THE STATE OF SUSTAINABILITY

Let's state the obvious: making products and packaging has never been harder. Companies must balance the desire to be sustainable while managing inflation, workforce shortages, geo-political unrest, and global supply chain disruptions.

This "new normal" is forcing companies to re-think and innovate the way in which they make things to reduce environmental impact – in fact their consumers, investors, and governments are demanding it.

The good news is companies are investing in sustainability initiatives. The bad news–many are still struggling with data management to make it a reality. This report explores the current drivers of sustainability initiatives, how leaders are thinking about making investments, and what it really takes for companies to turn goals into action.

SPECRIGHT

Executive Summary

Key Takeaways

1 Three years ago, just over 32% of survey respondents had a budget for sustainability, now **almost 80% have dedicated funds to sustainability efforts.**

2 33% of companies are reporting progress against sustainability goals on a monthly basis, and 39% on a quarterly basis. Unfortunately, reporting remains a significant challenge—with **93% of participants saying sustainability reporting is difficult.**

3 The biggest **challenges to reporting on sustainability were aggregating data to understand current state (41%)** and tracking progress/reporting (17%).

Recommendations

1 While organizations have made large strides in addressing sustainability, they still lack the foundational data management to benchmark, track, and optimize data. Companies must invest in solutions that streamline reporting and activate specification data in real-time in order to address sustainability from idea generation to end of life.

2 Don't cut the "wrong" costs. In uncertain economic times, companies often look to reduce costs, but achieving sustainability doesn't have to fall by the wayside. In fact, changing to more sustainable materials or processes can actually save a company money in the long run. Utilize data to optimize palletization and logistics, raw materials, and sourcing to drive cost savings across your supply chain.

3 With regulatory requirements growing in complexity, consumer demand for social responsibility increasing, and investor and employee expectations on the rise, companies must leverage data to show transparency and accountability for their product and packaging decision making.

Introduction

Now more than ever, companies are forced to evaluate how their products and packaging impact the planet.

In fact, according to leading analyst firm, Gartner, seven out of 10 executives said the COVID-19 pandemic increased social sustainability priorities, with 11% saying the increase was significantly higher.

In 2019, we ran our first State of Sustainability survey. While responses showed a strong commitment to sustainability, companies struggled when it came to action and strategy. Just three years later, those commitments have only intensified, but companies are still struggling to gather the data needed to be actionable on goals.

SPECRIGHT

eBook
Turning Sustainability Into a Reality

BY MATTHEW WRIGHT

⬇ *Download the 2019 State of Sustainability Report*

While supply chain complexity continues to be a challenge, sustainability initiatives have also grown in complexity, and companies are now looking for ways to better integrate sustainability into their products and processes, rather than just making one-time improvements.

In this report, we'll explore the challenges and opportunities driving change, as well provide benchmarks and recommendations to kickstart or mature your sustainability initiatives.
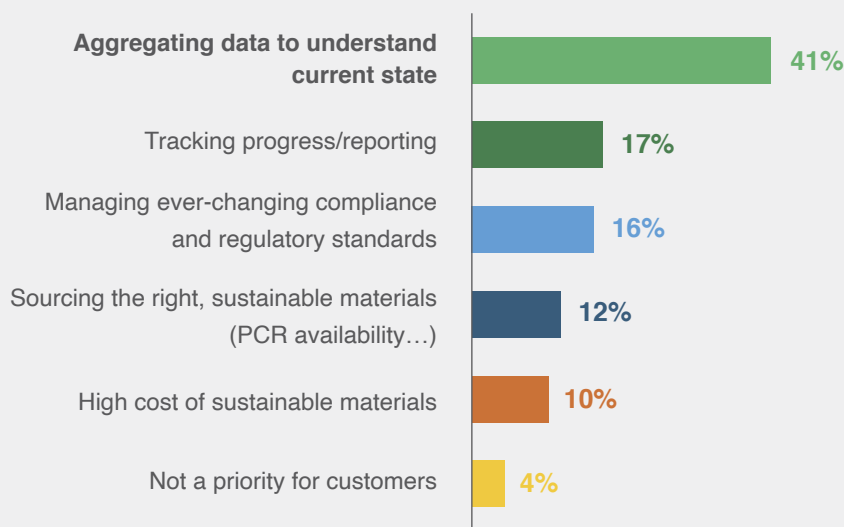
Gathering data remains the biggest obstacle to sustainability efforts

Companies are committed to sustainability. Over 90% of survey respondents said their companies have sustainability goals. While commitments have increased, however, the biggest challenge remains collecting the right data to benchmark current state. **In fact, 88% said reporting was "challenging" or "extremely challenging."**

FIGURE 1

What do you see as the biggest challenge to achieving your company or team's sustainability goals?

Aggregating data to understand current state	41%
Tracking progress/reporting	17%
Managing ever-changing compliance and regulatory standards	16%
Sourcing the right, sustainable materials (PCR availability…)	12%
High cost of sustainable materials	10%
Not a priority for customers	4%

As programs mature and go beyond the four walls of a company to include the environmental impact of their suppliers (and even their suppliers' suppliers) data naturally becomes more complex. Consumers are demanding to know what's in the products they buy, and governmental regulations are requiring end-to-end reporting.

