

# Tradelanes

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# SUSTAINABILITY

## SUSTAINABILITY

The business case (again)

Driving efficiency & innovation

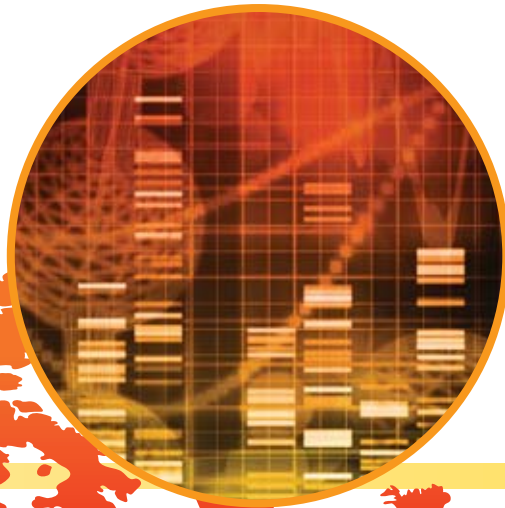
Fair labor and worker protection

Emissions and the supply chain

## Corporate DNA

An expert argues that sustainability as an intrinsic part of corporate DNA drives operational efficiency and innovation, and delivers a range of benefits while also mitigating risk. “Sustainability is about applying a systems and design thinking lens to traditional processes and products.”

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## Also in this issue

**Page 22** Shell Eco-marathon for ultra-energy-efficient vehicles.

**Page 29** Sustainable garden in a harsh, arid environment.

**Page 30** Third year of Agility's Africa photo competition.



## Fair Labor

Agility's fair labor program in the Middle East was a groundbreaking initiative more than 10 years ago. It has helped drive the company's efforts to ensure worker protections and to call on other businesses to do the same.

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## Emissions and the supply chain

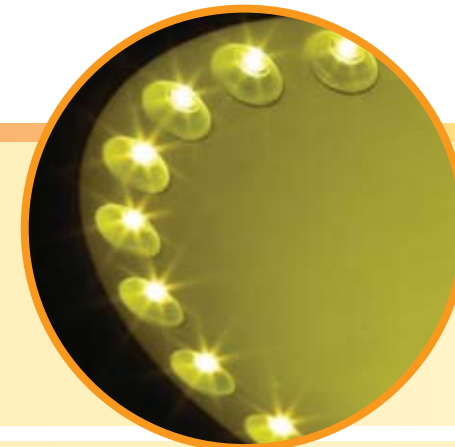
A look at various Agility initiatives to reduce CO<sub>2</sub> emissions including a pathway agreement with Maersk to cut emissions by 15 percent per container by 2020.

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## Sustainability: The Business Case (Again)

Companies are finally putting sustainability at the core of their strategy and operations after years of deep skepticism and an obvious disconnect between rhetoric and action. Considerations about social and environmental impact are shaping every facet of corporate activity. At the same time, there is a decided shift in emphasis as social, labor and governance imperatives come into sharper focus. We take a broad look at where sustainability ideas and practices are today – and what it means to customers, noting that transportation is the second largest emitter of greenhouse gases.

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## The green warehouse & solar energy

Quest for zero-net energy is proving a tough ask in the Middle East where air conditioning accounts for 30 percent of energy costs and solar energy has been slow to get established.

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# Sustainability

## Making the Business Case (Again)

Growing evidence suggests that businesses everywhere are putting sustainability at the core of their strategic thinking, planning and operations after decades of disconnect between their stated objectives and actions.

Sustainability is finally being embedded into business activity. One reason is that corporate data and academic research have begun to show a return on sustainable initiatives and practices, particularly at companies willing to broaden their definition of Return on Investment and adopt longer time horizons.

Another reason is the growing clamor from a spectrum of stakeholders – consumers, B2B customers, insurers, institutional and individual investors, regulators, community leaders, watchdog groups, employees and job candidates – for companies to demonstrate that they are responsible actors.



The sustainability movement is maturing. Considerations about social and environmental impact are shaping nearly every facet of corporate activity – nowhere more than the supply chain.

“Customers used to think about things in isolation like greening a warehouse, measuring CO<sub>2</sub>, or getting more visibility into their suppliers,” says Mariam Al-Foudery, Agility Group Chief Marketing Officer, who oversees sustainability and corporate social responsibility.

“Now more customers are looking at the whole supply chain and identifying practices that are connected and mutually reinforcing, things that have impact across business units and operational locations over the long-term.” ▶



## Best Practices and Tough Questions

**B**est practices for sustainability are evolving as rapidly as any aspect of business, driven by the availability of new technology and the growing urgency for companies to demonstrate that they are effective environmental stewards and positive contributors to society.

Here are some key areas where logistics providers and their customers need to focus.

- **Traceability**  
Do you have upstream supplier visibility?  
Do you do supplier assessments and benchmarking?
- **Labor**  
If migrant workers are in your employee mix, are you certain that they aren't being exploited by labor brokers and unscrupulous recruiters, a problem that is particularly problematic for companies that hire from India, Nepal and East Africa?  
  
Have you continued to focus on living and working conditions? Are you confident you have transparency into subcontractors? Have you created effective worker-grievance mechanisms? Are you educating and training workers on their rights?
- **Energy**  
When you expand your truck fleet, are you adding CNG fueling stations and LNG vehicles?

In a 2017 survey by EcoVadis and the HEC Paris business school, 97 percent of procurement officers surveyed listed sustainability as one of their top five priorities. Seventy-five percent of responding companies said they were using sustainability and corporate social responsibility criteria when selecting new suppliers.

"Sustainable procurement is no longer a nice-to-have – it's an integral business function responsible for protecting and improving brand reputation, driving revenue and mitigating business risk," says Pierre-Francois Thaler, co-CEO of EcoVadis, an independent group that provides business sustainability ratings and analysis.

- **Packaging**  
If you are a consumer company, what about dimensional weight pricing?
- **Warehousing**  
Have you looked at automation and cleantech in cargo handling and warehousing?
- **Port selection**  
Are you routing shipments through "green terminals" that manage and contain possible pollutants and police for invasive species?
- **Logistics digitization**  
Agility is among those using advanced algorithms to evaluate multiple scenarios and create optimal plans with the least environmental impact. Multi-echelon Inventory Optimization is another tool available.
- **Data and measurement**  
Are you capturing, sharing and analyzing data with your logistics provider so you can get real-time feedback to optimize operations and make sure you are conserving, recycling, recovering and reusing as much as you can?



