



INTERNATIONAL SAFETY
EQUIPMENT ASSOCIATION

Benchmarking Sustainability in the Safety Equipment Industry

Protecting People & the Planet

May 2023

Introduction

Over the last several years, sustainability has exploded in importance and influence in a variety of domains.

It's impacting academia; there are over 2,000,000 references to "sustainability" in Google Scholar. It's impacting public companies; 2022 earnings call references to ESG for NASDAQ-listed firms were up 19%, with sustainability and climate transition the two most widely discussed aspects of ESG.

And sustainability is impacting consumers; a recent McKinsey study found that consumer products that made ESG-related claims posted growth of 28% over the last 5 years, compared to 20% for products making no such claims. And 60% of consumers are willing to pay more for a product with sustainable packaging.

**Russell 3000 companies
discussing ESG in Q1 2022**

65%

19% increase over 2021

“Fundamentally, you need to play defense on risk and offense on growth. That means figuring out how your climate strategy ties into the value creation story.”

Laura Korb (McKinsey)



Introduction

But there are also hiccups in the sustainability boom.

After setting lofty net-zero goals, U.S. oil & gas company references to sustainability and similar terms are down 40% over a 2021 peak, and BP very publicly tapped the brakes on its ambitious GHG reduction targets. The European Commission discovered that 53% of green products were actually **greenwashing**: making sustainability claims that are vague, exaggerated or downright false. And a recent S&P Global article laid bare the tension that governments, corporations, and consumers face: "Climate strategies will be reconsidered in the face of energy security and affordability concerns."

To guide the safety equipment industry through this inflection point, and to provide members with a meaningful benchmark, in March & April 2023 ISEA conducted a survey examining members' business practices and their views on sustainability as a value creator. 47 manufacturing companies submitted complete responses, and the results and analysis are presented on the following pages.

Share of Products Revealed by EU to Use Greenwashing

53%

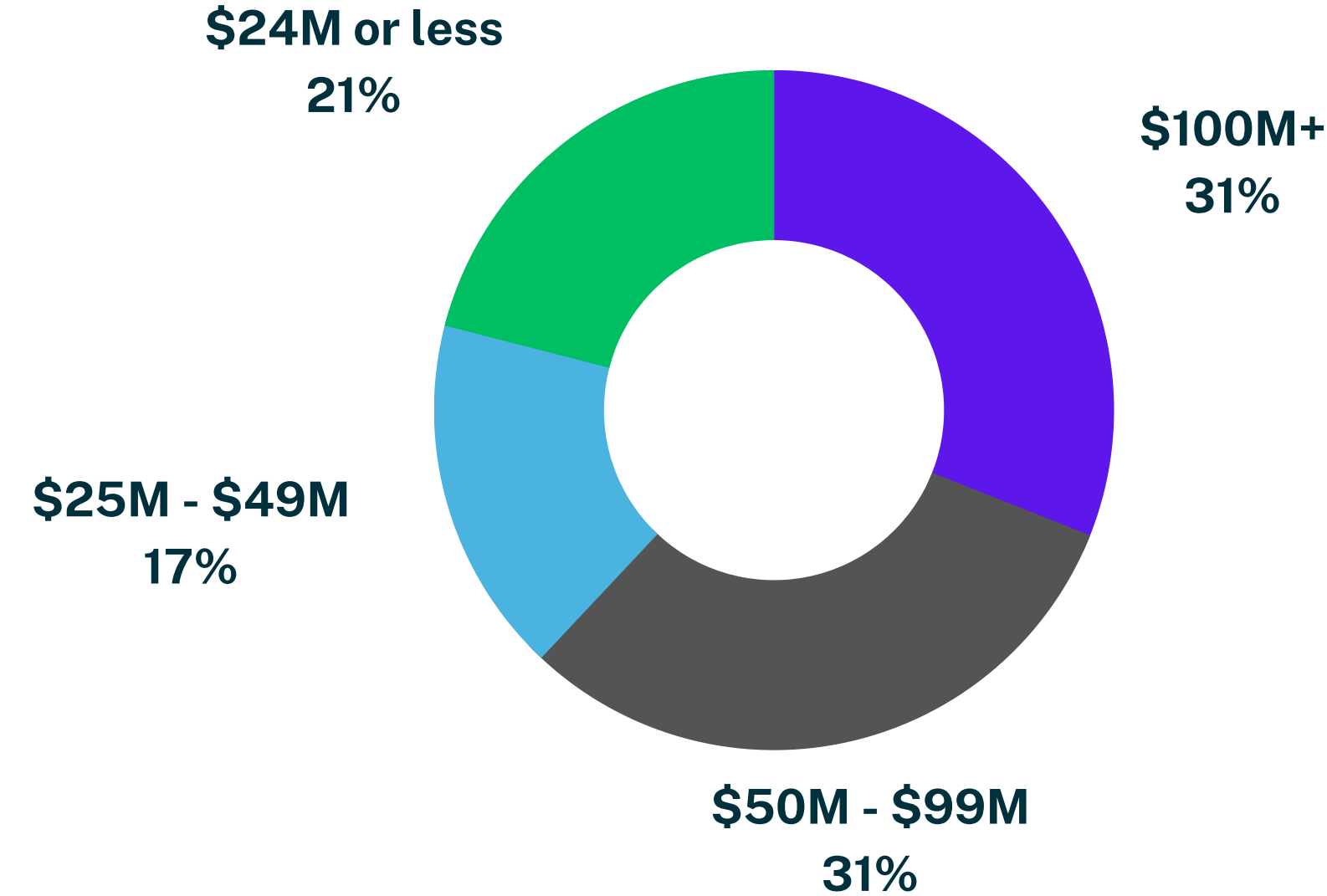
“At the end of the day, we're responding to what society wants.”