Companies can no longer say they don't own all of their data. No matter where it comes from, businesses are now responsible to consumers, investors, and government agencies, for providing transparency across their supply chain around environmental impacts.

Organizations that implement Specification Management software are tackling the data aggregation problem head-on.

> **Previously, hunting for data was pretty aimless. You were digging through files to see if any information was there. With Specright, you can just type in what you're looking for in the search bar and it instantly pops up.**

Hiba Tariq
Packaging Technician, Rodan + Fields
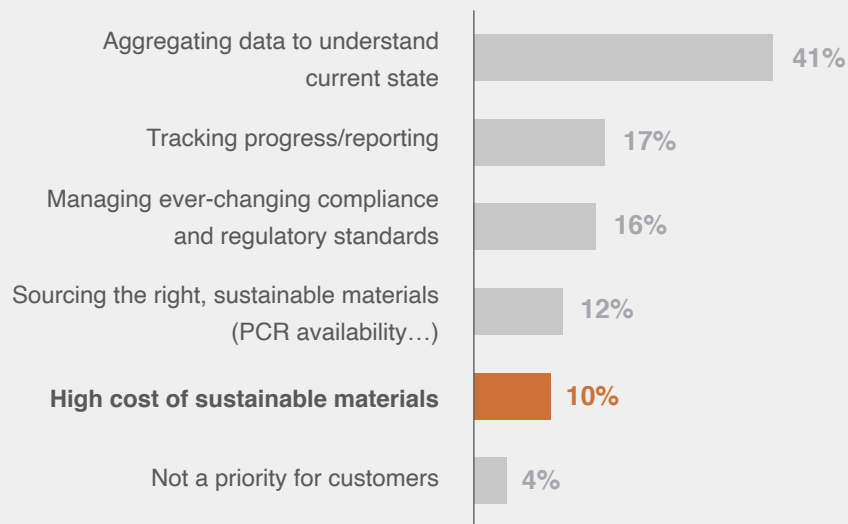
RODAN+FIELDS

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Sustainability doesn't have to cut into profit

Only 10% of survey respondents cited the cost of sustainable materials as a barrier to driving sustainability, which is encouraging as the economic climate has shifted and many brands are debating the tradeoff between cutting costs and being sustainable.

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The reality is, sustainability doesn't have to be a tradeoff. In fact, swapping to more sustainable materials or actions can actually save money. For example, when it comes to logistics, if you can optimize pallets and fit more product onto a truck, transportation costs go down. This type of optimization can offset the cost of an optimization that has a price tag, like using a more sustainable material for a package.

Specright partners with TOPS, the leading pallet optimization software to automatically transfer data from Specright to TOPS when beginning unitization or palletization analysis. Once analysis is completed, designs and files are automatically transferred back to Specright and associated with the correct packaging specifications. This enables companies to perform pallet optimizations more often and more accurately.

Learn more.

Specright also **integrates with Trayak's COMPASS solution** to expedite Life Cycle Assessments (LCAs). What traditionally has taken months to complete, can now be performed in a matter of minutes. LCAs are the cradle-to-grave analysis that calculates environmental impacts associated with all stages of a package's life cycle. **Learn more.**

TRAYAK

Sourcing optimization can also be a way for companies to offset costs. **12% of respondents said sourcing the right, sustainable materials is the biggest challenge for achieving sustainability.** Due to the recent supply chain disruptions, many companies have had to look at

alternative suppliers in order to fulfill product requirements. Having the agility to quickly pivot suppliers in unstable times is crucial to comply with demand and expectations–and ultimately, can also lead to sourcing more sustainable materials.

The Complexity of Packaging Taxes and Regulations on the Rise

For years, companies have knowingly or unknowingly overlooked the impact they have when it comes to sustainability. This was due to a lack of awareness, lack of control around data, and a lack of oversight. It's not just something "nice" to do, it's now a necessity. Now, with protocols like **Extended Producer Responsibility (EPR),** Greenhouse Gas (GHG) and CO2e emissions and plastic taxes being implemented globally, more responsibility is being put on producers to ensure packaging and products are sustainable and the manufacturing impact on climate change is reduced.

According to Gartner, there are currently more than 400 schemes of EPR alone (and counting). What started in Europe, is now also impacting U.S. companies. According to the **Sustainable Packaging Coalition (SPC)**, in the U.S., 16 states have introduced EPR legislation in 2022, and 3 bills have already passed. This complexity is becoming too large for organizations to manage manually and with limited resources.

While cost control is critical in an economic downturn, the businesses that survive tend to be the ones who innovate and accelerate through it. Many leading companies are recognizing that they lack the digital infrastructure needed to scale and drive sustainability initiatives.

Digitization must happen before optimization. Taking a standardized digital approach to Specification Management enables companies to compare materials "apples to apples" and find similarities that can lead to cost savings and finding the right sourcing options.

