Procedure for responsible sourcing of Liquid Packaging Board

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Introduction

For the manufacturing of beverage cartons we purchase solely a specialty paperboard product called Liquid Packaging Board (LPB). LPB accounts for over 99% 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 to be safe for food-contact applications. Only a few paperboard producers are able to match those demands, and we strive to maintain long-term business relations with all of those producers that can meet our performance criteria, including the criteria relating to sustainability performance.

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

By using wood fibres as our prime raw material we minimise the need for utilising fossil carbon based materials, which lead to a permanent increase in the greenhouse gases in the atmosphere. Sourcing fibres from responsibly managed forests addresses our objectives to ensure that biodiversity, ecosystem functions and high conservation values (see definition in Annex 1) are maintained, and that social benefits are created from responsible forest management practices.
Sustainable forest management

Sustainable forest management is difficult to define at an operational level because forests vary enormously in social, economical and environmental characteristics around the world. However, principles for sustainable forest management have been described or prescribed in a number of different initiatives, and should form the basis of any standard for responsible forest management. The three 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 Value forests and conserving biodiversity.

The role of forests in climate change

Climate change is one of the greatest concerns of our times, and forests have a significant role to play in that matter. The huge importance of forests in storing carbon – almost 50% of terrestrial carbon is in forests – as well as in regulating climate functions such as rainfall patterns, is now widely recognised. And so are the huge problems that forest destruction and loss can cause; forest loss is currently estimated to be responsible for about 17% of global CO₂ emissions. With this procedure document we aim to ensure that all our paperboard comes from forests which are under permanent forest cover so that any carbon released from forest management activities is re-absorbed by re-growth. To achieve this we require third-party verification that our LPB suppliers do not use wood from any form of deforestation which breaks this natural cycle.

Policy statement

Responsible sourcing of wood and wood-based materials requires, in our view, two distinct goals to be achieved:

Our first goal 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.

Our second goal is to demonstrate traceability from the forests all the way to the packaging material 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 ambition

Tetra Pak has the ambition to only source wood-based products from forests that are credibly certified as well-managed. This means that in these forests there are conditions in place to grant environmental benefits and social justice, while viable economic production is sustained.

Finding such balance and defining fulfilment criteria for these conditions is no easy task. We believe that the Forest Stewardship Council™ (FSC™) is the best available forum for demonstrating this. We are therefore committed to both engage in and support the FSC process as an active member, and to seek a continued increase in the share of certified forests used for the materials required for the production of LPB.
To facilitate a communication process to our stakeholders, including our customers and their clients (consumers), we have chosen to promote the FSC label. We offer, whenever possible and available, on-pack labelling for our beverage cartons as a means to promote the responsible management of the world’s forests.

Implementation: We monitor the progress of our LPB suppliers to help us fulfil our procedure goals. We gradually release new FSC packaging material codes that can be used for on-pack labelling. And we annually set targets related to the objectives highlighted above. The targets and our performance are reported via our annual sustainability update.

**Path to sustainability**

In order to achieve our goals we focus on two key aspects:

- **Forest management**: our LPB suppliers shall continuously increase the amount of wood fibres sourced from well-managed forests, certified to the FSC scheme.
- **Traceability**: an independently certified system to trace wood fibre back to the forest of origin and exclude all unacceptable sources must be implemented from the forest to the sites producing beverage cartons.

Tetra Pak understands that this can be challenging in practice and therefore stipulates initial requirements for our suppliers to exclude illegal and other unacceptable sources of wood fibre, followed by a process of continuous improvement towards full and credible certification of forest management and traceability.

**Minimum requirements**

In the process to achieve our abovementioned goals for 100% of the LPB we purchase globally, we have set minimum requirements beyond applicable legislation which we expect our suppliers to comply with.

These are based on the Controlled Wood Standard of the Forest Stewardship Council (FSC–STD-040-005 v2-1).

LPB delivered to Tetra Pak shall not include:

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

Implementation: We prefer our LPB suppliers to be certified according to FSC and to be able to provide statements confirming the Controlled Wood and/or FSC certified origin of the LPB in their invoices to Tetra Pak. In such cases, Tetra Pak will consider the 3rd-party certification as sufficient to prove that the minimum requirements we ask for have been met. In case a LPB supplier is not able to provide such statements, Tetra Pak will reserve the right to ask independent auditors to perform desk and/or on-the-ground audits to confirm the ability of the
supplier to guarantee that Tetra Pak’s minimum requirements are met. Tetra Pak will choose auditors and define a timeline for audits (annually as a minimum).

