

# Procurement of Liquid Packaging Board

A presentation by Tetra Pak

March 2004

# Tetra Pak Statement on Forestry Management

Last updated May 2001

# Policy

It is Tetra Pak's ultimate goal that all the wood fibre in our liquid packaging board shall come from, and be able to be shown to come from, forests managed in accordance with the principles of sustainable forest management.

**Principles and criteria for sustainable forest management have been described or prescribed in a number of different initiatives. Although there are differences in priority and emphasis most initiatives address three key areas:**

- Maintenance of a sustained yield of timber and non-timber products and services
- Maintenance of bio-diversity
- Achieving and maintaining a positive socio-economic impact.

For Tetra Pak, sustainable forests are forests managed in accordance with a standard agreed by relevant environmental, economical and social stakeholders that includes established performance levels in each of the three key areas above, and where implementation has been verified by an independent third party.

In order to achieve our ambition, Tetra Pak has adopted a three-step approach:

# Step 1

## Known origin and avoidance of unacceptable sources

Our suppliers must establish a verifiable system for tracking, monitoring and reporting the origin of all wood fibre and for excluding unacceptable sources. Unacceptable sources include:

- a) Wood that has been illegally harvested.
- b) Wood from areas where there is a clear demonstration of violation of traditional, customary or civil rights, or of serious extant disputes with indigenous peoples or other social stakeholders, involving confrontation or violence.
- c) Wood from intact natural forests or high conservation value forests unless these have been certified as being managed in accordance with recognized sustainable forest management principles.

## Step 2

### Well managed sources.

We expect our suppliers to strive to ensure that all wood fibre sources are being managed in accordance with recognised principles of sustainable forest management. Where this is not yet the case we expect plans and programmes to be in place to ensure that an increasing proportion of the wood fibre in our liquid packaging board comes from such sources.

# Step 3

## Demonstrably well managed sources

Ultimately, in order that we fulfil our ambition, we expect all the wood fibre in our liquid packaging board to be coming from forests certified (verified by an independent third part) to be managed to a standard that has been agreed by relevant environmental, economical and social stakeholders, that includes established performance levels, and that is compatible with Internationally recognized principles and criteria of sustainable forest management. Further, we expect certification to include the chain of custody. Where this is not yet the case we expect plans and programs to be in place to ensure that an increasing proportion of the wood fibre in our liquid packaging board comes from such sources.

# Forestry Evaluation

New Concept, as of Feb 2003

# Background

- In 1994, Tetra Pak implemented a evaluation system for measuring (and rewarding) global raw material supplier's performance.
- Environment already accounted for 10% of the total score.
- Key issue was plant certification ( ISO 14001, EMAS, etc.).
- Later, emphasis was put on chlorine-free bleaching, and recycling of post-consumer cartons.
- In 2000, a new evaluation concept for board suppliers included an evaluation of their forest practices, purchase of fibres from 3rd parties, protection of biodiversity etc.
- Always part of common agenda with every board supplier.

# Forestry Evaluation Model

- **New Concept, as of February 2003**
- **Evaluation based on the 3 steps of Tetra Pak Forestry Policy.**
- **Yearly progress, requiring suppliers to move towards step 3 of the Statement.**
- **Evaluation based on the proportion of wood fibre input to liquid paperboard supplied for Tetra Pak, in a given period, that satisfies 4 well-understood measurements.**

