



Navigating Sustainable Logistics

→ The ESG Imperative





As the world grapples with the impacts of climate change and social inequities, the logistics sector is facing mounting pressure to play a role in tackling these challenges.

It's no longer enough to focus solely on speed and cost – today's logistics must also be sustainable and socially responsible. In this new logistics landscape, customers, investors, employees and regulators are all paying close attention to who is stepping up to the plate.

With logistics operations facing increased scrutiny from stakeholders and new regulatory mandates, ESG (or Environmental, Social and Governance) has quickly evolved from a buzzword to a strategic necessity.

To help logistics professionals, supply chain managers and decision-makers navigate this shift, this white paper provides practical guidance on integrating ESG principles into logistics – not only to meet social and environmental obligations, but to pave the way for long-term business success.

Understanding ESG in Logistics

The ESG framework offers a set of guiding principles to help companies operate in a more socially responsible and sustainable way, as well as a structured approach to measure the impact of efforts.

Here's how the three elements of ESG – environmental sustainability, social responsibility and strong governance – can be applied in the logistics sector to create a more ethical supply chain.

Environmental sustainability (E)

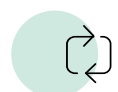
The 'E' in ESG focuses on a company's environmental footprint – the energy it uses, the waste it emits and the resources it needs and the impacts this has on the planetⁱ.

This area of ESG is particularly relevant to the logistics industry due to its significant environmental footprint. For example, freight transportation alone contributes 8% of global greenhouse gas emissions, and as much as 11%ⁱⁱ.

Key principles:



Reducing greenhouse gas emissions e.g. decreasing fossil fuels, investing in electric or hybrid vehicles, optimising transport routes.



Minimising waste and promoting recycling e.g. reducing packaging waste, promoting a circular economy.



Enhancing energy efficiency e.g. investing in energy-efficient technologies, optimising operations to reduce energy consumption.



Protecting biodiversity and ecosystems e.g. minimising pollution, using sustainably sourced materials.



Sustainable use of resources e.g. using renewable energy sources.

Social responsibility (S)

The 'S' considers a company's impact on people and society, including its relationships with its workforce, customers, suppliers and the communities in which it operatesⁱⁱⁱ.

The logistics industry not only has a responsibility for ensuring the safety, wellbeing and fair treatment of its employees but also those in the broader supply chain, including the estimated 40 million people trapped in modern slavery around the world^{iv}.

Key principles:



Ensuring fair labour practices e.g. paying staff correctly, upholding workers' rights, managing modern slavery risks in the supply chain.



Promoting diversity and inclusion e.g. having policies that encourage a diverse workforce and inclusive practices.



Ensuring health and safety e.g. implementing strict health and safety standards to protect workers, especially those in physically demanding roles.





Engaging in community development e.g. undertaking initiatives that support the economic, social and environmental wellbeing of local communities.



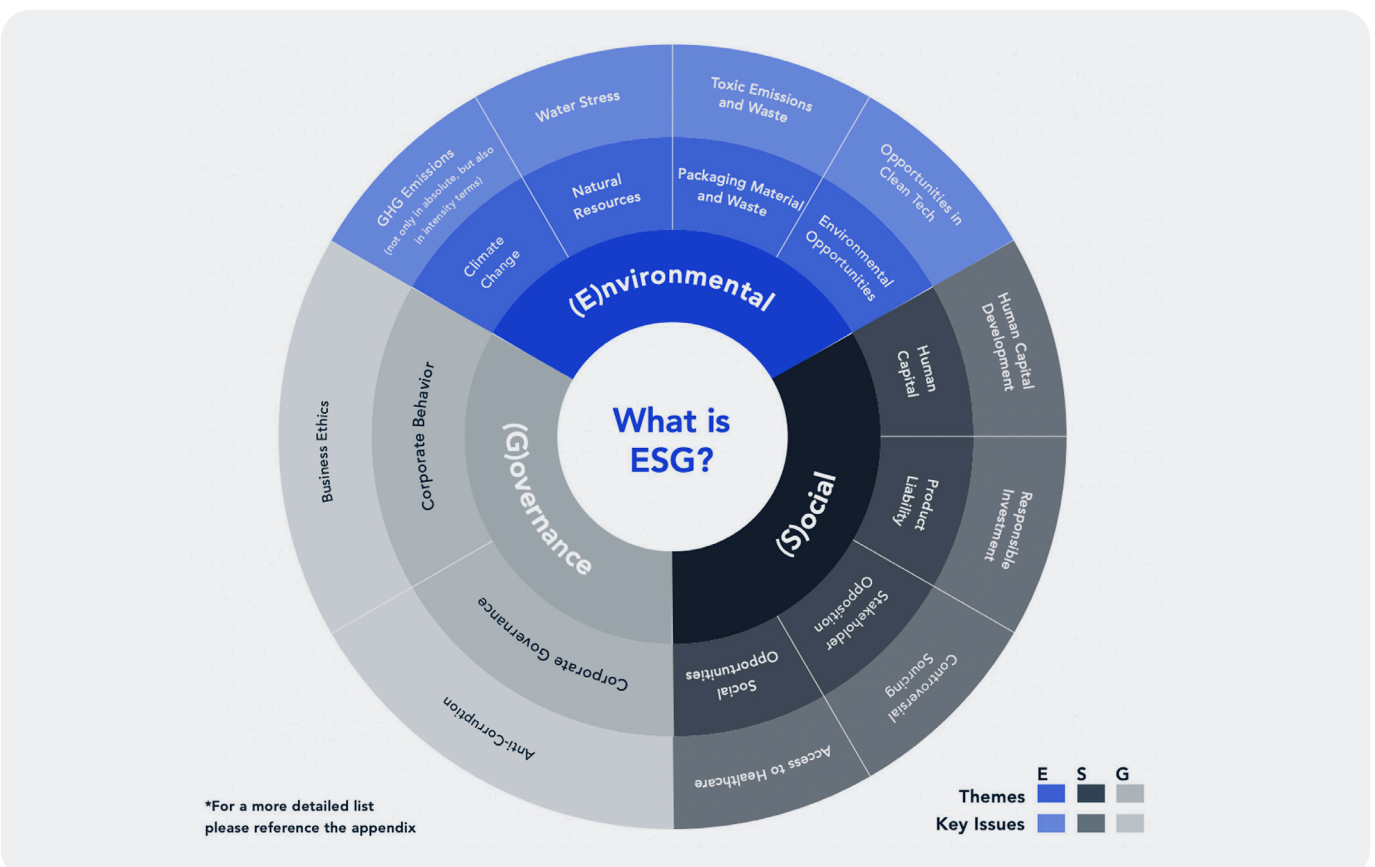
Strong governance (G)

