



Industry Insights: Sustainability Initiatives Report

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Executive Summary

Sustainability is no longer considered a regulatory burden for manufacturers. It's a competitive differentiator. That's because environmentally friendly manufacturing is inherently more efficient and less wasteful. Also, the same technologies that manufacturers use to track their carbon footprint also enable end-to-end visibility, which helps organizations build more resilient supply chains.

Responses from a survey conducted by IndustryWeek on behalf of Hitachi Vantara indicate that manufacturers understand the need to incorporate eco-conscious practices into their overall strategy—from product development to the entire supply chain.

Consider that nearly 70% of respondents selected increased operational efficiencies as a key benefit related to their sustainability efforts. In other words, environmentally friendly practices are helping manufacturers become less wasteful and more productive.

Sustainability also helps organizations improve their brand recognition and reputation—cited as a key benefit by 60% of overall respondents—and attract and retain talent.

While manufacturers recognize the advantages of sustainability, gaps

exist in their current strategies. For example, 13% of manufacturers with annual revenues of \$100 million to \$1 billion agree that they have a high to moderate level of visibility into their carbon footprint, compared with 33% of organizations with \$1 billion or more in revenues. In addition, 41% of respondents cite carbon emissions as a metric they track in their operations. That's significantly lower than energy usage, which 79% of respondents monitor.

This will need to change as more nations implement carbon standards, including net-zero commitments. In the future, sustainability could impact manufacturers' ability to secure financing or gain favorable credit terms. For example, more than 450 financial organizations made a pledge during the 26th United Nations Climate Change Conference of the Parties to reinvest trillions of dollars into companies that are committed to carbon neutrality by 2050.¹

Advancements in smart technologies, such as the internet of things (IoT) and artificial intelligence (AI), will play a critical role in manufacturers' ability to track their carbon footprint and implement best practices.

Executive Summary (continued)

Responses indicate widespread use of data analytics applications but lower rates of adoption for AI and IoT. However, manufacturers indicate they plan to use more digital solutions to track and advance their environmental progress, with 18% selecting IoT as their second most important technology in the future for sustainable business practices.

Beyond the plant floor, many manufacturers see value in sustainable supply chains. More than half of large-size organizations and 38% of small to midsize firms will measure the success of their environmental programs by their ability to extend sustainability across the supply chain. Currently, 34% of all respondents track sustainability across the supply chain, but an additional 36% expect to have that capability within the next five years.

Customer demand will likely drive further environmental initiatives. Consumer awareness around sustainability continues to increase, and survey respondents indicate they're responding to this trend. Overall, 43% of manufacturers believe at least some of their customers will base their buying decisions on the sustainability of their products or their environmental reputation. Another 31% of respondents expect it to impact buying decisions in the future.

A closer look at the data in this report helps manufacturers benchmark their sustainability initiatives and understand where gaps and opportunities may exist in their current processes.

Introduction & Methodology

OVERVIEW

Methodology, data collection and analysis by *IndustryWeek* on behalf of Hitachi Vantara. Data collected October 29 through November 19, 2021.

Methodology conforms to accepted marketing research methods, practices and procedures.

METHODOLOGY

On October 29, 2021, Endeavor Business Media emailed invitations to participate in an online survey to members of the *IndustryWeek* database.

By November 19, 2021, Endeavor Business Media had received 128 completed, qualified surveys. Only respondents whose company has annual revenues of \$100 million or more qualified to participate in the study.

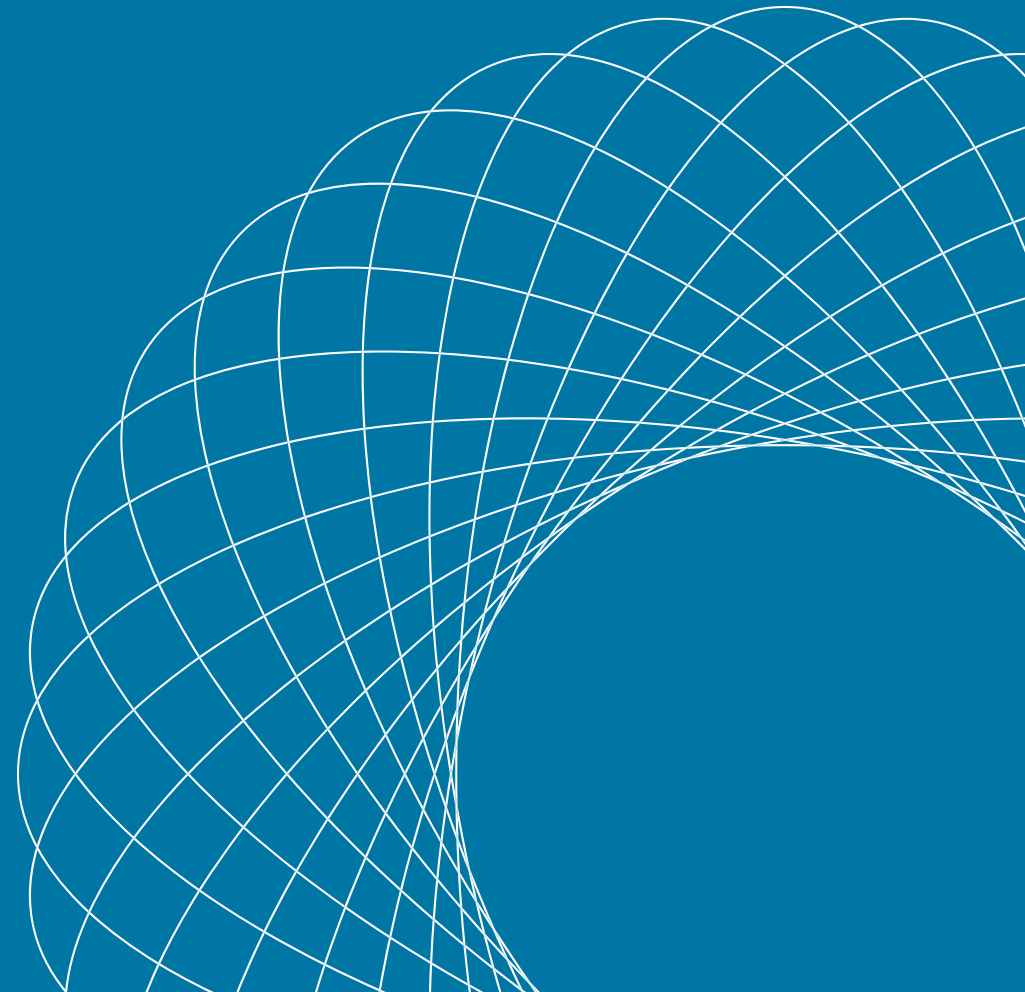
RESPONSIVE MOTIVATION

To encourage prompt response and increase the response rate overall, a live link to the survey was included in the email invitation to route respondents directly to the online survey.

The invitations and survey were branded with the *IndustryWeek* logo in an effort to capitalize on user affinity for this valued brand.

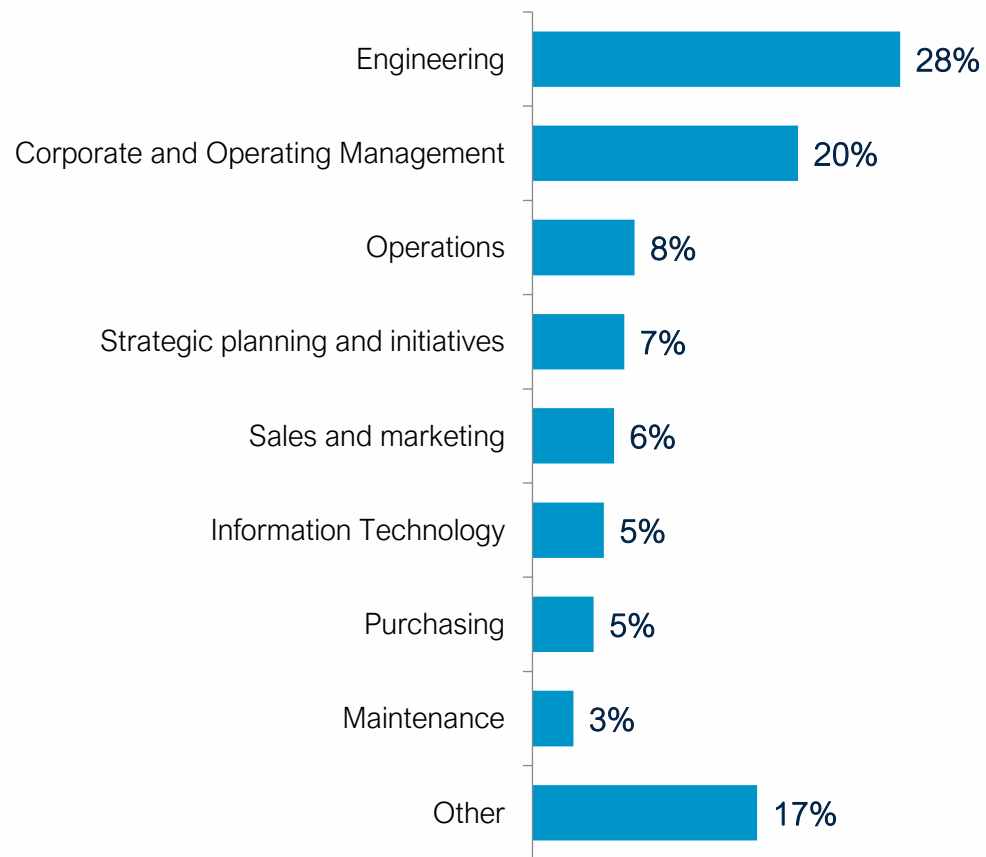
Each respondent was afforded the opportunity to enter a drawing for one of four \$100 Amazon gift cards.