Bernard Looney (CEO of BP)



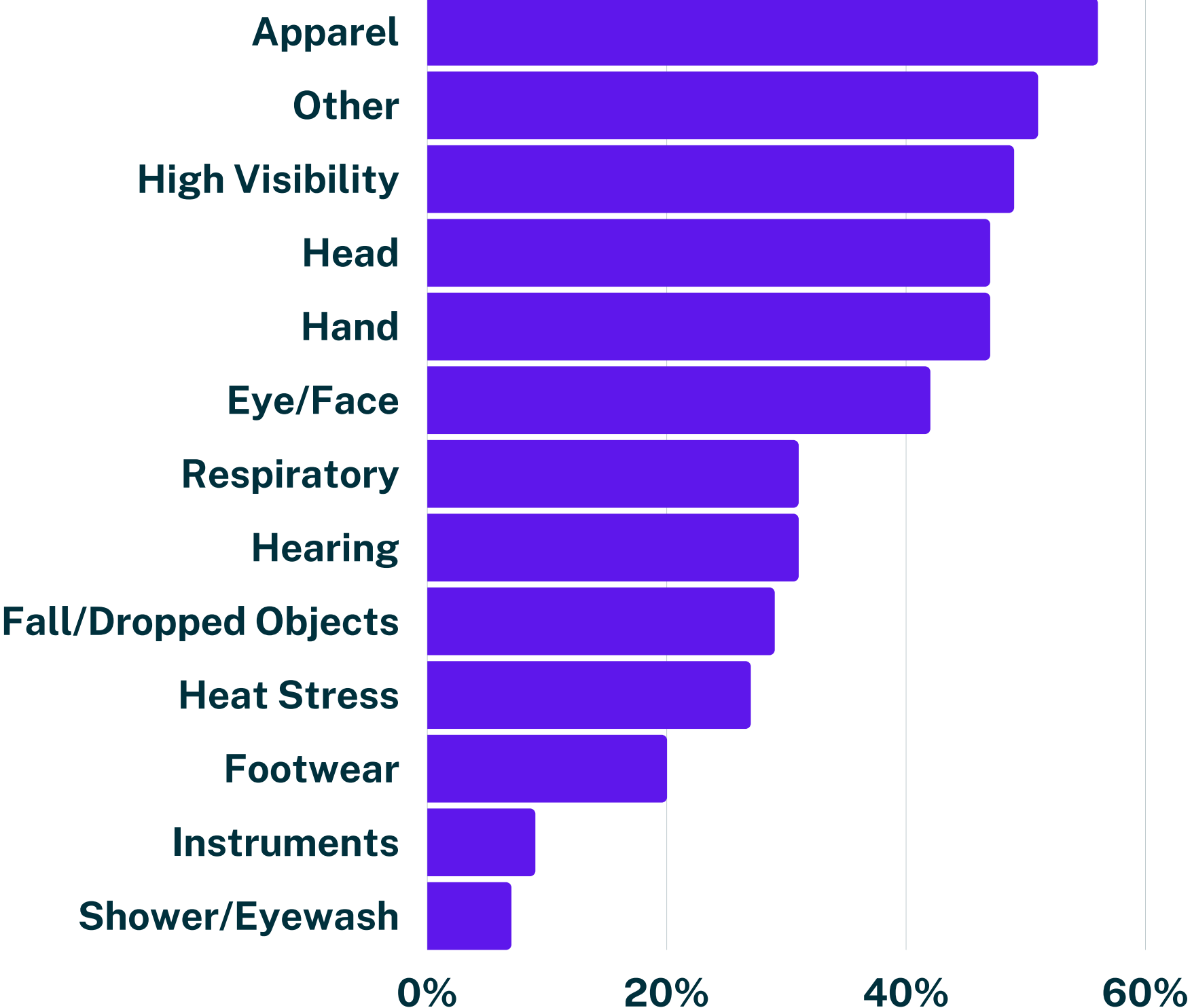
Respondent Demographics

Annual revenues from safety equipment & PPE



47 ISEA member companies replied. All companies represented are Manufacturer Members, with substantial operations in North America.

Safety equipment & PPE categories represented (many companies offer more than 1 category)



Key Takeaways

The Safety Equipment Industry is (Cautiously) Embracing Sustainability - Nearly all ISEA members surveyed (96%) employ at least some sustainable business practices. 44% have formal, company-wide sustainability programs.

For Many, Sustainability is Driven by Market Forces - There's a strong correlation between the number and variety of sustainability practices ISEA members are using and the degree of pressure from end-users. Simply put, the greater the interest and pressure from end-users, the more likely a safety equipment manufacturer is engaging in sustainable business practices. There is, however, a subset of companies whose sustainability efforts are also largely mission and values-driven.

Most End-Users Aren't Willing to Pay a Sustainability Premium - Only 7% said it was very likely an end-user would pay more for a product with sustainability attributes, even if it helps them meet their organization's ESG goals.

Sustainability Is Often Not an Important Purchase Criteria - While end-users are increasingly **interested** in members' sustainability efforts, that interest doesn't (yet) translate to **purchase criteria**. Only 24% have a majority of end-users that consider sustainability an important purchase criteria.

But Members Are Preparing for Coming Changes - Nearly all members surveyed (89%) expect that their sustainability practices will only grow in importance to end-users over the next 3 years, and as an important purchase criteria.



Sustainability Drivers

Regulatory Action is Accelerating Globally



SEC PROPOSAL ON CLIMATE -RELATED DISCLOSURES

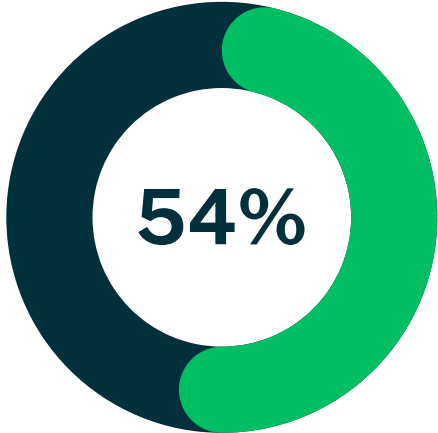
In March 2022, the SEC proposed rules that would require listers to disclose Scope 1 and 2 emissions, and Scope 3 under certain circumstances. Scope 3 emissions (which would account for safety equipment) can account for as much as **90% of GHG emissions**. Potentially impacted companies estimate first year compliance costs of _\$750,000 or more.



EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

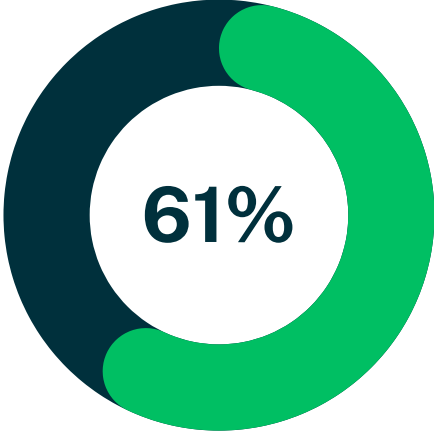
Enacted in January 2023, companies under the EU's ESG reporting regime will be required to provide qualitative and quantitative sustainability disclosures as part of mandatory common reporting measures as early as 2024. Reporting by **non-EU organizations with substantial EU turnover** will be phased-in. This includes Scope 1, 2, and 3 reporting.

