

2020 SUSTAINABILITY REPORT



GREEN TOGETHER 2020

Direct Pack, Inc. is a leader in innovative, customized and sustainable thermoformed packaging for all kinds of food applications. Our North American operations include multiple facilities in California, North Carolina and Mexico.

In 2020, we re-vitalized our Green Together initiative across all departments and locations. **Green Together is our proactive sustainability platform that aligns with both our values, and our business strategy — positively impacting generations to come.** It starts with our people, improves our operations, evolves our products and focuses on long term customer relationships. It's a call to action, a collaborative touchstone with our partners, a way to communicate and share our intentions, and measure goals.

In our first official Green Together Sustainability Report, we will share our actions and achievements in 2020 and outline new steps for the future.

IN THIS REPORT

- 4 The Big Picture
 - BOTTLEBOX®
 - Direct Pack Recycling
- 6 It starts with our people
- 7 It improves our operations
- 10 It evolves our products
- 11 It focuses on long term customer relationships



INSPIRING INNOVATION

We always strive to provide identifiable value — we're artistic and passionate about what we do. Our solutions are new and fresh.



IMPROVING SUSTAINABILITY

We are continuously refining our processes. We respect people and the planet and we take our responsibility seriously.



OUTSTANDING PERFORMANCE

We are solutions-based and agile, while always producing the highest quality products on time.



CARING RELATIONSHIPS

It means listening to and understanding the needs of our customers and our internal teams. We are committed, collaborative, and aim to be an invaluable partner.



“In what was a very challenging year for so many of us, we found ourselves with essential worker status. Our primary focus was to make sure that all of our customers were able to keep up with their increased demand, whether that be produce customers supplying supermarkets or restaurants dealing with a spike in take-out deliveries during lock-downs.

I am so proud of the team for their tireless efforts. It would have been easier to ignore our goals and vision, and just focus on the immediate needs of the customers, but despite the challenges, there were opportunities too. The acquisition and first year of operating Direct Pack Recycling has truly changed our entire business, and hopefully, in a very short span of time, a vast population of America will know that PET thermoformed packaging can be recycled just like bottles. We really do want our containers back and we need everyone’s help to do that.

I was able to share that message and give a presentation on the future of packaging for New York Climate week — it was such an honor for our products and our sustainable vision for the packaging industry to be acknowledged.

While we remain optimistic, the transition into 2021 hasn’t exactly been easy on any of our departments and team members, but as I look back at 2020, I know we made many contributions, making a positive impact everywhere we could — it’s who we are in our DNA, and we’ll continue to do what’s right whatever new challenges come our way.”

- CRAIG SNEDDEN
PRESIDENT, DIRECT PACK INC.

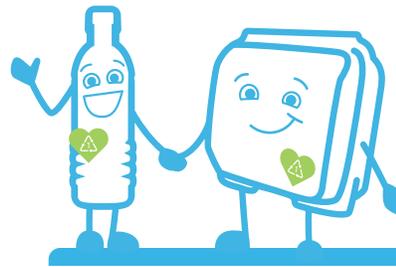


GREEN TOGETHER: THE BIG PICTURE

BOTTLEBOX®

It would be hard to begin any sustainability report without **acknowledging the strides we've made with our BOTTLEBOX® brand that was established in 2008.** Pioneering post-consumer recycled PET (rPET) content in our take-out, berry, and food containers, **BOTTLEBOX® is the strongest brand in sustainable food packaging today.** Since 2011, when we started measuring our rPET use, we have used 7.7 billion bottles, saving 179 million pounds of plastic from ending up in landfills and waterways. That is equivalent to a greenhouse gas saving of 242 million lbs of CO₂, or taking over 23,000 cars off the road for one year.

In 2020 alone, we used the equivalent of 2 billion recycled PET bottles. That is a 1 billion increase from 2019, and corresponds to diverting 46 million pounds of plastic from landfills and the ocean last year. This considerable increase was made possible both by increased demand from our customers, **and the fact that we invested in our own recycling and reclaiming facility, Direct Pack Recycling.**



THE BOTTLEBOX® SUSTAINABILITY IN NUMBERS

THE BOTTLEBOX® USED **7.7 BILLION RECYCLED BOTTLES** FROM 2011 TO 2020, **SAVING 179 MILLION POUNDS OF PLASTIC** FROM ENDING UP IN LANDFILLS.



