

# 2021 SUSTAINABILITY REPORT



# GREEN TOGETHER 2021



**Direct Pack, Inc. is a leader in innovative, customized and fully circular thermoformed packaging for all kinds of food applications.** We service customers in the foodservice, supermarket, produce and processor sectors. Our global operations include facilities in California, North Carolina, Mexico and Taiwan.

Four **core values** guide us in everything we do: Inspiring innovation, Improving sustainability, Caring relationships and Outstanding performance. **Green Together** is our proactive sustainability platform that aligns our values and business strategy – positively impacting generations to come. It includes our people, improves our operations, evolves our products and focuses on longer term partnerships with our customers. It’s a call to action, a collaboration point with our partners, and a way to communicate and share our intentions, and measure goals.

In this report, we are excited to share some of our Green Together achievements in the past year, and outline ideas for the future.

## IN THIS REPORT

- 4 The Big Picture
  - BOTTLEBOX®
  - Direct Pack Recycling
  - Material Recovery Facilities
  - Full Circularity
- 8 It Focuses on Long Term Customer Relationships
- 9 It Evolves our Products
- 10 It Improves our Operations
- 12 It Involves our Team Members

### 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.



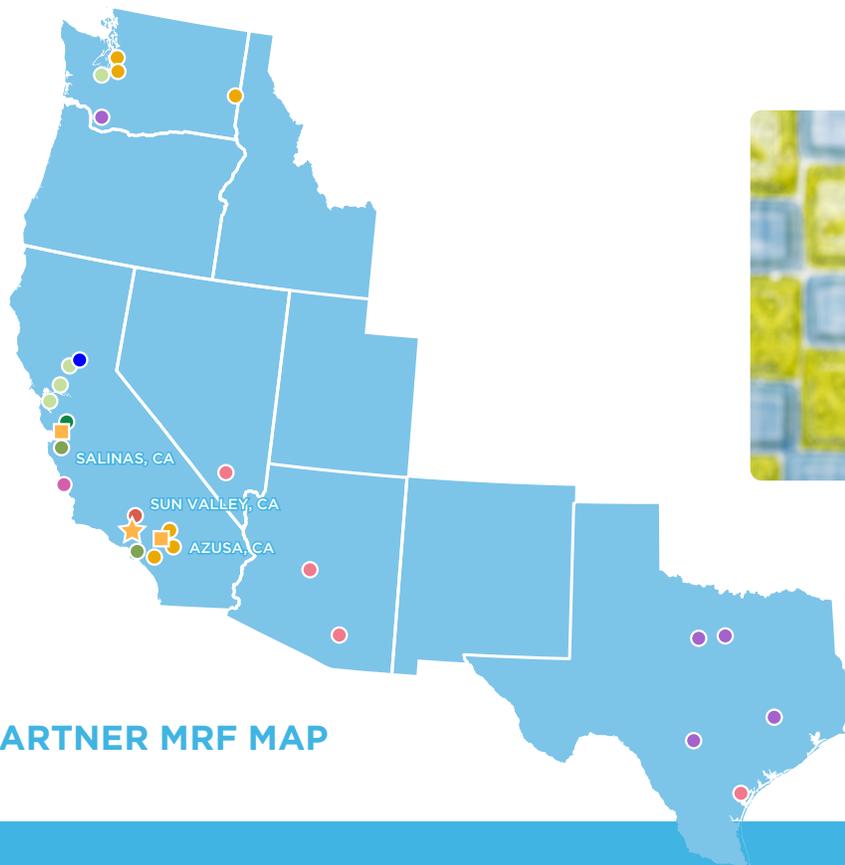
**“Despite the lingering challenges** presented by the pandemic, 2021 proved to be a year filled with growth and opportunity for Direct Pack, Inc. During this past year of uncertain times, the DPI team has worked tirelessly on making sure our customers have solid supply of product. This has been achieved by the expansion of our manufacturing footprint, improvements in efficiency of our global and North American operations and above-and-beyond team work. At the cornerstone of all successes for 2021 has been the determination and follow-through of our “full circularity” goals set forth for our business.

The opening of our newest manufacturing facility in Mexicali, Direct Pack Baja (DPB), has brought with it yet another DPI plant that meets the goal of full circularity by running 100% post-consumer recycled PET food grade products. Much like our Guadalajara plant, this plant is fed with certified post-consumer material from Material Recovery Facilities (MRFs) throughout western North America, which has been reprocessed and supplied through Direct Pack Recycling.

