



Sustainability in the Lubricant and Base oil Industry

A Presentation for:



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Today's Speaker



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Table of Contents

› Background

› Findings

- Commitment Gap
 - Measurement Gap
-

› Starting with “Why”

- Drivers for action
 - Defining the benefits
-

› Final Thoughts



Background



LUBE Magazine in collaboration with **Kline & Company** and **UKLA** commissioned a B2B survey on several key areas related to sustainability



Online survey, conducted over the second half of 2021



Received around 300 responses, with a solid cross-section of industry participants



Questions designed to help assess **drivers, priorities** and **challenges associated defining and actioning sustainability-related policies** for the lubricants and base oils industries



"HOW" to action it rather than **"WHAT"** sustainability is and **"IF"** it matters



Commitment Gap: While over 90% of the respondents confirmed the importance of sustainability, the share of those who clearly articulated sustainability goals went down to 64-78%

QUESTION SERIES 1: TO UNDERSTAND COMPANIES' COMMITMENT LEVEL ON SUSTAINABILITY

Question	How important is sustainability to organisation? ¹	Does your company have stated sustainability goals?	Does your company publish a sustainability report?	Does your company have a full-time sustainability person or team?	Is your company pursuing third-party sustainability certification?
Interpretation of question		Does pro sustainability stance translate into commitment?	Are you willing to make your commitment public?	Are you willing to put resources behind the commitment?	Are you willing to benchmark your efforts to a third party standard?
Company size					
Small (under 250 employees)	86%	55%	1%	22%	19%
Mid-sized (250 to 999 employees)	87%	71%	29%	50%	40%
Large (1000 and more employees)	96%	90%	81%	74%	38%
Company ownership					
Private	90%	65%	32%	41%	28%
Public	93%	90%	78%	67%	34%

What drives the difference

- **Company size and sustainability goal**
 - Small: 55% < Mid-size: 71% < Large: 90%

- **Ownership:**
 - Private company < Public company

Note: ¹ % of respondents selecting "Very important" or "Fairly important"; Other questions: % of respondents selecting "YES"

Among different types of companies, baseoil companies are edging ahead in terms of committing to specific goals, reporting and having dedicated teams

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Company role in industry supply chain					
Baseoil manufacturer / marketer	95%	78%	60%	57%	57%
Additive companies	92%	75%	59%	54%	34%
Lub blender / marketer	89%	77%	47%	50%	26%
Distributor	97%	71%	35%	41%	24%
Packaging	100%	64%	36%	64%	27%

OBSERVATION:

Baseoil companies:

- The impact of lifecycle assessment
- A new product differentiation factor: **Low/net-zero** carbon footprint feedstocks

Packaging companies:

- Strong commitment and highest willingness of dedicating resources
- A **"touchpoint"** with both B2B and B2C customers


Note: ¹ % of respondents selecting "Very important" or "Fairly important"; Other questions: % of respondents selecting "YES"

Measurement Gap

- **Third-party certification matters for two main reasons:**
 - One needs to measure before starting to manage (e.g. product and corporate footprint).
 - Having certification from reputable sources is key for creating a credible communication and marketing strategy for customers, suppliers and other stakeholders, like investors and regulators
- All the respondents still have much to do in certification.
 - SMEs report the lowest engagement (19%) among all groups in pursuing certification
 - Managing the certification process, developing data and choosing relevant and credible external partners **require dedicated specialist resources**, which **less than 25%** of respondents from SMEs claim to possess
- **Metrics: Measuring product carbon footprint and life cycle** have been consistently mentioned as the most important metrics to measure sustainability improvements. This may be because **reducing carbon-footprint** is seen as the most concrete step towards sustainability

SUSTAINABILITY MEASUREMENT

How organisations are measuring sustainability improvements



	Baseoil Co.	Additive Co.	Lube Co.	Dist.	Packaging	Small	Mid	Large	Private	Public
Org carbon footprint										
Product life cycle										
Impact on society										
Product recycling										
Don't know										
Other										

Small Less than 250 employees Mid-sized 250 to 999 employees Large 1,000 and more employees

Drivers for action: Among the 14 influencing factors, leadership, company reputation, government regulations, customers, and shareholder are the most important ones

- **Leadership:** the most important factor
 - Shift from "wait and see" position to a more **proactive stance** by many management teams
 - Potential push (conviction or anticipating) or pull (customer/partner requests)
- **Employees:** More empowerment required
- **Shareholders:** Likely to grow even more important in the future