THAT MANY RECYCLED BOTTLES PLACED END-TO-END WOULD REACH TO THE MOON 5 TIMES.



THAT'S EQUIVALENT TO...

SAVING **242 MILLION LBS OF CO₂** FROM THE ATMOSPHERE

23,257 CARS TAKEN OFF THE ROAD FOR ONE YEAR



SAVING ENOUGH ENERGY TO POWER **19,104 HOUSEHOLDS**

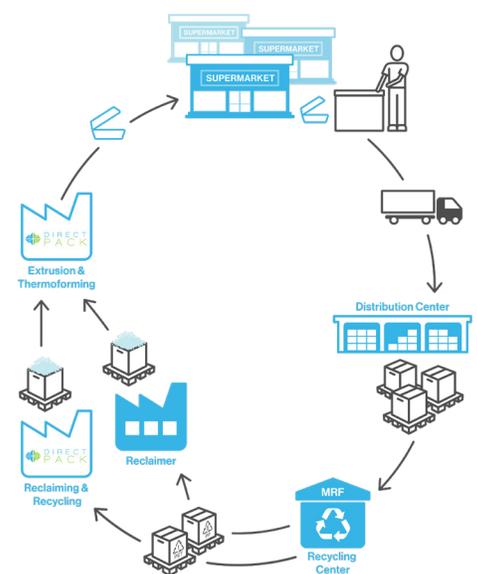


ABSORBING CO₂ EQUAL TO **1.8 MILLION TREE SEEDLINGS GROWN FOR 10 YEARS**

PET AS AN INFINITE RESOURCE

With the success of the BOTTLEBOX® and using post-consumer rPET in our food packaging, it was natural for us to look for the next step in improving sustainability. We researched different materials such as PLA and molded fiber, and compared their Life Cycle Analyses with rPET. **The conclusion was clear: post-consumer recycled PET is the most sustainable solution, as it can be recycled multiple times.**

There is global awareness that we have to reduce the amount of plastic in the environment. **As a manufacturer, being part of the end-of-life solution is very personal for us.** PET bottles and PET thermoformed packaging share the same DNA. People have been recycling PET bottles for years, so why not recycle PET packaging? Each product's end-of life can be the beginning of a new product cycle. **PET can be an infinite resource.**



GREEN TOGETHER: THE BIG PICTURE

DIRECT PACK RECYCLING

In the beginning of 2020, we acquired Direct Pack Recycling (DPR), our own recycling and reclaiming facility, right in the vicinity of one of our manufacturing plants. **DPR is an important step in our vertical integration, and it allows us to move closer to a full circle recycling process.**

A key component in this full circle recycling process is the relationship to local MRFs (Material Recovery Facilities; the companies that collect the contents of household and business recycling bins). **In order to source post-consumer PET thermoforms, we have built personal relationships with a dozen different MRFs** in California, Washington and Arizona. We've been very hands-on with the MRFs, and it's always exciting to see our used products in the bales, ready to make the journey back to us.

By creating value for the MRFs' recycled PET bales, we increase their incentive to invest in collecting and sorting thermoforms, thus keeping more plastic packaging out of landfills. We continue to develop and search for partners in this field.

Through DPR we can increase the amount of rPET in our products, and include not only post-consumer recycled bottles but also post-consumer recycled PET packaging. **In 2020, we reclaimed 17.5 million pounds of post-consumer recycled PET bottles and 867,000 pounds of thermoformed packaging.**



LABELS PLAY A KEY ROLE IN RECYCLING

Traditional paper labels can be difficult to remove during the reclaiming process, clog the system and limit the percentage of thermoforms that can be mixed in the final rPET batch. We promote the use of BOPP labels (Biaxially Oriented Polypropylene), which wash away cleanly, **making the packaging 100% recyclable.**

Those labels are approved by APR (The Association of Plastic Recyclers) and are widely used by American beverage companies.



