



IDEAS | PEOPLE | TRUST

BDO STRATEGY & CDD

SUSTAINABLE PACKAGING IS CHANGE IN THE AIR?

SPRING 2023



SUSTAINABLE PACKAGING: IS CHANGE IN THE AIR?

Sustainability is becoming ever more important across all aspects of the economy. Media coverage over recent years has highlighted plastic pollution and brought packaging to the forefront of consumers' as well as corporates' minds.

Packaging remains critical, both to protect products, but also to help drive differentiation (especially for FMCGs). It is here to stay - and the drive for sustainability will only go in one direction.



SUSTAINABLE PACKAGING: IS CHANGE IN THE AIR?

Continued

MAKING PACKAGING MORE SUSTAINABLE

BDO's recent [Packaging Sector Insights report](#) detailed a number of areas driving sustainability in the packaging sector. Making packaging sustainable is complex and there are several levers that can and need to be pulled to achieve environmental goals. These include:



- A** **Government regulations, taxes & incentives to compel companies (and consumers) to invest** - in our experience this is still a key factor that drives innovation and/or uptake of newer (initially often more expensive, e.g. mono-films over multi-layer) materials and solutions;
- B** Availability of **collection and recycling infrastructure** - a critical input to make the system work. The UK (and to some extent also wider Europe) has further improvements to make in collection, separation and treatment of waste to ensure that the maximum amount of waste can be fed back into the economy. Investment in more existing and in new types of recycling operations and technologies is necessary;
- C** **Corporates** need to (continue to) heed the demand for sustainability and invest in R&D to reduce the waste they generate, maximise the use of recyclates and develop new materials. The most innovative companies do not only do all of the above, but also help their customers create closed loops and integrate (or partner) along the value chain; and
- D** **Consumer attitudes** - while a “soft” factor, increasing awareness by and pressure from consumers on the corporate world is driving change. However, for the circular economy to take hold, consumers need to “invest” by making the effort to recycle, reuse & repair items and potentially pay more for the products they purchase.

SUSTAINABLE PACKAGING: IS CHANGE IN THE AIR?

CONTINUED

INNOVATION - A WIDE SPECTRUM OF SOLUTIONS

Innovation has been driving significant advances in making packaging more sustainable. Multiple options are available to packaging companies and their customers.

These often revolve around improving usage and processes of existing materials, eg

- ▶ replacing substrates with more sustainable materials;
- ▶ downgauging (thereby reducing the amount of packaging); and
- ▶ optimising the use of recycled input materials such as rPET.

However, they increasingly also mean development of new methods and substrates, e.g.

- ▶ “improving” existing materials such as PET (e.g. mono-films, which can be recycled, unlike multi-layer packaging, which must be incinerated or sent to landfill); and
- ▶ bio-degradables and compostables - substrates often made from natural materials.

All of these are and will increasingly drive differentiation and determine the future of packaging companies and their customers.

M&A has been and continues to be a key enabler of adding not only geographic reach, new customers or materials, but increasingly acquiring new capabilities.

UK CONSUMERS ARE CONCERNED ABOUT THE ENVIRONMENT AND ARE (INCREASINGLY) ACTIVE RECYCLERS

The BDO Strategy & CDD team conducted consumer studies to understand current and future attitudes to sustainability, recycling and packaging.

KEY FINDINGS

1

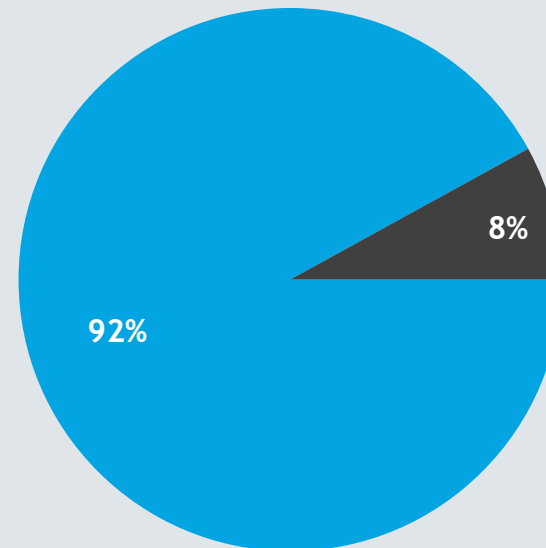
Over 90% of respondents are concerned about the impact of packaging on the environment

BDO COMMENT

Sustainability continues to be a top issue for consumers and therefore has to be so for corporates - packaging is a key area and is also very visible to consumers. The corporate world ignores these attitudes at its peril.

