

2018 Shareholder Proposal to KraftHeinz 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.
- KraftHeinz's Capri Sun and Kool-Aid Jammers juice drinks are packaged in a plastic/aluminum laminate pouch, a prime example of wasteful non-recyclable packaging that could be switched to a recyclable container. Kraft salad dressing and Heinz ketchup and mustard are also packaged in pouches. Honest Kids, a direct Capri Sun competitor, has switched some of its pouches to paper cartons because of concerns about environmental impact.
- Companies must acknowledge that packaging is creating huge problems – post-consumer and downstream – and risk to the brand. Plastic packaging is a prime component of ocean gyre pollution, which harms marine animals and potentially human health. Recent studies estimate that **oceans will contain more plastic than fish by weight by 2050.**¹
- **In January 2018, the European Commission released a plastics policy [strategy](#) calling for packaging to be recyclable by 2030 – the same topic as this shareholder proposal.**
- KraftHeinz 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. In the past three years, **Colgate-Palmolive, PepsiCo, Procter & Gamble, and Unilever** all made public commitments to increase use of recyclable packaging.
- ***There is no evidence the company has a policy on reducing the environmental impacts of its packaging. It does not provide information on plans or goals to phase out non-recyclable packaging, or how to respond to the increasing presence of its products in ocean gyres.***
- ***This proposal received substantial support by Kraft shareholders in 2015 when 29% of shares voted supported it. In 2017, it received support of 13% from Kraft Heinz shareholders.***

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 requests 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

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>



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 KraftHeinz that are unnecessarily placing non-recyclable packaging onto the market when readily available recyclable alternatives exist.

Capri Sun

KraftHeinz's leading brand Capri Sun has been sold for more than 30 years in the U.S. market and is packaged in a laminate and foil pouch that cannot be recycled into new pouches and is rarely collected for recovery. The company does not disclose unit-based sales but we estimate that 1.6 billion juice pouches are sold annual in the U.S. and that 98% of these are landfilled⁴.

Likely thousands of tons of aluminum that could be recovered in a non-hybrid product like an aluminum can lie buried as discarded Capri Sun pouches in landfills. *If all Capri Sun pouches discarded annually in the U.S. were laid end to end, they would circle the earth nearly five times; they would also entirely cover the land area of both California and Texas.*

Capri-Sun could easily be dispensed in recyclable PET plastic or glass bottles, or aluminum cans as are Minute Maid, Juicy Juice, Tropicana and other juice drink brands. These materials are routinely accepted in most curbside recycling systems. HonestTea, a Coca-Cola brand which markets an Honest Kids children's juice product in direct competition with Capri Sun, has shifted about 40% of its product away from pouches to more recyclable aseptic cartons.⁵ Using non-recyclable packaging when recyclable alternatives are available wastes enormous amounts of valuable resources.

Designed to be Waste

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.⁶ “

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 US EPA 2012 Municipal Solid Waste Report, http://www.epa.gov/waste/nonhaz/municipal/pubs/2012_msw_fs.pdf

⁴ An estimated 225 million pouches of various brands have been collected for recovery via a Terracycle mail-back program over the last five years. It is unknown how many pouches were Capri Sun brands; even if they were all Kraft products, the collection figure is less than 2% of annual sales.

⁵ *Waste and Opportunity 2015: Environmental Progress and Challenges in Food, Beverage, and Consumer Goods Packaging*, As You Sow, http://www.asyousow.org/ays_report/waste-and-opportunity-2015/

⁶ <http://www.greenbiz.com/blog/2013/11/14/mcdonough-conversations-joy-and-cereal-boxes>



A January 2017 report from Ellen MacArthur Foundation, endorsed by the CEOs of Coca-Cola, Danone, Mars, PepsiCo and Procter & Gamble, among others, calls for a priority focus on finding recyclable alternatives to unrecyclable multi-material laminates like the Capri Sun pouch.⁷

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 from ocean pollution from degraded plastics. LCAs often don't include good data on the persistence or accumulation of plastics in the environment post-consumer, as the science in this area is still evolving. As a result it's not clear assessments can yet adequately assess risk if these materials end up in oceans, and cause harm to birds and fish.

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."⁸

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 recyclability⁹.

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.¹⁰

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 and its risk to the KraftHeinz brand. Plastic packaging clogs waterways, damages marine ecosystems, and impairs the marine food web. Management needs to acknowledge 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

⁷ <https://newplasticseconomy.org/>

⁸ <http://www.sustainability-in-packaging.com/waste-management-tom-carpenter.aspx>

⁹ Sustainability in Packaging conference, Orlando, FL, March 6, 2014

¹⁰ http://www.asyousow.org/ay_s_report/unfinished-business-the-case-for-extended-producer-responsibility-for-post-consumer-packaging/

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,¹¹ and potentially to human health.¹² **Food and beverage packaging and containers are among the top 5 items found on beaches and coastlines**¹³. Non-recyclable packaging is more likely to be littered than recyclable packaging¹⁴. 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.

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.

A 2015 study published in the journal *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.¹⁵

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]¹⁶

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 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 result from issues such as pollution of the marine environment or air pollution caused by incinerating plastic. It said better management of plastic could save consumer goods companies \$4 billion a year¹⁷

¹¹ http://water.epa.gov/type/oceb/marinedebris/md_impacts.cfm

¹² <http://www.epa.gov/region9/marine-debris/faq.html>

¹³ <http://www.oceanconservancy.org/our-work/marine-debris/check-out-our-latest-trash.html>

¹⁴ *Littering Behavior in America*, Keep America Beautiful, <http://www.kab.org/site/PageServer?pagename=LitterResearch2009>

¹⁵ 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>

¹⁶ 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>

¹⁷ 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>



Environmental groups are conducting brand [audits](#) publicizing the volumes of specific brand packaging found in waterways. This represents a risk to KraftHeinz brands, especially with no management plan for making non-recyclable plastic packaging recyclable.

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 bags¹⁸. 78 ordinances have been adopted bans on polystyrene foam take out packaging.¹⁹ 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 has become the first major retailer to commit to eliminate [plastic packaging](#) for all own brand products within five years to help end what it called "scourge" of plastic pollution.

KraftHeinz 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 soon followed with 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. 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." KraftHeinz does not have such a stated policy.²⁰

Response to company statement in opposition

As in the past, the company's statement in response to our proposal essentially ignores it. The statement is a three-page advertisement for the company's overall corporate social responsibility efforts. Less than 10% of the 1700 word response actually discusses packaging, and the one bullet point that does discuss it does not address the topic of this proposal -- assessing the environmental impacts of continuing to use non-recyclable brand packaging.

¹⁸ <http://www.cleanwateraction.org/ca/rethinkdisposable/banthebag>

¹⁹ <http://www.cleanwateraction.org/ca/rethinkdisposable/phaseoutfoam>

²⁰ <http://www.unilever.com/sustainable-living/wasteandpackaging/reduce-reuse-recycle>



Most fundamentally, there is no evidence the company has a policy focused on reducing the environmental impacts of its packaging. It 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 products in ocean gyres.

Conclusion

Shareholders and the company would benefit from the report requested by the proposal. Management has not provided information responsive to the key issues raised in the proposal:

- Policies to avoid materials waste and inefficiency represented by non-recyclable packaging, and
- A policy to respond to growing scientific data linking plastic packaging to threats to marine animals and potentially to human health.