MOVING FORWARD

We continue to invest in meeting the demand of our customers by acquiring even more equipment to handle the higher volumes of post-consumer recycled thermoforms. And to ensure that we scale accordingly, we're planning on opening two more recycling facilities by 2028, with our second one coming online within the next 12 months.

GREEN TOGETHER: IT STARTS WITH OUR PEOPLE



DEDICATED AND ENGAGED TEAMS

With the long-term plan in place, we knew we also needed to think about the day-to-day activities that keep us on track. We formed teams of volunteers in each department, led by Green Together Team leaders, involving people across all our facilities. 2020 was a challenging year, and yet these teams developed initiatives, measured them up against our core values and implemented change. **The teams came up with a number of ideas on how to improve our processes and reduce our carbon footprint.** Several ideas involved collaboration across multiple departments, and you can read about the results in the next section.



VOLUNTEERING

In prior years, Direct Pack employees and partners have been active with in-the-field volunteer programs, especially with FoLAR's yearly LA River Cleanup and the Ocean Conservancy's yearly International Coastal Cleanup. We like to be hands-on: a lot of trash enters the ocean through other waterways, so it is important to remove it before it gets into the Ocean. In 2020, COVID conditions prohibited us from gathering in larger groups. **Instead, using apps to record our finds, we encouraged employees to pick up trash in small groups around their neighborhoods.** We plan to be back volunteering on a larger scale again in 2021.

“The ocean isn’t the only area that is affected by trash and it all starts with us, so my kids and I began to make a few changes like tying the trash bags before we toss them in our trash bin, and taking extra bags and gloves when we go on walks. We also added labels to the trash bins to remind our neighbors to tie their trash bags, because when it was trash pickup day we noticed that a lot of the trash we picked up was the trash that was falling out of the trucks.”

- JENNIFER DAVALOS

EMPLOYEE WHO BY FAR COLLECTED THE MOST TRASH DURING OUR FALL CLEANUP



GREEN TOGETHER: IT IMPROVES OUR OPERATIONS

Several projects focused on improving our operations by increasing efficiency or reducing our carbon footprint.

FREIGHT EFFICIENCIES: TRUCK FILL RATE

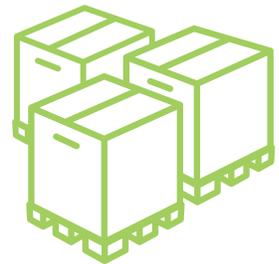
In order to minimize shipping 'empty space', reduce greenhouse gas emissions and save on freight costs, an optimal FTL (full truckload) order should be as close to 28 pallets as possible. Sometimes only 26 pallets can fit. An LTL (less than truckload) order should be 5-6 pallets. In October, the Logistics and Customer Service teams started pushing back on orders that were in between the two, either revising them up to 26-28 pallets or splitting the orders to fit LTL shipments.

The results are encouraging:

In Azusa, 53% of what we shipped as full truckloads (18 pallets+) were 26 pallets or more in Q4 2020, compared to only 26% in Q1. **That's twice as many!**

In Rockingham, 82% of what we shipped as full truckloads (18 pallets+) were 26 pallets or more in Q4 202, compared to 64% in Q1. **That's an increase of 18%.**

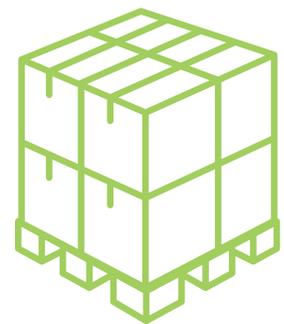
We will continue to work with the customers to reach the 28-pallet goal. In both locations, we are working towards the goal of 90% FTLs at 26 pallets or more, by the end of Q2, 2021.



PALLET OPTIMIZATION

Shipping pallets have a standard format, and **it is important to optimize pallet utilization when designing outer cases in order to reduce GHG emissions and freight costs.** If there is overhang, the cases and products are exposed to damage, and it also impacts how many pallets can be loaded onto a truck. In Rockingham, a number of products have been identified for overhang elimination and submitted for management review before implementation. The same exercise is taking place in Azusa.