And While Cost is Still King, Businesses Are Seeing Tangible Value From Sustainability



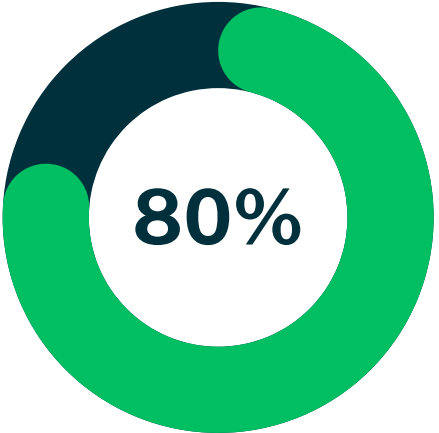
MANUFACTURERS ARE TRACKING SCOPE 3 EMISSIONS...

In a 2022 Manufacturers Alliance Foundation study, 54% of manufacturers surveyed are starting to measure GHG emissions for Scope 3 purchased goods, of which **PPE & safety equipment are examples.**



...COST IS STILL THE #1 DRIVER FOR PROCUREMENT...

80% of purchasing executives surveyed by EY consider ESG and sustainability important to their supply chain strategies. However, 61% still said that the **#1 driver of sustainable purchasing practices is cost savings.**



...AND MOST ORGANIZATIONS SEE STRATEGIC AND FINANCIAL BENEFITS

80% of executives surveyed by Gartner view sustainability as enabling their organizations to optimize and reduce costs. 86% feel it protects their organizations from disruption.

Safety Equipment Industry Sustainability Practices May Follow A Familiar Adoption Curve

Today
INFLECTION POINT

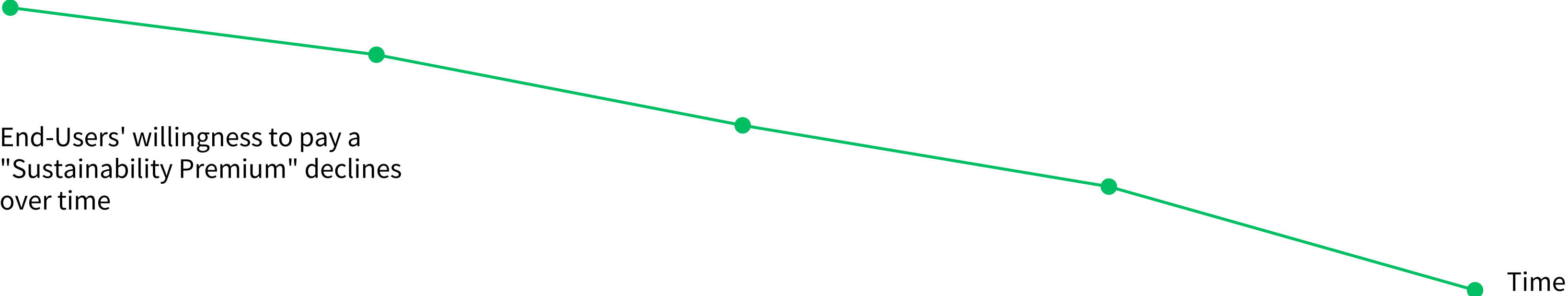
Businesses adopting sustainability practices (and data reporting) start to take share in select segments & categories. Other businesses not adopting sustainability practices continue to grow.

Mid-Term
DIFFERENTIATION

Businesses adopting sustainability practices increase share in more segments. Early warning signs in select segments & categories for businesses not adopting any practices. Level of disruption varies by segment & product category.

Long-Term
TABLE STAKES

Certain degree of sustainability practices (and data reporting) becomes table stakes. Business not adopting any practices may struggle to compete in many segments & categories.



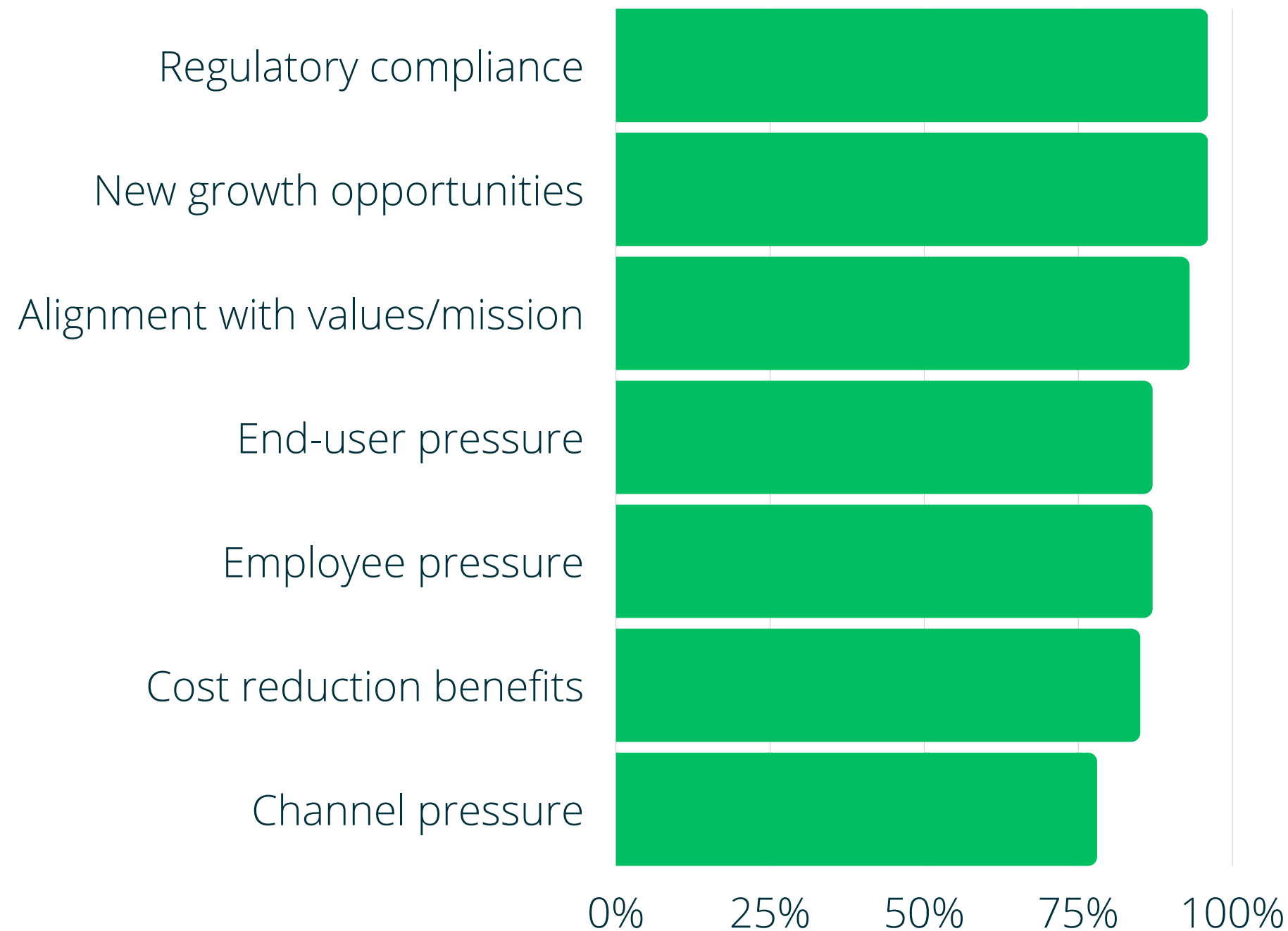
Adopted from [Simon-Kucher](#), 2021



Sustainability Programs & Practices

Compliance, Growth Opportunities, and Mission Alignment are the Top Drivers for Members' Sustainability Efforts

Q How important are the below drivers when considering whether to broaden/improve your sustainability efforts? (Share of respondents selecting important, very important, or critical are shown).



