

Environmental Agreement in the Form of an Industry Self-Commitment concerning Third-Party Verified Traceability Systems for Wood Fibres in Liquid Packaging Board used for the Manufacture of Beverage Cartons

Explanatory Memorandum

1 Abstract

The business objective of the participating companies is to provide packaging material for beverage cartons, using wood fibres from legal and acceptable sources. In this context the signatories to this Industry Self-Commitment, commit themselves to a traceability system for liquid packaging board to be verified by an independent third party. The third party verification is implemented according to chain-of-custody standards as applied by forest certification systems.

The commitment will ensure that sources of wood fibre used in the production of liquid packaging board can be effectively monitored and that they respect relevant national laws. This contributes to protecting and improving the quality of the environment, to the prudent and rational utilisation of natural resources, and specifically to the fight against illegal logging.

2 Key Players Initiating the Industry Self-Commitment

This initiative takes the form of a unilateral Industry Self-Commitment by beverage carton manufacturers operating in EU as represented in the Alliance for Beverage Cartons and the Environment (ACE), namely Elopak, SIG Combibloc and Tetra Pak.

These companies together represent a significant majority of European and global markets for the beverage carton (c.f. Section 11).

3 Motivation

A sector-wide Industry Self-Commitment on traceability of wood fibres used for liquid packaging board used in beverage cartons contributes both to the signatories' business interests and to relevant EU policies.

To meet their commercial objectives successfully, the signatories require:

- Secure supplies of wood fibres from sustainably managed forests for the manufacture of the beverage carton. On average, 75% of the weight of a beverage carton is made of wood fibres, a renewable source.
- Market clarity across the beverage carton manufacturing sector, identifying sustainable use of resources. This will be strengthened by credible systems of chain-of-custody and traceability open to all on a global basis.
- To maintain, further develop and render visible the environmental credentials of the beverage carton in an increasingly competitive market.

As regards policy, a sector-wide traceability system for liquid packaging board will contribute:

- to the goals set out in the EU Treaty in particular Articles 3 l and m, 27, 133, 157.1 and 174¹;
- to the priority in EU policy placed on the sustainable use of natural resources in the EU Sustainable Development Strategy (EU SDS), 2002; the renewed EU SDS, June 2006, and the Thematic Strategy on Natural Resources (Thematic Strategy on the sustainable use of natural resources, October 2005), and also
- to the responsible management of renewable resources and therefore to EU environment policy objectives.

With respect to the forest-based sector, this Industry Self-Commitment responds directly to the encouragement given by the Commission to "private sector initiatives" in the context of the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT, May 2003) ²:

"A fourth theme which the Commission proposes to address through the Action Plan is that of private sector initiatives based on principles of corporate social responsibility. The private sector has a key role to play in combating illegal logging, and can exert a direct and positive influence through a network of business relationships extending from the forest to the market place". In addition, the Commission called for "rigorous voluntary independent audit of the supply chain".

Hence, in this general context of voluntary initiatives, a self-regulatory initiative could lead to positive impacts and achieve effective and tangible results on third country supply chains in potentially an even shorter time scale than legislation and trade negotiations.

¹ Article 3, (l) and (m): principles on (l) a policy in the sphere of the environment; (m) the strengthening of the competitiveness of Community industry.

Article 27: promote trade between Member States and third countries, improvements in the competitive capacity of undertakings, supply of raw materials, rational development of production.

Article 133: Common Commercial Policy/ trade policy.

Article 157,1: Industry and competitiveness conditions.

Article 174,1 Environment objectives.

² http://ec.europa.eu/development/body/theme/forest/initiative/index_en.htm.

4 Definitions

A chain-of-custody system, as used in this document, covers the flow of wood and wood-based products between the entry and exit points in the supply chain, i.e. from forests to paper mills producing liquid packaging board, and from liquid packaging board to the finished beverage carton packaging material.

This Industry Self-Commitment covers chain-of-custody and traceability systems that enable the verification and acceptability of the sources of wood fibre used in beverage carton packages manufactured by the signatories.

