

CORPORATE SUSTAINABILITY STRATEGY

- *External*

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PALLETBIZ FRANCHISING ZRT.

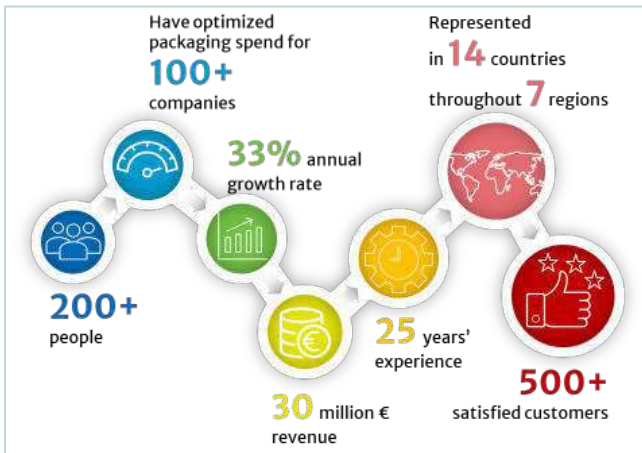
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PALLETBIZ 
PREMIUM PARTNER IN PACKAGING & HANDLING

Introducing PalletBiz

PalletBiz is an international franchise network that comprises wood and metal packaging units, logistics companies, and distribution depots. The network is currently represented by regional back-offices and operational sites in 14 countries: Spain, Belgium, Germany, Poland, Austria, Hungary, Romania (in Europe); Saudi Arabia, Bahrain, Oman, Qatar, and the United Arab Emirates (in Middle East/GCC), and South Africa and the Democratic Republic of the Congo (in Africa). The entity of franchisor, PalletBiz Franchising Zrt. is registered in Hungary. Our Network is thus established on a widespread operational footprint across the EMEA region, and this extensive map of various franchise partners necessitates strong and strategic corporate governance that is currently run by the central department of PalletBiz Corporate and its sub-division, Global Sourcing and Sales (GSS).



PalletBiz is a mid-sized enterprise with approximately 200 employees, and with a combined network turnover of €30 million projected for 2023. The consistent network growth and the corresponding combined compound annual growth rate (CAGR) in the past three years (2020-23) has been 33%. The revenue of the company is built from franchise fees, royalties, consulting fees, and proceeds from trade.

The franchise partners that comprise the international franchise network operate in a mixture of industries, thereby representing a combination of various business profiles. The PalletBiz Franchise Network can, therefore, be categorized under several industries, such as materials packaging and handling, production, manufacture, logistics and supply chain, etc. Principally, however,

our corporation prefers being identified primarily as a player of the industrial packaging and handling sector with affiliations within wood and metal manufacturing, as well as forestry and supply chain. The product line both for own production and trade comprises industrial packaging units, such as pallets, boxes, and crates that are made of wooden and metal materials. Complementing the physical products, we also offer a wide range of services related to industrial packaging & handling such as pooling, pallet repair and buyback as well as handling material consulting. The service of consulting has its own branch within the organization, aiming at optimizing the packaging and handling portfolio of our clients in terms of cost, quality, and sustainability. Our network functions in a B2B setup, primarily supplying industries that rely on durable packaging of quality materials, therefore, the majority of our customer base is from the automotive, manufacturing, and consumer goods-producing sectors.

Sustainable Strategic Management in PalletBiz

Considering that PalletBiz operates in an industry that is heavily dependent on the abundance of quality raw materials (particularly wood), as well as on other resources such as energy, fossil resources, and water, we must strategically deal with our impact on the environment and the respective social constructs. Being of Scandinavian origins, our network is a strong advocate of sustainable development – and we are committed to “greening” our operations as much as possible, strictly whilst however, avoiding greenwashing.