With the internal growing demand of post-consumer recycled PET material, we have spent a good portion of 2021 expanding our MRF partnerships. We have not been in search of just bottles, but more importantly, PET thermoforms that are also baled and reprocessed in higher and higher percentages at our DPR facility.

In closing, what makes our circularity goals and best-in-class culture come to life, is each and every person on the DPI Team. On behalf of myself and the senior management team, we remain in deep gratitude of the generous and giving team that keeps all of us and our customers inspired, even in the most challenging of times.”

**- CRAIG SNEDDEN**  
PRESIDENT, DIRECT PACK INC.

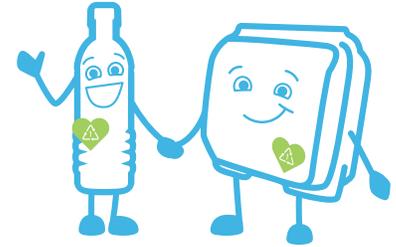


**PARTNER MRF MAP**

# GREEN TOGETHER: THE BIG PICTURE

## BOTTLEBOX®

Established in 2008, the **BOTTLEBOX®** continues to be the strongest brand in sustainable food packaging today. In 2021, we had another record year of using post-consumer recycled PET in our products: **we used the equivalent of over 2 billion post-consumer recycled PET bottles.**



IN 2021, WE HAVE SAVED OVER...



**46.9 MILLION POUNDS OF PLASTIC** FROM ENDING UP IN LANDFILLS & OCEANS

& REDUCED GREENHOUSE GAS EMISSIONS BY **63.3 MILLION POUNDS OF CO<sub>2</sub> EQUIVALENTS.**



THAT'S THE SAME AS...



**TAKING 6,099 CARS OFF THE ROAD THIS YEAR!**

As a food packaging manufacturer, we believe it is our responsibility to minimize the environmental impact of virgin material by using post-consumer recycled PET and drive incentives for Material Recovery Facilities (MRFs) to collect and reclaim PET plastic.



Scan the QR code to watch our Sustainability 2021 video.



# GREEN TOGETHER: THE BIG PICTURE

## DIRECT PACK RECYCLING

**The acquisition of Direct Pack Recycling (DPR) in 2020 allowed us to start fulfilling our goal of becoming a fully circular company.** DPR is our own recycling and reclaiming facility, and with DPR as part of our arsenal we are able to be more flexible and independent from companies that supply a “one-size-fits-all” recycled PET flake. **We can now experiment and continuously increase the amount of post-consumer recycled thermoforms used in our blends:** PET is PET regardless if it comes from bottles or thermoformed containers. This allows us to close the loop and provide fully circular packaging. As a manufacturer, being part of the end-of-life solution is very important to us. That’s why we are continuously expanding our partnership with the MRFs and driving demand for recycled PET to be reclaimed.

**After operating Direct Pack Recycling for two years, we can clearly show that the fully circular business model works.** Since 2020, Direct Pack Recycling has recycled over 44.1 million pounds of plastics and repurposed them back into new food grade packaging.



By December 2021 we had repurposed a total of:

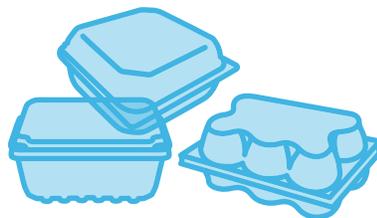
**1,682,498,703**

RECYCLED PET BOTTLES



**44,391,132**

RECYCLED PET CONTAINERS



**Some of our brand partners have been instrumental in driving this development** for their custom items, and we are now able to mix thermoforms into other products as well.

We are developing an extension of the BOTTLEBOX® brand to include a QR code about full circularity and sustainability. The QR code will have additional engagement such as ways to educate the consumers about recycling and sustainability. The BOTTLEBOX Full Circle launch is scheduled to launch in Q3 of 2022.

**Scan the QR code** to watch our Direct Pack Full Circle video.



# GREEN TOGETHER: THE BIG PICTURE

## MATERIAL RECOVERY FACILITY PARTNERSHIPS

Material Recovery Facilities (MRFs) are the companies that collect recyclables from households and businesses, and sort and bale the different materials they collect. As demand for post-consumer recycled PET has skyrocketed, **our personal relationships with our MRF partners have been critical in helping us source enough recycled PET to meet our demand.**

We started creating our network of MRF partners in 2019 and first gathered a dozen of MRFs in California, Washington and Arizona. In 2021 we added new partners in Nevada and Texas, who supply us almost all of their mixed PET bales. We currently buy 40-50 truckloads per month and recently signed on more MRFs in both California and Washington.

