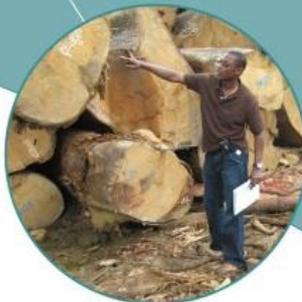


ACE converters self- commitment on third- party verified traceability systems for wood fibres

7th Annual report
(2013 figures)

Final | 01 May 2014



About Proforest

Proforest is an independent company working with natural resource management and specialising in practical approaches to sustainability.

Our work ranges from international policy development to the practical implementation of requirements on the ground, with a particular focus on turning policy into practice. Our extensive and up-to-date knowledge of the international context ensures that our work for individual companies and organisations is set within an appropriate framework. At the same time, we are able to bring a wealth of current practical experience to policy development processes and debates.

The Proforest team is international and multilingual and has a broad variety of backgrounds, ranging from industry to academia and NGOs. This allows us to work comfortably in many types of organisations, as well as in a range of cultures. We have in-house knowledge of more than 15 languages, including Mandarin, Malay, French, Spanish and Portuguese.

Proforest was set up in 2000. Our expertise covers all aspects of the natural resources sector, from forestry and agricultural commodities to conservation, supply chain management and responsible investment.

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1 Background

The Industry self-commitment (the 'ACE converters commitment')

Elopak, Tetra Pak and SIG Combibloc, as ACE converting members, are committed to globally:

- Sourcing 100% wood fibre from legal and acceptable sources by 2015
- Securing CoC certification for all liquid packaging board mills by 2015
- Securing CoC certification for all beverage carton manufacturing plants by 2018

The converting members of the Alliance for Beverage Cartons and the Environment (ACE), namely Elopak, Tetra Pak and SIG Combibloc, are committed to sourcing wood fibre that is traceable to legal and acceptable sources, using processes that have been independently verified¹.

To achieve this goal the companies have committed to progressively increasing the amount of fibre that is traceable to well managed forests. ACE contracted Proforest to coordinate the reporting process and to produce a public report on the amalgamated figures.

This report presents the results of the seventh year of monitoring (2013) and shows the figures for fibre that is of certified and controlled origin and the progress made towards the targets specified in the self-commitment.

Progress will be reported on two targets annually:

- The percentage of fibre supply that is covered by an independent 3rd party certificate demonstrating legality and traceability.
- The proportion of manufacturing plants which have independent 3rd party Chain of Custody (CoC) certification. This does not include 'contracted' converting plants; i.e. where the 'licensee' is not utilising the company brand.

Definition of Legal and Acceptable sources

For the purpose of this reporting, ACE converting members have defined the following wood sources as not acceptable:

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

¹ Tetra Pak, Elopak and SIG-Combibloc (2007) *Industry self-commitment concerning third party verified traceability systems for wood fibres in liquid packaging board used for the manufacture of beverage cartons*

2 Methodology

ACE converting members provided information to Proforest using the reporting form shown in Annex 1. Proforest gathered supporting documentation from the ACE converting members and their suppliers to verify the figures and to cross check the certified/verified status of fibre supplies. Proforest then amalgamated the figures for all members to produce the overall figures for the Alliance. The data from the individual companies was kept confidential.

2.1 Acceptable fibre categories

There are four ways to demonstrate that wood fibre meets the ACE converting members' definition of Legal and Acceptable sources:

1. It is FSC certified

Certified fibre is fibre that was supplied by a liquid packaging board (LPB) production facility in possession of an appropriate FSC Chain of Custody certificate covering the specific year, and is sold as certified with this indicated on the invoice or in the purchasing contract.

2. It is FSC 'controlled wood'

Controlled wood means fibre that is not certified but is deemed suitable to form part of an FSC certified product. Controlled wood is defined in the FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 and FSC Standard Company Evaluation of Controlled Wood FSC-STD-40-005. Both standards currently include the same requirements as the definition being used by the ACE commitment.

Controlled wood is sold by FSC CoC Certificate holders who are allowed to handle or sell FSC controlled wood. The FSC controlled wood statement will be indicated on the invoice or in the purchasing contract when it is sold to a certified company.

