are not met.

28%

of companies include ESG targets as obligations for supply chain partners to meet in their contracts, whilst 43% include them as aspirations.

62%

of companies are willing to pay extra for environmental certifications, but with the costs of doing so uncertain, the amount that they would be willing to pay depends on the size of the increase.

Current Perspectives

The most **important factors** driving sustainability activity are the need to meet regulatory and legislative requirements and a desire to make a positive environmental impact.

Two-thirds of 3PLs have won new business as a result of their strong ESG practices.

One-fifth of respondents identify that a lack of support from their company's leadership is a challenge facing their ESG activities, a figure that rises to one-third amongst manufacturers and retailers.

“80% of companies benchmark their suppliers’ sustainability performance and capabilities.”

ESG activities continue to climb the ‘business agenda’, but with a range of contributory factors for this rise in prominence, logistics providers, manufacturers and retailers, our respondents, were tasked with identifying the reasons why their companies undertake ESG activity. Respondents were asked to assess 14 categories and rate their importance from one to ten, with ten being the highest level.

The most important factors driving sustainability activities are the need to meet regulatory and legislative requirements and a desire to make a positive environmental impact, the latter of which is of greater importance to manufacturers and retailers than it is to 3PLs. Manufacturers and retailers also view ESG activity as playing a more important role when it comes to attracting and retaining employees.

For 3PLs, it is more important to undertake ESG activities to meet the informal expectations of customers and enhance their corporate reputation.

For both groups of respondents, undertaking ESG activities to achieve financial or tax benefits, or to attract investors, rates as the lowest levels of importance.

To review the full category list and their ratings, please refer to the Appendix at the end of this report.

Looking externally, beyond their own company’s activities, 80% of companies benchmark their suppliers’ sustainability performance and capabilities, while 79% track and benchmark the performance and ESG ‘capabilities’ of service providers. Almost three-quarters of companies (74% and 73% respectively) benchmark their customers’ and competitors’ activity. Overall, manufacturers and retailers are more likely to undertake benchmarking of third parties than 3PLs.

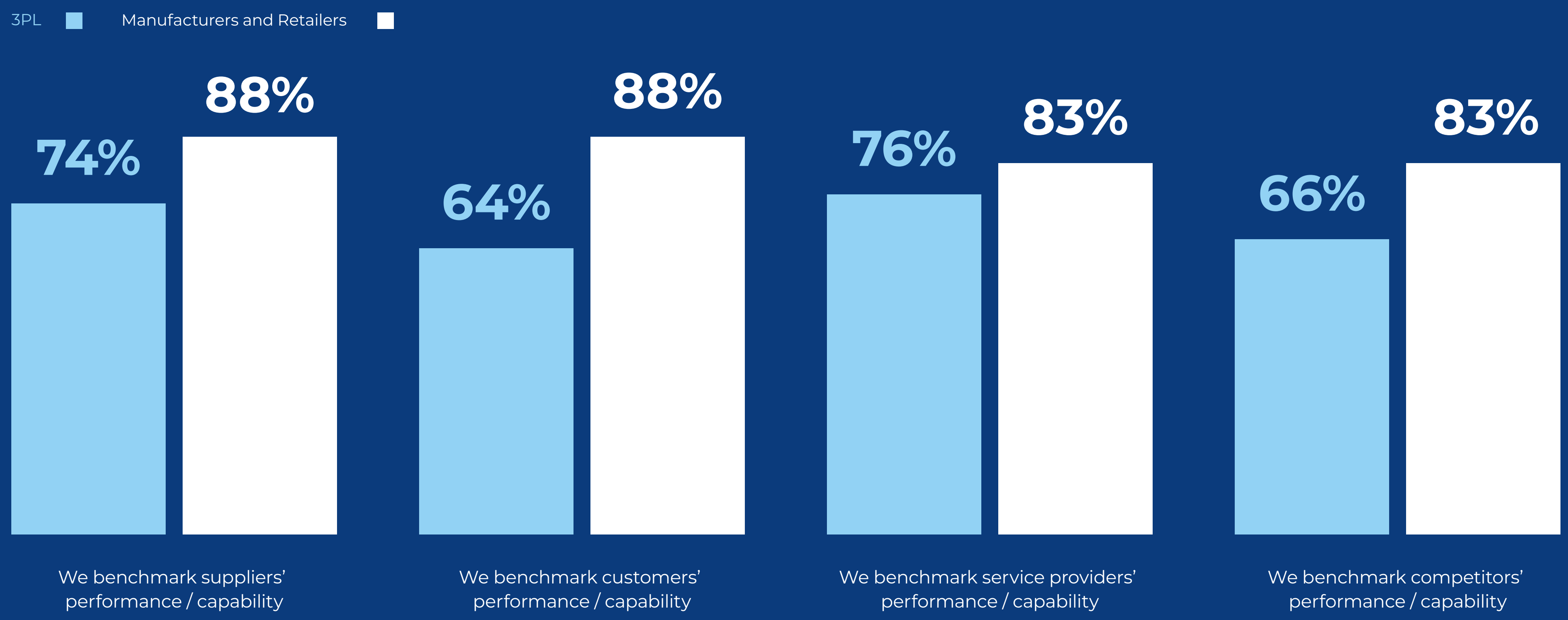
3. Five most important factors driving ESG activity

Rating importance 1-10, we undertake ESG activity to....

Note: for the full list of factors refer to the Data Appendix

4. External approach to sustainability targets and objectives

Share of companies undertaking external benchmarking of ESG activity



Undertaking ESG activity does not come without its challenges for any company, whether they are introducing initiatives for the first time, or enhancing existing programmes. 60% of companies state that the cost of providing sustainability solutions is a challenge for their business, whilst managing the complexity of the solutions and experiencing a lack of human resources to implement the desired initiatives make up the second and third biggest challenges.

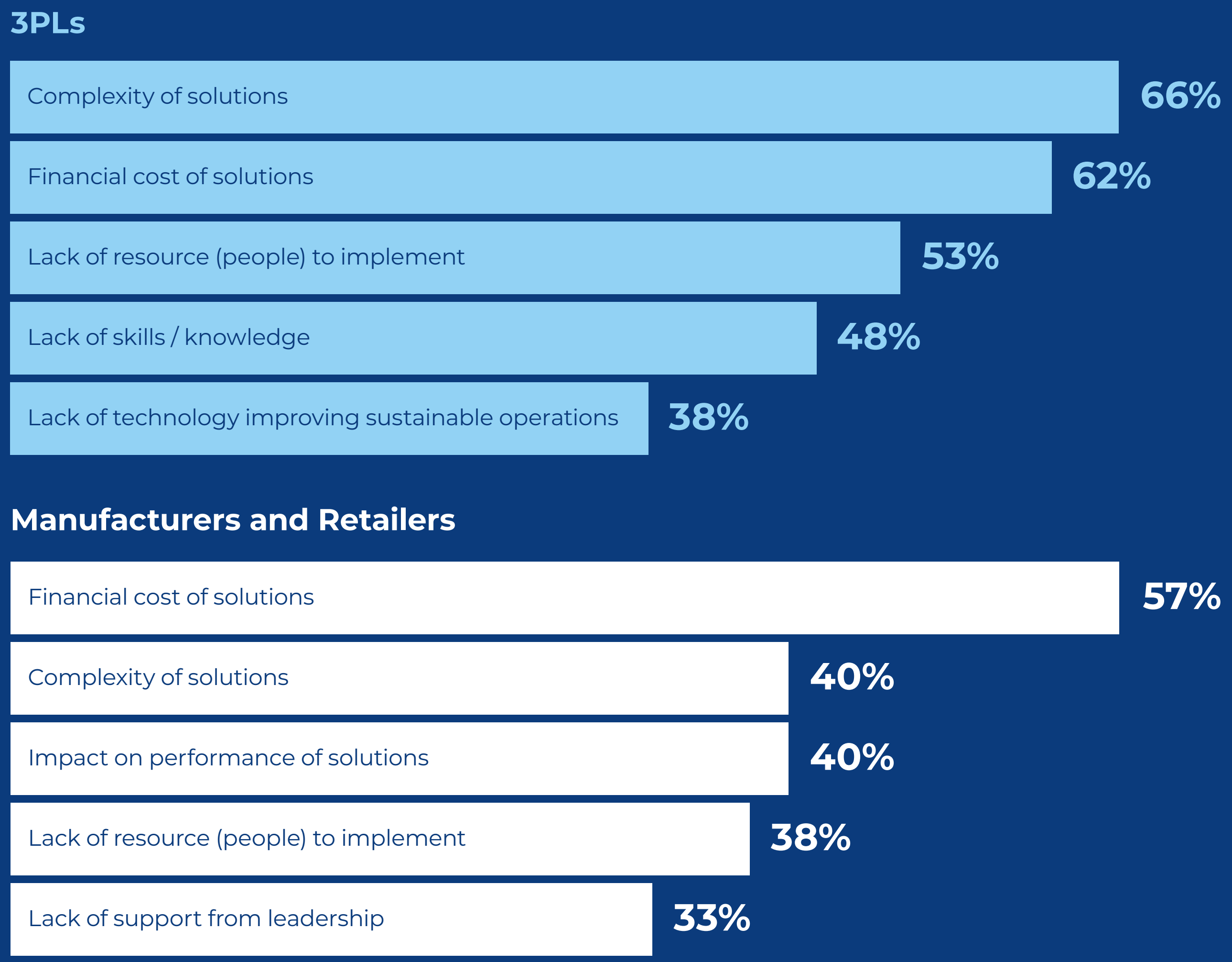
One-fifth of companies identify that a lack of support from their leadership is a challenge facing their ESG activities, a figure that rises to one-third amongst manufacturers and retailers. Often working across a range of industry verticals and service solutions, two-thirds of 3PLs are troubled by the complexity of the ESG solutions that they aim to implement, significantly more so than manufacturers and retailers. Just under one-quarter of all companies (23%) feel that they are unable to quantify the benefits of ESG solutions and see this as a barrier to making greater progress.

Having identified the challenges of introducing or enhancing a company's ESG activity, we sought to gain more insight into the benefits, or challenges, that companies recognise once their ESG programmes are in place.

A high proportion, two-thirds, of 3PLs (66%) say they have won new business as a result of their strong ESG practices, whilst almost one-half (48%) state that their ESG activities has increased their media profile, enhanced collaboration within their company and improved employee motivation.

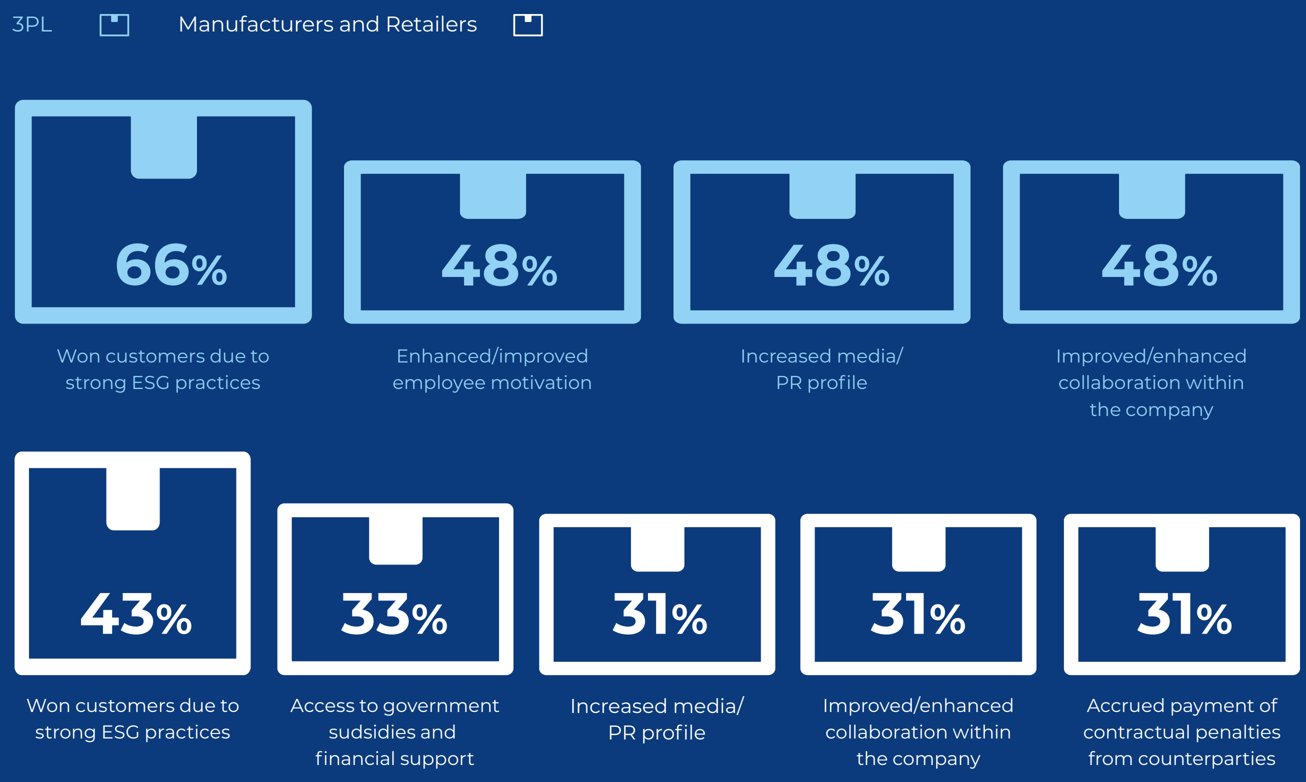
5. Five greatest challenges encountered when introducing more sustainable supply chain solutions

Share of companies facing challenges in implementing ESG features



6. Most frequent challenges or benefits that ESG programmes directly contribute to

Share of respondents selecting each benefit/challenge (%)



Whilst 3PLs do not see contractual penalties as a challenge, almost one-third of manufacturers and retailers (31%) see them as a benefit, having accrued payments of contractual penalties from counterparties.