Companies are committing to specific goals

More and more companies are "walking the walk" when it comes to sustainability. 79% of respondents stated their organization had specified sustainability goals in 2019. In 2022, that number has grown to 92%.
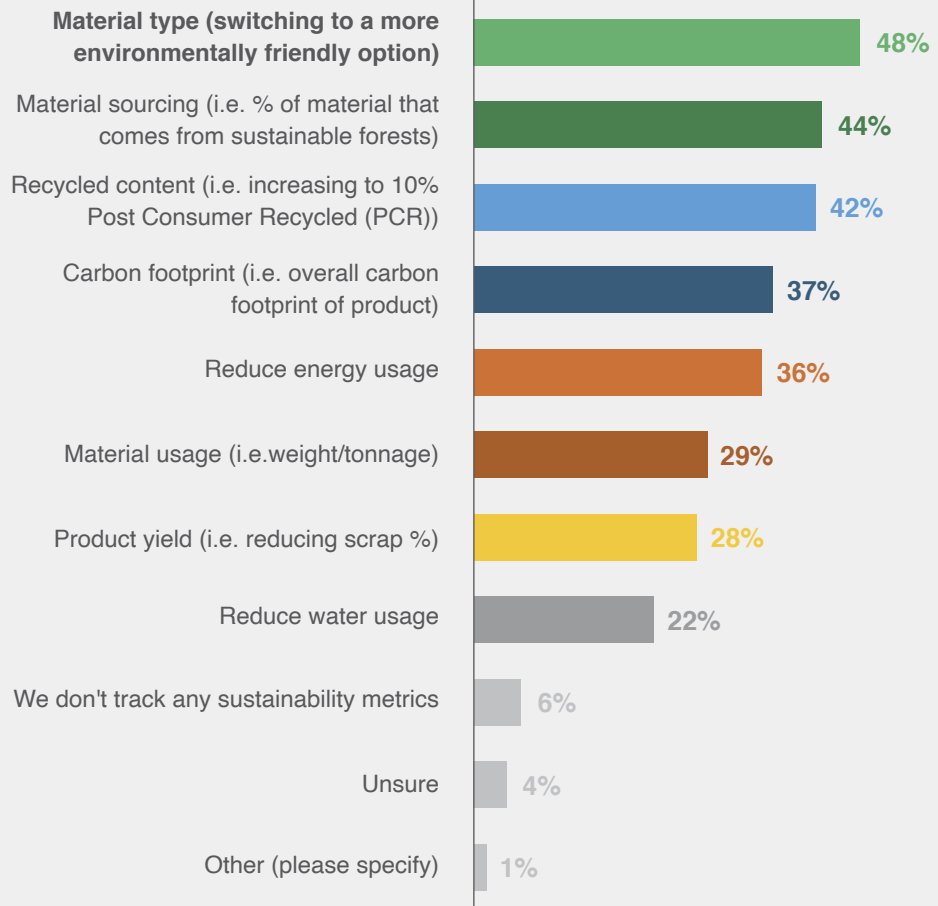
> Companies with specific sustainability goals increased to **92%** in three years.

Sustainability isn't something new. It's been on business' radars for years, but in recent years we're seeing the approach rethought and accountability heightened. In the past, anti-plastic was synonymous with sustainability – now new trends show sustainability as much broader in terms of initiative and function. When asked what metric is being tracked toward sustainability progress, answers were varied.

FIGURE 2

By what metric does your company track sustainability progress today?

Metric	Percentage
Material type (switching to a more environmentally friendly option)	48%
Material sourcing (i.e. % of material that comes from sustainable forests)	44%
Recycled content (i.e. increasing to 10% Post Consumer Recycled (PCR))	42%
Carbon footprint (i.e. overall carbon footprint of product)	37%
Reduce energy usage	36%
Material usage (i.e.weight/tonnage)	29%
Product yield (i.e. reducing scrap %)	28%
Reduce water usage	22%
We don't track any sustainability metrics	6%
Unsure	4%
Other (please specify)	1%

While recycled content initiatives account for 43%, many companies are focused on material type and sourcing, as well as tracking their overall carbon footprint. This data shows that there is no one answer to achieving sustainability. The common thread though is how you work toward these goals – with a solid data foundation being the starting point.

Reducing Climate Change with Food - Taking a Spec-First Approach to Create Carbon Negative Foods

"For us, it's not just about collecting the data, it's about making strategic decisions with that data. We can now make decisions on what ingredients we use, who we partner with on transportation, and more. When you can do this, you can really set yourself apart from competitors. No one can deliver sustainability alone, you have to work together and utilize tools that can help you reach our goals. **Learn more.**

Kris Corbin
Co-Founder & Chief Supply Chain Officer, Bright Future Foods

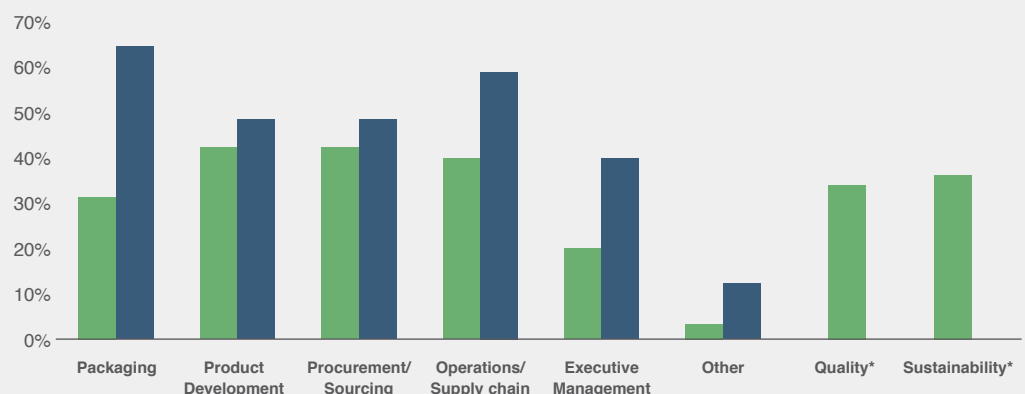**BRIGHT FUTURE**
FOODS

Sustainability is Everyone's Job

Sustainability is also no longer the purview of a task force or single department. The call to action has been directed towards all departments and across functions.