Mariam Al-Foudery, Group Chief Marketing Officer, Agility

### Not everyone is as enthusiastic

Yossi Sheffi, director of the MIT Center for Transportation & Logistics, says sustainability advocates have succeeded in framing the issue as one of "profits versus planet" or "societal good versus corporate evil." He says that narrative ignores the role of businesses and their supply chains to provide jobs and deliver improved living standards. Sheffi argues that there is a difficult balance to strike and that the real friction is between those demanding environmental stewardship and people who seek jobs and affordable goods.

"Companies are championing their environmental credentials in glossy reports, speeches and media

interviews," Sheffi writes. "At the same time, however, many will admit, off the record, either that they do not believe in the need for this effort, or more commonly, that current initiatives do not meet any reasonable cost-benefit test even if global warming is real and the danger acute."

### Better processes

Others insist there is mounting evidence that sustainability adds real value.

"Embedded sustainability efforts clearly result in a positive impact on business performance," according to a *Harvard Business Review* article co-authored by Tensie Whelan, director of the Center for Sustainable Business at New York University's Stern School of Business. (See Q&A on page 10).

Whelan and her co-authors argue that sustainability delivers significant cost savings from increased operational efficiency and that it drives companies to innovate by creating better processes, new products and equipment, and improved working conditions.

When sustainability is part of corporate DNA, it can "engender enthusiasm from employees, customers, suppliers, communities and investors," the *HBR* authors conclude.

The Sustainable Business Council says there is ample research to show that sustainability lowers the cost of capital, results in better operational performance, and has a positive effect on stock price. Sustainability is a major factor in building and protecting corporate value, the SBC says. Consulting firm McKinsey has estimated that the value at stake from sustainability concerns is as high as 70 percent of

### BY 2035: THE CHANGING ENERGY PICTURE

- Fossil-fueled cars will require 40 percent less fuel to go one mile.
- Energy intensity – the amount of energy required to produce a unit of GDP – will be half what it was in 2013. (Traffic congestion can cost as much as four percent of a country's GDP).
- Demand for electricity will grow twice as fast as energy demand for transport.
- 77 percent of new electrical capacity will come from wind and solar; 13 percent from hydro. (Installed cost of solar has fallen by 70 percent since 2009).
- The population will have grown by 1.5 billion.

Source: McKinsey Sustainability & Resources Productivity

### WHAT IS SUSTAINABILITY?

Sustainable businesses try to meet the needs of the present generation without compromising the ability of future generations to meet their needs. They focus on good treatment of employees, impact on the environment, impact on local communities, and business relationships with suppliers and customers.

earnings before interest, taxes, depreciation and amortization.

"Forty years ago, the bulk of a company's value linked directly to its tangible assets," the SBC says. "Now only about a fifth relates to a company's financial performance and physical assets. The rest reflects intangible assets like brand, intellectual property, and whether a business has a social license to operate."

*When sustainability is part of corporate DNA it can "engender enthusiasm from employees, customers, suppliers, communities and investors."*

### Agility innovation

Like its customers, Agility is taking aggressive steps to get greener. It is working with carriers to slash CO<sub>2</sub> emissions, rethinking warehouse construction and management, piloting use of solar energy in building cooling, and investing in energy-recapture technology for trucks.

Mindful of its social impact, Agility pioneered protections and standards for workers in the Middle East more than a decade ago and has been a leader in sharing best practices and publicly advocating for stronger protections. In 2017, Agility introduced its first stakeholder policy, laying out goals and commitments to protect the environment, safeguard workers rights, improve communities where it operates, and be responsive to the needs and concerns of a variety of different interests.

"The biggest challenge for us and most logistics providers is on the customer side," Al-Foudery says. "Customers want strategies, tools and technology to help them meet their sustainability goals." One such tool gives Agility customers the ability to compare and optimize the environmental impact and cost of individual shipments using a nearly ►

infinite variety of shipment types, routes, load sizes and configurations, and other factors.

### Zero-impact target

A leading apparel powerhouse approached Agility with the goal of building sustainability into the design and manufacturer of its vast, globally sourced product line. Agility worked with the customer to create an information and standards framework and to build measurement and performance targets into its supply chain.

The apparel customer's objective is a low/zero-impact, closed-loop supply chain: dramatic cuts in CO<sub>2</sub> emissions and energy per unit of manufacture; facilities running 100 percent on renewable energy; 0 percent waste; doubling of supply chain efficiency every 18 months to two years.

"That can be scary, but customers with big, ambitious goals are sometimes the easiest to work with because they're totally committed. They will take risks in order to become leaders," Al-Foudery says. "They're ready to innovate and break from established practices and willing to reward partners who help them achieve their goals."

Sustainability efforts by consumer products companies and retailers typically get more visibility than those of B2B companies.

### Supply chain priority

"The typical consumer company's supply chain creates far greater social and environmental costs than its own operations, accounting for more than 80 percent of greenhouse-gas emissions and more than 90 percent of the

*Alarmed by oceanic pollution, Nestle, Procter & Gamble, Coca-Cola and Unilever are among those searching for alternatives to plastics from fossil fuel polymers.*

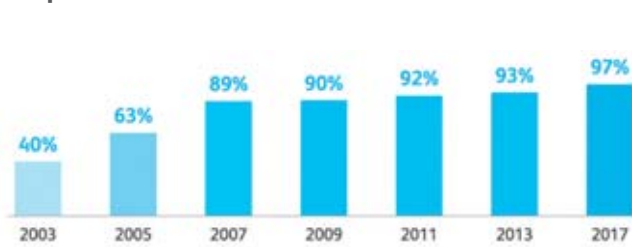
impact on air, land, water, biodiversity, and geological resources," McKinsey says. "Most of the environmental impact associated with the consumer sector is embedded in supply chains."

Ethical Corp. estimates that there are about 400 sustainability labels, including Fairtrade, which got its start in 1992 but is being overtaken by alternatives. Sainsbury's, the UK supermarket chain, is among those that have shifted from the third-party Fairtrade certification, creating its own "Fairly Traded" label.

