

# CORPORATE SUSTAINABILITY STRATEGY

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**PALLETBIZ FRANCHISING ZRT.**

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## **Preamble: 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.

Our first step towards company-wide sustainable strategic management was the establishment of a separate department dedicated to corporate sustainability coordination and management (GSS Department of Sustainability & HRD). One of the core objectives of the department is to develop a comprehensive corporate sustainability strategy that feeds both from scientific research and the shared and combined industrial experience of our network. This document is the first edition of such a strategy; 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.

Besides the first version of the PalletBiz Sustainability Strategy, our Group 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 strictly from responsible and certified suppliers; or working towards achieving ISO 14001 and FSC certifications for the production and trade of wooden products. The latter has only been realized by our Romanian and Saudi Arabian Country Franchisees so far, but 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 internally and externally in the form of a list of objectives. The objectives are detailed in our code of conduct (CoC), and outline engagement to

- the prevention of child labour
- the prevention of forced or bonded labour
- the provision of legal working hours and wages
- the provision of workers' accident insurances
- non-discrimination
- freedom of association
- the avoidance of harassment and unduly harsh treatment of employees
- subscription to anti-corruption and anti-bribery and the prevention of same.

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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.

We furthermore ensure to provide our employees – our most valued resource, each an expert in their respective areas – with a platform to express their opinion and perspectives about the organizational approach regarding our corporate sustainability strategies as well. This is done in accordance with our corporate governance that targets to enhance corporate citizenship and employee engagement in all aspects, as we are heavily reliant on our expert colleagues' invaluable input, ideas, and constant feedback.

In light of the above, a series of expert interviews was conducted in 2020 with a selected sample of employees around the topic of corporate sustainability in PalletBiz as an SME within the industrial packaging sector. When asked about sustainable strategic management in PalletBiz, some experts highlighted the focus that is, above all, placed on sustainable and efficient resource management, as well as process and cost optimization throughout the value chain:

*"We try to find and implement a sustainable process in every phase of our supply chain and operations, starting from the responsible consumption and production, which means choosing the right suppliers who are using sustainable solutions for their production and can provide proof of that. So, we always ensure that the sources we are using are not damaging the environment and are sustainable".*

Others added that,

*"we try to become more sustainable when it comes to the selection of the suppliers for both raw material and services. Also, we focus on optimizing the production, on saving energy";*

while another expert noted that

*"we are trying to cut down the costs to be more efficient from a production point of view. This means we use less energy, less fuels, less resources to produce the same."*

Some experts emphasized the fact that the business case of sustainability was getting integrated into the overall strategies of the PalletBiz Group:

*"Sustainability of a business is one of the main goals we have. Each manager should have this goal to run a sustainable business. If a business is not sustainable, it will die, sooner or later".*

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Another participant added that,

*“the most important aspect for a board, as well as top management is to find the balance where we as a business can thrive, and where we as a business can be sustainable in implementing sustainability factors. We have to be aware of finding a balance where we can play a part, take a more active part as a company in influencing sustainability positively, and still be able to have a company that makes a profit, to be able to maintain that sustainability profit.”*

Finally, some experts framed the company’s approach to corporate sustainability from a managerial perspective:

*“I see sustainability as a high-level decision, to balance our business from economic motives, profit motives, and then balance that with sustainability motives or drivers from the company”;*

while another participant added that

*“we want to make sustainability much more transparent by putting indicators on all those aspects that we have decided are important for our company.”*

## **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 Pallets & Packaging solutions for cross-border clients as a “one-call-for-all”**. PalletBiz’s mission is further to be a **“lean and green network that considers its corporate, social as well as environmental responsibility – all while satisfying shareholder interest.”**

Principally, sustainability as defined in the 17 UN SDGs is an integral part of the corporate sustainability strategy of PalletBiz – and shall be implemented throughout the PalletBiz

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Network. 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 (Source: <https://sdgcapture.niras.dk/>) in order 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)
- 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.

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## Strategy

The most current actionable item on the PalletBiz Agenda in terms of corporate sustainability is the **development of a Sustainability Balanced Scorecard (SBSC)**, which is a value-based decision-support tool that shall enhance and frame the sustainable strategic management processes in the company. The SBSC will thus be used as a 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 indicators that shall enable tracking and monitoring our eventual progress (or deterrence) towards sustainability.

The first version of the SBSC is to be developed before the end of 2021.

Further to this, our strategy is to engage in the further life-cycle of the new manufactured products within our network and to think in ways to **reuse and recycle as part of a circular economy**. Depots & Hubs and repair centers 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 – should be considered as part of the further strategic directions and investments.

**Waste management** is the last area in focus within the short to mid-term. We encourage all our Franchise and Network partners to consider the many ways to actively adopt a waste management strategy within the operations.

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## References

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

Zombori, L. (2020). *Application of a sustainability balanced scorecard in the industrial packaging sector. A case study analysis on corporate sustainability management and performance measurement*. Institute of Systems Sciences, Innovation and Sustainability Research, University of Graz. Master's Thesis.

Zombori, L. et al. (2020). *ABCD strategy for PalletBiz. Report on long-term corporate sustainability strategy and implementation plan framed by FSSD and ABCD*. Institute of System Sciences, Innovation and Sustainability Research, University of Graz.