FIGURE 3

What departments have sustainability goals at your company?

■ 2022
■ 2019

*These data points were not included in the 2019 survey

As focus areas, drivers, and responsibility have cascaded across organizations, data visibility is more important than ever in helping organizations break down silos and achieve common sustainability goals.

The survey data shows an increase in three key areas – **dedicated budget, participation in consortiums, and regular reporting for accountability.** All three, signal the maturing of sustainability efforts.

Dedicated budget

Participation in consortiums

Regular reporting for accountability

Companies are financially committing to a sustainable future

Three years ago, just over 32% of survey respondents had a budget for sustainability, now almost 80% have dedicated funds to sustainability efforts. Financial commitment is an extremely promising indicator for a company's commitment to sustainability goals.

Companies are now not just focused on setting goals, they are committed to delivering on those goals. With the amount of companies with budgets skyrocketing by nearly 50%, it's clear that sustainability is not just viewed as a necessary business function, but also a growth driver for the business.

FIGURE 4

Does your company or team have a budget for sustainability initiatives? (2019 vs. 2022)


32% — 2019

80% — 2022
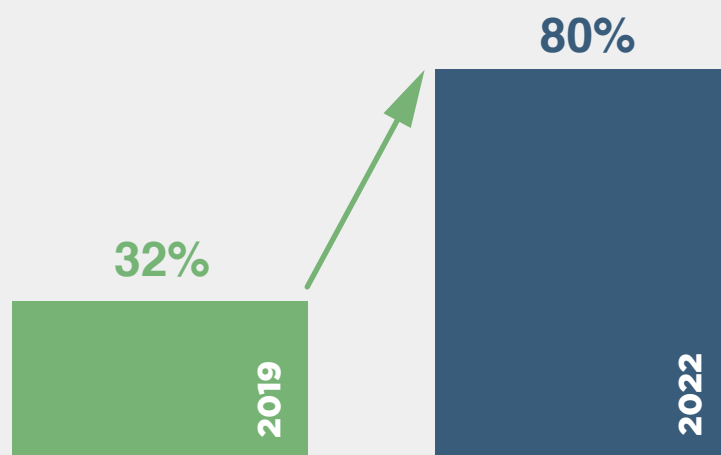
Additionally, employees believe their companies are committed to sustainability based on dollars allocated to sustainability initiatives.

In fact, more than 75% said they're companies were committed to sustainability based on budgets, with 42% rating their company as "highly committed."

Based on your allocated sustainability budget amount, how would you rate your company's commitment to sustainability?

Highly committed — 42%
Committed — 33%
Somewhat committed — 9%
Not committed — 5%
N/A, we don't have a budget — 7%
Unsure — 4%
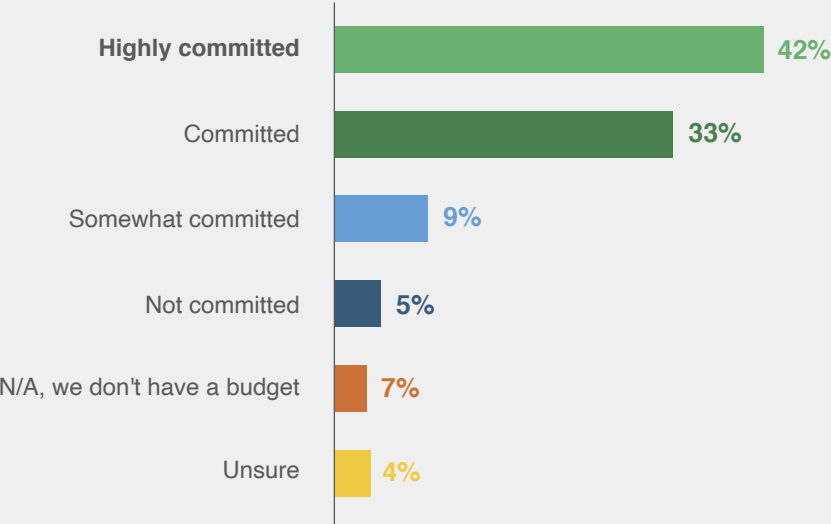
Specright Founder & CEO Matthew Wright shares his insights in recession-proofing your costs with a spec-first approach. Read blog.

Companies are looking to third parties for guidance

Money isn't the only resource allocated to sustainability. Teams recognize that they need expertise and best practices and are teaming up with third parties to take action and drive standardizations.