Whilst it is now common for companies to have an ESG programme in place, with measurable goals and targets across their business, these practices are not universally present. It is more often the case that relatively smaller companies, with fewer resources available to devote to such activity, are less likely to have ESG programmes in place.

More than 80% of companies have goals and targets in place to support environmental programmes and employee welfare aims, three-quarters have measures to address corporate governance, while 71% and 67% have goals and targets for charity and social projects, and financial governance, respectively.

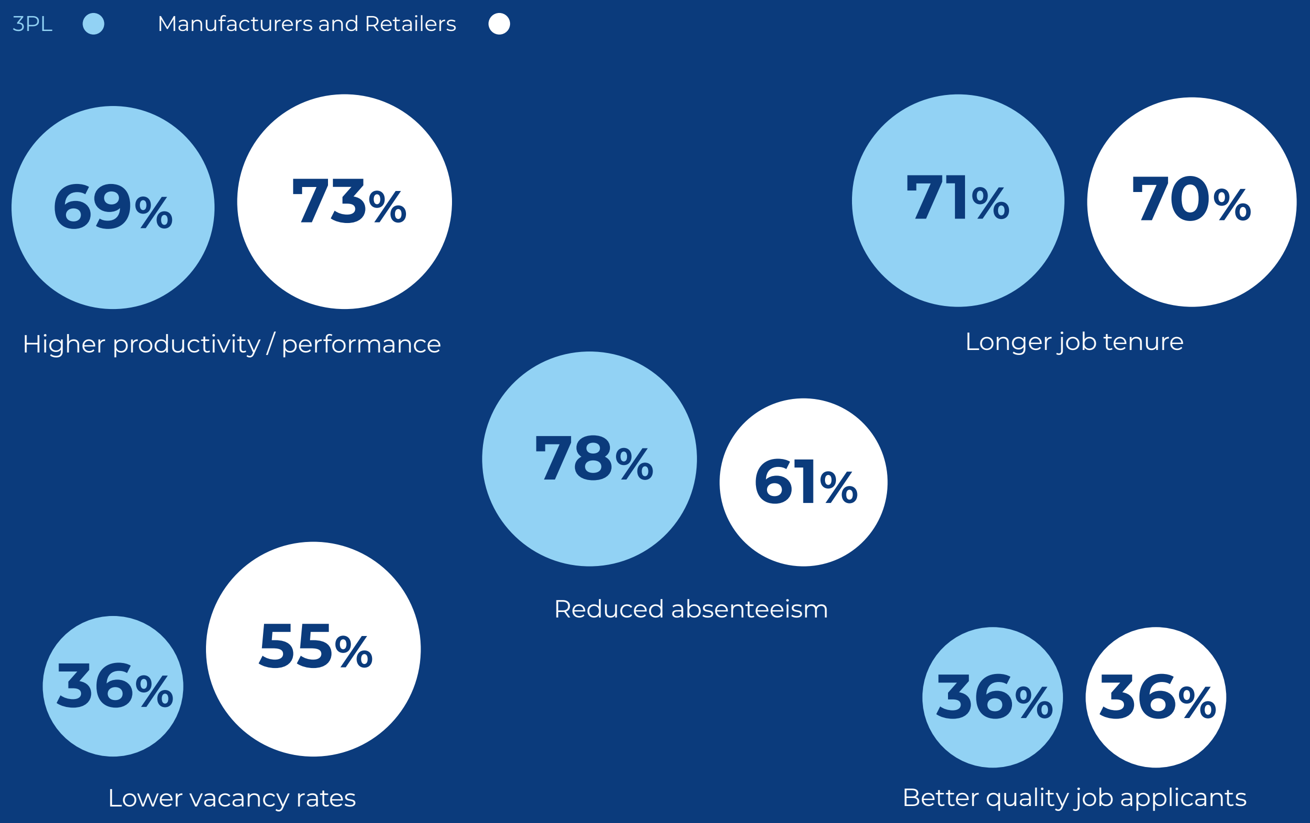
At 91% and 86%, 3PLs are more likely than manufacturers and retailers to have programmes in place for environmental and employee welfare programmes, though at 60% and 67%, 3PLs are less likely to undertake such activity around finance or charitable and social projects. Around three-quarters of manufacturers and retailers have measurable goals and targets for each type ESG activity, including corporate governance, where a similar share of 3PLs also have such targets.

It is encouraging to see that 78% of respondents (78% of 3PLs and 79% of manufacturers and retailers) offer staff wellness programmes. Although such programmes have been around for more than 60 years, it is really only in the last ten years, and especially the last five, that such programmes have become more widespread, at the same time evolving from general physical and mental health information, to counselling support and incorporating more awareness and prevention services.

Such programmes have a key role to play in supporting a sector that has long faced labour challenges, both in attracting sufficient numbers to supply chain roles, and also providing employees with the necessary skills at all levels. For our respondents that offer staff wellness programmes, over 70% benefit from reduced absenteeism, longer job tenure and higher productivity.

7. Benefits achieved from offering staff wellness programmes

Share of companies offering staff wellness programmes that see each benefit (%)



Around one-half of companies that offer staff wellness improvements, offer safe access requirements. We might have expected this figure to be higher. However, whilst access must meet guidelines under the Disability Discrimination Act (DDA) in the UK, for example, other countries' legislation may set different requirements.

Around one-half of companies offer access to shower facilities and one-third provide gym access, with both these benefits made available by similar shares of 3PLs and manufacturers and retailers and, especially, by larger companies in both categories. It is interesting to note, however, that a clear divergence in approach is apparent when it comes to measuring indoor air quality. This high-cost solution is only undertaken by 17% of 3PLs, as opposed to 42% of manufacturers and retailers.

The use of technology has become 'must have' across every operational element of supply chains, and ESG is no exception, as companies incorporate technological solutions to assist them towards their ESG goals and targets.

It is interesting to note that almost 60% of companies are utilising technology to help them save energy in their warehouse operations, with just over one-half incorporating it to save on transport and distribution fuel costs.

3PLs are embracing the use of technology to support ESG goals in the logistics space to a significantly greater extent than manufacturers and retailers, with a significantly greater share of 3PLs using technology to save energy, enhance operational visibility and performance measurement, support supply chain planning and optimisation, increase asset utilisation, manage time and resources, and improve collaboration opportunities with third parties.

Manufacturers and retailers are more likely than 3PLs to utilise technology to assist them to lower water use in their operations and gain access to subsidies, grants and other finance.

8. Using supply chain technology to contribute towards ESG targets/goals

Share of respondents using technology to.... (%)

Looking ahead

Almost **three-quarters** of 3PLs state that customer pressure encourages them to improve the sustainability of their operations

45% of manufacturers and retailers believe that linking executive compensation to ESG targets would encourage improvements in the sustainability of their operations

Almost **80%** of respondents say that reducing carbon dioxide (CO_2) emissions in the next five years is a key focus area for their environmental initiatives

Along the length of supply chains, from procurement, through manufacturing, logistics and retail, the area where companies would like to see the biggest improvements in sustainability activity is road transport, both domestically and internationally. There is, however, no broad consensus of opinion, with six areas of activity each receiving similar focus.

There are subtle differences in perspectives between 3PLs and manufacturers and retailers. The latter group sees more room for improvement in procurement, manufacturing and warehouse operations, whilst 3PLs would like to see much more being achieved in domestic transport and distribution.

When asked which factors would encourage their company to improve the future sustainability of its supply chain operations, seven-out-of-ten respondents suggest that the provision of financial incentives (grants, subsidies) would have an impact, with almost 80% of 3PLs holding this view, compared to just under 60% of manufacturers and retailers.

Almost three-quarters of 3PLs state that customer pressure encourages them to improve the sustainability of their operations, contrasting to just one-third of manufacturers and retailers that share this view. Lower costs of implementation and pressure from shareholders or investors are also more likely to encourage 3PLs to enhance their solutions.

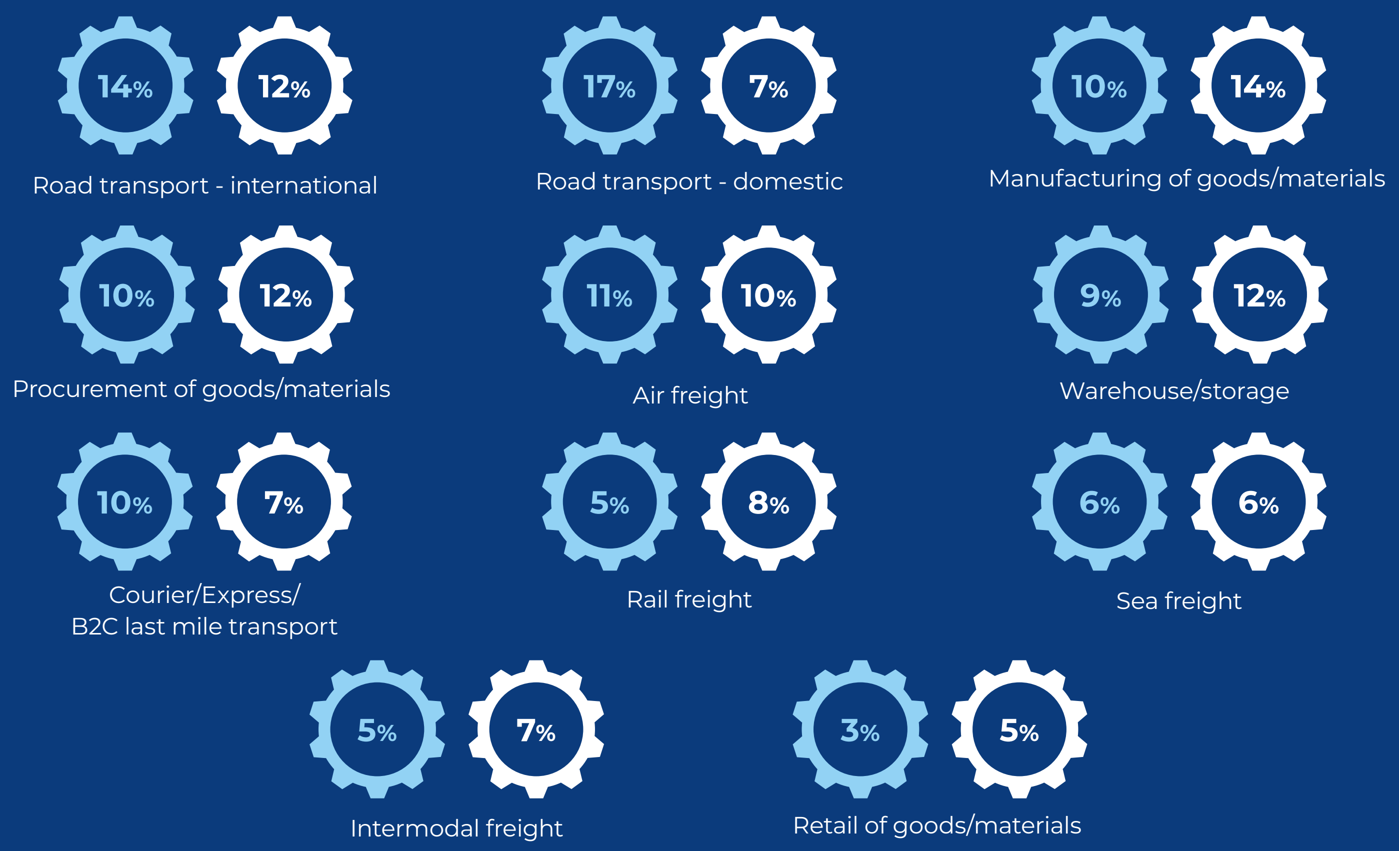
It was highlighted earlier that one-fifth of respondents suggest a lack of support from their company's leadership is a challenge facing their ESG activities, a figure that rises to one-third amongst manufacturers and retailers. Now, we see that 45% of manufacturers and retailers and 31% of 3PLs believe that linking executive compensation to ESG targets would encourage their company to improve the sustainability of their operations.

