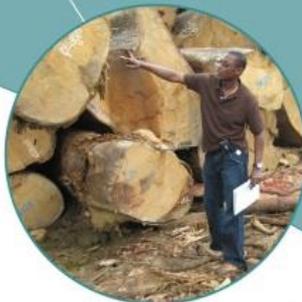


## ACE converters self-commitment on third-party verified traceability systems for wood fibres

8th annual report

(2014 figures)

Final | 19 May 2015



## About Proforest

Proforest is an independent company working with natural resource management and specialising in practical approaches to sustainability.

Our work ranges from international policy development to the practical implementation of requirements on the ground, with a particular focus on turning policy into practice. Our extensive and up-to-date knowledge of the international context ensures that our work for individual companies and organisations is set within an appropriate framework. At the same time, we are able to bring a wealth of current practical experience to policy development processes and debates.

The Proforest team is international and multilingual and has a broad variety of backgrounds, ranging from industry to academia and NGOs. This allows us to work comfortably in many types of organisations, as well as in a range of cultures. We have in-house knowledge of more than 15 languages, including Mandarin, Malay, French, Spanish and Portuguese.

Proforest was set up in 2000. Our expertise covers all aspects of the natural resources sector, from forestry and agricultural commodities to conservation, supply chain management and responsible investment.

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## Table of contents

<b>1 Background .....</b>	<b>4</b>
<b>2 Methodology .....</b>	<b>5</b>
2.1 Acceptable fibre categories.....	5
2.2 Acceptable evidence for reporting.....	6
<b>3 Results .....</b>	<b>7</b>
3.1 Converting plants .....	7
3.2 LPB sourcing .....	7
<b>4 Observations on data and process .....</b>	<b>9</b>
<b>Annex: Proforest reporting template .....</b>	<b>10</b>

# 1 Background

## 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

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 verified<sup>1</sup>.

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 eighth year of monitoring (2014) 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.

<sup>1</sup> 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 Methodology

ACE converting members provided information to Proforest using the reporting form shown in the Annex. 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. 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.

### 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

Certified fibre is fibre that was supplied by a liquid packaging board (LPB) production facility in possession of an appropriate FSC CoC certificate covering the specific year, and is sold as certified with this indicated on the invoice or in the purchasing contract.

#### 2. It is FSC controlled wood

Controlled wood means fibre that is not certified but is deemed suitable to form part of an FSC certified product. Controlled wood is defined in the FSC Controlled Wood Standard for Forest Management Enterprises, FSC-STD-30-010, and the FSC Standard for Company Evaluation of FSC Controlled Wood, FSC-STD-40-005. Both standards currently include the same requirements as the definition being used by the ACE commitment. Controlled wood is sold by FSC CoC certificate holders which are allowed to handle or sell FSC controlled wood.

An FSC controlled wood statement will be indicated on the invoice or in the purchasing contract when it is sold to a certified company.

If FSC controlled wood is purchased by non-certified site, an FSC controlled statement cannot be specified in sales or shipping documents according to the FSC. In such cases where a statement is absent, the following evidence was accepted:

- A statement from the supplier that "(ACE member) plant ZZZ took legal ownership of YYY tons of liquid paperboard supplied by Company XXX in 2014, all of which has been in compliance with the requirements of FSC-STD-40-005 Standard for Company Evaluation of Controlled Wood"; and
- Evidence to show that the materials supplied to the ACE member were indeed FSC controlled wood, which can be demonstrated by the following:
  - Evidence of how the sale of FSC controlled wood to the ACE member links to their internal record keeping system, i.e. the equivalent volume of FSC controlled wood was deducted from their system; or
  - Copy of the audit report issued by the ACE member's certification body showing records of controlled wood volume that was sold to the ACE member's non-certified plants. If the suppliers sold 100% FSC controlled wood, there should be some information in the audit report to substantiate this claim; or

- A statement from the supplier's certification body (using the certification body letterhead and with the contact details of the person who wrote the statement) specifically linked to the sale of controlled wood.

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

The Program for the Endorsement of Forest Certification 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 (SFI and AFS 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.

PEFC fibre is supplied by an LPB production facility in possession of an appropriate PEFC CoC certificate covering the specific year, and is sold as certified.

**4. Third-party verification where none of the above is available**

Where the LPB purchased contains a percentage of fibre from non-wood sources, such as straw or bagasse, none of the above standards are applicable. Thus a third-party expert is required to verify that the non-wood-based fibre is 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**

There are two main ways that ACE converting members could provide evidence that material was certified:

- Material was purchased from a certified production facility (or "mill") and invoices or other sales documents clearly confirmed that the material was certified.
- There was an overarching contract between mill and the ACE converting member which confirmed that all material supplied was certified.