How concerned are you about the impact of packaging on the environment ?

Concerned



Not Concerned

Note: In February 2023 the BDO Strategy & CDD team conducted a UK-wide representative consumer survey (n=500)

UK CONSUMERS ARE CONCERNED ABOUT THE ENVIRONMENT AND ARE (INCREASINGLY) ACTIVE RECYCLERS *CONTINUED*

KEY FINDINGS

2

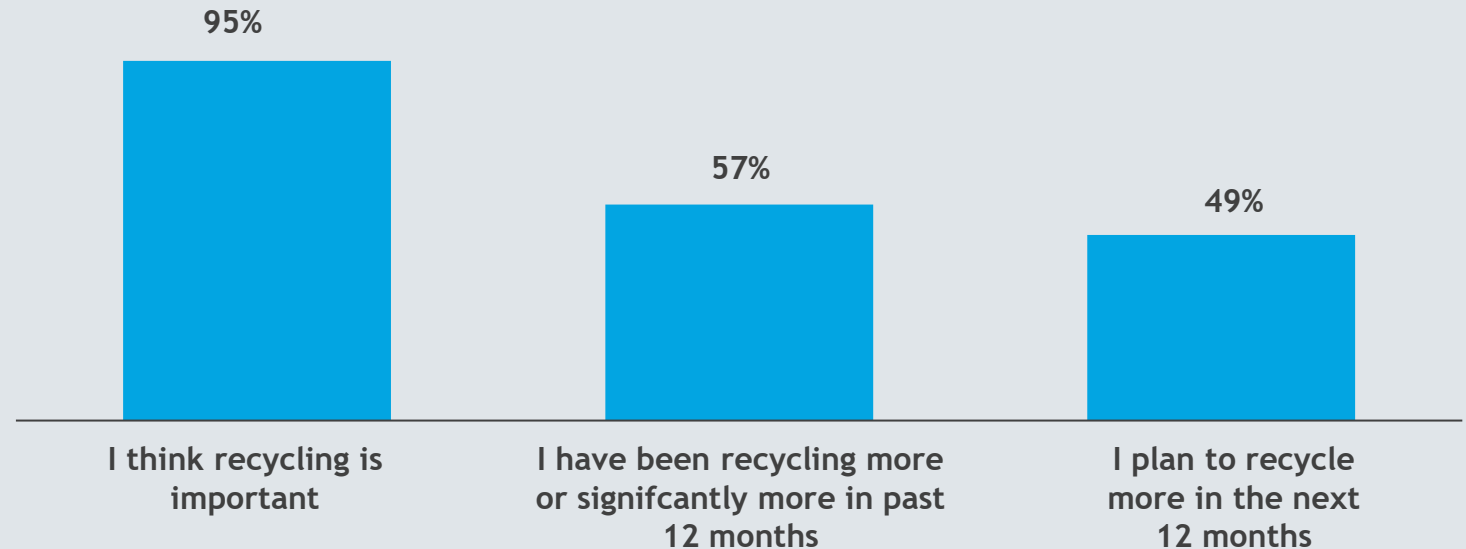
Over 95% believe that recycling is important. Almost 60% of respondents are recycling more and c.50% are planning to do even more

BDO COMMENT

A general willingness to recycle and to continuously increase adherence is a strong positive for moving to a more circular economy. Government and business need to ensure materials are more easily recycled, clearly labelled and that investment in recycling infrastructure and technologies keep pace with demand.

To what extent do you agree with the following statements?

