



A PALLETEARTH WHITE PAPER

IS YOUR BUSINESS READY FOR A NEW ERA OF ESG REPORTING?

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START PREPARING NOW FOR EU REPORTING REQUIREMENTS

The European Union is an economic powerhouse: the world's largest trading bloc, with 440 million consumers and the top trading partner for 80 nations. When it sets new rules for businesses, its actions not only affect businesses within the EU, but across the globe.

The EU wants to create a more sustainable economy, and its new Corporate Sustainability Reporting Directive (CSRD) is a major step toward achieving this ambition. The CSRD requires businesses to provide sustainability disclosures across a range of environmental, social and governance (ESG) topics, including greenhouse gas emissions, resource use, and circular economy.

THESE NEW RULES APPLY TO NEARLY 50,000 COMPANIES AND THE RIPPLES WILL BE FELT THROUGHOUT THE GLOBAL ECONOMY.

The CSRD has moved the bar for sustainability reporting and companies need to start making changes now to help them comply with regulations and meet the expectations of both trading partners and consumers.

The CSRD only the first of a series of proposed corporate sustainability reporting regulations. The direction is clear – corporations need to focus on ESG aspects and invest in improving their ESG performance now.

MILESTONES FOR EUROPEAN UNION ESG REGULATIONS

2024

Expected roll-out of Digital Product Passport for some products, providing information about sustainability – will apply to all products sold in the EU regardless of country of manufacture.

2025

In-scope entities will need to report on ESG measures under the CSRD for FY2024.

2028

Standards for assurance of CSRD reporting will be adopted, likely to be similar to current standards for financial statements. The option for listed SMEs to opt out of CSRD reporting expires.

2029

Deposit return schemes must be in place for metal and single-use plastic beverage containers in EU countries.

2030

EU member states must have reduced packaging waste by 5% per capita compared to 2018 baseline. Consumption benchmarks under the Critical Raw Materials Act will apply.

2040

EU member states must have reduced packaging waste by 15% per capita compared to 2018 baseline.

SUSTAINABILITY REPORTING IS RAPIDLY BECOMING AN IMPERATIVE

Demand for clear, accurate data on ESG performance has been increasing for some time, driven by stakeholders including consumers, investors, and suppliers. Companies cannot afford to delay making improvements to adhere to new reporting rules, because complying may be complex and multifaceted.

VARIOUS REQUIREMENTS IN DIFFERENT MARKETS ADD COMPLEXITY

Requirements vary across markets, and companies that operate in several jurisdictions will likely need to invest considerable time and money in complying with various different standards. While the EU regulations are more advanced, in the US the Securities and Exchange Commission has proposed climate-related disclosures for all registrants. Meanwhile, the UK is developing its own corporate sustainability reporting standards.¹

A RIPPLE EFFECT THROUGHOUT THE GLOBAL ECONOMY

While new regulations will at first only apply to large or listed corporations, the impact will flow into all types of businesses. Large companies and governments will be asking for more ESG transparency from suppliers and partners, in order for them to accurately comply with their own requirements.

DIGITAL PRODUCT PASSPORT SCHEMES LIKELY TO EXPAND

Starting from 2024, certain types of products sold within the EU markets will be required to have a Digital Product Passport (DPP). The DPP is designed to share information on a product's sustainability and circularity. This will initially impact batteries, textiles, and consumer electronics, but other products will almost certainly follow.

Once a product has a DPP, it will likely be displayed in markets beyond the EU, and consumer and retailer demand may drive the expansion of digital product passport schemes.

FULL SUPPLY CHAIN VISIBILITY WILL BE REQUIRED

Quality reporting on Scope 3 greenhouse gas emissions will be one of the biggest challenges for businesses worldwide.

Scope 1 emissions are those from owned or controlled sources;

Scope 2 covers purchased energy;

Scope 3 is much broader, covering 15 categories including emissions produced by external parties within a supply chain and downstream emissions from logistics.

Full supply chain visibility alone will be an uphill battle for many; a 2022 survey found only 13% of procurement professionals "have a fully mapped supply chain network".²

Companies will need complete supply chain visibility to be able to start comprehensively measuring Scope 3 emissions data.

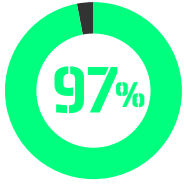
STARTING FROM 2024, CERTAIN TYPES OF PRODUCTS SOLD WITHIN THE EU MARKETS WILL BE REQUIRED TO HAVE A DIGITAL PRODUCT PASSPORT (DPP).

