

ACE converters self-commitment on third-party verified traceability systems for wood fibres

9th annual report
(2015 figures)

15 September 2016



About Proforest

Proforest is an independent mission-driven organisation working in the field of natural resource management and specialising in practical approaches to sustainability. Our expertise covers all aspects of the natural resources sector, from biodiversity conservation, sustainable forestry and agricultural commodities production to responsible sourcing, supply chain management and investment.

Proforest works to transform commodity production as well as supply chains and sectors through developing **awareness** about sustainability, helping to generate **commitment** to better practice, supporting **implementation** of these commitments in practice and working with the wider community to increase the positive **impact**.

Proforest Ltd provides direct support to companies implementing responsible production, sourcing and investment for agricultural and forest commodities.

The Proforest team is international and multilingual and comes from a wide variety of backgrounds, including industry, academia and civil society. This allows us to work comfortably with diverse organisations in a range of cultures. We have in-house knowledge of more than 15 languages, including English, Bahasa Indonesia, Portuguese, Mandarin, French and Spanish.

For this report, your contact person is:

Rebecca Smalley

rebecca@proforest.net

Proforest

South Suite, Frewin Chambers,
Frewin Court, Oxford OX1 3HZ
United Kingdom

E: info@proforest.net

T: +44 (0) 1865 243439

Proforest is registered in England and Wales
Company number 3893149

Table of contents

Executive summary	4
1 Background	5
2 Methodology	5
2.1 Acceptable fibre categories.....	6
2.2 Acceptable evidence for reporting.....	7
3 Results	8
3.1 Converting plants	8
3.2 LPB sourcing	8
4 Observations on data and process	11
Annex: Proforest reporting template 2015.....	12

Executive summary

In 2007, the three beverage carton producer members of the Alliance for Beverage Cartons and the Environment (ACE) – Elopak, Tetra Pak and SIG Combibloc – launched a voluntary commitment to ensure that the liquid packaging board used in their cartons contains wood fibre that is traceable to well-managed forests. The members made three specific commitments:

- To secure Chain of Custody certification for all their beverage carton manufacturing plants by the end of 2018
- To secure Chain of Custody certification for all supplying mills by the end of 2015
- To only source wood fibre that is verified to come from legal and acceptable sources by the end of 2015

The members' progress towards their ACE targets has been monitored by Proforest each year. In 2016 the ACE members and Proforest carried out the ninth year of progress reporting and monitoring, to cover the period of 1 January to 31 December 2015. For this exercise, the three members provided information to Proforest using a reporting form and Proforest then reviewed supporting documentation from the members and their LPB suppliers in order to verify the information reported.

According to the information reviewed by Proforest, the ACE members reached all three targets of the commitment by the end of 2015, within the targeted timeframe.

- Since January 2015, all of the manufacturing plants operated by the three ACE members have been Chain of Custody-certified. Of the 51 plants in operation during 2015, 49 were already Chain of Custody-certified and the two remaining plants obtained certification in mid-January.
- Since April 2015, all of the mills and traders which supply LPB to the ACE members have been Chain of Custody-certified. Except for one mill, all of the suppliers were CoC-certified at the start of 2015. The last remaining mill was certified in April, after which time it became able to sell FSC-certified and Controlled Wood material.
- As of November 2015, the ACE members were all sourcing 100% wood fibre from legal and acceptable sources. During the earlier part of 2015, a small amount of LPB was sourced which did not meet the ACE definition of legal and acceptable. This represents the material sourced from the one remaining mill which was not certified. After the mill became certified, it was able to begin delivering material with an FSC Controlled Wood claim by November.

In less than 10 years since signing their voluntary commitment in May 2007, the ACE members have managed to achieve full Chain of Custody and eliminate from their beverage carton supply chains any wood fibre which is not verified to come from legal and acceptable sources. While eliminating those other sources, furthermore, the members have also progressively increased the amount of FSC-certified material that they are using (from 11% of all fibre purchased in 2007 to 43% in 2015), which corresponds to a growing commitment to products whose origins have been verified against the highest standards of forest management.

The industry self-commitment (the 'ACE converters commitment')

Elopak, Tetra Pak and SIG Combibloc, as ACE converting members, are committed to globally:

- Sourcing 100% wood fibre from legal and acceptable sources by 2015
- Securing CoC certification for all liquid packaging board mills by 2015
- Securing CoC certification for all beverage carton manufacturing plants by 2018

1 Background

The converting members of the Alliance for Beverage Cartons and the Environment (ACE), namely Elopak, Tetra Pak and SIG Combibloc, are committed to sourcing wood fibre that is traceable to legal and acceptable sources, using processes that have been independently verified¹.

