



Proxy Memo

Procter & Gamble Recyclability Proposal

Our shareholder proposal to Procter & Gamble asks the company to issue a report assessing the environmental impacts of continuing to use unrecyclable brand packaging. Our supporting statement says we believe the report should include an assessment of the reputational, financial and operational risks associated with continuing to use unrecyclable brand packaging and, if possible, goals and a timeline to phase out unrecyclable packaging.

The company's statement in opposition argues that the report would not be valuable because of the company's "demonstrated commitment" to materials reduction and recycling. The report would indeed be valuable because the company is vague on how much packaging is currently recyclable, making only a vague assertion that a "significant majority" of its packaging is recyclable. Competitor General Mills states more specifically that 85% of its packaging is recyclable.

Shifting topic:

The company promptly shifts the topic away from recyclability to source reduction. We appreciate its efforts on source reduction but that is a separate issue. A lighter, smaller packaging material such as a flexible pouch that is landfilled still represents valuable resources with embedded energy that will be buried for generations. Further, the recycling industry is dependent to a large extent on recovering the value inherent in post-consumer materials. Flexible pouches have far less value and so less incentive to be recovered by recyclers than glass, PET or HDPE plastic, or aluminum packaging.

Low value materials:

We note with concern that Tide detergent pods are packaged in flexible laminate pouches for which there is no substantive recycling available anywhere in the U.S. Waste Management Inc. recently [expressed](#) its concern about proliferation of these materials. Tom Carpenter, Director, WM Sustainability Services, said "We have found that life cycle assessment strategies often lead to decisions made at the expense of recyclability. Great designs that are sustainable on many fronts are beginning to push low value and the materials are hard to capture into the recycling marketplace. On the back end, you are left with bales of unwanted materials or mixed residues destined for landfill. As the value of materials continue to degrade and hybrid products [like pouches] increase, it is becoming harder to justify new technologies to effectively capture the ever evolving packages." So even if pouches were mechanically recyclable, they would be unlikely to be collected because of the low value of the material.

Increased recovery off topic:

The company cites participation in Ameripen and as a founding member of a Closed Loop Fund to provide loans to communities for projects that will increase recycling rates. Both of these



activities are off topic as they relate to efforts to increase *post-consumer* recycling, not to *increase recyclability* of packaging, which is the topic of the proposal. Designing packaging to be recyclable involves actions in the *pre-consumer* stage take by the company relating to material choice.

Threat to oceans ignored:

There is no mention of the company being aware of or responding to the threat to world oceans from poorly managed plastic packaging waste discussed in the proposal. Significant amounts of plastic packaging end up in degraded form in the ocean, harming marine wildlife. A recent ground-breaking [report](#) from the U.N. Environment Program states that plastic materials such as packaging do \$75 billion worth of natural capital damages to world oceans annually. It asks company to disclose use of plastics used in products and packaging.

Conclusion:

Investors would greatly benefit from a report explaining:

- What percent of the company's packaging is currently recyclable,
- What resources are being applied to improving packaging recyclability; and
- How it justifies putting new, disruptive packaging like flexible laminate pouches on the market that have no ability to be recycled.
- It also needs to inform shareholders about its views on the increasing threat to marine life posed by plastic packaging as outlined in a recent UNEP report and what steps it can take to mitigate this threat.

Please contact me if you have further questions. Thanks.

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