Respondent Profile



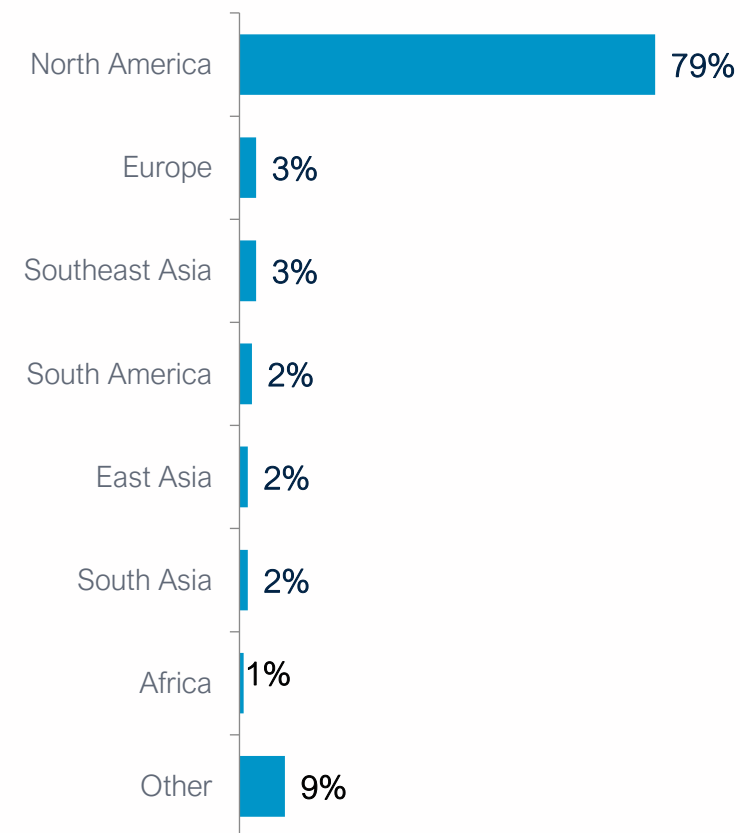
Respondent Profile

The largest percentages of respondents indicate their job title/role as engineering, corporate and operating management, or operations. Respondents are primarily located in North America.



Question: Which of the following categories best describes your job role/title?

Base: All respondents (n=128).

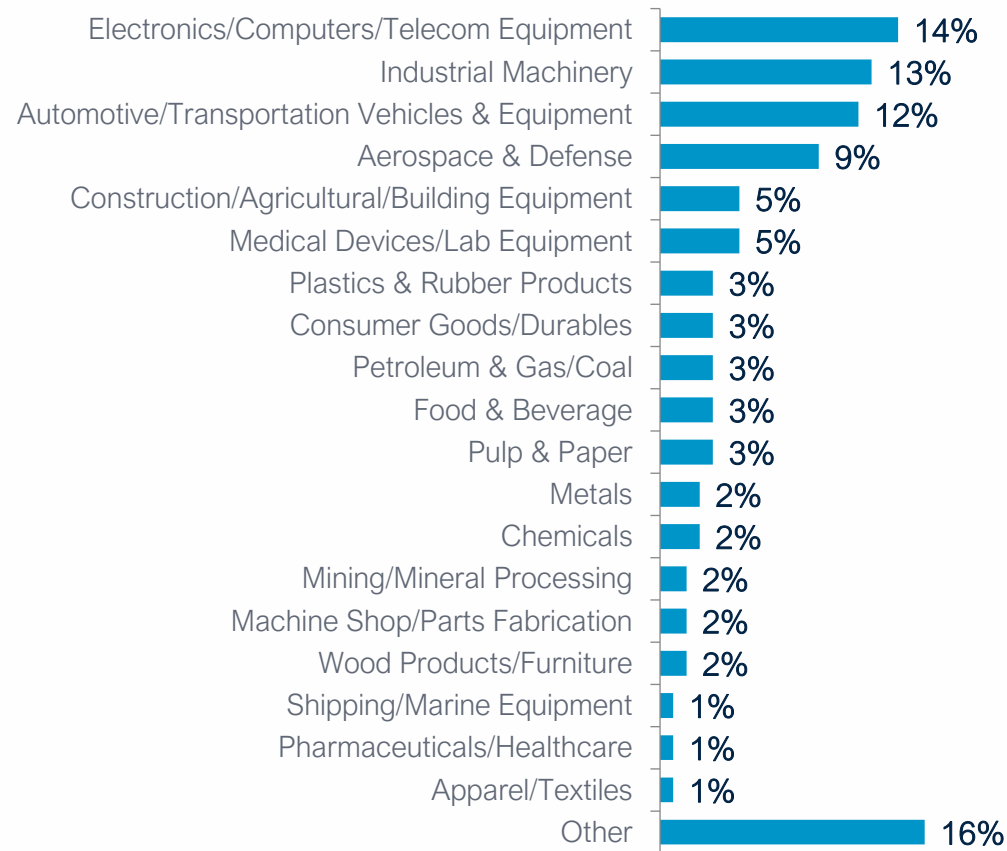


Question: In which region is your company or organization located?

Base: All respondents (n=128).

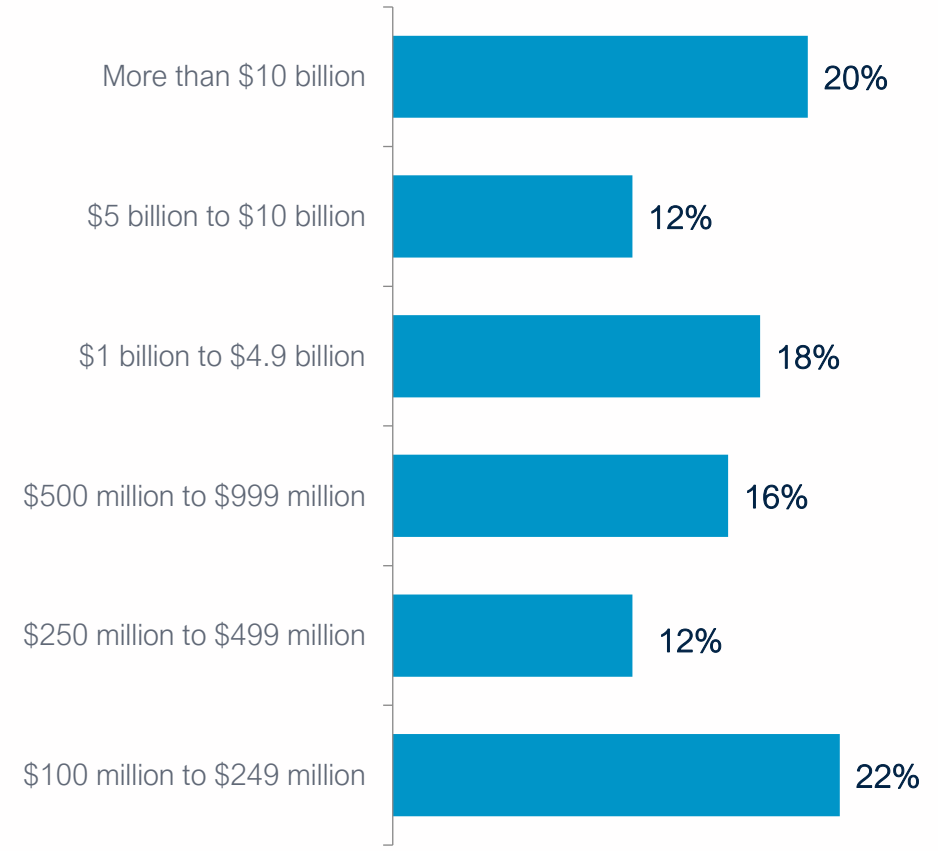
Company Profile

Respondents work in a variety of industries. Only respondents with annual revenues of \$100 million or more qualified to participate in the survey.



Question: What is your company's primary product at your location/division?

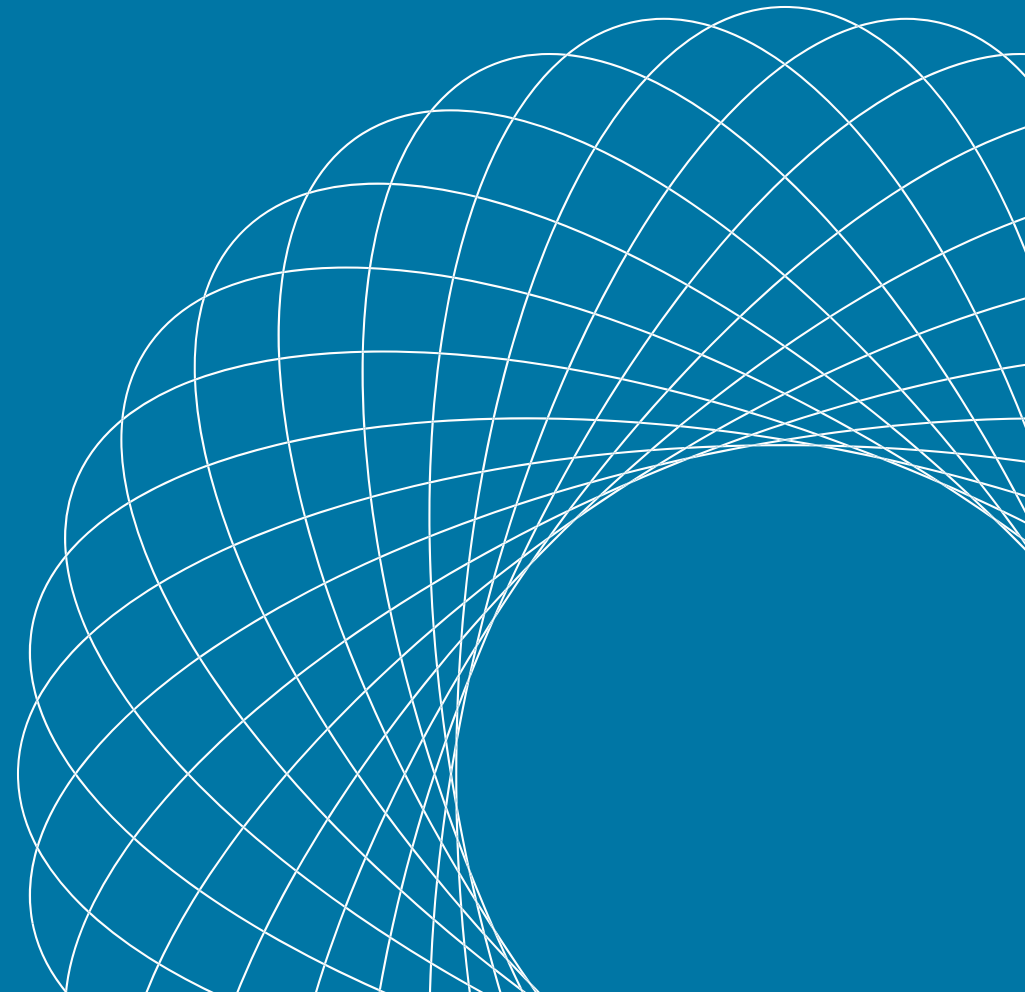
Base: All respondents (n=128).