To achieve this goal the companies have committed to progressively increasing the amount of fibre that is traceable to well-managed forests. ACE contracted Proforest to coordinate the reporting process and to produce a public report on the amalgamated figures.

This report presents the results of the ninth year of monitoring (2015) and shows the figures for fibre that is of certified and controlled origin and the progress made towards the targets specified in the self-commitment.

Progress will be reported on two targets annually:

- The percentage of fibre supply that is covered by an independent third-party certificate demonstrating legality and traceability.
- The proportion of manufacturing plants which have independent third-party Chain of Custody (CoC) certification. This does not include 'contracted' converting plants; i.e. where the 'licensee' is not utilising the company brand.

Definition of legal and acceptable sources

For the purpose of this reporting, ACE converting members have defined the following wood sources as not acceptable:

- Illegally harvested;
- Harvested in violation of traditional and civil rights;
- Harvested in forests in which high conservation values are threatened;
- Harvested from areas being converted from forests to non-forest uses;
- From areas where genetically modified trees are planted.

2 Methodology

ACE converting members provided information to Proforest using the reporting form shown in the Annex. The reporting period covers 1 January 2015 through 31 December 2015. Proforest gathered supporting documentation from the ACE converting members and their suppliers to verify the figures and to cross-check the certified/verified status of fibre supplies, using discussions with certification bodies where necessary. Proforest then amalgamated the figures for all members to produce the overall figures for the Alliance. The data from the individual companies was kept confidential.

¹ Tetra Pak, Elopak and SIG-Combibloc (2007) Industry self-commitment concerning third-party verified traceability systems for wood fibres in liquid packaging board used for the manufacture of beverage cartons.

2.1 Acceptable fibre categories

There are four ways to demonstrate that wood fibre meets the ACE converting members' definition of legal and acceptable sources:

1. It is FSC certified

The words "certification" and "certified" are used throughout FSC standards and other documents, and their meaning can depend on what part of the supply chain they are referring to. ACE and its members have agreed on the following definition of FSC certified, drawing on the concept of FSC input from the FSC Standard for Chain of Custody Certification² (CoC).

Under ACE policy, FSC certified fibre is material that was supplied by a liquid packaging board (LPB) production facility (or "mill") in possession of an appropriate FSC CoC certificate covering the reporting period, and was sold with a claim of FSC 100% or FSC Mix as follows:

- Material with an FSC 100% claim: The full quantity is considered FSC certified.
- Material with an FSC Mix percentage claim: The percentage that is stated as part of the claim is considered FSC certified.
- Material with an FSC Mix Credit claim: The full quantity is considered FSC certified.

2. It is FSC controlled wood

At the forest management level, "FSC Controlled Wood" applies to timber from forests which have been successfully assessed and verified against FSC's Controlled Wood standard³, as opposed to timber from FSC-certified forests⁴. The Controlled Wood standard currently includes the same requirements as the definition of legal and acceptable sources used in the ACE commitment⁵.

Fibre from controlled wood timber may be sold with a Controlled Wood claim by FSC CoC certificate holders which are allowed to handle or sell FSC controlled wood, as outlined in the FSC Standard for Company Evaluation of Controlled Wood (FSC-STD-40-005); or it may be mixed with fibre from FSC-certified forests and sold with an FSC Mix claim, as outlined in the FSC Standard for Chain of Custody Certification (FSC-STD-40-004 V2-1). As noted above, ACE and its members have drawn on the concept of FSC input to agree on what is and is not considered as FSC certified.

Under ACE policy, FSC controlled wood fibre is material that was supplied by an LPB production facility assessed by a certification body for conformity with FSC CoC and FSC controlled wood requirements covering the reporting period, and was sold with a claim of FSC Controlled Wood or FSC Mix as follows:

- Material with Controlled Wood claim: The full quantity is considered FSC

² FSC (2011) FSC Standard for Chain of Custody Certification, FSC-STD-40-004 V2-1 EN, page 9.

³ FSC (2006) FSC Standard for Evaluation of FSC Controlled Wood in Forest Management Enterprises (FSC-STD-20-012).