### 3 Results

#### 3.1 Converting plants

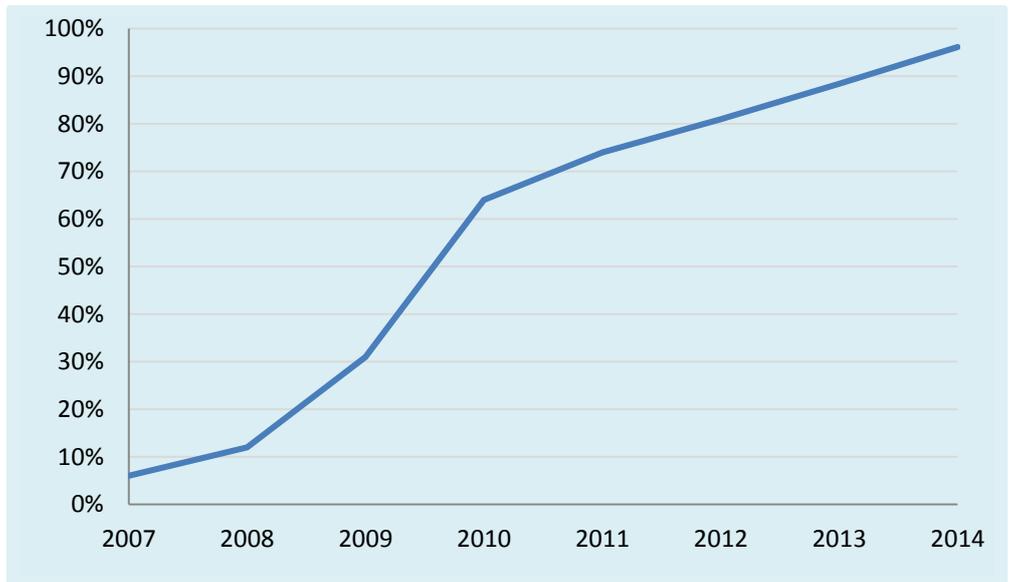
The three ACE converting member companies declared a total of 52 converting plants for 2014, the same number as in 2013. **Of the 52 plants, 50 were FSC CoC certificate holders, accounting for 96.15% of the total.** This is an increase from 2013, when the proportion was 88.46%. Thanks to the awarding of certificates during 2014, the number of FSC CoC-certified plants increased by four since 2013, which means that more LPB products can potentially be labelled with FSC logos.

Table 1. Certification status of ACE members’ converting plants in 2014.

Category	FSC CoC certified	Non-certified	Total
Number	50	2	52
Percentage	96.15	3.85	100

Overall, the converting members have made significant progress towards the ACE commitment of securing CoC certification for all beverage carton manufacturing plants by 2018. The percentage of plants with a CoC certification has increased from 6% in the first year of reporting in 2007 to 96.15% in 2014.

Figure 1. FSC CoC certified converting plants 2007-2014. The percentage of ACE members’ converting plants that have FSC CoC certification, 2007-2014.



#### 3.2 LPB sourcing

In 2014, 18 mills supplied LPB to the three ACE converting members. **Of the 18 mills, 17 had achieved FSC CoC certification, representing 94.44% of the LPB-producing mills.**

The three ACE converting members declared a total of 2 774 814 tonnes of LPB purchased during 2014, a 0.5% increase from the previous year’s total. **Of this total, 2 728 883 tonnes or 98.34% was classified as meeting the ACE converters voluntary reporting definition of legal and acceptable sources.**

Figure 2. Percentage of LBP purchased by ACE converting members in 2014.

- Meets the voluntary reporting definition of legal and acceptable sources
- Does not meet the voluntary reporting definition of legal and acceptable sources