Good governance is essential for any company, ensuring it operates effectively, transparently and in accordance with laws, regulations and ethical standards.

Key principles:

-  **Maintaining ethical business practices** e.g. developing and enforcing a code of conduct.
-  **Transparent reporting** e.g. providing stakeholders with accurate and timely reports on ESG initiatives.
-  **Upholding strong governance structures** e.g. conducting regular internal audits of business practices.

-  **Compliance with laws and regulations** e.g. understanding and adhering to legal obligations related to labour practices and environmental protection.
-  **Encouraging stakeholder engagement** e.g. regularly collecting and acting on feedback from customers and other stakeholders, while fostering regular and transparent communication.



Source: <https://aesg.com/perspective/get-results-for-your-sustainability-strategy-implementation/>



The Business Case for ESG

Importantly, businesses do not need to choose between ‘doing good’ and ‘performing well’. KPMG reports that companies with higher ESG performance are likely to have better financial performance, talent retention and long-term value creation^v.

A study by Nordea Equity Research backs this up, finding that companies with the highest ESG ratings outperformed the lowest-rated firms by as much as 40%^{vi}.

Here are some of the financial and reputational benefits that ESG can bring.

**Cost savings**

Addressing environmental and social risks in the supply chain can avoid penalties, prevent costly disruptions and mitigate resource shortages.

**Enhanced brand image**

A global Accenture survey found that 62% of consumers want companies to take a stand on issues such as sustainability, transparency and fair employment practices^{vii}. Brands that align with these values through ESG practices may be viewed more positively in the market.

**Access to finances**

Investors increasingly favour companies with strong ESG performance, making access to capital easier.

**Sales growth**

Nearly half of Australian online shoppers surveyed in 2023 preferred to purchase from brands that demonstrate sustainability^{viii}.