¹ Meynier, T. et al (30 January 2023), *EU Finalizes ESG Reporting Rules with International Impacts*, Harvard Law School Forum on Corporate Governance

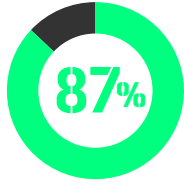
² Deloitte (October 2022), *Procurement and supply chain resilience in the face of global disruption*

HUGE CHALLENGES REQUIRE WIDESPREAD CHANGE

To meet the global warming limitation targets of the Paris Agreement, and transform the world economy to a more resilient and sustainable model, major change is needed. ESG reporting regulations are a vital tool for shaping a more sustainable future, and are likely to ultimately affect almost all businesses. The sooner companies begin working on ESG corporate reporting, the more smoothly the transition will feel.



Of global consumers are prepared to take action to live in a more environmentally conscious way³



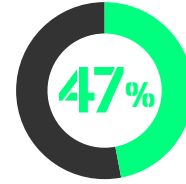
Of investors say they would like mandatory ESG reporting against globally consistent standards⁴



Six out of ten UK businesses are not prepared for Scope 3 emissions reporting deadlines⁵

50,000

Companies will be subject to mandatory sustainability reporting from FY2024⁶



Of consumers say they have stopped buying products because of their impact on the environment or society³

\$1 TRILLION

USD in projected benefits to SEA economies by 2030 if they go green³

HOW WILL YOU MEASURE AND TRACK ESG PERFORMANCE?

Whether the CSDR applies to your organisation or not, it is vital to measure, track and monitor ESG performance. Here are some simple ways to get started.

HAVE PROCESSES FOR ESG METRICS – AND SET GOALS

Quantitative metrics are easier to measure, so have processes in place to monitor GHG emissions, water use and energy use. Then consider qualitative factors like labour practices – you may already have plenty of data on wages, worker safety and diversity, so ensure that's being accurately captured and monitored. The same applies to governance factors; diversity, compensation and data security, for example, are all material to your organisation's ESG performance.

Do you have reliable processes to capture and store data? Are you able to see it on a dashboard?

And finally, have you set goals so you can measure your progress against a concrete target?

All these systems will need to be in place in the future, so if you haven't already started, it's time to make your move.

REVIEW YOUR ENTIRE SUPPLY CHAIN TO IDENTIFY QUICK WINS

In one study, only 25% of businesses were engaging with suppliers to reduce emissions, and fewer than 20% had full visibility across their supply chain's sustainability performance.⁷ McKinsey found that supply chain impacts "account for more than 80% of greenhouse gas emissions and more than 90% of the impact on air, land, water, biodiversity and geological resources".⁷

Look across your supply chain; are there ways you can quickly make a difference to your ESG performance? It might mean switching a supplier, choosing a different transport method, or it could be as simple as changing your shipping pallets.

For example, a major global produce exporter cut its CO₂ equivalent per pallet by over 70% per journey on the route between Philippines and Japan – just by switching from wood pallets to renewable PalletEarth products.

³Kantar (2022), Sustainability Sector Index 2022

⁴EY (2021), How do you transform data into insight? Eighth Global Corporate Reporting Survey

⁵McLoughlin, James (2023), 60% of UK businesses may not be prepared for Scope 3 emissions reporting deadline, survey finds, LogisticsManager.com

⁶European Commission (n.d.), Corporate sustainability reporting

⁷Billerud (n.d.), How to Reduce the Carbon Footprint of Your Supply Chain

LOOK AT THIRD PARTY CERTIFICATION TO GUIDE BEST PRACTICE

Particularly with quantitative ESG topics, it can be hard to know how to measure these effectively. Third party certification can provide you with a framework for measuring and monitoring, and give you an independent seal of approval.

Some well-known examples include:

Fairtrade certification;
FSC certification;
ISO compliance standards.

For example, we ensure PalletEarth pallets are ISPM 15 compliant and tested to ISO 8611 standards, which gives clients confidence in product performance and compliance.

CONSIDER HOW ESG PERFORMANCE WILL BE AUDITED

An internal audit is a vital first step in assuring your data is accurate and you are fully compliant with reporting requirements.