Franchising is the enabling force that drives the expansion of our socio-economic and geographical footprint, helping us meaningfully contribute in particular in rural and less industrialized areas through creating new jobs and being an active part of the local economies. Our business concept is built on know-how distribution, and we are extremely mindful where and how exactly we roll out the Network, so consequently we are constantly considering our role as good corporate citizens. Our strategic approach to sustainable network expansion through franchising is also contributing to our economic agenda, which primarily concerns achieving market share both on developed markets as well as emerging or growing economies. The very nature of our industry – packaging & handling – is by itself a great facilitator to “industrialize” developing economies by pushing the markets to palletize (and simultaneously to replace manual labour), so we see great responsibilities and potentials in what both we and our industry can do to advance emerging countries.

As it will be introduced below, sustainable strategic management in PalletBiz is following a holistic approach by defining focus areas that consider both three pillars of sustainability. We have connectively developed a set of sustainability KPIs and targets to operationalize our sustainable agenda, considering business & governance, environmental and social aspects. Unlike many companies that are distinctively focusing (solely) on ecological footprint and CO² / greenhouse gas (GHG) emissions, we have set out to track, monitor and improve our overall sustainability performance, since by developing on these areas we will (in)directly work towards a less impactful eco-footprint as well, even if we do not (yet) have quantifiable targets on CO² reduction.

Our Sustainability Mission

Recognizing that the development and integration of corporate sustainability strategies into the overarching business strategies and operations has become essential in order to remain competitive, as well as to be perceived as conscious and responsible by our stakeholders, PalletBiz is increasing commitments towards sustainable development that must be translated into actionable, measurable and monitorable steps.

Additionally, recognizing that a comprehensive corporate sustainability strategy must consider the three pillars of sustainable development – environmental, social, economic –, as well as their complexity and interrelatedness, PalletBiz is developing measures for taking actions that must be monitored as a function of all three dimensions, integrating them into the standard operating procedures (SOPs) of the organization as well. The sustainability perspective is integrated into the overall corporate mission, which is as follows: ***“By combining and leveraging of the increasing network strength – we strive to offer Premium Packaging & Handling solutions for cross-border clients as a “one-call-for-all”.*** PalletBiz’s mission is further to be a ***“customer centric and driven network that considers its corporate, social as well as environmental responsibility – all while satisfying shareholder interest.”***

Sustainability, as also defined in the 17 UN SDGs, is in principle an integral part of our Corporate Strategy. We have, therefore, selected those SDGs where we can actively contribute as a cooperation and a network; but by being active on those, we will passively contribute toward the “unselected” SDGs as well. For the selection, as well as operationalization of the most relevant SDGs we have employed the online tool of SDG Capture (SDG Capture, 2021) to identify the innovation and sustainability potentials within our company. The selected SDGs are the following:

- Gender equality (5)
- Decent work and economic growth (8)
- Industry, innovation, and infrastructure (9)
- Reduced inequalities (10)

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- Responsible consumption and production (12)
- Life on land (15)
- Partnership for the goals (17)

Vision

By 2030, the network PalletBiz as a whole is a recognized contributor to sustainability in the communities we operate.

We are known for being an equal opportunity employer promoting social and economic inclusion of all – irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic status.

We provide decent work and development opportunities for our employees and partners and strive for continuous value-add, as well as operational and financial productivity.

While we strive for economic growth, we are achieving sustainable and efficient use of material resources through the principles of circular economy, we participate in the protection of forest and other life forms on land, and we promote local, regional, and interregional sharing of know-how and business opportunities.

We develop and distribute a system for the exchange of information between us and the local communities directly or indirectly affected by our operations, in order to impart knowledge, as well as to ensure transparency and accountability with regards to the environmental impacts of our industry and our own business.

Our achievements so far

Our first step towards company-wide sustainable strategic management was the establishment of a separate department and function that is dedicated to corporate sustainability coordination and management (Global Department of Sustainability & HRD). As one of the first milestones, the department developed the PalletBiz Corporate Sustainability Strategy, for which the company collected an award in 2021¹. The strategy encompasses, among others, the sustainability mission and vision of the company, as well as corresponding sub-strategies, initiatives, and actionable items. This present document is now



the fourth edition; and it will be continuously improved and developed as we are more and more able to describe and concretize how exactly PalletBiz is planning to achieve its sustainability goals and positioning. This action and decision to invest in PalletBiz and its microenvironment becoming more sustainable and actively contributing is a bold move as not many peers have gone to the same extent when looking at mid-sized companies within the Packaging & Handling industry.