To be able to improve and enhance future sustainability, companies must first measure their impact on the environment. Respondents were asked to identify, from a list of 15 KPI measurements, those that their company are using.

9. Where in supply chains should the biggest improvements in sustainability activity be made?

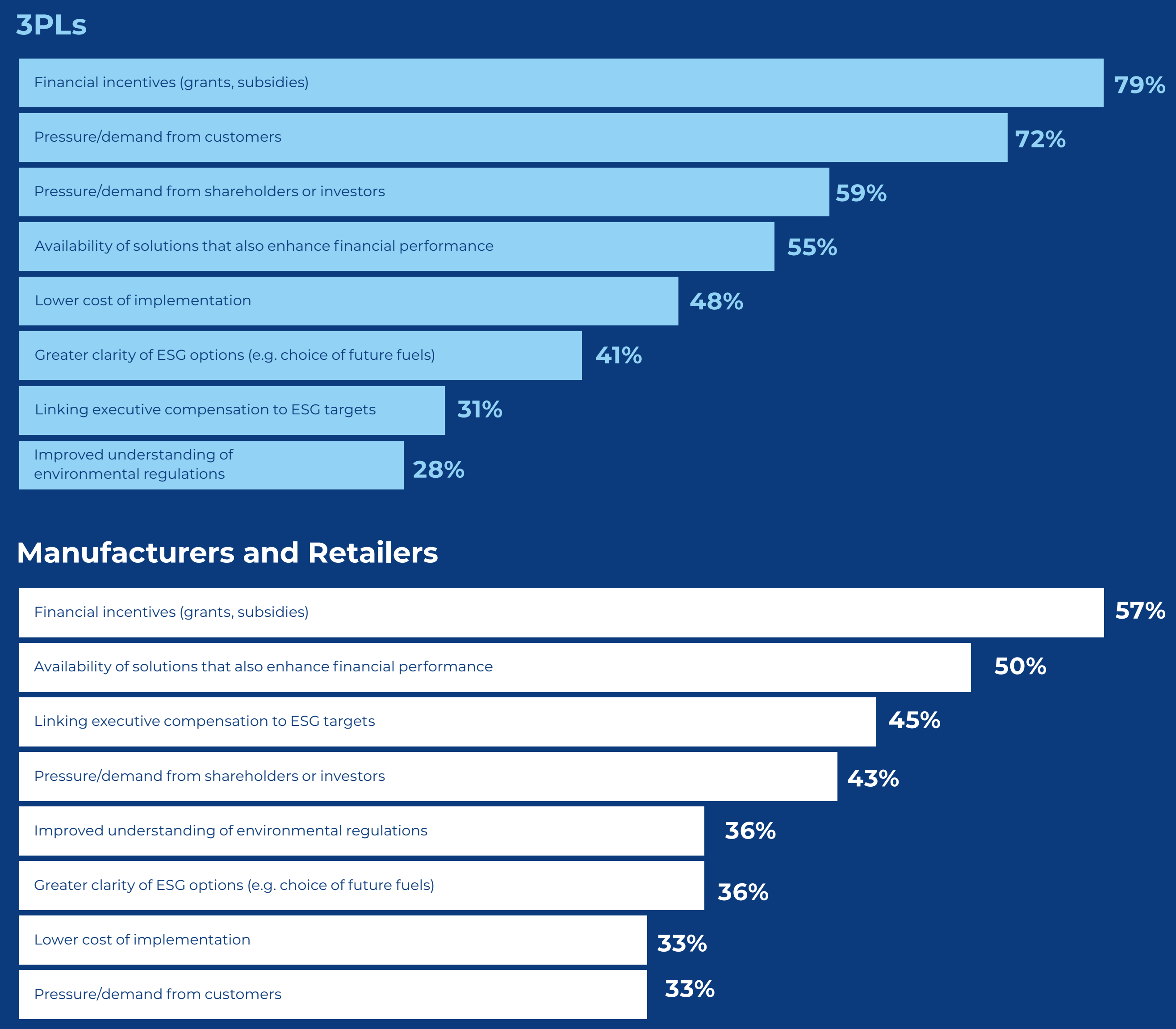
Share of responses (%)

3PL | Manufacturers and Retailers



10. Incentives to encourage companies to improve the sustainability of their operations

Share of respondents selecting each factor (%)



Over two-thirds of respondents (69%) measure their carbon footprint, though we see 81% of 3PLs undertaking this, against just over one-half (52%) of manufacturers and retailers. A similar share of both groups track and measure their energy consumption and fuel efficiency for transport and distribution operations. It is not unsurprising to see 3PLs more likely to use sustainability metrics across these activities as they are amongst the activities more likely to be outsourced by manufacturers and retailers to logistics providers. 3PLs are also more likely to track and measure energy consumption in their warehouse operations, though fewer companies (71%) do this.

This year's findings demonstrate a lower than anticipated share of companies using defined and formalised sustainability KPI measurements around recycling, from packing to products and single use plastics, and this is a metric that we will keep a close eye on in future editions of this Report. Analysis does, however, show a higher share of manufacturers and retailers (43%) than 3PLs (26%) measuring and tracking their use of renewable materials.

11. Most commonly used KPI metrics for sustainability by 3PLs

Share of respondents with each KPI (%)

Carbon Footprint	81%
Energy consumption/fuel efficiency for transport/distribution	81%
Energy consumption/fuel efficiency for warehouses	71%
Emissions (to air, sea, land)	59%
Supply chain miles	47%
Proportion of recyclable waste/ non-recyclable waste	40%
Waste reduction rate	38%

12. Most commonly used KPI metrics for sustainability by manufacturers & retailers

Share of respondents with each KPI (%)

Carbon Footprint	52%
Energy consumption / fuel efficiency for warehouses	52%
Emissions (to air, sea, land)	50%
Energy consumption/fuel efficiency for transport/distribution	48%
Use of renewale materials	43%
Supply chain miles	40%
Waste reduction rate	31%

> “80% of companies say that reducing carbon dioxide (CO2) emissions in the next five years is a key focus area for their environmental initiatives.”

To accurately measure the environmental impact along a supply chain, data must be collected from different sources, covering the manufacturing process, transport and distribution (which may be across different modes, through warehousing and storage through to retail and final mile logistics. This can become even more complex where 3PLs may sub-contract all or part of their activities to third parties.

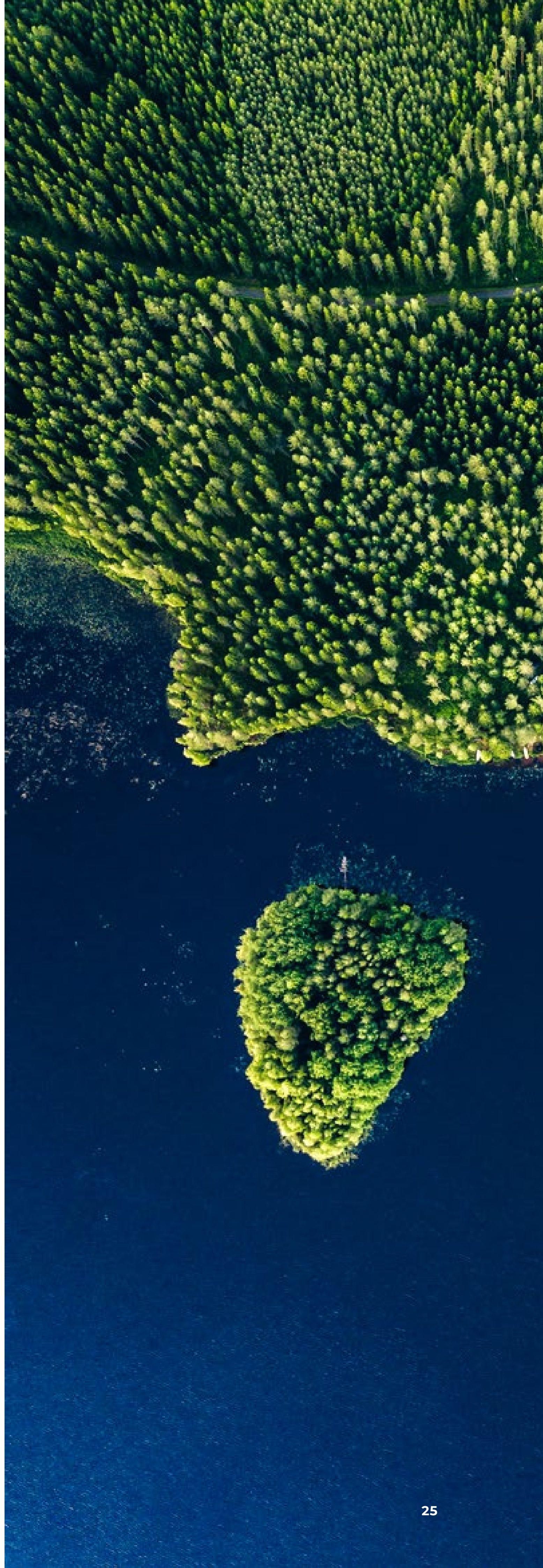
Respondents were asked to rate the difficulties they face in obtaining the data needed to measure sustainability measures in their supply chains. Across 11 potential elements of supply chain activity, companies did not highlight any areas of acute difficulty, though getting sustainability data for manufacturing, procurement and intermodal freight activities are the most challenging. Conversely, it is less challenging, or somewhat easier, to obtain data for sea freight, road transport and warehouse operations.

3PLs generally have greater challenges in getting the data they require from supply chain partners than do manufacturers and retailers, especially from procurement and manufacturing organisations, finding it easiest to obtain data from road transport partners and retailers.

Facing geo-political uncertainty, managing disruption and inflated rates in global freight markets, combined with inflationary and labour resource pressures, supply chains face a challenging period ahead. However, for the most part, they are resilient and find ways to overcome the obstacles placed in their path.

Whilst managing each of these challenges, driven by customer pressures, supply chains must continue to enhance and improve their sustainability credentials, but where will 3PLs, manufacturers and retailers focus their activities?

Almost 80% of companies say that reducing carbon dioxide (CO2) emissions in the next five years is a key focus area for their environmental initiatives. Future editions of our Report will quantify to what extent ‘offsetting’ is playing a role in achieving these targets.



“Over one-half of 3PLs are focussed on either introducing or expanding the number of alternative energy vehicles in their fleets.”

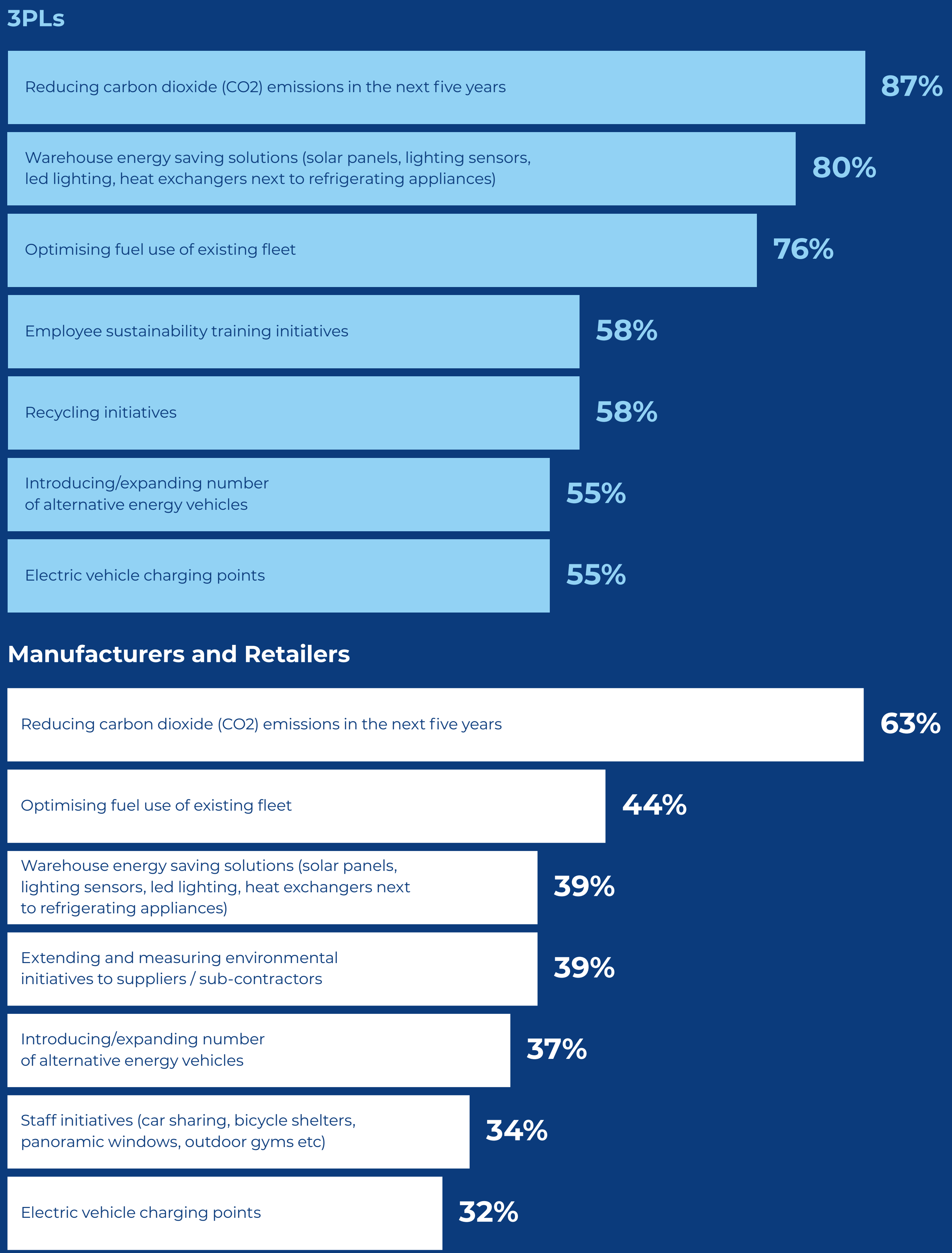
Whilst companies are less likely to be focussed on preserving water resources (such as rainwater harvesting systems and water filters) or making a positive environmental impact at their locations (such as landscaping trees, lawns, biodiversity etc), of greater focus is optimising fuel use of their existing transport fleets and incorporating warehouse energy saving solutions (such as solar panels, lighting sensors, LED lighting, heat exchangers next to refrigerating appliances etc).