Unilever and Nike are recognized leaders on environmental and social initiatives. Campbell Soup works with farmers to optimize fertilizer use and improve soil conservation. Walmart gives suppliers incentives for their sustainability performance. Alarmed by oceanic pollution, Nestle, Procter & Gamble, Coca-Cola and Unilever are among those searching for alternatives to plastics from fossil fuel polymers. Target, Keurig and others are pushing ▶

### HOW IMPORTANT IS SUSTAINABILITY/CSR FOR YOUR PROCUREMENT/SUPPLY CHAIN ORGANIZATION?

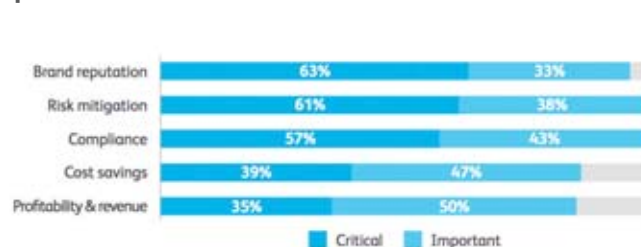
Sustainability & CSR: Important or critically important



Source: 2017 HEC/EcoVadis Sustainable Procurement Barometer

### HOW BIG OF A FACTOR ARE THE FOLLOWING BUSINESS DRIVERS FOR YOUR SUSTAINABLE PROCUREMENT PROGRAM?

Main factors driving Sustainable procurement practices



## The Shareholder Letter that Shook the World

Laurance Fink, CEO of BlackRock, the world's largest investor, astonished corporate leaders everywhere in January 2018 with a letter telling them it was time they accepted responsibility for more than profits.

Fink called for a "new model of shareholder engagement" in which companies plan and demonstrate how they make positive contributions to society. He put corporate leaders on notice that BlackRock, which has an estimated \$6 trillion under management, would be watching and making its own investment decisions based on whether companies demonstrated that they were serving a "social purpose."

*To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.*

Fink's letter was a direct repudiation of nearly 50 years of accepted wisdom among business leaders. In 1970, Nobel economist Milton Friedman crystallized what has become a boardroom tenet: "The social responsibility of business is to increase its profits."

But BlackRock, Fink explained, sees governments "failing to prepare for the future, on issues ranging from retirement and infrastructure

to automation and worker retraining." Consequently, it is up to businesses to "respond to broader societal challenges," he wrote.

Sustainability advocates cheered. Fink's letter "has been more than 100 years in the writing," said Jack O'Brien, managing partner of an ethical purpose agency that, coincidentally, is named ONE HUNDRED.

The problem, O'Brien said, is that companies exposed by scandals are often the same ones with celebrated CSR programs. "These companies had CSR initiatives sitting on the periphery of corporate leadership," he said. "Corporates (need) to look at how such ethical purpose can be brought to the center of their business, rather than resting on the sidelines."

### EXCERPTS FROM LARRY FINK'S ANNUAL LETTER TO CEOs

"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society."

"Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders."

"The time has come for a new model of shareholder engagement ..."

"... (You) must also understand the societal impact of your business as well

as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth."

"Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world? Are we using behavioral finance and other tools to prepare workers for retirement, so that they invest in a way that will help them achieve their goals?"





## Using the 'S' Word to Drive Innovation

Researchers say companies that prioritize sustainability are using it to drive innovation in product reformulation, equipment redesign and purchase, process modification, waste recycling and other areas. Notable breakthroughs on the sustainability horizon:

- **IMPERIAL COLLEGE LONDON** post-grad students have developed a recyclable, biodegradable concrete substitute that uses abundant desert sand with half the carbon footprint in place of increasingly scarce beach and river bed sand. The substance, called Finite, can be used to make glass, computer chips and other products, in addition to concrete.

- **PLENTY UNITED** is one of many "indoor farming" startups. The company is growing lettuce, arugula, herbs and other crops in a renovated 51,000-square foot warehouse near

San Francisco, using LED lights. The warehouse will yield up to 3 million pounds of leafy greens a year for local tables. Others are also looking at giant warehouses, old factories and repurposed shipping containers, equipping them with sensors that measure temperature and moisture, and fitting them with automated systems that pump in water and nutrients, and use LED strips to provide energy with no need for sunlight or soil. Plenty United employs a sponge-like plastic as a soil substitute and pumps in mineral-infused water.

Indoor farmers claim they can produce 150 times more lettuce per square foot as an outdoor farm, with just 1% of the water consumption. Their operations reuse water, avoid pesticides, and reduce fossil fuels needed to power tractors and deliver over long distances. They tend to be heavy on power consumption



because of the LED lights and climate-control systems.

- **CONVENTIONAL FARMERS** continue to incorporate technology into their work, experimenting with field sensors, geospatial imagery and analytical processing to boost yields. McKinsey says farmers using geospatial imagery can measure down to "microfields" of 14 square meters or less and better manage irrigation and fertilizer use. The same technology is being used by large commodity buyers to identify the most environmentally suitable crops based on climate, proximity to markets, global crop-yield performance and other factors.

- **GRAVIKY LABS**, an MIT Media Lab spin-off based in Bangalore, India and Singapore, has developed a device that captures particulates emitted through motor vehicle tailpipes and industrial smokestacks to manufacture ink and ink-based art products. Captured soot is processed to remove harmful metals and carcinogens, and to leave behind carbon pigment. "Many black inks are already made using carbon black, which is mostly produced by burning heavy petroleum products. That means Graviky's process could have a two-sided impact on pollution and greenhouse gases," *Fortune* magazine says. Graviky Labs hopes to fit its device to bus and taxi fleets in countries such as India, where emissions standards lag behind those of Europe and the United States.

## Sustainability



suppliers of industrial plastic items such as crates and trash bins to use more "post-consumer" material.

### Worker rights

The safeguarding of worker rights and improvement in working conditions is often the most difficult issue on the sustainability agenda.

Five years after the Rana Plaza factory collapse that killed 1,100 garment industry workers in Bangladesh, independent assessments report improvement in factory safety and monitoring by the government and local companies. But two organizations representing western brands and retailers recently said local authorities still aren't prepared to assume responsibility for policing safety standards.

Worker rights can be a contentious issue even for global leaders such as Nike, which developed many of the best practices now used by apparel brands and manufacturers. Nike has voiced objections to advocacy groups positioning themselves as third-party auditors, arguing that there is a conflict of interest for groups that are both campaigning and

auditing. For their part, advocacy groups say many audits go too easy on brands and manufacturers.

But failure to tackle environmental and social risks can have punishing consequences: apparel companies that contracted with Rana Plaza garment makers fell from lists of most-reputable companies in the aftermath of the tragedy; Aussie GrainCorp reported that drought cut its grain deliveries by 23 percent and led to a 64 percent drop in 2014 profits; Unilever estimated that it loses 300 million euros a year as worsening water scarcity and declining agricultural productivity contribute to higher food costs.

### The business case for sustainability

Forum for the Future, an international sustainability non-profit, says the companies set to benefit are those that can "capture the less tangible benefits as well as direct financial savings, for example, the clear reputational benefits of the initiative."

