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A COMPREHENSIVE GUIDE TO YOUR SUSTAINABLE SUPPLY CHAIN

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WELCOME TO OUR COMPREHENSIVE GUIDE TO YOUR SUSTAINABLE SUPPLY CHAIN

Dear reader,

In today's business landscape, sustainability is no longer a choice - it's a necessity. We understand that as a business leader, you are constantly grappling with the challenge of balancing economic growth with environmental responsibility.

You might be feeling overwhelmed by the complexity of regulations, or unsure how to make your supply chain more sustainable. Perhaps you're struggling to measure and report your company's environmental impact accurately. That's why we've created this comprehensive guide to help you navigate supply chain sustainability challenges.

This guide will provide you with an understanding of the European Union regulations (such as the Corporate Sustainability Reporting Directive or the EU Emissions Trading System), explore the role of sustainability in supply chains, delve into the importance of transparency and offer insights on how you can start implementing sustainable practices in your own supply chain.

This guide is designed to empower you with the knowledge and tools you need to help make your supply chain more sustainable, comply with regulations, and build trust with your stakeholders.

We hope that this guide will serve as a valuable resource for you on your sustainability journey. Remember, every step you take towards sustainability is a step towards a better future for all of us.

Happy reading!

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I. UNDERSTANDING THE EUROPEAN REGULATIONS ON SUSTAINABILITY PRACTICES

In the pursuit of a sustainable future, Europe has been at the forefront of implementing regulations and initiatives aimed at promoting environmentally friendly practices. The Green Deal is a transformative initiative aiming to make Europe the first climate-neutral continent by 2050*. This ambitious plan seeks to modernize the EU's economy, transforming it into a resource-efficient and competitive landscape. The Green Deal is not just an environmental initiative. It's also a growth strategy that ensures no person and no place is left behind. It represents a comprehensive roadmap with actions to boost efficient use of resources by moving to a clean, circular economy, restore biodiversity, and cut pollution.

Under the umbrella of the Green Deal, the Corporate Sustainability Reporting Directive (CSRD)** is a significant piece of legislation enacted by the European Union. It came into effect on January 5, 2023, and strengthens and modernizes the rules concerning the social and environmental information that companies have to report.

The CSRD requires large companies and listed SMEs to publish regular reports on their environmental and social impact activities. It applies to a wider set of companies than previous regulations. Specifically, to all large companies and all companies listed on regulated markets (except listed micro-enterprises).

A company is considered large if it meets two out of three of the following criteria: more than 250 employees, a turnover of over €40 million, and over €20 million total assets.

The CSRD will be applied in a phased approach:

From 1 January 2024:
Large public-interest companies (with over 500 employees) already subject to the non-financial reporting directive will apply the rules, with reports due in 2025.

From 1 January 2025:
Large companies not currently subject to the non-financial reporting directive (with more than 250 employees and/or €40 million in turnover and/or €20 million in total assets) will apply the rules, with reports due in 2026.

From 1 January 2026:
Listed SMEs and other undertakings will apply the rules, with reports due in 2027.
SMEs can opt-out until 2028.

This phased implementation allows companies of different sizes to prepare adequately for the new reporting requirements. The goal is to increase transparency and accountability, encouraging businesses to consider the broader impacts of their actions.

Understanding and complying with the CSRD is crucial for businesses operating in the EU. It helps them align their operations with sustainability goals, meet regulatory requirements, and build trust with stakeholders and may also provide investors and other stakeholders with the information they need to assess the sustainability performance of a company. This, in turn, is expected to drive more sustainable business practices and contribute to the achievement of the EU's sustainability goals.

Moreover, The European Union plans to introduce the ETS 2 system, which will apply to the road transportation and building sectors.

The timeline for ETS 2 implementation is as follows:

2026: Phase-in period begins.

2027: ETS 2 becomes fully operational, initially applying only to commercial entities.

2028: Gradual extension to all emissions from the building and road transport sectors begins.

2029: Possible postponement of extension to private individuals if energy prices are exceptionally high.