Among our respondent base, 3PLs were more likely to identify multiple areas of focus for their future sustainability efforts than manufacturers and retailers, who appear to be concentrating on a smaller number of initiatives. Over one-half of 3PLs are focussed on either introducing or expanding the number of alternative energy vehicles in their fleets, together with electric vehicle charging points, as long as potential challenges over power supply issues can be overcome. Similar shares of 3PLs are also focussed on recycling projects and employee sustainability training initiatives.

For manufacturers and retailers, after their focus on transport and warehouse energy saving solutions, attention will be paid to extending and measuring environmental initiatives to suppliers and sub-contractors, whilst over one-third will promote staff initiatives (such as car sharing, bicycle shelters, panoramic windows, outdoor gyms etc).

13/14. Key focus areas for companies’ environmental initiatives

Share of respondents with each 'focus area'.... (%)



Note: for the full list of future focus areas refer to the Data Appendix

Focus on Legal and Contractual

Whilst almost **70%** companies use ESG targets as part of their RFP process, the ‘weighting’ or level of importance that they attach to these targets in the contract award varies considerably

28% of companies include ESG targets as obligations for supply chain partners to meet in their contracts, whilst 44% include them as aspirations

58% of manufacturers and retailers and 49% of 3PLs have insisted on ‘the right to terminate’ relationships if obligatory ESG targets are not met

15. Are ESG targets a part of the RFP process when tendering for new business?

Is ESG a part of RFP?

3PL ● Manufacturers and Retailers ●

Yes

64%

76%

No

36%

24%

A key objective for our research is to identify how ESG solutions, with a particular focus on sustainability, are impacting, or being impacted by, the commercial dynamics and relationships between 3PLs and their customers, the manufacturers and retailers. This encompasses the early stages of engagement, through a request for proposal (RFP) or request for quote (RFQ), up to the signing of contracts to undertake services.

Over two-thirds of companies (69%) use ESG targets as part of their RFP process when tendering for new business. 64% of 3PLs use ESG targets when tendering for business, as they may do when sub-contracting services, but a much higher proportion (76%) of manufacturers and retailers also incorporate them.

The 'weighting' or level of importance the two groups attach to these targets in the contract award varies considerably:

- Over one-quarter of respondents (27%) give sustainability a 'weighting' of 10-15% in the contract award, while a further 23% allocate it a weighting of 15-20% and 24% weight it at between 5-10%. Almost one-fifth of companies (19%) give sustainability a 'weighting' of more than 20%, 5% of which allocate it at over 25%.
- Analysis by respondent type illustrates that in contract awards, manufacturers and retailers are likely to 'weight' sustainability at between 10-20%, marginally higher than 3PLs, who are likely to 'weight' it between 5-15%.

Having selected a preferred supply chain partner, how do companies then treat the achievement of ESG targets in contracts? Overall, 28% of companies include ESG targets as obligations for supply chain partners to meet in their contracts. Almost one-half (44%) include them as aspirations, whilst the remaining 28% do not include them at all.

There is a clear difference in approach, comparing manufacturers and retailers to 3PLs, with the former much more 'advanced' in their use of ESG targets in contracts. Overall, 37% of manufacturers and retailers include ESG targets as obligations (as opposed to 19% of 3PLs), a further 49% include them as aspirations (39% of 3PLs) and just 14% do not include them at all (against 42% of 3PLs).

Multiple companies acknowledged that they do not employ a consistent approach to the use of ESG targets in contracts, varying their use, often depending on the individual relationships they have with each supply chain partner.

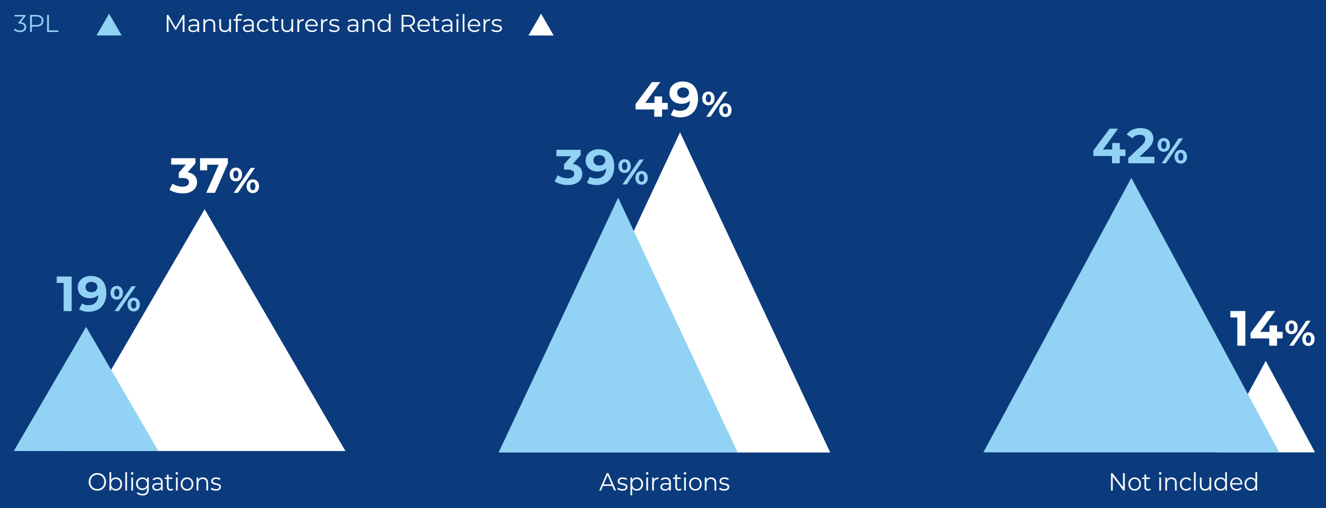
16/17. If ESG targets are a part of the RFP process, how much weight does sustainability carry in the contract award?

Weight given to ESG targets in RFP

3PL Manufacturers and Retailers

Note: for the full list of future focus areas refer to the Data Appendix

18. Are ESG targets included in contracts as obligations or aspirations for supply chain partners to meet?



The use of ESG targets as obligations is certain to increase with one respondent noting, for example, that 'we will in future be including ESG targets in all supplier contracts', with another highlighting that 'contract life reduction of Co2 emissions' is being introduced to reduce the carbon footprint for their overall supply chain.

Their use will be reflective of a company's own targets and goals, and these vary enormously. One respondent suggested the use of ESG targets in contracts is supporting their five-year target to reduce CO_2 emissions in the manufacture of feeder stock by 15%, whilst another is using them to drive a more aggressive plan to be carbon neutral by 2025.

Across 11 elements of supply chain activity, we identified whether ESG targets are included as obligations or aspirations for supply chain partners to meet and fulfil, also tracking the difference in approach between manufacturers and retailers, and 3PLs.

Around one-third of companies include ESG targets as obligations for their supply chain partners, across a number of the 11 categories, including procurement, manufacturing, warehousing, domestic road transport or warehousing activities.

In procurement, manufacturing and retail stages, manufacturers and retailers are especially demanding of their supply chain partners, whilst 3PLs are more likely to insist on ESG targets as obligations across warehousing and road transport operations, but even in these categories, around one-half of 3PLs only include ESG targets as aspirations in their contracts.

Refer to the Appendix at the end of this report for a comprehensive breakdown of the analysis behind each element of supply chain activity.

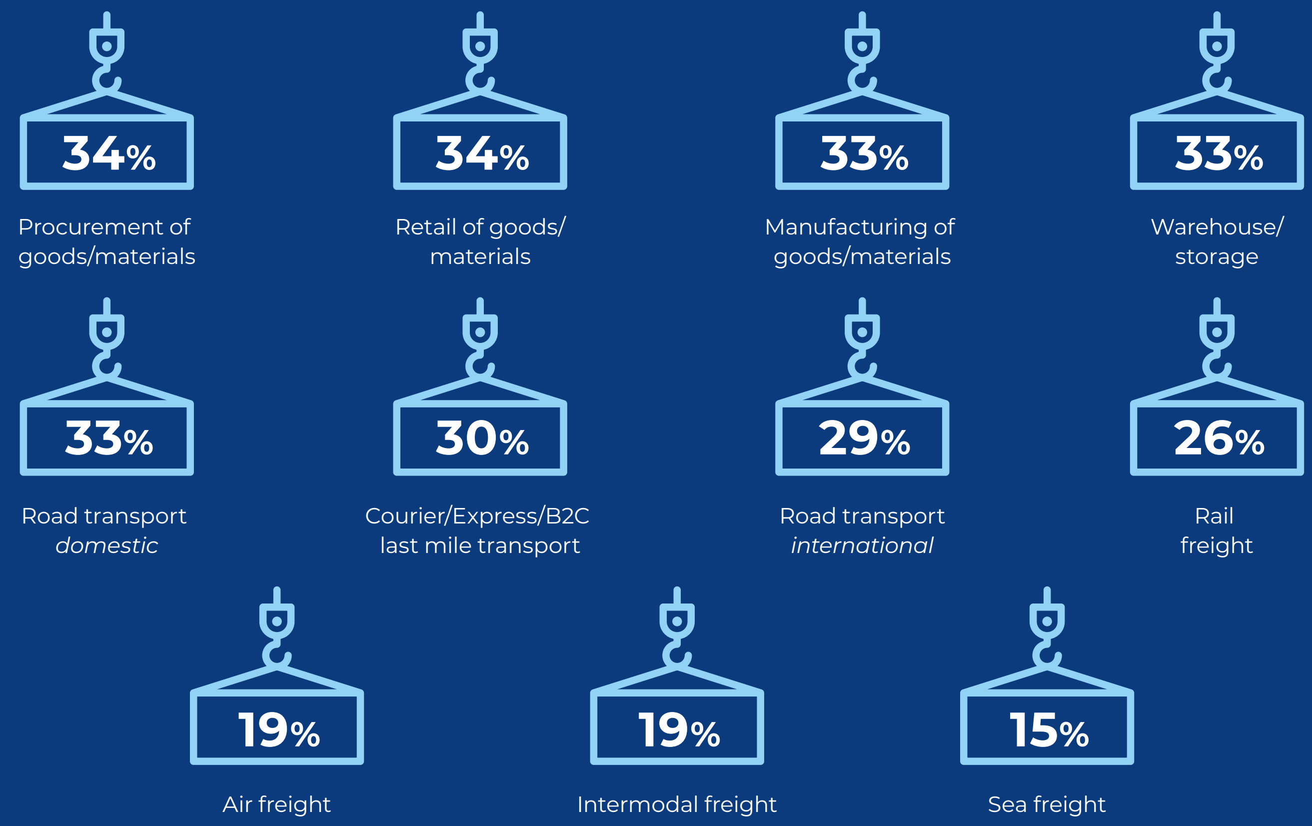
Of course, it is one thing to include ESG targets as contractual obligations for supply chain partners to meet, but how is compliance with these obligations being monitored? Companies can, and do, take multiple approaches, from the use of self-reporting to audit rights and independent verifications. 69% of respondents (and the same share for both 3PLs and manufacturers and retailers) use 'self-reporting' to track contractual compliance with ESG targets, whilst 51% use audit rights, though these are more commonly used by manufacturers and retailers (60%) than 3PLs (43%). Overall, 22% of companies use independent verifications (21% of 3PLs and 23% of manufacturers and retailers).