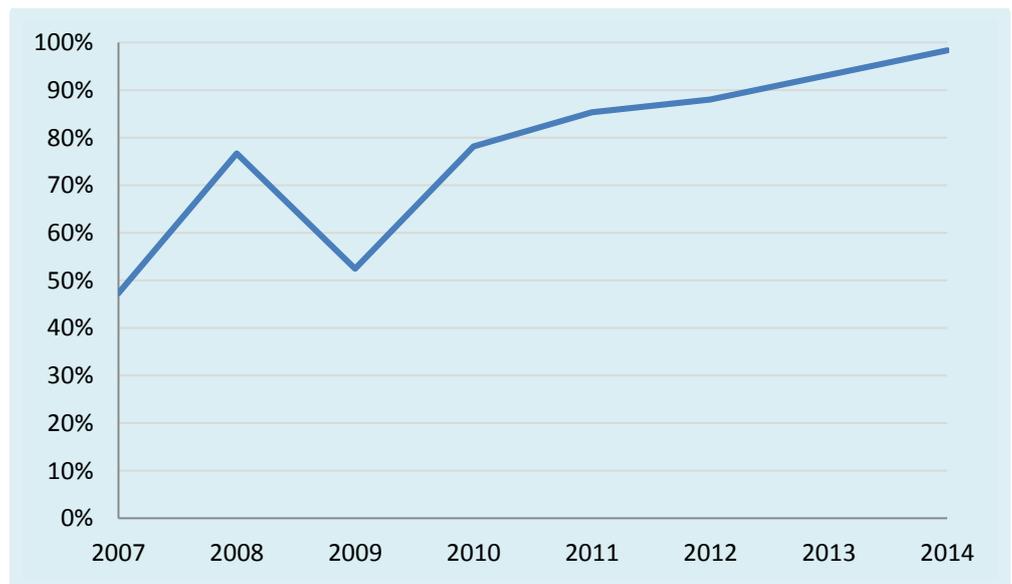


Table 2. LBP purchased by ACE converting members that meets the voluntary reporting definition of legal and acceptable sources.

Category	Meets the voluntary reporting definition of legal and acceptable sources	Does not meet the voluntary reporting definition	Total
Tonnes	2 728 883	45 931	2 774 814
Percentage	98.34	1.66	100.00

The volume of fibre that meets the ACE definition in 2014 has increased from 2013, when 93.19% of the LBP was reported as meeting the ACE definition of legal and acceptable sources. Overall, the ACE converting members have made significant progress towards the goal of 100% wood fibre from legal and acceptable sources by 2015. During the eight years of ACE reporting, the percentage of fibre from legal and acceptable sources has increased from 47% in 2007 to 98.34% in 2014.

Figure 3. Fibre from legal and acceptable sources 2007-2014. The percentage of fibre purchased by ACE members that can be classified as meeting the voluntary reporting definition of legal and acceptable sources, 2007-2014.



## 4 Observations on data and process

### Converting plants

The trend of an increase in the certification of ACE members' converting plants continued in 2014, and the percentage of certified plants is now at its highest level since reporting began, at 96.15% (up from 88.46% in 2013). The progress was made possible by four plants achieving FSC CoC certification during the year. Two plants were not certified, but they have subsequently become so, in January 2015. Therefore, assuming a continuation in the use of converting plants and that plants' existing certification status remains valid, as of 2015 the ACE members are meeting their commitment of securing CoC certification for all beverage carton manufacturing plants by 2018.

### LPB sourcing

In 2014 there was an increase in absolute terms in the amount of LPB sourced from legal and acceptable sources, as well as an increase in percentage terms to 98.34% (from 93.19% in 2013). The amount of LPB purchased by ACE members which is neither certified nor controlled has fallen to 1.66%. ACE members are therefore coming close to their commitment of sourcing 100% wood fibre from legal and acceptable sources by 2015, but work will still need to be done to ensure the target is met. Crucially, the single supplying mill that was not certified during 2014 has subsequently achieved FSC certification, and the ACE converting member or members that source from this mill can work closely with the supplier in 2015 to ensure that it begins to deliver CoC certified or controlled material.

### Overall progress

All of the ACE converting members made good progress in the 2014 reporting period. One of the ACE converting members has already fully met the ACE commitments for both CoC certification of converting plants and sourcing LPB from legal and acceptable sources, and the other two members are coming close to both targets. The time required for achievement of the ACE converter commitments may depend on the number of production sites, the complexity in supplying mills and the differences in the sizes of operations and quantities processed.

The most immediate objective is the commitment of sourcing 100% wood fibre from legal and acceptable sources by 2015. This means that the remaining 1.66% of non-certified and non-controlled paperboard needs to be eliminated from the ACE members' supply chains. It is recommended that all ACE converting members should liaise with their LPB suppliers to help them urgently achieve certification if necessary, procure only certified or controlled supplies, and ensure that all CoC documentation is correct so that compliant material is recorded as such in their internal systems.

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

Overall, it is likely that if the ACE converting members continue the good progress made within the last eight years of reporting, they will be able to meet the ACE voluntary converter commitments within the specified timeframe.



