



2016 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 14% 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.
- Consumer packaging like Mondelez's is creating huge problems post-consumer and downstream. Plastic packaging is a prime component of ocean gyre pollution, which threatens marine animals and potentially, human health. Recent studies estimate that 8 million tons of plastics are dumped in oceans annually and project that **oceans will contain more plastic than fish by weight by 2050**.¹ This has led governments to ban some forms of plastic packaging.
- A United Nations Environment Program report estimated that the company's use of plastic materials causes \$115 million in harm annually to the environment.
- Mondelez lags corporate peers in assessing the environmental and reputational risks of continuing to use non-recyclable brand packaging and developing plans to phase it out when possible. **Colgate-Palmolive** and **Procter & Gamble** have both made public commitments to increase use of recyclable packaging.
- *The company does not provide information on plans or goals to phase out non-recyclable packaging, or on how to respond to the increasing presence of its plastic packaging in ocean gyres.*
- *This proposal received substantial support in 2015 when 28% of shares voted supported it, representing a value of \$12 billion.*

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.

¹ Jambeck et al, Plastic waste inputs from land into the ocean, Science 13 February 2015 <http://science.sciencemag.org/content/347/6223/768>, and Ellen MacArthur Foundation, January 2016, The New Plastics Economy: Rethinking the Future of Plastics, <http://www.ellenmacarthurfoundation.org/publications/the-new-plastics-economy-rethinking-the-future-of-plastics>



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 to 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%.² Barely half of these materials are recovered for recycling, but recovery rates for the fastest growing packaging materials—plastics—are especially low at just 14%.³ 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, or in the ocean. These products could be made from recyclable fiber or plastic packaging 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 of 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.”⁴

² *Unfinished Business: The Case for Extended Producer Responsibility for Post-Consumer Packaging*, As You Sow, 2012, <http://www.asyousow.org/sustainability/eprreport.shtml>

³ https://www.epa.gov/sites/production/files/2015-09/documents/2013_advncng_smm_fs.pdf

⁴ <http://www.greenbiz.com/blog/2013/11/14/mcdonough-conversations-joy-and-cereal-boxes>



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] increase, it is becoming harder to justify new technologies to effectively capture the ever evolving packages.”⁵

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.⁶

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 |
| Total | 2,820.4 | 1.93 | 168,618,226 | \$12.645 | \$204.16 |

Source: Resource Recycling⁷

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

⁵ <http://www.sustainability-in-packaging.com/waste-management-tom-carpenter.aspx>

⁶ Sustainability in Packaging conference, Orlando, FL, March 6, 2014

⁷ “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



world's oceans which clogs waterways, damages marine ecosystems, and impairs the marine food web. Management must 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 150 million tons of plastics circulate in the gyres, spread across about 16 million square kilometers of ocean surface—about the size of the U.S. and Australia combined.

The U.S. Environmental Protection Agency says degraded plastics in these ocean gyres pose threats to marine animals,⁸ and potentially to human health.⁹ **Food and beverage packaging and containers are among the top 5 items found on beaches and coastlines**¹⁰. Non-recyclable packaging like film-based cookie packaging is more likely to be littered than recyclable packaging¹¹. 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 in a range of threats to marine species, including starvation, malnutrition, intestinal blockage and intake of toxins.

A 2015 study published in *Science* concluded the oceans are loading with plastics far faster than previously thought, with 8 million tons—equivalent to one garbage truck every minute—being added annually. **At that rate, without significant mitigation, by 2050 plastic could exceed fish by weight.** A recent Ocean Conservancy report concludes that poorly designed waste management systems, not just beach litter, sewage, or blowing plastic, contribute substantially to ocean plastic, particularly in developing markets, a key market for Mondelez.¹²

An 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]"¹³

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.

