

# Letting go of plastic is complex

Sustainable sourcing can curb climate change; boost bottom lines

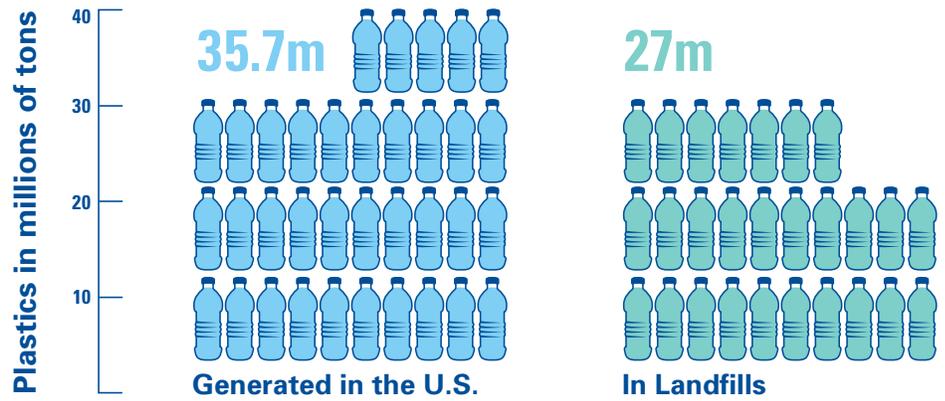
## Think about the packaging you use each day

Next time you glide on deodorant, think about its plastic container. Since only parts of most brands' containers are recyclable, you must take it apart to recycle. The product lasts a few months. The rest will last lifetimes. According to the American Chemistry Council, the U.S. generated 35.7 million tons of plastics in 2018. Of that, 27 million tons ended up in landfills.<sup>1</sup> People think tossing recyclable containers in the recycle bin is good, but it's only a Band Aid to our dependency on plastic problem. These numbers highlight the fundamental flaws in plastic recycling and highlight a tremendous opportunity for organizations to dramatically cut plastic use.



<sup>1</sup> Source: EPA, "Plastics: Material-Specified Data," September 19, 2022.

Plastics are deeply engrained in all industries, from pharmaceuticals to telecommunications to manufacturing. Our goal is to illustrate for **operations executives and sourcing professionals** why the **move to sustainable sourcing is worthwhile for the climate and organizations' bottom lines**. We will also share some ideas to consider on **where to begin**.



## Understand how dependence on plastic impacts the world and company bottom lines

Organizations across all industries find it more profitable to use plastic packaging—for shampoo to food to pills. Changing established materials and sourcing practices to responsible sustainable sourcing is difficult. The **first roadblock is cost**. Many plastics are cost effective to make and store. Organizations don't want to invest the capital to transition away from what's worked for years. They also don't have ways to prove a return on the investments. The **second is often the inability to find sustainable materials and track their use**. Finally, even with a plastic reduction plan in place, **where does an organization start?**

Like any complex change, **following a process provides a place to start**, guides you along the right path, and offers ways to show progress and results. While each industry and organization is different, the following methods and first steps help



most organizations overcome the biggest challenges.

### Reduce cost of goods sold and save the planet

One of the most difficult challenges in starting sustainable sourcing is proving a return on the investment. Companies that consider replacing plastics with more sustainable products encounter transition risk. Despite the cost of transition, **investing in smart ways** enables you to control costs and improve ROI.

Organizations practice **responsible procurement** when they incorporate ethical, sustainable, and socially conscious principles into sourcing, procurement, and overall supply chain management practices. Responsible procurement principles affect sourcing and materials as well as supplier diversity and decarbonization. **Sustainable sourcing** is an important first step to reach responsible procurement. Both are part of broader environmental, social, and governance (ESG) initiatives

## Return on Sustainability Investment (ROSI™) Framework



Source: NYU Stern Center for Sustainable Business

NYU Stern Center for Sustainable Business (the Center) has published research showing nonfinancial sustainability metrics can reveal **hundreds of millions of dollars in sustainability-related savings and growth**. The challenges are connecting financial and sustainability performance. Most organizations don't have a method to accurately track returns on current or future sustainability investments.