### **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.

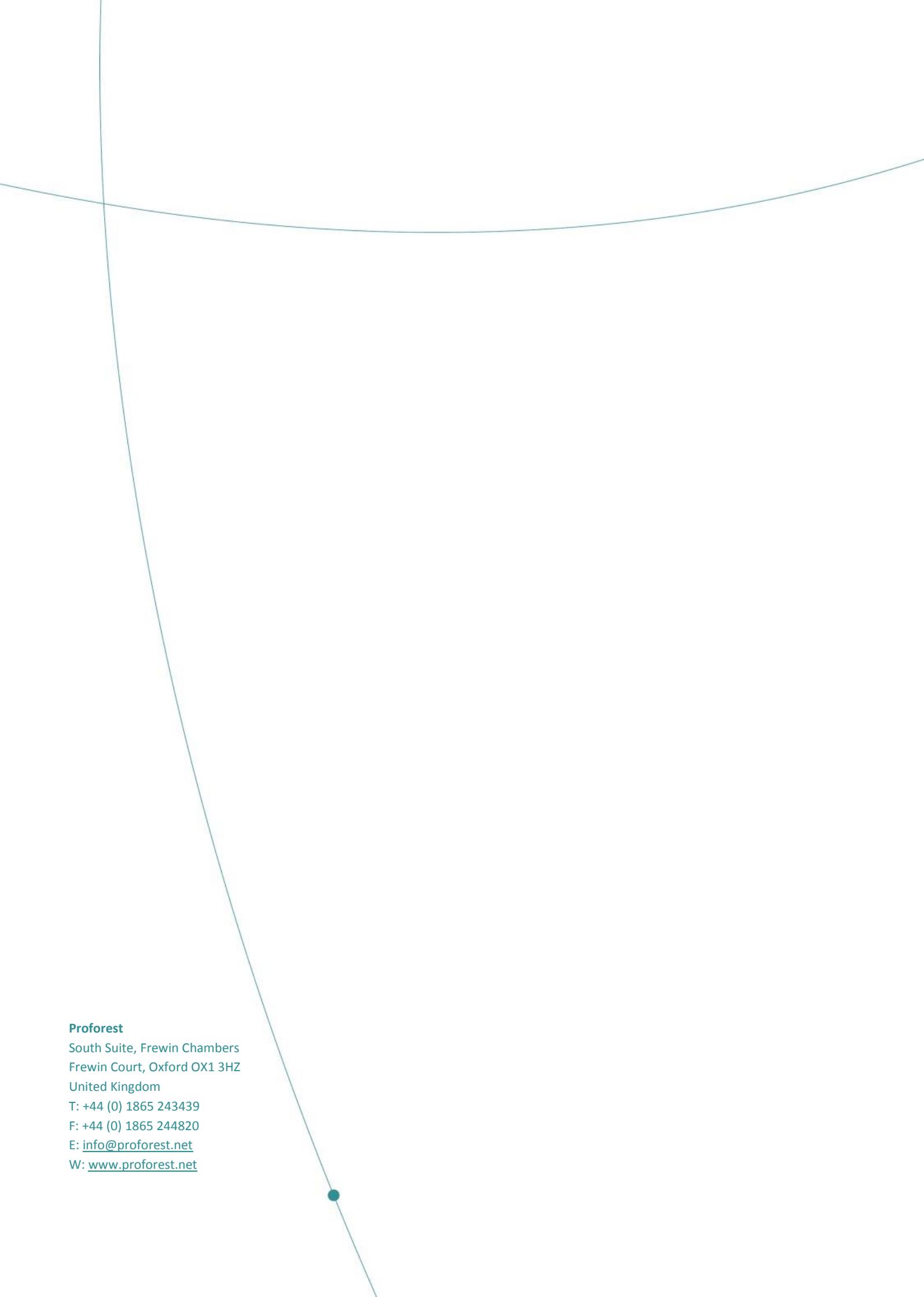
#### **Company mechanisms for control of certified volumes**

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### Part D: Number of mills FSC/PEFC certified

In this table, members need to complete the names of each mill supplying LPB to the company 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 2014 that can be counted as FSC certified, PEFC certified, FSC controlled wood, or Other.

Name of LPB producing mill	FSC/PEFC Certificate number	PEFC certified (Tonnes)	PEFC national scheme used	FSC certified (Tonnes)	FSC controlled (Tonnes)	Other (Tonnes)	Comment
<b>Total</b>							

The page features a minimalist design with teal-colored lines. A vertical line runs down the left side, and a curved line arches across the top. A diagonal line descends from the top left towards the bottom center, ending in a small teal dot.

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