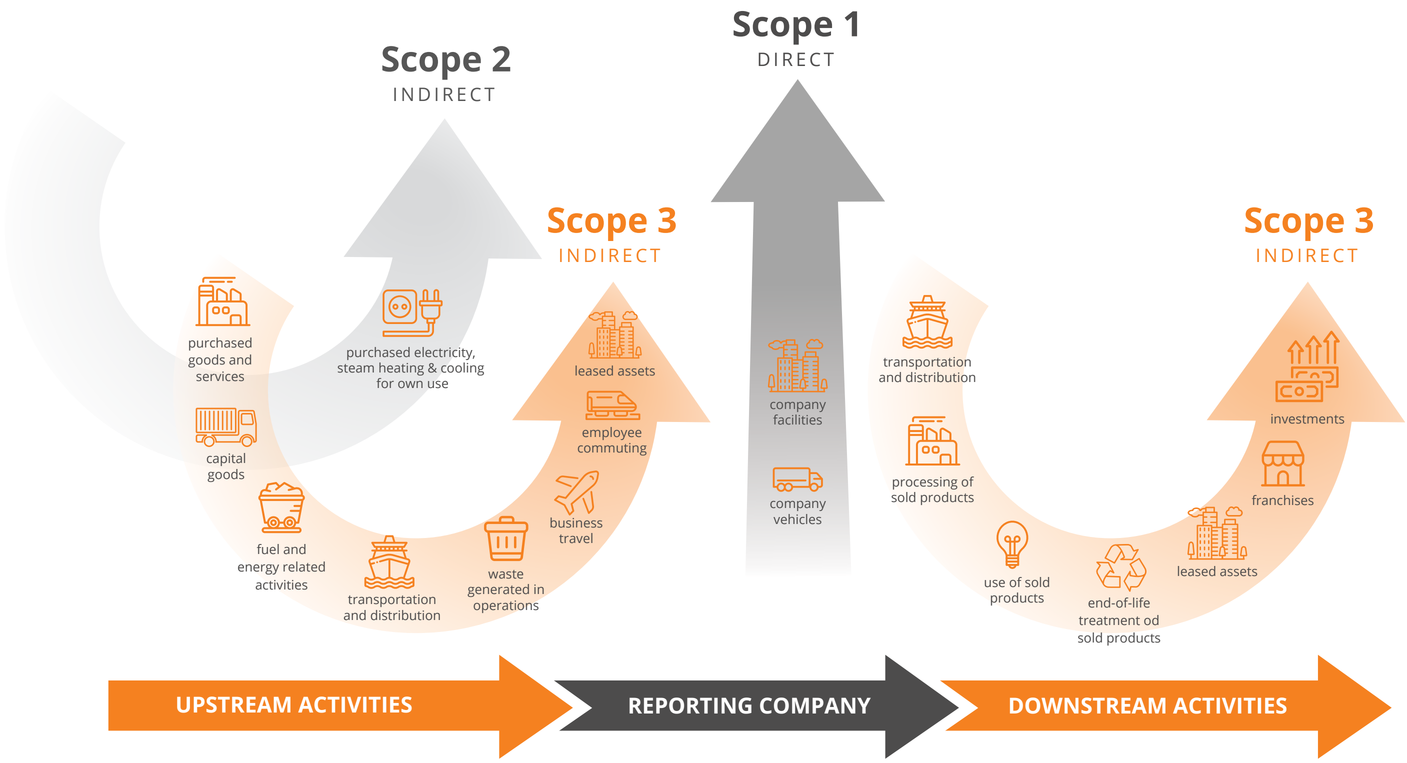
This new system will extend emissions trading to road transport and buildings, aiming to reduce emissions in these sectors.trading to road transport and other sectors.

Fuel suppliers will be required to buy allowances for their emissions. This is part of the EU's broader target to reduce net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Specifically for the sectors covered by ETS 2 (buildings and road transport), the aim is to reduce emissions by 43% by 2030 compared to 2005 levels

The European Green Deal, CSRD, and ETS 2 represent significant strides towards a sustainable future. They provide a robust framework for businesses to align their operations with sustainability goals, playing a crucial role in the global fight against climate change. As we move forward, understanding and adhering to these regulations will be pivotal for businesses to thrive in a sustainable economy.