The business-case numbers "are much 'softer' than decision-makers are used to," the Forum says. As a result, "companies get stuck in a vicious cycle: they want a business case before giving permission to go-ahead with a project, but the information to build a business case can only be generated from the experience of going ahead."

*It is through experimentation and innovation, not spreadsheet projections, that viable sustainable business models emerge.*

George Mason University professor Gregory Unruh says it's time to look at the business case for sustainability a bit differently. "Multi-dimensional sustainability value is just hard to fit into a discounted cashflow analysis," he writes.

Despite being hard to measure, Unruh writes, "investors are now realizing that sustainability performance feeds the long-term bottom line. And that's causing managers to question traditional business thinking. So instead of spending time building a perfect business case, many are pursuing business model innovation experimentation, taking a page from Silicon Valley start-ups. It is through experimentation and innovation, not spreadsheet projections, that viable sustainable business models emerge."



# Sustainability as part of Corporate DNA

Q&A WITH EXPERT TENSIE WHELAN



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**T**ensie Whelan, former president of the Rainforest Alliance, is a clinical professor for business and society at New York University's Stern School of Business and director of NYU's Center for Sustainable Business.

**Q: How do you make the financial case for sustainability?**

Sustainability drives operational efficiency, innovation, employee, customer and supplier engagement, as well as mitigates risk, among other benefits. All these tangible and intangible benefits can be monetized, but generally are not, partially because accounting does not deal well with intangibles and partially because this is all so new, the corporate finance department has not yet caught up.



**Q: Is the case conclusive, especially in the absence of better ROI tracking by companies?**

The case for cost-based saving through operational efficiencies is very clear ►

*Sustainability is about applying a systems and design thinking lens to traditional processes and products.*



and has been demonstrated by companies from Walmart to 3M. Sustainability – meaning balancing environmental, social, and economic goals – has led to cost savings through reductions in waste, energy and water for thousands of companies. The social side is also beginning to demonstrate positive financial impact – Walmart’s increased pay and career path for store employees reversed the downward spiral of negative customer experiences in store, increasing sales.

**Q. Is there a penalty for being late? For waiting to see how this plays out and allowing your competitors to go through painful trial and error?**

There will be a penalty as this is no longer niche – it is mainstream – and the impacts are no longer in the future – climate change is disrupting supply chains now. Laggards will be

*Coffee farmers are experiencing lower productivity and more disease due to climate change. But changes in sustainability practices can reduce the negative impacts considerably.*

penalized, if not through negative impact on their reputation, through higher operational risk and worse margins. For example, coffee farmers are experiencing lower productivity and more disease due to climate change. But changes in sustainability practices can reduce the negative impacts considerably. Companies like Nespresso that are actively engaging with their farmers to help them with these issues will ensure they have a short- and long-term supply of quality coffee.

**Q: You’ve used the word “embedded” to describe sustainability in some corporate cultures. Why is that important, and what are the differences between companies where it is embedded and those where it is not?**

Traditional CSR and some approaches to sustainability treat the issue as peripheral to core corporate activities. In those cases, the business strategy does not include sustainability issues such as climate change as a disrupter, and thus the impact of sustainability initiatives will be limited. Unilever’s business strategy IS their Sustainable Living Plan and it has driven significant sustainability improvements, but also outperformance by their “brands with purpose,” higher margins than their competitors, and an enviable position as one of the most searched prospective employers on LinkedIn.

**Q: How does sustainability drive innovation?**

Sustainability is about applying a systems and design thinking lens to traditional processes and products. You provide different design inputs (e.g. reduction of water, improved labor practices) to create products and services that reduce negative impacts and provide a better product for customers. Nike has embedded sustainability into innovation, for example, and that has driven changes in how they produce all their products (reducing

environmental impact and costs) as well as led to the creation of a \$1 billion plus line of product – FlyKnit sneakers.

**Q: What about its importance in attracting talent?**

Much of the CEO activism we have seen recently is more for the benefit of employees than customers. Companies know that millennials are looking for companies who share their values and are committed to making the world a better place. As with Unilever, they will attract the best and brightest if they embed purpose and sustainability at the core of their business.

**Q: You’ve spoken of the need to figure out ways to “monetize” sustainability efforts within companies. What does that mean, and why is it important?**

Most companies are not tracking the financial benefits of their sustainability commitments, other than cost savings such as energy use reduction. Talent recruitment, engagement and retention, for example, should be tracked in line with a company’s focus on purpose and sustainability. It is possible to monetize the contribution of sustainability to human resource metrics – SAP and PwC have tracked it, for example, and have found significant financial returns. Innovation in processes is another area – companies are innovating new processes in response to sustainability commitments. Domtar, a pulp and paper company, developed a fertilizer from the waste of two plants that had been deposited in landfill previously – a nice circular solution that saved them money and also saved the farmers money as the fertilizer cost was lower.

**Q: How has thinking about sustainability been changing?**

Companies have been on an evolutionary path, starting with a niche approach, e.g. let me try making a green product, to a broader risk management approach, e.g. I need to manage for reputational and operational risk in my supply chain, to a mainstream approach, e.g. this needs to be core to my business, to an innovation approach, e.g. this creates new business opportunities.

*Right now companies need to figure out their position on compelling issues that have been ignored for too long, such as employee pay and gender equity.*

**Q: How does the calculus differ for B2B companies, vs. those selling to consumers?**

Brands in industries such as consumer packaged goods have more pressure on them in terms of reputational risk. But they are passing that down through the supply chain, so B2B companies that are leaders will be able to achieve preferred supplier status and create better relationships with their clients. That said, B2B salespeople are not always well-trained in the sustainability attributes of their products and thus don’t feel comfortable talking about them. That will need to change.

**Q: What do you see happening in emerging markets and developing economies?**

In my former role as president of the Rainforest Alliance, we worked with companies all over the world and found a wide variety of engagement. There were market leaders like Tata in

India and Klabin and Fibria in Brazil that were far more innovative than many US and European companies. And then there were companies in complete denial.

**Q: What do you make of the recent letter from BlackRock’s Laurence Fink to CEOs? Do you see it as a watershed moment? Will it change anything?**

I agree with Larry Fink that the short-term shareholder focus has done a lot

of damage to capitalism, people and the planet and we are facing a reckoning. We need more investors to stand up and require that companies manage for all material stakeholders and ESG issues. And we need to delink executive compensation from delivering on high quarterly margins to the detriment of R&D, employees and the environment.