Question: Into which of the following ranges does your company's annual revenue fall?

Base: All respondents (n=128).

Key Findings



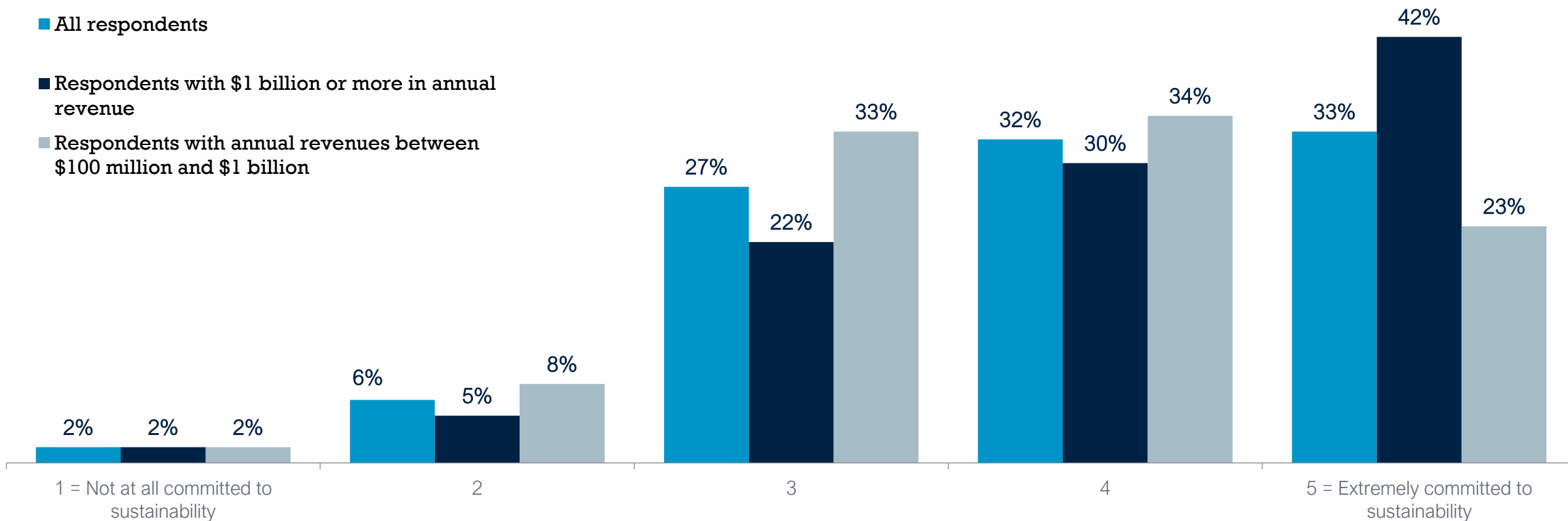
Commitment to Sustainability

About two-thirds of respondents rate their company's commitment to sustainability as 4 or 5 on a 5-point scale. Larger companies rate their commitment to sustainability higher than mid-sized companies.

■ All respondents

■ Respondents with \$1 billion or more in annual revenue

■ Respondents with annual revenues between \$100 million and \$1 billion

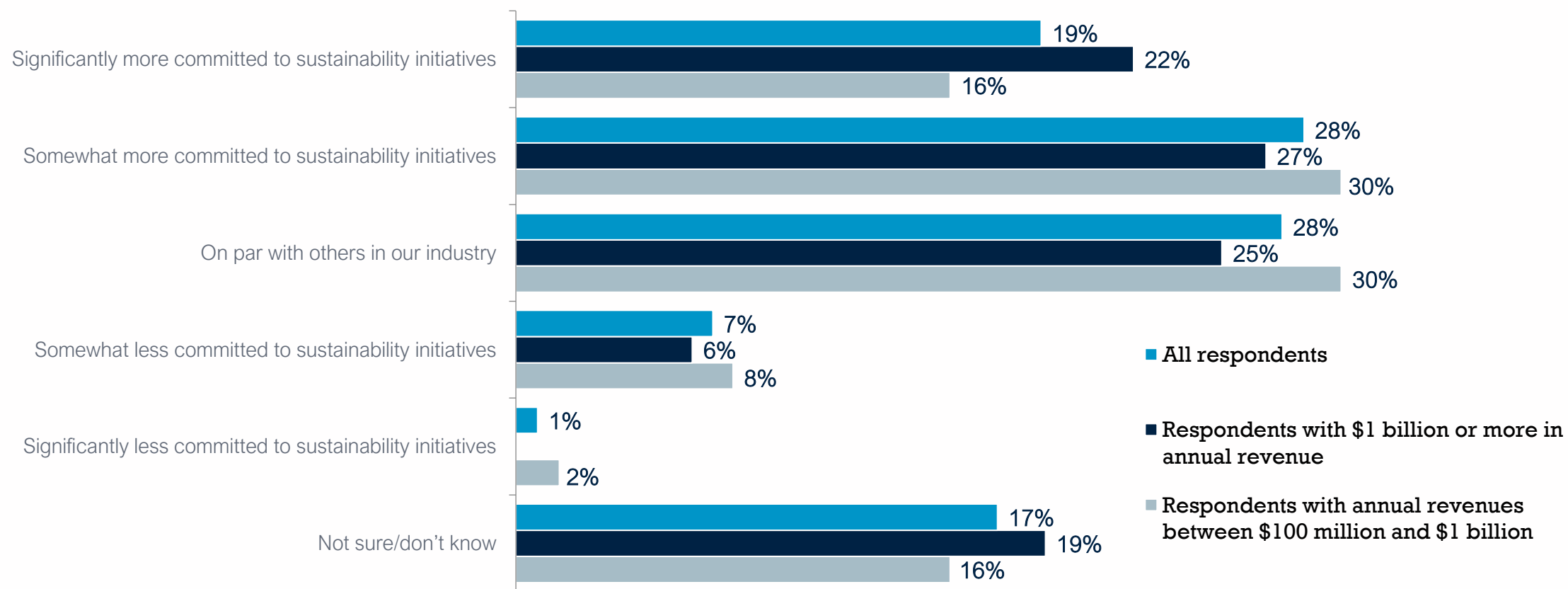


Question: How would you rate your organization's commitment to sustainability?

Base: All respondents (n=128).

Commitment Comparison with Others in Industry

Respondents are unlikely to consider their company less committed to sustainability initiatives than others in their industry. This is true regardless of company size.

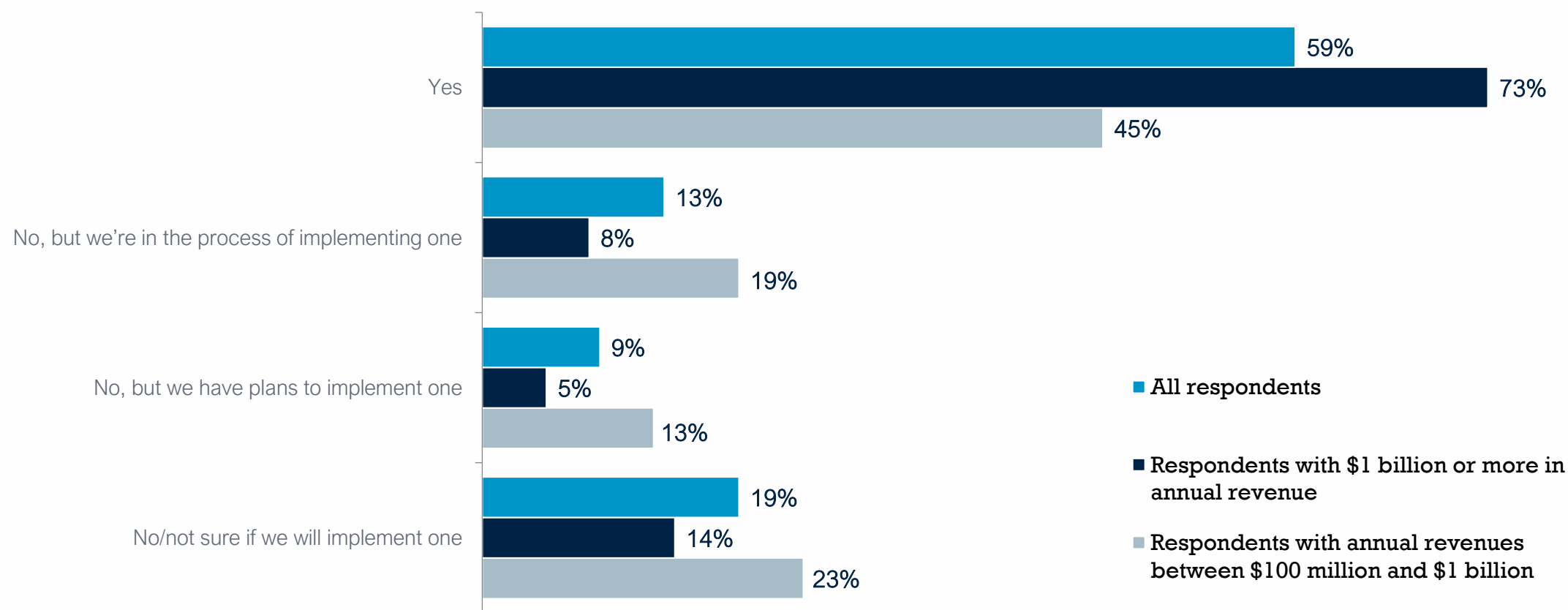


Question: How would you compare your organization's commitment to sustainability with others in your industry?

Base: All respondents (n=127).

Formal Sustainability Program

The majority of respondents have a formal sustainability program in place. At 73%, respondents with revenues of \$1 billion or more are more likely to have a formal sustainability program in place than those with revenues between \$100 million and \$1 billion (45%).