If FSC controlled wood is purchased by a non-certified organisation, the FSC controlled wood statement cannot be used in sales or shipping documents. In this case, the following evidence has been accepted:

- A statement from the supplier "Company XXX has in 2013 supplied YYY tons of liquid paperboard to (ACE member) plant ZZZ, all of which has been in compliance with the requirements of FSC-STD-40-005 Standard for Company Evaluation of Controlled Wood"; and
- Evidence to show that the materials supplied to the ACE converting members was indeed FSC controlled wood, which can be demonstrated by the following:
 - Evidence of how the sale of FSC controlled wood to ACE converting members link to their internal record keeping system, i.e. the equivalent volume of FSC controlled wood was deducted from their system.
 - Copy of the audit report issued by their certification bodies showing records of controlled wood volume that was sold to ACE members' non-certified plants.

3. It is PEFC-certified from those PEFC-endorsed standards which deliver the ACE requirements

The Program for the Endorsement of Forest Certification schemes is an umbrella system for national forest certification schemes. Standards are developed in each country and then endorsed by PEFC. In some cases, ACE has determined that a national PEFC standard does not deliver the requirements of the industry self-commitment (SFI and AFS are examples). In such cases, PEFC certified wood is not recorded as being acceptable. Where there is doubt about the acceptability of a PEFC-endorsed standard, an independent comparison with the ACE commitment will be required.

Only those PEFC-endorsed national systems that meet ACE converting members' definition of Legal and Acceptable sources are considered as meeting ACE requirements.

PEFC fibre is supplied by a liquid packaging board production facility in possession of an appropriate PEFC Chain of Custody certificate covering the specific year, and is sold as certified.

4. 3rd party verification where none of the above is available

Where the LPB purchased contains a percentage of fibre from non-wood sources, such as straw or bagasse, none of the above standards are applicable. Thus a 3rd party expert is required to verify that the wood-based fibre is from a legal and acceptable source.

Wood fibre which does not fall within any of the above four categories, does not meet the ACE definition of Legal and Acceptable sources and is categorised as 'Not meeting ACE converters voluntary reporting definition'.

2.2 Acceptable evidence for reporting

There are two main ways that ACE converting members could provide evidence that material was certified:

- Material was purchased from a certified production facility and invoices or other sales documents clearly confirmed that the material was certified.
- There was an overarching contract between the producer and the ACE converting member which confirmed that all material supplied is certified.

3 Results

3.1 Converting plants

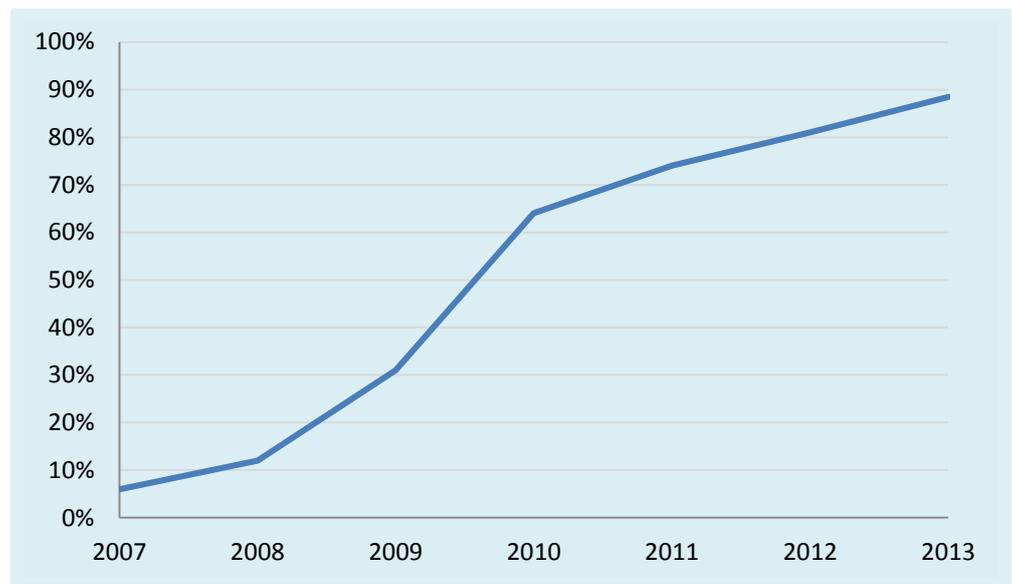
The three ACE converting member companies declared a total of 52 converting plants for 2013, which was one less than in 2012. Of the 52 plants, there are now 46 converting plants that are FSC Chain-of-Custody (CoC) certificate holders, accounting for 88.46% of the total. This was an increase from 2012, when the proportion was 81.13%. The number of FSC CoC-certified plants has increased by 3 since 2012, which means that more LPB products can potentially be labelled with FSC logos.