SUSTAINABILITY INFLUENCE FACTORS

Which stakeholders have the most impact on sustainability with organizations

Most important Less important

		Baseoil Co.	Additive Co.	Lube Co.	Dist.	Packaging	Small	Mid	Large	Private	Public
Leadership	Internal pressure										
Employees											
Financial lenders	Pressure from Financial Sector										
Rating agency											
Shareholder											
Customer	Pressure from supply chain										
Suppliers											
Competitors											
Outsourcing Cos											
Industry trends	Industry environment										
Threat of obsolescence											
Industry associations											
Govt regs											
Reputation	Other										

Small Less than 250 employees Mid-sized 250 to 999 employees Large 1,000 and more employees

Defining the benefits

- **Future-proofing** business topped the list as the most important **benefit** followed by **innovation in sourcing, manufacturing, products, and services**
- **Employee satisfaction / retention, saving money / improving efficiencies** appear to have **lower** pull at this stage
- Public companies list **"doing good / doing right"** as the most important benefit, also consistent with SME's **community-centered** ethos
- To find the right balance between doing good and doing good business
 - Large companies: a large share of respondents believe that they **have found the right balance**, with 25% thinking that they can do more
 - SMEs: the opinions are still **divided** – likely requiring further context and segmentation to establish clearer patterns

BENEFITS OF SUSTAINABILITY PROGRAMMES

How respondents perceive the benefits of sustainability programmes & their current organisations position

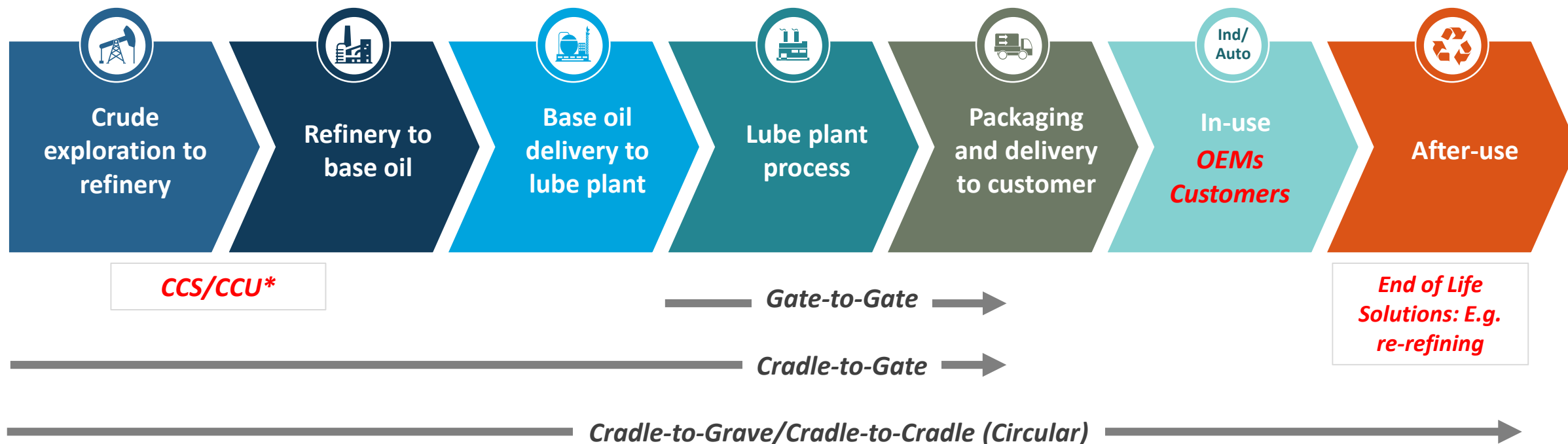
Most important Less important

		Baseoil Co.	Additive Co.	Lube Co.	Dist.	Packaging	Small	Mid	Large	Private	Public
Benefits to planet / future generation	<i>External reputation</i>										
Doing good / doing right											
Corporate reputation											
Cust pressure / influence											
Attracting / retaining investors											
Employee satisfaction / retention	<i>Internal reputation</i>										
Future proofing business	<i>Financial benefits and business continuity</i>										
Innovation											
Reducing risk / reg compliance											
Saving money / efficiencies											

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Life Cycle Analysis (LCA) is a way of measuring before deciding on your 80/20 and the subsequent strategy. There are well-established frameworks already in place – the key is to make the first step, small or big

A lube marketer perspective



CHALLENGES

- Awareness of “best practice” standards for LCA and PCF (e.g. ISO 14040, 14067, PAS 2060)
- Complexity and cost (people, time, skills) of measurement (esp. for SMEs)
- Lack of consistent data from suppliers
- Regional variations in urgency and priorities
- Business survival still top-of-mind for many

