

## 2015 Shareholder Proposal to Mondelez International Report on Packaging Recyclability

### Executive Summary

- Non-recyclable packaging exacerbates already difficult efforts to recycle more post-consumer packaging. Only 13% of plastic packaging is recycled in the U.S.
- Mondelez International's iconic brands like Oreo and Chips Ahoy are increasingly packaged in flexible film or other plastic packaging, such as pouches, that are not recyclable. Using non-recyclable packaging when recyclable alternatives are available wastes valuable resources that could be recycled many times over.
- Companies must begin to recognize their packaging is creating huge problems post-consumer and downstream. Plastic packaging is a prime component of ocean gyre pollution, which U.S. EPA says contributes to threats to marine animals and potentially human health. This has led governments to ban some forms of plastic packaging.
- Mondelez lags corporate peers in assessing the environmental and reputational risks of continuing to use non-recyclable brand packaging and develop plans to phase it out when possible. In the past year, **Colgate-Palmolive** and **Procter & Gamble** both made public commitments to increase use of recyclable packaging.
- A 2014 United Nations Environment Program report estimated that Mondelez's use of plastic materials incurs \$115 million in annual natural capital costs to the environment, including use of non-recyclable plastic packaging.
- ***The company does not provide information on plans or goals to phase out non-recyclable packaging, or how to respond to the increasing presence of its products in ocean gyres.***

### Resolution Summary

The proposal asks the company to issue a report assessing the environmental impacts of continuing to use non-recyclable brand packaging. The supporting statement asks that the report include assessment of reputational, financial and operational risks associated with continuing to use non-recyclable brand packaging and goals and a timeline to phase out non-recyclable packaging.

***This proposal received substantial support in 2014, when 28% of shares voted, with a value of \$11.8 billion, voted in favor of it.***

### Why This Is Important

There are two compelling reasons why shareholders should support this proposal: (1) the enormous waste and inefficiency represented by non-recyclable packaging suggests management inattention to design for sustainability, and (2) lack of recognition by management



of growing scientific data linking plastic packaging to threats to marine animals and potentially human health.

Americans throw away more materials than any other country – 4 pounds per person per day. Paper and packaging materials comprise the largest category of municipal solid waste at about 44%<sup>1</sup>. Barely half of these materials are recovered for recycling, but recovery rates for the fastest growing packaging materials—plastics—are especially low at just 13%<sup>2</sup>. As the U.S. struggles to recycle more packaging the effort is compounded by companies like Mondelez that are unnecessarily placing non-recyclable packaging onto the market when readily available recyclable alternatives exist.

Mondelēz’ iconic brands like Oreo and Chips Ahoy are increasingly packaged in flexible film or other plastic packaging, such as pouches, that are not recyclable. Using non-recyclable packaging when recyclable alternatives are available wastes valuable resources that could be recycled many times over. Instead, many billions of discarded package wrappers and pouches representing significant amounts of embedded energy are incinerated or lie buried in landfills. These products could be sold in recyclable fiber or plastic packaging from materials accepted in most curbside recycling systems.

### **Designed to be Waste**

Many companies use life cycle assessment (LCA) to guide them on packaging sustainability but have mostly focused on product light weighting, materials use reduction and eliminating manufacturing waste. In many cases, these goals were easy to achieve because using lighter and fewer materials saved money. But these efforts have failed to adequately factor post-consumer impacts that represent lost revenue from billions of dollars of wasted commodities and potential risk from ocean pollution from degraded plastics.