■ Agree



THEY HAVE A SOPHISTICATED UNDERSTANDING OF THE SUSTAINABILITY OF MATERIALS - AND WILL JUDGE CORPORATES LAGGARDS

KEY FINDINGS

3

Only about 75% of consumers think understand how sustainable / recyclable various materials are - of those half are not overly confident in their understanding

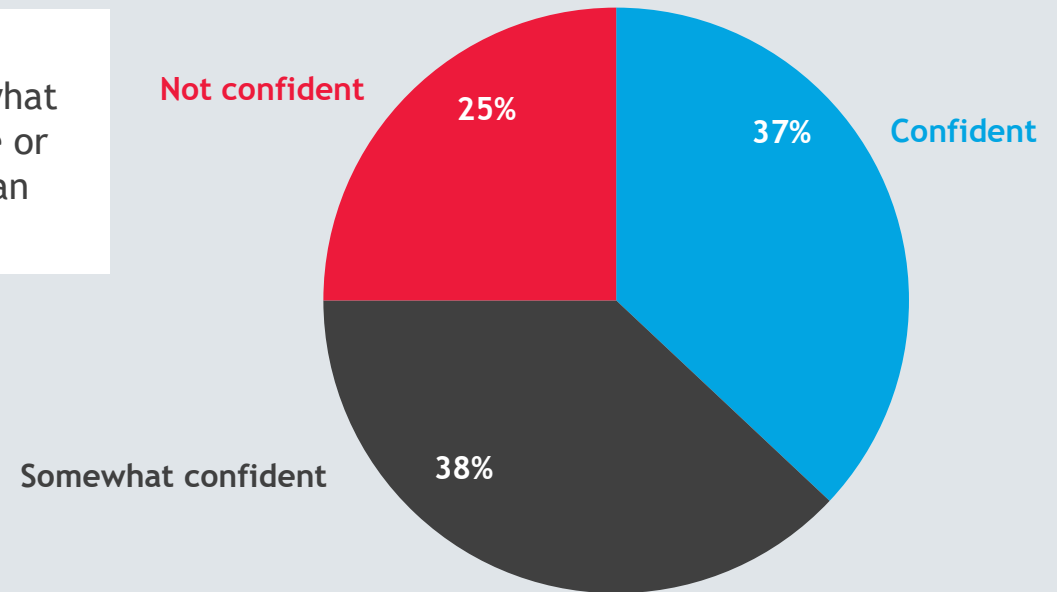
BDO COMMENT

Making recycling more widely available and accessible will drive the circular economy.

Awareness and self-assessed levels of understanding are relatively high. However, there appears scope and appetite for more education of consumers (and businesses).

To what extent do you agree with the following statement:

“I have a good understanding of what materials are more or less sustainable than others.”



THEY HAVE A SOPHISTICATED UNDERSTANDING OF THE SUSTAINABILITY OF MATERIALS - AND WILL JUDGE CORPORATES LAGGARDS *CONTINUED*

KEY FINDINGS

4

Despite doubts expressed above, respondents managed to rank materials broadly correctly in order of their sustainability

