REDWOOD®

SUSTAINABILITY IN LOGISTICS REPORT

Sustainability Challenges Are Growing.
Are You Prepared to Navigate Them?

2024 | FIRST ANNUAL

REDWOOD®

FROM STRICTER REGULATIONS TO INCREASING CONSUMER AWARENESS OF CLIMATE CHANGE, YOUR BUSINESS IS FACING NEW PRESSURES TO ACT SUSTAINABLY.

Are you prepared to measure and improve your results?

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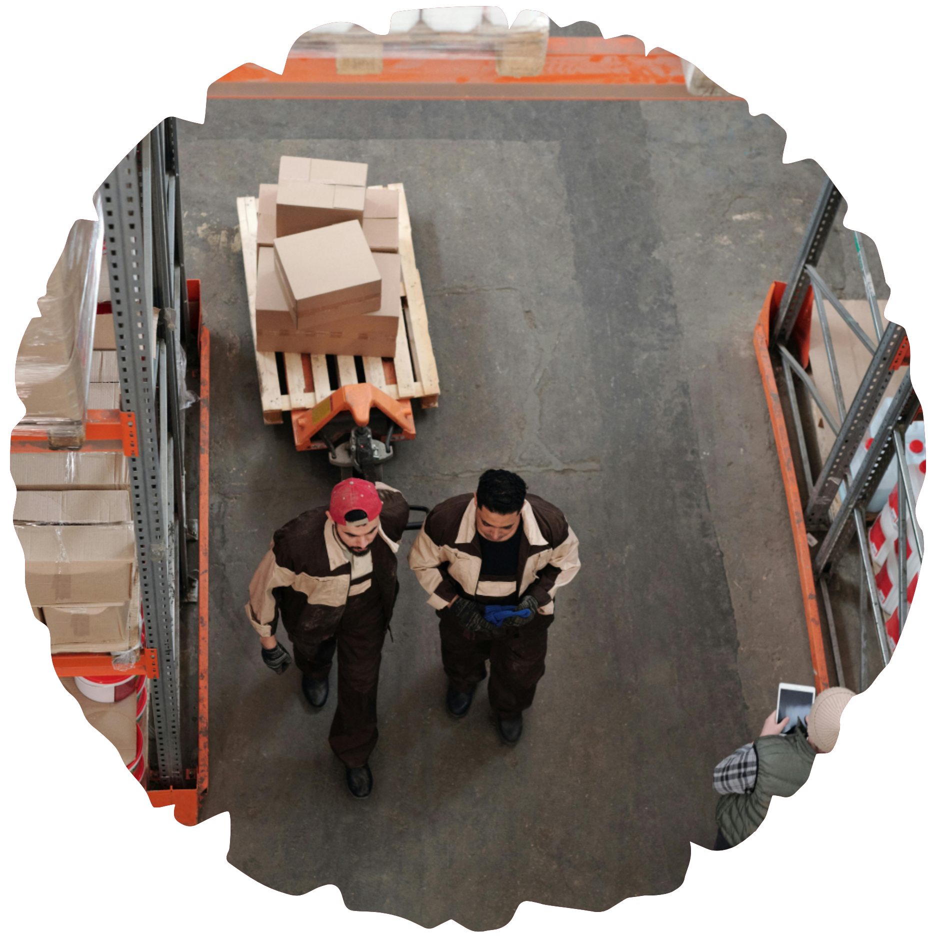

Sustainability Challenges for Logistics Teams

Logistics teams face many challenges. Sustainability is one of the most urgent.

Redwood is thrilled to share our very first Sustainability in Logistics Report. As we navigate an era where environmental responsibility is paramount, this report serves as a testament to our unwavering commitment to fostering sustainability within the logistics industry.

It's no longer possible to ignore the evidence of climate change, and there are a number of compelling reasons — covered in this report — for increasing sustainability. But whose job is it?

While every function contributes to sustainability, it's clear that logistics teams need to take a leadership role. By its very nature, the process of transporting goods across thousands of miles comes with a significant carbon footprint. By reducing waste, minimizing emissions, cutting energy usage and otherwise operating in more sustainable manner, logistics teams can make an incredible impact.

However, due to the complex nature of running a global logistics operation, making that impact is a complex undertaking — and one that truly takes a village. For the world's largest companies, attacking just one environmental metric, like emissions, involves dozens of partners.

