



MARKENVERBAND



BRANDS: A LABEL FOR SUSTAINABILITY

MARKENVERBAND, founded in 1903, is the leading organisation representing the German branded goods and branded services industry and is the largest association of its type in Europe. It has a mandate from around 400 highly regarded branded companies active across sectors of all sizes and types. These companies represent a turnover of around 500 billion euros and more than 1.5 million jobs in Germany.

MARKENVERBAND provides companies, policy-makers and the general public with first-hand knowledge of brands and represents the interests of its members at national and European level. In Berlin and Brussels, it uses its international networks, for instance as an active member of the European umbrella organisation, the European Brands Association (AIM).

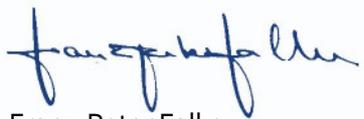
Dear Sir or Madam!

The model of sustainable business management and development of ecologically responsible products is closely entwined with the concept of brands. For us as brand manufacturers, sustainability has never been a fair-weather phenomenon. Sustainability is and always has been a cornerstone of the philosophy underpinning brands.

With climate change and possible changes to our living conditions, our society faces enormous challenges. At the same time, sustainability is increasingly becoming an important competition factor, given that efficient use of energy and raw materials is also a matter of economic common sense. In addition, ecologically forward-looking products are valued by and in demand among consumers.

The brand is what gives a sustainably produced consumer good or service its unmistakable form. The brand offers the consumer an orientation, since it stands for particularly strict standards of sustainable business. In this way, we as committed brand manufacturers make an important contribution to managing the challenges of the future.

I hope that you find our positions interesting and useful.



Franz-Peter Falke
President

Executive Summary

Sustainability has always been a component of the brand promise and has led to an enormous range of environmental protection initiatives; as trendsetters, brands communicate values of ecological sustainability – the examples described in the text provide information. The consumer rewards the ecological added value of products; in so doing, he helps to form an increasingly environmentally conscious society which lives sustainably.

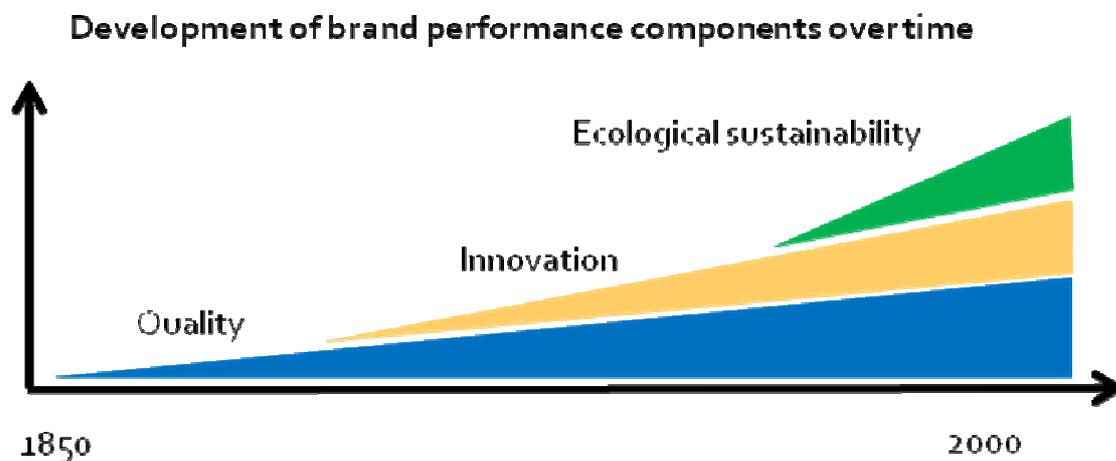
Environmental and climate protection need a transparent regulatory framework but not detailed rules. *Markenverband* urges the legislator to give companies and consumers a maximum of freedom and individual responsibility. In concrete terms, brand manufacturers call for:

- globally harmonised emission trading as a central instrument for climate protection
- consistent protection of intellectual property, including for environmental technologies
- a holistic recycling society with recovery of all valuable substances from waste
- a clear distancing of policy-makers from inexact and hastily introduced compulsory labels.

