



Shareholder Proposal to Mondelez International: Report on Packaging Recyclability Item # 4 on Proxy

Summary

- Consumer packaging is creating huge problems post-consumer and downstream. Plastic packaging is a prime component of ocean gyre pollution, which harms marine animals and potentially human health. **Oceans may contain more plastic than fish by weight by 2050.**¹ This has led some governments to ban some forms of plastic packaging.
- Mondelez International's iconic brands like Tang, Oreo, and Chips Ahoy are increasingly packaged in plastic packaging such as pouches that are not recyclable. Using non-recyclable packaging when recyclable options are available wastes valuable resources.
- Non-recyclable packaging exacerbates efforts to recycle more post-consumer packaging. Only 14% of plastic packaging is recycled in the U.S.
- Mondelez is already experiencing brand risk. Pouches of Tang were [cited](#) as among the most frequently collected types of waste packaging in a Philippine beach audit last fall. A UN Environment Program report estimates that the company's use of plastic materials causes \$115 million in harm a year to the environment.
- Governments recognize these environmental risks and are acting. 10 countries have moved to ban some forms of plastic packaging. In December 2017, nearly 200 countries at a UN Environment Assembly [called](#) for an end to plastic pollution. **In January 2018, the European Commission released a plastics policy [strategy](#) calling for a timeline for all packaging to be recyclable – the same topic as this shareholder proposal.**
- 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. **Colgate-Palmolive and Procter & Gamble** have made public commitments to increase use of recyclable packaging. **Unilever has set a [goal](#) to make all its plastic packaging recyclable, reusable or compostable by 2025.**
- ***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 world oceans, rivers, and beaches.***
- ***This proposal received substantial support in 2017 when more than 27% of shares voted supported it.***

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>

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.

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.

Iconic Mondelēz brands like Tang, 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 and have focused mostly 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. However, these efforts have failed to adequately factor post-consumer impacts that represent lost revenue from billions of dollars of wasted commodities and the 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

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

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

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 “

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

A January 2017 report from Ellen MacArthur Foundation, endorsed by Coca-Cola, Danone, Mars, PepsiCo, Procter & Gamble, and Unilever, among others, calls for a priority focus on finding recyclable alternatives to unrecyclable consumer plastics.⁷

From a market perspective, both company management and shareholders should be concerned that billions of dollars of valuable materials are being wasted. One assessment concludes that \$8 billion of recyclable plastics are waste annually in the U.S.⁸

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 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

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

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

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

⁷ <https://newplasticseconomy.org/>

⁸ http://www.asyousow.org/ays_report/unfinished-business-the-case-for-extended-producer-responsibility-for-post-consumer-packaging/

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 ocean gyres pose threats to marine animals,⁹ and potentially to human health.¹⁰ **Food and beverage packaging and containers are among the top 5 items found on beaches and coastlines.**¹¹ Non-recyclable packaging is more likely to be littered than recyclable packaging.¹² 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.¹³

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]¹⁴

Recent research indicates these particles can 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 cost estimates associated with corporations' use of plastic in terms of damage to the environment. It found that the natural capital cost of plastic use in the consumer goods sector is \$75 billion per year. **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.**¹⁵

⁹ http://water.epa.gov/type/oceb/marinedebris/md_impacts.cfm

¹⁰ <http://www.epa.gov/region9/marine-debris/faq.html>

¹¹ <http://www.oceanconservancy.org/our-work/marine-debris/check-out-our-latest-trash.html>

¹² *Littering Behavior in America*, Keep America Beautiful, <http://www.kab.org/site/PageServer?pagename=LitterResearch2009>

¹³ 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>

¹⁴ 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>

¹⁵ UNEP, *Valuing Plastics: The Business Case for Measuring, Managing and Disclosing Plastic Use in the Consumer Goods Industry* (2014) <http://www.unep.org/pdf/ValuingPlastic>

Environmental groups are starting to conduct brand [audits](#) publicizing the volumes of specific brand packaging found in waterways. This represents a risk to the Mondelez brand, especially with no management plan for making non-recyclable plastic packaging recyclable. In fact, pouches of Mondelez product Tang were [cited](#) as among the most frequently collected types of non-recyclable waste packaging in an audit of a heavily polluted beach in the Philippines last fall by several environmental groups.

Governments are moving to restrict and ban plastic packaging

Governments have begun to restrict and ban plastic packaging. 10 countries have banned some form of plastic packaging. More than 70 ordinances covering 100 jurisdictions in California have banned plastic bags¹⁶. 78 ordinances have been adopted bans on polystyrene foam take out packaging.¹⁷ Foam crumbles easily and is often found in the digestive tracts of marine animals. In December 2017, nearly 200 countries at a UN Environment assembly [called](#) in a resolution for an end to plastic pollution, a possible precursor to a global plastics treaty. **In January 2018, the European Commission released a plastics policy [strategy](#) calling for plastic packaging to be recyclable by 2030, addressing the same topic as this proposal.**

Also in January 2018, UK retailer Iceland became the first major retailer to commit to eliminate [plastic packaging](#) for all its brand products within five years to help end what it called the "scourge" of plastic pollution.

