

DOING WELL BY DOING GOOD:

REMOVING BARRIERS TO ACHIEVE HIGH IMPACT CORPORATE SOCIAL RESPONSIBILITY

Will Heywood (00:09):

Welcome to “All Business. No Boundaries.”, a collection of supply chain stories by DHL Supply Chain, the North American leader in contract logistics. I’m your host Will Heywood. This is a place for in-depth discussions on the supply chain challenges keeping you up at night. We’re breaking beyond the boundaries that are limiting your supply chain. Let’s dive in. Today’s episode is “Doing Well by Doing Good: Removing Barriers to Achieve High Impact Corporate Social Responsibility.” My guests are Ann Tracy, who is Chief Sustainability Officer for the Colgate-Palmolive company, and Emily Davis, Director of Sustainability for DHL Supply Chain. Welcome to you both. Ann, I’d like to start with you. One of our themes of the podcast is breaking boundaries and you’re breaking two, being our first non-DHL guest, so thank you for that. Secondly, and more importantly, you’ve recently been promoted to the Chief Sustainability Officer role at Colgate, and I understand that this is a new position for your company. Why was it created and what do you hope to accomplish as the first person to occupy the position?

Ann Tracy (01:16):

Well, thanks, Will. And thank you for welcoming me to your DHL podcast. I feel honored to be the first outside guest. So just a little bit about me. I’ve been with Colgate quite a long time. In fact, nearly 30 years. I grew up, so to speak, in the supply chain. So I’ve had roles across that timeframe in all aspects of the supply chain end to end. And then about two and a half years ago, I came back to New York and moved into a role, it was actually a hybrid role of supply chain strategy and global sustainability, and it kept me very busy. I have to say, with the escalation and focus on all things sustainability, environmental, social, and governance over the last couple of years, I was spending a lot more time on the sustainability side of the business. And we’re busy right now at Colgate developing 2025 strategies at the corporate level for our supply chain. We’re calling it a re-imagined supply chain, as well as our sustainability strategy, which we’ll hopefully talk about in a few minutes. I’m very pleased to acknowledge that Colgate recognized the need to focus in this space and decided that it was time to dedicate an executive-level role to this topic. As part of our new corporate strategy, we’ve developed a new purpose for our company, so the time was right for it. And I think we’ll talk more about the escalation of some of the topics that are important for companies like DHL, the space you operate in, but also for consumer good companies like Colgate-Palmolive. And, you know, we have a vision, ultimately, to fully embed and integrate sustainability across the business, across all functions of the business. So, you know, we need that focus right now to make that happen.

Will Heywood (03:06):

Emily, in your travels with our various customers, are you seeing similar appointments happening in other organizations?

Emily Davis (03:14):

Thanks for the question, Will. Even within DPDHL, we have board-level sponsorship of sustainability all the way up to our CEO, Dr. Frank Appel. And we have a myriad of associates that are responsible directly for delivering our agenda, but we’re just now seeing the tide turning in terms of C-suite level responsibility. I think in about 2014 or so, you started to see only 36 public companies in the US alone really had a CSO and that’s about 12%, unfortunately, of thousands of companies. And so what we’re seeing with positions like Ann’s coming up is that it’s a demonstration by companies that they’re evolving. And they’re saying it’s important from a risk standpoint, and it’s important from a strategy standpoint, too. And of course, we continue to see an advancement of diversity within the C-suite as well, such as DHL’s permission of women in management for which we received a catalyst award last year in 2019.

Will Heywood (04:09):

Great, great. So Ann, coming back to a couple of your comments around the Colgate strategy that's emerging here. I mean, how does Colgate see sustainability within the context of its overall business strategy and then maybe some detail on tactically what are you guys looking to do in the next near to mid-term?