⁴ An FSC-certified forest is certified as managed in accordance with the FSC Principles and Criteria for Forest Stewardship.

⁵ Under the FSC Controlled Wood Standard for Forest Management Enterprises, wood should have a low risk of being: illegally harvested; harvested in violation of traditional and civil rights; harvested in forest management units in which high conservation values are threatened by management activities; harvested in areas in which forests are being converted to plantations or non-forest use; and harvested from forests in which genetically modified trees are planted.

controlled.

- Material with an FSC Mix percentage claim: Minus the percentage that is stated as part of the claim, the remainder is considered FSC controlled.

3. It is PEFC-certified from those PEFC-endorsed standards which deliver the ACE requirements

The Program for the Endorsement of Forest Certification (PEFC) is an umbrella system for national forest certification schemes. Standards are developed in each country and then endorsed by PEFC. Thus, the PEFC certification standard is different in every country. In some cases, ACE has determined that a national PEFC standard does not deliver the requirements of the industry self-commitment (Sustainable Forestry Initiative and American Tree Farm System are examples). In such cases, PEFC certified wood is not recorded as being acceptable. Where there is doubt about the acceptability of a PEFC-endorsed standard, an independent comparison with the ACE commitment will be required.

Only those PEFC-endorsed national systems that meet ACE converting members' definition of legal and acceptable sources are considered as meeting ACE requirements.

Under ACE policy, **PEFC certified fibre is material that was supplied by an LPB production facility in possession of an appropriate PEFC CoC certificate covering the specific year, and was sold as certified.**

4. It contains fibre from verified non-wood sources

Where the LPB purchased contains a percentage of fibre from non-wood sources, such as straw or bagasse, which can be shown by a third-party expert to originate from a legal and acceptable source.

Wood fibre which does not fall within any of the above four categories does not meet the ACE definition of legal and acceptable sources and is categorised as 'Not meeting ACE converters voluntary reporting definition'.

2.2 Acceptable evidence for reporting

For demonstrating progress in the legality and acceptability of fibre supply, there are two main ways that ACE converting members could provide evidence that material was certified or controlled:

- A sample of invoices and/or shipping documents clearly confirmed that the material was delivered under FSC or PEFC chain of custody. ACE members were requested to provide at least three invoices or shipping documents from each of the mills that supplied certified or controlled material in 2015; or
- An overarching contract between the mill and the ACE converting member confirmed that all material supplied in 2015 was certified or controlled.

For monitoring the proportion of manufacturing plants which have independent third-party CoC certification, the certification status of ACE members' converting plants and supplying mills was verified by Proforest using the FSC or PEFC databases of certified units, available online.

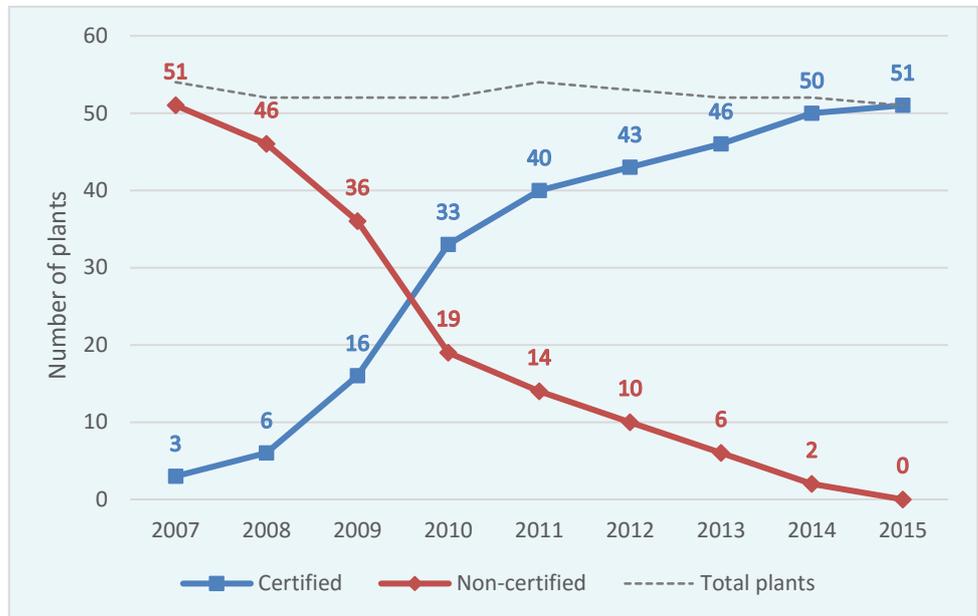
3 Results

According to the information reviewed by Proforest, the companies met all three targets of the ACE converters commitment by the end of 2015, within the targeted timeframe.