"Addressing your Scope 1 and 2 emissions, the ones from your own operations, is absolutely the right place to start," said Kristen Banks, Senior Sustainability Manager at PepsiCo, in a recent LinkedIn Live event.

"But Scope 3 is really important for us at PepsiCo, since our Scope 3 accounts for 92-93% of our total emissions. It's massive. It's the overwhelming majority of our emissions."

"When we think of PepsiCo specifically, transportation is about 18% of our footprint globally. So we cannot meet our sustainability goals without working with our transportation providers," Banks continued.

Whether you manage a large corporate logistics network like PepsiCo or work for a smaller company, you need to view sustainability as not just a challenge, but also as an opportunity.

By measuring and monitoring your own environmental impacts, working with partners to gather those same insights, and adopting best practices in sustainability across the board, you can not only do the right thing, but also the profitable thing. You can cut costs through improved efficiency and accuracy. You can also position your business for revenue growth, as consumers place a greater value on supply chain transparency and environmental responsibility.

This report provides an overview of the increased urgency around sustainability today — and also outlines some practical strategies for measuring and improving your own sustainability results.

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>
> Kristen Banks
> **Senior Sustainability manager**
> PEPSICO

Environmental Regulations

Environmental regulations are tightening. Will your business be able to comply?

A driving force behind increased sustainability is ever-tightening government regulation. Across industries, logistics teams are facing new laws, especially around greenhouse gas (GHG) emissions, that require them to track and reduce their environmental impacts.

Many of these tightened regulations originate in California, which carries enormous financial and legislative power because it represents the world's fifth-largest economy. The state has defined an ambitious goal of achieving a 40% reduction in GHG emissions by 2030, which makes it a pioneer in setting new sustainability standards. New laws created by Governor Gavin Newsom, the California Air Resource Board (CARB) and the California legislature influence the rest of the country — a phenomenon known as the "California Effect."

The state's Advanced Clean Trucks (ACT) and Advanced Clean Fleets (ACF) regulations are accelerating the transition of Class 2b to Class 8 vehicles from internal combustion engines to electric powertrains. By 2035, zero-emission truck or chassis sales within California will need to range from 40% to 75%, depending on the vehicle class and equipment sold.

The state's Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act will also significantly impact logistics teams operating in California. Under the Climate Corporate Data Accountability Act, all US companies doing business in California with annual revenues of $1 billion must disclose their direct owned and controlled emissions by 2026 (Scope 1 and 2), as well as those produced by transportation partners (Scope 3) by 2027. Under the Climate-Related Financial Risk Act, companies with $500 million in revenues must disclose their climate-related financial risks, as well as their plans to mitigate those risks.

These two pieces of landmark legislation are the first to require GHG reporting compliance from US businesses, with the exception of US-based companies operating abroad that are affected by international regulations.

These new laws will impact a wide array of businesses — from technology giants based in California, like Apple and Microsoft, to smaller companies in the retail, agriculture, and oil and gas industries that operate there. With busy ports and many imports coming into the US via those ports, California is an epicenter for US logistics, and many companies will be affected.

The mandatory reporting deadline of 2026 is approaching quickly for logistics teams that lack a way to measure, let alone document, their GHG emissions. The new laws expose companies to potential lawsuits when they're required to disclose this environmental data to the US Securities and Exchange Commission (SEC) — so companies need to be extremely accurate in their reporting.

THE CALIFORNIA EFFECT

40% - 75%

Zero-emission truck or chassis sales by 2035

Companies with

$500M+

in revenues must disclose their plans to mitigate Climate Related Risk by 2027

Seeking Green Products

Consumers are seeking "green" products. How does your supply chain measure up?

We're witnessing a true transformation of the consumer products landscape, as younger shoppers — with greater awareness of environmental impacts — gain more leverage in the global marketplace. This transformation is making sustainable operations a business imperative for every participant in consumer goods supply chains.

Gen X, Y and Z consumers are much better educated about climate change and sustainability than their older counterparts. As these younger decision-makers gain buying power, every consumer goods company will need to improve not just at operating sustainably, but at measuring and communicating their sustainability results to shoppers.