**Q: EcoVadis says companies are shifting focus toward social/labor and business ethics, and going into “maintenance mode” or decreasing investment on the environmental side. Do you agree?**

No, I don’t agree. I think companies in the US have been more focused on the environment to date, and they are now playing catch up on the social side, as they should. There are new environmental commitments every day – McDonalds just announced recycling goals in restaurants as well as

a commitment to 100 percent recyclable packaging, for example. This is a not an either/or proposition. Companies will need to perform well on material, social and environmental metrics. Right now they need to figure out their position on compelling issues that have been ignored for too long, such as employee pay and gender equity.

**Q: What else is happening on the social and governance side that’s intriguing to you?**

First, we had CEOs publicly state their commitment to reducing greenhouse gas emissions with science-based targets when President Trump pulled the US out of the Paris Accord on climate change. Now CEOs are stepping up on gender issues, immigration, firearms, and so on. As we have a vacuum in governmental leadership on social issues, business is taking the lead. My conversations point to personal commitment by those CEOs, and an acute attention to serving their employees who are asking for executive leadership.

**Q: What are you looking for in the next five years? Ten years? What’s going to surprise us?**

Just as the march by students in the United States about firearms (which took place on March 25 2018) is unexpectedly changing the dialogue on firearms policy overnight, and as with #metoo and #blacklivesmatter (movements), I think we will see a great reckoning on labor (better pay), climate and water issues in the US and globally in the next ten years. And, hopefully, we will stop looking backward, and, in looking forward, unlock ingenuity and optimism to make transformative changes in how we produce, consume and value products and services.



# Fair Labor

THE MIDDLE EAST PIONEERS



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**M**ore than a decade ago, Agility began taking aggressive steps to protect the rights of drivers, warehouse employees and other workers who migrated in order to get jobs.

Agility is the largest logistics company in the Middle East, an area where third-country nationals have historically been vulnerable to exploitation by recruiters and to abuses on the job.

While international agencies have moved to promote fair labor practices and supply chain transparency, often after prodding by non-governmental watchdog groups, Agility has been at the forefront of efforts to ensure worker protections and call on other businesses in the region to do the same.

One of Agility's first steps was ensuring a basic living wage for migrant workers. Agility also implemented



procedures to prevent common labor abuses, like confiscation of passports, withholding of pay and travel restrictions. Agility's approach to identifying and correcting fair labor practices has been in use since 2009. Since 2011, Agility has been training all levels classes of employees about those standards.

Agility's commitment to fair labor goes all the way to the top. The company's fair labor program is sponsored by Agility CEO Tarek Sultan, who receives regular updates on its progress from the Corporate Social Responsibility (CSR) team. "Agility is committed to providing an environment where employees' human rights are both respected and protected. ▶





We have high standards on fair labor; it's an essential part of the 'Agility Way' of doing business," Sultan said.

Agility created its fair labor program voluntarily – not in response to government or customer mandates – because the company believes in protecting its employees and contract workers. Agility isn't winning business because it has a top-tier fair labor program, but it could certainly lose business if those standards slipped, says Frank Clary, Agility's CSR director.

Clary says the program is both a moral and legal imperative, and a company's success in resolving fair labor issues hinges on its ability to discover them – and speak openly about correcting them.

Agility's practices are evolving to ensure that all possible violations come to light. Agility rigorously enforces the fair labor policy with comprehensive monitoring and audits conducted by third parties. Geographic areas where the Agility workforce includes the most vulnerable population – migrant workers – get audited most frequently. The audit process includes random employee and vendor interviews, and tours of workspaces and housing. When any issue is identified, Agility prescribes corrective actions and issues timelines for achieving appropriate standards. In the case of critical issues, corrective actions are taken immediately. Customers requesting audits get the results directly.

The first phase of the Agility audit program was conducted in the Middle East, followed by roll-outs in Asia-Pacific. Ten years ago, when these audits began, many violations were discovered. Now, thanks to training programs, they have decreased.

Agility's goal is to educate 100 percent of its workforce about the fair labor policy. The program has been conducted historically with on-site training sessions. The company is creating an online training program to reach a wider audience. There are two versions of the online program: a version designed to help employees understand their rights and learn how to report concerns, and a separate, more robust program directed at Human Resources professionals who will need to investigate those concerns.

Agility plans to share these training resources with other companies. "We want to engage to help the broader business community succeed in managing these issues," Clary says.

There's no quick solution to manage fair labor issues on a global scale, but every step forward helps. The Council on Foreign Relations (CFR) estimates there are 40.3 million people currently enslaved in the world, and the problem is most prevalent in "impoverished countries and [in] those with vulnerable minority communities." Modern slavery exists primarily for financial reasons: it's an economic crime, according to Kevin Bales, a professor of contemporary slavery at University of Nottingham in the UK. The International Labour Organization says that slavery generates \$150 billion for traffickers annually. Even if companies have procedures in place to protect their workforce, how can they safeguard against unethical subcontractors who prioritize financial gain above fair labor?

*Agility rigorously enforces the fair labor policy with comprehensive monitoring and audits conducted by third parties.*

Agility has taken a leadership role on the issue when it works with multinationals and government organizations in the Middle East. Working with Human Rights Watch, Agility learned how to engage engineering and construction companies in ways that prevent labor issues. The approach involves setting expectations upfront, writing contracts more carefully to demand fair labor standards, and insisting that subcontractors open up for audits. Agility also has worked on fair labor with the World Economic Forum and Business for Social Responsibility, which has given Agility a platform to talk about the importance of the issue with others in the logistics industry.

## Target Zero Drives Improvement at Agility

Agility created its Target Zero program to identify and eliminate health, safety, security and environmental (HSSE) risks. Agility workplaces, operating with near-zero HSSE incidents, are increasingly focused on new Target Zero goals that reduce operational emissions, fuel consumption and waste per ton, in addition to finding ways to use renewable energy.

In EcoVadis's 2018 sustainability ratings, Agility GIL scored in the top 4 percent for environmental issues and top 16 percent for fair business practices.

To improve its EcoVadis rating, the company intends to work even more closely with air and ocean carriers to compile and assess critical environmental impact data from its shipments.

As a logistics provider, Agility operates with the help of carriers and other suppliers, particularly in the movement of freight. Its goal is to hold suppliers to the same high standards as its own operations and employees. Agility gains visibility into supplier operations through a variety of methods, including ongoing monitoring and evaluation of Service-Level Agreements (SLAs), audits and supplier qualification surveys. A brief look at those practices:

### SLA Monitoring

Agility works with customers to build their requirements for sustainable practices into Service-Level Agreements, then to monitor its suppliers' commitment and

performance in meeting those requirements.

### Audits

Agility conducts audits and quarterly business reviews of its suppliers. These are managed at the country-level within the jurisdiction where the supplier resides. Audits can reveal gaps where standards aren't being met, as well as illuminate new opportunities for sustainability practices.