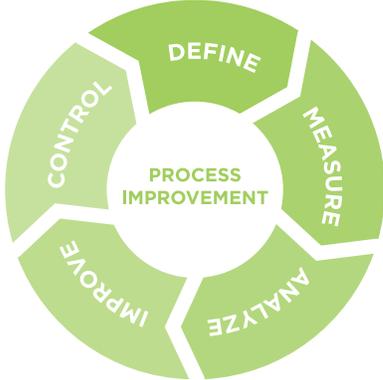
Based on our 2020 volume, we would eliminate 86 truckloads in Azusa and 40 truckloads in Rockingham in a year if we can fit 28 pallets instead of 24 to 27 pallets on a truck.



GREEN TOGETHER: IT IMPROVES OUR OPERATIONS

PROCESS IMPROVEMENTS

In a cross-department collaborate initiative, members from Design & Engineering, Tooling, Sales, and Quality Assurance looked at the wasted time and financial impact for a range of errors that can occur during the design and engineering phase of a project. **The goal was to reduce the amount of tool modifications needed on projects**, and by identifying the issues and refining our processes, it helped the team build a stronger culture of review and feedback. The new steps are becoming part of our Standard Operating Procedures, and we're committed to getting it right the first time!

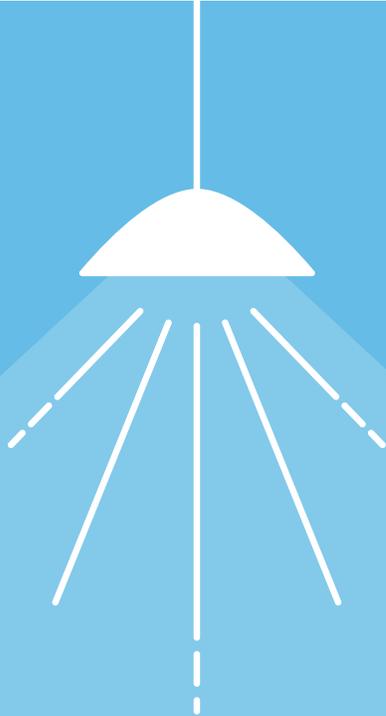


ENERGY REDUCTION

We are continuing to transition all of our facilities to LED lights which generate savings in electricity use and cost. In 2020, the following LED projects took place in our facilities:

- Azusa: Exterior lights completed, which in a December reduced energy use by 4,400 kWh, giving an estimated annual saving of 52,800 kWh. That's equivalent to taking 8 cars off the road for one year!
- Sun Valley: Interior lights in the thermoforming and extrusion departments completed, with an estimated annual savings of 9,617 kWh, and an additional 1.5 cars off the road.
- Rockingham: Perimeter LED lights added for increased team member security.
- Guadalajara: 15% of interior lights replaced, and any lights that fail will be replaced with LED.

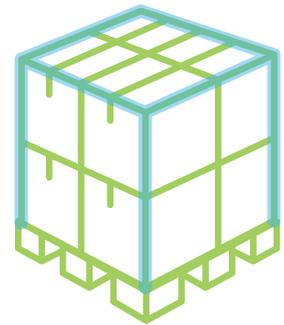
The LED project continues to roll out in all facilities 2021, with further savings expected.



GREEN TOGETHER: IT IMPROVES OUR OPERATIONS

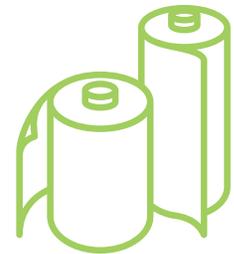
CORNER BOARDS

In Rockingham, the use of modified paperboard better suited for humid conditions have improved box performance and allowed us to reduce corner board usage by 20,000 units (10%) in 2020. **The goal for 2021 is another 2,000-piece reduction using corner boards produced in our factory in Guadalajara.** There the team started making corner boards from in-house recycled PP, and they have already replaced 11,000 cardboard corner boards with 6,470 reusable PP corners instead. The PP corner boards will be rolled out in all DPI facilities in 2021.