**Our goal is to source bales of 100% thermoforms or “B-grade” bales consisting of a mix of bottles and thermoformed containers.** Our demand creates incentives for our MRF partners to collect and sort even more thermoformed containers, **thus keeping more plastic out of landfills.** In Arizona and Texas, for example, the thermoformed containers used to go to landfill, until we contracted to buy them.

**Direct Pack’s fully circular packaging is unique to the PET thermoform industry and provides several environmental benefits like greenhouse gas reduction and landfill diversion.**



# GREEN TOGETHER: THE BIG PICTURE

## FULL CIRCULARITY AND 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.**

**When recycled properly, PET can be an infinite resource.** As we are proving with our reclaiming and reprocessing activities at Direct Pack Recycling and our manufacturing plants, **fully circular packaging works!**

1. We start with post-consumer **recycled PET resin.**

2. We **melt the resin** and form it into large rolls of **PET sheet.**

3. We feed the sheet into large molds to **form products with heat.**

4. We **store** the products and **distribute** them to our customers.

5. **Consumers buy food in our containers** from supermarkets and restaurants.

6. The consumers put the **used containers in the recycling bin.**

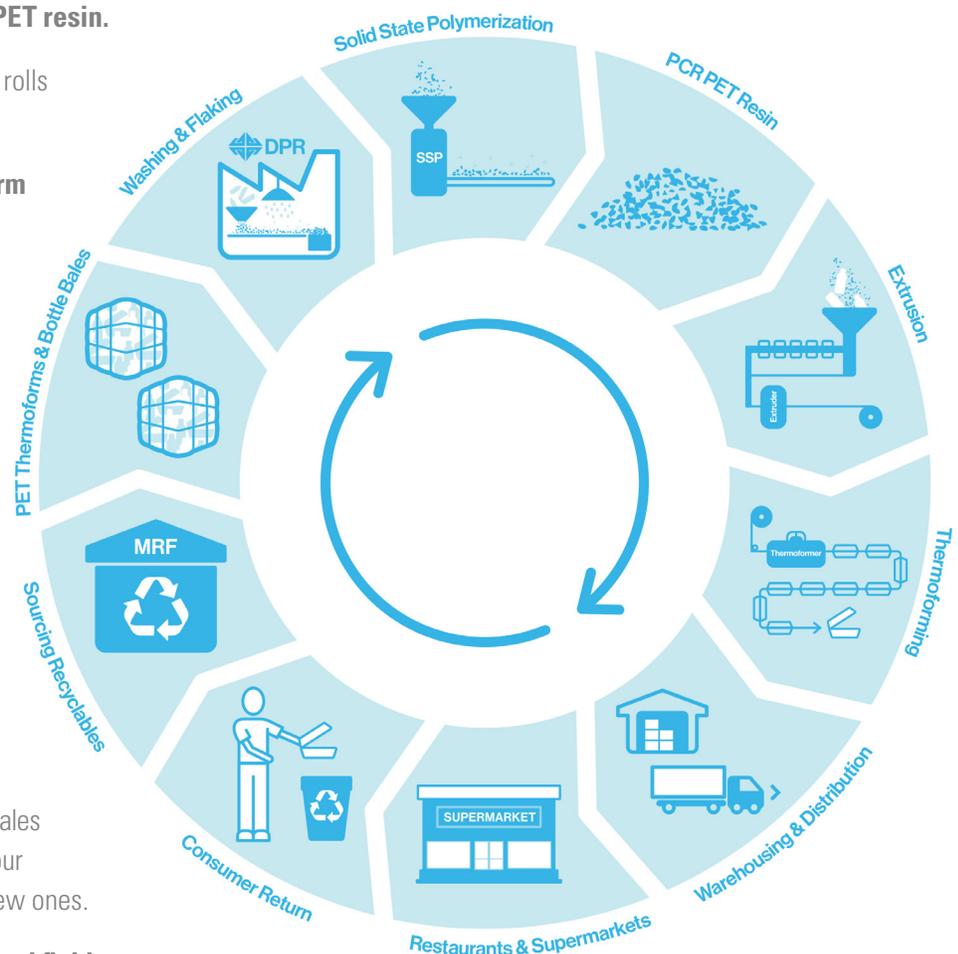
7. The **MRFs collect the recycling bins and sort** the materials.

8. The **MRFs bale the PET thermoformed containers and bottles and sell them to us.** It is always exciting to open up the bales from the MRFs and find packaging from our customer partners as well as potential new ones.