Brand manufacturers set an example for individual responsibility. This sense of responsibility leads them to set benchmarks – not only for the products themselves but also in the entire production process through to recycling.

For more than 150 years, brands have assumed a particular responsibility: they are economically geared to long-term success, they are socially committed to their employees and region, and they exhibit a concern for environmental and climate protection. Brands have traditionally played a pioneering role – the particular consumer trust is only justified by leadership in terms of quality, innovation, and responsibility for environment and society. Companies underwrite this trust with their brands.

Since their inception, brands have stood for a better product. The additional lead in the field of environmental protection and ecology builds on the philosophy of leadership and responsibility typical of the brands industry. *Sustainability* as a competitive advantage is inconceivable without brand businesses simultaneously delivering innovative products of high quality.



Sustainable behaviour is rightly moving more and more into the focus of society's perceptions. In this regard, sustainability has long been defined as an equal balance between three elements: economic well-being, social justice and responsible interaction with nature. An orientation on these objectives will fundamentally determine the economic and social future of our society.

Many examples demonstrate that brand manufacturers have a long-standing commitment to these objectives. For instance, Villeroy & Boch introduced social insurance for its workers as well as sustainable forestry management as long ago as the mid-19th century. Today, raw materials are recovered from waste water, using sometimes expensive processes. Dr. Oetker has been supporting social institutions which promote education of children and young people for more than 40 years. Hipp-Werke has been covering its energy needs entirely from biomass for years. Bosch-Siemens-Hausgeräte (BSH) collects old fridges in Brazilian shanty towns and replaces them with new ones free of charge. In this way, BSH improves the aggregate energy efficiency of fridges in use, and can process the climate-warming HCFC substitute hydrofluorocarbon (HFC) and convert it into tradable CO₂ equivalents. Comparable activities can be found in virtually all companies whose business is built on brands.

Long-term business success is today based more than ever on ecologically responsible behaviour. The claims of the environment and the use of natural resources as a production factor now have a direct influence on the business result. This explains why the aspects of recycling and lifecycle planning are increasingly important for the brands industry.