In 2019, only 17% of respondents were part of a sustainability consortium. In our 2022 study, more than 70% have joined one.
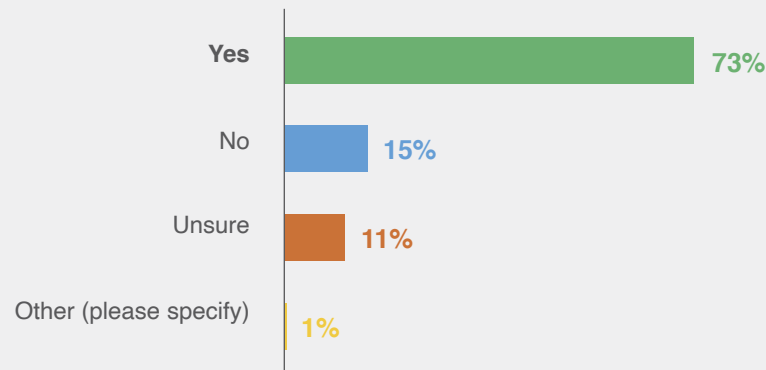
More than

70% of respondents' companies are affiliated with a sustainability coalition or foundation.

FIGURE 6

Is your company affiliated with a sustainability coalition or foundation? (i.e.Sustainable Packaging Coalition, Ellen MacArthur Foundation, etc.)

Yes	73%
No	15%
Unsure	11%
Other (please specify)	1%

Given that sustainability touches so many facets of a business, from packaging to logistics, to sourcing, an entire ecosystem is developing with best practices and standards for each.

For example, the **Ellen MacArthur Foundation,** an international charity, focuses on accelerating a circular economy, which is designed to eliminate waste and pollution, circulate products and materials, and regenerate nature. The **Sustainable Packaging Coalition (SPC)**, a membership-based collaborative, is another popular coalition companies look to, as it aims to bring sustainable packaging stakeholders together to catalyze actional improvements to packaging systems and sustainability. Third party organizations and consultants can help an organization align on the right sustainability strategies. As many companies commit to sustainability, resources can be limited, trends can be hard to keep up with, and regulations are complex. Leveraging outside resources can enable companies to not keep up with sustainable practices, but stay ahead.

Companies are holding themselves accountable with more frequent reporting

Collectively, companies are taking action now, and are committed to holding themselves accountable long term. **33% of comp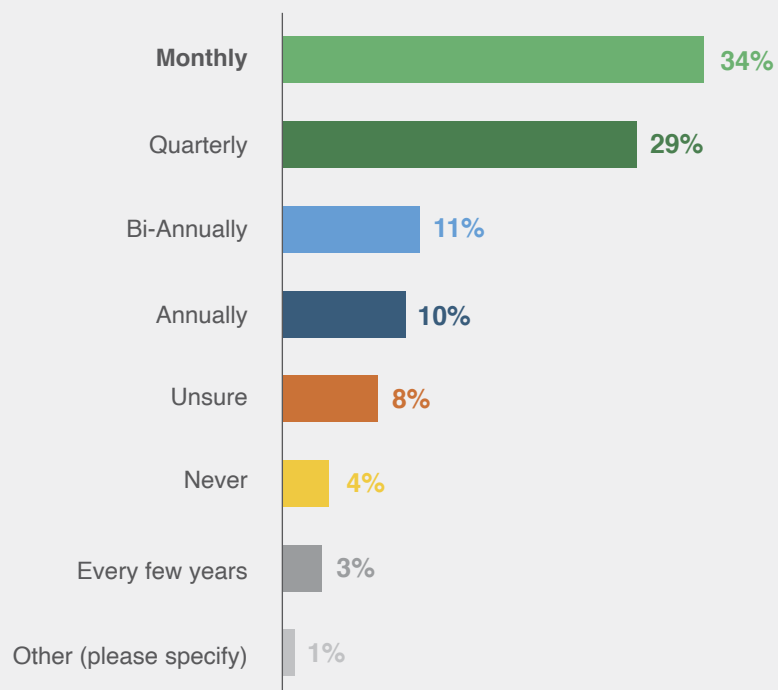anies are reporting progress against** **sustainability goals on a monthly basis, and 39% on a quarterly basis.** The demand for organizations to show transparency from stakeholders is rising, but as noted so is complexity.

74% of respondents report on sustainability more than once per year.

FIGURE 7

How often do you report on sustainability?

Monthly	34%
Quarterly	29%
Bi-Annually	11%
Annually	10%
Unsure	8%
Never	4%
Every few years	3%
Other (please specify)	1%

Unfortunately, reporting remains a significant challenge. **Only 7% of participants said reporting was easy.** That means 93% of respondents are having a hard time with reporting.

As noted earlier, in Figure 1, while aggregating data is the number one challenge to achieving sustainability goals, tracking progress and reporting is No. 2.

How challenging is it to report on sustainability?