3.1 Converting plants

The three ACE converting member companies declared that a total of 51 converting plants were used during 2015. This is one less than in 2014, as one certified plant was closed. Of the 51 plants in operation during 2015, 49 were already FSC CoC-certified by 1 January 2015 and remained so during the period. The two remaining uncertified plants obtained FSC certification in mid-January. **Therefore, since January 2015 all of the converting plants operated by the three ACE members have been certified and thus the members have reached the ACE target for all beverage carton manufacturing plants to be certified by 2018, three years ahead of the target date.** This means that more LPB cartons can potentially be labelled with FSC logos.

Figure 1. FSC certification status of the ACE members' converting plants, 2007-2015



As Figure 1 shows, the number of plants with CoC certification has increased from three (6%) in the first year of reporting in 2007 to 51 (100%) in 2015. The greatest progress was made in 2009/10 and since then the members have worked on obtaining certification for the last remaining plants.

3.2 LPB sourcing

During 2015, the three ACE members sourced LPB from 13 mills and five traders. Except for one mill, all of these suppliers were FSC-certified at the start of 2015 and remained so during the reporting period. The outstanding mill obtained FSC CoC certification in April 2015, after which time it was able to sell FSC-certified and controlled paperboard. **Therefore, since April 2015 all of the source mills have been certified and thus the members have reached the ACE target of securing CoC certification for all liquid packaging board mills, ahead of the target of end of 2015.**

From those mills, the three ACE converting members declared a total of 2 793 440 tonnes of LPB purchased during 2015, a 1% increase from the previous year’s total. **Of this total, 2 780 414 tonnes or 99.5% was classified as meeting the ACE converters voluntary reporting definition of legal and acceptable sources.**

Figure 2. LPB purchased by ACE converting, for whole of 2015 (left) and as of November 2015 (right)

- Meets the voluntary reporting definition of legal and acceptable sources. Includes:
 - ▨ FSC certified
 - ▨ FSC Controlled Wood
- Other (does not meet the voluntary reporting definition of legal and acceptable sources)

* Note: breakdown between FSC certified and Controlled Wood is not available month by month