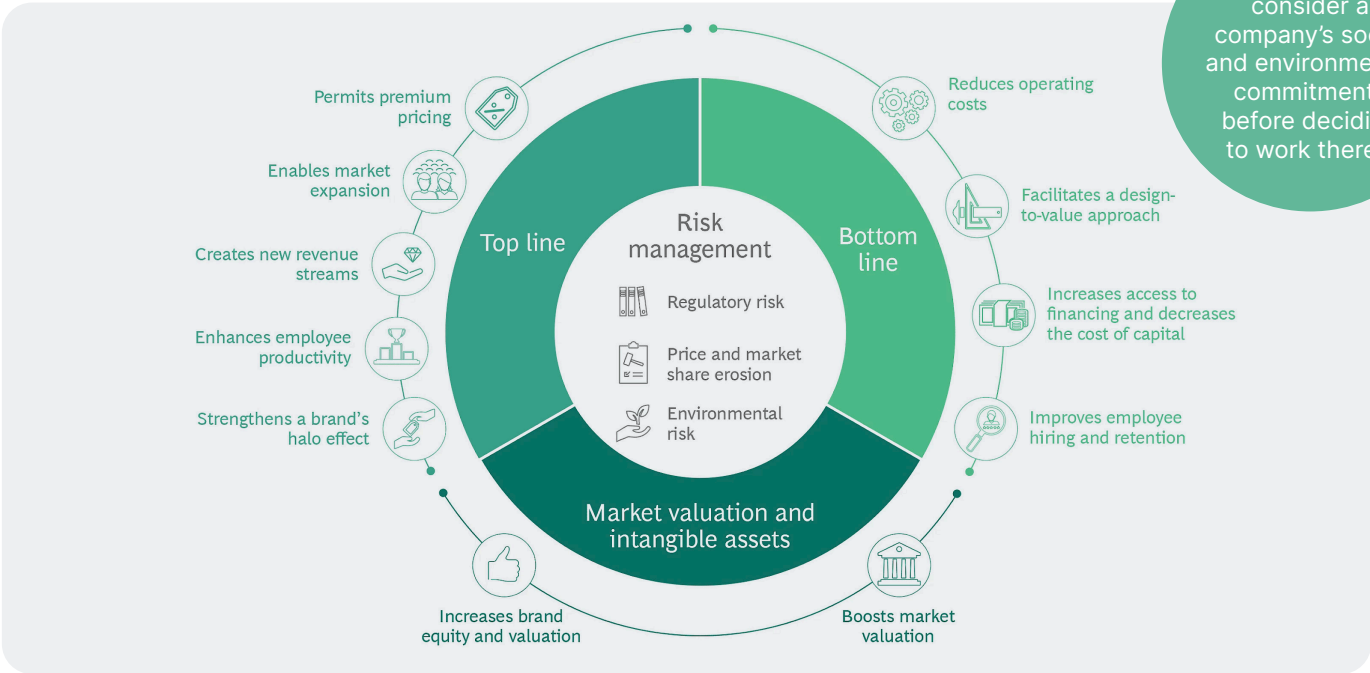
**Long-term viability**

Companies that prioritise ESG considerations are better positioned to adapt to new regulations and changing market expectations.

**Employee engagement and retention**

ESG-focused companies can attract and retain top talent. This is particularly true for millennial employees.

76% consider a company's social and environmental commitments before deciding to work there^{ix}.



Source: <https://www.bcg.com/publications/2022/winning-strategic-race-to-sustainability>

Putting Principles into Practice

These questions serve as a guide for considering how to incorporate ESG into your logistics solution. For more information, reach out to our team.

E

Reducing Environmental Impact

1. How are you measuring and reducing your **carbon footprint**?
2. Are you reducing packaging waste or using **sustainable materials**?
3. How are you **optimising transport routes** to improve efficiency?
4. Are you exploring **electric or hybrid vehicles** to reduce emissions?
5. How do you ensure your **warehouses** operate efficiently?
6. Are you integrating **circular economy principles** (e.g., recycling, reusing materials) into your logistics strategy?

S

Ethical Sourcing & Workforce Wellbeing

1. How do you ensure **fair labour practices** within your supply chain?
2. Have you assessed your suppliers for **modern slavery risks** or other ethical concerns?
3. What steps are you taking to **improve the safety and wellbeing** of employees?
4. Are there any **community engagement** initiatives that align with your logistics strategy?

G

Compliance, Reporting & Transparency

1. How are you ensuring **compliance with evolving ESG regulations**?
2. How are you **tracking progress** on your ESG commitments? (measuring and monitoring internally)
3. What **ESG reporting frameworks** do you use to communicate your results to external stakeholders?
4. How do you **integrate ESG** considerations into decision-making and risk management?
5. Do you conduct **internal audits** or third-party assessments to validate your ESG performance?

A Step-by-Step Guide to ESG Integration

There are many aspects of ESG within the remit of logistics and supply chain managers, like reducing greenhouse gas emissions from transport, increasing energy efficiency in warehouses and protecting the health and safety of workers throughout the supply chain.

However, it's important to recognise that ESG integration is typically approached from a holistic, business-wide perspective.

In larger companies, this is usually achieved by appointing a dedicated person or team that oversees ESG across the business.

They will work in partnership with other business units to navigate regulatory requirements, implement effective initiatives and report on progress.

In smaller businesses, ESG compliance practices are often embedded in other business units, such as finance or legal / compliance teams.

Whether you are part of an ESG function, collaborating with an ESG business stakeholder or picking up ESG compliance as part of your existing role, the below 10 steps will provide guidance as to how ESG can be integrated across your broader business.

Integrate ESG into your logistics operation with this 10-step plan

1 Work from the top down

- Seek out the right people in the business to support your ESG needs and aspirations.
- Define what ESG means for your logistics operation, what you hope to achieve and how it aligns with the business's overarching strategy.
- Secure leadership buy-in to ensure ESG initiatives receive adequate resources and commitment.
- Establish governance structures or committees to oversee ESG efforts and drive accountability.