We are working with the Center and other organizations to develop a **method that connects sustainability strategies and financial performance**. The Center's director, Tensie Whelan, says the Return on Sustainability Investment (ROSI™) methodology embeds sustainability into an organization's strategy and decision-making to deliver quantifiable business and social

value, as the model illustrates. "ROSI quantifies past, current, and future costs and benefits, so organizations monitor and improve performance from social, environmental, and financial perspectives," she adds.

### Data and technology play starring roles

Companies must have confidence in quality data as they report plastics use. Data transparency and traceability are equally critical so the public can see for themselves they can also trust your calculation and reporting approaches. For example, since only 5 to 6 percent of U.S. plastic waste is recycled because of separation, toxicity, and economic challenges, people can question your recycling claims without these safeguards.<sup>2</sup> Technology can help. We recommend using

modern database software to improve plastics and packaging data tracking quality. One way is to simplify how data flows from sources to reports such as allowing suppliers to securely enter data directly into your database.

Data can also help companies select the right methods to identify and locate sustainable materials. Operations and sourcing professionals have trouble identifying and finding materials made from renewable raw materials and categories of most recyclable plastics. For example, polyethylene terephthalate (PET) and high-density polyethylene show higher recycling rates than polypropylene, recycled low-density polyethylene and post-consumer polystyrene.<sup>3</sup>

Sustainable sourcing takes ingenuity. Adidas partnered with Parley for the Oceans to intercept ocean-bound plastic to recycle into footwear. The company sold 11 million pairs of shoes containing reclaimed ocean plastics in 2019.<sup>4</sup> Manufacturers are taking steps to use more eco-friendly, bio-degradable materials to replace materials with low recycle rates or that produce high emissions in manufacturing. Some retailers collect packaging such as pill bottles and plastic bags from consumers for recycling or reuse. For those willing to change deodorant brands, some manufacturers have redesigned packaging to be plastic-free.<sup>5</sup>

<sup>2</sup> Source: Greenpeace, "Circular Claims Fall Flat Again, 2022 Update," October 2022.

<sup>3</sup> Source: Greenpeace, "Circular Claims Fall Flat Again, 2022 Update," October 2022.

<sup>4</sup> Source: Plastics Today, Hal Partenheimer, "Turning the Tide on Ocean Plastics by Using Waste as a Resource," July 16, 2022.

<sup>5</sup> Source: Sustainable Jungle, "15 Zero Waste Deodorants for Plastic Free Performance," February 2020.

# Take your first steps to sustainable sourcing

**1 Define the magnitude of plastic use** by evaluating the entire lifecycle of your products – from points of acquisition to consumption. With this information, you can identify plastic materials used. For example, single-use plastic such as beverage bottles and plastic bags are common targets. Each product is different. A simple product like a diaper may only have 50 components. A vehicle will have tens of thousands.<sup>6</sup> Then sync your procurement and buying practices with manufacturing and operations processes to define the problem’s magnitude, prioritize the biggest issues, and identify quick fixes.

Circularity, or circular economy, will quickly become mainstream terms that describe a process



where organizations—and entire economies—build, sell, recycle, and reuse materials. Instead of buying products, the Dutch startup BIYU helps companies let consumers temporarily own them. When the product’s lifecycle ends, BIYU recycles the products.<sup>7</sup> Walmart has launched a new program to motivate companies, even competitors, to move to a

circular economy for plastics faster. Innovators submit solutions, then Walmart compares submissions against its sustainable packaging goals and shares winners on a website.<sup>8</sup> Eastman is also taking steps to a circular economy by using molecular recycling technologies to recycle non-recycled materials into new materials.<sup>9</sup>

**2 Set commitments to the world and market** with goals and objectives that are cost management and recycle friendly. This takes systems and data to substantiate what you’ll do. The **ServiceNow Platform** can help provide data for goal setting and to monitor progress. Combine data from multiple systems to align with goals.