"It's critical to our mission and our customer base to be more sustainable than the industry."



ISEA Member

Most ISEA Members Employ at Least Some Sustainability Practices

Q ■ Which best describes your company's current approach to sustainability initiatives?

44%

FORMAL
Formal company-wide sustainability program

35%

EMERGING
Several sustainability practices but no formal company-wide program



NASCENT
A few ad-hoc activities with no coordination

17%

NO ACTIVITY
No activities underway

4%

Not Surprisingly, Larger Companies Are More Likely to Have Formal Sustainability Programs*



Companies with PPE sales over \$100M are over **2x more likely** to have a formal program in place



Several respondents noted that they have plans to broaden the scope of their programs in 2023



11% of companies with PPE sales under \$24M have **no sustainability activities underway**

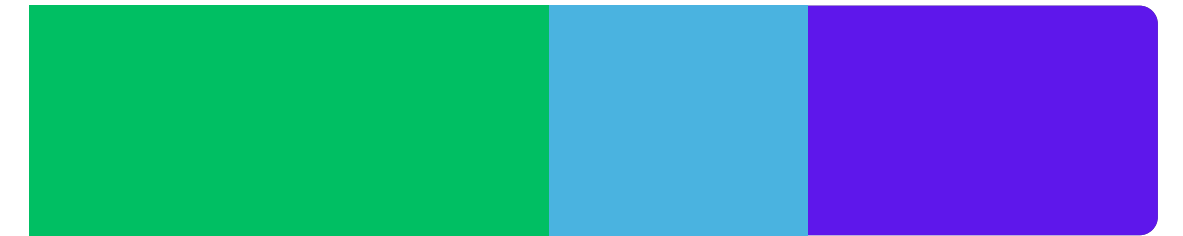
Annual Revenues*

■ Formal ■ Emerging ■ Nascent ■ No Activity

\$100M+



\$50M-\$99M



\$25M-\$49M



\$24M & below




0% 25% 50% 75% 100%

*Revenue figures only include safety products and PPE

Sustainability Can Be Impacted at Several Points Along the Value Chain (Illustrative)



 **PRODUCT (MATERIALS & DESIGN)**

- Recycled/recyclable materials
- Product design considers recyclability, durability, etc.

 **OPERATIONS & FACILITIES**

- Processes to reduce manufacturing waste, natural resource consumption, etc.
- Clean energy

 **PACKAGING**

- Reduced packaging, use of recycled/recyclable materials, etc.
- Packaging in bulk

 **USE & DISPOSAL**

- Promoting product reuse (where safe & appropriate)
- Take back programs

- End-to-end optimization of supply network to reduce distances, emissions, wait times, etc.

Many Members' Practices Go Far Beyond Product-Related Initiatives

"Our approach begins with ensuring products are designed and built with **durability and longevity in mind**. We make annual upgrades to more energy efficient capital equipment (lighting, air circulators, manufacturing equipment, etc.). Our recycling program is driven by a sustainability taskforce and involves cardboard, paper, plastics, etc. We reuse materials where applicable. We look to work with suppliers within one day's drive of our operations to minimize greenhouse gases from transportation, support regional economies, and have the ability to react quickly to customer needs."



ISEA member

The Most Common Product-Related Practices Are Using Recycled Materials & Increasing Product Durability

Q Which of the following business practices does your company currently employ for at least some products? Check all that apply.



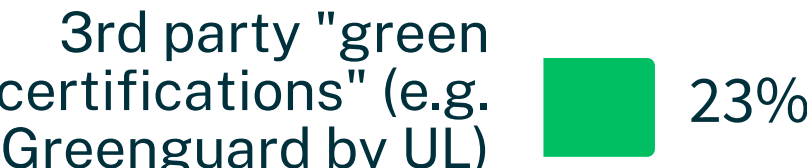
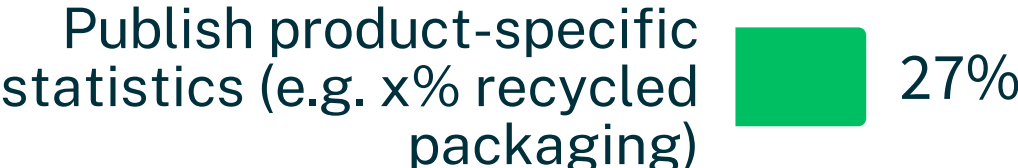
PRODUCT (MATERIALS & DESIGN)



PACKAGING



USE & DISPOSAL



"We sometimes use recycled materials in our packaging. We try to remove non-essential packaging but some customers require plastic or packaging (for vending or providing a clean PPE product to the user)."
ISEA Member

(Thoughtfully) Marketing The Sustainability Attributes of Products is a Growth Area for Many



Fewer than half of companies that incorporate recycled/recyclable materials into their products publish statistics around that to customers. Several members mentioned that they are working to gather this type of information in a thoughtful manner, **being mindful of "greenwashing"**.



Companies with formal company-wide sustainability programs are:

- 8x more likely to have a take back program
- 7x more likely to conduct LCAs
- 3x more likely to publish product-specific sustainability statistics

Companies that generate tangible value from their sustainability initiatives are 2x more likely to market product-specific sustainability attributes to customers.

- McKinsey Global Institute (2021 study)



If A Product Has Quantifiable Sustainability Attributes, Don't Make Purchasing Do the Math (Because They Won't Do It For You)



Companies that publish product-level statistics (e.g. % of recycled/recyclable materials in the product and/or packaging) are:

- 6x more likely to say end-users are willing to pay a premium for a product with sustainability attributes even if it increases TCO
- 2x more likely to say end-users consider their sustainability efforts an important purchase criteria

"Suppliers often don't come to us with a business case...If you can't quantify your value [using numbers], don't be surprised at the failure of procurement to do so."