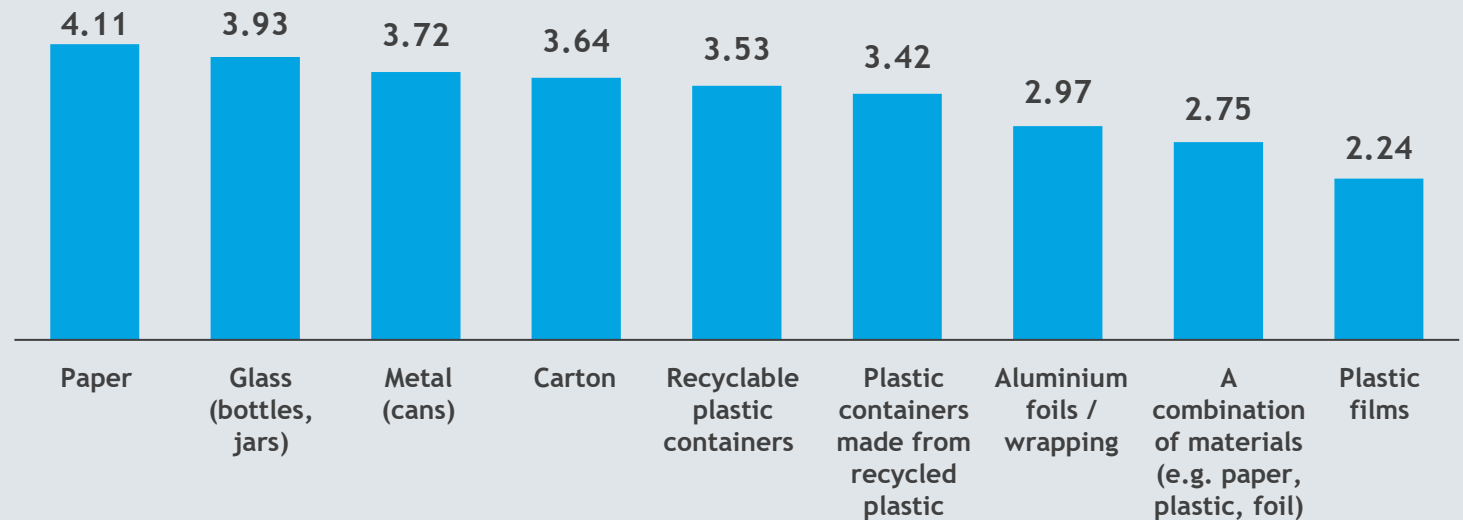
BDO COMMENT

Consumer understanding of different materials was in general surprisingly good. This also implies that they can critically judge the packaging they are presented with by companies.

Plastic has an image problem - in many cases it is actually a very sustainable product, However, for it to be sustainable, it needs to be more widely and more completely recycled.

On a scale of 1 to 5 (1 least sustainable to 5 most sustainable) how sustainable do you think the following packaging types are?

■ Average scale



CONSUMERS PERCEIVE THAT CORPORATES ARE NOT DOING ENOUGH AROUND THE TOPIC AND EXPECT THEM TO CARRY THE COST OF CHANGE

KEY FINDINGS

5

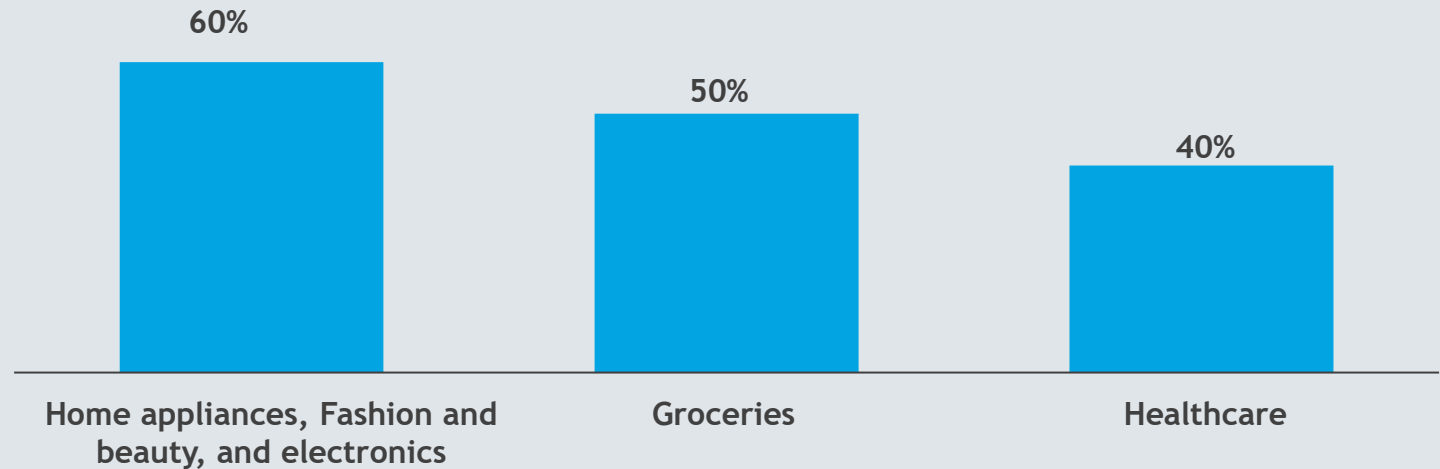
c.60% thought that electronics, fashion and beauty and electronics companies used more packaging than necessary (healthcare and grocery fared better)

BDO COMMENT

There appears to be a popular consensus that companies use more packaging than is necessary. Not all industries are created equal and while everyone has more to do, some more so than others. Grocers' (and to some extent healthcare's) strong focus on innovation and usability of packaging, as well as packaging's role to preserve hygiene might explain the more "forgiving attitude" for these sectors.