Designing packaging for sustainability should provide for materials to be recycled whenever possible. William McDonough, a leading sustainability architect and green design advisor calls pouch packaging a “monstrous hybrid” designed to end up in either a landfill or incinerator. “It’s so immensely curious how stupid modern packaging is, and it’s getting worse... I see packaging awards being given to these pouches as more efficient containers of, say, a cereal...it’s wrapped in seven plastics with undefined inks and metallized polymers. It doesn’t have a recycling symbol on it because you could never recycle it...And yet it’s being put forward as a more efficient package.”<sup>3</sup>

The nation’s largest waste hauler, Waste Management Inc., says reliance on LCA “often leads 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,” said Tom Carpenter, Director of Waste Management Sustainability Services. “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 [i.e. pouches]

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<sup>1</sup> *Unfinished Business: The Case for Extended Producer Responsibility for Post-Consumer Packaging*, As You Sow, 2012, <http://www.asyousow.org/sustainability/epreport.shtml>

<sup>2</sup> US EPA 2012 Municipal Solid Waste Report, [http://www.epa.gov/waste/nonhaz/municipal/pubs/2012\\_msw\\_fs.pdf](http://www.epa.gov/waste/nonhaz/municipal/pubs/2012_msw_fs.pdf)

<sup>3</sup> <http://www.greenbiz.com/blog/2013/11/14/mcdonough-conversations-joy-and-cereal-boxes>



increase, it is becoming harder to justify new technologies to effectively capture the ever evolving packages.”<sup>4</sup>

Even packaging manufacturers are conceding they have focused too much on reducing carbon footprint and failed to take a sufficiently broad view including end of life fate and impact. John Baumann, CEO of Ampac, a major supplier of flexible packaging, said the industry needs to move from a narrow view of sustainable packaging based primarily on carbon footprint to a more holistic view looking at all inputs and outputs, including recyclability<sup>5</sup>.

From a market perspective, both company management and shareholders should be concerned that billions of dollars of valuable materials are being wasted. One assessment concluded \$12 billion in lost energy value from wasted packaging (see chart below).

**Energy Consequences of Wasted Materials**

Material	Annual Lbs./ Household	Barrels Saved/ Ton	Barrels Lost/ Year	Energy Value Lost (@ \$75/bbl. in billion \$)	Value/ Household
Fiber	1,821.6	1.7	85,425,000	\$6.407	\$116.14
Aluminum Cans	27.0	40.00	28,936,875	\$2.170	40.47
PET Bottles	39.0	16.30	28,115,870	\$2.108	\$23.87
HDPE Bottles	30.1	16.30	28,454,870	\$1.534	\$18.41
Glass Bottles	883.4	0.12	4,543,855	\$0.341	\$3.98
Steel Cans	19.2	1.80	1,141,756	\$0.085	\$1.30
<b>Total</b>	<b>2,820.4</b>	<b>1.93</b>	<b>168,618,226</b>	<b>\$12.645</b>	<b>\$204.16</b>

Source: Resource Recycling<sup>6</sup>

**The Ocean Pollution Threat**

A second compelling reason to support the proposal is management’s failure to recognize or deal with growing evidence that plastic packaging contributes significantly to pollution of the world’s oceans which clogs waterways, damages marine ecosystems, and impairs the marine food web. Management must also recognize that its packaging is creating significant global pollution problems downstream.

Huge gyres of swirling plastic particles have been identified in five ocean areas (North and South Pacific, North and South Atlantic, Indian). Researchers estimate that 73 million pounds of plastics circulate in the gyres, spread across about 16 million square kilometers of ocean surface.

<sup>4</sup> <http://www.sustainability-in-packaging.com/waste-management-tom-carpenter.aspx>

<sup>5</sup> Sustainability in Packaging conference, Orlando, FL, March 6, 2014

<sup>6</sup> “State of Recycling: What We Know,” Jerry Powell, Editor, Resource Recycling. [http://www.kab.org/site/DocServer/Jerry\\_Powell\\_Presentation.pdf?docID=6441&AddInterest=1001](http://www.kab.org/site/DocServer/Jerry_Powell_Presentation.pdf?docID=6441&AddInterest=1001)



The U.S. Environmental Protection Agency says degraded plastics in these ocean gyres pose threats to marine animals,<sup>7</sup> and potentially to human health.<sup>8</sup> Food and beverage containers are among the top 5 items found on beaches and coastlines<sup>9</sup>. Non-recyclable packaging like film-based cookie packaging is more likely to be littered than recyclable packaging<sup>10</sup>. As these materials slowly degrade in the ocean, they break down into small indigestible particles that birds and marine mammals mistake for food. Ingestion of plastics results a range of threats to marine species, including starvation, malnutrition, intestinal blockage and intake of toxins, which can lead to mortality.