- For the **liquid packaging board producers**, traceability of wood and wood fibres enables monitoring of wood fibre origin from the forest until it enters the possession of the liquid packaging board producer.
- For the **beverage carton manufacturers**, traceability of liquid packaging board enables monitoring of the liquid packaging board from its production site (c.f. bullet point above) until the final product (packaging material) is manufactured and ready to be delivered to the final customer (filler) by the beverage carton manufacturers.
- Certification means a procedure by which an independent, accredited body audits the procurement and management of wood fibre and products derived from it in order to check conformity with specified requirements of chain-of-custody standards. In case of compliance, the certifier issues a written certificate which needs to be renewed according to defined procedures and time schedules.
- Third-party verification means an independent audit by an expert consultancy in line with internationally accepted chain-of-custody standards.
- Acceptability of fibres is defined by standards utilised for chain-of-custody certification. In the case of the Forest Stewardship Council (FSC), acceptable sources are either those certified as **well-managed** or those verified as **controlled wood sources**.
 - Well-managed sources are those sources independently certified by accredited certification bodies, complying with the ten Principles and Criteria of the FSC³.
 - Controlled wood sources are those independently verified by accredited certification bodies complying with a specific standard. This standard specifies basic requirements to demonstrate that the sources are controlled and do not include the following:

³ C.f. http://www.fsc.org/en/about/policy_standards/princ_criteria

- illegally harvested wood;
- wood harvested in violation of traditional and civil rights;
- wood harvested in forests in which high conservation values are threatened;
- wood harvested from areas being converted from forests to non-forest uses;
- wood from areas where genetically-modified trees are planted.

5 Objectives of the Action

The objectives of the proposed action are:

- To ensure a traceable and verifiable 100 % supply of wood fibre from legal and acceptable sources for the manufacture by the signatories of beverage cartons produced from liquid packaging board.
- To develop a model for a credible third-party verification scheme in countries where currently no credible certification schemes exist for responsible chain-of-custody procurement. This model could be applied, *mutatis mutandis*, in other sectors.
- To give practical support to the FLEGT Action Plan⁴ and its implementation by the private sector.
- To respond to demands made in international fora, e.g. the St. Petersburg Declaration made by European and North Asian Forest Law Enforcement Ministerial Process, for the private sector to develop solutions to improving the traceability of wood.
- To give practical support for the European Union Forest Action Plan of June 2006.⁵

6 Proposed Action

Manufacturers of beverage cartons commit themselves to a 10-year programme for the systematic use, in their procurement of liquid packaging board, of legal and acceptable wood-fibre, ensured by using traceability systems independently certified according to chain-of-custody standards. In particular they commit to:

- Guarantee that the chain-of-custody standards used will be those set by the Forest Stewardship Council (FSC), and/or those of the Programme for the Endorsement of Forest Certification Schemes (PEFC) or equivalent schemes.
- Work together with liquid packaging board suppliers to obtain and maintain their chain-of-custody certification in order to move towards 100% chain-of-custody certification for all liquid packaging paperboard used in their products by 2015 at the latest.

⁴ C.f. footnote 2

⁵ http://ec.europa.eu/agriculture/fore/index_en.htm

- Extend the chain-of-custody certification from liquid packaging board mills to beverage carton manufacturing plants⁶ and reach a level of 100% certification in this regard by 2018.
- In cases or countries where chain-of-custody standards are not yet recognised or implemented, to use traceability systems which will be third-party verified in order to exclude illegal and unacceptable sources.

Progress towards the above targets will be to subject of regular reporting (c.f. Section 12).

7 Accepted Chain-of-Custody Certification and Verification Standards

An independently certified chain-of-custody ensures that procedures and documentation are in place and are certified. This is done in order to consistently trace wood, wood fibre, and wood-based products, such as liquid packaging board used in beverage cartons. The procedure is carried out between the two points of the supply chain – i.e. firstly from forests to paper mills producing liquid packaging board, and secondly from liquid packaging board to the finished beverage carton packaging material.

Accepted standards, currently, are those defined by the Forest Stewardship Council (FSC), and by the Programme for Endorsement of Forest Certification Schemes (PEFC), or other equivalent and credible standards; these standards are applied to traceability systems and certified by accredited bodies.

Where such standards are not available, independent verification bodies will be used to check the systems' capacity to ensure that legal and acceptable wood sources are used.

8 Why would an Industry Self-Commitment be an appropriate instrument for this action?

The proposed action has economic, environmental and social advantages and therefore is able to contribute to the Lisbon objectives for a European growth and job strategy as well as the EU Strategy for Sustainable Development.

The proposed action also responds to the support from EU institutions for private sector initiatives, e.g. the Sixth Environmental Action Programme (2002)⁷ and the Commission's Communication on Environmental Agreements at Community level (17.02.2002)⁸.

More particularly it responds to the repeated encouragement by European and international fora for appropriate private sector initiatives in the specific area of illegal logging (c.f. Section 5).

⁶ Including 53 converting plants in more than 30 countries (data 2006)

⁷ <http://ec.europa.eu/environment/newprg/index.htm>

⁸ <http://europa.eu/scadplus/leg/en/lvb/l28126.htm>

The proposed Industry Self-Commitment would be a cost-effective method of meeting European and international policy objectives. It would also accelerate the achievement of practical results sought by policy and legislation in countries both within and outside the EU.