Ann Tracy (04:27):

Sure. So, you know, again, future-forward and thinking about 2025, Colgate is a purpose-driven company and sustainability is at the heart of that purpose. And just to share with the audience our new purpose, we are Colgate a caring, innovative growth company, reimagining a healthy future for people, their pets, and our planet. So you can see how it's really anchored in building a better world for our stakeholders going forward. So combine that with what we call our superpower. The Colgate brand is actually the largest brand with the most household penetration in the world, even bigger than Coca-Cola. So we are in more homes than any other brand out there. And we're very proud of that fact. So we believe with that superpower, we have a responsibility to be more sustainable and to message the people who buy our products. We're just getting ready to formally launch our new 2025 sustainability strategy. We kind of initiated it on Earth Day with our own employees, but we're going to do it in a bigger way during climate week, both internally and externally. So, you know, building on the superpower that we're in more households than any other, we have a new mission, which is that Colgate invites a billion homes to create a healthy and sustainable future. And that's our mission. It sits very nicely under our corporate purpose. And with this, we've designed 12 new bold ambitions and targets. What we're really trying to do with this new strategy is for the first time in a more engaging and compelling way, we want to reach our consumers. We want to reach all our key stakeholders. And as we do this, we want to build purpose-driven brands and we want to take our environmental leadership to the next level to help contribute to holding climate change at 1.5 degrees, the United Nation's pledge. And finally, we want to attract all key stakeholders, whether they're future talent, current employees, our retailers, our customers, and working with partners like DHL.

Will Heywood (06:41):

So, in terms of the economics of this, I mean, you're a publicly traded company, and shareholders like returns. How do you think about the costs of putting in sustainable solutions, potential revenue growth? How do those pieces fit together? I mean, even as simple as how do you factor in sustainability in your ROI calculations when you're looking at different projects?

Ann Tracy (07:03):

You know, the way I would answer that is that purpose-driven means that we consider stakeholders as important as shareholders, first and foremost. And we know that our stakeholders, whether it's the people that buy our products or investors, now consider purpose as a barrier to entry in buying and using our products. And this is really evident across the younger generations, millennials, and gen Z. So we recognize that and prioritize sustainability benefits when we're making decisions because there's lots of data out there that says sustainable products grow at a faster pace than core business. And I think as well, there are intangible benefits that people are making decisions based on the trust they have in the equity of a company or in what a company does. So in terms of real hardcore ROI, we're exploring methodologies right now to help us do that, to help us fine-tune our decisions. We don't have a model in place that we're using just yet, but that's one of our key objectives going forward. So we're exploring different partners to help us do that. I will offer that one of the groups we're looking at working with who have such a model is the NYU Stern Business School. They have a center for sustainability and they have a model they call ROSI, which stands for return on sustainable investment. We intend to put some models in place. We don't have that right now, but I think intuitively we know sustainable, more natural, circular packaging does drive good business sense and helps us build our business.

Will Heywood (08:47):

Emily, when you work with customers, how are they addressing this? Or how do you maybe help them step through their own thinking on the overall solution?

Emily Davis (08:56):

To even think about an ROI analysis for sustainability, I want to just take a step back and think about how this has evolved over time. I've been in this space for about 20 years myself. And how this has evolved is that the conversation around sustainability, especially environmental sustainability, started through health safety and environments teams and compliance teams where these were the cost of business. It had to be done. It had to be implemented. Regulations had to be adhered to, and that all still stands. Nothing has changed there. But even when I was in business school, the classes that we

were taking on the sustainability topic were called voluntary over compliance, which means that something beyond what you're required to do. And so now we kind of went to the second iteration where cost savings and triple bottom line were the kind of cachet of the day and people were talking about the fact that this is a win, win, win for everyone when we have green solutions implemented. Now a new day has dawned and we are in a world where we have millennial populations that are coming into positions of authority and decision making in our corporate workplaces. We've got significant challenges that we're facing globally from environmental justice to climate change that we have to face. And so we have to do things. We have to make improvements. We have to look at our supply chain models, our materials, our impacts. And so we have to start selling it as well. And I think Colgate is a great example of a company who's really taken this to heart with regards to their products and saying, not only are we going to do the responsible thing, but we're going to promote the responsible thing internally with our products, to our customers in these communities. And at DHL, as you know, we were one of the first logistics companies that set a target around green sales. So we have a target by 2025, that 50% of our sales revenues as a company is going to come from green supply chain solutions. And we did that because we know that these solutions may not get implemented always, and people might not become innovative and creative and think hard about how to commercialize it unless we have a target. So the game has definitely changed. I do think that there are residual challenges around finding the cost-benefit of some of these things, especially when you're talking about large capital projects like solar panels, building improvements, alternative fuel vehicles, and whatnot, but it can be done. I do think though that the challenges are going to remain for a while and so a lot of times we're still talking about those soft benefits, those intangible benefits because it resonates to associates and our customers, and a new generation.