We expect our LPB suppliers to continuously evolve along this path to sustainability, focusing on the two key aspects.

Moreover, Tetra Pak has implemented the traceability aspect in its own operations, ensuring that the chain of custody is unbroken from the moment certified LPB is delivered by our suppliers until the moment we deliver packaging materials to our customers.

Guidance notes for our LPB Suppliers regarding evaluation and auditing of performance can be found in Annex 1.

Due diligence to verify legality

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 identify the country of harvest, wood species and quantity, details of the supplier and information on compliance with national legislation.

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 packaging material production.

- A FSC CoC certification at every packaging material factory
- A supplier information request process, performed annually, that includes production volumes for Tetra Pak; tree species used in the production of LPB 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;
- Records of our LPB purchasing are kept for a minimum of 5 years.

Stakeholder dialogue and public reporting

Tetra Pak will work with relevant stakeholders to further develop the procedure for responsible sourcing of wood and wood-based materials. A report on our progress in implementing the goals outlined in this procedure is published in our annual sustainability update, which is publicly available.

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

- Forest Stewardship Council International (for more information see [www.fsc.org](http://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](http://gftn.panda.org)) through membership since 2006, including performance commitments in certification as part of the membership.
HCVRN (for more information see www.hcvnetwork.org) through active membership participation since 2006, which included representation in the Steering Group and funding through our cooperation with WWF between 2006 and 2013.

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

Related Policies, Commitments and Reports
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 policy document Business Code of Conduct for Suppliers, which is attached to every contract signed by both parties.
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Annex 1: Evaluation and auditing of LPB suppliers

It is extremely important for Tetra Pak that our Liquid Packaging Board (LPB) suppliers are making continuous progress towards our goals. Tetra Pak is committed to monitoring the suppliers’ progress annually via tailored processes that tracks each supplier’s delivery volumes based on certification and verification status.

Supplier Performance

Tetra Pak will annually ask suppliers to report data on tree species used in the production of LPB, the country of origin of the wood and the certification status of the wood, pulp and LPB. Tetra Pak will evaluate the suppliers’ performance based on the quality of the reporting and the certification status of the LPB volumes they deliver.

Suppliers that deliver all LPB volumes as Forest Stewardship Council™ (FSC™) Chain of Custody (CoC) and/or Controlled Wood (CW) certified fulfil Tetra Pak’s forestry performance requirements. The share of FSC CoC certified LPB shall increase over time, to deliver on Tetra Pak’s ambition to only source wood-based products from forests that are credibly certified to be well-managed.

Suppliers that do not deliver all LPB volumes as FSC CoC and/or CW certified do not fulfil the performance requirements, and will be asked to deliver FSC CoC and/or CW certified LPB.

Supplier Auditing

Suppliers that deliver all LPB volumes as FSC CoC and/or CW certified are considered to be low risk and will not be audited or visited by Tetra Pak (or third-parties on behalf of Tetra Pak), since the certification scheme already oversees all our requirements. Tetra Pak will use a third party to annually carry out visits to suppliers that do not deliver all LPB volumes as FSC CoC and/or CW certified. The visits aim to confirm the suppliers’ responses to our questionnaires, and to evaluate risks connected to the suppliers’ sourcing and our minimum requirements.

Minimum requirements

Tetra Pak has set minimum requirements which we expect our suppliers to comply with. These are based on the Controlled Wood Standard of the Forest Stewardship Council™ (FSC –STD-040-005 v2-1). LPB delivered to Tetra Pak shall not include:

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

Maintaining High Conservation Values

Tetra Pak recognises that one of the most significant challenges suppliers face in meeting our procedure requirements will be to demonstrate that they are safeguarding High Conservation Values (HCV). Tetra Pak fully supports multi-stakeholder efforts to develop information sources and tools that will help suppliers identify these areas on their own forestlands and in their procurement of wood raw materials from third-parties (e.g. the High Conservation Value Resource Network - HCVRN). Tetra Pak expects suppliers to take full advantage of these resources as part of their responsible forest management efforts, and to actively support and participate in HCV multi-stakeholder efforts.

High Conservation Value areas are critical areas in a landscape which need to be appropriately managed in order to maintain or enhance HCV. There are six main types of HCV areas, based on the definition originally developed by the Forest Stewardship Council for certification of forest ecosystems, but now increasingly expanded to apply to assessments of other ecosystems:

- **HCV1.** Areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- **HCV2.** Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- **HCV3.** Areas that are in or contain rare, threatened or endangered ecosystems.
- **HCV4.** Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control).
- **HCV5.** Areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).
- **HCV6.** Areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

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