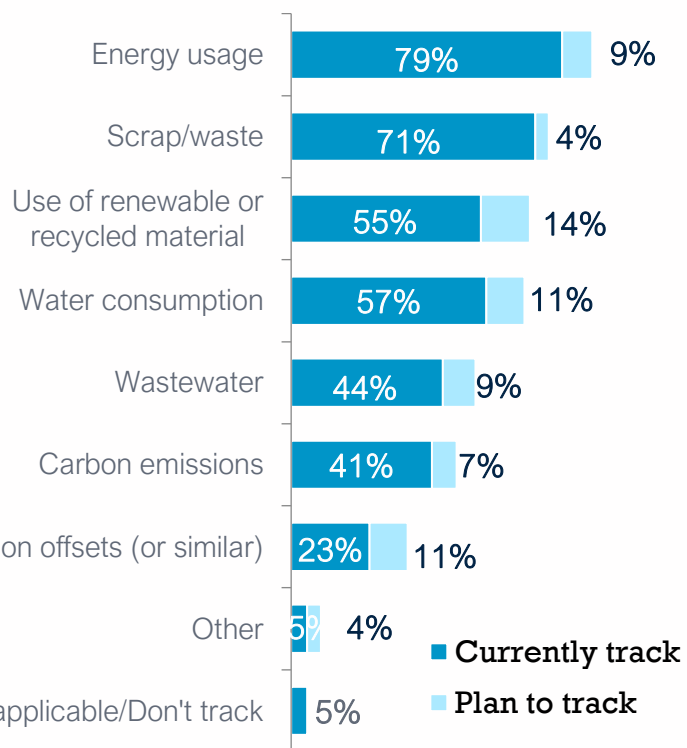
Question: Does your organization have a formal sustainability program in place?

Base: All respondents (n=128).

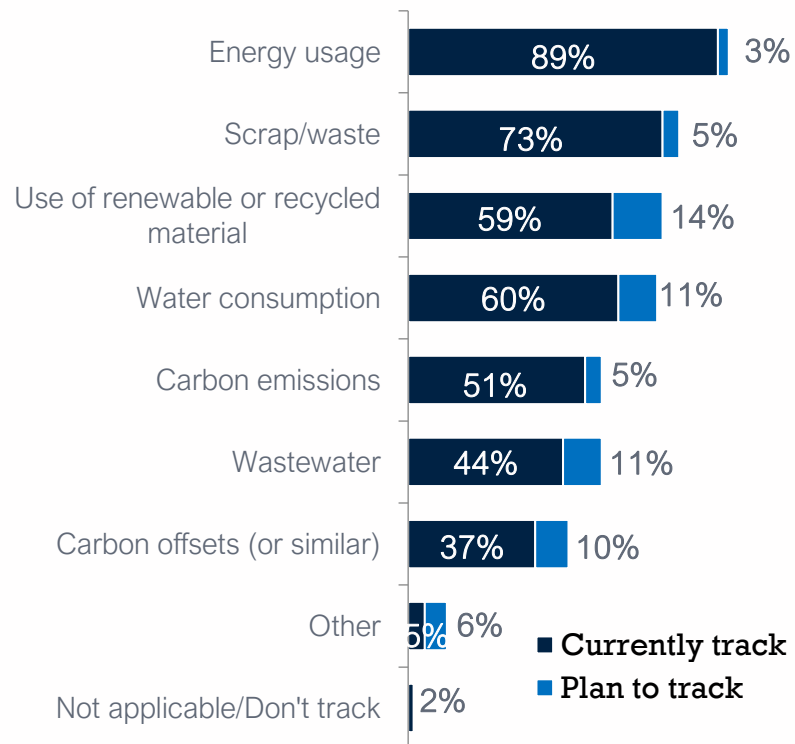
Sustainability Metrics Tracked

Seventy-nine percent of all respondents currently track energy usage. An additional 9% of respondents who do not currently track energy usage plan to do so in the future. Each metric studied is more likely to be tracked by large companies than mid-sized companies.

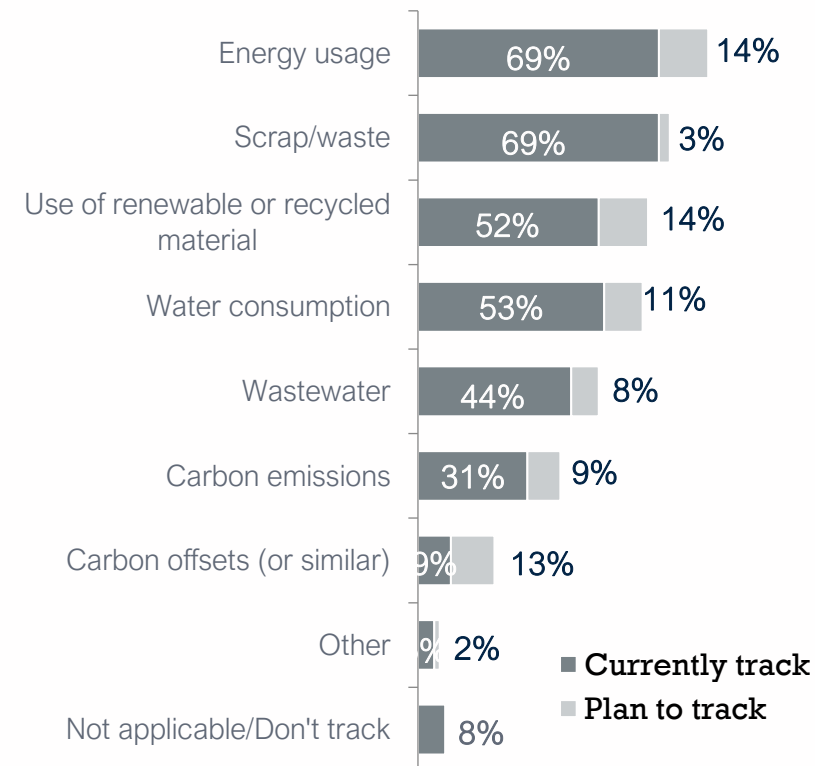
All Respondents



Respondents with \$1 billion or more in annual revenue



Respondents with annual revenues between \$100 million and \$1 billion

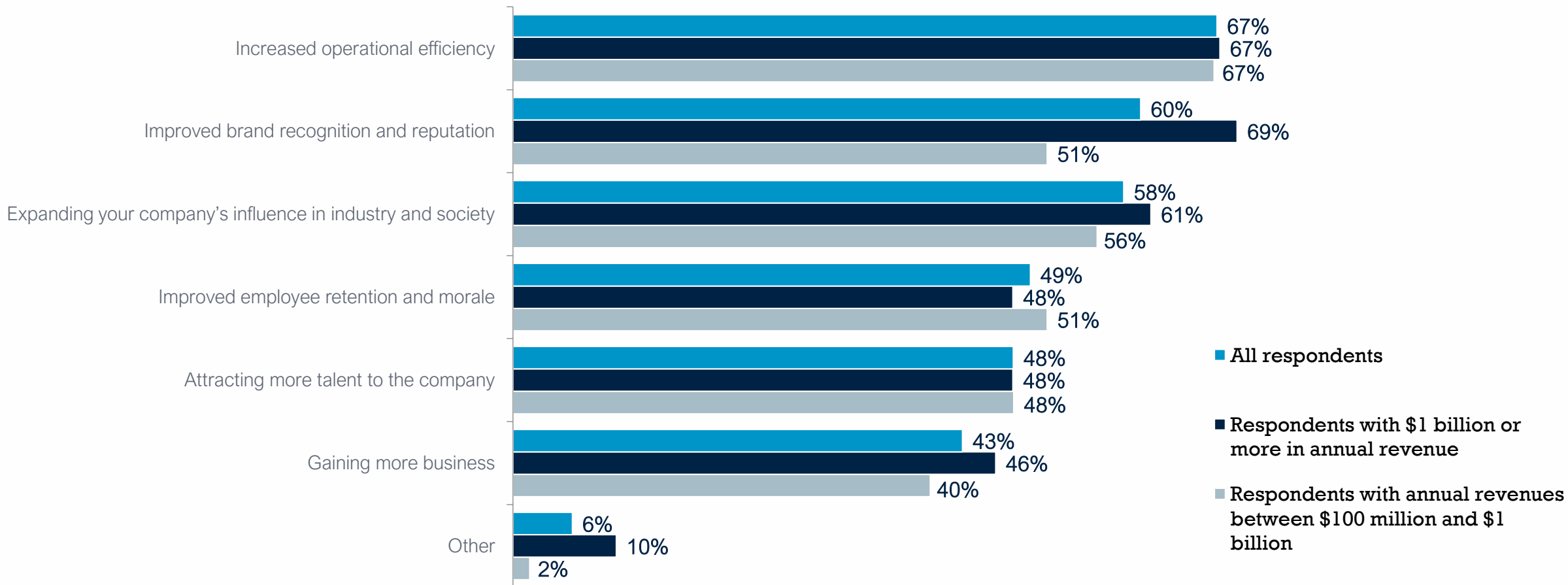


Question: Which of the following sustainability metrics does your organization currently track? What metrics are you planning to track in the future?

Base: All respondents (n=127). Multiple answers allowed.

Top Benefits of Sustainability Efforts

Increased operational efficiency is considered the biggest benefit from sustainability efforts. Improved brand recognition and reputation and expanding the company's influence in industry and society are also considered a benefit by a majority of respondents.

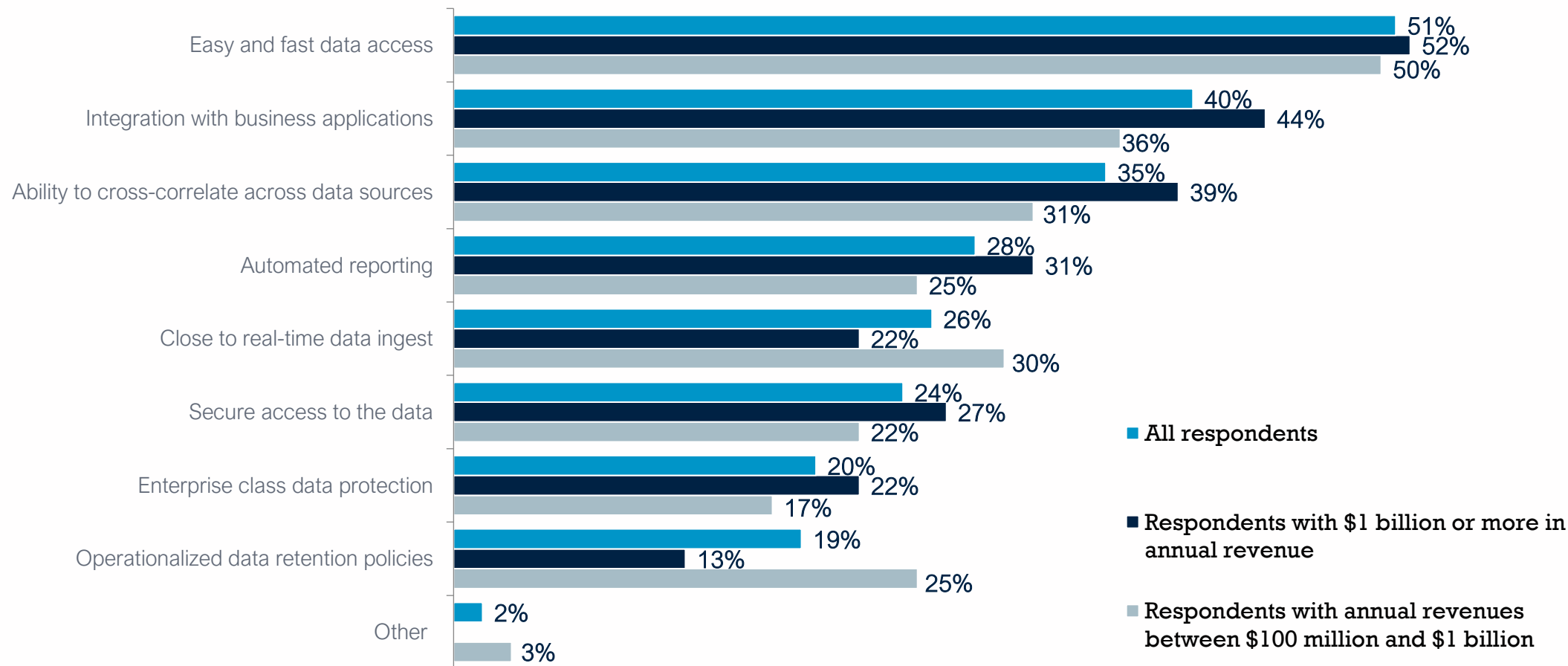


Question What benefits do you expect from your sustainability efforts?