Table 1. Certification status of ACE members’ converting plants

Category	FSC CoC certified	Non certified	Total
Number	46	6	52
Percentage	88.46	11.54	100

Overall, the converting members have made significant progress towards the ACE commitment of securing CoC certification for all beverage carton manufacturing plants by 2018. The percentage of mills with a CoC certification has increased from 6% in the first year of reporting in 2007 to 88.46% in 2013.

Figure 1. FSC CoC certified converting plants 2007-2013. The percentage of ACE members’ liquid packaging board mills in 2007-2013 that have FSC CoC certification



3.2 LPB Sourcing

In 2013, the three ACE converting members have a total of 20 LPB supplying mills, 16 of which have already achieved FSC CoC certification; this represents 80% of the LPB producing mills. The ACE converting members will need to liaise with their mill suppliers to ensure that the ACE commitment of securing CoC certification for all liquid packaging board mills by 2015 is fulfilled.

The three ACE converting members declared a total of 2 761 386 tonnes of LPB purchased during 2013, a slightly increased quantity compared to the previous year. Of this total, 2 573 215 tonnes or 93.19% was classified as meeting the ACE converters voluntary reporting definition of legal and acceptable sources.

Figure 2. Percentage of LBP purchased by ACE converting members in 2013.

- Meets the voluntary reporting definition of Legal and Acceptable sources
- Does not meet the voluntary reporting definition of Legal and Acceptable sources

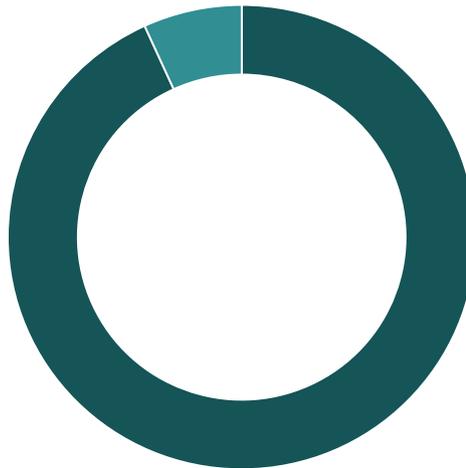
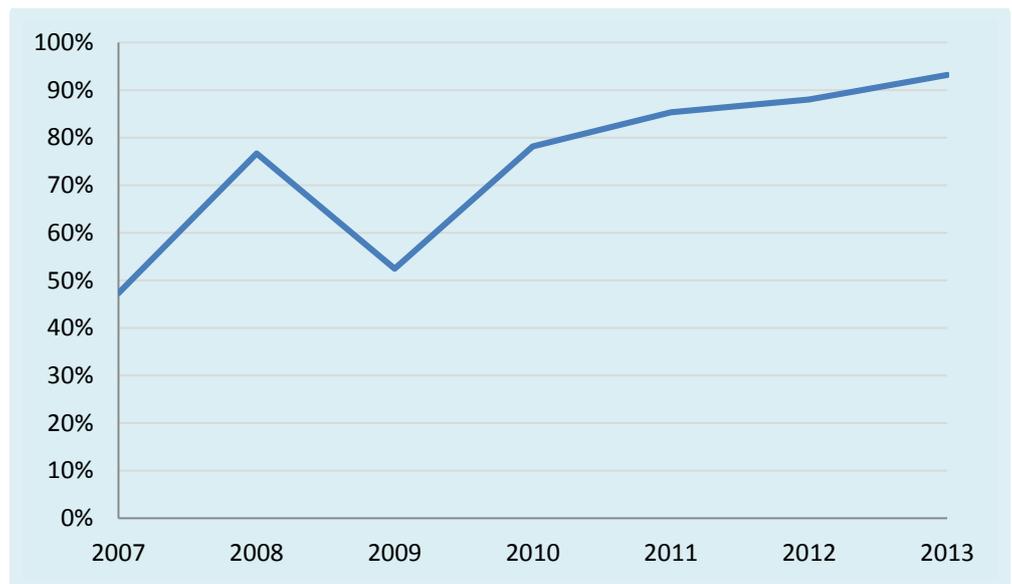