Making branded products and packaging ecologically sustainable

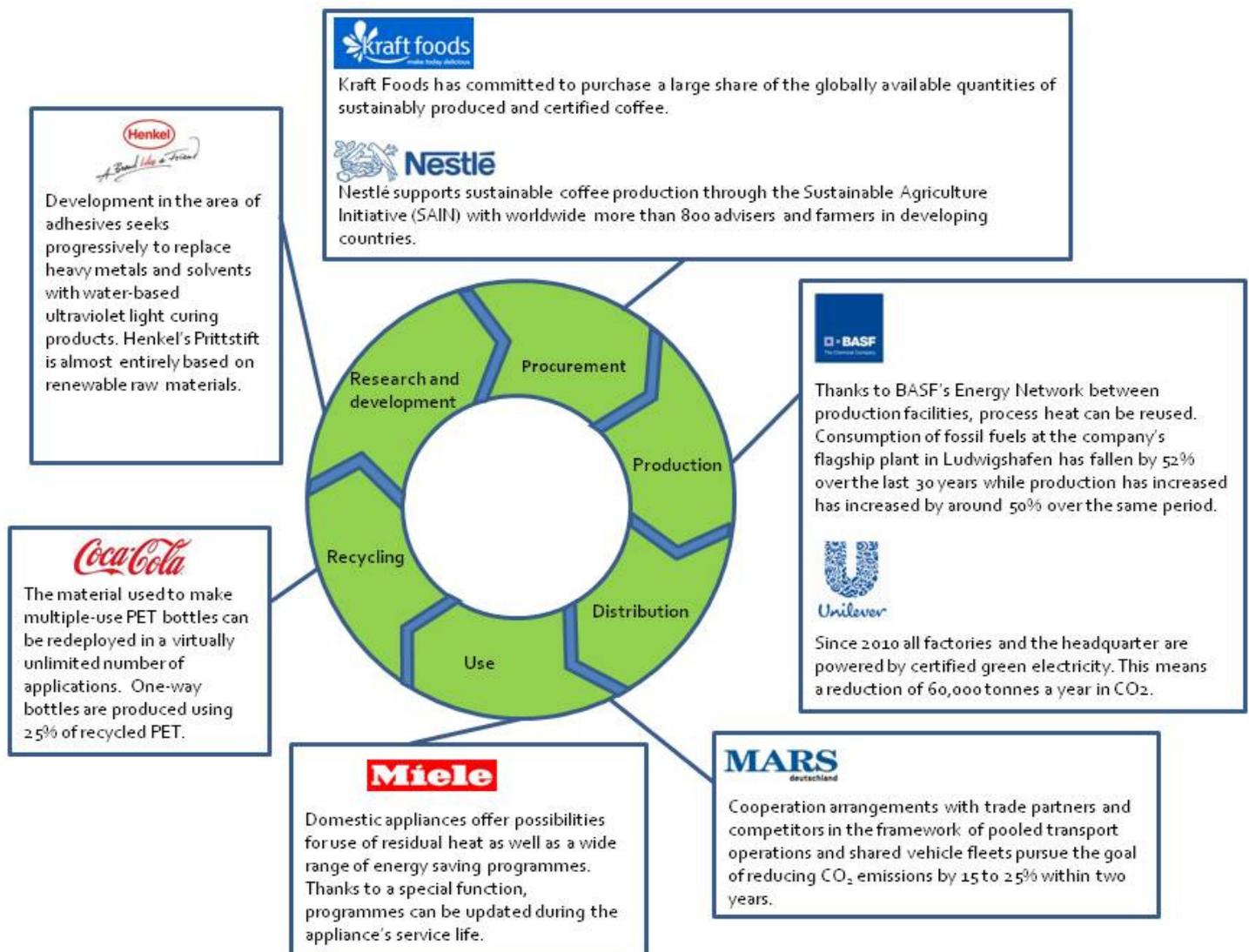
For brand manufacturers, sustainable product responsibility means more than just developing and marketing environment-friendly goods. This responsibility also encompasses processing residues and packaging, and reusing them as raw materials. Recycling must in future embrace all secondary raw materials (previously known as “waste”) – these must remain in the production cycle as raw materials. Waste incineration without heat recovery or landfill of waste must become a thing of the past. In this context, the consumer has a key role to play through careful waste separation in the home.

The most efficient and in the long term the only sustainable way to organise the recycling economy is through the market and competition. The European waste framework directive, the recycling economy law and the packaging decree must take account of the idea of a market which is as free as possible with clear and unambiguous rules. *Markenverband* expressly endorses the model of waste management organisation based on the private sector with a view to a holistic recycling economy.

A clear regulatory framework means leaving product manufacturers sufficient room to engage in responsible, innovative and sustainable business. We as brand manufacturers know that voluntary promotion of ecological improvements will be valued and rewarded by consumers. In other words, businesses need space to deploy their own initiatives – not rigid state-imposed requirements.

Sustainability beyond the value creation chain and the product lifecycle

Doing business in a sustainable manner involves a holistic view of products: ecological responsibility starts with research and development. The process ends with reuse of valuable resources from product residues and their packaging at the end of their lifecycle. Examples show how diverse individual sustainability innovations can be.



Brand manufacturers are leaders in matters of ecological sustainability. See the appendix for further examples.

An economically effective and ecologically efficient raw materials cycle needs the consumer. Only through separation of valuable resources by households is it possible to generate a supply of technically recoverable and marketable materials for reuse. Household disposal in a single bin which also contains wet residual waste is not a solution because separation is then not technically feasible.