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 develop 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 a shareholder proposal on the topic from As You Sow. **In January 2017, Unilever set a [goal](#) to make all its plastic packaging recyclable, reusable or compostable by 2025. 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.**¹⁸

Response to company statement in opposition

The company statement in opposition asserts that “most of our packaging is already recyclable or recycle ready,” but a comprehensive assessment of recyclability must take into account the ability of specific materials to actually be recycled in the global markets where Mondelez does

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

¹⁷ <http://www.cleanwateraction.org/ca/rethinkdisposable/phaseoutfoam>

¹⁸ <http://www.unilever.com/sustainable-living/wasteandpackaging/reduce-reuse-recycle>

business. If materials that can be recycled are not actually recycled, then the company's assertion that most of its packaging is recyclable is incomplete. For example, in the U.S., [Federal Trade Commission](#) guidelines state that "marketers should qualify recyclable claims when recycling facilities are not available to at least 60 percent of the consumers or communities where a product is sold." The company states that in Europe, which has high recycling rates, 95% of its packaging is recyclable. However, it does not provide information on the recyclability of packaging in markets outside Europe. Many developing countries where the company markets its products have little to no established curbside recycling. Perhaps that is why a brand audit of recovered waste packaging in the Philippines found the company's Tang product to be among the most recovered waste packaging from beaches and waterways.

The company cites European Commission policy documents that packaging material reduction is the highest priority in justifying its priority work on material reduction, but that is fast becoming outdated policy. As noted above, in January 2018, the European Commission released a plastics policy [strategy](#) calling for a timeline for all packaging to be recyclable, which is the same action sought by the pending shareholder proposal.

The company states that its use of flexible (and mostly non-recycled) films helps limit food waste, which it asserts is a bigger issue than packaging waste. A report released in April 2018 concluded that "a rise in plastic food packaging is failing to reduce Europe's growing food waste problem, and in some cases may even be fueling it." The report says big retailers are driving food and plastic packaging waste in Europe through practices such as packaging food in multipacks and small format packs, and chopping vegetables such as green beans to fit plastic packaging, which can result in 30-40% of vegetables being wasted.¹⁹

The statement discusses the company's history of eliminating packaging by weight. We appreciate the work the company has done on light-weighting but it is not the focus of the proposal. A lighter package that is improperly discarded still results in post-consumer waste leaking into the environment, which is the focus of the proposal.

The Company says it is working collaboratively with partners to "tackle the challenge of plastic waste," citing membership in the Consumer Goods Forum. Membership in this group, which to date is merely studying the issue, does not equate to tackling plastic waste. There is no mention increasing company internal resources or staff time to deal with the problem of plastic packaging pollution.

Finally, the company cites its reliance on life cycle assessment (LCA) to set its priorities and asserts that other factors play a bigger role in impacting the environment. While LCAs can be valuable assessment tools in some contexts, these studies generally have not yet factored in the environmental damage to land and marine ecosystems from plastic packaging that escapes environmental controls. LCAs tend to assume all plastics are recycled, incinerated or landfilled after use, which does not reflect real world conditions where 32% leaks out of the collection systems into the environment, and recycling levels are often low or non-

¹⁹ Friends of the Earth Europe, *Unwrapped: How Throwaway plastic is Failing to Solve Europe's Food Waste Problem*, 2018, http://www.foeeurope.org/sites/default/files/materials_and_waste/2018/unwrapped_-_throwaway_plastic_failing_to_solve_europes_food_waste_problem.pdf

existent. LCAs also tend to fail to look at advances in delivery systems such as package-free or reusable packaging options.²⁰

Conclusion

- Management has not provided information about policies to maximize recyclability of its packaging, or to respond to growing accumulation of plastic packaging in ocean gyres. If no further action is taken, ocean plastic from packaging put on the market by companies like Mondelez could exceed the level of fish by 2050.
- Corporate peers like Unilever, Colgate-Palmolive, and P&G are moving to phase out non-recyclables with specific, public commitments.
- There is no mention of a policy to respond to growing scientific data linking plastic packaging to threats to marine animals and potentially human health. The company does not address the estimated \$115 million in annual damage to the environment from its use of plastic cited in the UNEP report above.
- Association of Mondelez products with littered packaging and toxic ocean pollution puts the company's 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.
- ***Shareholders and the company would benefit from the report requested by the proposal because 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 world oceans, rivers, and beaches.***

²⁰ Ibid.