Recent research indicates these particles absorb potent toxics such as polychlorinated biphenyls and dioxins from water or sediment and transfer them into the marine food web. Studies are starting to point towards larger, long-term impacts of toxic pollutants absorbed, transported, and consumed by fish and other marine life, with potential to affect human health.

A recent assessment of marine debris by a panel of the Global Environment Facility of the UN Environment Program concluded that an underlying cause of debris entering oceans is unsustainable production and consumption patterns including **"design and marketing of products internationally without appropriate regard to their environmental fate or ability to be recycled in the locations where sold...[emphasis added]"**<sup>11</sup>

*Valuing Plastics: The Business Case for Measuring, Managing and Disclosing Plastic Use in the Consumer Goods Industry*, a 2014 UN Environment Program report, presented the first cost estimates associated with corporations' use of plastic in terms of damage to the environment.<sup>12</sup> The report found that the overall natural capital cost of plastic use in the consumer goods sector each year is US\$75 billion; financial impacts resulting from issues such as pollution of the marine environment or air pollution caused by incinerating plastic. ***The report estimated that Mondelez International's specific use of plastic materials incurs \$115 million in annual natural capital costs to the environment, including use of non-recyclable plastic packaging.***

California spends nearly \$500 million annually preventing trash, much of it packaging, from polluting beaches, rivers and oceanfront. Local governments, especially those in states with coastlines, have begun to ban plastic packaging. More than 70 ordinances covering 100 jurisdictions in California have banned plastic bags<sup>13</sup>. 78 ordinances have been adopted bans on polystyrene foam take out packaging.<sup>14</sup> Foam crumbles easily and is often found in the digestive tracts of marine animals.

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<sup>7</sup> [http://water.epa.gov/type/oceb/marinedebris/md\\_impacts.cfm](http://water.epa.gov/type/oceb/marinedebris/md_impacts.cfm)

<sup>8</sup> <http://www.epa.gov/region9/marine-debris/faq.html>

<sup>9</sup> <http://www.oceanconservancy.org/our-work/marine-debris/check-out-our-latest-trash.html>

<sup>10</sup> *Littering Behavior in America*, Keep America Beautiful,  
<http://www.kab.org/site/PageServer?pagename=LitterResearch2009>

<sup>11</sup> Scientific and Technical Advisory Panel, *Marine Debris as a Global Environmental Problem: Introducing a solutions based framework focused on plastic*, November 2011, p.3.  
<http://www.thegef.org/gef/sites/thegef.org/files/publication/STAP%20MarineDebris%20-%20website.pdf>

<sup>12</sup> <http://www.unep.org/newscentre/default.aspx?DocumentID=2791&ArticleID=10903#sthash.u8evtPzz.dpuf>

<sup>13</sup> <http://www.cleanwateraction.org/ca/rethinkdisposable/banthebag>

<sup>14</sup> <http://www.cleanwateraction.org/ca/rethinkdisposable/phaseoutfoam>



## Mondelez lags peers on packaging recyclability policy

In 2012, As You Sow withdrew a proposal to **Colgate-Palmolive** after the company agreed to ensure that as much of its post-consumer packaging as possible is recyclable, and to develop and disclose goals in support of this commitment. In 2014, the company publicly [agreed](#) to make 100 percent of packaging for three of four product categories completely recyclable by 2020. It is also working toward developing a recyclable toothpaste tube or package, in order to include its fourth product category in this commitment.

Also last year, Procter & Gamble announced a [commitment](#) to make 90 percent of its packaging recyclable by 2020 following filing of a shareholder proposal on the topic by As You Sow.