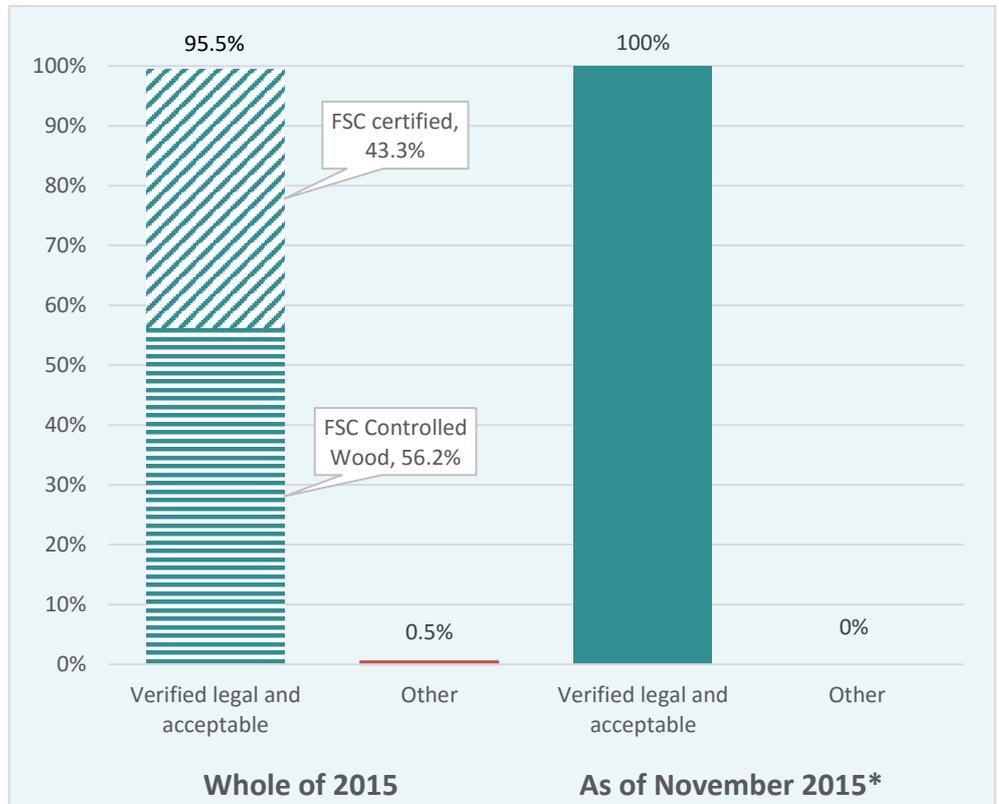


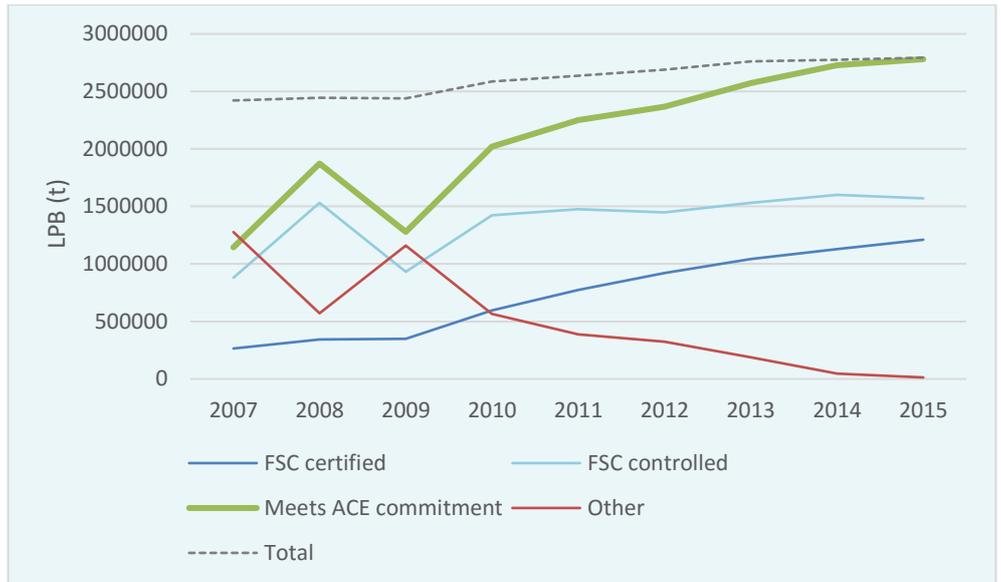
Table 1. LPB purchased in 2015 by ACE converting members that meets the voluntary reporting definition of legal and acceptable sources

Category	Meets the voluntary reporting definition of legal and acceptable sources	Does not meet the voluntary reporting definition	Total
Tonnes	2 780 414	13 026	99.5
Percentage	99.5	0.5	100

The 0.5% (13 026 t) of LPB which did not meet the definition of legal and acceptable represents the material sourced during the earlier part of 2015 from the one remaining mill which was not certified. After the mill became certified, it was able to begin delivering material with an FSC Controlled Wood claim by November. **As of November 2015, the ACE members were all sourcing 100% certified or controlled material from their suppliers and thus the members reached the ACE target of sourcing 100% wood fibre from legal and acceptable sources, ahead of the target of end of 2015.**