The good news? Companies who excel at this can benefit from enhanced revenues and margins. A recent report produced by First Insight and the Baker Retailing Center at the Wharton School of the University of Pennsylvania demonstrates the real financial rewards of going green. It found that nearly 90% of Gen X consumers would be willing to pay more — up to 10% more —for products they perceive as sustainable. And consumers see the supply chain as an important factor in driving sustainability. Across all age groups, 23% of consumers want to reduce production waste, and 22% want to reduce their carbon footprint.

Recent research conducted by Harvard Business Review confirms these findings. According to its study, Gen Z and Gen Y (commonly known as Millennial) shoppers will spend 30% more on brands they perceive as operating transparently.

As these generations age and grow in income, the competitive advantage created by sustainability will only increase. And that shift is coming soon. According to Harvard Business Review, "the purchasing power of Millennials and Gen Z will surpass that of Boomers around the year 2030, with up to $68 trillion in wealth transferring from Boomers to these younger generations by the end of this decade."

Consumer products companies need to create environmental transparency and accountability not just in their own operations — but across their end-to-end supply chains. That means their suppliers and logistics partners also need to measure and improve their sustainability results. As one example, Scope 3 emissions reporting involves the entire, end-to-end supply chain, which means every partner needs to pull its weight in measuring, minimizing, documenting and sharing its environmental impacts.

According to a report published by The Economist, 65% of consumers believe that brands bear as much responsibility for driving positive social change as government regulators. It's clear the world's logistics teams are being called to action.

> "The purchasing power of Millennials and Gen Z will surpass that of Boomers around the year 2030"

90%

of Gen X consumers would be willing to pay up to 10% more for sustainable products

65%

believe that brands bear as much responsibility for driving positive social change as government regulators

Leveraging Sustainable Practices

Are you leveraging sustainable practices to maximize both revenue and profits?

Taken together, government regulations and consumer demands certainly represent a powerful force — but there are other important reasons for logistics teams to operate more sustainably.

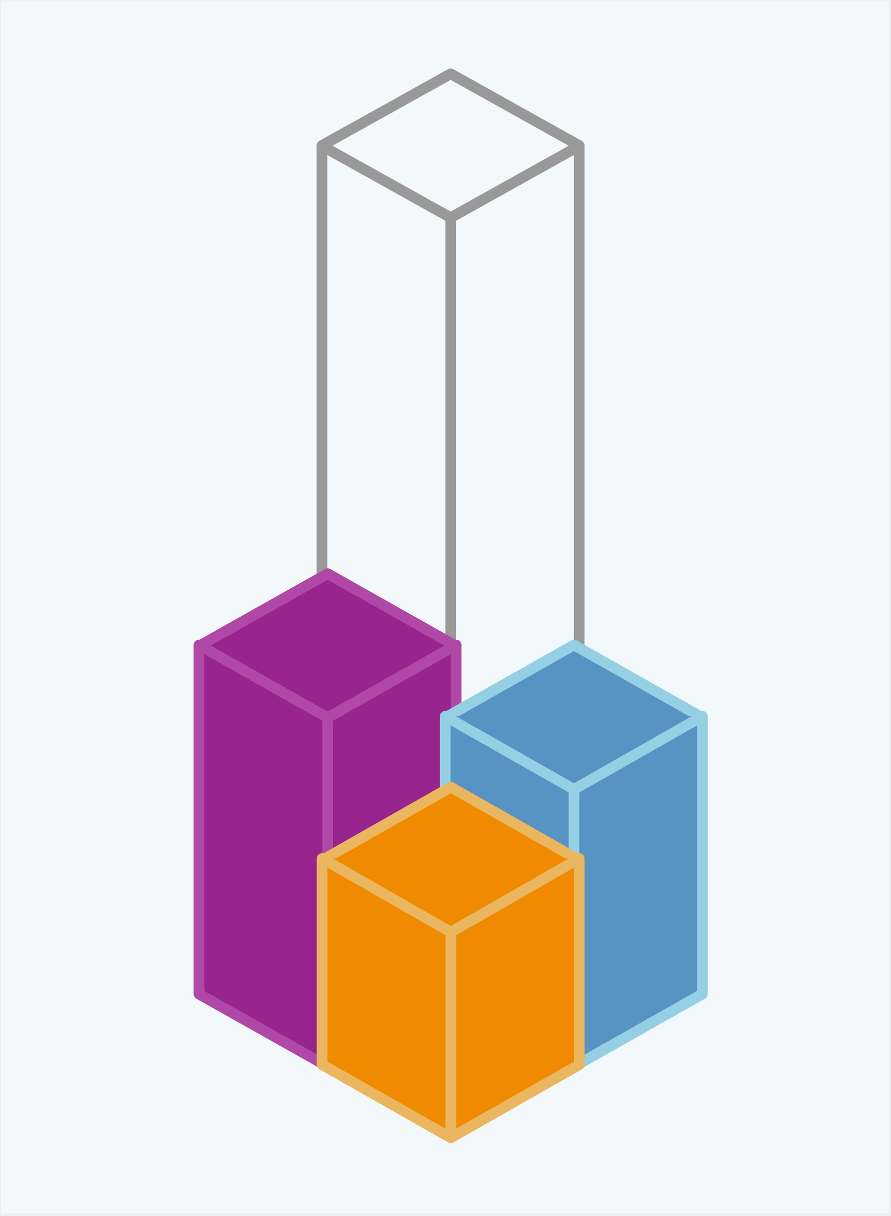
Many of the actions associated with environmental stewardship deliver significant financial rewards. We've already discussed the potential for increased revenue from socially conscious Gen X, Y and Z consumers. But there are bottom-line benefits as well. By increasing operational speed and accuracy, minimizing capital assets like trucks and warehouses, and cutting transportation miles and fuel usage, companies are not just protecting the earth — but also their margins. Often, doing the right thing also means doing the more profitable thing.