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

⁸ http://water.epa.gov/type/oceb/marinedebris/md_impacts.cfm

⁹ <http://www.epa.gov/region9/marine-debris/faq.html>

¹⁰ <http://www.oceanconservancy.org/our-work/marine-debris/check-out-our-latest-trash.html>

¹¹ *Littering Behavior in America*, Keep America Beautiful, <http://www.kab.org/site/PageServer?pagename=LitterResearch2009>

¹² Ocean Conservancy, 2015, *Stemming the Tide: Land based strategies for a plastic-free ocean*, <http://www.oceanconservancy.org/our-work/marine-debris/mckinsey-report-files/full-report-stemming-the.pdf>

¹³ 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>



estimates associated with corporations' use of plastic in terms of damage to the environment. 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's specific use of plastic materials incurs \$115 million in annual natural capital costs to the environment including use of non-recyclable plastic packaging.***¹⁴

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 bags¹⁵. 78 ordinances have been adopted bans on polystyrene foam take out packaging.¹⁶ Foam crumbles easily and is often found in the digestive tracts of marine animals.

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.

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](#) to phase out foam cups partly due to lack of recyclability. McDonald's will use paper cups, Dunkin' will use recyclable polypropylene.

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.¹⁷

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. More than 90% of the statement discusses issues other than the focus of the proposal – recyclability of packaging. It first discusses at length efforts to eliminate

¹⁴ UNEP, 2014, Valuing Plastics: The Business Case for Measuring, Managing and Disclosing Plastic Use in the Consumer Goods Industry <http://www.unep.org/pdf/ValuingPlastic>

¹⁵ <http://www.cleanwateraction.org/ca/rethinkdisposable/banthebag>

¹⁶ <http://www.cleanwateraction.org/ca/rethinkdisposable/phaseoutfoam>

¹⁷ <http://www.unilever.com/sustainable-living/wasteandpackaging/reduce-reuse-recycle>



production waste which are generally laudable, but do not address recyclability of packaging. It then discusses food waste, stating that food waste has bigger impact on the environment and so should be prioritized. This statement is based on a life cycle assessment that has not been made public. The statement does not discuss whether that assessment took into account the \$115 million in damage to the environment cited above that UNEP estimates is attributable to Mondelez's use of plastic. 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 discusses the company's history of eliminating packaging by weight, noting it eliminated 40,000 tons from its supply chain between 2010 and 2014. Packaging elimination is usually achieved by light-weighting products. A recent report from the Ellen MacArthur Foundation, *The New Plastics Economy*, notes that while light-weighting should be encouraged, "at the same time it should be taken into account that the light-weighting trend, particularly the evolution towards more complex formats, could have undesirable consequences from a systems perspective." Light-weighting creates a tension between efficiency savings in production and effective after-use applications. If the value of after-use packaging is too low, less will be recycled and "more will leak outside collection systems." Reducing the material value of plastic packaging thus runs the risk of aggravating systems leakage and creating a lock-in into a linear infrastructure by disincentivising circular after-use pathways."¹⁸

The company has previously stated that 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 disclose 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.¹⁹

Conclusion

Shareholders and the company would benefit from the report requested by the proposal.

- Management has not provided information about policies to maximize recyclability of its packaging; or a policy to respond to growing accumulation of plastic packaging in ocean gyres, and data linking plastic packaging in ocean gyres to threats to marine animals and potentially human health.
- Alarming new data indicates that plastic swept into oceans from consumer products like Mondelez's could exceed the level of fish by weight by 2050.
- Corporate peers like Colgate-Palmolive and P&G are moving to phase out non-recyclables.
- The company has reduced the weight of packaging, but a recent report says light-weighting can have unintended impacts on the value of after-use packaging, which the company has not acknowledged.

¹⁸ See Footnote 1, Ellen MacArthur Foundation report

¹⁹ USEPA Municipal Solid Waste Report, <http://www.epa.gov/waste/nonhaz/municipal/msw99.htm>



- 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.

ISS Proxy Advisory Services noted in its 2015 analysis:

“...the company does not disclose a comprehensive consumer packaging policy or program. Nor does the company provide information on plans or goals to phase out non-recyclable packaging. A report providing information on comprehensive packaging reduction and recycling policies and programs, as well as an assessment of any risks related to product packaging, would allow shareholders to better understand the company's efforts to manage and mitigate any issues associated with its post-consumer packaging waste. Therefore, support for this proposal is warranted.”