In the following industries, how do you perceive companies' usage of packaging ?

■ They are using too much packaging



CONSUMERS PERCEIVE THAT CORPORATES ARE NOT DOING ENOUGH AROUND THE TOPIC ... *CONTINUED*

KEY FINDINGS

6

Almost 60% thought business did not do enough around sustainability and over 90% thought business should carry the cost of improving packaging

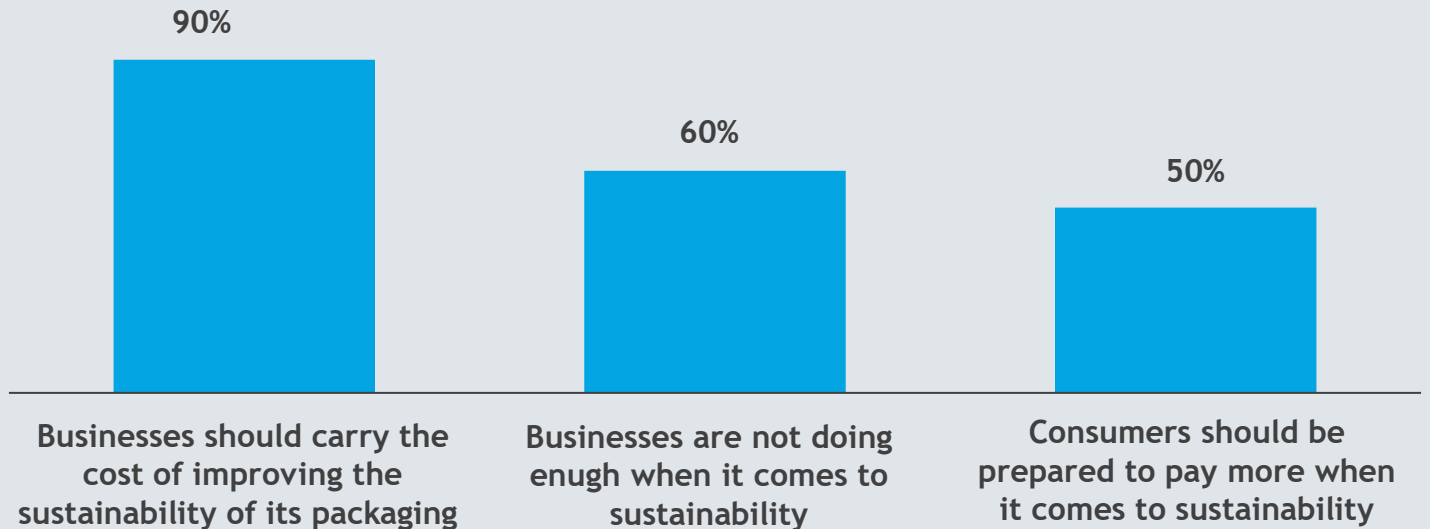
BDO COMMENT

A gap remains between consumers' concern for the environment (and willingness to recycle) vs their willingness to pay for more sustainable packaging.

The popular consensus is that companies use too much packaging and that they should take responsibility for addressing this - including absorbing higher costs -an issue for many companies, but critical for their image.

To what extent do you agree with the following statements?

