

Decarbonization Download Vlog – Full Interview Transcript

5 Questions with Steelcase

Kelly

Hi again, everyone. I am Kelly Speakes-Backman, and I'm the Acting Assistant Secretary for the Office of Energy Efficiency and Renewable Energy [EERE] at the U.S. Department of Energy [DOE]. Today I am joined by Mary Ellen Mika from Steelcase, our partner in the Better Buildings, Better Plants Low Carbon Pilot. Mary Ellen, thank you for joining me.

Mary Ellen

Thanks, Kelly, for the opportunity. I really appreciate it.

Kelly

So first question, Mary Ellen: Why is decarbonization so important to your organization?

Mary Ellen

I would say sustainability overall is very important to Steelcase. We're a company that's more than 100 years old and our founding families were known for their environmentalism.

Most recently, in terms of decarbonization, we made a commitment to science-based targets. We set a target that by 2030, we will be reducing our absolute emissions by 50%.

We also made a commitment to get our suppliers involved as a key part of our scope three commitment by setting their own science-based targets by 2025.

With these commitments, we're also focused on trying to hold atmospheric warming to a 1.5 degrees Celsius level. We've chosen the most ambitious pathway offered by the Science Based Targets initiative, and we know it's going to be a challenge, but we're also looking forward to really rising to that challenge.

At Steelcase, we have 11,000 employees worldwide. They're in 45 different locations in 17 different countries. Our decision to set science-based targets has been a really inspiring one for employees. That's important to us because one of our key missions here at Steelcase is to unlock human promise.

Besides motivating people and obviously improving climate change situation, we're also hoping to reduce costs in the long run. There are very practical reasons that we're also pursuing decarbonization, but most of all, we know it's critical for the health of the planet and everything on it. We are planning to take action and try to do our part to help reduce emissions.

We're excited about this next chapter of really engaging in more projects that are involving decarbonization.

Kelly

That's really exciting. Clearly you all are going above and beyond into Scope 3 and holding to that 1.5 degrees Celsius warming limit. That's really exciting news to hear.

Next question is, who really are your stakeholders or customers? Are they thinking about decarbonization in the same way? I heard you talk about having your suppliers join you in your commitments; can you tell us more about your broader set of stakeholders?

Mary Ellen

When we think of our stakeholders, we think of that through an ESG [environmental, social, and governance] lens because we're publicly traded company.

A couple of years ago, in August of 2019, there was actually a very important memo that 181 CEOs signed that was put out by the Business Roundtable. And this memo talked about the purpose of a corporation, and it clarified that the purpose is not just to bring value to shareholders, but to actually bring value to all stakeholders, and that those stakeholders include five different groups.

Suppliers, customers, employees, the communities in which we live and work are all our stakeholders – when we think of stakeholders, we think of that broader group. I would say our stakeholders are at all different points in this process. We have some who are already very committed on their own to setting science-based targets. We have individuals who are very much into the cause, we have others who are hoping to become more educated, and I'm sure there are some who know very little about the subject.

It's really a broad group that's interested in our decarbonization and overall sustainability efforts, and we're pleased to be able to step up to that. In terms of the questions that our customers ask, we have found that over the years, those questions have changed a bit. The primary question originally was, 'What is Steelcase doing in its manufacturing operations to reduce greenhouse gas emissions?' Then we started getting more questions that were regarding what Steelcase is doing in the supply chain to help suppliers reduce their emissions. And then finally, we've recently seen a lot more questions about the embodied carbon content of our products and whether or not we're striving to reduce that over time.

Kelly

I would love to ask you, what are some of the most exciting projects, or the one most exciting project, that Steelcase has gotten itself involved with?

Mary Ellen

We've had some very fun and challenging projects over the past few years, and we're looking forward to some future challenging projects. One of the projects that we did that really helped reduce our carbon emissions was a project at our wood furniture manufacturing plant, which is almost a million square feet. It's located in Caledonia, Michigan. When it was first designed and

built, it was actually the world's first LEED certified manufacturing facility. That was back in 2001. That was actually before LEED had stringent energy efficiency requirements, so we had regular metal-halide lamping throughout the plant. We also had some T8 lighting throughout the plant. Years later, we realized upgrading those fixtures was a big opportunity to reduce energy use, reduce emissions, and actually save money. So, we proposed a relighting project at the plant, which actually included remote sensors as well so that adjustments could be made to help with additional energy efficiency opportunities. But the new lights were going to be LED lights.