9. The bales go to our facility for **washing and flaking.**

10. We run the clean flakes through a **Solid State Polymerization process,** to make them as good as new.

11. Then we have perfectly good, fully circular post-consumer recycled PET resin again, and can **continue the circle** around and around.



# GREEN TOGETHER: IT FOCUSES ON LONG TERM CUSTOMER RELATIONSHIPS

**Our customer-partners are a key component in our Green Together Initiative.** In order for PET to be recognized as an infinite resource in either bottle or thermoformed container form, it's going to take us along with our partners working closely together. **In 2021 one of our largest, long-term produce customer partners took the important step** to convert 85% of their items from virgin PET to rPET. Since their plants are close to our facilities in Mexico, we are able to supply them with our standard blend from DPR which consist of 78-80% bottles and 20-22% thermoformed containers, **therefore making their items 100% post-consumer rPET.**

Other produce customers are also beginning to mandate that **a part of the recycled material that their products contain must also contain a minimum percentage of recycled thermoforms.** These mandates are going to help people to understand that regardless of the form, PET is PET and just like we can recycle PET beverage bottles, we can also recycle PET thermoformed containers.



## EDUCATION & COMMUNICATION

**Our intention in 2021 was to deepen our partnerships with our customers, and help them communicate** the important message of recycling and PET as an infinite resource, and that we did. One of the most popular tools was our **Direct Pack Full Circle video**, showing the process from a take-out or berry container coming into Direct Pack Recycling, and coming out of manufacturing as a brand new, food safe product. We have so far customized that video for seven different partners, and it is used on websites, social media and in internal and external presentations.

For our team members and visitors, we installed monitors in our main locations. On those, **we display information about our recycling and Green Together projects and achievements.** Our goal is to further develop this tool to be a fun and informative source of information and an important tool in strengthening our core values.

**Scan the QR code** to watch our Direct Pack Full Circle video.



# GREEN TOGETHER: IT EVOLVES OUR PRODUCTS

## INCREASING rPET

Our vision is to significantly increase the demand and availability of rPET (both post-consumer recycled bottles and thermoformed containers), while reducing the need for virgin PET and Polypropylene. During 2021, we successfully converted a major customer partner's product range to rPET, and are working on similar initiatives with other partners.

## POLYPROPYLENE

Serving hot food requires material that can take higher heat than PET. We use PP (polypropylene) for hot food containers, and pair the PP bases with rPET lids. We are actively working with the MRFs to increase recycling of PP, and we are also looking into sustainable alternatives to PP for hot food.

## CARBON BLACK

In the foodservice industry, black bowls and containers have become something of a standard. Unfortunately, it contains "carbon black," the cheapest black colorant on the market. Carbon black is not recognized by optical sorters at the MRFs, and often do not get recycled. Direct Pack is working on defining alternative, affordable colorants to be used instead.



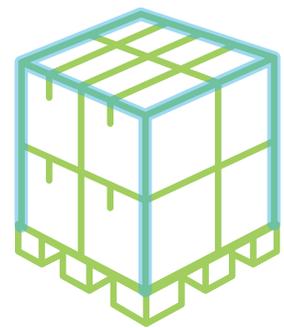
# GREEN TOGETHER: IT IMPROVES OUR OPERATIONS

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

## CORNER BOARDS

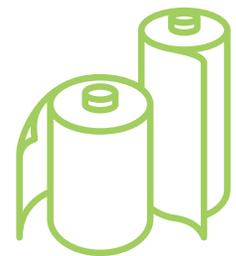
In 2020 our Rockingham team started using a **modified paperboard** which allowed them to reduce corner board usage by 20,000 units (10%). **The team was able to exceed their goal for 2021** with another reduction of 2,700 units.

Our Guadalajara team developed a **reusable PP corner board made from in-house recycled PET and PP, allowing us to fully utilize all materials going through our wash lines.** There are two sizes: 48" at 0.9 pounds and 90.5" at 1.6 pounds. Developed in 2020 and refined in 2021, **they are expecting to increase production to 500 pounds per day in 2022.**



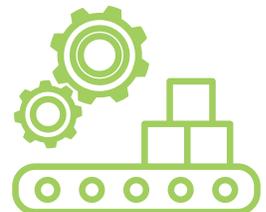
## STRETCH FILM

In 2020 the Rockingham team was able to **reduce their stretch film usage** by 9,800 pounds. In 2021, they reduced their stretch film usage by another 5,400 pounds, **exceeding their goal** of 4,200 pounds.



