



TETRA PAK GROUP

Procedure for Responsible Sourcing of Liquid Packaging Board

<i>Policy Owner:</i>	<i>Executive Vice President Supply Chain Operations</i>
<i>Date of approval:</i>	<i>2018.01.01</i>
<i>Date of communication:</i>	<i>2018.01.01</i>
<i>Valid from:</i>	<i>2019.01.01</i>
<i>Contact person for queries:</i>	<i>Director, Sourcing and Manufacturing, PMCO Sustainability</i>

Introduction

For the manufacturing of carton packaging, we purchase solely a specialty paperboard product called Liquid Packaging Board (LPB). LPB accounts for over 97% of our global purchase of wood and wood-based materials (others include wooden pallets, machine crates and office papers).

LPB is one of the most highly-demanding specifications in papermaking, as it needs to deliver very high stiffness while being lightweight, have excellent printability, and be safe for food-contact applications. Only a few paperboard producers can match those demands, and we strive to maintain long-term business relations with all producers that can meet our performance criteria, including criteria relating to sustainability performance.

Wood fibres cannot solely provide all the requirements related to the packaging, transporting and consuming of liquid and viscous foods. However, paper fibre is a renewable resource that can to a large extent substitute for fossil and finite materials. The design and production of carton packaging by Tetra Pak aims to maximise the utilisation of renewable materials. Approximately 70-75% on average of a Tetra Pak carton packaging is made from renewable materials.

By using wood fibre as our prime raw material, we minimise the need for utilising fossil, carbon based materials. Sourcing wood fibre from responsibly managed forests help to address our objectives to ensure that biodiversity, ecosystem functions and high conservation values (see definition on page 4) are maintained, and that social benefits are created from responsible forest management practices.

This document details responsible sourcing requirements for LPB suppliers beyond those requirements detailed in our Code of Business Conduct for Suppliers.

Sustainable Forest Management and Zero Net Deforestation and Degradation

Sustainable forest management is difficult to define at an operational level because forests vary enormously in social, economic and environmental characteristics around the world. However, principles for sustainable forest management have been described or prescribed in several different initiatives, and should form the basis of any standard for responsible forest management. The four key areas of attention are:

- Economic viability including the maintenance of a sustained yield of timber and non-timber products and services.
- Social responsibility including respect for human rights as well as the rights of workers, indigenous peoples and local communities.
- Environmental sustainability including maintaining the ecological functions of the forests, maintaining High Conservation Values (HCV) and conserving biodiversity.
- No net forest loss through deforestation and no net decline in forest quality through degradation.

Climate change is one of the greatest environmental concerns of our times. It is now widely recognised that forests, and their soils, play a huge role in storing terrestrial carbon as well as in regulating climate functions such as rainfall patterns. Preventing the further loss or degradation of forests has a significant role to play in mitigating against the increasing impacts of climate change.

Policy statement

Our ultimate ambition is that all the wood fibre in our LPB shall come from forests independently certified as managed in accordance with the principles of sustainable forest management.

Driving sustainable forest management requires us to achieve two distinct goals on forestry-related certification:

- ***Our first goal is to be able to deliver all carton packaging as certified and labelled in accordance with the principles of sustainable forest management.***
- ***Our second goal is to demonstrate traceability from the forests all the way to the carton packaging we produce at our sites globally, which can only be achieved through independent certification of the total Chain of Custody (CoC).***

Triple bottom-line is the ultimate goal

Tetra Pak supports certification of responsible forest management where there are conditions in place to grant environmental benefits and social justice, while viable economic production is sustained. We believe that the Forest Stewardship Council™ (FSC™) is the best available forum for demonstrating this. We are therefore committed to engage in and support the FSC system as an active member.

To facilitate communication to our stakeholders, including our customers and consumers, we have chosen to promote the FSC label. It is our goal to offer on-pack labelling for our carton packaging to all our customers over time, and to actively promote responsible management of the world's forests.

Implementation: We monitor the progress of our LPB suppliers to help us deliver all carton packaging as FSC certified and labelled through our supplier performance process. We annually set targets for the FSC share of total sales of carton packaging, and report the targets and our performance in the annual sustainability report.

Minimum requirements for LPB wood fibre sourcing

We have set minimum requirements beyond applicable legislation which we require our suppliers to comply with for the LPB wood fibre which is not FSC Forest Management certified.

