Report

ELOPAK

Climate Savers – Annual Report 2009 Elopak

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Elopak Group – Annual CO2 Report

Elopak AS is a Norwegian based company providing packaging solutions for the world marked. Elopak manufacture and sell more than 12 billion beverage cartons annually in more than 100 countries worldwide. Through the partnership agreement with WWF, Elopak have committed to ambitious targets on fighting climate change and to ensure biodiversity. The Climate Savers programme fits well into Elopak operations and gives valuable support both internally and externally.

In 2008 we started on the dedicated journey to reduce our carbon footprint. A number of technical and organizational projects have been launched in order to meet the reduction target and at the same time improve our overall performance. In 2009 we reduced our absolute CO2[1] footprint by 2.5%. Compared to our production volume we have reduced CO2 emissions by 9.5%. More than 9000 tons CO2 emissions have been avoided in 2009 through the Elopak CO2 reduction program.

BASE LINE 2008

Elopak was admitted to the Climate Savers Program in 2008 and pledged to reduce its greenhouse gas emission by 15% by the end of 2011. Reduction achievements shall be measured and published in both absolute figures and relative to Elopak's production volume.

Principles and base year

Elopak's principle for reporting has been to include 100% data from all units to make an effort to reduce global emissions, not only emissions from units that are fully controlled by Elopak.

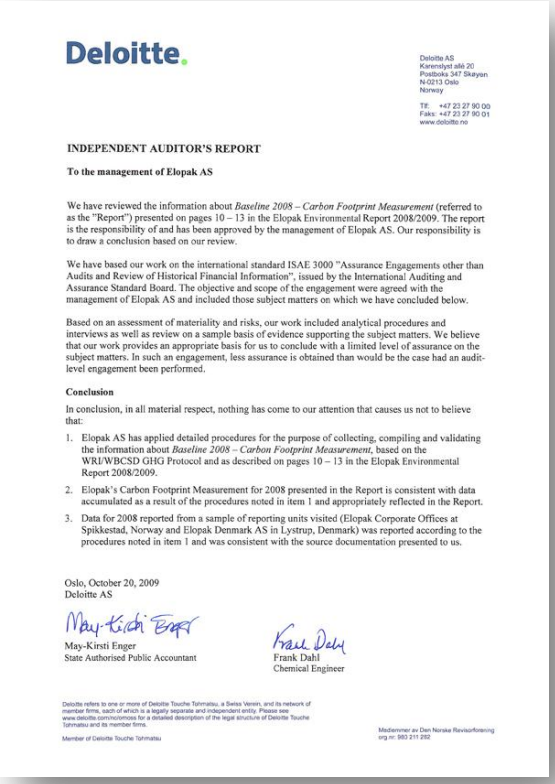
The emission inventory in 2008 amounted to 93 911 tons CO2e for all units 100% regardless of ownerships. Adjusted for ownership the base year (2008) amounted to 74 180 tons CO2e. All reporting from all operating units in Elopak are done on a monthly basis and covers 100% of our operational activity and is not adjusted for ownership.

What we measure and don't measure

All sources of energy (gas, electricity, oil and any other source of energy and own energy production) in scope 1 and 2, company travel by air, train and car in scope 3.
Emissions from transportation of goods to the company, between different parts of the company and also further to customers were not included in the base year.

[1] All CO2 figures are CO2e based on the conversion factors set by GHG.

Elopak has further stated that buying and selling of emission CO2-quotas is not part of the efforts to bring down the emissions.
So-called green energy is not a part of the measurement system unless the origin of the energy is known and documented.



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INDEPENDENT AUDITOR'S REPORT

To the management of Elopak AS

We have reviewed the information about *Baseline 2008 – Carbon Footprint Measurement* (referred to as the "Report") presented on pages 10 – 13 in the Elopak Environmental Report 2008/2009. The report is the responsibility of and has been approved by the management of Elopak AS. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits and Review of Historical Financial Information", issued by the International Auditing and Assurance Standard Board. The objective and scope of the engagement were agreed with the management of Elopak AS and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as review on a sample basis of evidence supporting the subject matters. We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusion

In conclusion, in all material respect, nothing has come to our attention that causes us not to believe that:

1. Elopak AS has applied detailed procedures for the purpose of collecting, compiling and validating the information about *Baseline 2008 – Carbon Footprint Measurement*, based on the WRI/WBCSD GHG Protocol and as described on pages 10 – 13 in the Elopak Environmental Report 2008/2009.
2. Elopak's Carbon Footprint Measurement for 2008 presented in the Report is consistent with data accumulated as a result of the procedures noted in item 1 and appropriately reflected in the Report.
3. Data for 2008 reported from a sample of reporting units visited (Elopak Corporate Offices at Spikkestad, Norway and Elopak Denmark AS in Lystrup, Denmark) was reported according to the procedures noted in item 1 and was consistent with the source documentation presented to us.