Base: All respondents (n=124). Multiple answers allowed.

Important Aspects of Managing and Analyzing Sustainability Data

When tracking sustainability performance, it is most important that data is easy and fast to access, is integrated with business applications, and can be cross-correlated across different sources.

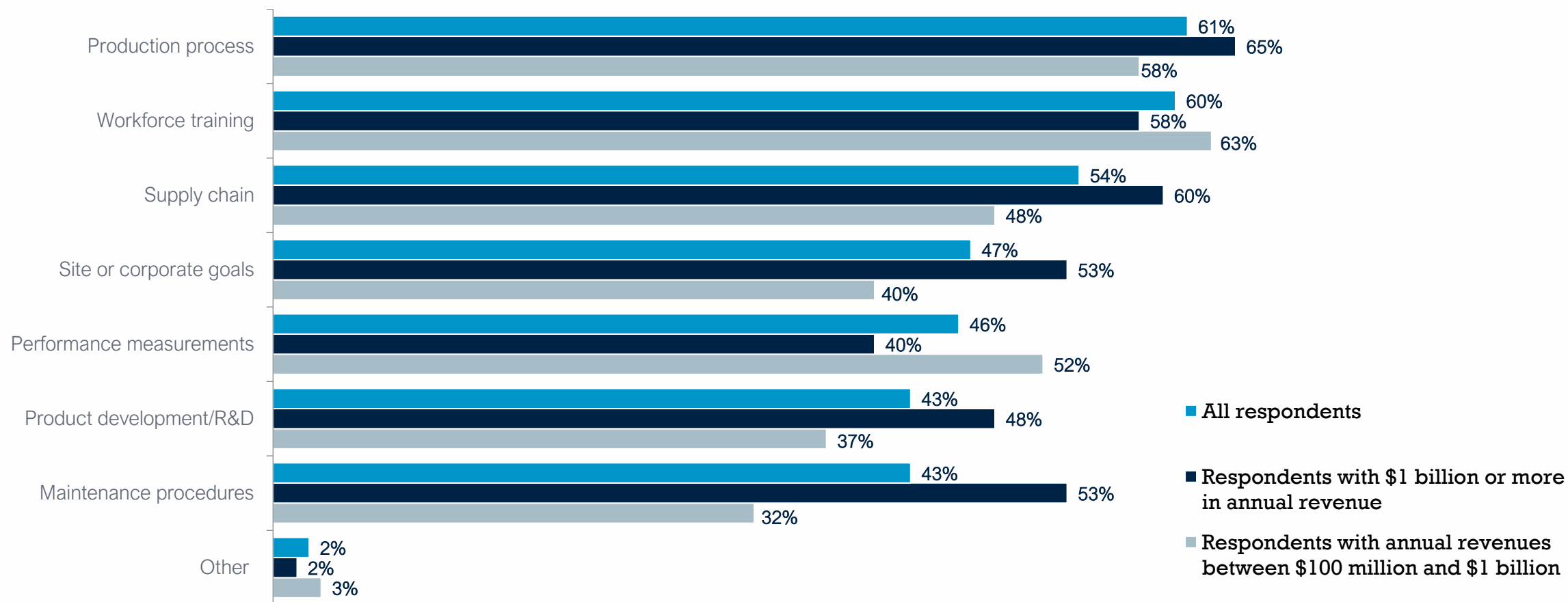


Question What are the most important aspects of managing and analyzing the data you use to track your sustainability performance?

Base: All respondents (n=128). Up to 3 answers allowed.

Changes Needed to Meet Sustainability Goals

To achieve sustainability goals, respondents see the need for significant changes to production processes, workforce training, and the supply chain. Respondents from larger companies are likely to have different views on what needs to be changed than respondents from mid-sized companies.

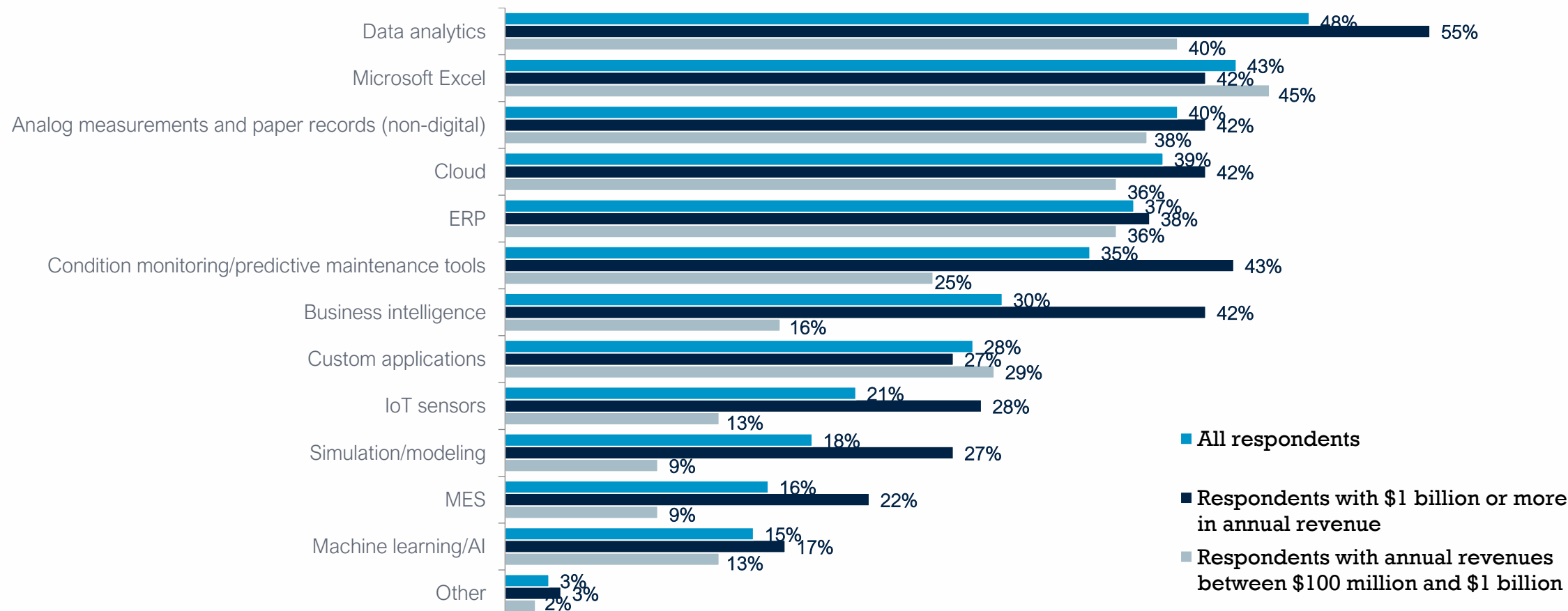


Question To achieve your sustainability goals, will significant changes be required to any of the following functions?

Base: All respondents (n=124). Multiple answers allowed.

Technologies Used to Manage Sustainability Data

Technologies used to manage sustainability data varies widely by company size. Large companies are most likely to use data analytics and condition monitoring/predictive maintenance tools, while those from mid-sized companies are most likely to use Microsoft Excel.

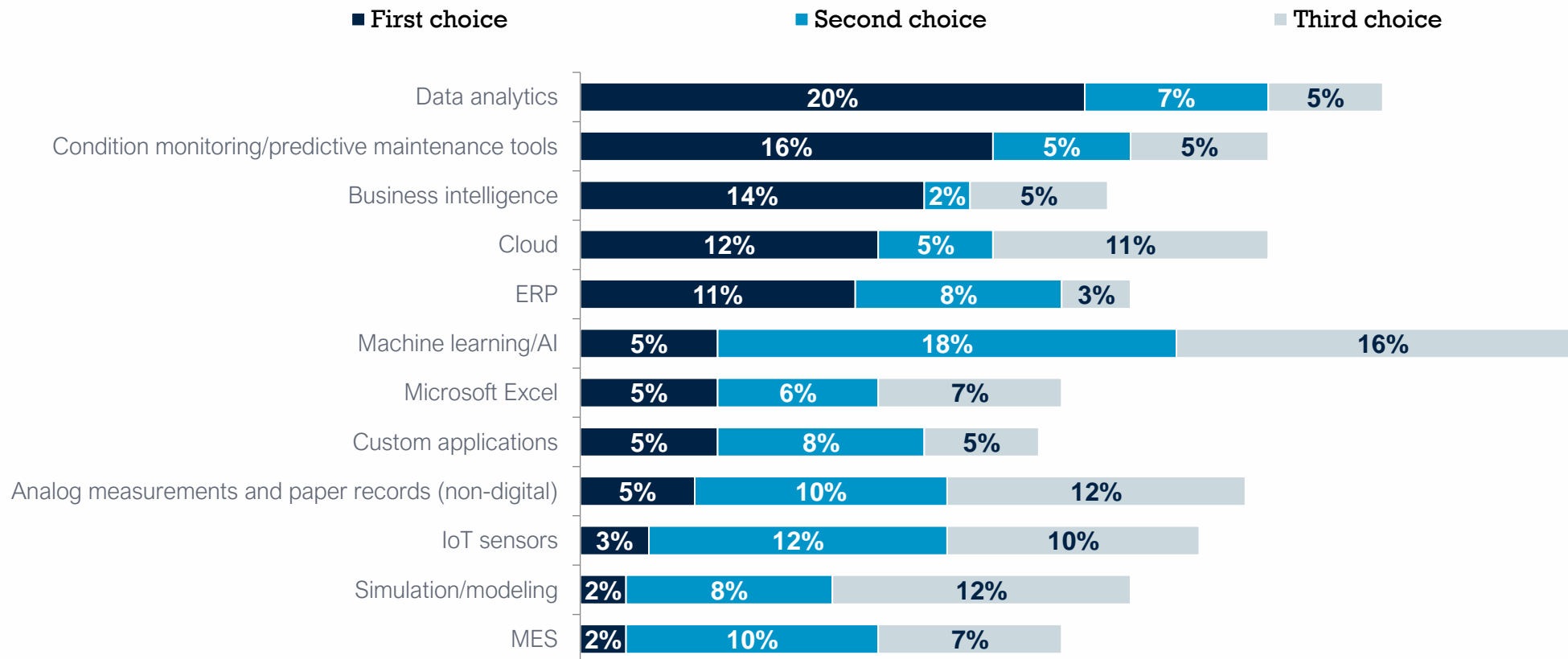


Question: Which of the following technologies do you use to track, analyze, collect, and store sustainability data?