Keurig Green Mountain, manufacturer of individual serve coffee pods, [agreed](#) to our request to make its pods recyclable by 2020.

After engagement with As You Sow, two leading sellers of beverages in polystyrene foam cups McDonald's and Dunkin Donuts [agreed](#) in 2013 to phase out foam cups partly due to lack of recyclability. McDonald's will use paper cups, Dunkin has not announced a replacement.

Hain Celestial publishes a packaging scorecard as part of its CSR report that lists the recyclability of its major types of packaging by brand. Mondelez does not publish such a scorecard.<sup>15</sup>

Unilever says its policy is to “make it easier for consumers to recycle our packaging by using materials that best fit the end-of-life treatment facilities available in their countries.” Mondelez does not have such a stated policy.<sup>16</sup>

## Response to company statement in opposition

As in last year's statement in opposition, the company does not directly address key issues raised in the proposal that shareholders need to be able to make an informed decision on recyclable packaging policy. There is no discussion of prioritizing policies that will maximize efficient use of materials or addressing revenue lost by continuing to put unrecyclable packaging on the market. There is no mention of awareness of or a policy to respond to growing scientific data linking plastic packaging like film wrap to threats to marine animals and potentially human health.

The statement says 70% of its packaging by weight can be recycled, so nearly a third is still not recyclable. This confirms that our proposal raises a legitimate issue. The company needs to make additional disclosure of the specific kinds of packaging materials it deems recyclable. Many materials are technically recyclable but don't get recycled because there are not developed markets for the materials. For example, only about 7% of polypropylene (#5 resin), commonly used for packaging yogurt cups and margarine tubs are recycled, according to USEPA.<sup>17</sup>

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<sup>15</sup> [http://www.hain-celestial.com/press/HCG\\_CSR2011\\_062712.pdf](http://www.hain-celestial.com/press/HCG_CSR2011_062712.pdf), p. 14

<sup>16</sup> <http://www.unilever.com/sustainable-living/wasteandpackaging/reduce-reuse-recycle>

<sup>17</sup> USEPA Municipal Solid Waste Report, <http://www.epa.gov/waste/nonhaz/municipal/msw99.htm>



The company conflates weight reduction and other design factors with recyclability. Nearly all of the discussion is about light-weighting materials, while our proposal concerns recyclability of materials. The company says it replaced recyclable glass coffee jars with unrecyclable laminate pouches for Kenco coffee refills, touting its lighter weight, but weight is not necessarily the deciding factor for environmental impact. Glass bottles and jars, while heavier than plastic, are far more widely recycled (41%) than lighter plastic packaging (13%), according to U.S. EPA.

It cites a partnership with Terracycle to “upcycle” Tang beverage pouches into pencil cases and composite lumber. This is a form of reuse but is not recycling. New Tang pouches will still come from virgin materials, not recycled post-consumer pouches. Reusing these pouches postpones a trip to the landfill but a more sustainable option would be to package the drink in a recyclable container that can be repeatedly reprocessed, saving the emissions and energy involved with use of virgin raw materials.

**As ISS Proxy Advisory Services noted in its 2014 analysis, “the company does not disclose a comprehensive consumer packaging policy or program. In addition, the company does not provide information on plans or goals to phase out non-recyclable packaging.” The company’s policies remain unchanged in 2015.**

## Conclusion

- Shareholders and the company would benefit from the report requested by the proposal. Management has not provided adequate disclosure about:
  - Policies to maximize recyclability of its packaging; and
  - Awareness of and a policy to respond to growing scientific data linking plastic packaging to threats to marine animals and potentially human health.
- Corporate peers like Colgate-Palmolive and P&G are moving to phase out non-recyclables.
- The company had done laudable work reducing the weight of packaging, but this proposal concerns recyclability, not weight.
- Association of Mondelez brand products with littered packaging and toxic ocean pollution could put company brands at risk.
- Mondelez needs to assess the environmental and reputational risks of continuing to use non-recyclable brand packaging and develop plans to phase it out where possible.