LPB delivered to Tetra Pak shall not include the following unacceptable sources (identical to the Controlled Wood Standard of FSC):

- Illegally harvested wood.
- Wood harvested in violation of traditional and human rights.
- Wood harvested from areas in which high conservation values are threatened by management activities.
- Wood harvested from areas being converted to plantations or non-forest use.
- Wood from forests in which genetically modified trees are planted.

Implementation: As part of our supply contracts, we require our LPB suppliers to be FSC CoC certified, to deliver all LPB as Controlled Wood or FSC certified, and to include FSC/CW claims in invoices. In such cases, Tetra Pak will consider the 3rd-party certification as sufficient to prove that our minimum requirements have been met.

Moreover, Tetra Pak has implemented the traceability requirements in its own operations, ensuring traceability from the moment LPB is delivered by our suppliers until the moment we deliver carton packaging to our customers.

Verifying the legal origins of LPB wood fibre supply

All wood and wood based products purchased by Tetra Pak shall be manufactured from wood harvested in accordance with applicable legislation in the country of harvest. Therefore, information must be available to document the legal origins of the LPB wood fibre supply.

Implementation: Tetra Pak has developed measures and processes to ensure that we have the necessary information about the wood and wood-based materials in our products, starting with our LPB purchasing and carton packaging production. This includes the following:

- FSC CoC certification of our factories producing carton packaging.
- An annual supplier reporting process, where suppliers are required to report tree species used in the production of LPB delivered to Tetra Pak and their country of origin, plus certification status of the LPB. The suppliers are also asked to declare compliance with applicable legislation.

- Risk assessments embedded in Group Risk management tools, which are part of our corporate governance, including risk mitigation procedures.
- Keeping records of our LPB purchasing for a minimum of 5 years.

Identifying and maintaining High Conservation Values

Tetra Pak recognises that one of the most significant challenges suppliers face in meeting our requirements is to demonstrate that High Conservation Values (HCVs) within their own supply chains are being effectively identified, managed and monitored. Tetra Pak fully supports multi-stakeholder efforts (e.g. the High Conservation Value Resource Network - HCVRN) to develop information sources and tools that will help identify HCVs. Tetra Pak expects suppliers to take full advantage of these available resources to drive responsible sourcing and responsible forest management, and to actively support and participate in HCV multi-stakeholder efforts such as FSC National Risk Assessment Processes.

HCV areas are critical areas in a landscape which need to be identified and appropriately managed to maintain or enhance the HCV. There are six main types of HCVs areas, based on the definition originally developed by the Forest Stewardship Council for certification of forestry operations, but now increasingly expanded to other voluntary sustainability standards:

- HCV 1: Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels.
- HCV 2: Landscape-level ecosystems and mosaics. Intact forest landscapes and large landscape-level ecosystems and ecosystem mosaics that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.
- HCV 3: Rare, threatened, or endangered ecosystems, habitats or refugia.
- HCV 4: Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.
- HCV 5: Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc...), identified through engagement with these communities or indigenous peoples.
- HCV 6. Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples.

Tetra Pak has chosen to work with the High Conservation Value concept, but acknowledges that other approaches are available. We may accept other methods of demonstrating compliance, if they are third party verified and based on independent inventories or mapping processes to identify areas of high conservation value.

Stakeholder dialogue and public reporting

Tetra Pak will work with relevant stakeholders to further develop this procedure. Our progress in implementing the goals outlined in this procedure is published in our annual sustainability report, which is publicly available.

Tetra Pak is actively participating in the following voluntary stakeholder initiatives connected to responsible forest management and certification:

- Forest Stewardship Council International (for more information see www.fsc.org) through active membership participation, which has included a representation in the Board of Directors between 2006 and 2012.
- WWF Global Forest & Trade Network (for more information see gftn.panda.org) through membership since 2006, including performance commitments in certification as part of the membership.
- The Consumer Goods Forum has committed to support the New York Declaration on Forests which sets the bold macro goal of cutting natural forest loss globally by half by 2020, and striving to end it by 2030. Tetra Pak is a member of the Consumer Goods Forum.

Implementation

Tetra Pak will ensure that all employees associated with LPB purchasing are aware of the procedure and its commitments, and that they are given appropriate training to allow its full implementation.

Related Policies and Commitments

The Tetra Pak Group Environmental Policy takes a long term and lifecycle view, committing the company to continuously improve environmental performance. The policy is available on www.tetrapak.com.

Tetra Pak is a participating company in the UN Global Compact, supporting ten principles in the areas of human rights, labour, environment and anti-corruption.

Tetra Pak expects every supplier to comply with its Business Code of Conduct for Suppliers, which is attached to every contract signed by both parties.