In addition, in-scope companies for the CSRD will need to get third-party assurance over their disclosures. This be limited at first but demands will likely increase over time.

Try to find an independent auditor who will help your organisation remain compliant and flag any issues early.







Member states will impose financial penalties for non-compliance with CSRD reporting obligations; these will range from a few thousand euros to several million euros, depending on severity.

Other sanctions can include warnings, bans and potentially criminal convictions.⁸

**MEMBER STATES
WILL IMPOSE FINANCIAL
PENALTIES FOR
NON-COMPLIANCE
WITH CSRD REPORTING
OBLIGATIONS...**

THE POTENTIAL PAY-OFF FOR BETTER ESG PERFORMANCE IS SIGNIFICANT

There are some major benefits to your organisation that come from improving ESG performance:

					
LOWER ENERGY AND RESOURCE COSTS	ACCESS TO MORE MARKETS	FULL SUPPLY CHAIN VISIBILITY	AVOIDING PENALTIES	LOYAL CUSTOMERS	STAFF RETENTION
as your business transitions to a lower-emissions model.	as ESG reporting becomes mandatory in more nations.	which may enable you to identify areas for cost saving and efficiency.	due to non-compliance with new regulations.	who have confidence in your product's ESG credentials.	through improved working conditions.

⁸Ellisphere (30 January, 2023), CSRD: what's changing for businesses?

PALLETEARTH'S MATERIAL INTELLIGENCE: ACCURATE DATA ON EMISSIONS AND CIRCULAR ECONOMY IN YOUR SUPPLY CHAIN

As your business moves to accurately measure and report on ESG factors like GHG emissions and circular economy, you need to work with the right supply chain partners.

You may already be measuring Scope 1 and Scope 2 emissions within your organisation – these are relatively easy to track and monitor.

However, capturing Scope 3 data can be more complex. It includes transportation and distribution, waste disposal – and it can make up 70% to 90% of a company's carbon footprint.⁹

Our pallets provide traceability, support a circular economy, and have been found in our trials to reduce CO₂ emissions by almost three-quarters. PalletEarth is a pioneer in circular economy solutions that prioritise the well-being of our products, people, and planet.

All this data and more is captured using our Material Intelligence software tools, which unlock the information gathered from your pallet movements. Each tool shines a light on the effectiveness of your supply chain, helping you make operating decisions that will not only improve efficiencies but also save time and money.

REDUCE SCOPE 3 EMISSIONS IN YOUR SUPPLY CHAIN

Trials comparing PalletEarth to traditional wooden pallets have shown significant reductions in emissions:

Example

Philippines to Japan

Comparison of wood pallet versus PalletEarth

Road: 150kms

Sea: 4,656kms

Road: 200kms

CO ₂ eq pallet journey – kgs Philippines to Japan (return)			
Life cycle stage	Absolute Emissions [kg/CO ₂ eq]		
	Wood	PalletEarth	Savings
Total Emissions per Journey	17.303	4.642	12.661

RESULT:

Over 70% reduction in CO₂ eq per pallet journey

⁹Carbon Trust (n.d.), *An introductory guide to Scope 3 emissions*.

REDUCE WASTE AND IMPROVE EFFICIENCY

Our pallets provide real-time global tracking, giving you a wealth of information about your freight. They cut waste and boost supply chain efficiency in measurable ways:

CIRCULAR ECONOMY

Our pallets are reusable, repairable and 100% recyclable at end of life.

AFFORDABLE INTELLIGENCE

For just 2c a day, track every pallet in your supply chain, across the globe, in real time.

This gives you round-the-clock visibility of stock for rapid and efficient decision-making.

REDUCED DAMAGE

Light but strong, PalletEarth's pallets have an internal Steelite™ patented frame.

Corner Shock absorbers and specially designed feet to minimise structural damage caused by forklifts – and impact alerts keep you informed.

TEMPERATURE MAINTENANCE

Suitable for temperatures between -20°C (-4°F) and +45°C (113°F), with temperature alerts so you know when pallets are outside their optimal zone.

LOWER ADMIN COSTS

Reduce return journey expenses and cut pallet storage footprint by up to 75%, while reducing fork time movement of empty pallets by up to 75%.

This can further reduce carbon emissions.

Working with your team, we can provide long-term freighting solutions that will drive down costs whilst reducing your organisation's carbon footprint. Talk to us today to change your tomorrow.

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🌐 palletearth.com