Learn from other organizations with successful and affordable sourcing strategies. L’Oréal Paris implemented its sustainability program in 2017 striving to improve products across the value chain from packaging design and formulation to factories, suppliers and sourcing.

Its internal methodology measures existing and pre-launched products’ impact against green chemistry, renewability, biodegradability, and other criteria. The company reported 76 percent of its PET plastics were made of recycled plastic in 2020, a positive step toward the goal.<sup>10</sup>

Federal or state regulations can force change, which also creates transition risks. The ban of single-use plastic in Canada begins December 2022.<sup>11</sup> Also, the European Union, which already banned most single-use plastics, has mandated all plastic packaging put on the Union market be reusable or easily recycled by 2030.<sup>12</sup>

The most effective approach is to begin voluntarily. The U.S. government offers funding to jump-start the right recyclability projects. The EPA sponsors the Resource Conservation Recovery Act that encourages and explains how to put raw materials back into the manufacturing cycle. Taking your first steps could help your organization avoid a reputation fire drill like some companies have experienced when the company was sued for falsely marketing itself as sustainable and environmentally friendly. Even if initial efforts impact 0.003 percent of your footprint, it’s a start.

6 Source: Wall Street Journal, Cheryl Winokur Munk, “Companies Face Pressure to Improve Supply-Chain Sustainability,” October 24, 2022.

7 Source: Forbes, Jennifer Kite-Powell, “Getting on Board with the Circular Economy,” August 23, 2022.

8 Source: Ashley C. Hall, “Circular Connector: Meet the 2022 Sustainable Packaging Innovation Award Winners,” Walmart, October 27, 2022.

9 Source: “Enabling a circular economy,” Eastman, current as of November 4, 2022.

10 Source: L’Oréal, “L’Oréal for the Future – Because the Planet is Worth it,” April 22, 2022.

11 Source: Adela Suliman, “Canada banning single-use plastics to combat pollution, climate change,” The Washington Post, June 21, 2022.

12 Source: Official Journal of the European Union, “Directive (EU) 2019/904 of the European Parliament and of the Council,” June 5, 2019.

### 3 Establish governance practices and report progress to goals.

The ROSI Framework can help your organization connect goals and progress toward them with financial metrics to build governance into your sustainable sourcing practices. Since tracking plastics lifecycle requires tapping into data from many departments and systems, digital workflows play a large role in effective governance and reporting. Reporting requires

moving data across systems and initiative-wide visibility to enable accurate measurement. Enterprise applications such as **ServiceNow** can automate much of the reporting process. These types of applications manage procurement, supplier lifecycle and other parts of the procurement and supply chain processes where sustainable sourcing can take place. Read our article [G over ESG](#) to learn more about effective governance practices.

Sharing sustainability strategies and progress with the public is critical. For example, companies have started describing their responsible sourcing strategy on their website as a part of a broad ESG action plan. Some tech companies have published reports that lay the foundation with responsible sourcing approach, goals, and methods, along with some progress.

## Begin your sustainable sourcing journey now

If your organization still uses the same plastics as 10 years ago, it's time to shift to sustainable sourcing. Our challenge to you is to take those

first steps. Whether large or small, it will be a start to slow climate change and improve your bottom line. Who could resist?

KPMG has ESG and procurement services experience and methods to help you begin and continue momentum. ServiceNow has the ESG technology to enable your objectives. Together, our teams apply global, cross-industry experience as we work with you on your ESG strategy, execution, reporting, and auditability.

The KPMG and ServiceNow combined approach defies silos to align your investments and enable transparency to help build trust. It blends ESG efforts with other priorities to enhance business performance. The result is a mature program with ESG infused through your organization for a more sustainable future.



Contact us and visit the [KPMG](#) and [ServiceNow](#) alliance pages to learn more.  
We would like to hear what parts of ESG challenge your IT organization most.



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