### Supplier Qualification Surveys

First conducted in 2010, the Agility supplier qualification survey is a tool to vet suppliers. At its most basic level, the survey determines a supplier's legitimacy (what is the supplier's tax ID, revenue and number of employees, for instance). It includes questions about workplace safety, supply chain security and whether the supplier has credentials to handle sensitive or dangerous cargo such as ammunition and hazardous materials.



Additionally, it poses questions to help determine whether the supplier shares Agility's values and is as committed to sustainable business practices and fair labor as Agility. Suppliers that demonstrate a commitment to sustainable practices and meet Agility's requirements move to the top of Agility's preferred vendor list.





# Increasing Urgency

EMISSIONS AND THE SUPPLY CHAIN

*The goal: to cut CO<sub>2</sub> emissions by 15 percent per container transported on Agility shipments by 2020.*

**C**ustomers, governments and industry groups continue pressing for huge reductions in supply chain emissions, mainly in transportation. Road traffic accounts for most of CO<sub>2</sub> emissions, 73 percent. Air traffic is 12 percent; ocean shipping 10 percent; pipeline leakage 3 percent; rail traffic 2 percent.

The maritime shipping industry has been aggressive in its attempts to tackle the emissions problem. In April, the International Maritime Organization (IMO), a United Nations body, said greenhouse gas emissions from international shipping should be slashed by at least 50 percent by 2050 from 2008 levels. CO<sub>2</sub> emissions are to be eliminated entirely by then, the IMO said.

Agility represents the freight forwarding industry on the steering committee of the Clean Cargo Working Group (CCWG), an international coalition of logistics providers, ocean carriers and retailers committed to improving the environmental performance of maritime container transport. CCWG carriers handle 85 percent of containerized global shipments. This year, the CCWG is expanding its scope to include the airfreight industry.

In 2016, Agility teamed up with another member of the group, Maersk, the world's largest container ship operator. The goal: to cut CO<sub>2</sub> emissions by 15 percent per container transported on Agility shipments by 2020. Agility and Maersk are reducing emissions by shifting cargo to more fuel-efficient ships, optimizing networks, routes and sailing schedules, and integrating emissions data into their regular business information flow.

A few of the ways Agility is helping customers lower emissions:

- Modeling shipping variables with a proprietary tool that allows them to design the most efficient, low-carbon supply chain possible (see page 20).
- Measuring and reporting CO<sub>2</sub> emissions monthly. Aggregated emissions can be integrated into monthly, quarterly and annual business reports and can be configured based on origin and destination locations, customer hierarchy of priorities, or other criteria.
- Offering pre-shipment CO<sub>2</sub> estimates on shipafreight.com, the new self-service online portal powered by the Agility network.
- Providing CO<sub>2</sub> emissions estimates on the Agility Android and iPhone mobile application, an easy-to-use tool even for users who aren't shipping with Agility.
- Reporting electricity, fuel and water consumption, and waste generation via a proprietary application that converts consumed electricity into ►

## IMPROVING TRUCK EFFICIENCY

Industrywide, there are a number of modifications and upgrades that can cut fuel use and make vehicles more efficient. All are expensive:

- Electric cabs – switches engine settings to electric power when truck is idling.
- Skirts – heavy plastic or rubber wheel covers that cut down on drag and improve fuel economy.
- Streamlined truck and trailer design – some involve wing-like tails.
- Automatic transmissions.
- Wider tires, lighter treads – equipped with sensors to indicate low tire pressure.



## AGILITY TOOL: The Cutting Edge of Supply Chain Design

**A**gility customers are working with the company's supply chain specialists to use a new modeling tool that allows them to design the most efficient, low-carbon supply chains possible.

The tool enables Agility specialists to work with shippers to create models using a nearly infinite number of variables and combinations – origins, destinations, routes, schedules, inventory requirements, shipping modes, INCOTERMS, packing density, load configuration, vehicle types, emissions and costs. Soon, the same capability will be available via a mobile app that will allow Agility and its customers to collaboratively design optimized, low-impact supply chains on the spot.

Calculations can be done quickly and are presented dashboard-style. “We can help our customers ‘scale-up’ cost savings and efficiencies across their supply chains,” says Frank Clary, Agility’s director of Corporate Social Responsibility.

The holy grail for many shipping customers has been a granular view of carbon footprint estimations in supply chain segments. That breakdown – or disaggregation – is what allows them to identify problem areas where emissions reduction and other sustainability efforts can have the most impact.

The Zaragoza Logistics Center in Spain says: “Take for example, an operation that involves a contracted fleet of trucks as well as a company’s own vehicles. Managers can calculate emissions levels based on parameters such as the fuel consumption of each vehicle used, the cost of fuel, and the electricity consumed in loading and unloading facilities. Different scenarios can be simulated to determine the most cost-effective

measures for shrinking the carbon footprint.”

New tools such as Agility’s offer that piece-by-piece view. “We help them look at each route segment individually so that together we can find the solution that is most effective and least costly and has the lowest environmental impact,” Clary says.



CO<sub>2</sub> emissions using International Energy Agency standards. The application provides real-time reports on emissions and feeds data into regular reports to customers.

- Converting local fleets in places such as Thailand to compressed natural gas and training drivers to

reduce idling time and cut speeds to lessen environmental impact. We also recycle tires, batteries and other truck components.

- Calculating origin and destination trucking emissions, in addition to international ocean and air shipping emissions.

- Working with CarbonTrust to provide data that enables customers to offset their CO<sub>2</sub> emissions. Emissions from shipments typically are reported on an “at least” basis, meaning they offer an estimate of “at least” what has been emitted on a journey.



## Road-Testing Sustainable Technology in Trucks

**T**ruckmakers Navistar, Daimler, Paccar, Volvo and others, along with engine-maker Cummins, are placing bets on various forms of new technology in a drive to boost fuel efficiency and cut down on emissions.

Truck and engine manufacturers are tinkering with new engines, trailer designs and other innovations. Some want to break completely from the combustion engine and develop fleets of fully electric trucks, several prototypes of which are being road-tested. Others are trying to improve the efficiency and emissions output of diesel-fueled vehicles.

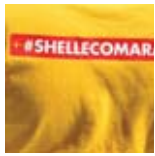
Agility has invested in Hyliion, a retrofit add-on that involves installation of an intelligent drive axle on a trailer. The system, installed in 60 minutes, uses regenerative braking to capture and save power when the truck is slowing, then reuses that energy to provide

power when the truck is climbing hills. Depending on the topography and normal fuel economy of the vehicle, the Hyliion system can reduce fuel use by 30 percent and cost by \$1,300 a month.