Oslo, October 20, 2009
Deloitte AS

May-Kirsti Enger
State Authorised Public Accountant

Frank Dahl
Chemical Engineer

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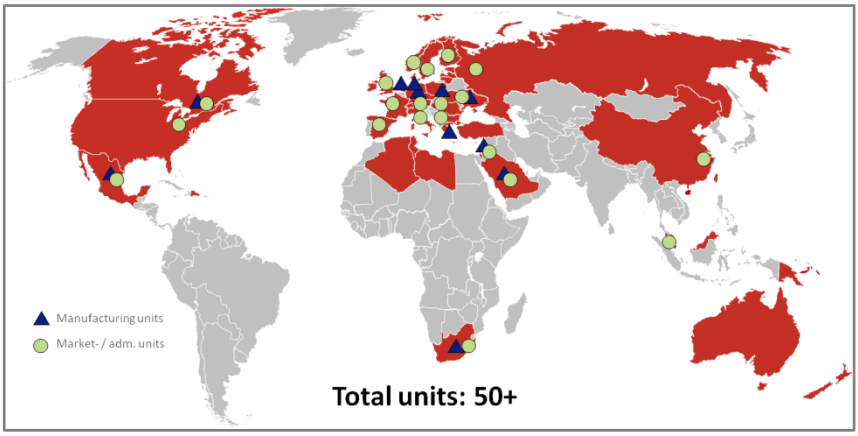
Auditing by Deloitte according to GHG.
The reporting is done according to the Green House Gas Protocol and the definitions of Scope 1, 2 and 3. Deloitte is engaged as auditor of the Elopak Environmental footprint measurement. System and site audits have taken place in April 2009 to verify that the basis year 2008 was correctly stated and also that the consolidation of all reporting units was done correctly to obtain a relevant inventory of the total Elopak Group. Interviews with relevant site experts were also conducted by auditor Deloitte to get relevant insight into specific measurements and processes for the data reporting.

Changes in baseline 2008.
Due to changes in the organization and divestments of several operational units, adjusting the baseline 2008 is done. All changes have been done following the Green House Gas protocol. Two of the adjustments have increased the amount of emissions. The reasons for these additions are that emission from consumption of natural gas in Ukraine that had substantial influence on the level of emissions was reported wrong. The other adjustment was contract manufacturing of cartons that we felt should be part of the basis year (and is counted for in 2009). The other adjustments have substantially decreased the emission level in the base year. Elopak has for strategic environmental reasons divested in two of its main plastic bottle production units – situated in Greece and in Saudi Arabia. Also a plastic bottle production in Poland is closed down and hence do not warrant reduction of the base year.

Revised baseline for 2008.
These adjustments brought the base year emission down to the level of 75 605 tons CO2e on a 100% basis and 61 227 tons CO2e with actual ownership taken into consideration.

MONTHLY MONITORING IN ELOPAK

Total number of reporting units exceeds 50 and is a combination of production units (11) and more than 40 sales- and administration units.



Elopak have implemented a reporting and consolidation system that is a subset of the Group's monthly financial reporting system. Hence all units, approximately fifty, are reporting monthly in connection with the financial data reporting. Elopak uses the same consolidation hierarchy and the data is "uploaded" through our controller network. The local controllers get the relevant data from dedicated personnel within the unit with technical, environmental and operational expertise.

Peer evaluation of production plants.

Each unit has its dedicated input scheme with relevant local conversion factors for calculation of the relevant emissions. The reporting system is designed according to the value generation chain in Elopak. In this way Elopak can monitor the status of emissions and the effect of launched activities to reduce emissions. In addition to reporting sources of emissions, energy, travel etc., Elopak is reporting additional parameters concerning waste, water consumption and other relevant production data that make us able to calculated i.e. carbon emission intensities and waste in production. This monitoring system also gives Elopak a possibility for peer evaluations among its manufacturing units to arrive at a "golden standard" and to share industrial experiences in the process of reducing CO2 emissions.