In a landmark study by Deutsche Bank, companies with high ratings for environmental, social, and governance (ESG) have a lower cost of debt and equity; they outperform the market over both the medium (three to five years) and long (five to 10 years) terms. A more recent study by NTT found that 44% of companies tie an increased level of profitability directly to implementing more sustainable practices. In a survey, 33% of companies reported that they had reduced their operating costs by increasing sustainability — and 24% reported revenue growth that was a direct result of their sustainability initiatives.

Heidi DuBois, Global Head of ESG at AEA Investors, is a firm believer that ESG excellence paves the way to unlocking greater long-term value.

During Redwood's recent LinkedIn Live event, DuBois pointed out that sustainability and other ESG considerations have been proven to positively impact financial performance. "Now that the real payoffs of sustainability are becoming more widely accepted, one clear goal is the protection of investors," DuBois said. "So that's another pressure point in terms of supply chain and logistics, especially for larger companies that are subject to public reporting."

At the same event, Kristen Banks of PepsiCo added, "There are always trade-offs with any investment. With sustainability, the cost calculation is made differently. One thing we've done at PepsiCo is generating an internal carbon price — putting a dollar value on the greenhouse gas emissions associated with an action. That forces us to take into account those previously externalized environmental impacts, bring those into the financial conversation. And then once you start doing that, you can start making choices around investments, while also taking into account the sustainability impact."



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35% reported a redcution in operating costs by increasing sustainability

24% reported revenue growth directly resulting from sustainability initiatives

MEET REDWOOD LOGISTICS

Whatever your reasons for increasing the sustainability of your logistics operations, it's not an easy journey. But you don't have to go it alone.