## TOOLING RECYCLING & MODULAR TOOLING

**Our modular tool format allows us to reduce tool build lead times, and reduce the amount of steel and aluminum** needed to make a full tool by about 30%. We have also begun to recycle obsolete tools and reformat them into our modular tool format.



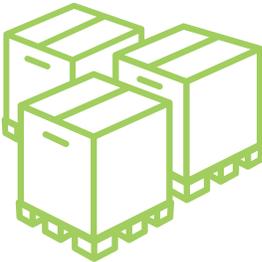
# GREEN TOGETHER: IT IMPROVES OUR OPERATIONS

## FREIGHT EFFICIENCIES: TRUCK FILL RATE

To minimize shipping 'empty space', reduce greenhouse gas emissions and save on freight costs, a FTL (full truckload) order should be 28 pallets. An LTL (less than truckload) order should be 5-6 pallets. In 2020, our Logistics and Customer Service teams started pushing back on orders that were in between the two, **which immediately resulted in improvements and stabilized the shipping efficiencies** at much higher levels.

- In Azusa, 62% of our FTLs were 26 pallets or more in 2021. That is a major improvement from 26% in Q1, 2020 and 53% in Q4, 2020.
- In Rockingham, 82% of our FTLs were 26 pallets or more. That is the same as Q4, 2020 and considerably more than the 64% we had in Q1, 2020.

2021 was a challenging year in many ways. For Logistics and Customer Service, the increased demand from all markets coupled with the global supply chain crisis added unprecedented layers of complexity to the daily operations. With the main focus being on supplying our customer partners what they needed, we sometimes had to compromise the freight efficiency. However, the results show that **the teams' creative solutions still kept and even improved our freight efficiencies** throughout the year.



## BATTERIES

In 2021 our US teams began using iRecycle Kits in order to **safely recycle batteries**. The kit comes with prepaid and pre-labeled shipping tags to make it very easy and convenient for us to safely recycle all the batteries from our wireless keyboards and mice.



## OFFICE PAPER

**Our office paper usage stayed stable** in 2021. The transition to electronic signatures continues and will be implemented in 2022.

## ENERGY REDUCTION

Our **transition to LED lights** across our facilities continues with most projects slotted for implementation in 2022.

# GREEN TOGETHER: IT INVOLVES OUR TEAM MEMBERS



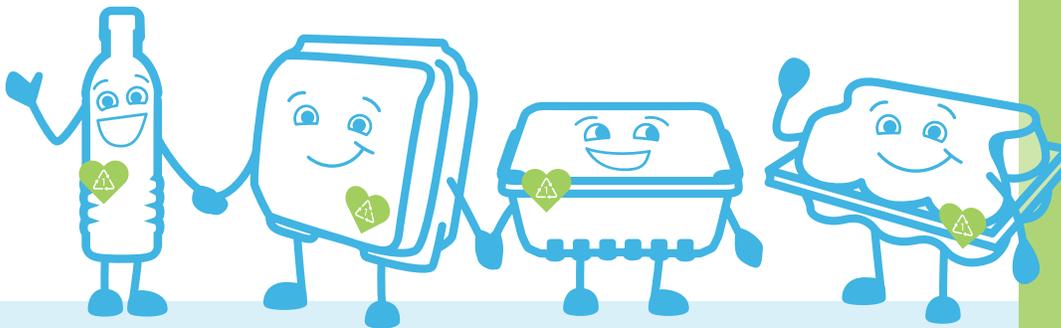
## INTERNAL TEAMS

Our **Green Team Leads** continued to guide our team members in reaching our sustainability goals in day-to-day activities. Despite the extraordinary challenges caused by the pandemic, **our team members have really come together** to service our customers as well as improving our processes and set the framework for new initiatives in 2022.

## VOLUNTEERING

After a year without organized cleanups, **it was great to get back into the field and participate in FoLAR's The Great LA River CleanUp 2021.** We were excited to be hands-on again and help prevent waste from polluting our urban waterways.

We also started laying the ground work for our teams in Mexico to participate in a similar activity in their local community. We are currently working with the local government officials for approvals, and hope to get started in 2022.



## DONATIONS

Getting involved with local charities has always been a goal for many of our team members. **In 2021 we supported charities in Utah and Illinois that needed packaging in order to serve meals in their communities.**

We are working on a plan to expand donations to multiple charities in the local markets we serve.

If you know any churches or charities needing take-out containers, **fill out the donation form through the QR code below.**