II. DECODING GREENHOUSE GAS EMISSIONS: UNDERSTANDING SCOPE 1, 2 AND 3

Understanding the different scopes of emissions is crucial for any business looking to implement a robust sustainability strategy. These scopes, defined by the Greenhouse Gas Protocol*, provide a comprehensive view of a company's total greenhouse gas emissions.



Scopes 1, 2, and 3 are classifications used to categorize greenhouse gas emissions. Incorporating discussions about scopes 1, 2, and 3 emissions with your customers is essential in addressing their environmental impact and sustainability goals. For this reason, you should have a good understanding of the different scopes and how they relate to your customer's sustainability journey.

*Source: The European Green Deal - European Commission (europa.eu)
** Directive - 2022/2464 - EN - CSRD Directive - EUR-Lex (europa.eu)
*** https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/ets2-buildings-road-transport-and-additional-sectors_en

Scope 1: These are emissions a company controls directly. For example, emissions from the fuel used to run boilers, generators, or owned fleet vehicles.

Scope 2: These are indirect emissions from purchased energy. For example, the emissions generated from purchased electricity, heat, or cooling.

Scope 3: These are all other indirect emissions that occur in the upstream and downstream value chain of a company. For example, emissions from logistics or supply chain activities.

When measuring and reporting, special attention should be given to Scope 3 emissions. Here are key points to understand about Scope 3 emissions:

COMPREHENSIVE CATEGORIES:

The GHG Protocol identifies 15 distinct categories of Scope 3 emissions, covering various upstream and downstream activities. These include purchased goods and services, transportation and distribution, use of sold products, employee commuting, business travel, waste generated in operations, and end-of-life treatment of sold products, among others.

SIGNIFICANCE IN REPORTING:

Under the new Corporate Sustainability Reporting Directive (CSRD), large companies will be required to report on their Scope 3 emissions. This reflects the growing recognition of the importance of these indirect emissions in a company's overall carbon footprint.

MEASUREMENT CHALLENGES:

While Scope 3 emissions often represent the largest share of a company's carbon footprint, they are also the most challenging to measure and manage due to their occurrence outside of the company's direct control.

SUPPLY CHAIN FOCUS:

In the context of supply chain management, Scope 3 emissions are particularly crucial. They often account for a significant portion of a company's total emissions and represent key areas for potential reduction and efficiency

By understanding and addressing all three scopes of emissions, companies can gain a comprehensive view of their environmental impact and identify opportunities for improvement.

*Source: Homepage | GHG Protocol
**Source:https://ghgprotocol.org/corporate-value-chain-scope-3-standard

III. SUSTAINABILITY IN SUPPLY CHAINS

Supply chains play a crucial role in a company's sustainability efforts. They represent the sequence of activities that transform raw materials into finished goods delivered to the end customer. Each step in this process, from sourcing and manufacturing to transportation and distribution, has an environmental impact.

However, supply chains also present numerous opportunities for improving sustainability. By making mindful choices at each step of the supply chain, companies can significantly reduce their environmental footprint. This might involve choosing suppliers who follow sustainable practices, optimizing logistics to reduce transportation emissions, or implementing more efficient manufacturing processes.

Moreover, sustainable supply chains are not just good for the environment; they're also good for business. They can lead to cost savings, improve customer loyalty, and help companies comply in a shifting regulatory environment.

IV. THE IMPORTANCE OF TRANSPARENCY IN SUSTAINABILITY EFFORTS

Transparency plays a pivotal role in sustainability efforts, particularly within supply chains. The emphasis on comprehensive reporting underscores the importance of transparency in revealing the environmental and social impacts of a company's operations, including those within its supply chain.

Transparency is a cornerstone of effective sustainability efforts. It involves openly sharing information about a company's environmental and social impacts. This can include data on greenhouse gas emissions, water usage, waste generation, and more. Transparency also extends to a company's relationships with its stakeholders, including suppliers, customers, employees, and the communities in which it operates.

There are several reasons why transparency is so important in sustainability:

BUILDING TRUST

Transparency helps to build trust with stakeholders. When a company is open about its impacts and efforts to improve, it demonstrates a commitment to accountability and integrity.