There are 1.7 million tractor-trailer trucks in the United States alone. The average heavy-duty truck gets only six to seven miles to the gallon. Some estimate that an extra mile per gallon would be the equivalent of removing 200,000 of those trucks from the road each year.

*Truckmakers are placing bets on various forms of new technology to boost fuel efficiency and cut emissions.*





# Shell Eco-marathon

## THE RACE TO ULTRA-EFFICIENCY

The checkered flag waves and sleek racecars start their journey around the track. But this isn't your standard auto-racing experience. This is the Shell Eco-marathon, an annual program of competitions that challenges student teams from universities around the world to design, build, test and compete their own ultra-energy-efficient vehicles.

Shell Eco-marathon programs are held annually in Asia, the Americas and Europe, and consist of two competitions. First is the Shell Eco-marathon Mileage Challenge in which students compete to see whose car design can go the farthest on the least amount of fuel. Second is the Shell Eco-marathon Drivers' World Championship, which combines the proven energy efficiency of the design team's vehicle with the speed, skill and strategy of their driver in a race to see who can cross the finish line first.

There are two classes of vehicles in the Mileage Challenge: cars in the "Prototype" class are designed for maximum efficiency, while the "UrbanConcept" class features vehicles with more practical designs. All cars feature electric batteries, hydrogen fuel, or internal combustion engines.

Teams compete in regional competitions in Asia (Singapore, March 2018); the Americas (California, April 2018); and Europe (London, July 2018); with the flagship event and finals taking place in London this summer.

For the third year in a row, Agility is the official logistics provider of the Shell Eco-marathon. In this role, Agility provides student teams with technical advice required to transport their vehicles safely, including best practices for packing and following customs procedures and requirements.

Agility will also provide the students with safe and affordable options to ship vehicles and related equipment to and from the event locations. For students who choose to ship their cars with Agility, teams on the ground will manage receipt, handling and final delivery. They will also provide on-site logistics support to all teams.

The Singapore event took place in

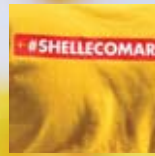


March with Team Semar Urban UGM Indonesia from the Universitas Gadjah Mada in Indonesia winning first place in the UrbanConcept category. The top three UrbanConcept finishers from each regional event will compete at the Driver's World Championship at London's Olympic Park, each vying for the title of "world's fastest, most efficient driver."

Shell Eco-marathon is about using innovation and collaboration to deliver mobility solutions that will contribute to vehicles going farther with less energy—a vision that fits in nicely with Agility's environmental goals. Agility has and continues to invest in energy-efficient technologies, including Hyliion, an add-on system that brings the advantages of hybrid energy to tractor-trailers, and CargoX and Homoola, which use technology to bring efficiency to road freight. Meanwhile, Agility's corporate venture arm, Agility Ventures, partners with start-ups championing technologies that can help build faster, more secure, and more sustainable supply chains.

Agility has a globally recognized corporate social responsibility (CSR) program, which includes environmental sustainability. It has received a silver rating from EcoVadis, an independent supplier sustainability rating agency, and tracks fuel and energy consumption and related CO<sub>2</sub> emissions in its top operations.

*Agility has and continues to invest in energy-efficient technologies, including Hyliion.*





# The Green Warehouse

QUEST FOR ZERO-NET ENERGY

**Even without the pressure of government regulations, businesses are greening their warehouses to lower their costs, reduce resource use and, in many cases, pursue the goal of zero-net energy (ZNE).**

A 2010 mandate in Europe is pushing companies there to achieve ZNE status for commercial buildings by 2020. To be ZNE, buildings must create onsite energy equivalent to the amount of energy they use.

In the Middle East, Asia and Africa, where most of Agility's warehouses are

located, ZNE is still a distant objective.

Michel Saab, CEO of Agility Logistics Parks, Operations, says the two most expensive warehousing costs are lighting and air conditioning. Ed Klimek of KSS Architects notes that lighting accounts for nearly 30 percent of the energy use within a distribution center.

Finding a sustainable solution for lighting is easier than solving the problem of exorbitant airconditioning costs. "Most of what can be done is already done at Agility," Saab says.

Skylights that provide natural light are an option for warehouses where temperature-controlled goods aren't

stored. At Agility warehouses, LED lights have replaced typical incandescent and fluorescent bulbs. Energy Star estimates that LED lights are 90 percent more efficient than incandescent lights. Another cost-savings measure is to connect lighting to a motion-sensor system that will turn off lights automatically in unoccupied spaces. Agility has the capability to operate a similar system by customer request, but there are technical constraints in spaces where light fixtures are embedded in 14- to 16-meter high ceilings.

Air conditioning is expensive and

The Green Warehouse

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drains a lot of energy, especially in the Middle East. "Agility is looking for new air conditioning solutions, and it is a priority because of the extreme heat," Saab says.

It's too early to say there's a direct, viable alternative to conventional air conditioning, but Agility is finding green workarounds. Warehouses can be oriented to avoid direct sunlight and maintain low thermal heating, and UV-blocking skylights can be installed to reduce heat up to 85 percent. What's more, water-cooled chillers can be used instead of air-cooled chillers to reduce electric demand.

Simply defined, a "sustainable warehouse" is one that makes little impact on the surrounding environment (including land, water sources and wildlife), draws modestly from external power sources and is a comfortable environment for employees to work in.

Though typically located on the fringes of communities – closer to air- and seaports or major trucking thoroughfares – warehouses can have a major effect on a community. They generate jobs, but they can also draw significantly from the power grid and contribute to pollution. Adopting

sustainable practices within a warehouse not only benefits the community, but also makes the warehouse less expensive to operate over time. A warehouse generating its own power is also more stable; it's not subject to power grid interruptions that compromise security systems or cold storage systems for special products.

For its part, Agility is making strides toward ZNE. "We're working toward putting photovoltaic panels on warehouse roofs to generate our own power and electricity," Saab says. Any effort toward environmental sustainability must be sustainable for the business as well, and that's the current challenge. "We measure our energy consumption to pay the bills," Saab says. But in the future, Agility can analyze those measurements to identify areas where energy use could be reduced – or even produced on warehouse premises.

*The two most expensive warehousing costs are lighting and air conditioning.*





# Solar

A FRESH LOOK AT SOLAR IN THE OIL-RICH GULF

Despite its promise, solar energy has been a tough sell in the Gulf.