Economic growth and climate change

Brand manufacturers endorse the goal of decoupling growth and CO₂ emissions. They are willing to act on their conviction. Businesses are committed to reducing CO₂ emissions over the long term and in a sustainable manner. A thoroughly sensible instrument is emission trading, so that incentives for the making profits and climate protection do not cancel each other out. However, this can only function on the basis of a fair, transparent and internationally uniform set of rules which create a level playing field. National or local interests must not lead to distorting burdens due to different yardsticks or protectionism. "Carbon leakage" and "job leakage", i.e. relocation of production to regions without or with less stringent climate protection provisions jeopardise the entire system, to the detriment of the climate.

For effective climate protection worldwide, all large emitters and industries must be involved. A new climate protection regime as a successor to the Kyoto protocol will have to define smart conditions for establishing the latest climate protection technology. In this regard, the principles of competition and protection of intellectual property must not be sacrificed. Companies will only invest if they can see a prospect of an appropriate reward for their know-how and innovations.

Product labels are no panacea

One instrument for CO₂ reduction currently under discussion in some countries is product labelling, in order to give consumers an additional criterion to inform their decisions. In general terms, product labelling must be transparent, open, scientifically based and, above all, free of discrimination. For this reason, it is important to warn against a one-size-fits-all CO₂ label: reducing climate-relevant emissions throughout a value creation chain to a single value can send the wrong signals and will not automatically lead to real CO₂ reductions. Even in an eco-assessment, CO₂ emissions are just one in a series of criteria; they reflect only a partial aspect of real environmental impacts. An identical fridge could be awarded a perceptibly more favourable CO₂ label in France than in Germany. Although the electricity consumption is identical, French electricity exhibits lower CO₂ values per kilowatt hour as a result of the high share of nuclear energy.

Similarly, methods for calculating product carbon footprints (PCF) are not yet fully developed and can lead to wrong decisions. Hence, PCF cannot serve as a reliable instrument for product labelling and consumer information. Eco-labels such as “Euro-Blume” or “Blauer Engel” represent unduly stark simplifications of the complex issues surrounding environment-friendly product performance. This means that consumers have no guarantee of their effectiveness; a direct reduction of environmental aspects cannot be expected.

If the legislator wants to pursue introduction of an ecological label despite self-commitments by manufacturers and once methodological inadequacies have been ironed out, this labelling obligation must be internationally uniform as well as transparent, open and discrimination-free. In any event, *Markenverband* warns against an overhasty statutory obligation to display labels.

Sustainability pays off – a brand offers guarantees

Brands today stand for sustainability – alongside their well-known quality and innovative strength. *Markenverband's* member companies have been working responsibly for the environment over many years – out of conviction and tradition. Careful use of resources also makes good business sense. But one thing is certain above all: sustainability underwritten by a brand pays off, and offers the consumer a guarantee for environmentally aware consumption.

Appendix

Ecologically sustainable products from brand manufacturers:



The technology business SCHOTT offers eco-glass varieties in many product fields. For instance, in the area of Home Tech, it markets the first and to date only glass-ceramic hob worldwide under the familiar CERAN® brand, manufactured without using the poisonous heavy metals arsenic and antimony. When it comes to processes, SCHOTT manages to extract more than 99.5% of dust from melting tank exhaust gases. Since 1990, nitrogen oxide emissions have shrunk by 75%, the specific energy consumption per tonne of glass has been cut by more than one quarter, and the use of fresh water has been reduced by over 80% thanks to recycling measures. In addition, 98% of waste glass is reused.



The family business Dr. Oetker has sustainably reduced energy consumption in pizza production by 8% in the last three years thanks to innovative process technology and targeted energy management. Via the Dr. Oetker Food-Standard, suppliers are also obliged to treat animals in a humane fashion – for food production that is as compatible as possible with the needs of animals. For instance, this includes demonstrating that all tuna has been caught in a dolphin-friendly way. Broadly speaking, Dr. Oetker regards statutory environmental provisions merely as minimum requirements, and the entire product lifecycle from development through to waste management is taken into account.