*Carbon capture, utilization and storage LCA = Life Cycle Analysis, PCF = Product Carbon Footprint

Final Thoughts



Working Collectively Towards Sustainability Goals



Focus on helping companies, especially the SMEs, set measurable and meaningful goals, with supporting roadmaps of how to achieve those;



Articulate "Lube Sustainability First Principles" based on shared fundamentals;



Reinforce the fact that sustainability is a capability, which requires dedicated, educated resources;



Promote collective action to create sustainability value pools across the lube value chain - to "grow the pie" before it is contested by market players;



Engage with leadership teams to catalyze action on sustainability



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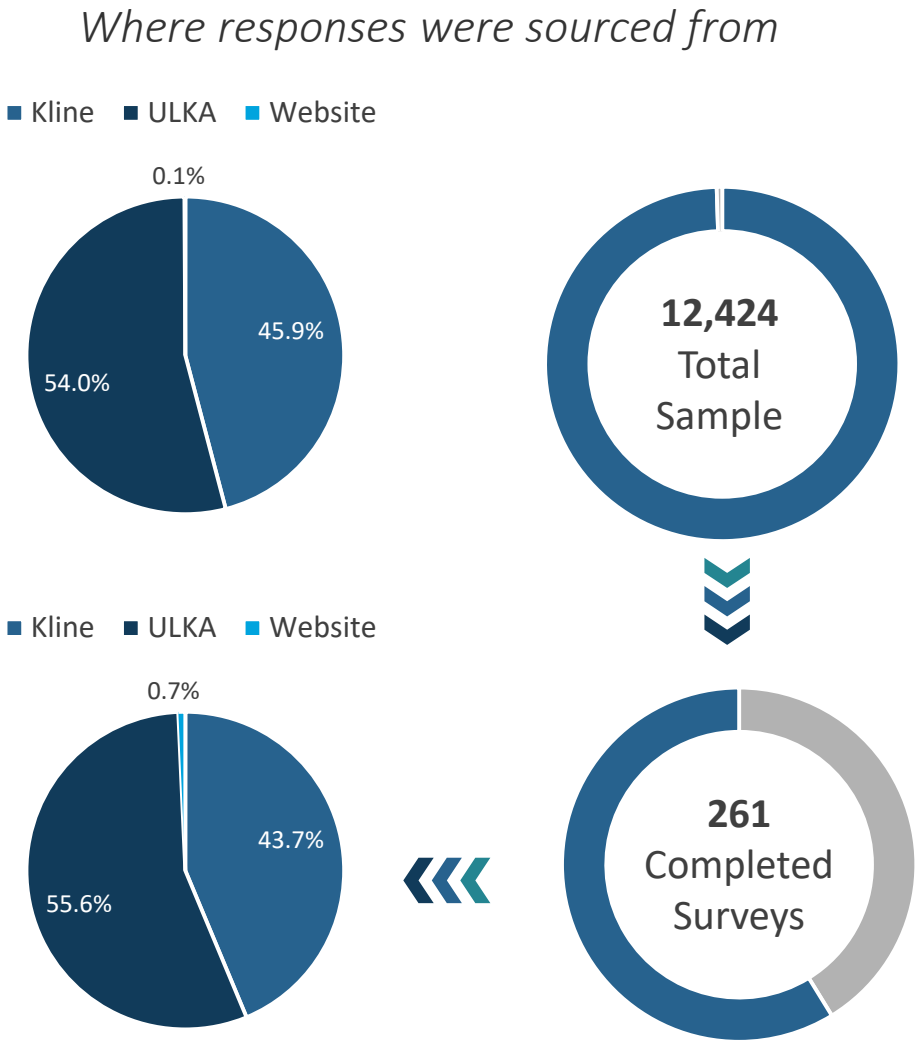
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Appendix

Survey Methodology



Survey Methodology

Lube Magazine in collaboration with Kline & Company launched a Global Sustainability survey in October 2021. The survey was carried out by In-house Research Ltd using data from subscribers of Lube Magazine and Kline & Company databases. Additional respondents were able to register to take part in the survey through In-house Research.

Respondents were invited to take part in the survey through an email invitation. Surveys were self-completed by respondents within the lubricants, baseoils and chemicals sector.

An incentive for the survey has been supplied by Portland Fuel who will be offsetting 1 tonne of CO2 for each completed response where the respondent has provided consent for their data to be shared for the administration of the incentive.

A total of 372 completed surveys are required to meet the confidence level and interval determine appropriate for this survey.