9 Environmental, Economic and Social Benefits of the proposed Action

The proposed action will contribute to:

- The goal of eliminating any illegal or unacceptable logging of forest resources leading to economic and fiscal losses, as well as negative social and environmental impacts ;
- The goal of protecting high-conservation value forests;
- Maintaining and developing high standards of forestry practice in the EU and third countries;
- The promotion of the sustainable use of a renewable resource, the forest, which covers a third of the EU's land area;
- Improving labour standards by avoiding exploitation of workers in uncontrolled and illegal logging sites⁹ .

10 Links to EU policy instruments

- 6th Environmental Action Programme (6th EAP)¹⁰
- EU Strategy for Sustainable Development (EU SDS)¹¹
- EU FLEGT Action Plan¹²
- Thematic Strategy on Sustainable Use of Natural Resources¹³
- EU Forest Action Plan¹⁴
- Communication on Innovative and Sustainable Forest-based Industries in the EU¹⁵
- Action Plan on the Simplification and improvement of the Regulatory Environment¹⁶

⁹ C.f. The Safety and Health in forestry Work : An ILO code of practice
<http://www.ilo.org/public/English/protection/safework/cops/English/download/e981284.pdf> and as referred to in the FSC and PEFC standards

¹⁰ C.f. footnote 7

¹¹ http://ec.europa.eu/sustainable/sds2006/index_en.htm

¹² C.f. footnote 2

¹³ <http://europa.eu/scadplus/leg/en/lvb/l28167.htm>

¹⁴ C.f. footnote 5

¹⁵ To be included once adopted by the Commission

¹⁶ COM (2002) 278

11 Market Volume

The market volume of liquid packaging board used by the signatories in their manufacture of beverage cartons is currently approximately 2 million tonnes per year.

The signatories represent about 95 % of the beverage cartons used in the EU and 80% of the beverage carton market globally.

12 Management of the Industry Self-Commitment

Reports from each signatory concerning certified chain-of-custody will be aggregated and presented in one public report.

The signatories will jointly report aggregated figures on the percentage of beverage carton manufacturing operations carrying a chain of custody certification in the European Union and globally.

Individual company reports on the compliance with the commitment are not accepted.

The results and reports provided by the independent third party shall be provided by the Alliance for Beverage Cartons and the Environment. All such reports will be made available to all interested parties in a transparent manner and published on the Internet.

13 Monitoring of Compliance with the Industry Self-Commitment

Monitoring of the Industry Self-Commitment concerning the use of the chain-of-custody procurement procedure will be carried out by an external verification body contracted by the Alliance for Beverage Cartons and the Environment with the agreement of the Commission.

Progress on the implementation of the commitment will be reported on a bi-annual basis starting 2009 (ref. year 2007). Information will be provided to relevant stakeholders and other interested parties.

The ultimate success of this Industry Self-Commitment will be judged on progress towards 100% chain-of-custody certification of wood fibres used for beverage carton packaging world-wide produced by the signatory packaging producers.

14 Admission of Late Entrants

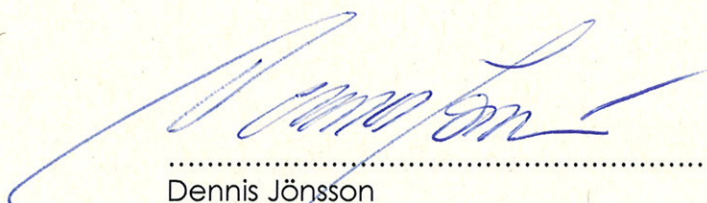
Any producer of beverage cartons is free to join this Industry Self-Commitment provided they are willing to meet the objectives, proposed actions and standards as set out in chapters five, six and seven of this agreement.

New members will also be required to submit to the reporting requirement for independent verification of their commitment as set out in Section 12.

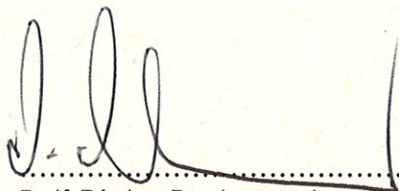
15 Duration

It is proposed that this Industry Self-Commitment lasts 10 years, with a review after 5 years in consultation with relevant stakeholders and other interested parties. The review will assess *inter alia* the feasibility of further developing this commitment.

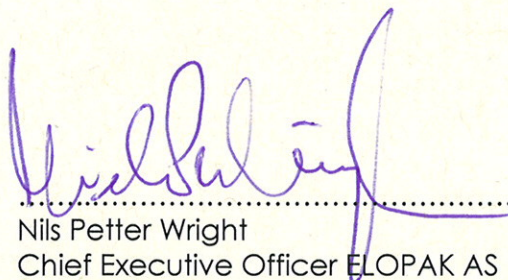
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