STRETCH FILM

Rockingham achieved a reduction of 9,800 pounds of film, **close to the 30% reduction goal.** The goal for 2021 is another 4,200-pound reduction. Guadalajara chose a different strategy and made a deal with a local contractor to recycle the film, and **they were able to recycle 7,800 pounds in 2020.**



OFFICE PAPER

While printing cannot be completely eradicated in this business, several departments in Azusa, Sun Valley and Salinas realized we can reduce the use of paper by shifting to saving and filing documents as a PDF. **The results would be threefold: cost savings, space savings and most importantly, we'd be saving trees.** Already in 2020, we saved 16 trees by reducing our purchases from 4,800 pounds in 2019 to 3,450 pounds. Further reductions will include increased use of recycled content and software for electronic signing of PDFs, and a roll-out to other facilities.



GREEN TOGETHER: IT EVOLVES OUR PRODUCTS

INCREASING rPET

Our 2028 vision is to significantly increase the demand and availability of  rPET (both post-consumer recycled bottles and thermoforms), while reducing the need for virgin PET and Polypropylene where temperatures allow. Our teams are committed to collaborating with customers on creating impressive rPET solutions across all applicable lines.



POLYPROPYLENE

Serving hot food often requires a different material that can take higher heat than PET. We use  PP (polypropylene) for hot food containers, and pair the PP bases with rPET lids. As we continue to look for solutions that improve sustainability, we are currently researching and testing post-consumer recycled PP in our hot food packaging.

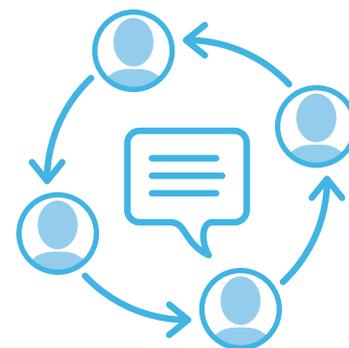


GREEN TOGETHER: IT FOCUSES ON LONG TERM CUSTOMER RELATIONSHIPS

EDUCATION AND COMMUNICATION

Since we've set our sights on rPET as being the most sustainable route forward, we learned that we have to build better communication tools — not just with customers, but with end consumers too. **We believe rPET is a truly infinitely reusable resource, and we need to share that message to increase recycling habits and the demand of rPET in the products we make.**

In 2020, we successfully developed and implemented DPI and BOTTLEBOX® educational tools and presentations, talking to the value of rPET as a material and showing the win-win for customers who choose rPET over other materials. Infographics and videos were shared with customers and partners, and we placed them online for end users and consumers. We even created [animated PET ambassadors](#) to help us! Our intention is to deepen our partnership with our customers to help them communicate this important message to their own consumers.



MOBILE COMPACTOR

In the spirit of getting our own PET packaging back, and to help customers make sure their packaging gets recycled, reclaimed, and reused, we are investing in a mobile compactor. It will arrive in the early spring of 2021, and it is the first step in establishing programs with partners and possibly even consumers to return their used packaging to us for recovery. This project will be evaluated during 2021.

The compactor will also help us to further reduce greenhouse gas emissions by compacting obsolete inventory that we ship for regrind and reuse — and no more shipping 'air'!



AN ONGOING COMMITMENT

Along with the initiatives highlighted in this report, there were other COVID related conditions that we now see as benefits. National and international travel was curtailed which even without doing the calculations we know has had a positive impact. And a majority of our staff worked from home some days a week during the year, meaning that many commutes were negated.

Future operations might look very different based on how we learned to function a little differently, and we will monitor those new behaviors and practices to see which ones continue to support us to be Green Together.

In closing, we feel that this report reflects more than a set of discrete initiatives. We've resolved ourselves to a Green Together mindset across all our activities, and we're excited and driven to broaden our reach.



WANT TO LEARN MORE?

FOR FURTHER DETAILS PLEASE CONTACT:

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***“It’s very encouraging** to see how interested DPI team members are in caring for the environment in their daily work. Even during this extremely challenging time, our Green Together Team members have taken the time to come up with innovative ideas and how to integrate them into our Green Together plans. Besides recycling and GHG reduction, our team members have come up with creative ways to reduce energy and raw material use, reaching beyond the environmental impacts of these initiatives.”*

- ANDREW JOLIN
DIRECTOR OF SUSTAINABILITY