Ann Tracy (11:51):

And she's absolutely right that, historically, sustainability has been anchored in the supply chain. It has been the pattern that, you know, often reducing water, reducing energy has been good for cost-effectiveness, but I think, to Emily's point, we're way past that now, and it's about the triple bottom line and building the business by doing the right thing and investing in the right things. You know, I think scale, ultimately, is going to continue to be a challenge for a while, but I think scale is going to help us all to get there as we set these targets like DHL has set and the ones we're setting. You know, I think that's the secret behind the circular economy is that everybody, all industries have to come along. Once we get that scale, I think the supply and demand curves are going to change on a lot of these different areas, whether it's plastic or energy, or fuel.

Will Heywood (12:46):

Great, thank you both for those answers. That's a new concept for me, voluntary over compliance. Emily, I may have to use that with my children. I know Colgate has a zero waste objective. Can you talk about what that is and what are some of the things that the company's doing to support or move in that direction or achieve that goal?

Ann Tracy (13:07):

Sure. And in fact, the topic of zero waste is maybe a great pivot from the last topic because intuitively as we reduce the amount of waste right now focused in our operations, in our manufacturing sites, reducing your waste is going to reduce your costs. So we, along with a number of other industries and companies, have had internal zero waste programs in place. But a couple of years ago, we partnered with the US Green Building Council, which is the same organization that certifies buildings and communities as lead certified around the world. And most people are somewhat familiar with that branding of the lead certification. So they have a new certification that they call true zero waste certification. So you have to kind of adhere to all their criteria, but the simple way to explain it is that at the site, you are aiming to become true zero waste certified. You have to reduce all the waste, every bit of waste coming out of that site to less than 10% to landfill. And it cannot include anything going to incineration. So plants all really embrace this as a challenge. It was great. And we have some wonderful examples where they start by doing something called a dumpster dive. They literally take a dumpster, empty it on the ground and sort through it. And as they sort through it, they look for all the opportunities to reduce, reuse, recycle, and just plain get rid of waste. And as they're doing that, they come up with a plan. It usually takes them a year or two to complete all the criteria, and they go after the certification. So now we have, because of their excitement and embracing this program, we earned a lot of firsts, which is fun. We were the first in Asia, the first in Latin America, our Colombia plant was certified. We are now just a couple of weeks ago, the first to get a certification for a plant in Africa. So our South African plant. So we now have certification across five continents. And over half of our, not over half, I should say by 2021 half our plants will be certified. So we're looking to extend that program to our offices. So we're starting to work on that and we have a target, so speaking of setting targets, you have to set those targets if you want to get there, that a hundred percent of all our sites, Colgate operational sites, and offices, will be true zero waste certified by 2025. It's a great team-building exercise. And it also overall reduces costs at the site you're operating at. So it's a win, win, win program.

Will Heywood (15:54):

Right, right. Emily, does DHL have any zero waste sites or plans to move in that direction?

Emily Davis (16:01):

