

Unearthing Value Instead of Burying Problems

Alyce Lomax | Apr. 26, 2014

Consumer goods companies' packaging habits are a problematic yet potentially valuable area for management to focus on. Colgate-Palmolive (NYSE: CL) and Keurig Green Mountain (NASDAQ: GMCR) have been listening to shareholders like the environmental shareholder activist **As You Sow**, more solidly committing to whittling down waste and saving some increasingly scarce resources.

As You Sow recently released a few victories in shareholder activism: It has withdrawn sustainability-related shareholder proposals with the above companies. That's because the companies have started to engage with it, and have responded to some of its requests for stronger stances on their packaging problems..

As You Sow's desire to engage with companies often relates to reducing waste. Senior Vice President Conrad MacKerion points out: "Huge amounts of embedded value and energy are being buried in landfills. These packages should be designed to be recycled, reducing the use of virgin natural resources and mitigating emissions that contribute to climate change."

Individuals, corporations, shareholders and other entities can work together to find win-win solutions with financial upside, rather than exacerbate problems that will contribute to a myriad of losses.

Reinventing the tube

Massive consumer goods company Colgate-Palmolive is committing itself to progress after having engaged with **As You Sow**. It's vowed to make the packaging for 3 out of 4 of its product categories -- Home, Pet, and Personal Care -- 100% recyclable by 2020. The company has also pledged to work on a fully recyclable toothpaste tube within its Oral Care segment, with the goal of leaving the unrecyclable plastic laminates behind .

Colgate-Palmolive's own Tom's of Maine used to distribute its toothpaste in aluminum tubes, which were recyclable. However, due to customer feedback, it switched to the more standard, easier-to-use but harder-to-recycle plastic laminated tubes.

Right now, Tom's of Maine has partnered with upcycle concern Terracycle to help consumers contribute to collecting and sending in the tubes to reuse. In fact, the program isn't limited to Tom's of Maine products. However, since this isn't curbside recycling, consumers have to make the conscious effort to send the items to Terracycle.

Terracycle is a super-cool organization, but the truth is that curbside recycling is easiest for most consumers. Now Colgate's got that on its radar.

Another wasteful morning ritual?

A cup of coffee is often the very next thing on the morning to-do list after brushing one's teeth. In some cases, cups of coffee may be yet another way consumers unwittingly pile up waste in landfills.

Keurig Green Mountain's (NASDAQ: GMCR) single-serve coffee K-Cups have represented a compelling innovation in coffee consumption. Still, the product has had a chillingly wasteful element: the K-Cups themselves. Despite their daily convenience, they're virtually impossible to recycle. Even components that are recyclable would have to be painstakingly removed from the rest.

Keurig boosted Green Mountain's business big-time, but one can imagine millions of K-Cups piling up in landfills over many years. While many shareholders have made astonishing returns on Keurig Green Mountain, there was an exter-

nalized price that was difficult to see.

Keurig's firm commitment to hit the 2020 date for 100% recyclable K-Cups is a highlight of its most recent sustainability report -- which also reveals many other vows that have resulted in **As You Sow** acknowledging a victory.

Squeezing more use out of juice

On the flip side, **As You Sow's** update also included a list of companies that have been laggards in fixing these problems.

For example, Capri Sun, which resides in Kraft Foods Group's (NASDAQ: KRFT) product portfolio, still uses a laminate and aluminum mix for its popular juice bags. To put this into perspective, upwards of 1 billion Capri Sun pouches pile up in landfills in the course of one year.

However, Terracycle has been making merchandise from both Capri Sun's and Honest Kids' spent pouches. It sells messenger bags, pencil cases, and backpacks made from the materials. Terracycle categorizes different reuse efforts so that consumers who choose to send in their products can contribute their difficult-to-recycle waste to make similar merchandise for sale.

As of last September, the proceeds Terracycle has generated from collecting, creating such products, and selling them have raised \$4 million for education; through the consumers' shipments of their used packaging, they can elect to direct some of Terracycle's resulting proceeds to educational organizations or the school of their choice .

Clearly there are clever and innovative ways we can deal with our own waste. While Terracycle's mission helps provide a partial solution, it also highlights the big problem of loads of one-time-wonder items clogging landfills and eventually ending up sullyng the environment.

With some imagination, companies and individuals can devise ways to extract value from avoiding the landfill dumps in the first place. Shareholders like **As You Sow** work with companies to open dialogues and create plans of action. When proposals end up hitting proxy statements, we shareholders can vote for better disclosure and even targeted improvements.

Trashing \$11 billion in resources and piling up risk

In its recent release, **As You Sow** revealed estimates that \$11 billion in recyclable materials are wasted every year, and according to MacKerron: "These resources should be generating profits and green jobs. Instead they play a role in poisoning our environment and generate risk for the companies that produce them"

Coming resource scarcity is just one way companies -- and shareholders -- rack up risks by ignoring wastefulness. At some point, when resources run out, businesses, their shareholders, and entire economies will suffer. Sullyng the environment can result in costly lawsuits, increased government regulation, and consumers disliking or boycotting companies' products.

Meanwhile, some value can be unearthed instead of buried. Reuse and recycling of waste can save or generate money. Such materials are valuable commodities, after all.

One way or another, shareholders can make a difference through their part-ownership of public companies. Proposals and votes can show how investors feel about their own companies' business practices, and ask for more responsibility, mitigated risk, cost reductions and even increased business lines and revenues. The more companies listen and engage with shareholders, the better the chances that everyone can win.