Base: All respondents (n=115).

Most Important Future Technologies

Respondents are most likely to consider data analytics the most important technology to manage sustainability data moving forward. When considering technologies ranked as one of the top three, machine learning/AI is considered to be most important.

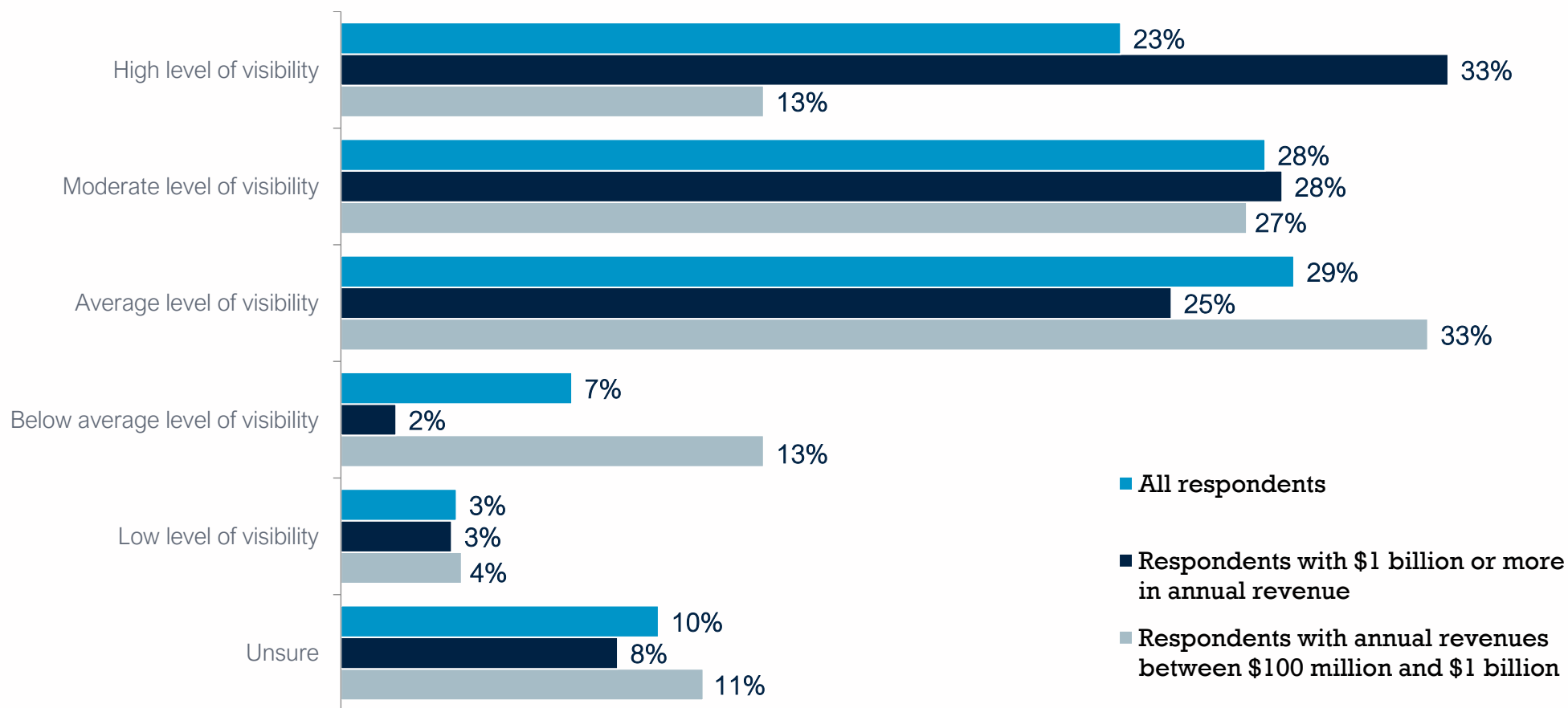


Question: Moving forward, which of these technologies used to track, analyze, collect, and store sustainability data will be most important? Rank the top three.

Base: All respondents (n = 110).

Carbon Footprint Visibility

About half of respondents have a high or moderate level of visibility into the factors that contribute to their company's carbon footprint.

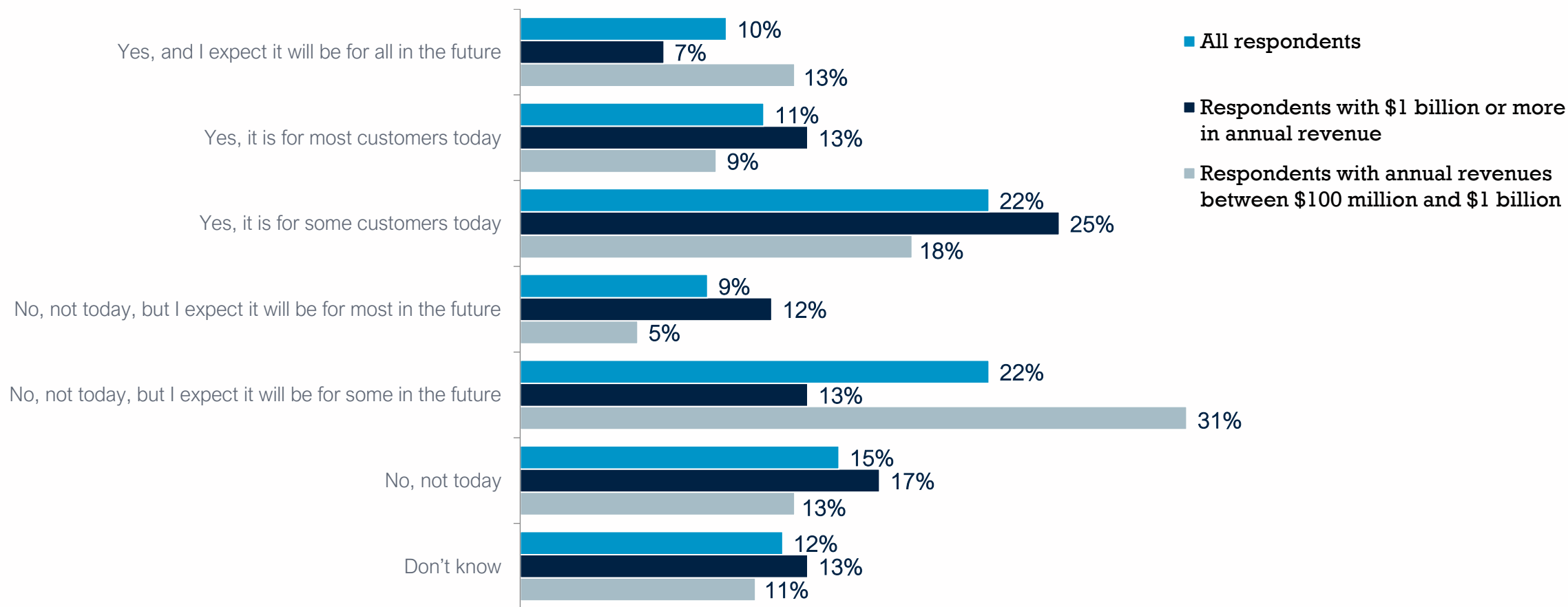


Question Please rate the level of visibility your company has into the factors contributing to its carbon footprint.

Base: All respondents (n=115).

Importance of Sustainability to Customer Decisions

Forty-three percent of all respondents believe their customers base buying decisions on the sustainability of products or a company's sustainability reputation. An additional 31% of respondents expect it to impact buying decisions in the future.