One of my favorite topics, Will. There are two specific places that I think zero waste is relevant to DHL Supply Chain. One is around zero waste for operations, similar to what Ann's mentioned. And by the way, some of the zero waste implementations for Colgate have been inspirations to me and our side, really great work there. We have several customers that actually have their own zero waste targets, right? Like Colgate. And so where we have those targets from our customers, we deliver that. So we have a lot of zero waste landfill operations globally and in North America right now. Even some of the entire customer networks in some places, which I'm very glad to see., Mainly I'm seeing that in the consumer space to be perfectly honest, but I think that's going to be more the norm. It's usually companies that have large manufacturing operations, and they set the targets there and extend those targets to their tier one and tier suppliers over time. And that's what we're seeing now in supply chain is we're starting to get a lot more inquiries about how we can do that. And it's not easy. I'm sure that Ann will echo that as well. We're having significant capacity and constraint problems in the North American market about taking recycling and getting higher value and seeing that the cost to recycle being an overall cost to the operation. But nevertheless, I do also want to say that I advocate using standard programs because if you go into an operation and ask them if they're really sending zero waste to landfill unless they've documented and used third-party certification systems, it's really hard to verify that. We also are trying to use the US Green Building Council true standard, at least to model our own implementations in region. We don't have any operations certified yet. I'm hoping to see some in 2021 for us, but that's the first place that we have relevance is within our own operations. And the second is within circular economies. And what we see in supply chain is that we're the engine to get materials back and forth into companies' manufacturing and for product end of life. Supply chain can be the solution to making sure that we have packaging or raw materials coming back in and flowing more efficiently, more easily. And we're doing that now. We've done that with organic waste and some of our airline solutions in the UK, we've done it with integrated waste management, also in the UK within supply chain where we're managing our own waste flows and brokering that into recycling markets. And we're starting to see questions about how can we promote reverse logistics for specific materials that our product wastes of our customers and how do we consolidate those and get them back into the supply chain.

Will Heywood (18:52):

So speaking of recycling. Ann, I'm very curious about this recyclable toothpaste tube project that you guys have. Can you tell us about that?

Ann Tracy (19:01):

Sure. So we had a target for 2020 to develop recyclable packaging for three out of our four categories. So Colgate has personal care products like liquid hand soap, bar soap. We have home care products, cleaning products, and we have pet care products with Hill's Pet Nutrition. And we've progressed, by the way, on the packaging for those three, the obvious one that's missing is our oral care category. And we started nearly four or five years ago, knowing that we'd have to get there because we are the oral care leaders in the world. We should take the first step towards recyclable packaging for toothpaste. You would think it's easy. It isn't that hard, but it isn't that easy to develop a recyclable tube because we had some pretty strict criteria when we started the effort. We said first and foremost, to make a recyclable tube we wanted it to be able to go into an already existing recycling stream. So we didn't want to have to create something new. So we set out to say, our tube will go in the milk bottle or HDPE stream. And then we definitely wanted it to look and feel very acceptable to the people who buy the product and it had to maintain the efficacy of the fluoride and the flavor. So those were all important criteria. So what you may or may not know is most tubes today have an aluminum layer in the middle. So tubes are made of layers of plastic and aluminum, which is why it keeps the memory when you squeeze it. You know, some people squeeze from the bottom, some people squeeze from the middle, but it maintains that memory. But that helps protect what's inside to make sure it works for you and keeps cavities away. So our engineers worked at it and developed, eventually, a multilayer mono-material tube that meets all the criteria that I just said, but that was just half the battle. So that was great. But then we had to prove that it worked in the recycling stream and the infrastructure. And we continue to work on educating the MRFs or the material recycling facilities and educating consumers with the fact that, you know, this too is recyclable. So we had to partner with a lot of external NGOs, such as the American Association of Plastic Recyclers, APR, the recycling partnerships in Europe with PRE, or the Plastic Recyclers Europe. So many different NGOs to help us adapt and recognize officially the recyclability of the tube. Okay. So here we are today. We have a rollout plan, we're fully committed. In fact, we're committing a lot of capital

investment to convert every one of our last tubes to recyclable. It'll take a couple of years to convert all the equipment, but it doesn't do the world any good if Colgate has the only recyclable tube. In fact, it's not by definition, the Ellen MacArthur Foundation defines recyclable when 40% of the packaging is actually recycled on a per capita basis. So we're not there yet. So we have to get other tubes to join us. So we decided to open source the technology, meaning we're openly sharing the technology that we worked on for the last several years with other companies to encourage them to move to the same recyclable tube so we're all recyclable. And we've so far shared with about 15 different companies. In fact, one of them is a direct competitor of ours. This is the path and the journey that we're on. We're very excited about it. We haven't slowed down at all. We're very committed to moving forward.