2 Conduct a materiality assessment

- Engage with staff and external stakeholders like customers and suppliers to understand which ESG topics matter most to them.
- Prioritise the ESG focus areas that will be most impactful and achievable and choose no more than 5-7 to avoid diluting your ESG strategy^{ix}.
- Use industry benchmarks and regulatory trends to validate the materiality assessment.
- Document and communicate material ESG issues to internal and external stakeholders for transparency.

3 Develop an ESG strategy

- Based on the materiality assessment, establish clear, measurable ESG goals and targets.
- Ensure the strategy aligns with recognised principles from global frameworks and standards such as the United Nations Global Compact, the United Nations Sustainable Development Goals, the Global Reporting Initiative, the Task Force on Climate-related Financial Disclosures and the Australian Sustainability Reporting Standards.
- Define measurable and achievable short-, medium-, and long-term ESG milestones for structured progress tracking.

4 Create an implementation plan

- Define roles and responsibilities for ESG initiatives across logistics and broader business functions.
- Embed ESG considerations into core operations, decision-making processes and corporate policies.
- Allocate necessary resources, including budget and personnel, to support ESG initiatives.
- Establish clear internal reporting lines to ensure ESG efforts remain on track.

5 Track your progress

- Develop metrics and KPIs to monitor progress against ESG targets.
- Report ESG performance regularly and transparently through sustainability reports and other communication channels.
- Leverage technology and data analytics to automate ESG tracking and reporting
- Establish independent audits or third-party verifications to validate ESG performance.

6 Focus on continuous improvement

- Periodically review the ESG strategy and targets in light of new developments, feedback and regulatory changes.
- Benchmark performance against industry peers and best practices to identify areas for improvement.
- Foster a culture of innovation to explore new technologies and practices that enhance ESG performance.
- Encourage cross-functional collaboration to integrate ESG into all areas of the business.

7 Create the environment for success

- Provide training and resources to employees so that they can understand the principles of ESG and their role in achieving ESG goals.
- Promote a culture of sustainability and social responsibility across the logistics function and broader supply chain.
- Identify internal ESG champions or ambassadors to promote widespread support for sustainability initiatives.

8 Manage risks and opportunities

- Ensure ESG-related risks and opportunities are being identified as part of the broader risk management framework.
- Develop strategies to mitigate ESG risks and capitalise on opportunities.

9 Strengthen ESG through partnerships

- Work with industry groups, NGOs and other organisations to advance ESG objectives.
- Collaborate with suppliers across the supply chain to ensure they also adhere to ESG principles.

10 Keep ESG in focus

- Maintain ongoing dialogue with stakeholders to communicate progress and gather feedback.
- Promote ESG achievements and milestones to enhance reputation and stakeholder trust.



Transparent Reporting

As ESG expectations rise, regulators are cracking down on greenwashing – misleading their customers into believing its products or services are more sustainable than they actually are.

In 2023, an ACCC review found over half of businesses assessed made questionable claims^x.

From 2025, large Australian companies must comply with mandatory climate-related financial disclosures, requiring them to report on climate-related risks, opportunities, governance structures, emissions, and transition plans^{xi}.

Choosing a recognised framework – such as the Australian Sustainability Reporting Standards (ASRS), Global Reporting Initiative (GRI), or Task Force on Climate-related Financial Disclosures (TCFD) – helps businesses meet regulatory requirements, strengthen stakeholder trust, and protect against reputational and financial risks.

The Future of ESG in Logistics

ESG is here to stay, and it will continue to drive the logistics sector towards more sustainable and ethical practices into the future.

Future trends include:

- **New technologies.** The adoption of innovative technologies like artificial intelligence and the Internet of Things will optimise ESG initiatives and enable better tracking of ESG metrics throughout the supply chain.
- **Circular supply chains.** There will be a greater focus on minimising waste by reusing, recycling and refurbishing materials at all stages of the supply chain.
- **Regulatory standardisation.** We can expect to see clearer and more consistent ESG reporting frameworks and regulations to help companies measure and benchmark their performance.
- **The move to clean energy.** Advancements in renewable energy and low-emission transport options, like electric vehicles, will drive more widespread adoption in the logistics sector.

By taking the time now to start strengthening your ESG proposition, you will be better positioned to adapt to, and even capitalise on, the changes on the horizon.



Conclusion

As the world moves to a more sustainable future, prioritising ESG is not only a moral responsibility but a business imperative.

By integrating ESG principles into logistics operations, businesses can enhance their reputation, achieve cost savings and ensure long-term growth and viability – all while making a critical contribution to a more sustainable and equitable world.



To find out how efm can support your ESG goals, please contact us at **efmlogistics.com.au/contact**

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