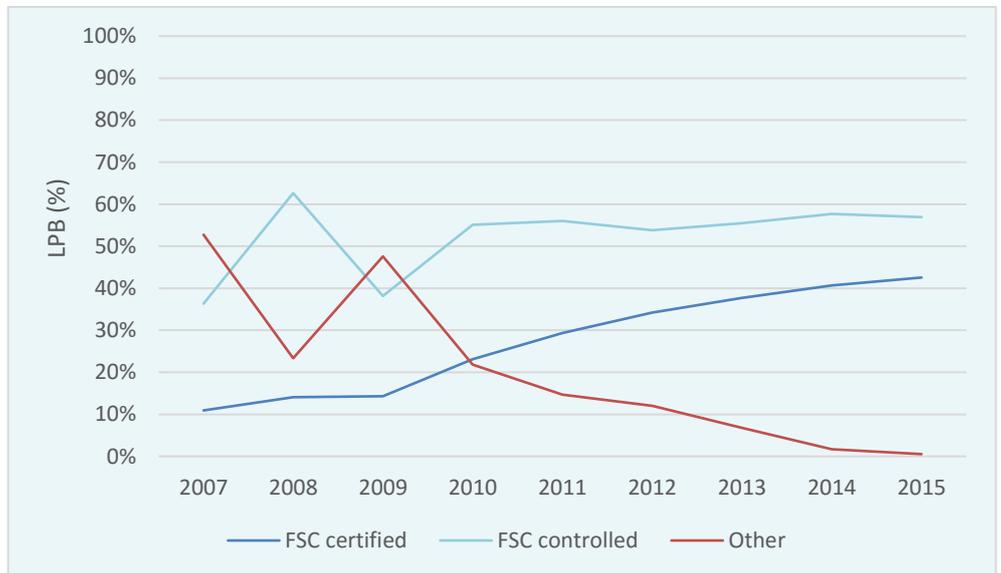
As Figure 3 shows, the amount of LPB sourced by the members which meets the ACE definition of legal and acceptable has increased significantly since the reporting began, from 1 144 494 t in 2007 to 2 728 883 t in 2014 and 2 780 414 t in 2015.

Figure 3. **Certified status of LPB, 2007-2015.** Fibre that is either certified or controlled meets the ACE commitment to sourcing from legal and acceptable sources



Within the category of legal and acceptable, the ACE members have also increased the proportion of fibre which is FSC certified, from 11% in 2007 and 41% in 2014 to 43% in 2015. Material which is FSC certified originates from forests certified against the FSC Principles and Criteria, as opposed to material denoted as Controlled Wood, which originates from forests which have been assessed and verified against FSC’s less stringent Controlled Wood standard. Therefore the increase indicated in Figure 4 for 2007–2015 is a positive development.⁶

Figure 4. **Proportions of certified, controlled and other fibre sourced by the ACE members, 2007-2015.**



⁶ Note that for the 2015 reporting cycle, the methodology for calculating certified and controlled volumes was changed, so that for paperboard delivered with an FSC Mix percentage claim such as ‘FSC Mix 80%’, only the 80% is considered certified and the remainder is considered Controlled Wood. If the previous methodology had been applied, the ratio of certified to controlled would have been higher.

4 Observations on data and process

Converting plants

The final certification of the two outstanding converting plants is a significant milestone passed by the ACE members. In addition to enabling the ACE members to meet their commitment to secure CoC certification for all beverage carton manufacturing plants, it also makes it possible for full chain of custody to be established for the entire supply chain.

LPB sourcing

Important work was undertaken with the one mill which had lagged behind in obtaining FSC certification in order for it to begin supplying certified material during 2015, and thus enable the ACE members to collectively meet their commitment to use 100% wood fibre from legal and acceptable sources. This was achieved by November, allowing the ACE members to declare only 0.5% of material which did not meet the voluntary reporting definition of legal and acceptable sources during the full year.

Two cases were observed of errors by suppliers in indicating the presence of FSC certification claims on sales and delivery documents. However, the members detected these errors through their internal monitoring systems and worked with their suppliers to verify the source material and ensure that FSC Chain of Custody rules are closely followed in future.

Overall progress

In less than 10 years since signing their voluntary commitment in May 2007, the ACE members have managed to eliminate from their beverage carton supply chains any wood fibre which is not verified to come from legal and acceptable sources. They have also increased their use of wood fibre which is fully FSC-certified. Typically this has been achieved through incremental changes in procurement from their supplying mills.

The reports and supportive documentation provided by the ACE converting members were generally of high quality and met the reporting requirements.