¹ In April 2021 our Global Sustainability Department submitted a corresponding study as an application to the IFUA Green Controlling Award (announced and hosted in Hungary), and PalletBiz was awarded the prize for our outstanding strategic solution. As part of the award, a tall ash tree was planted in the name of PalletBiz in Budapest, to, among others, represent the actions to become more sustainable and actively contributing. More on this story is found on our website: both on our [Communications page](#), as well as news articles (1); (2).

Besides the first development of the PalletBiz Sustainability Strategy, our Network can report on some further concrete actions and steps directly connected to sustainability that have already taken place within our company. Such initiatives include actively opposing irresponsible deforestation by committing to maintain forest biodiversity through sourcing wood and raw materials from responsible and certified suppliers; or working towards achieving ISO 14001 and FSC certifications for the production and trade of wooden products. The environmental ISO 14001 has already been realized by our Romanian, Saudi Arabian, and Bahraini Franchisees so far, and we are working on expanding the list of our certified franchisees in the very near future.

In addition to the environmental concerns, we also consider our corporate social responsibilities (CSR) that are communicated and made available via the [PalletBiz Code of Conduct \(CoC\)](#). Our CoC must be complied with by all our stakeholders, including both internal (e.g., employees, shareholders, etc.) and external (e.g., suppliers) members of our network. The compliance of our supplier network is regularly audited via a supplier scorecard, in addition to a quality assessment that precedes our negotiations and eventual contractual relationship with potential suppliers.

Strategy

Recognizing the essential role of eco-controlling in sustainable strategic management, our overall pursuit towards sustainable development is bounded by corporate sustainability performance measurement systems (SPMSs), which are regarded as a strategic instrument to frame, plan, manage, guide, and monitor the processes undertaken by the company under the umbrella of corporate sustainability. A SPMS can also be understood and conceptualized as a set of sustainable development indicators (SDIs), which can potentially be integrated into a balanced scorecard approach of SPMS. Consequently, we at PalletBiz have chosen to **develop and apply a sustainability balanced scorecard (SBSC)** as a mean of materializing and operationalizing the theoretical concept of SPMS by representing a strategic instrument.

The SBSC is a value-based decision-support tool that can potentially enhance and frame the sustainable strategic management processes in a company. The SBSC is expected to be used as our strategic framework that should facilitate

- identifying our strategic goals, and framing the actionable perspectives;
- planning and developing an action-oriented sustainability agenda both for the short-and long term;
- identifying and appropriately prioritizing concrete objectives and targets that are in line with our strategic sustainability agenda;
- identifying measures that shall enable meeting the objectives and targets;
- identifying SDIs that shall enable tracking and monitoring our eventual progress (or deterrence) towards sustainability.

We have formulated the first version of our corporate SBSC as a pilot project that targeted to consider and address the challenges and drivers of sustainable development in the industrial packaging sector that we have deemed most relevant to our own operations and organization. The SBSC corresponds with our top-level corporate strategic plan for 2020-24 and is built on the environmental and social aspects within the four perspectives of a conventional BSC – financial, customer, process, learning and growth – that had priorly been determined as strategically relevant to the company. Lagging and leading indicators were also defined to represent strategic core aspects and performance drivers, respectively, in a casual and hierarchical fashion, linking up to the financial perspective. The ultimate result of formulating a SBSC was the development of **a strategy map**, based on which we have also developed the **sustainability performance tracking framework of indicators, targets** and measures.

Our overall business objective is to achieve a stable position as an **established provider of premium, sustainable industrial packaging and handling solutions with a widely ranging product and service portfolio**.