CO2 PROGRAMS IN 2009

Based on the 15% CO2 cut target, a number of programs were launched in 2008 and 2009. Among the most important programs are:

- Employee engagement
  - All Elopak sites visited by CEO to inform and motivate employees. Information material published for how to cut CO2 at home and at work.
- Bonus programs
  - The Group's total inventory, reduction goals and progress on CO2 reductions are split on all members of the Executive Committee and are followed up in monthly meeting. Achievement of CO2 reductions goals is included in the bonus program for the top management and also further down in the hierarchy to key personnel.
- Energy audit programs
  - Production sites conducted energy audits to actually reduce energy consumption. Resulting in numerous changes from heavy investments to change of light bulbs.
- Monthly CO2 measurement and reporting
  - Implemented the joint financial and environment reporting system for monthly tracking of CO2.
- Production efficiency vs. CO2 efficiency
  - Production sites to evaluate CO2 effect of production changes.
- Travel less
  - 15% travel less target set for the entire organization. Increased use of video conference.
- Green investments
  - Investment in new machinery and production equipment to reduce energy consumption.
- Green divestments
  - As part of the CO2 reduction program several strategic decisions has been taken and implemented. These actions primarily mean concentration on our core products and competence – carton production and divestment in non-core products and activities. These divestments have resulted in closing and or selling units occupied with plastic bottle production. Plastic bottle units in Greece and Saudi Arabia have been divested. The plastic bottle production in Poland is closed down. Hence the divested or closed down plastic bottle units have stopped recording CO2 emissions and their data are removed from all periods in question.

RESULTS 2009 – ON OUR WAY TO CUT 15% CO2

The Elopak organization consists of both 100% owned subsidiaries and JVs. We have chosen to set the target of 15% CO2 for the entire group – regardless of ownership. In order to analyze our achievements and key areas for improvement we have divided the CO2 figures into "Elopak Core" and "Elopak Rest".

Elopak Group results 2009

The Elopak Group's emission results for the first year shows a 9% reduction in carbon intensity. This represent an absolute reduction of 2,5 % or 1 861 tons CO2e, and has to be compared to a 8% increase in production of Elopak's core product, namely cartons.

		Absolute				Relative - Emission Intensity			
		2008	2009	Change	% change	2008	2009	Change	% change
Elopak Group Total	100 %	75 606	73 746	- 1 861	97,5 %	6,45	5,85	- 0,61	90,6 %
Elopak Core	100 %	48 401	45 396	- 3 005	93,8 %	6,02	5,20	- 0,82	86,4 %
Elopak Rest	100 %	27 205	28 350	1 144	104,2 %	7,42	7,30	- 0,12	98,4 %

Elopak core result 2009 (100% owned)

Elopak subsidiaries fully owned and controlled by Elopak show both an absolute reduction in emission of 3 000 tons CO2 or 6% as well as the relative reduction of 14%.

Elopak rest (Joint ventures)

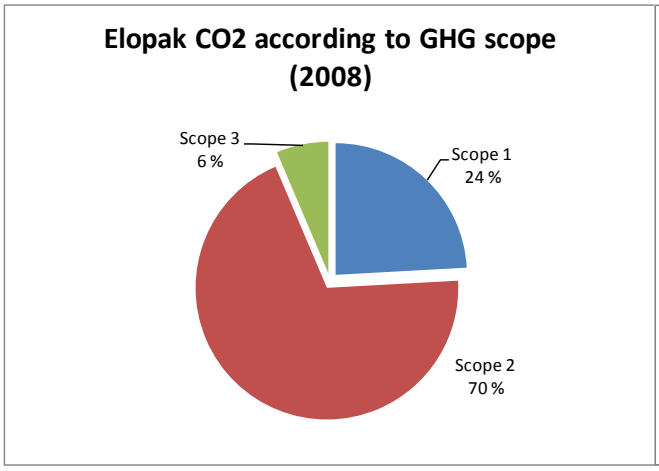
The JV operations in Elopak have a 4,2% absolute increase and a 1.6% relative decrease in CO2 emissions. This fact leads to conclusion that more focus will be put on operational reductions in part owned units and not only through the representation in the board of directors. It is Elopak's aim to proliferate experience from emission reduction activities in 100% owned entities to part owned entities.

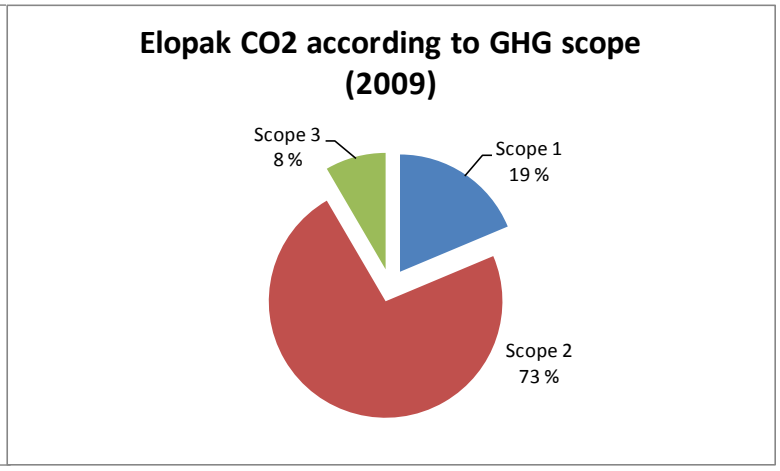
Another observation from the first year of reduction activities is that the picture of absolute emissions differs substantially between different units, especially production units. These differences depend partly on product mix, partly on which geographic energy grid they are taking their electricity and partly on change in production activity.