Will Heywood (23:06):

Yeah, that is very interesting and a lot more complicated than I would have thought outside looking in. Speaking of complicated, COVID-19 is complicating all of our lives in all kinds of ways. Emily, how is it affecting how you or people you work with think about sustainability.

Emily Davis (23:24):

I'll tell you, Will, I know that from a customer perspective, the demand for sustainable solutions and questions about it has not diminished despite the fact that COVID is everybody's top priority. I think that what's happening with emission reduction from less air travel and less associate travel, in general, has really raised the visibility of the positive impacts of what we can do when we're forced to do it in terms of our impact on this world. But within supply chain, I do see a lot of challenges that have been created by COVID. We've got battery use wipes that need to be used for disinfecting, and there are some solutions coming on now with sprayers and robots to try to minimize actual material use. Masks, of course, are a huge one, and the more I see masks on the side of the road, the more disheartened I become by that. So I love that DHL promotes reusable masks whenever we can in both our associate base and elsewhere. But at the very minimum, it's kind of been a wake-up call for everybody that this is still a relevant topic.

Ann Tracy (24:31):

And how about the Colgate point of view?

Ann Tracy (24:33):

We look at it two ways. So building on everything Emily said, and I know DHL has been deemed an essential business during this time, as well as Colgate has and, you know, we're very fortunate that we can continue to operate and provide the products that people need. But because of that, I would have to say from the start of this pandemic, the number one top priority, bar none, was the health, wellness, and safety of our employees. You know, we put things in place like providing PPE for everyone, social distancing, accommodations, temperature screening, extra cleaning and sanitization, things like this. And I'm sure that Emily and her team did the same, that you're seeing that across the DHL operations. In fact, I know this because we do partner quite a lot with DHL around the world. And our discussions always extended to our third-party suppliers, to our 3PLS to make sure that they were doing the same so we could all keep running together. We depended on each other. Pleased to report that, you know, unfortunately, we have had cases, which should be no surprise, but everybody's recovering and we have kept our supply chain running. So that's good news. And that's largely due to the dedication and the cooperation of all our employees who honored the protocols we put in place. Additionally, stepping back and recognizing the real big impact it's had on the world. And I think we're only really just now starting to see the social impact and the fallout, if you will, of people losing their jobs and some people having to work because they couldn't afford not to. There's a lot of compromised communities around the world. You know, we've been giving product away wherever we can, but we also had a special campaign where we adopted the World Health Organization guidelines on how to wash your hands. We produced and distributed unbranded bar soap to communities that needed it to help them learn how to protect themselves by washing their hands in the right way. So we're actually nearly done with this first wave. I don't know if we'll continue that, but we've distributed now nearly all the 25 million bars of soap. And this went to communities across 30 different countries. I will tell you, I happen to know that in certain locations, DHL donated the delivery. So thank you on behalf of Colgate for helping in this project and you guys contributed, which is great. So that's one of the ways we're giving back just a final comment because you asked, and I agree a hundred percent with Emily. It has not slowed down our focus on sustainability. If anything, it's accelerated in particular areas around building sustainable habits, like hand-washing in the just general awareness of the impact that climate change is having. You know some say climate change is going to have a similar impact to COVID, just over a longer timeframe. And one of the biggest impact areas that people are becoming aware of is just waste overall.

We talked about zero waste, but we talked about just when you order a lot more online, you're going to just generate a lot more waste at home. An interesting area of future opportunity for us. I know Emily mentioned reversal logistics. So maybe there is a project in there somewhere for us to collaborate on.

Will Heywood (28:14):

Yeah, well, we would certainly welcome that. And it seems like a high potential area. I'd like to thank you both for your time today and it was really generous to do this. And the insights were great. I really enjoyed the conversation. So thanks for being with us here.

Ann Tracy (28:30):

Thank you!

Will Heywood (28:30):

Oh yeah, you bet. For our audience. I want to thank you for listening. If you enjoyed this conversation today, please share it with a friend. You can find us online at dhl.com/allbusinessnoboundaries. Follow us on LinkedIn and Twitter @DHLSupplyChain. If you'd like to continue the conversation or leave feedback about this episode or any others, please drop us a line.