Table 2. LBP purchased by ACE converting members that meets the voluntary reporting definition of Legal and Acceptable and LBP from sources not meeting the voluntary reporting definition.

Category	Meets the voluntary reporting definition of Legal and Acceptable sources	Does not meet the voluntary reporting definition	Total
Tonnes	2 573 215	188 172	2 761 386
Percentage	93.19	6.81	100

The volume of fibre that meets the ACE definition in 2013 had increased from 2012 when 87.99% of the LBP was reported as meeting the ACE definition of legal and acceptable sources. Overall, the ACE converting members have made significant progress towards the goal of 100% wood fibre from legal and acceptable sources by 2015. During the seven years of ACE reporting, the percentage of fibre from legal and acceptable sources has increased from 47% in 2007 to 93.19% in 2013.

Figure 3. Fibre from legal and acceptable sources 2007-2013. The percentage of fibre purchased by ACE members in 2007-2013 that can be classified as meeting the voluntary commitment definition of Legal and Acceptable sources.



4 Observations on data and process

Converting plants

There was an increase in the number of converting plants that have achieved CoC certification, from 81.13% in 2012 to 88.46% in 2013. There are only 6 more converting plants to be certified in order to meet the ACE commitment of securing CoC certification for all beverage carton manufacturing plants by 2018. Some of these plants are already in the certification process, so it is expected that the percentage of CoC certified plants will further increase in the year 2014.

LPB sourcing

In terms of LPB sourcing, 93.19% of the material meets the voluntary commitment definition of legal and acceptable sources, compared to 87.99% in 2012. ACE members are thus making good progress towards their commitment of sourcing 100% wood fibre from legal and acceptable sources by 2015. The difficult issue identified was related to the purchase of FSC controlled wood by non-certified manufacturing plants as FSC controlled wood statement cannot be specified in sales or shipping documents. Changes have been made in the guidance to allow non-certified converting plants to make claim of purchasing FSC controlled wood volume. These include a statement from the supplier together with supporting evidence of how the sale of FSC controlled wood to the ACE converting members links to their internal record keeping system; or a statement from certification body regarding the sales of FSC controlled wood volume. The certification body of one supplier was unwilling to provide the statement requested, hence ACE converting members have to disregard the non-claimed volumes.

Overall progress

All of the ACE converting members made significant progress in the 2013 reporting period. However, the time required for achievement of the ACE converter commitments may vary among the different members, due to the amount of production sites, complexity in supplying mills and the differences in the sizes of operations and quantities processed. It is worth noting that one of the ACE converting members has already fully met the ACE commitments for both CoC certification of converting plants and sourcing LPB from legal and acceptable sources.

It is recommended that the ACE converting members that do not fully meet the ACE requirements should maintain and increase communication with their LPB suppliers in order to help them to move towards certification. It is also suggested that the ACE members continue increasing the number of FSC certified converting plants.

The reports and supportive documentation provided by the ACE converting members were of high quality and met the reporting requirements.

Overall, it is likely that if the ACE converting members continue the good process made within the last seven years of reporting, they will be able to meet the ACE voluntary converter commitments within the specified timeframe.

3.2 Control of certified volumes

Unless a converting plant is already independently certified, there is currently no external mechanism for verifying the volumes of certified LPB. In the table below, describe the internal mechanisms for controlling volumes in each reporting category (see section 4), such as through company data control processes or quality management systems.

