ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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WHY MORE AND MORE CUSTOMERS LIKE NIKE ARE LACING UP FOR ESG.

The world in which companies compete is changing fast. Business has a critical role to play in meeting the challenges of a changing world – addressing climate change, preserving the earth's constrained resources, enhancing global economic opportunity, addressing meaningful, industry and relevant social issues, and by providing an environment in which all employees can grow and flourish without discrimination or harassment.

WHAT IS ESG

Environmental, social and governance (ESG), are non-financial performance indicators that evaluate corporate behavior. ESG addresses sustainability, social, ethical, and corporate governance issues. The goal of ESG is to ensure there are systems in place to establish a level of accountability in these areas.

ESG – A PLAN YOU'LL NEED IN PLACE FOR PURSUING LARGE SHIPPERS

Household names in apparel, footwear, electronics, retail and other industry sectors are acutely aware of the impact that shipping has on their overall carbon footprint and are increasingly turning to vendors who have programs in place to reduce emissions wherever possible. These programs are called ESG, or environmental, social and governance.

If you're being asked about your participation in CBP's CTPAT program or the DOT's SmartWay, get ready for this to be included on the next RFP from a global shipper.

In a nutshell, these ESG programs are non-financial performance indicators that evaluate corporate behavior including sustainability, social, ethical and corporate governance issues. The benefits to a company for integrating an ESG program in their daily businesses include:

- Reduced negative environmental impact
- Savings achieved through energy efficiency
- Reduced staff turnover and increased morale
- Less litigation risk and reduced corruption

While each of these points taken alone is a notable achievement, integrating all four into a single, overarching program makes good business sense and identifies a number of places where the savings from reduced energy usage, employment continuity and reduced legal and insurance costs can quickly and positively accumulate to a company's balance sheet.

The World Economic Forum reports that fully 57 percent of the logistics-related greenhouse gas emissions come from road vehicles for a total of 1,596 megatons of carbon dioxide annually. This is followed in descending order by sea freight, air freight, rail freight and buildings.

In the United States alone, freight transportation accounts for 16 percent of corporate greenhouse gas emissions. If the industry does not take proactive steps through route optimization and cleaner fleets, by 2040 the greenhouse gas emissions will be 40 percent over today's figures.

Given this reality, it stands to reason that freight should increasingly take center-stage in corporate sustainability efforts. Gone are the days when saying, "we recycle," was a sufficient and acceptable answer.

Today, more than 60 percent of the combined Fortune 100 and Global 100 have established public greenhouse gas reduction goals. These companies require submitting ESG documentation with bids. Those without supporting documentation do not find themselves making it past the initial round.

Companies looking to establish an ESG program covering sustainable transportation can start by asking themselves, "What are we doing today?" If the answers are shocking and disheartening, don't lose hope. Remember, success can be achieved incrementally – it just requires a roadmap, timeline and reachable goals.

Courtesy of the Environmental Defense Fund, here are five strategies that shippers (and forwarders) can employ to significantly cut greenhouse gas and local air pollution while simultaneously driving business value:

1. GET THE MOST OUT OF EVERY SHIPMENT. Combine freight and adapt packaging to maximize cube utilization. A fuller move is a greener move.

2. CHOOSE THE MOST CARBON-EFFICIENT TRANSPORT MODE. Favor ocean over air and rail over truck.

3. COLLABORATE. Root out opportunities for savings through discussions with internal departments and with suppliers, customers, and vendors.

4. REDESIGN YOUR LOGISTICS NETWORK. Continually optimize your network to maximize cost savings and minimize greenhouse gas emissions.

5. DEMAND CLEANER EQUIPMENT AND PRACTICES. Urge your logistics service providers to use cleaner trucks and cargo handling equipment, and employ other air pollution-reducing practices.

As members of the Airforwarders Association, we also have the unique opportunity to "lead the charge" by helping our members with ways to reduce or offset their carbon footprint and support social and employee development programs relevant to our industry and communities, making them better places to live and work.

Excerpts and charts courtesy of the Environmental Defense Fund's "The Green Freight Handbook" which can be found online at http://business.edf.org/projects/green-freight-handbook.

Sasha Goodman is the vice president and general manager of Rock-it Cargo. Headquartered in Los Angeles, CA, USA, and founded in 1978, Rock-it is a provider of high-touch, mission-critical air, ocean and surface freight forwarding and logistics to the live entertainment and music touring, fine arts, sports and broadcasting, corporate events, industrial power projects, and humanitarian relief end markets. In 2018, Rock-it Cargo was acquired by ATL Partners, a premier sector-focused private equity firm that invests in aerospace, transportation and logistics companies.