Following the inclusion of obligatory ESG targets in contracts, and their monitoring, more than half of respondents (53%) insist on 'the right to terminate' relationships if these are not met. 58% of manufacturers and retailers and 49% of 3PLs take this approach with some, or all, of their supply chain partners.

45% of companies (43% of 3PLs and 47% of manufacturers and retailers) apply financial penalties and 41% have excluded supply chain partners from future tenders. This latter approach is favoured much more by 3PLs, 60% of whom have taken this course of action as opposed to only 24% of manufacturers and retailers.

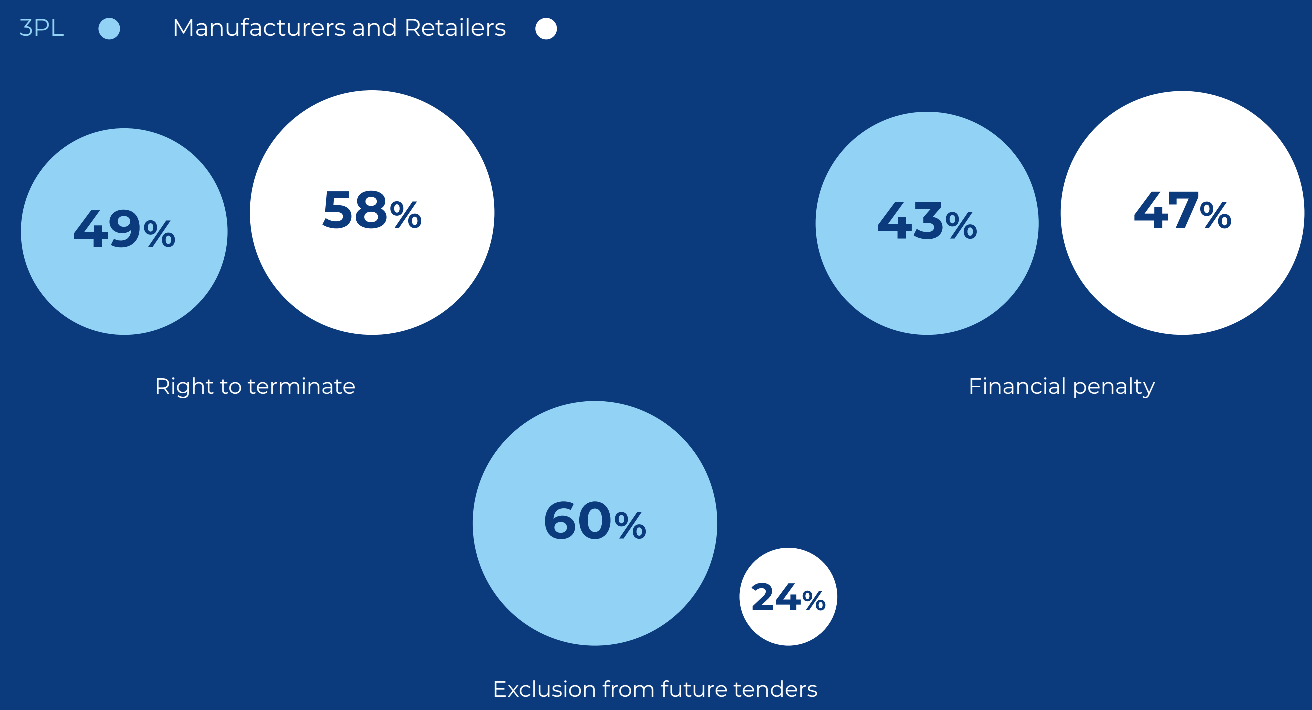
19. Where in the supply chain are ESG targets included as obligations in contracts?

Share of respondents including ESG targets as obligations



20. If ESG targets are included as contractual obligations what are the consequences for failure to meet the targets?

Share of respondents using each 'consequence'... (%)



Focus on Warehousing and Transport

One-third of companies (38% of 3PLs and 27% of manufacturers and retailers) do not obtain reporting certifications across their business

Costs and affordability rate as the most important warehouse feature, with staff well-being and power supply also among key concerns

Companies looking to achieve decarbonisation of their road fleet operations are demanding **greater clarity** from both industry and at a government level, on future fuel choices, the associated technologies and their costs

In February 2022, the European Commission adopted a proposal[1] for a Directive on corporate sustainability due diligence. The proposal aims to foster sustainable and responsible corporate behaviour throughout global value chains. The proposal will be presented to the European Parliament and the Council for approval. Once adopted, Member States will have two years to transpose the Directive into national law.

Asking companies to take voluntary action is not deemed sufficient, as research[2] shows that when companies take voluntary action, they focus on the first link in the supply chains while human rights and environmental harm occurs more often further down in the value chain. Furthermore, progress is slow and uneven.

Whilst companies will have at least two years to prepare for these requirements, to what extent are companies currently achieving reporting certifications? One-third of respondents (38% of 3PLs and 27% of manufacturers and retailers) state that their companies do not obtain reporting certifications across their business, whether they related to ESG, supply chain operations or other parts of their business.

19% of respondents suggest that they are CPD accredited (Continuing Professional Development), an achievement recognised by 24% of manufacturers and retailers and 15% of 3PLs). 17% of respondents meet some or all of the metrics across GRI Standards (Global Reporting Initiative).

27% of respondents (38% of 3PLs and 15% of manufacturers and retailers) have obtained Breeam (Building Research Establishment Environmental Assessment Method) reporting certifications, a figure that at first glance may appear low, but is one that is likely to reflect the age profiles of logistics facilities operated by them.

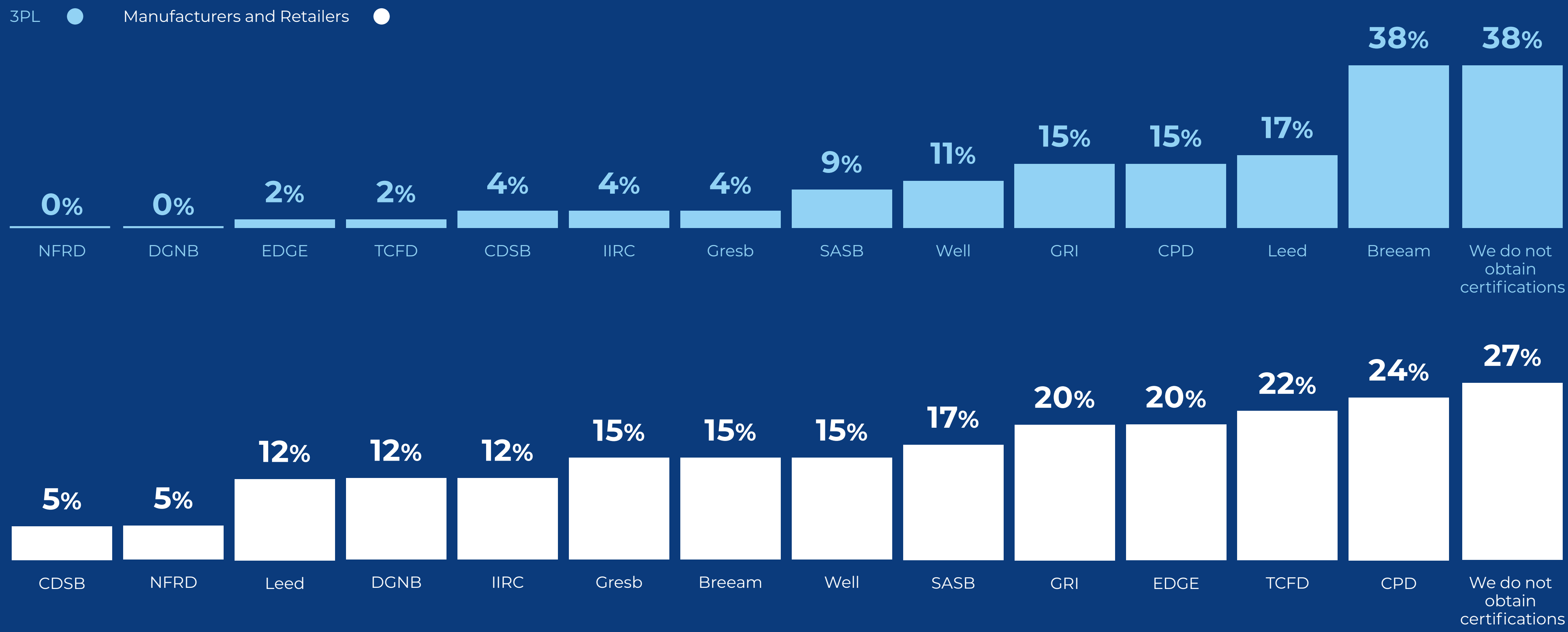
15% have achieved LEED (Leadership in Energy and Environmental Design) certification (17% of 3PLs and 12% of manufacturers and retailers).

One-quarter of companies indicate that they would be willing to pay extra for environmental certifications because they believe that they add value to their business, a view held by 22% of 3PLs and 30% of manufacturers and retailers). 62% of companies (73% of 3PLs and 48% of manufacturers and retailers) state that they would be willing to pay extra for environmental certifications, but with the costs of doing so uncertain, the amount that they would be willing to pay depends on the size of the increase. 13% of companies would not be willing to pay for environmental certifications, with 11% suggesting that this is because they do not believe such certifications add any value to their business.

1 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145
2 https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_1146

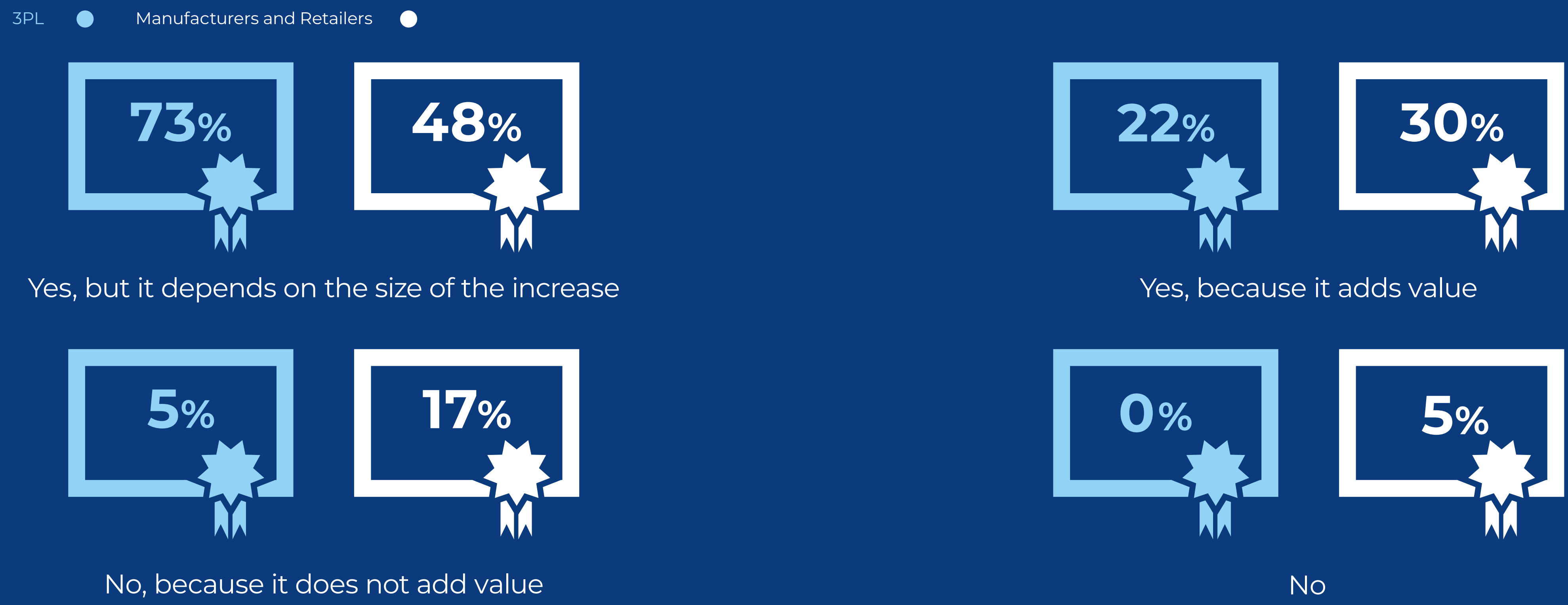
21. Does your company achieve/obtain reporting/certifications and, if so, which ones?