Paula Gildert
Former Head of R&D Procurement
AstraZeneca

Purchasing and sustainability strategies are not aligned at 60% of companies surveyed by McKinsey. Fewer than 10% include sustainability when developing category-level strategies.
- McKinsey (2021 study)



Company-Level Practices Focus on Energy Efficiency & Supply Chain Optimization

Q ■ Which of the following business practices does your company currently employ at the company/facility level? Check all that apply.



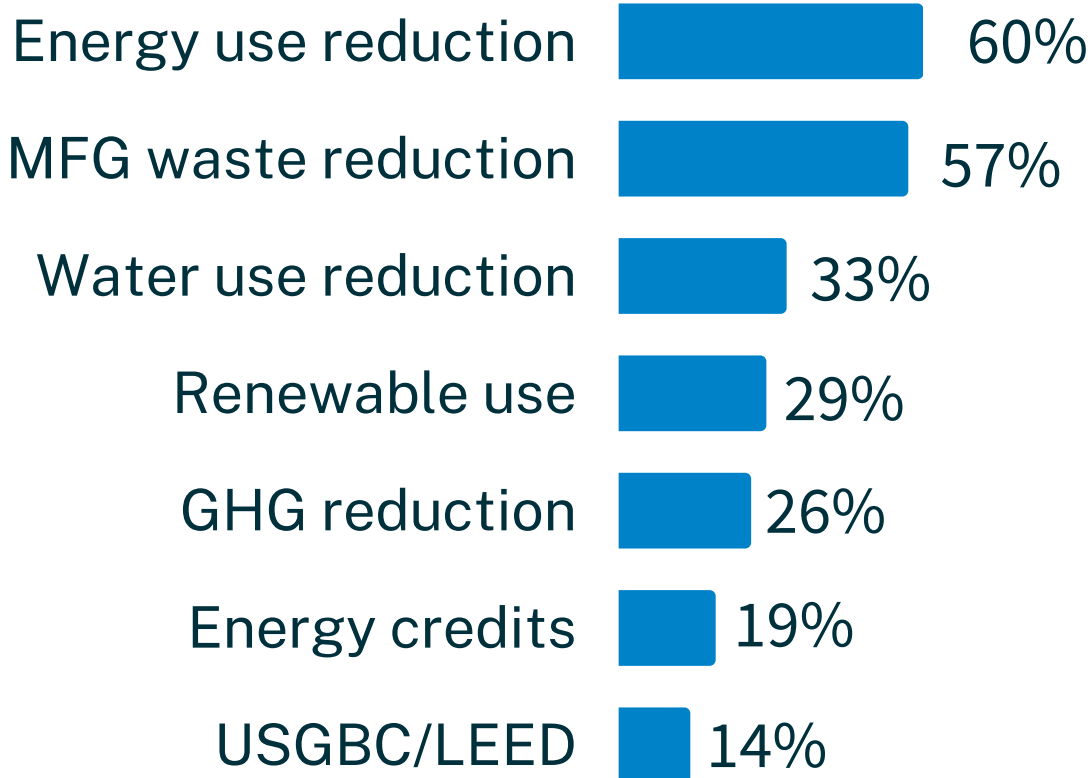
OPERATIONS & FACILITIES




SUPPLY CHAIN



REPORTING



Our results mirror those of a recent NAM study, where sustainability activities around manufacturing & supply chain were most commonly reported.
 - [NAM/Manufacturing Leadership Council \(2022\)](#)



Reducing Energy Consumption (and Costs) is Where Most Start



Over half of companies at the earlier stages of their sustainability journey have targets in place to reduce manufacturing waste or energy consumption, both of which typically (and quickly) yield tangible cost savings.



Companies with formal company-wide sustainability programs are:

- 10x more likely to use renewable energy
- 5x more likely to have locations that participate in USGBC/LEED programs
- 2x or more likely to have targets for reducing energy and water use

