



2015 Shareholder Proposal to Dr Pepper Snapple Beverage Container Recycling Goals

Executive Summary

- Sales of beverage bottles and cans grew 22% in the decade from 2000 to 2010 while the container recycling rate for those materials declined, according to the Container Recycling Institute. **Nearly two-thirds (63%) of beverage containers continue to end up landfilled, incinerated, or littered.**
- Recycling beverage containers can reduce millions of tons of carbon dioxide emissions and capture billions of dollars of value embedded in post-consumer materials, reducing the amount of virgin materials required for production.
- Dr Pepper Snapple's (DPS) major competitors, Coca-Cola and PepsiCo, both committed many years ago to set quantitative take back goals; both are taking proactive steps to collect bottles and cans on their own as well as to work with peers to improve overall recovery rates. DPS has not set take back goals or prioritized post-consumer recycling in its sustainability program.
- When this proposal was presented to DPS shareholders in 2014, 30% of shares voted (market value \$2.5 billion) supported the proposal, a very high vote for an environmental issue proposal. Still, the company has taken no substantive actions in response and its environmental policies continue to regress.
- DPS incurs reputational risk as it continues to lag peers on basic environmental policies.

Resolution Summary

The proposal asks the company to adopt a comprehensive recycling strategy for beverage containers sold by the company and prepare a report on the company's efforts to implement the strategy. The strategy should include quantitative recycled content and container recovery goals for plastic, glass and metal containers.

Why This Is Important

Sales of beverage bottles and cans grew 22% in the decade from 2000 to 2010 while the container recycling rate for those materials actually declined, according to the Container Recycling Institute (CRI). The amount of wasted containers increased from 59% to 63%, so



nearly two-thirds of beverage containers continued to end up landfilled, incinerated, or littered. The scrap value of these wasted containers during the last decade is \$22 billion.¹

Every beverage container that is not recycled must be replaced with a container usually derived from virgin raw materials. Replacing wasted containers with new containers consumes substantial amounts of energy, water, and other natural resources and creates greenhouse gases and other pollutants. Recycling beverage containers can reduce millions of tons of carbon dioxide emissions and the amount of virgin materials required for production. If all the bottles and cans that were wasted in 2010 were instead recycled, it would have saved enough energy to supply the needs of 2.3 million homes and eliminated 11.6 million tons of greenhouse gas emissions.

Dr Pepper Snapple significantly lags its peers on post-consumer packaging recycling and recycled content policies. [Coca-Cola](#) agreed in 2007 to recycle 50% of its own PET, glass bottles, and aluminum cans by 2015. [Nestlé Waters North America](#) agreed in 2009 to an industry recycling goal of 60% of PET bottles by 2018. [PepsiCo](#) announced an industry recycling goal in 2010 of 50% of PET, glass bottles and aluminum cans by 2018. Walmart, one of the company's major customers, announced last year its intent to increase use of recycled plastic resins in products and packaging by 3 billion pounds by 2020.²

On the issue of recycled content, Pepsi committed to use an average of 10% recycled PET plastic in all of its plastic bottles. Its Naked Juice brand bottle uses 100% recycled resin. Nestle Waters uses 50% recycled resin in select markets. DPS has not disclosed if it uses **any** recycled resin.

In addition to these commitments, these competitors are expending significant resources to meet their goals. Coca-Cola purchases hundreds of millions of pounds of recycled plastic. Pepsi placed reverse vending machines and recycling bins in thousands of locations. Nestle Waters pressed its peers to shift financial responsibility for financing recycling from taxpayers to brands to provide badly needed resources so that municipalities can modernize recycling infrastructure and increase recycling rates.

In contrast, the company has consistently refused to set recycling goals and opposes producer responsibility programs. Its environmental policies continue to regress:

- In its statement in opposition to our proposal in 2012, the company said it “anticipates adopting a national recycling strategy by 2015.” This statement does not appear in the 2014 or 2015 statement in opposition.
- In its 2010, 2011 and 2012 CSR reports, the company stated that a major sustainability goal would be to “conserve more than 60 million pounds of plastic through PET package light weighting and *increased use of recycled PET* [emphasis added].” A 2013 update changed the language to “conserve more than 60 million pounds of plastic through PET light weighting and redesigns.” The mention of increased use of recycled PET was

¹ *Bottled Up: Beverage Container Recycling Stagnates (2000-2010)*, Jenny Gitlitz, Container Recycling Institute, October 2013.

² Walmart, “How to Make a Difference - Closing the Loop in Plastics,” www.walmartsustainabilityhub.com/app/answers/detail/a_id/191.



removed. In 2014, the company said it would “explore options for incorporating more post-consumer recycled PET into our packaging.”

- A VP for sustainability position was not filled when it became vacant in 2013 and appears to have been eliminated through restructuring. This sends a message that stewardship of environmental policies have been downgraded.

Increased recycling could reduce the company’s carbon footprint. Nestlé Waters found that 55% of its carbon footprint comes from production of its bottles and that recycling a bottle reduces its greenhouse gas impact by 25%. Coca-Cola says packaging is the largest contributor to the carbon footprint of several of its products.³ The packaging used by these companies is virtually identical to that used by DPS.

Statement in Opposition

The statement says the proposal “dictates an arbitrary and premature change of course...which would result in DPS hastily adopting programs that may not be attainable...” This is misleading as the company knows that that this proposal is precatory and not legally enforceable. The vote result could be 100% in favor of adoption and the company would not be bound to follow it, so shareholders cannot “dictate” a policy change. Further, the proposal does not seek to force the company to “hastily” adopt a program. The proposal seeks a report on a strategy by September 2015 including recycling goals, but the goals could be set well into the future.

Most of the statement relates to issues other than post-consumer recycling or recycled content, the focus of the proposal. The company cites specific actions related to light-weighting and reducing manufacturing waste that, while laudable, don’t address the specific subject of the proposal. Light-weighting and reducing manufacturing waste are now standard features of corporate sustainability policies and often taken as initial steps because they are relatively easy to implement and save the company money. They are not cutting-edge environmental policies.

The statement says our proposal asks for specific recycling goals for the company’s products “ignoring the reality that improving recycling rates requires broad-based programs covering the entire waste stream.” Ironically, these are exactly the kinds of programs the company opposes! In a recent published As You Sow [survey](#), we asked respondents what kinds of producer responsibility or deposit recovery systems they would be willing to support. The company expressed opposition or neutrality to the options listed. In the same survey, Nestle Waters said it would agree to several such programs.

Conclusion

The company has not disclosed a plan for increasing bottle and can collection rates or recycled content of packaging. DPS clearly lags its competitors on setting basic bottle and can recycling goals, an issue that has been stagnating for more than a decade. In addition to conserving valuable resources, increased recycling and use of recycled content could substantially reduce the company’s carbon footprint.

³ Unfinished Business, As You Sow, 2012, p. 12. <http://www.asyousow.org/sustainability/eprreport.shtml>



AS YOU SOW

We believe the requested report is in the best interest of Dr. Pepper Snapple and its shareholders. Leadership in this area will bring the company in line with peers, protect its iconic brands and improve its reputation for transparency and environmental leadership.