Extremely challenging	43%
Challenging	44%
Not very challenging	3%
Easy	4%
N/A, we don't report on sustainability	6%
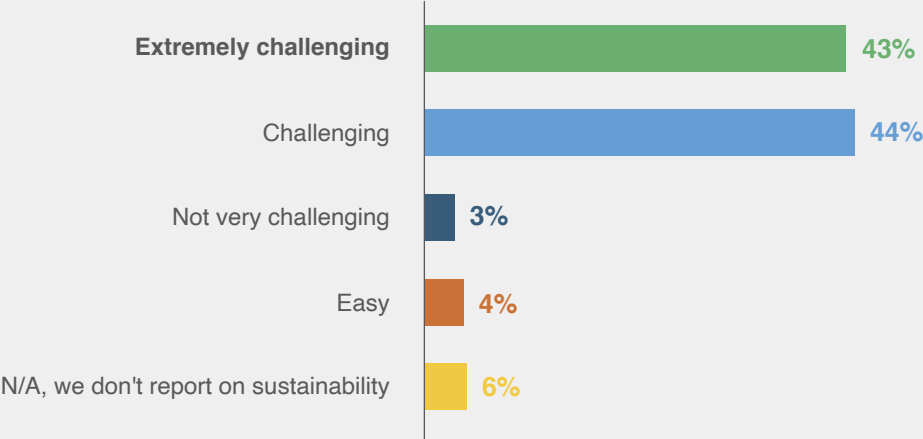
The good news is that both of these challenges can be addressed today. Tools and technology can support your teams in tackling sustainability initiatives. Manual data entry and spreadsheet analysis is simply not a scalable business strategy for sustainability.

By leveraging a spec-first approach to data management – where you digitize, automate, and optimize data – you can free up your teams to focus on innovation and strategy when it comes to sustainability.

Specright Customers are Overcoming the Reporting Challenge

"**Now it takes me longer to draft an email to my co-manufacturers than it does to actually run the report and export the quality data to send to them. It's literally a click of a button.**"

Jennifer Blaser
Senior Quality Manager, Soylent

soylent

⤓ *Download Case Study*

Sustainability is now a top-down initiative

When it comes to what is driving sustainability goals, again there is no standout, but a variety of categories.
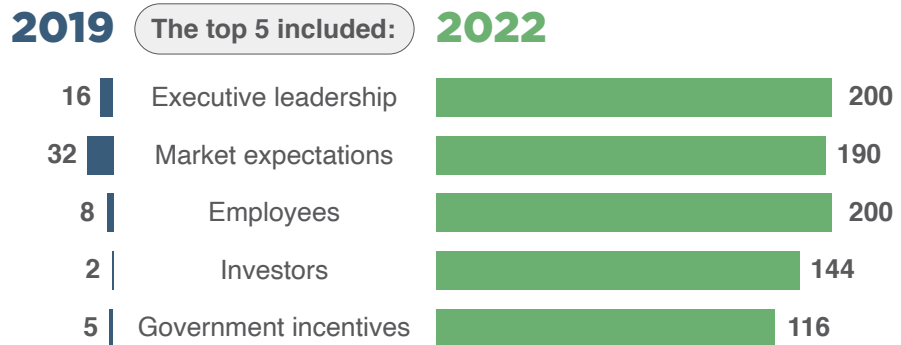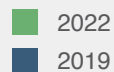
2019		2022
16	Executive leadership	200
32	Market expectations	190
8	Employees	200
2	Investors	144
5	Government incentives	116

FIGURE 9

What is the number one driver of your company or team's sustainability goals?

- Executive leadership — 44% (2022), 23% (2019)
- Market expectations — 42% (2022), 47% (2019)
- Employees — 32% (2022), 12% (2019)
- Investors — 31% (2022), 4% (2019)
- Governmental incentives — 25% (2022), 8% (2019)
- Other (please specify) — 4% (2022), 8% (2019)
- Third-party organizations* — 24% (2022)
- Increasing regulations and standards* — 22% (2022)

■ 2022
■ 2019

*These data points were not included in the 2019 survey

What's interesting about this data is how it has shifted in three years. In 2019, market expectations significantly outweighed the other drivers with 47%. The shift speaks to the changing social and business environment companies are experiencing. **In 2019, investor pressure only accounted for 3%, now it's at 32%.**