Solar



**G**overnments with cheap, abundant supplies of crude oil and natural gas have long subsidized electricity and fuel prices. Standard photo-voltaic solar systems have proved vulnerable to searing desert heat and frequent sandstorms. System installation costs have been too high, and paybacks too long and uncertain.

Today, after a prolonged period of low oil and gas prices, Gulf countries are reducing or eliminating subsidies to consumers and commercial customers. Ambitious national economic diversification plans call for energy conservation and mandate cuts in consumption, along with blueprints for development of green communities and cities deriving most if not all of their energy needs from renewable sources.

## Technology advance

The introduction of revolutionary new high-vacuum solar thermal systems – a robust and highly efficient means for generating thermal energy – is proving to be a game-changer. Solar thermal is ideal for the intense Gulf heat and one particular type of high-vacuum technology is capable of operating with minimal output losses even after severe sandstorms.

Air conditioning for Agility's corporate headquarters in Sulaibiya, Kuwait is provided by a solar-driven cooling system that ran automatically and unattended for over 365 days with 98 percent reliability. In addition to delivering consistent and reliable energy output, the system, powered

by a solar field manufactured by TVP Solar, SA of Switzerland, contributed 43 percent of the points necessary for the new building's LEED Silver certification. Highest output is achieved from 10 am to 3 pm each day in a climate where outside temperatures can reach 54 degrees centigrade (129°F), supplying 70 percent of the facility's required cooling load.

*Agility has invested in TVP Solar and is introducing the technology to commercial and industrial customers.*

## Investment

Agility has invested in TVP Solar and is introducing the technology to commercial and industrial customers, says Steve Lubrano, CEO of Alternative Energy Solutions, an Agility affiliate.

Lubrano says the solar-thermal system and its components are relatively maintenance-free and are integrated into existing buildings. Despite blowing sand and dust, users need not worry about precision cleaning of panels because of their remarkable efficiency and ability to capture both direct and diffuse light. ▶

*Agility's new Kuwait HQ incorporates a TVP Solar Air Conditioning (SAC) system.*





The technology is becoming even more attractive as electricity costs rise and solar-thermal payback periods fall from a previous six to nine years to a more feasible three to five years.

Interest is expected to intensify as Gulf governments look to expand and “green” their energy production capabilities



to ensure supplies for new industry and for energy-intensive uses such as water desalination.

“Oil-dependent countries have come to realize that if they’re burning it, they can’t sell it. That might not be a problem today, but it will be down the road,” Lubrano says.

*Oil-dependent countries have come to realize that if they’re burning it, they can’t sell it. That might not be a problem today, but it will be down the road.*

“So we’re seeing a sea change. Kuwait, UAE, Saudi Arabia and others have implemented energy mandates and have made plans for cities powered almost exclusively by renewable sources. We’ve gone from a lack of interest to wow, ‘You mean you can provide energy and reduce electricity demand at the same time?’ ”

When implemented at scale, Lubrano says, “Yes, we can.”

# Sustainable Kitchen

## AT THE REMOTE END OF THE SUPPLY CHAIN

In the harsh, arid demilitarized zone between Sudan and South Sudan, Agility’s GCC Services team of 105 expats and local staff supplies international peacekeepers with food and bottled water that is trucked hundreds of miles from the Port of Sudan to the mission in Abyei, Sudan.

Desperate for a quiet respite and something fresh to eat in a conflict zone, GCC personnel built a composting operation to turn kitchen waste into fertilizer and began bringing seeds back to Abyei when they returned from leave. The result is a lush, pesticide-free garden of herbs, vegetables and fruit.

The Abyei kitchen garden has yielded large quantities of nutritious beans, peas, jackfruit, guava, lemons, bananas, cassava, tomatoes, aubergines, cucumber, okra, watermelon, lettuce, coriander and other produce.

“This sounds like a small thing, but it’s not. Conditions in Abyei are austere, and the workdays are very long,” says Rashad Sinokrot, CEO of GCC Services. “The kitchen garden has created shade and greenery where there isn’t much of either. It’s been a stress reliever and teambuilder, and demonstrated that you can do something sustainable in a very harsh environment.”





# Africa

## PHOTO COMPETITION

Agility recently announced the winners of its annual Africa Photo Competition, a global contest highlighting the rapidly changing landscape of Africa.

The third year of the competition drew more than 4,000 entries from professional and amateur photographers from more than 60 countries. The winning images showed young Malawian students using tablets at school to learn their

local language; a sunset over Nairobi, Kenya; and hot air balloons flying over Luxor, Egypt.

A cash prize of \$2,000 was awarded for each competition category. The winners were Judith Hermetter from the United Kingdom (Technology); Joshua Wanyama of Kenya (Cities); and Mohamed Kamal of Egypt



(Industry). Hermetter also won the Grand Prize of \$2,000 for her photograph of young Malawian students learning to read using a tablet.

Hermetter said that the photograph shows how technology can bring personalized learning to every child. "Many families in the area were struggling due to food shortages at the time the photo was taken, however the children still attended their classes because they wanted to learn."



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FAR LEFT & MAIN PHOTO: Judith Hermetter and her overall winning image.

LEFT: Mohamed Kamal and his winning "Industry" entry.

BELOW: Joshua Wanyama and his winning "Cities" entry.



Wanyama, the Cities category winner, believes that the more photos of Africa are shared, the more likely it is that the world will see the continent in a different light. "Africa is a diverse continent, full of beauty. I've spent a lot of time documenting the continent, and believe there is a story that needs to be told," he said.

"Africans and African governments are embracing technology – and as a result transforming all parts of society," said Geoffrey White, CEO of Agility

Africa. "This year's Grand Prize photograph illustrates the technological shift that is empowering people with access to knowledge and information. As a company investing heavily in African infrastructure, Agility is seeing the advancements

the continent has made on a daily basis, and we are proud to share images that reflect these changes."





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# About Agility

Agility brings efficiency to supply chains in some of the globe's most challenging environments, offering unmatched personal service, a global footprint and customized capabilities in developed and developing economies alike. Agility is one of the world's leading providers of integrated logistics. It is a publicly traded company with \$4.1 billion in revenue and more than 22,000 employees in 500 offices across 100 countries.

Agility's core commercial business, Global Integrated Logistics (GIL), provides supply chain solutions to meet traditional and complex customer needs. GIL offers air, ocean and road freight forwarding, warehousing, distribution, and specialized services in project logistics, fairs and events, and chemicals. Agility's Infrastructure group of companies manages industrial real estate and offers logistics-related services, including e-government customs optimization and consulting, waste management and recycling, aviation and ground-handling services, support to governments and ministries of defense, remote infrastructure and life support.