■ Agree



CHANGE IS IN THE AIR - YOUNGER GENERATIONS ARE MORE CONCERNED, MORE ACTIVE AND CRUCIALLY MORE WILLING TO SHOULDER SOME COST

KEY FINDINGS

7

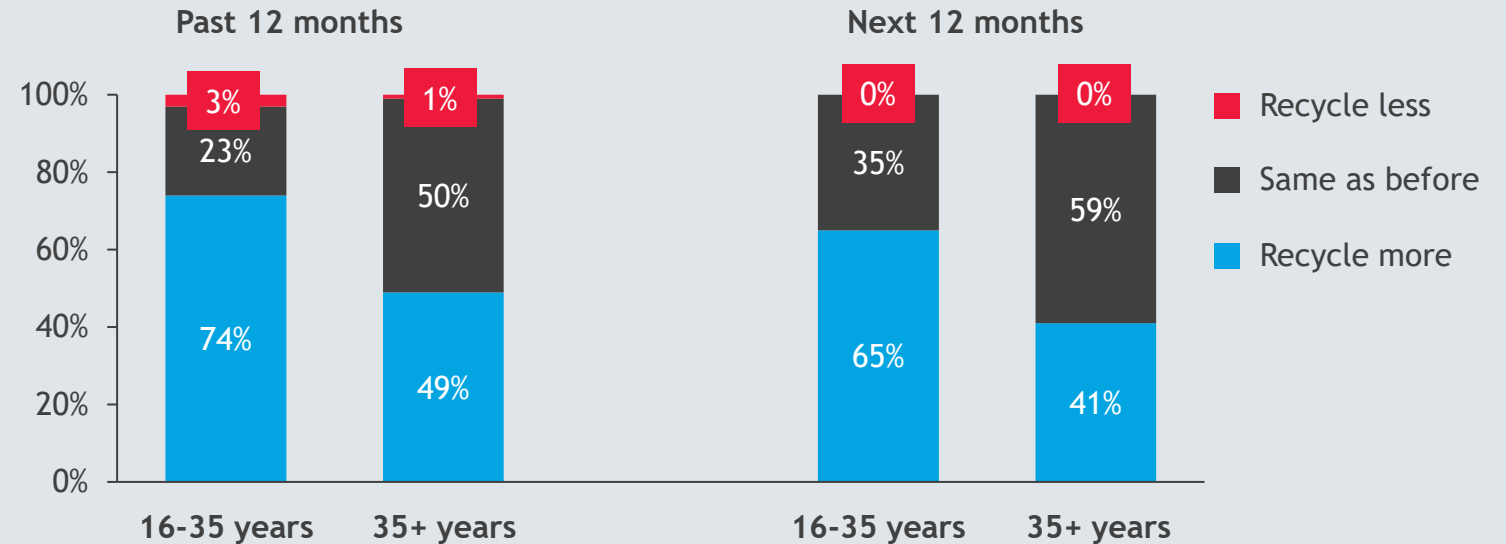
There is a clear difference between younger consumers (<35 yrs) and older parts of the population across all aspects covered in this survey - ranging from concerns via willingness to recycle to willingness to pay more for more sustainable products

BDO COMMENT

Demands on industry are likely to continue to grow, especially as younger generations come of age and gain increasing spending power. Younger generations are more concerned, more engaged, and more likely to recycle than the general population. Critically, they appear to be increasingly prepared to take on some of the financial burden of making more sustainable packaging a reality.

INTENT

To what extent have you been recycling / would you recycle waste packaging ?