We plan to realize this mission through the development and implementation of the following sub-strategies:

1. Achieving **higher product efficiency** by engaging in the further life cycle of the new manufactured products within our network, and by thinking in ways to reuse and recycle as part of a circular economy. Depots & Hubs, repair centres, and memberships in collection and pooling systems are being considered as strategic investment opportunities to facilitate such principles of circular economy as well waste management. The [EU directive on packaging waste](#) comprising ambitious targets for 2025 where all manufacturers of packaging material are responsible for the safe and environmentally friendly disposal of the materials they produce is also considered as part of the further strategic directions and investments.
2. Developing **solutions and product designs** that above else protect the stored goods while providing (industrial) packaging that create as little waste as possible, as well as enabling the circularity of materials. Our packaging solutions will be thus regarded as sustainable due to them being **effective, efficient, safe, and cyclic**. Our products are set out to be designed in such a way that
 - the utilized materials can remain in circularity for as long as possible,
 - the virgin materials can be substituted by secondary raw materials,
 - the usage of renewable resources is prioritized, and
 - they are recyclable.

To reach the highest extents of recyclability, the following aspects will also be considered in the product design phase:

- minimizing material consumption;
- using single-material solutions, or useable compounds and mixtures;
- avoiding the use of added substances, when possible;
- minimizing the colouring of the packaging materials;
- applying an easily identifiable indication of the separation of the packaging components and the type of material.

Our product pricing schemes will mirror these efforts, expecting that our targeted clientele acknowledges and accepts that sustainability costs money, and is therefore willing to pay more than for conventionally easier or unsustainable solutions.

3. Appealing to a client base that not only tolerates more expensive and more sustainable solutions, but that in fact actively searches for such service providers and is willing to compensate them accordingly. This go-to-market strategy is expected to formulate an image of PalletBiz as an **environmentally and socially responsible provider that caters to customers with strong sustainability-oriented demands**, which we trust will lead to accelerated client acquisition from the targeted segments, and thus **increased market share** through our sustainability agenda.
4. Rolling out participation in and possession of **industrial certification schemes and standards** (e.g., FSC, PEFC, EPAL, UIC, IPPC, etc.), as well as **voluntary management systems** (e.g., ISO (9001, 14001, 45001), EU EMAS, etc.); while simultaneously increasing the network quality & compliance per our internal standard, the PalletBiz Way© Audit.
5. Increasing **production optimization and efficiency through sustainable innovations and green investments** (e.g., equipment, machinery, technology, product development, etc. that facilitate modern and green processes), as well as via the principles of responsible consumption and production.
6. Growing our operational footprint via **investing in sustainable geographical network expansion** that considers the balanced utilization of land, as well as the social and economic development of local communities both in developed and developing regions.
7. **Limiting our impact on the biodiversity and environment** by setting up control systems with the help of external emissions certification and environmental preservation agencies to measure and track our ecological footprint.
8. **Promoting equality, diversity, and inclusivity** in all domains, as well as transforming the status quo through investments in resources that facilitate the empowerment and higher rates of employment of women and marginalized communities within the company in a wide range of positions.

Overall, our sustainability agenda is rather complex, comprising various interrelated aspects and considerations, thereby we are extremely mindful about avoiding a fragmented, reactive approach where we only launch ad-hoc initiatives to deal with emergencies, only to return to business as usual once the fire is put out. Instead, we intend to treat sustainability as a matter with direct effects on business results, and are, consequently, only interested in having it meaningfully integrated into our core operations via a strategic and science-based approach that might pave the way towards real transformation and change, both in the case of our own operations, as well as our industry at large.

Signalling the significance of this Strategy, we must also highlight that network-wide targets, implementation, action & roll-out plans, as well as finance plans have been developed based on what has been described here. We can therefore attest that for PalletBiz, sustainability is not just low-grade consideration at the side, but an item on the C-level agenda as it shall become the core enabler and driver of our commercial success.

References

This document has been developed based on various university projects of PalletBiz employee Lilla Zombori, MSc (Head of Sustainability & Franchising), containing direct quotes from and references to the below papers and sources:

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