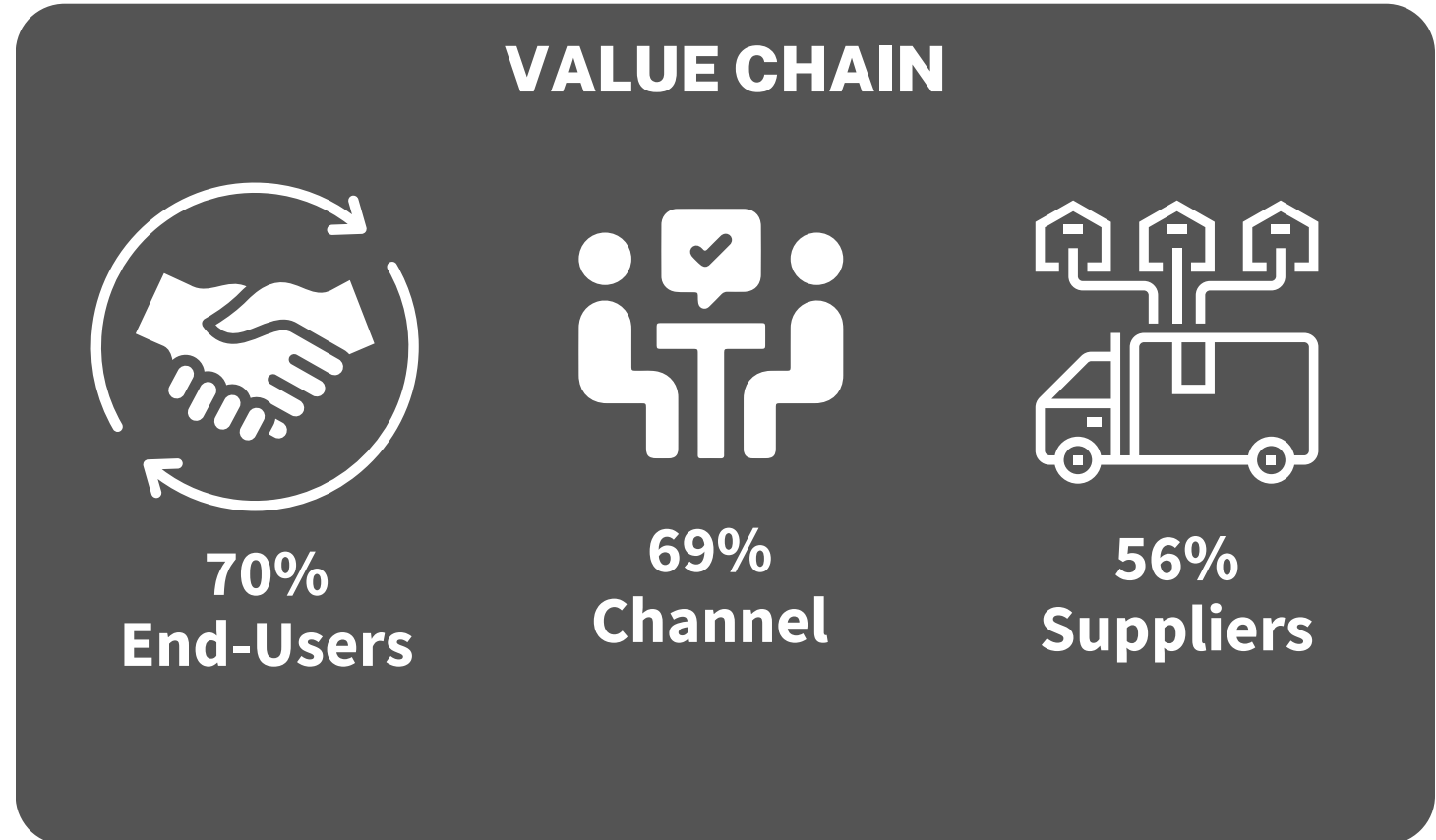
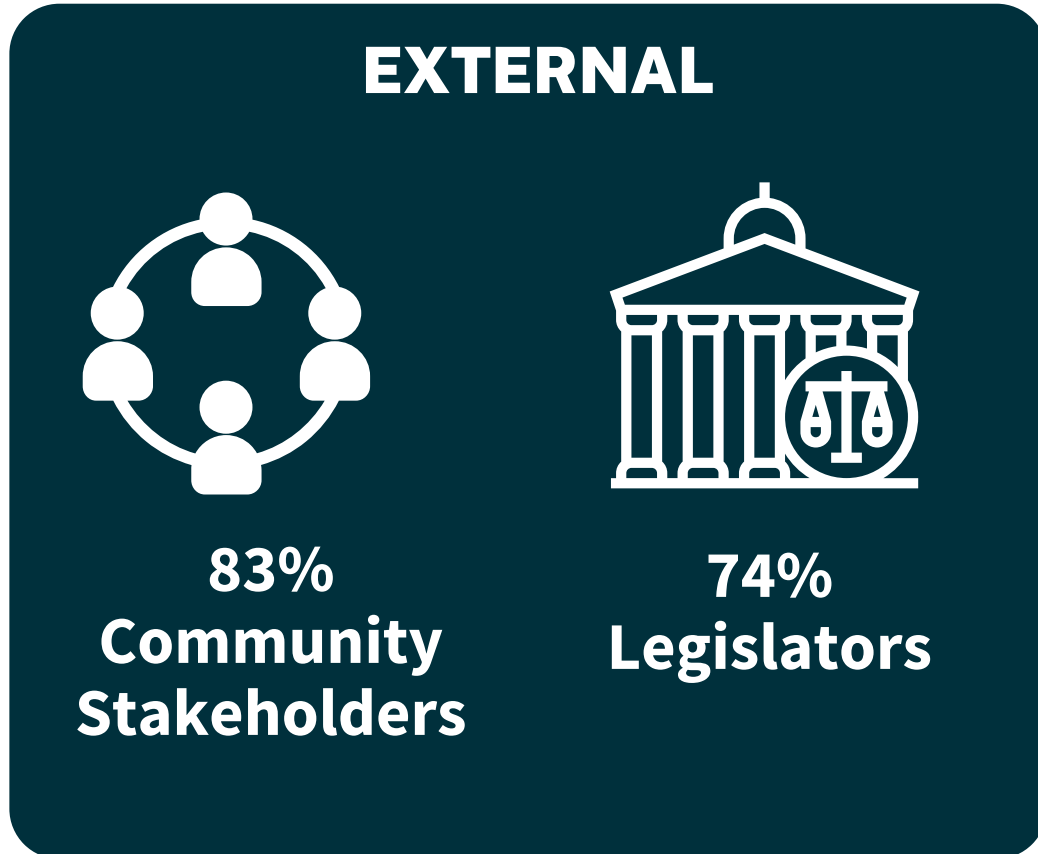
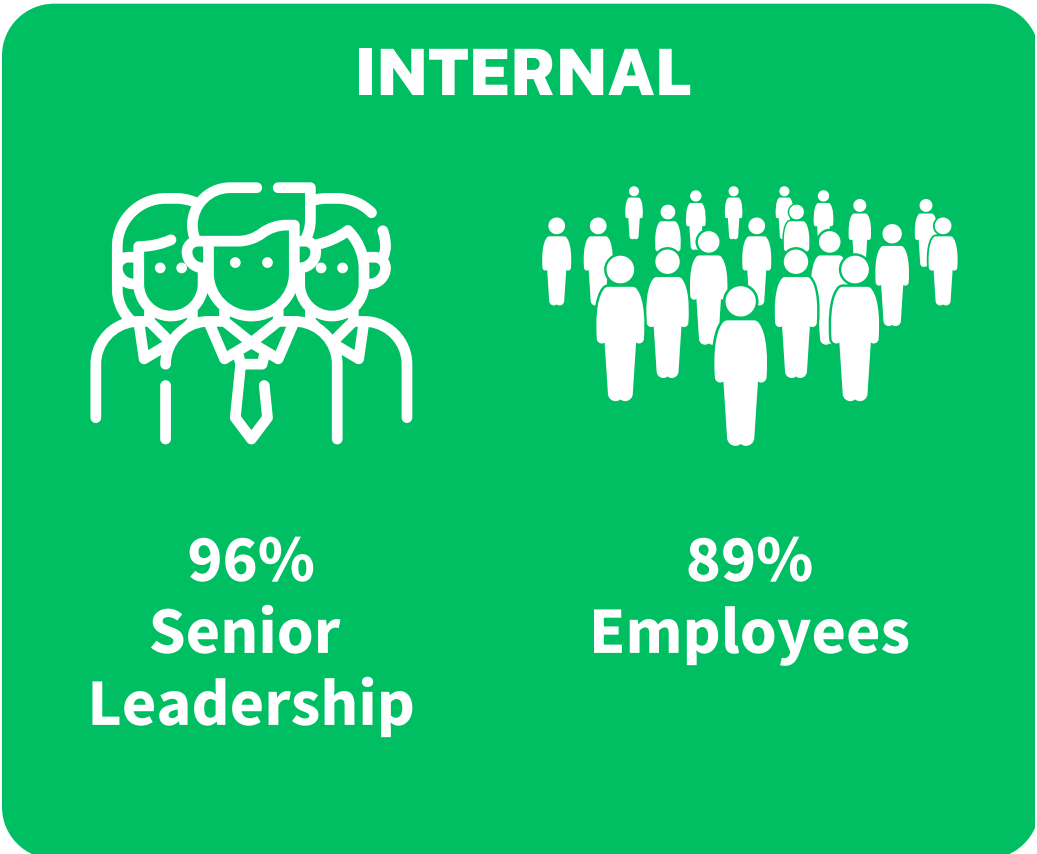
Reduced energy consumption is the business outcome cited most commonly as a result of manufacturers' sustainability efforts.