INFORMING DECISION-MAKING

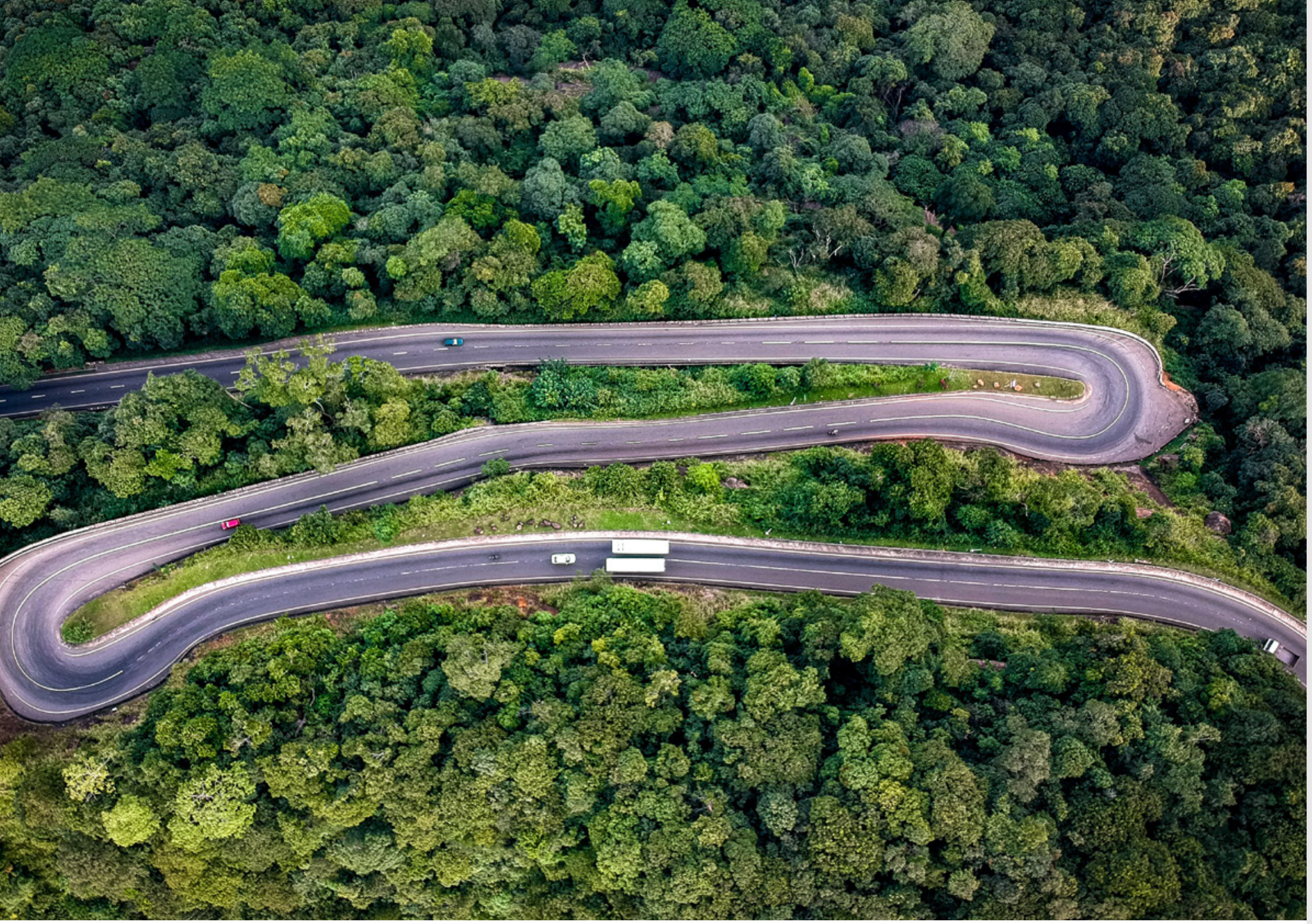
Transparent reporting of sustainability data can inform decision-making at all levels of a company. It can help to identify areas for improvement, track progress towards sustainability goals, and guide strategic planning.