C(ii) Control of certified volumes

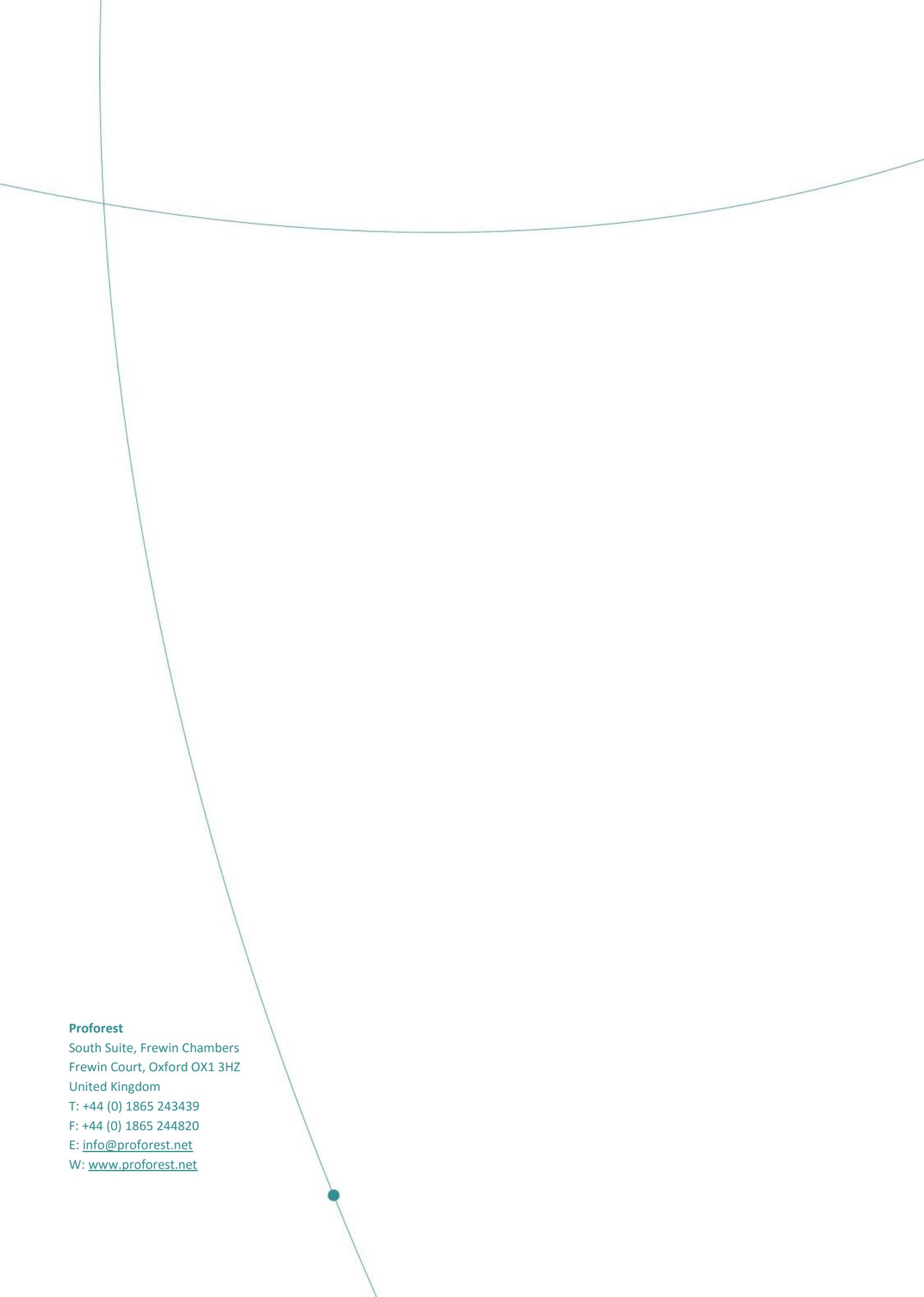
Unless a converting plant is already independently certified, there is currently no external mechanism for verifying the volumes of certified LPB. In the table below, describe the internal mechanisms for controlling volumes in each reporting category (see part D of this reporting template), such as through company data control processes or quality management systems.

Company mechanisms for control of certified volumes

Part D: Number of mills FSC/PEFC certified

In the table below, please enter the names of each mill that supplied LPB to the company during the reporting period, together with the certificate number of their FSC/PEFC chain of custody certificate if available. Against each mill, list the quantity (in metric tonnes) that was purchased in 2015 that can be counted as PEFC certified, FSC certified, FSC controlled wood or Other, following the definitions provided in section 2 of the main document, “Acceptable fibre categories”.

Name of LPB producing mill	FSC/PEFC certificate number and/or Controlled Wood code	PEFC certified (Tonnes)	PEFC national scheme used	FSC certified (Tonnes)	FSC controlled wood (Tonnes)	Other (Tonnes)	Comment
Total							



Proforest

South Suite, Frewin Chambers
Frewin Court, Oxford OX1 3HZ
United Kingdom

T: +44 (0) 1865 243439

F: +44 (0) 1865 244820

E: info@proforest.net

W: www.proforest.net