Share of respondents with each 'certification' (%)



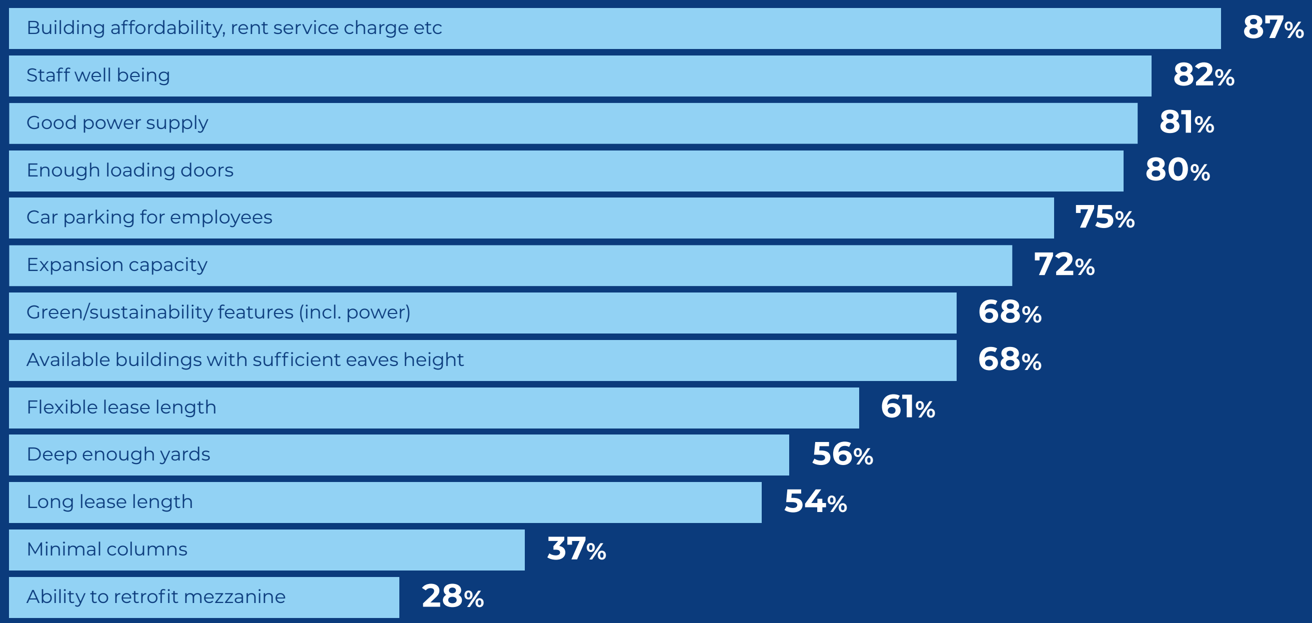
22. Would you increase your costs to have environmental certifications for your supply chain operations and assets?

Willingness to pay for environmental certifications



23. Regarding your distribution centre operations, rate the following warehouse/real estate features in terms of their importance to your operation:

Ranking importance of features by share of 'Very Important' + 'Important'



Identifying that obtaining environmental certifications is somewhat dependent upon the financial cost of doing so, it is important to place sustainability in the context of wider business goals and strategies.

Regarding distribution centre operations, how do occupiers rate on, a sliding scale, various warehouse features in terms of their importance to their operations? For 3PLs, in particular, operating in a sector defined by intense competitive pressures and low margins, it is perhaps unsurprising to see that costs and affordability rate as the most important warehouse feature, with staff well being and power supply also among key concerns. Provided with a list of 13 key features to rank, it is pleasing to see that in seventh position are green and sustainability features (incl. power), with 68% of respondents rating these as either 'Very Important' or 'Important' to their business.

More specifically, in terms of warehouse / real estate ESG features, energy saving solutions (such as solar panels, lighting sensors, LED lighting, heat exchangers next to refrigerating appliances, heat pumps) are rated as by far the most important to a company's operations.

Some way back, in second, is preserving water resources, while the provision of electric vehicle charging points is third. In fourth, 45% of respondents suggest that the inclusion of staff initiatives (such as car sharing, bicycle shelters, panoramic windows, outdoor gyms, parcel lockers, vending machines, ATM (cash machines); is either 'Very Important' or 'Important' to their business.

Having already noted that road transport 'stage' of supply chain operations is where companies would like to see the biggest improvements in sustainability activity, prior to making significant investments in the coming years to fulfil these requests, companies are demanding greater clarity from both industry and at a government level, on future fuel choices, the associated technologies and their costs. This demand for greater clarity is by far the most important factor for companies looking to achieve decarbonisation of their road fleet operations.

In joint-second spot in a rating of importance, the proximity to electric charging points and calls for greater investment in charging infrastructure are both rated as either 'Very Important' or 'Important' by 77% of respondents seeking to promote the decarbonisation efforts of their road fleet operations.

With 70% or more of companies rating them as either 'Very Important' or 'Important', the development of road infrastructure (such as expressways and junctions, 74%), investment in refuelling infrastructure (71%) and facilitating a longer implementation period (70%) are seen as vitally important factors to assist companies to achieve decarbonisation targets.

24. Rate the following warehouse/real estate ESG features in terms of their importance to your operation:

Ranking importance of features by share of 'Very Important' + 'Important'

92%
Warehouse energy saving solutions: solar panels, lighting sensors, led lighting, heat exchangers next to refrigerating appliances, heat pumps

59%
Preserving water resources: Rainwater harvesting systems, water filters, grey water, water leak detectors

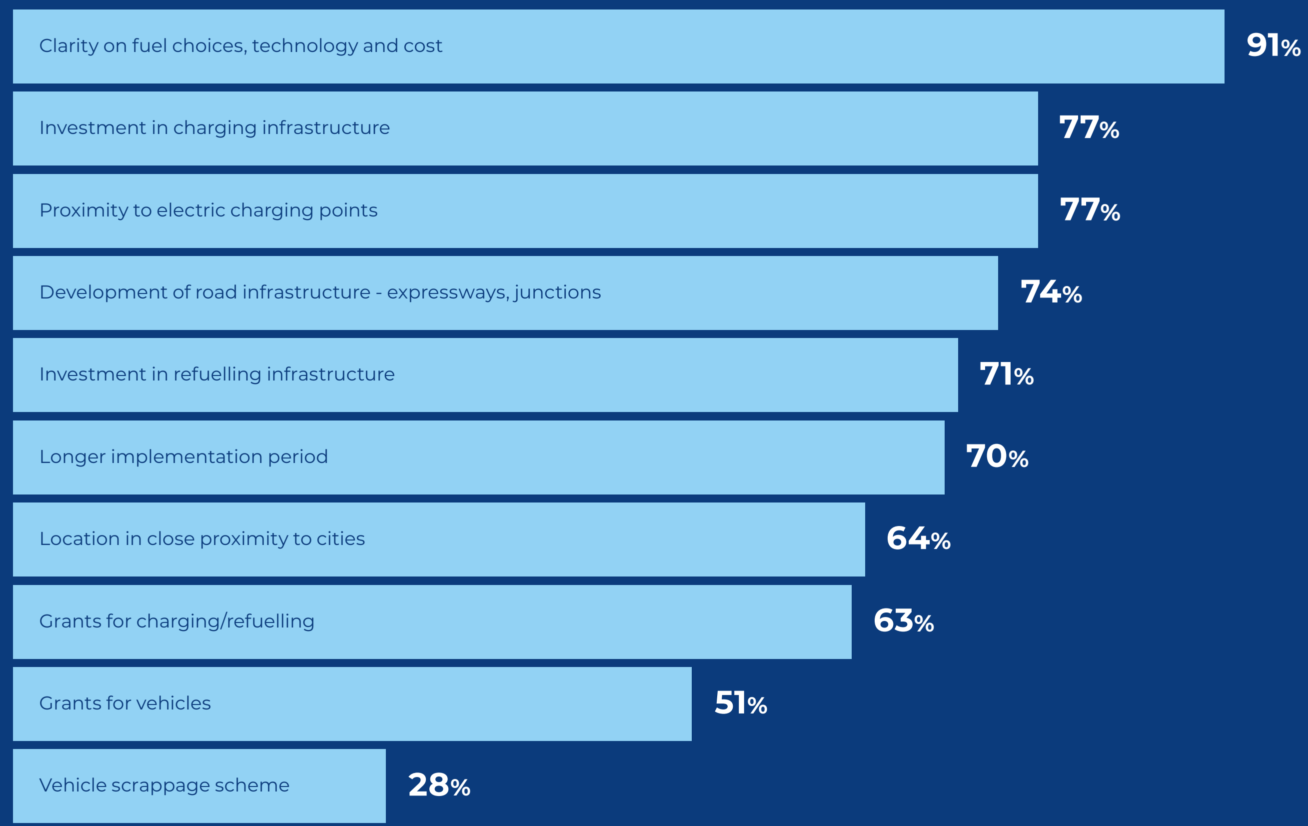
53%
Electric vehicle charging points

45%
Staff initiatives: car sharing, bicycle shelters, panoramic windows, outdoor gyms, parcel lockers, vending machines, ATM (cash machines)

39%
Positive environmental impact: Landscaping trees, no mown lawns, biodiversity, meadow

25. How important are the following factors to achieve decarbonisation targets in road transport operations?

Ranking importance of features by share of 'Very Important' + 'Important'



Industry Insight from GXO

Neil Shelton, Chief Strategy Officer, explains why ESG matters to GXO and how it is inextricably linked with technology in the warehouse

How does GXO approach ESG? Being a new, stand-alone business provides a great opportunity.

It starts with first principles. ESG really matters to GXO and it is driven from the top, down. Environmental, social and governance are important measures of how we deliver results. It matters to our 100,000-plus employees. It matters to our customers. And it clearly matters for our many other stakeholders. We need to be the employer of choice in our sector, but also it is really important for our customers, because we are a long-term partner for them, helping them deliver on a number of their own ESG goals.

For instance, we are able to resell approximately 97% of returned products and we divert less than 1% to landfills. That is the sort of benefit that we're able to deliver for our customers — reducing their environmental footprint and reusing valuable inventory.

Almost half of manufacturers and retailers suggest linking executive compensation to ESG would improve sustainability for the sector.

Absolutely. GXO's leadership and the Board have expressed their intention to integrate ESG-related performance into compensation and develop an ESG scorecard that will play an important role in this alignment. We want to be an ESG leader and setting public targets and linking executive compensation to meeting targets is an important way for companies to demonstrate that they are serious about ESG.

Our inaugural ESG report [published in April] highlights that we are continuing to show improvement. We delivered a 24% reduction in greenhouse gas intensity over the past year and we will look to improve on that and indeed drive towards our published targets.

How do you manage the complex ESG regulatory environment?

We have an ESG team here at GXO led by our Chief ESG and Compliance Officer Meagan Fitzsimmons with oversight from our Executive ESG Committee and the Nominating, Corporate Governance and Sustainability Committee of the Board of Directors. We engage with a number of external parties to ensure that GXO continues to meet or exceed all regulatory reporting requirements.

Our teams around the world focus on the various regulatory and operational aspects of ESG, including evolving legal requirements and industry best practices.

Being a new standalone company has given us a great opportunity to set the agenda, and it was really important for us to actively engage with ratings agencies such as MSCI early. They rated us AA in terms of their ESG metrics. That makes us the highest ranked global large-cap company within our sector.

How easy is it to collect data and understand your impact on sustainability? If you can't measure it, you can't improve it?

Collecting and synthesizing huge amounts of ESG data is one of the more challenging aspects of ESG. Like most companies, we are always looking for new ways to leverage data. We use several data collection systems and technology solutions and, for many years, we have had segments of our ESG data audited by a third party firm.

Focusing on data allows for greater transparency and accountability around ESG and also allows us to show our customers the concrete benefit of our solutions. For example:

at one site for a consumer packaged goods company, we have delivered a 60% reduction in wastage relative to the situation before we took over their contract, achieving enormous financial and environmental benefits.

Other examples include operating Italy's first carbon-negative warehouse for another customer. Capturing the environmental benefits from all of these different solutions helps GXO in contract negotiations with customers who are looking to accelerate their ESG strategies, be it through the use of alternative energy sources or, increasingly, dealing with returns and reverse logistics because that's also a critical area.

If you look across some key industries, about 25% of all returns go to landfills.

Who leads the discussions on ESG, manufacturers and retailers or their 3PLs?

Customers come to us for advice to help them achieve their ESG goals. This is now typically a top three ask for the companies that we are partnering with. It really is a partnership, and we're working together to help reach environmental, social and governance targets; it is not one side or the other forcing the agenda. We can work with our customers and highlight "this is what we have achieved with a customer, this would benefit your business." This gives us the opportunity to deepen our customer relationships. They also come to us with their own ideas that we implement and execute for and with them.

We take GXO's benefits of scale and best practices, operating over 900 warehouses, to be able to offer solutions to a wider group of customers. A lot of our customers are very consumer-facing and they are incredibly focused on the perception of how they are dealing with the environment.

As a multi-country, multi-sector company, with such a wide base of customers, you have experience of managing varied ESG requirements.