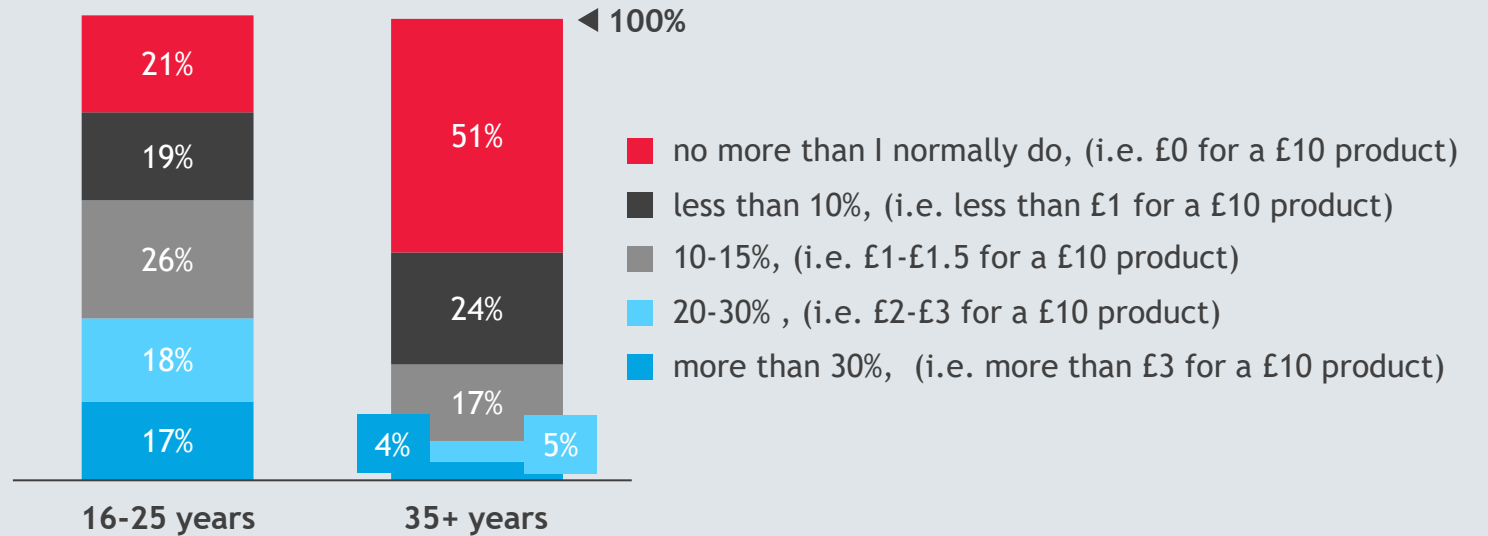
Note: In February 2023 the BDO Strategy & CDD team conducted a UK-wide representative consumer survey (n=500; n=159 for 16-25 yrs, n=341 for 35+ yrs)

CHANGE IS IN THE AIR - YOUNGER GENERATIONS ARE MORE CONCERNED, MORE ACTIVE ... CONTINUED



WILLINGNESS TO PAY

“For a product, I am prepared to pay _____ above the asking price for sustainable packaging.”



MEET THE TEAM



DANIEL M. GUTTMANN | PARTNER

HEAD OF INDUSTRIAL PRODUCTS,
TECHNOLOGY & SERVICES

STRATEGY & CDD

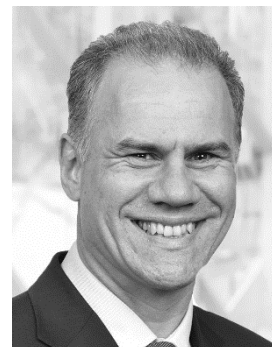
+44 (0)7393 002 560

daniel.guttmann@bdo.co.uk

Daniel has over 22 years' experience providing CDD and strategy support in the Industrial Products, Technology & Services space. He has worked broadly across sub-sectors across deal sizes, both in the UK and internationally, including in packaging, where he has worked across multiple substrates.

Before joining he spent seven years as head of Industrial Deals at EY-Parthenon, where he was a Partner. Prior to that he spent 15 years working across Industrials at PwC/Strategy&.

Daniel is a fluent German speaker and holds a PhD from the University of Cambridge.



ROGER BUCKLEY | PARTNER

HEAD OF INDUSTRIALS M&A

+44 (0)7966 373 914

roger.buckley@bdo.co.uk

Roger has 24 years' experience as an M&A Partner at BDO. During this time, he has successfully completed over 200 transactions advising clients on creating shareholder value through corporate finance activity.

He has worked across a range of Industrial sub-sectors, including Packaging. Roger leads BDO's UK M&A Industrial sector team, sits on the core strategy group for the BDO UK Industrial sector and Global M&A Industrial sector team.

DANIEL M. GUTTMANN

+44 (0)7393 002 560
daniel.guttmann@bdo.co.uk

ROGER BUCKLEY

+44 (0)7966 373 914
roger.buckley@bdo.co.uk

ARCHIE FITZHERBERT

+44 (0)7570 335 728
archie.fitzherbert@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2023 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk