

Executive Summary - Driving Sustainability in Chemicals - Catherine C. Keenan

[Episode Replay](#) - July 21, 2022 10 am ET

[Executive Roundtable for Materials Growth](#)

Hosted by: [Growth Arc Advisors LLC](#)

Guest Contact: [Catherine Keenan](#) for follow-up ESG consultations for your organization.

Summary

Catherine has been involved with sustainability for most of her career, as themes of ESG have been present and are issues the chemical industry has been dealing with for decades under different initiatives (Environmental, Responsible Care, etc.)

Today, under the acronym ESG, sustainability extends more broadly in concept than simple environmental, picking up social and governance issues and thinking about stakeholder interests holistically. With the advent of ESG investing in the financial sector, the CFO's office has been brought into the conversation as well. At the core though, Catherine sees that CEO's are most concerned with the ESG pressures they feel from customers, to partner on developing materials and solutions that meet customers ambitious ESG commitments.

We discussed key aspects of ESG initiatives including: Goal setting approaches for small and medium sized companies, how chemicals and materials companies are tackling Net Zero and product goals, approaches for marketing sustainable products via eco-branding, as well as opportunities created by the circular economy and plastics recycling.

ESG Goal Setting

Goal setting is a critical part of an ESG strategy, and are included as criteria in the scoring frameworks, making it difficult to score well without a set of goals in place. Transparency is a key consideration since this effort is ultimately about demonstrating you are delivering on commitments.

There are common buckets or themes for goals for most typical materials companies. These include:

1. Climate/Energy
2. Supplier Responsibility
3. Product Sustainability

Catherine described the typical process flow she uses to get started with a company in establishing an ESG program and setting goals. The first steps include a stakeholder analysis to understand what factors of ESG are important to key company stakeholders. Critical to this view are what customers report through the value chain as being their key sustainability concerns, all the way to consumer issues. This is informed by ESG frameworks which provide categories of sustainability, an example would be the UN Sustainability Development Goals (SDG's). Next is a materiality analysis to understand those categories that are important both to company and to stakeholders. Those categories that score high/high on both became the basis for company ESG initiatives and goal setting.

Goal setting can be phased in with a set of baseline measurement and basic operational goals first, followed by a more mature set of initiatives to progress ESG performance.

Challenges include: data collection, leadership engagement, staffing skills, and managing reporting complexity with suppliers and customers.

Net Zero - Climate

Among large public companies, adoption of Net Zero goals has penetrated significantly. Climate and Energy goals used to be focused primarily on measuring and reducing energy use intensity and direct GHG emissions, but has shifted in recent years to commitments to reach Net Zero or Carbon Neutrality through activities that extend beyond the fence line. A recent study by Chemical Week showed about 70% of the 100 largest public chemicals companies have carbon neutral or net zero by 2050 goals in place.

There are a number of differences between carbon neutral and net zero, including the use of offsets and the rigorous framework of the Science-based Targets Initiative defining what can count toward Net Zero activities.

The challenge with Net Zero goals is that there are a lot of assumptions that depend on things that companies cannot directly control, either other parties' actions, (utility providers, suppliers, customers), or commercialization of technologies that are still developing, such as carbon capture and blue/green hydrogen.

Business/Product Strategy

There is huge activity level in this domain as companies are focused on aligning their product strategy toward sustainability opportunities.

A recent study by McKinsey looked at the correlation between sustainability efforts and company valuations. They found that:

- ESG scores do not correlate with improved valuations, in and of themselves.
- Product portfolio did correlate with improved valuations, where the company can demonstrate that a significant and growing part of its product mix is aligned with sustainability tailwinds and markets driven by ESG trends, such as electrification.

Thinking about how to market products with sustainability benefits, this depends on what customers find important, and what will drive value for them, and most importantly if customers are willing to pay more, or buy more of the sustainable solutions.

When it comes to branding of sustainable products, this is seen as a way to help customers understand your solutions and perceive value in them so that they will be more willing to pay a premium. Catherine recently did an analysis of eco-branding practices among chemicals and materials companies and found that a select few are choosing to do a corporate level umbrella brand. Examples include Clariant Ecotain, and Eastman Renew. This approach takes a lot of coordination and planning to execute company-wide and so most companies are choosing to do a product by product or business by business approach to eco-branding.

Circular Economy / Plastics Recycling

There is tremendous excitement about the potential of chemically recycle content. For a variety of reasons.

- With mechanical recycling only 9% of plastic today in the U.S. is recycled.
- Chemical recycling provides virgin quality feedstocks rather than degraded performance that comes from mechanical recycling, and could allow up to 90% of post-use plastic to be recycled.
- While it's still at small scale today, technology for chemical recycling is proving itself with several companies announcing commercial scale investments in their technology solutions.

With all the promise, many issues remain:

- Collection infrastructure for a wide range of plastics is still lacking.
- Demand is higher than supply right now, so bringing capital for capacity expansion into the space is key, along with quickly getting facilities operational and scaling.
- Public policy and public participation aren't yet engaged to help address these issues.
- There are many points in the value chain that generate plastic waste beyond simply consumer municipal collection and these have yet to be activated in a significant way. This includes institutional sources (health-care, universities and schools), retail back of store, and a wide array of resins and formate (films and flexibles) that are not collected today by mechanical recyclers.

About Catherine C. Keenan

Catherine is a member of the Board of Directors of Agilyx AS, an advanced plastics recycler. Previously, she was Head of Sustainability, Public Affairs and EHS for Trinseo, a \$5B materials company. She is the Founder of her own consulting firm, Catherine C. Keenan Consulting which specializes in sustainability and ESG.

With 30+ years of experience in the Chemical and Plastics industry Catherine has deep expertise in sustainability strategy development and governance/ESG. She has built global sustainability programs, led the setting of 10-year sustainability goals for two global companies, and has positioned companies for improved scores on (ESG) ratings frameworks.

Additionally, Catherine has expertise in public affairs, B2B branding & reputation, and Corporate Social Responsibility (CSR). She has worked on more than 30 M&A transactions and led communications and branding programs related to both IPOs and multi-billion-dollar transactions.

About Growth Arc Advisors LLC

After a 30 year career as an executive in the chemical industry, founder Kendall Justiniano started Growth Arc Advisors to help chemical business leaders implement the new thinking required for changing fundamentals. We're experienced industry operators who know the old playbooks, their gaps, and the new pages required.

The firm delivers customized engagements for Materials Executives in 3 key areas:

Commercial Effectiveness: increasing growth revenue through proven next-level commercial practices, including digital sales & marketing.

Strategy: helping clients navigate threats generated by sustainability, digital, and global demand shifts.

Innovation: accelerating return on innovation through focused investment.

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