Yes, but certainly there are increasingly fewer differences than you might imagine. The ESG agenda is gaining traction globally. Absolutely, the starting point today might be somewhat different in certain countries or certain sectors, but their upward trajectory is very similar.

We work with global companies, with operations in many countries, and it's important for them to be recognised as being leaders in ESG. The trend is incredibly clear: ESG is being driven by large consumer-focused brands and by capital moving into and out of sectors. It is very clear that ESG-focused capital has been one of the largest sources of growth globally, and that trend looks set to continue.

How is the way that ESG is positioned in contract negotiations changing?

ESG is now one of the top requirements for every customer. We sign long-duration contracts with our customers. Go back 10 years, and ESG was far less of a focus. This increasing focus on ESG is a good thing – for our customers, our employees and our planet.

Defining technology, solving customers' ESG requirements and also helping them grow efficiently are what customers are really looking for their logistics providers to do, but a lot of this is intertwined. For example, automation helps drive precision, efficiency and predictability, as well as employee safety.

Companies today are much more inclined to focus on ESG benefits than they were a decade ago and that will continue.

What are the main future trends you see in terms of ESG and the role 3PLs will be playing?

Future ESG trends will be supported by increasing amounts of technology to enhance efficiency, increase predictability and improve warehouse environments for workers by using more collaborative technologies to perform repetitive tasks. These technologies will allow our customers to reduce inventory and wastage and better manage returns.

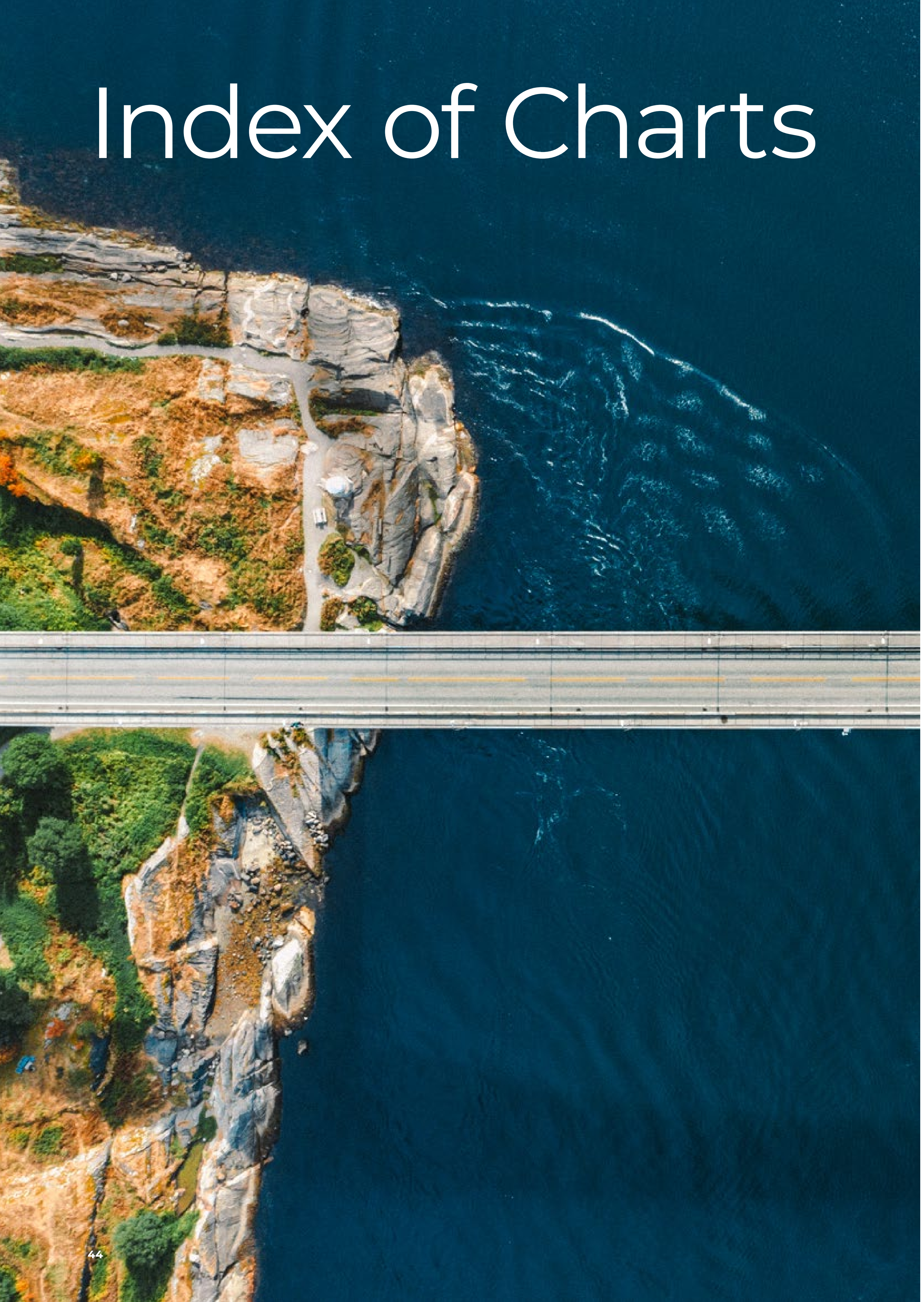
For example, we are now marrying vision technology with machine learning and artificial intelligence to reduce the cost of reverse logistics. The cost is so high in some cases that companies simply don't bother, and this activity is half as much outsourced compared to the industry as a whole, so if we can use more technology or software to drive down the manual level of activity required in reverse logistics, we will encourage more companies to outsource that activity, reducing landfill and over-manufacture whilst helping customers' growth, giving them access to previously underutilised stock.

Technology is going to be really important in helping achieve a number of environmental benefits. Thankfully, we are in the midst of a J curve in the number of technologies available — both of a collaborative and more fixed nature in hardware and also importantly on the software side — to drive improvement.

NEIL SHELTON
Chief Strategy Officer, GXO

Neil Shelton has 25 years of experience in the financial industry with companies that include JPMorgan Chase, Morgan Stanley, Credit Suisse, Citigroup and Arthur Andersen. Neil has led several research teams to No. 1 rankings, has been regularly ranked No. 1 for specialist sales by Institutional Investor and has piloted more than 50 equity and initial public offerings. He holds a degree in industrial economics from the University of Nottingham in Great Britain.

Index of Charts



Where table percentage data does not sum to 100%, this represents the share of respondents selecting each category.

Appendix

The following section provides access to the full data set of questions and responses recorded as part of the first European Logistics and Supply Chain Sustainability Report.

Measuring ESG Sentiment

Sector of research respondents

Sector	Overall
3PL	58%
Manufacturers	25%
Retailers	17%
Total	100%

Job titles of research respondents

Job titles	Overall
ESG/Sustainability	22%
CEO/MD/CFO/FD	28%
3PL/Supply Chain Director	14%
Operations Director	15%
Commercial Director/Other	21%
Total	100%

Why do you undertake ESG activity? Rate the importance of the following factors that drive ESG activity in your business.

Score each factor 1 = not at all important – 10 = very important	Overall	3PL	Manufacturers and Retailers
Meet regulatory/legislative requirements	8.3	8.3	8.5
Keep up with competitors	7.0	7.1	6.4
Meet informal expectations/requirements of customers/ suppliers/service providers'	7.7	7.9	6.8
Meet contractual requirements of customers/suppliers/service providers	7.0	7.1	6.9
Attract new customers/achieve top-line growth	7.5	7.6	6.9
Reduce costs and/or enhance productivity	6.9	6.8	7.3
Achieve financial/tax benefits/credits	4.4	4.4	4.2
Optimise long term capital expenditures	5.6	5.6	5.6
Attract investors	4.5	4.5	4.5
Attract and retain employees	7.0	6.8	8.0
Make a positive social impact	7.7	7.5	8.4
Make a positive environmental impact	8.3	8.2	8.6
Enhance corporate reputation	7.8	7.9	7.3
Meet the UN requirements to become climate neutral by 2050	7.0	7.2	6.4

What challenges does your company encounter in its attempts to introduce/enhance more sustainable solutions for your supply chain operations? (select all that apply)

Share of respondents encountering each challenge (%)	Overall	3PL	Manufacturers and Retailers
Complexity of solutions	55%	66%	40%
Impact on performance of solutions	37%	34%	40%
Lack of resource (people) to implement	47%	53%	38%
Lack of skills/knowledge	41%	48%	31%
Lack of support from leadership	22%	14%	33%
Lack of technology improving sustainable operations	35%	38%	31%
Financial cost of solutions	60%	62%	57%
Inability to define/measure ROI	26%	26%	26%
Unable to quantify/measure benefits of solutions	23%	24%	21%
Lack of regulations	14%	14%	14%
Understanding the reporting standards and regulations/complexity	19%	21%	17%
Aligning ES with growth targets	16%	16%	17%
None	0%	0%	0%
Other (please specify):	4%	5%	2%

Which of the following challenges or benefits has your company's ESG programme directly contributed to? (select all that apply)

Share of respondents selecting each benefit/challenge (%)	Overall	3PL	Manufacturers and Retailers
Lost customers due to poor ESG practices	6%	2%	12%
Won customers due to strong ESG practices	56%	66%	43%
Access to government subsidies and financial support	30%	28%	33%
Avoided incurring contractual penalties with counterparties	14%	9%	21%
Accrued payment of contractual penalties from counterparties	19%	10%	31%
Lack of recognition/competitive advantage (practices are reactive rather than proactive)	25%	26%	24%
Increased media/PR profile	41%	48%	31%
Improved/enhanced collaboration within the company	41%	48%	31%
Loss of collaboration and transparency within the company	11%	7%	17%
Enhanced/improved employee motivation	40%	48%	29%
Contribution to The European Commission's Fit-for-55 package/ UN requirements to become climate neutral by 2050	19%	19%	19%
None	3%	2%	5%
Other (please specify):	0%	0%	0%

Current Perspectives

**Five most important factors driving ESG activity.
Rating importance 1-10, we undertake ESG activity to...**

Overall	
1. Meet regulatory/legislative requirements	8.3
2. Make a positive environmental impact	8.3
3. Enhance corporate reputation	7.8
4. Meet informal expectations/requirements of customers/suppliers/service providers'	7.7
5. Make a positive social impact	7.7
3PL	
1. Meet regulatory/legislative requirements	8.3
2. Make a positive environmental impact	8.2
3. Meet informal expectations/requirements of customers/suppliers/service providers'	7.9
4. Enhance corporate reputation	7.9
5. Attract new customers/achieve top-line growth	7.6
Manufacturers and Retailers	
1. Make a positive environmental impact	8.6
2. Meet regulatory/legislative requirements	8.5
3. Make a positive social impact	8.4
4. Attract and retain employees	8.0
5. = Reduce costs and/or enhance productivity	7.3
5. = Enhance corporate reputation	7.3

External approach to sustainability targets and objectives.

Share of companies undertaking external benchmarking of ESG activity	Overall	3PL	Manufacturers and Retailers
We benchmark competitors' performance/capability	73%	66%	83%
We benchmark service providers' performance/capability	79%	76%	83%
We benchmark suppliers' performance/capability	80%	74%	88%
We benchmark customers' performance/capability	74%	64%	88%

Five greatest challenges encountered when introducing more sustainable supply chain solutions. Share of respondents encountering each challenge (%)

3PL	
Complexity of solutions	66%
Financial cost of solutions	62%
Lack of resource (people) to implement	53%
Lack of skills/knowledge	48%
Lack of technology improving sustainable operations	38%
Manufacturers and Retailers	
Financial cost of solutions	57%
Complexity of solutions	40%
Impact on performance of solutions	40%
Lack of resource (people) to implement	38%
Lack of support from leadership	33%

**Most frequent challenges or benefits that ESG programmes directly contribute to.
Share of respondents selecting each benefit/challenge (%)**

3PL	
1 Won customers due to strong ESG practices	66%
2 = Enhanced/improved employee motivation	48%
2 = Increased media/PR profile	48%
2 = Improved/enhanced collaboration within the company	48%
Manufacturers and Retailers	
1 Won customers due to strong ESG practices	43%
2 Access to government subsidies and financial support	33%
3 = Increased media / PR profile	31%
3 = Improved / enhanced collaboration within the company	31%
3 = Accrued payment of contractual penalties from counterparties	31%

Benefits achieved from offering staff wellness programmes.

Share of companies offering staff wellness programmes that see each benefit (%)	Overall	3PL	Manufacturers and Retailers
Reduced absenteeism	71%	78%	61%
Longer job tenure	71%	71%	70%
Lower vacancy rates	44%	36%	55%
Higher productivity/performance	71%	69%	73%
Better quality job applicants	36%	36%	36%

Using supply chain technology to contribute towards ESG targets/goals.