- Manufacturers Alliance (2020 study)



The Audiences Most Interested in Sustainability Efforts Are Internal*

Q: How important are your company's sustainability practices to each of the following audiences?
(*Share of respondents selecting important, very important, or critical are shown).



"Like anything, it's all about trade-offs. Most everyone wants sustainability, but they don't want to see the production cost increases required to pay for it."

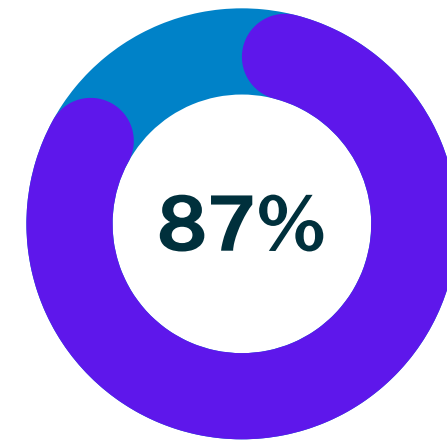
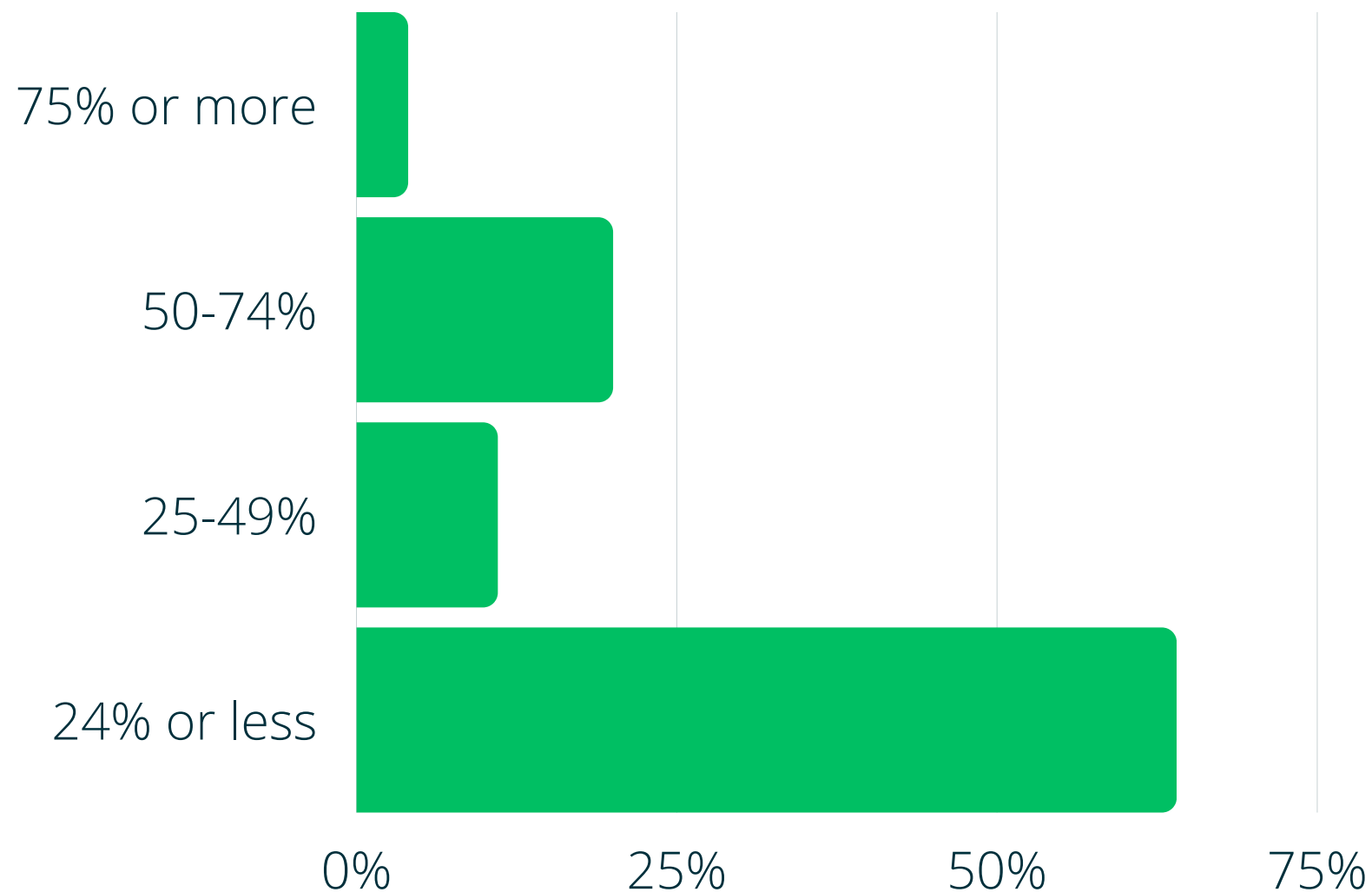
ISEA Member



Competitiveness & Value Creation

Although Most End-Users Don't Consider Members' Sustainability Practices an Important Purchase Criteria Today...

Q: What share of end-users currently consider your company's sustainability practices to be an important factor in their purchase decision?



END-USER PRESSURE IS DRIVING SUSTAINABILITY DECISIONS

Even though sustainability practices aren't generally a competitive differentiator for many deals today, end-user pressure still matters.

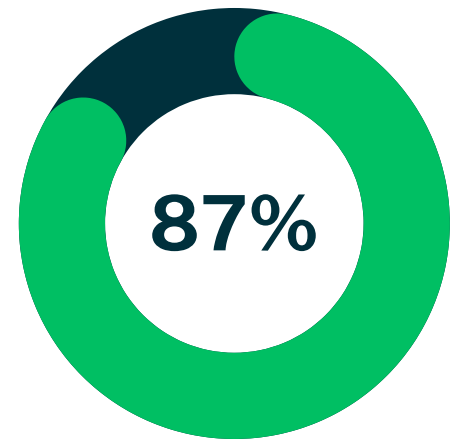
87% of respondents report end-user pressure being an **important driver of decisions** around their sustainability programs today.

"This has been important in our EU business for a few years. In the U.S., while it's a small number, it's growing and we're getting asked more frequently."