CO2 by GHG scope

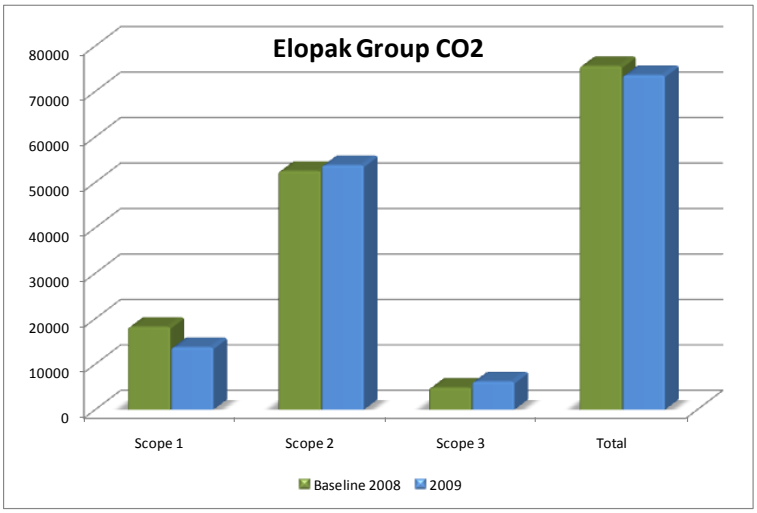
The CO2 emissions and results are reported and measured according to the scopes set by GHG. Our focus have been to reduce CO2 stemming from scope 1 and scope 2 with somewhat lesser focus on Scope 3 except for travelling and VOC[2]. We can see a reduction in CO2 in scope 1 due to the focus on energy production in our fully owned production plants. Scope 2 still counts for about 75% of the group CO2 emissions.

[2] VOC = Volatile Organic Compounds





Looking at the development from 2008 to 2009 the development is positive for scope 1. Scope 3 is for the time being rather low in total numbers and as we are constantly refining the reporting tools the actual numbers – and CO2 – will increase due more precise reporting.



		Elopak Group	ELOPAK CORE	ELOPAK REST
Scope 1	2008	18 244	15 126	3 119
Scope 2	2008	52 521	28 690	23 832
Scope 3	2008	4 840	4 585	255
TOTAL	2008	75 606	48 401	27 205
Scope 1	2009	13 760	10 682	3 078
Scope 2	2009	53 792	28 734	25 057
Scope 3	2009	6 194	5 979	215
TOTAL	2009	73 746	45 396	28 350
Scope 1	08->09	- 4 485	- 4 444	- 41
Scope 2	08->09	1 270	44	1 226
Scope 3	08->09	1 354	1 394	- 41
TOTAL	08->09	- 1 861	- 3 005	1 144
Scope 1	08->09	75 %	71 %	99 %
Scope 2	08->09	102 %	100 %	105 %
Scope 3	08->09	128 %	130 %	84 %
TOTAL	08->09	98 %	94 %	104 %

CONCLUSIONS AND CO2 SAVINGS

The overall progress to reach the 15% CO2 reduction target set in the WWF Climate savers agreement is good. We have reduced CO2 by 9% relative to our production volume. Compared to absolute tons of CO2 emissions we have reduced by 2,5% and at the same time increased production by 8%. And we can see from the split between "Elopak core" and "Elopak rest" that the main activity of manufacturing beverage cartons packaging reduced CO2 by 14% relative to production and 6% in absolute tons.

The omitted CO2 from Elopak can be calculated by using the Carbon Intensity[3] as set by the Carbon Disclosure Project[4].

Tons CO2 saved		CO2 Actual	W/O Co2 cut programs	Saving CO2	% compared to 2008
	2008	75 606	75 606	-	-
	2009	73 746	83 044	9 298	11 %
	FC 2010	71 166	85 564	14 398	17 %

Due to the combination of reduced CO2 and compared to 2008 we have in 2009 omitted 9298 tons of CO2 emissions after we started the CO2 cut programs. The forecast for 2010 is 14 400 tons CO2 omitted.

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Elopak HQ
Oslo, May 11th 2010.

Sveinar Kildal
Director Environment

[3] Defined as: Gross amount CO2 divided by gross production carton volume.
[4] www.cdproject.org