MEETING REGULATORY REQUIREMENTS

Transparency is often a requirement of environmental and social regulations. For example, the Corporate Sustainability Reporting Directive (CSRD) requires companies to report on their sustainability impacts.

ENGAGING STAKEHOLDERS

Transparency can facilitate engagement with stakeholders. It allows stakeholders to understand a company's impacts and provides a basis for dialogue and collaboratio



V. EXPLORING DIFFERENT SUSTAINABLE PRACTICES IN SUPPLY CHAINS

Identifying efficiencies and reducing waste are the most important steps a company can take in building cost-effective and environmentally conscious supply chains.

Many traditional supply chain management techniques are core tenets of sustainability strategies. Here are some practical examples:

- Measure and account for CO2e to identify potential opportunities for reductions.
- Effective network optimization limits unnecessary transit time, resulting in fewer emissions.
- Mode shifting and optimization moves a one-carbon intense mode to a lower-emitting mode.
- Fill the truck or container and aim for maximum capacity to avoid wasted space or close-to-empty trips.
- Leverage and adopt new technologies, such as alternative fuels and other renewable energy sources.

VI. STEPS TO IMPLEMENTING SUSTAINABILITY IN YOUR SUPPLY CHAIN

It's more important than ever for companies to work with the right logistics partner to help them address their scope 3 emissions and reach their sustainability goals.

Leveraging expertise and scale, sennder is uniquely positioned to offer sustainable solutions. We equip our clients with the necessary insights, advanced technology, and supply chain efficiencies, thereby empowering them to contribute towards a more sustainable future.

Sustainability Solutions Offered at sennder:

MEASURE AND REPORT

A company's impact on the environment. This includes a company's carbon footprint, energy efficiency, waste management, and use of natural resources.

OPTIMIZE AND CONSULT

We take action to reduce emissions through network and route optimization, modal shifts, consolidation and reduced empty miles.

EMPLOY GREEN SOLUTIONS

We transport your shipments using advanced fuels, reducing CO_2e emissions by up to 90%, and offer electric transport on an expanding number of routes across Europe.

Together with Scania, we have established JUNA — a pay-per-use model for electric trucks that provides carriers with a financially viable path to electrification. This partnership strengthens our growing low-emission transport network across Europe.

Electric Trucks - **lowest emissions** **100%**

0 kg CO_2e per 1,000 km**

Renewable Diesel Fuel (HVO) - **90% reduced emissions** **90%**

100 kg CO_2e per 1,000 km*

* based on 24 t payload
** zero emissions for electric vehicles using renewable energy sources

VII. ADDRESSING YOUR SUSTAINABILITY CHALLENGES WITH ADVANCED FUEL

Implementing sustainability in supply chains is a complex but crucial task. It involves understanding and complying with regulations like the CSRD, making supply chains more sustainable, ensuring transparency in sustainability efforts, and understanding the full spectrum of a company's environmental impact through Scope 1, Scope 2, and Scope 3 emissions.

This is where our comprehensive Sustainability Offering comes into play. Our team's efforts address many of the challenges that are discussed in this guide:

- **Compliance with Regulations:** we help businesses comply with regulations by reducing carbon emissions in their supply chains.
- **Sustainable Supply Chains:** we provide with a network of green-fleet carriers that use advanced fuels, helping to make supply chains more sustainable.
- **Transparency:** we ensure transparency through the Book & Claim* methodology with audited carbon reduction statements.
- **Addressing Scope 3 Emissions:** By focusing on the supply chain our sustainability offering directly addresses Scope 3 emissions, which are often the most significant and challenging to reduce.

By joining us, you can not only improve your own sustainability but also contribute to a more sustainable world.

Thank you for taking the time to read this guide. We hope it has provided you with valuable insights and practical steps to make your supply chain more sustainable. Remember, every step towards sustainability is a step towards a better future for all of us.

*https://smartfreightcentre.org/en/about-sfc/news/new-accounting-framework-to-address-barriers-to-transport-decarbonization/

If you would like to discuss more how we can help you reach your sustainability goals or just discuss the guide to get full understanding of it – connect with our experts.

CHOOSE GREEN NOW.

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