In fact, in March 2022, the Securities and Exchange Commission (SEC) **unveiled its proposal** for new emissions reporting requirements for public companies. The proposal aims to advance consistent, comparable, and accurate disclosure of climate-related financial risk to investors. Although not final, it shows a profound shift in the SEC's disclosure regime, making it mandatory for publicly traded companies to disclose their GHG emissions.
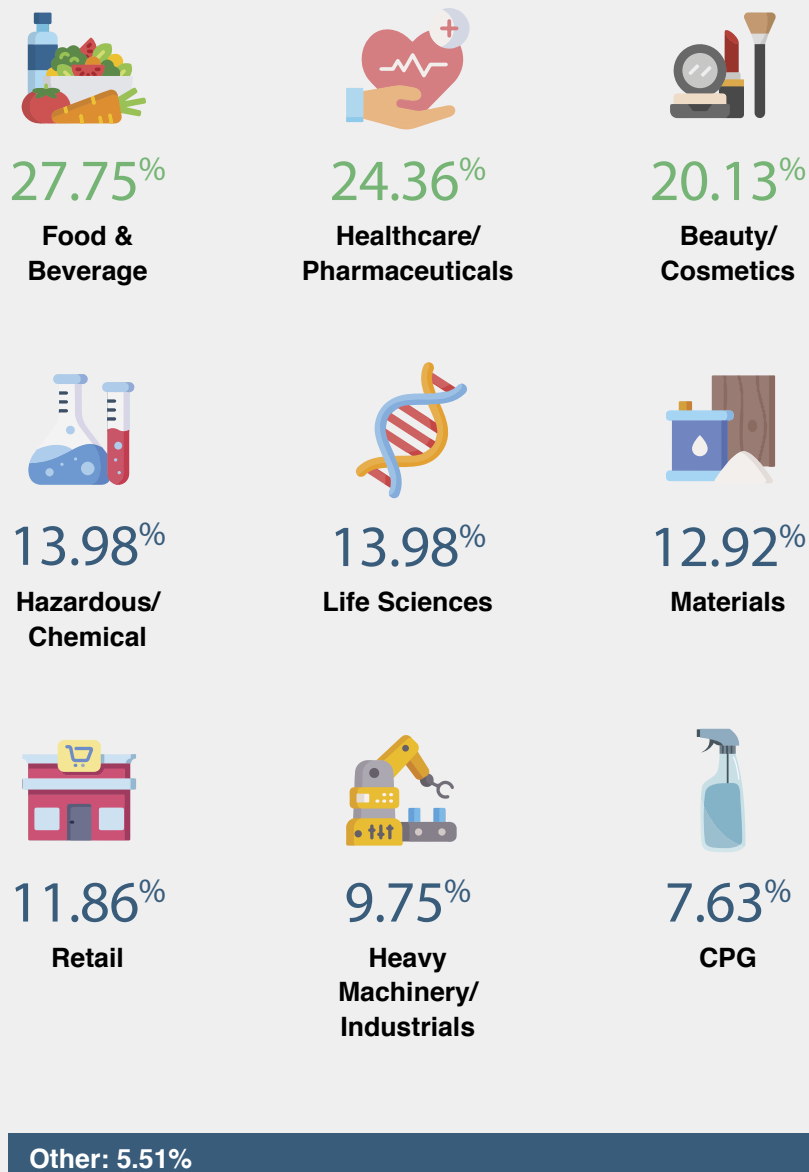
About survey participants

To ensure the validity of our study, we collected responses across a wide spectrum of organizations and personnel.

Four hundred and seventy-two (472) packaging and supply chain professionals participated in this study, across a wide selection of industries.

What industry are you in?

27.75% **Food & Beverage**

24.36% **Healthcare/ Pharmaceuticals**

20.13% **Beauty/ Cosmetics**

13.98% **Hazardous/ Chemical**

13.98% **Life Sciences**

12.92% **Materials**

11.86% **Retail**

9.75% **Heavy Machinery/ Industrials**

7.63% **CPG**

The top two functions represented were **packaging** and **product development professionals.**

Other: 5.51%

FIGURE 12

What is your job function?

30.08% **Packaging**

29.45% **Product Development**

27.33% **Procurement/ Sourcing**

25.85% **Quality**

24.15% **Operations/ Supply Chain**

19.92% **Sustainability**

15.25% **Executive Management**

Other: 2.33%

In 2019, participants in the survey were overwhelmingly from packaging function (45%), and in the Food & Beverage industry. The response to the 2022 survey was much larger and represents a larger variety of function and industry, only reiterating the significance of sustainability as an organization-wide goal, not from one area or department.

Bridge the sustainability gap between ambition and action with a spec-first approach to managing data

Leverage Sustainability Data at Any Stage of the Product Development Life Cycle

The era of transformational change is upon us and the pace of change is accelerating rapidly. Sustainability is one of the biggest challenges shaping this era.

With little visibility into packaging and supply chain specifications, it's difficult to track, analyze and benchmark metrics to meet our evolving goals.

> **90%** of public packaging sustainability goals won't be met by 2025.
> - Gartner

There's a multitude of ways to "be sustainable," but they're all rooted in one thing - data. Taking a spec-first approach begins by digitizing and linking the DNA-level data within specifications into a single source of truth. This creates the foundation for companies to analyze, share and collaborate on data that needs to be tracked and managed for sustainability reporting.

The next steps enable companies to share this intelligence across their supply chain and take actions with this insight into sustainability metrics to build a more resilient and responsible network of suppliers for products and packaging.

Achieving Unparalleled Collaboration Across Your Supply Chain Network

With the Spec-First Approach

4. Network

Share / update specs across the supply chain on the **Specright Network**

3. Optimize

Enable **intelligence** across your business and **supply chain partners**

2. Automate

Analyze, share, and **collaborate** in real time

1. Digitize

Digitize and link specs in a single source of truth

Our survey confirmed that aggregating and understanding specification data can be a manual, lengthy process that typically has to be performed year after year. A task which many companies cannot feasible manage annually from a resource and financial standpoint.

Typically, supplier data collection has been a huge pain point and blocker to sustainability. This has been further amplified with government regulations, like EPR, and the SEC proposed "Scope 3" rule, which focuses on the disclosure of GHG emission from upstream and downstream activities across a companies' supply chain.

Specright's patented Specification Management Solution documents every product and packaging detail down to the DNA-level data in a single source of truth.

Specification linkages allow you to easily understand the materials being used by each product, while our rollup feature measures and tracks sustainability impact at the component and finished good level.

Our historical tracking of sustainability data enables benchmarking to see whether current projects are trending in the right direction or if adjustments need to be made. Our API allows you to easily push critical data into Specright or send specification data from Specright to other enterprise systems to improve visibility, process efficiencies and decision making.