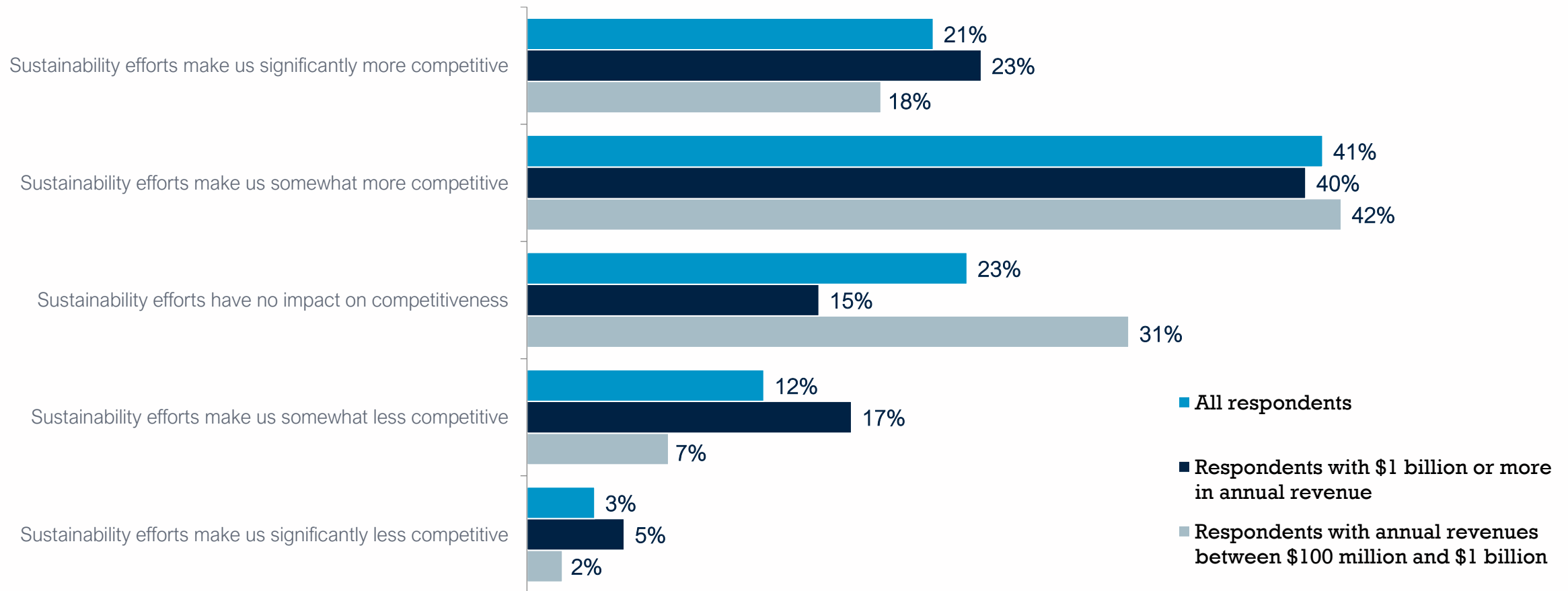


Question: Do your customers base their buying decisions on the sustainability of your products or your reputation as a sustainable manufacturer?

Base: All respondents (n=115).

Impact of Sustainability Efforts on Industry Competitiveness

Sixty-two percent of respondents report that sustainability efforts give their company a competitive advantage. Fifteen percent believe sustainability efforts make their company less competitive.

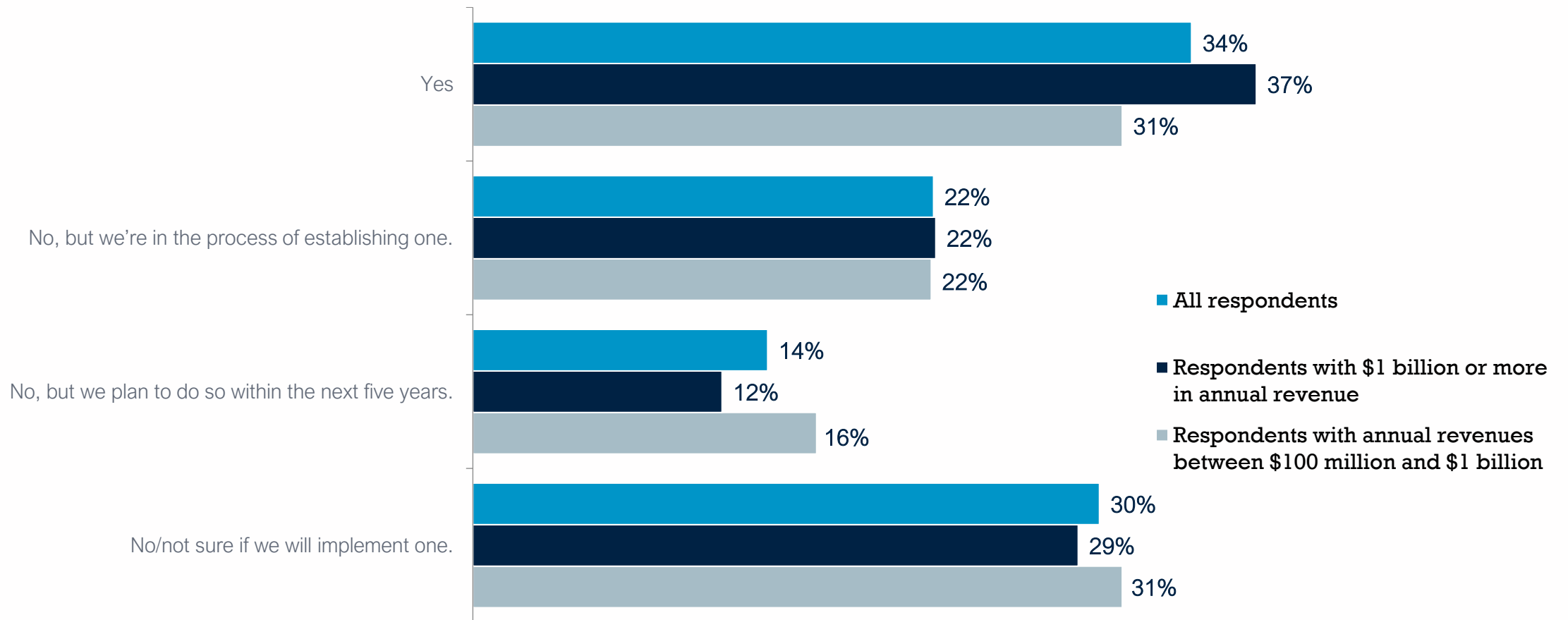


Question: What impact do your sustainability efforts have on your ability to remain competitive in your market?

Base: All respondents (n=115).

Tracking Sustainability Across Supply Chain

While only 34% of respondents currently have a method for tracking sustainability across their supply chain, an additional 36% expect to have that ability within the next five years or sooner.

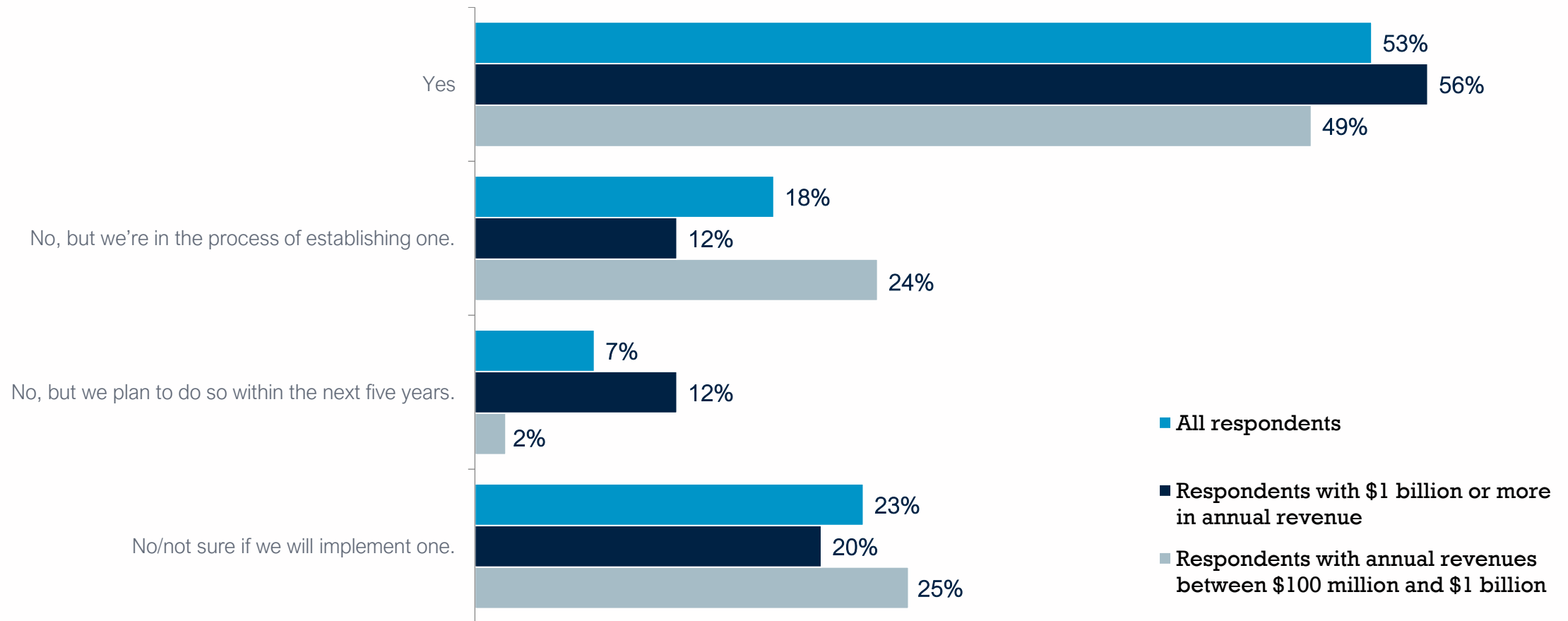


Question: Do you currently have a method for tracking sustainability across your supply chain?

Base: All respondents (n=114).

Tracking Sustainability Across Production Processes

Over half of respondents are capable of tracking sustainability across their production processes and operations. An additional 25% are currently in the process or plan to add this capability within the next five years.