I remember very distinctly when we first proposed this project that some of the quality teams at the plant were really concerned about it because we have very stringent requirements for selection of veneers from a color and green matching standpoint.

There were also concerns that by changing the lighting at all, we wouldn't be able to do the same green matching, or basically to do it as effectively as we had in the past. We were surprised that, once we did install the new lighting, we actually had so many benefits from it, including better matching, better veneer selection, and grading. The reason for that was the LED lights are actually much brighter, even though they use a lot less energy, and they also don't give off heat.

This project improved our overall craftsmanship. We're able to identify slight errors and things that we weren't able to see in the past with the poor lighting; it also has helped from a temperature perspective. It's very important that we keep the humidity and temperature constant in that plant, and the original lighting was adding a fair amount of heat. All of these upgrades have helped us to really improve the situation at the plant. And now we also have consistent lighting throughout the entire plant. It's made a difference in terms of just the quality of our overall products, and it's saving us over \$185,000 a year in terms of energy savings, too.

We've had some really interesting projects as part of the Low Carbon Pilot, and we really appreciate being able to work with experts from DOE on these projects over the years. I think we've been working on projects together for at least ten years at multiple locations.

And we've done some other fun projects, too. One of them is called Hack the Pack. That's a packaging innovation project where we actually had to identify a real problematic packaging solution for one of our products. We involved a very cross functional team, including people from procurement, packaging engineering, manufacturing engineering, and sustainability, and made sure that they all had the chance to kind of de-case the product together and understand what was an opportunity in terms of improvement.

As a result of that, we were able to change the design of the packaging and actually reduce the cost of the packaging, and also reduced damage to the products. We were able to get rid of some of the more complicated aspects of the packaging design, and we also got rid of the single-use packaging component. At the time, we had EPP and EPS foam within the packaging,

and that's something that's not easily recyclable. So, we were happy to be able to get rid of that. Overall, it was a big benefit, and it also helped us at installation locations because we often have situations where after we have installed a lot of new furniture, a dealer or the installers are left with volumes and volumes of packaging, and it's a hassle to get rid of it.

We're looking forward to more of those packaging projects and then just basically, for the future, we know we're going to have to come up with some really big projects in order to meet our new 50% reduction goals, and those are likely to include installation of onsite renewables.

Kelly

With that large scope of work and the high ambition that you all have, you must have some challenges that you're worried about in reducing carbon emissions. We'd love to hear some of the challenges that you foresee.

Mary Ellen

I see a lot of challenges. I know the project is pretty scary to some of the folks out in operations because I think we're all realizing that we can't get there. We can't get to this 50% reduction in our greenhouse gas emissions in our operations by just having energy efficiency projects; we're going to have to do much more than that. I think first, we have to challenge assumptions, especially assumptions about cost. We know reducing emissions is not going to be easy. We know capital investments will be required.

There are a number of issues that we have to address, but when it comes to our Scope 3 emissions, we expect some different challenges. In terms of suppliers, we are hoping to get really good supplier cooperation, and it'll take a lot of education and webinars when it comes to business travel. We know people are going to have to change habits and perhaps adjust to reduced business travel because we set goals according to reducing greenhouse gas emissions with that travel, and then also for waste that's generated in operations.

We know we'll have to improve our scrap management and recycling processes. It'll be a challenge. But I think we're up to it.

Kelly

That's awesome. We all have a lot of work to do. I can see that you all are well along the path. What advice do you have for those companies and other organizations that are just beginning on this path? What would you say to other organizations that are considering this work?

Mary Ellen

Well, I would definitely encourage other companies to do the same. I think I would forewarn them that it's not going to be smooth. It's not going to be super quick, but certainly it's a necessity for the planet. It's extremely important from a time perspective that we all act quickly.

Steelcase also is a supplier to our customers, and many of our customers who are setting their own science-based targets look to us to help them meet their Scope 3 emissions targets.

It's really kind of a wonderful ripple effect when we do make these kinds of commitments. I would say other companies would certainly benefit from that as well. And I know for me, I feel better about knowing that I can actually have some influence beyond our four walls here at Steelcase. This is a huge project, but it's so important for all of us. So I certainly would encourage others to get engaged as well.

Kelly

Well, thank you, Mary Ellen. We are all in this together, and we appreciate your partnership and your words of wisdom that you've shared today. I hope you have a great day. We look forward to working with you further on this.

Mary Ellen

Thank you, Kelly. Thank you for the opportunity.