# Measurements (based on the Statement)

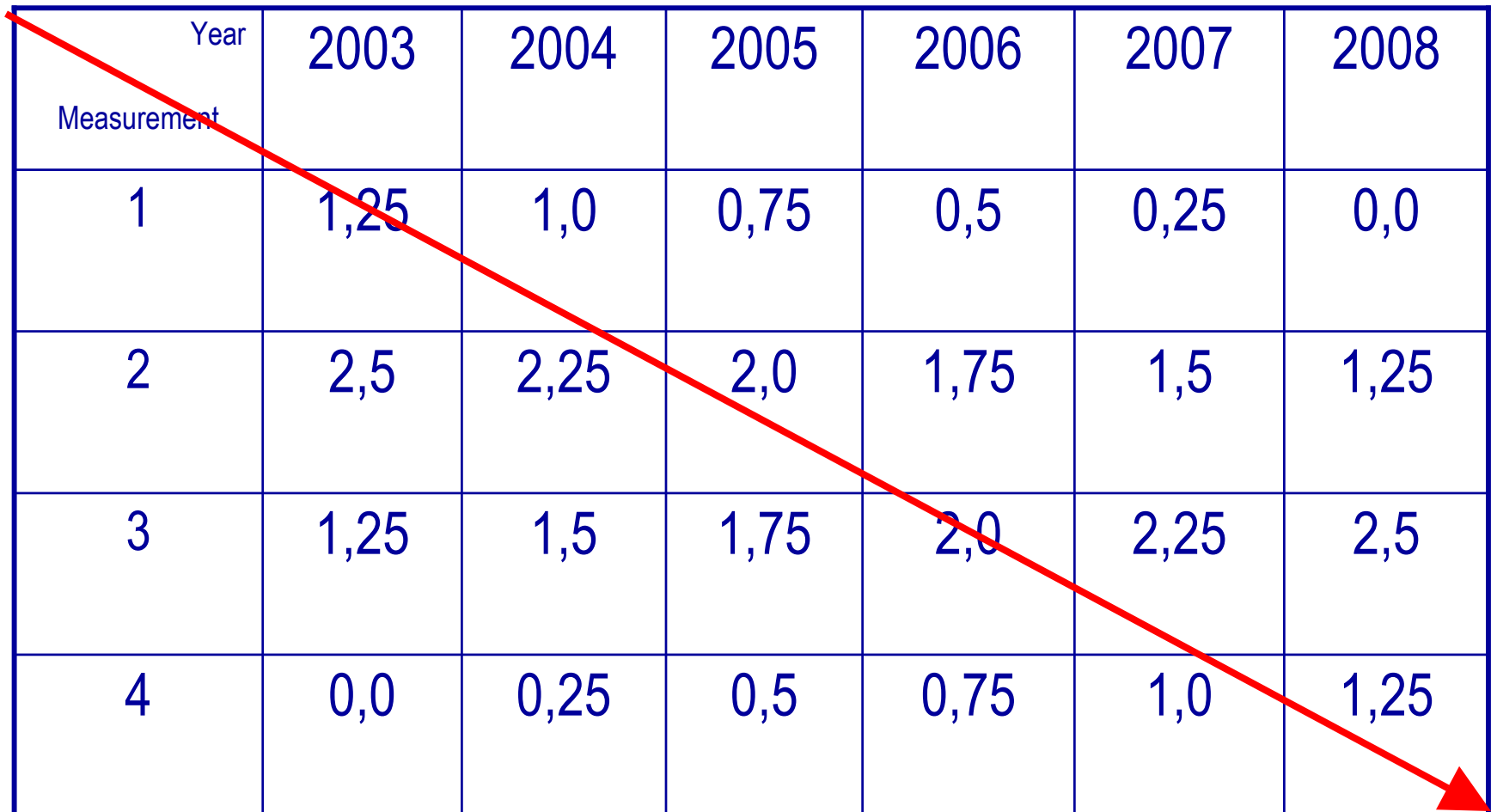
1. % of wood fibres from a verifiable tracking system that reports origin, and avoids unacceptable sources.
2. % of wood fibres sourced from well-manages sources, in accordance with recognized principles of sustainable forest management.
3. % of wood fibres sourced from forests certified under FSC or SFI standards. Other certification standards may be added in the future, as long as they are recognised by all relevant stakeholders
4. Same as 3, but including chain-of-custody.

# Scoring

- The score for each supplier will be calculated each year using reported data from the previous year, by multiplying each of the 4 measurements (as decimal) by the respective index for the current year. The addition of the 4 weighed indexes will reveal a score from zero (minimum) to 5 (maximum).

# Indexes Chart

Year	2003	2004	2005	2006	2007	2008
Measurement						
1	1,25	1,0	0,75	0,5	0,25	0,0
2	2,5	2,25	2,0	1,75	1,5	1,25
3	1,25	1,5	1,75	2,0	2,25	2,5
4	0,0	0,25	0,5	0,75	1,0	1,25



# Example

•Supplier A score for 2004, based on 2003's wood fibre data:

- ❖ Requirement 1: 100% (1,00)
- ❖ Requirement 2: 95% (0,95)
- ❖ Requirement 3: 58% (0,58)
- ❖ Requirement 4: 5% (0,05)

•Score for 2004 would be:

• $1*1,0 + 0,95*2,25 + 0,58*1,5 + 0,05*0,25 = \underline{4,02}$  out of 5

# Example

•Supplier A score for 2008, based on 2007's wood fibre data:

- ❖ Requirement 1: 100% (1,00)
- ❖ Requirement 2: 95% (0,95)
- ❖ Requirement 3: 58% (0,58)
- ❖ Requirement 4: 5% (0,05)

•Score for 2008 would be:

• $1 \cdot 0,0 + 0,95 \cdot 1,25 + 0,58 \cdot 2,5 + 0,05 \cdot 1,25 = \underline{2,70}$  out of 5

- In this example, lack of improvement as compared to 2004 would be penalized with a lower score.

# Supply Questionnaire (1 / 2)

<b>1<sup>st</sup> Part: Forestry Profile</b>			
<b>1. What proportion of the wood fibre input to the liquid packaging board for Tetra Pak from the above mill in the period was:</b>		<b>%</b>	
a)	<b>Originated from forests owned and managed by your own company?</b>		
b)	<b>Sourced from known and not unacceptable sources, as per step 1 of the attached forestry statement?</b>		
c)	<b>As b) and <u>managed</u> in accordance with recognised principles of Sustainable Forest Management (SFM)?</b>		
d)	<b>As c) and <u>certified as being managed</u> in accordance with a recognised SFM scheme? [State scheme(s) and percentage from each if more than one.]</b>	<b>Forest Management Scheme</b>	<b>Amount of fiber input certified to the scheme (%)</b>
		FSC	
		PEFC	
		SFI	
		FFCS	
	<b>Other (please state)</b>		
e)	<b>As d) and where certification covers the <u>chain of custody</u> through to the final product at the mill gate? (Please also state scheme)</b>		

# Supply Questionnaire (2 / 2)

<b>1st Part: Forestry Profile</b>	
Do you have a verifiable system in place for tracing the origin of wood fibres?	
If your answer to question (1.c) was not “Yes – 100%”, what plans and programmes (including timeline) do you have in place to ensure that a 100% figure will be achieved?	
What are your policies and plans in relation to SFM schemes and certification for forest areas that you own or where you have management control?	
What are your policies and plans in relation to SFM schemes and certification for purchased fibre?	
Is your wood procurement system included in your mill's ISO 14001 certificate?	