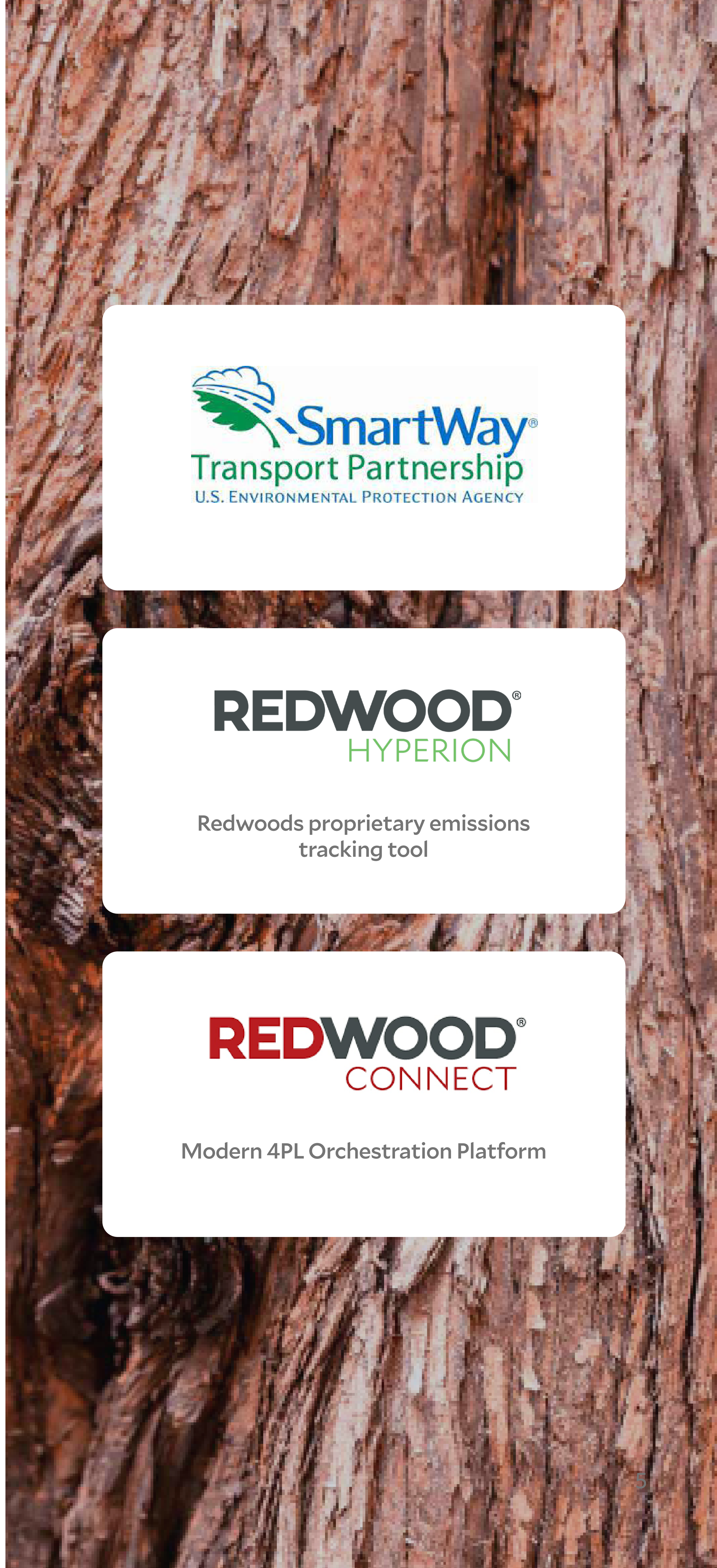
As a leading modern 4PL provider, Redwood is uniquely positioned to assist companies as they strive to minimize the environmental footprint of their logistics activities. Recognized by the US EPA as a SmartWay Shipper partner, Redwood offers a full range of Sustainability solutions and services designed to help our customers monitor and reduce their GHG emissions and other environmental impacts. Our customizable suite of carbon visibility, reduction and offsetting tools make it easy for logistics teams to gain actionable insights that help them reach their sustainability goals.

Redwood meets our customers wherever they are in their sustainability journey. Often the first step in increasing sustainability is maximizing the accuracy and efficiency of our customers' global logistics operations. Our solutions and services are aimed at reducing highway miles, fuel usage, paperwork and other environmental impacts. Redwood's Eco Advisory experts collaborate with customers every day to define and meet carbon-reduction targets.

In addition, Redwood's proprietary emissions tracking tool, Redwood Hyperion, is designed to provide customers with visibility into their freight emissions, along with sustainability reporting capabilities. Hyperion automates detailed load-by-load emissions calculations, provides supply chain emissions metrics and analytics, and supports carbon-neutral initiatives by facilitating carbon-credit purchases toward verified projects.

Redwood Hyperion automates the sustainability measurement and reporting process by connecting customers' transportation management system (TMS) data with our leading logistics integration platform, RedwoodConnect — saving significant time, money and human resources. Because data is pulled directly from transportation systems, it's accurate and up-to-date. And, because RedwoodConnect is a proprietary, technology-agnostic solution, data can be accessed in real time from multiple freight systems.

Hyperion's intuitive user interface makes it fast and easy for our customers to view their key performance indicators (KPI) related to sustainability, including GHG emissions. Logistics teams can download this data and produce exactly the kinds of comprehensive reports that are required by government regulators, trading partners and other environmental stakeholders.



READY TO TACKLE THE LOGISTICS SUSTAINABILITY CHALLENGE?

Contact the Redwood team today to improve your sustainability results, as well as your ability to measure and report those impacts.

Contact us

redwoodlogistics.com