Share of respondents using technology to.... (%)	Overall	3PL	Manufacturers and Retailers
Enhance operational visibility and performance measurement	50%	62%	33%
Monitor compliance through notifications e.g. reaching targets/falling-behind targets	40%	40%	40%
Avoid fines, penalties and enforcement action	29%	28%	31%
Save energy – warehouse	58%	64%	50%
Save energy – distribution	53%	60%	43%
Lower water use	24%	14%	38%
Lower packaging use	36%	34%	38%
Gain access to subsidies, grants and other finance	15%	9%	24%
Operate electric vehicle fleet	33%	31%	36%
Support supply chain planning/optimisation	48%	59%	33%
Increase asset utilisation	32%	41%	19%
Manage time/resources	27%	31%	21%
Improve collaboration opportunities (with customers and/or competitors)	28%	36%	17%
Other	1%	0%	2%

Looking ahead

Where in supply chains should the biggest improvements in sustainability activity be made?

Share of responses (%)	Overall	3PL	Manufacturers and Retailers
Procurement of goods/materials	11%	10%	12%
Manufacturing of goods/materials	11%	10%	14%
Warehouse/storage	10%	9%	12%
Air freight	11%	11%	10%
Intermodal freight	6%	5%	7%
Rail freight	6%	5%	8%
Road transport - domestic	13%	17%	7%
Road transport - international	13%	14%	12%
Sea freight	6%	6%	6%
Courier/Express/B2C last mile transport	8%	10%	7%
Retail of goods/materials	5%	3%	5%
Sub-total	100%	100%	100%

Incentives to encourage companies to improve the sustainability of their operations.

Share of respondents selecting each factor (%)	Overall	3PL	Manufacturers and Retailers
Financial incentives (grants, subsidies)	70%	79%	57%
Pressure/demand from customers	56%	72%	33%
Pressure/demand from shareholders or investors	52%	59%	43%
Linking executive compensation to ESG targets	37%	31%	45%
Availability of solutions that also enhance financial performance	53%	55%	50%
Improved understanding environmental regulations	31%	28%	36%
Greater clarity of ESG investment options (e.g. choice of future fuels)	39%	41%	36%
Lower cost of implementation	42%	48%	33%

Most commonly used KPI metrics for sustainability by 3PLs.

Share of respondents with each KPI (%)	3PL
Carbon footprint	81%
Energy consumption/fuel efficiency for transport / distribution	81%
Energy consumption/fuel efficiency for warehouses	71%
Emissions (to air, sea, land)	59%
Supply chain miles	47%
Proportion of recyclable waste/non-recyclable waste	40%
Waste reduction rate	38%

Most commonly used KPI metrics for sustainability by manufacturers and retailers.

Share of respondents with each KPI (%)	Manufacturers and Retailers
Carbon footprint	52%
Energy consumption/fuel efficiency for warehouses	52%
Emissions (to air, sea, land)	50%
Energy consumption/fuel efficiency for transport / distribution	48%
Use of renewable materials	43%
Supply chain miles	40%
Waste reduction rate	31%

Key focus areas for companies' environmental initiatives.

Share of respondents with each 'focus area'.... (%)	3PL
Reducing carbon dioxide (CO2) emissions in the next five years	87%
Warehouse energy saving solutions (solar panels, lighting sensors, led lighting, heat exchangers next to refrigerating appliances)	80%
Optimising fuel use of existing fleet	76%
Employee sustainability training initiatives	58%
Recycling initiatives	58%
Introducing/expanding number of alternative energy vehicles	55%
Electric vehicle charging points	55%

Key focus areas for companies' environmental initiatives.

Share of respondents with each 'focus area'.... (%)	Manufacturers and Retailers
Reducing carbon dioxide (CO2) emissions in the next five years	63%
Optimising fuel use of existing fleet	44%
Warehouse energy saving solutions (solar panels, lighting sensors, led lighting, heat exchangers next to refrigerating appliances)	39%
Extending and measuring environmental initiatives to suppliers / sub-contractors	39%
Introducing/expanding number of alternative energy vehicles	37%
Staff initiatives (car sharing, bicycle shelters, panoramic windows, outdoor gyms etc)	34%
Electric vehicle charging points	32%

Focus on Legal and Contractual

Are ESG targets a part of the RFP process when tendering for new business?

Is ESG a part of RFP?	Overall	3PL	Manufacturers and Retailers
Yes	69%	64%	76%
No	31%	36%	24%
Sub-total	100%	100%	100%

If ESG targets are a part of the RFP process, how much of weight does sustainability carry in the contract award?

Weight given to ESG targets in RFP	Overall	3PL	Manufacturers and Retailers
0-5%	7%	11%	3%
5-10%	24%	29%	19%
10-15%	27%	24%	31%
15-20%	23%	18%	28%
20-25%	14%	7%	19%
>25%	5%	11%	0%
Sub-total	100%	100%	100%

Are ESG targets included in contracts as obligations or aspirations for 3PLs to meet/fulfil?

ESG targets are: obligations, aspirations or not included	3PL	Manufacturers and Retailers
Obligations	19%	37%
Aspirations	39%	49%
Not Included	42%	14%
Sub-total	100%	100%

Where in the supply chain are ESG targets included as obligaions in contracts?

Share of respondents including ESG targets as obligations	Manufacturers and Retailers
Procurement of goods / materials	34%
Retail of goods / materials	34%
Manufacturing of goods / materials	33%
Warehouse / storage	33%
Road transport - domestic	33%
Courier / Express / B2C last mile transport	30%
Road transport - international	29%
Rail freight	26%
Air freight	19%
Intermodal freight	19%
Sea freight	15%

If ESG targets are included as contractual obligations what are the consequences for failure to meet the targets?

Share of respondents using each 'consequence'.... (%)	Overall	3PL	Manufacturers and Retailers
Financial penalty	45%	43%	47%
Right to terminate	53%	49%	58%
Exclusion from future tenders	41%	60%	24%

Focus on Warehousing and Transport

Does your company achieve/obtain reporting/certifications and, if so, which ones?

Share of respondents with each 'certification'.... (%)	Overall	3PL	Manufacturers and Retailers
GRI	17%	15%	20%
Gresb	9%	4%	15%
EDGE	10%	2%	20%
Breeam	27%	38%	15%
Leed	15%	17%	12%
Well	13%	11%	15%
DGNB	6%	0%	12%
CPD	19%	15%	24%
CDSB	5%	4%	5%
IIRC	8%	4%	12%
SASB	13%	9%	17%
TCFD	11%	2%	22%
NFRD	2%	0%	5%
We do not obtain certifications	33%	38%	27%

Would you increase your costs to have environmental certifications for your supply chain operations and assets?

Willingness to pay for environmental certifications	Overall	3PL	Manufacturers and Retailers
Yes, because it adds value	25%	22%	30%
Yes, but it depends on the size of the increase	62%	73%	48%
No, because it does not add value	11%	5%	17%
No	2%	0%	5%
Sub-total	100%	100%	100%

Regarding your distribution centre operations, rate the following warehouse/real estate features in terms of their importance to your operation:

Ranking importance of features by share of 'Very Important' + 'Important'	Very Important + Important
Building affordability, rent, service charge etc	87%
Staff well being	82%
Good power supply	81%
Enough loading doors	80%
Car parking for employees	75%
Expansion capacity	72%
Green/sustainability features (incl. power)	68%
Available buildings with sufficient eaves height	68%
Flexible lease length	61%
Deep enough yards	56%
Long lease length	54%
Minimal columns	37%
Ability to retrofit mezzanine	28%

Rate the following warehouse/real estate ESG features in terms of their importance to your operation:

Ranking importance of features by share of 'Very Important' + 'Important'	Very Important + Important
Warehouse energy saving solutions: solar panels, lighting sensors, led lighting, heat exchangers next to refrigerating appliances, heat pumps	92%
Preserving water resources: rainwater harvesting systems, water filters, grey water, water leak detectors	59%
Electric vehicle charging points	53%
Staff initiatives: car sharing, bicycle shelters, panoramic windows, outdoor gyms, parcel lockers, vending machines, ATM (cash machines)	45%
Positive environmental impact: landscaping trees, no mown lawns, biodiversity, meadow	39%

How important are the following factors to achieve decarbonisation targets in road transport operations?

Ranking importance of factors by share of 'Very Important' + 'Important'	Very Important + Important
Clarity on fuel choices, technology and cost	91%
Investment in charging infrastructure	77%
Proximity to electric charging points	77%
Development of road infrastructure – expressways, junctions	74%
Investment in refuelling infrastructure	71%
Longer implementation period	70%
Location in close proximity to cities	64%
Grants for charging/refuelling	63%
Grants for vehicles	51%
Vehicle scrappage scheme	28%

For More Information please contact:

HFW

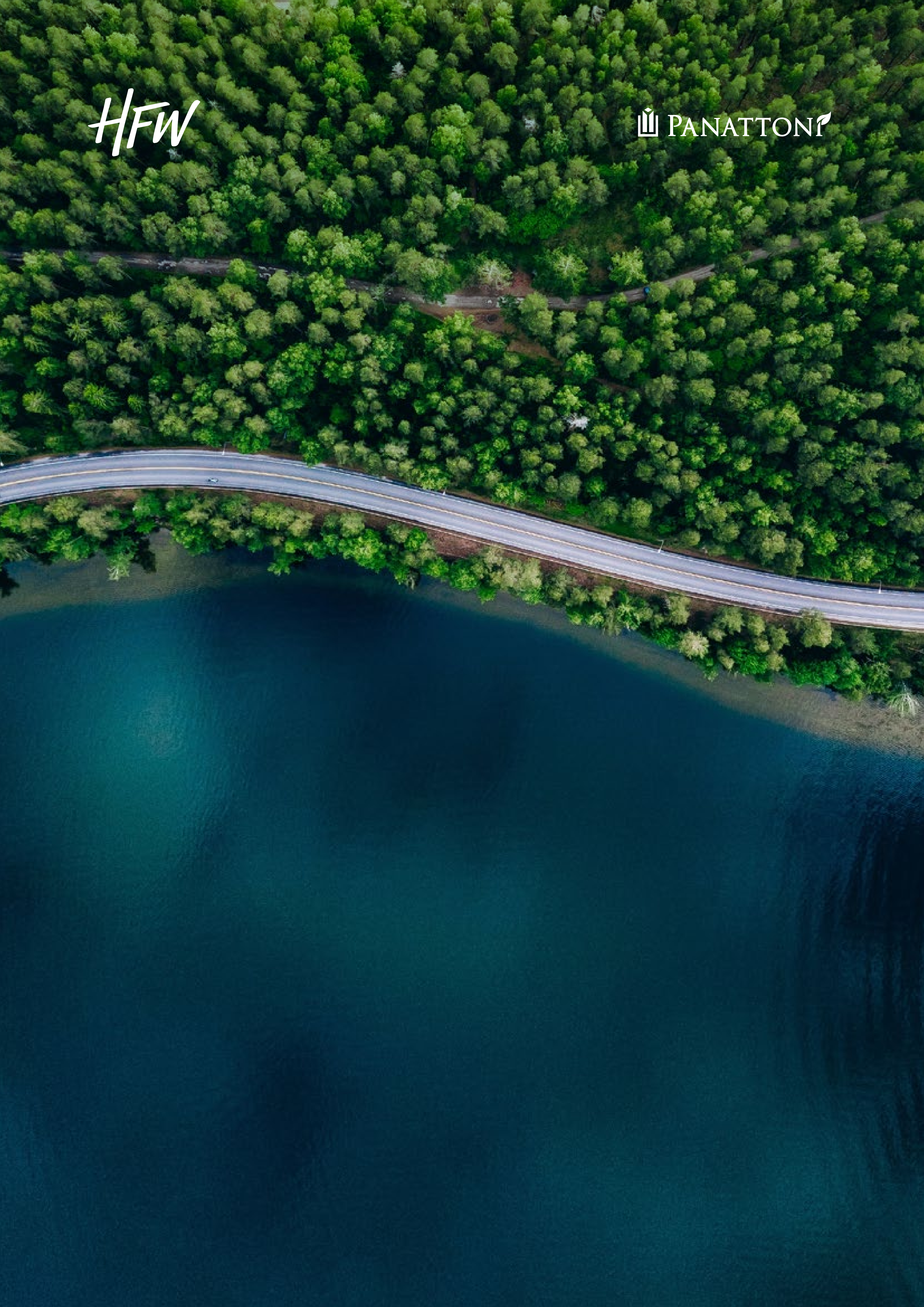
MATTHEW GORE
Partner
D +44 (0)207 264 8259
E matthew.gore@hfw.com

CATHERINE EMSELLEM-ROPE
Legal Director
D 44 (0)207 264 8279
E catherine.emsellem-rope@hfw.com

PANATTONI

ANITA PIETRYKOWSKA
Head of Marketing & Communications Europe
D +48 697 114 484
E apietrykowska@panattoni.com

EMILIA DĘBOWSKA
Sustainability Director
D +48 693 900 744
E edebowska@panattoni.com


HFW
PANATTONI