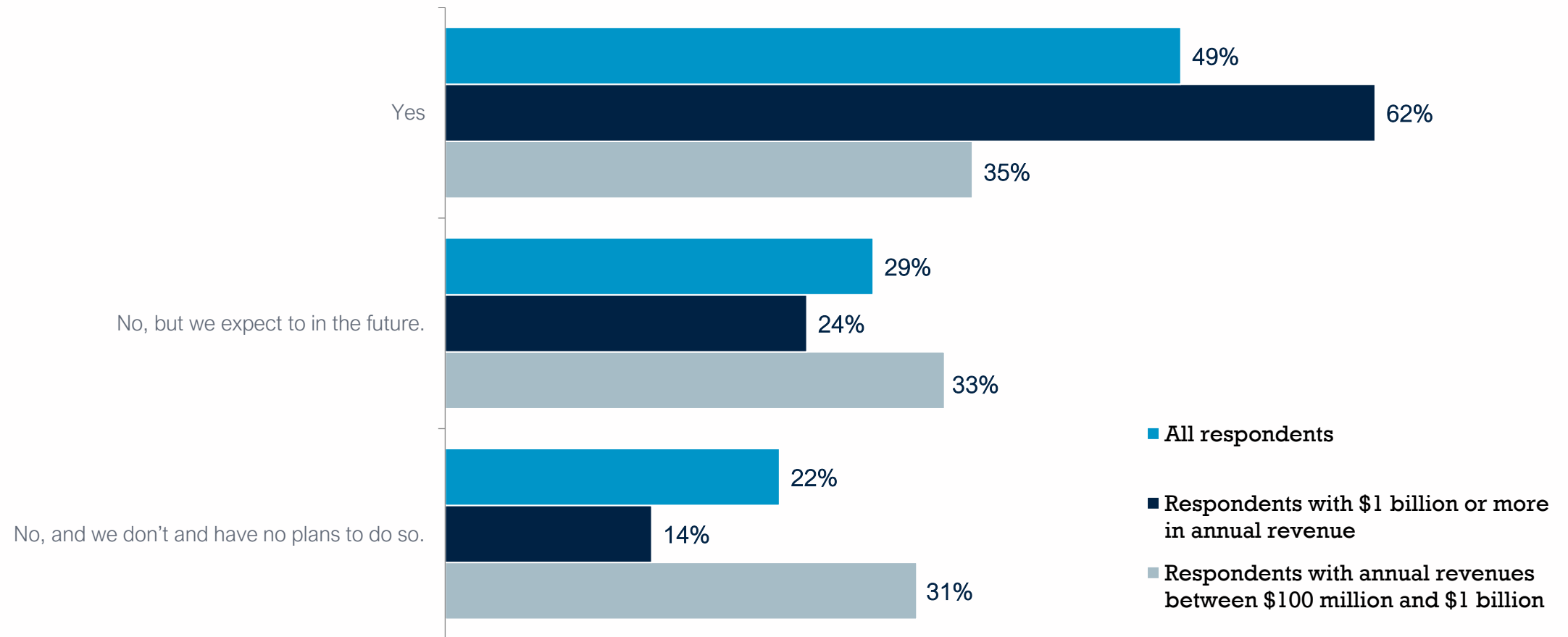


Question: Do you currently have a method for tracking sustainability across your production processes/operations?

Base: All respondents (n=114).

Marketing Programs Promoting Sustainability Efforts

Nearly half of respondents currently have marketing campaigns to promote their sustainability efforts. An additional 29% plan to add this in the future. As shown on slide 15, 60% of respondents believe that a benefit of sustainability programs is increased brand recognition and reputation.

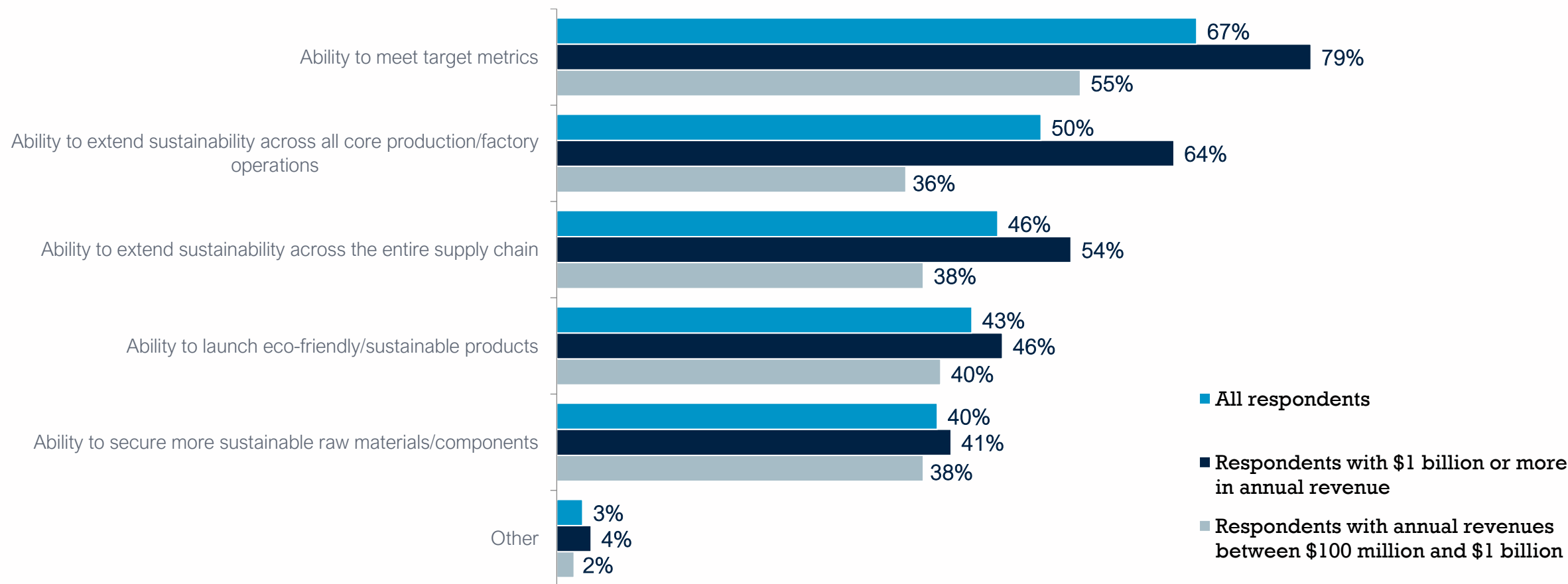


Question: Do you currently have marketing campaigns that promote your sustainability efforts?

Base: All respondents (n=112).

Future Progress Measurements

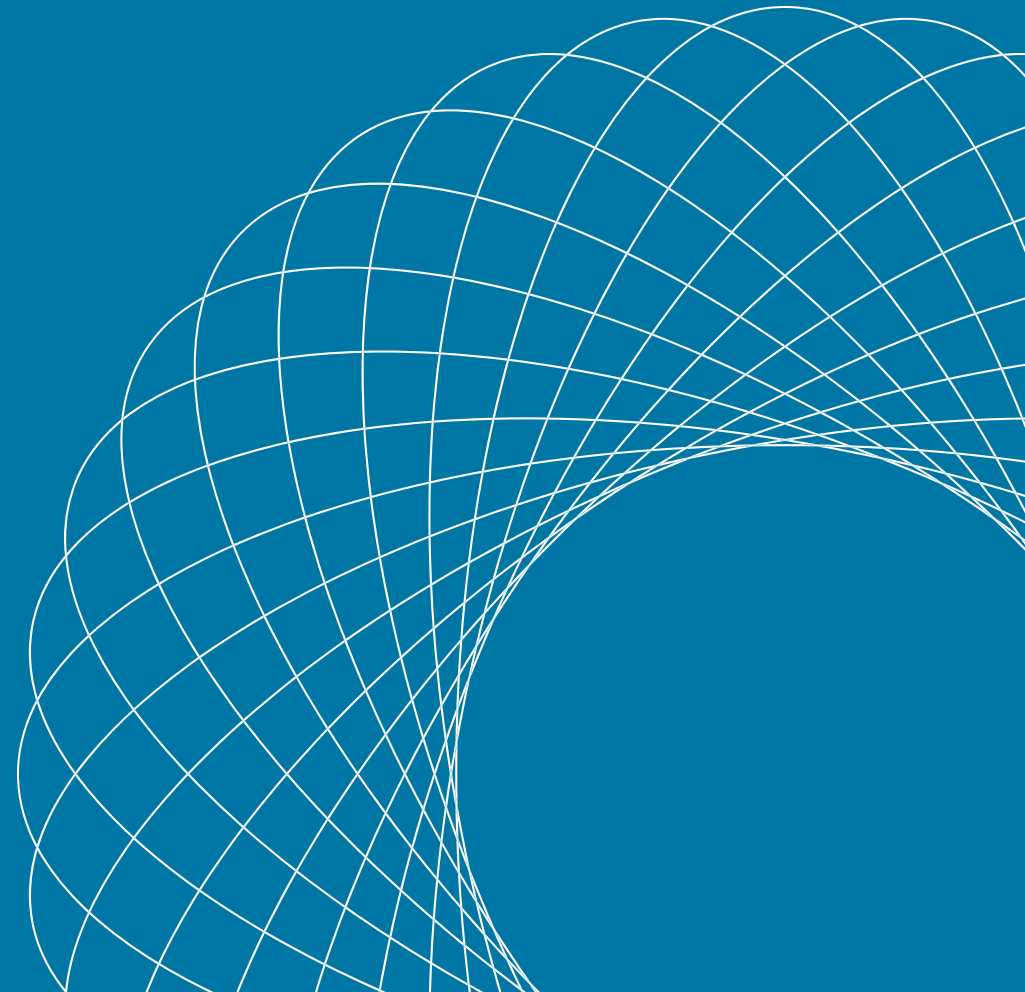
Moving forward, companies are likely to measure their sustainability progress by the ability to meet target metrics and the ability to extend sustainability across all core production/factory operations and even across the entire supply chain.



Question: How will you measure your sustainability progress going forward?

Base: All respondents (n=111). Multiple answers allowed.

Write-in Comments



Write-in Comments

Which of the following categories best describes your job role/title? Other responses:

- All of the above
- Consulting – 3 mentions
- Continuous Improvement/Lean facilitator
- Environmental, Health and Safety – 3 mentions
- ISO Systems Management
- Logistics
- Oil exploration and production
- Production welding
- Project management
- Quality – 2 mentions
- Research & Development
- Safety – 3 mentions
- Supply Chain Transformation
- Sustainability

What is your company's primary product at your location/division? Other responses:

- All metals including exotic metals
- All of the above
- Building materials - roofing
- Business services
- Cement and aggregate
- Consulting engineers
- Electrical power & City Government
- Electrical Wire and Cable
- Energy – 2 mentions
- Energy producing turbines
- Government
- HVAC
- Insurance
- Manufacturing Sports Hard goods
- Providing technical training to frontline workers in Energy, A&D, MFG
- Software – 3 mentions
- Technology

In which region is your company or organization located? Other responses:

- Global – 9 mentions
- North America, Europe, Asia Pacific
- North America, Europe, East Asia

Write-in Comments

Which of the following sustainability metrics does your organization currently track? Other responses:

- Air Emissions
- Chemicals recover, recycling, recovery, reuse
- Recycling
- Solid waste generation
- We help clients reach no carbon solutions

What metrics are you planning to track in the future? Other responses:

- Air Emissions
- Chemicals recover, recycling, recovery, reuse
- Recycling
- Usage of printer paper

What benefits do you expect from your sustainability efforts? Other responses:

- Continues operations per regulatory requirements.
- Ensure longevity of business
- It's the right thing to do
- Loss of profit
- Pleasing customers interested in sustainability
- Social acceptance

What are the most important aspects of managing and analyzing the data you use to track your sustainability performance? Other responses:

- Costing

Which of the following technologies do you use to track, analyze, collect, and store sustainability data? Other responses:

- Tablets and smartphones
- Third party software.

How will you measure your sustainability progress going forward? Other responses:

- Products launched to help our customers

Thank you!