For Lipton Yellow Label tea bags for Europe, Unilever uses only tea from farms which have been certified for sustainable cultivation by the Rainforest Alliance. Starting in 2015 gilt this self-commitment will apply worldwide. Unilever has also undertaken to use only sustainably grown palm oil from certified plantations in foodstuffs and body care products, also with effect from 2015. For sustainably produced palm oil, the Round Table on Sustainable Palm Oil was established in 2004, jointly with plantation owners, traders, other industrial concerns and non-governmental organisations.



With the textile fill fibres Paradies Biofill, a natural, sustainable alternative to traditional bedding fillers using polyester fibres has been developed. The filler fibres used for Biofill consist of vegetable starch transformed in a straightforward fermentation process into a polymer called polylactide (PLA). In other words, the synthesised textile fill fibres are based entirely on vegetable raw materials which are regenerated in each year's crop. The Paradies Biofill filling offers resilient padding, warmth and good moisture transport for a pleasant sleeping experience.



The plastic components of the Ecoline permanent markers edding 21 and 22 as well as the board markers edding 28 and 29 comprise at least 90% recycled material. The fibres used in the filter for the highlighter edding 24 will in future consist of recycled material. Furthermore, edding will shortly be extending the colour range of the edding 24 to include the shades Eco Green and Eco Red-Violet. Both shades use an ink made on a natural and renewable basis.



The company's core product, the high-pressure cleaner, shows that innovation and environmental protection can combine in a single entity. As compared with cleaning using a garden hose, up to 80% water can be saved with a much better cleaning performance. The patented jet technology makes the best possible use of the energy input; thanks to an up to 50% shorter cleaning time, water and electricity consumption are considerably reduced. Professional hot-water high-pressure cleaners incorporate an eco-function which brings down oil consumption by up to 30%.



Bayer MaterialScience uses the potential of carbon nanotubes (Baytubes®) for extremely stable and at the same time light materials. Incorporated in new plastics, Baytubes® make it possible to produce longer rotor blades for more efficient and more effective wind turbines which can produce electricity even at low wind speeds. Other applications for nanotubes include the areas of energy storage and energy supply. For instance, with their high electrical conductivity and small size, they can markedly improve the performance of lithium ion batteries or fuel cells – e.g. for electrically driven cars.



For Henkell & Co. Sektellerei KG, reducing water consumption is a central environmental goal. Thanks to multiple use of water resources, consumption in the company's historic cellars in Wiesbaden Biebrich has been reduced by 13.7% over the last three years. In addition, the photovoltaic installation on the production site – the largest in Wiesbaden– was connected to the electricity grid in 2008. With Carstens SC Jahrgangssekt made from biologically grown grapes, the company has placed the first branded biological sparkling wine on the market.



Wrigley has managed to save large amounts of packaging material in recent years – partly thanks to the development of chewing gum packs which are produced using 50% less plastic than in the past. On its own, the packaging optimisation for Orbit chewing gum strips planned for February 2010 will save a further 300 tonnes of paper a year and will result in savings of around 900 tonnes of CO₂. The prevailing principle in the production facility in Poznan (Poland) is "100% recycling", in other words residual waste has been reduced to zero.



Ritter Sport is working in Nicaragua for protection of tropical rain forests and better living conditions for small-scale cocoa growers. CACAONICA is the name of the partnership-based cocoa cultivation project initiated in Waslala in 1990. Ritter Sport covers 30% of its electricity needs for production in Germany from its own environment-friendly combined heating and power station. The introduction of Ritter Sport Bio-Schokolade in 2008 reflects the company's environmental commitment. There are now five different varieties in award-winning quality.



Over recent years, the home appliances of BSH Bosch und Siemens Hausgeräte GmbH have become increasingly economical. 90 percent of the environmental impact occurring over a home appliance's lifetime is attributable to the usage phase. This is why the development of resource-conserving products is BSH's most sustainable contribution to environmental and climate protection. BSH's best appliances use up to 55 percent less water and up to 74 % less energy than comparable products from 15 years ago.

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