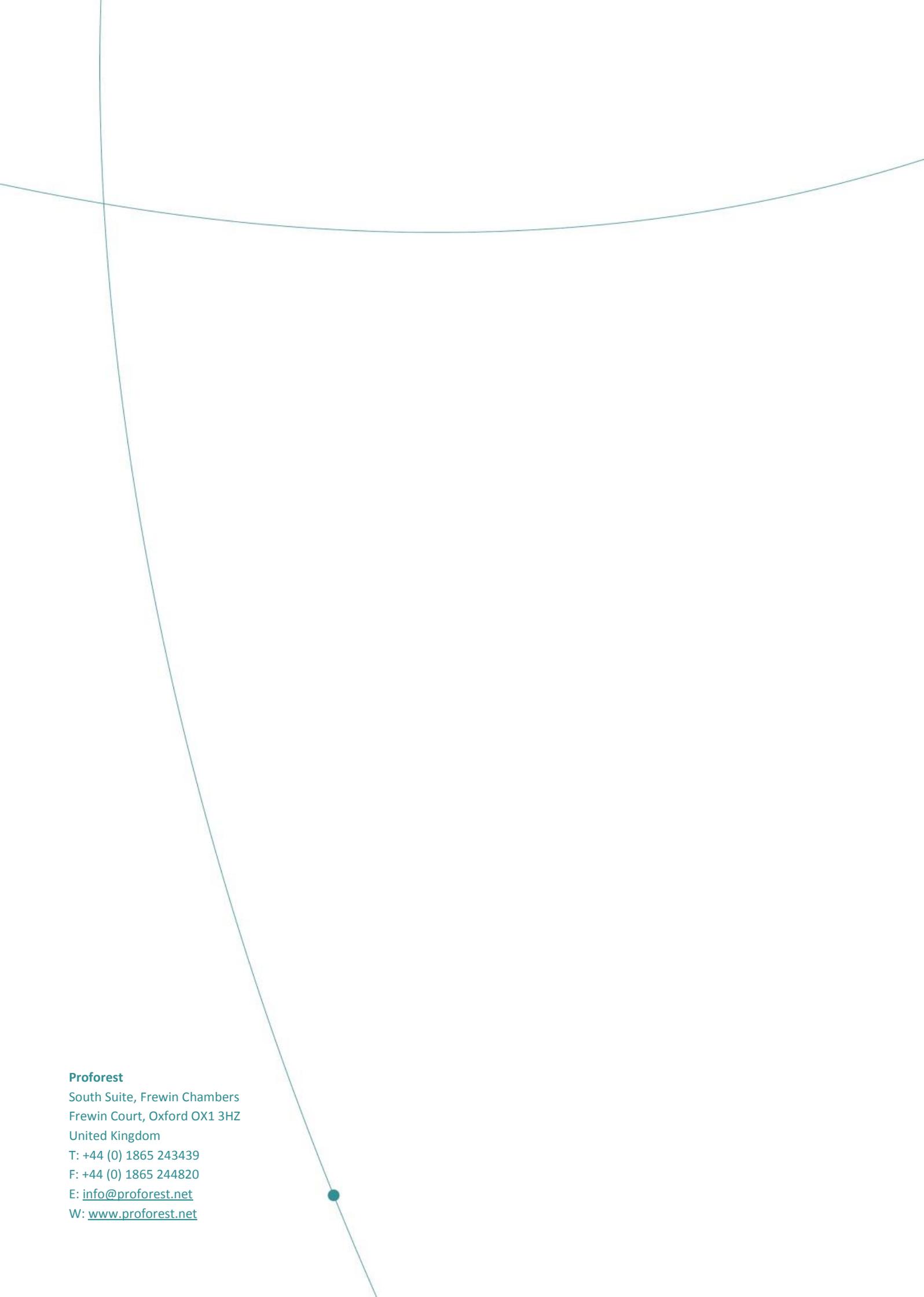
Company mechanisms for control of certified volumes

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Part 4: Number of mills FSC/PEFC certified

In this table, members need to complete the names of each mill supplying LPB to the company together with the certificate number of their FSC/PEFC chain of custody certificate if available. Against each mill, list the quantity (in metric tonnes) that was purchased in 2013 that can be counted as FSC certified, PEFC certified, FSC controlled wood, or Other.

Name of LPB producing mill	FSC/PEFC Certificate number	PEFC certified (Tonnes)	PEFC national scheme used	FSC certified (Tonnes)	FSC controlled (Tonnes)	Other (Tonnes)	Comment
Total							



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