With our out-of-the-box reporting and dashboards, companies can get a clear picture of their carbon footprint, view overall material use across portfolios, and understand the recyclability of packaging types while seeing how their products stack up against sustainability goals.
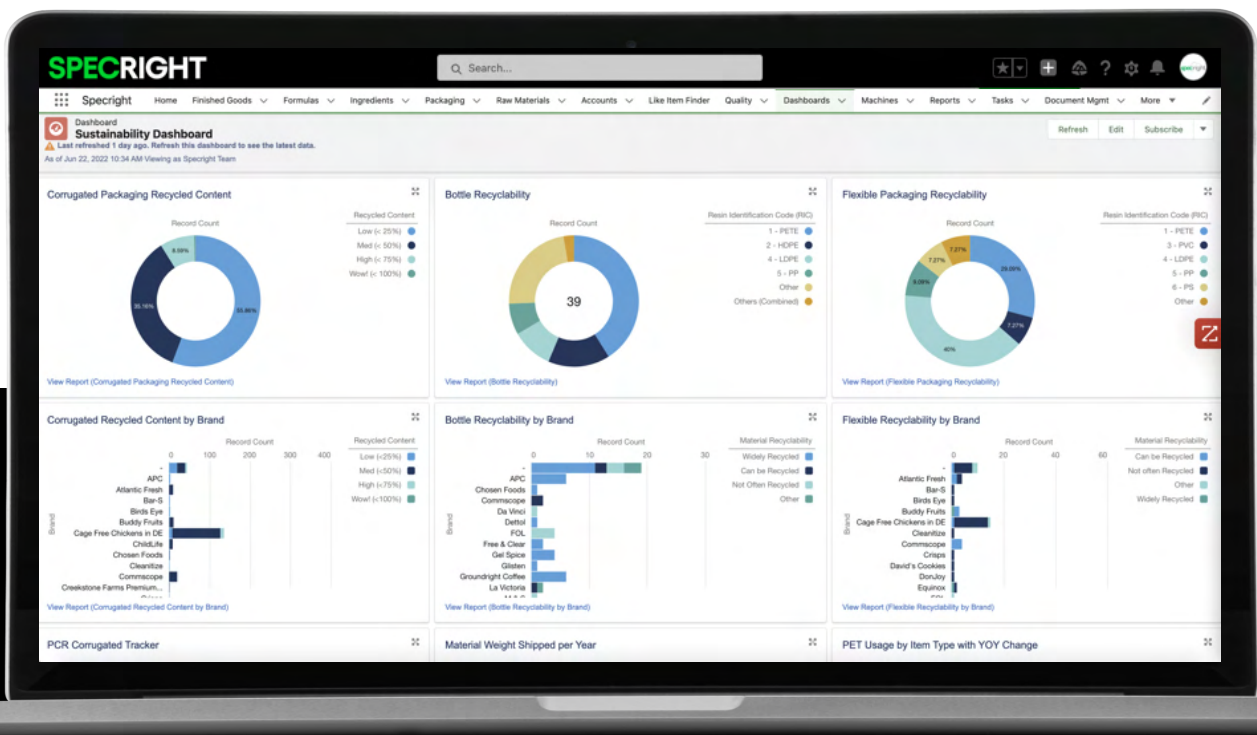
By taking control of your data, you can have the confidence to accurately report current sustainability status for your products, packaging and suppliers.

Turns sustainability goals into reality:

1

Track and drive usage of environmental and socially responsible materials in products, finished goods and packaging to meet the demands of customer
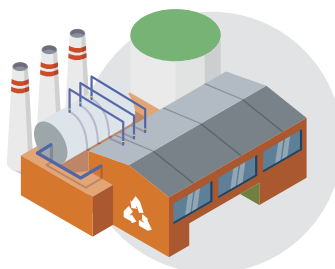
2

Improve visibility and collaboration with suppliers while ensuring certified sourcing by enabling reports and auditing to build a resilient, responsible supply chain

3

Consolidate SKUs, drive logistical efficiencies, and improve quality to reduce the amount of waste, thus saving costs

Sustainability isn't just about changing your products or packaging, it's about fundamentally shifting the approach to how you make amazing, sustainable things.

That's why at Specright we have built a Specification Management ecosystem that enables companies to put their data to work to turn sustainability ambition into action.

> **Anything emissions related in our business case is definitely key. And, having a tool such as Specright in our hands and our disposal will enable us to adapt and move more quickly as emission regulations change.**
>
> **Maks Celhar**
> *Implementation Project Manager, BASF*
>
> **□ ▪ BASF**
> We create chemistry

Most companies realize sustainability isn't a one-time project or initiative. While this is an important realization, we can't stop there. Leading companies are investing in the infrastructure needed to make sustainability an ongoing initiative. Furthermore, they're addressing this now, before regulations go into effect and result in fines and have a negative impact on a company's bottom line.

The only way to start on your sustainability journey is to know where you stand today. And by taking a spec-first approach to managing data you can turn your sustainability goals into reality.

To learn more about how Specright can help you take control of your data, contact us. And read more about our commitment to sustainability here.

ABOUT SPECRIGHT

Specright is the first patented platform for Specification Data Management™. Whether it's packaging, raw materials, formulas, products, or machines, Specright helps companies digitize, map, and take action across their supply chain to reduce costs, increase profitability, and drive sustainability. For more information, visit: **www.specright.com.**

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