ISEA Member

...Members Expect That To Change in the Near Future



SUSTAINABILITY WILL BECOME A MORE IMPORTANT PURCHASE CRITERIA

A majority of respondents (87%) expect their sustainability practices will be a **more important purchase criteria** over the next 3 years.



END-USER INTEREST STRONGLY LINKED TO SUSTAINABILITY PRACTICES

ISEA members for which a majority of end-users consider sustainability an important purchase criteria **employ twice the number of sustainability practices** outlined on slides 16 and 19. While there is a strong statistical correlation, our study does not distinguish between correlation and causation.

And While Most End-Users Hesitate to Pay a "Sustainability Premium"...

Q: Assuming no impact on performance, how likely are your customers willing to pay a premium for safety equipment with sustainability attributes, that may help an end-user reach their sustainability/ESG goals? (share that report "very likely" is shown)

Reduces TCO (saves \$)

62%

No Impact on TCO

40%

Increases TCO

7%

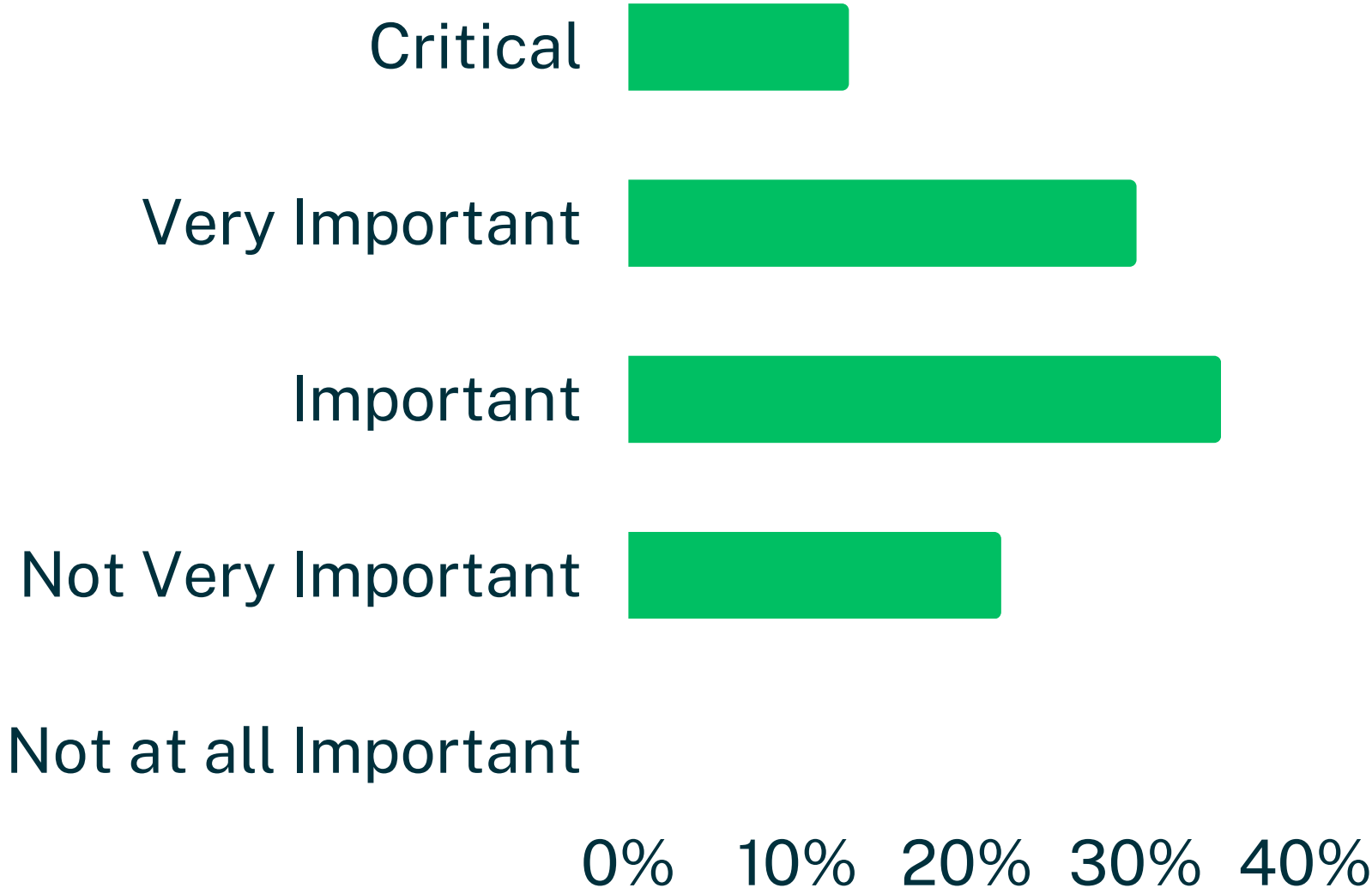
Manufacturers that base purchasing decisions on TCO (rather than just price) are 35% more profitable. However, fewer than 20% of firms do this consistently.

-Manufacturers Alliance (2015 study)



...Most Members Still Consider Sustainability Commitments Important to Their Competitiveness

Q: How important are your company's sustainability commitments to your overall competitiveness?



Even the majority of companies for which sustainability isn't very important to their competitiveness (70%) expect that that it will be more important across the next 3 years.



Companies that consider sustainability very important to their competitiveness were 3x more likely to employ supply chain-related sustainability practices and 2x more likely to remove non-essential packaging.

"For now sustainability is more important to [our company] than to the wider industry. But it will definitely become more important over time."



ISEA Member

Recommended Resources

Buying Into a More Sustainable Value Chain (McKinsey, 2021)

Delivering on Carbon Neutral Goals (Manufacturers Alliance Foundation, 2022)

Global Sustainability Study (Simon-Kucher, 2021)

How Companies Capture the Value of Sustainability (McKinsey, 2021)

Innovation in Manufacturing PPE: Toward Sustainability & Circularity (Int'l Finance Corporation, 2021)

Intersecting Sustainability: ESG and Smart Manufacturing Trends (Manufacturers Alliance, 2020)

Supply Chain Sustainability Report (EY, 2022)

Sustainability & The Circular Economy (National Association of Manufacturers, 2022)

Sustainability Opportunities, Risks and Technologies Survey (Gartner, 2022)

SEC Proposes Rule to Enhance & Standardize Climate-Related Disclosures for Investors (SEC, 2023)



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ISEA is the voice of the safety equipment industry. For 90 years, we have been a recognized leader in the development of ANSI-accredited safety equipment standards. We advocate on behalf of the industry for policies that improve worker safety, deliver actionable insights on the safety equipment market, develop critical skills for safety sales professionals, and provide a unique forum for collaboration, learning, and growth.



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